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INTELLECTUAL PROPERTY RIGHTS AND INTERNATIONAL TRADE: AN OVERVIEW OF U.S. CUSTOMS AND BORDER PROTECTION'S ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

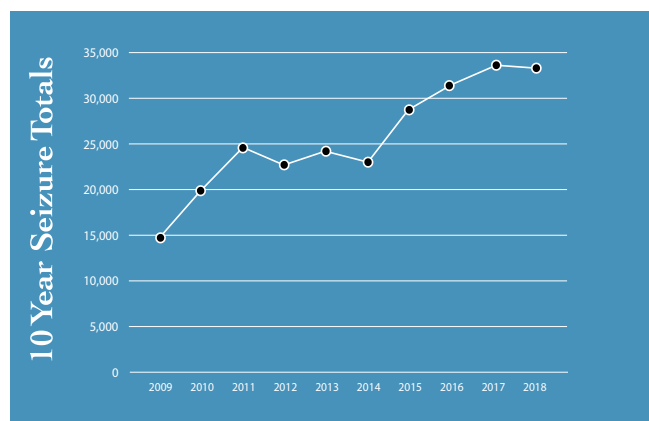
I. INTRODUCTION

On January 24, 2020, The Wall Street Journal reported:¹

The Trump administration is moving to curb the sale of imported counterfeit goods over the internet, warning electronic commerce platforms and warehouse operators of greater scrutiny and penalties if they don't help ferret out fakes.

The Department of Homeland Security is set to release a report Friday outlining its immediate actions and longer-term goals for enlisting e-commerce players to combat counterfeit products that officials say undermine U.S. technology and manufacturing, harm bricks-and-mortar retailers and endanger consumers.

The new initiative, led by U.S. Customs and Border Protection and the White House,² comes the same month as an initial trade agreement with China that requires Beijing to take steps against counterfeiters or risk enforcement actions that could trigger new tariffs.



Source: U.S. Customs and Border Protection, "Intellectual Property Rights: Fiscal Year 2018 Seizure Statistics" (August 2019) https://www.cbp.gov/sites/default/files/assets/documents/2019-Aug/IPR_Annual-Report-FY-2018.pdf



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Intellectual property theft is a widespread commercial concern³ affecting international trade,⁴ national security,⁵ and public safety.⁶ United States (US) Customs and Border Protection (CBP) seizures of imported merchandise⁷ that violate intellectual property rights (IPR) are on the rise.⁸ The incidence of infringing merchandise at US borders has increased from 3,244 seizures in 2000 to 33,810 in 2018, according to the US Department of Homeland Security data.⁹

This article provides an overview of US and international IPR law from the standpoint of IPR owners¹⁰ and importers, describes the measures necessary for registration and enforcement of IP rights at the US border, and outlines common issues that arise in enforcement proceedings involving counterfeit and infringing merchandise. This article also summarizes the issues facing intellectual property owners and importers when allegedly counterfeit and pirated merchandise is seized by the government, either in an administrative proceeding brought by CBP or in a criminal proceeding by the US Justice Department. In short, this article facilitates a general understanding of IPR, how to protect IPR, and how to report and prevent infringement.¹¹

II. IPR ENFORCEMENT AGAINST IMPORTATION OF COUNTERFEIT AND INFRINGING MERCHANDISE

Intellectual property comes in many forms, but those of greatest interest to importers and IP owners seeking to exclude counterfeit and infringing merchandise at the US border are trademarks and trade names, copyrights, and patents. This section covers the enforcement against infringement of such items.

A. Trademarks and Trade Names

CBP recognizes three levels of infringement in its enforcement of trademarks: counterfeit marks, confusingly similar marks, and restricted gray market merchandise, i.e., parallel imports.¹²

1. Counterfeit Marks

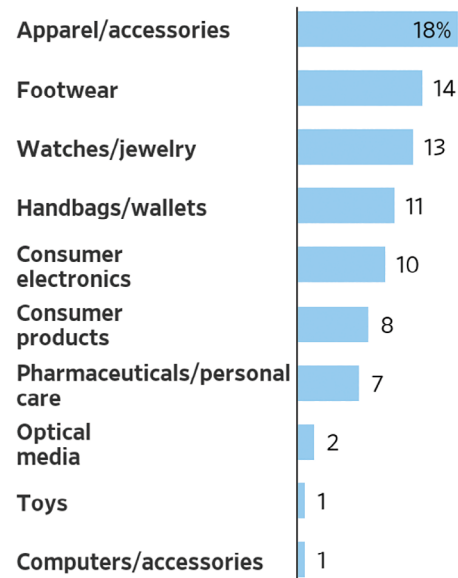
Under section 45 of the Federal Trademark Act of 1946, as amended (the Lanham Act), 15 U.S.C. § 1127, a counterfeit mark is a spurious mark that is identical to, or substantially indistinguishable from, a federally registered trademark. Merchandise imported with counterfeit marks that are registered trademarks and recorded with CBP is subject to seizure followed by the institution of forfeiture proceedings.¹³ The statutory language is mandatory: such merchandise “shall” be seized and, absent the trademark owner’s written consent to import the merchandise, forfeited, for violation of customs laws.¹⁴

After forfeiture, CBP customarily destroys counterfeit merchandise. But if the merchandise is safe, poses no health hazard, and the trademark owner consents, then CBP may “obliterate” the counterfeit mark where feasible and dispose of the seized merchandise by turning over the merchandise to any federal, state, or local government agency, donating the merchandise to a charitable institution, or selling the merchandise at public auction, provided that more than ninety days have passed since the date of forfeiture and no agency or charitable institution needs such merchandise. CBP may impose a civil fine against any person who directs, assists financially or otherwise, or aids and abets the importation of merchandise bearing a counterfeit mark.¹⁵

Merchandise bearing a registered trademark that is not recorded with CBP, by contrast, is subject to seizure “where administratively feasible and appropriate.” That is, CBP is authorized, but not statutorily required, to seize merchandise bearing a mark that is a counterfeit of a federally registered trademark that is not recorded with CBP.¹⁶

Knockoffs Knocked Out

Annual seizures* by category, FY 2018



* As a percentage of total seizures. Fiscal year ends Sept. 30.

Source: U.S. Customs and Border Protection

2. Copying or Simulating Marks

A mark or trade name is one that so resembles a recorded mark or name as to be likely to cause the public to associate the copying or simulating mark or name with the recorded mark or name.¹⁷ Merchandise bearing a copying or simulating mark is subject to detention and seizure.¹⁸ Such merchandise is also denied entry and detained for thirty days from the date when it is presented for examination by CBP, during which time the importer has an opportunity to establish that any of the circumstances described in 19 C.F.R. § 133.22(c) are applicable, e.g., the accused mark is removed or obliterated as a condition to entry, or the recordant gives written consent to the importation.¹⁹ If the importer has not obtained release of the merchandise within the thirty-day detention period, then the merchandise is seized and forfeiture proceedings instituted. Imported merchandise or packaging in which trademark or trade name violations are involved may be seized and forfeited under 19 U.S.C. § 1595a(c)(2)(C) and 19 C.F.R. § 133.22(f). But merchandise bearing a mark that is confusingly similar to a trademark registered with the US Patent and Trademark Office (USPTO), but which is not recorded with CBP, is not subject to detention or seizure.

3. *Restricted Gray Market Articles (“Parallel Imports”)*

Gray market merchandise is merchandise manufactured abroad bearing a genuine trademark or trade name that is identical to, or substantially indistinguishable from, one owned and recorded by an American citizen or US business that is imported into the US without the authorization of the US trademark owner. Gray market merchandise is a genuine product bearing a trademark or trade name that has been applied with the approval of the owner for use in a foreign country. Only trademarks and trade names that are recorded with CBP are entitled to gray market protection.²⁰ Gray market protection takes effect on the date of recordation with CBP, and is limited to instances where the US and foreign trademarks are not owned by the same person, and the US and foreign trademark owners are not a parent or subsidiary, or otherwise subject to common ownership or control. “Common ownership” means individual or aggregate ownership of more than fifty percent of the business entity. “Common control” means effective control in policy and operations.²¹

If a trademark or trade name meets the criteria for gray market protection, then foreign-made products bearing the protected mark or name that are imported into the US will be detained under 19 C.F.R. §§ 133.23 and 133.25, except as provided in 19 C.F.R. § 133.23(b), and are subject to potential seizure and forfeiture under 19 U.S.C. § 1526(b).²²

B. Copyrights

CBP can detain or seize piratical copies of protected copyrighted works. “Piratical copies” are identical or substantially similar copies of a registered copyrighted work that are produced and imported without authorization from the copyright owner.²³ While copyright protection exists the moment a work is fixed in any tangible medium of expression, CBP focuses its enforcement of copyrighted works that have been recorded with the agency. CBP only records claims to copyrights that are registered with the US Copyright Office.²⁴

Copyright law prevents the copying of a copyrighted work in any medium. The determination of copyright piracy is based on whether an average observer would recognize the alleged infringement as a copy of the copyrighted work.²⁵ That requires a plaintiff to prove access to the copyrighted work and a substantial similarity between the works,²⁶ not only as between general ideas, but also as between the expressions of those ideas.²⁷ Access to the copyrighted work may be presumed without direct evidence that the importer had an

opportunity to view the copyrighted work. The substantial similarities between the works may be so striking as to preclude the possibility that they were created independently.²⁸ CBP regulations provide for the possibility of border enforcement action to enforce the Copyright Act of 1976 where the suspect work is clearly or possibly piratical.²⁹

1. *Clearly Piratical*

“Clearly piratical” is defined by CBP as overwhelming and substantial similarity between the copyrighted elements of the protected work and the suspect item so as to clearly indicate that latter is based on the former.³⁰ Imported merchandise constituting “clearly piratical” copies of a federally registered copyright recorded with CBP is subject to seizure and forfeiture under 19 U.S.C. § 1595a(c)(2)(C) for a violation of 17 U.S.C. § 602, as implemented by 19 C.F.R. § 133.42.³¹ If administratively feasible and appropriate, the agency has the discretion to seize piratical merchandise on the grounds that it is clearly piratical, even if the copyright has not been recorded.³²

2. *Possibly Piratical*

“Possibly piratical” is merchandise as to which CBP has “reasonable suspicion” to believe is piratical of copyrighted works recorded with CBP.³³ In such cases, possibly piratical copies “shall” be detained.³⁴ If such merchandise is determined to be piratical, then it may be seized and forfeited under 19 U.S.C. § 1595a(c)(2)(C) for a violation of 17 U.S.C. § 602.³⁵

3. *Digital Millennium Copyright Act*

The Digital Millennium Copyright Act (DMCA)³⁶ prohibits gaining unauthorized access to a copyrighted work by circumventing a technological protection measure put in place by the copyright owner that is designed to control access to the copyrighted work.³⁷ Section 1201(a)(2) of Title 17 prohibits the manufacture or importation of devices, the provision of services, or trafficking in any technology, product, service, device, component, or part thereof, that circumvents technological measures that effectively control access to a work.³⁸ To violate section 1201(a)(2), the suspect technology, service, device, or product must: (1) be primarily designed or produced for the purpose of circumventing such technological measures; (2) have only limited commercially significant purpose or use other than to circumvent such measures; or (3) be marketed by the defendant or another acting in concert with that person’s knowledge for use in circumventing a technological measure.³⁹ Where CBP determines a device violates the DMCA, such device is subject to seizure and forfeiture under 19 U.S.C. § 1595a(c)(2)(C) for a violation of 17 U.S.C. § 1201.⁴⁰

C. Exclusion Orders

Section 337 of the Tariff Act prohibits unfair methods of competition and unfair practices in the importation or sale of merchandise, the effect or tendency of which is to destroy, substantially injure, or prevent the establishment of an efficiently and economically operated US industry, or to restrain or monopolize trade and commerce in the US.⁴¹ Section 337 also prohibits the importation of merchandise that infringes upon a US patent, registered trademark, copyright, or mask work.⁴² Subsequent to an investigation of an alleged violation under section 337, where the US International Trade Commission (ITC) determines that section 337 has been violated, the ITC will issue an order directing the Secretary of the Treasury to exclude the relevant merchandise from entry into the US.⁴³ The ITC may also issue seizure and forfeiture orders against specific importers where, after previously having had merchandise denied entry under an exclusion order and having been notified by CBP that seizure and forfeiture could result from future attempted entries of such merchandise, the importer attempts a subsequent importation of the same or similar merchandise which is the subject of the exclusion order.⁴⁴ Once a seizure and forfeiture notice has been issued, importation of the subject merchandise by the identified importer is subject to forfeiture under 19 U.S.C. § 1337(i), as implemented by 19 C.F.R. § 12.39(c).⁴⁵

1. Patents

Unlike trademarks and copyrights, patents registered with the USPTO may not be recorded with CBP. Thus, CBP's action as to patents is limited to the enforcement of ITC exclusion orders. In that regard, and upon written request from an importer or interested party, CBP may issue rulings under 19 C.F.R. part 177 as to whether prospective importations fall within the scope of an exclusion order issued by the ITC.

2. Design Patents

Design patents, which are frequently encountered at the border in the form of automobile grilles, wheel rims, and other parts in the original equipment manufacturer (OEM) market, are also enforceable by means of a section 337 action. The test for design patent infringement does not require the accused design to reproduce all elements of the patented design,⁴⁶ and a colorable imitation is sufficient to establish the infringement of a design patent.⁴⁷ But proof of infringement requires an assessment of the prior art in addition to evidence, not mere assertions, regarding the extent of consumer awareness associated with a particular design.⁴⁸ Without an examination

of the prior art or a consumer survey to assess the likelihood of consumer deception, it is difficult to estimate the likelihood of success as to a particular claim of design patent infringement.

D. Defenses to Infringement

1. Lever Rule Protection

An exception to the common control provision of the gray market regulations is the Lever Rule. Under the Lever Rule, US trademark owners may submit an application to CBP requesting restrictions on imports of gray market merchandise bearing a genuine trademark that are physically and materially different from the merchandise authorized by the US trademark owner for importation or sale in the US.⁴⁹ The applicant claiming that gray market merchandise possess physical and material differences “must state the basis for such a claim with particularity, and must support such assertions by competent evidence and provide summaries of physical and material differences for publication.”⁵⁰ If CBP grants a trademark owner's application for Lever Rule protection, then the restricted gray market merchandise will be denied entry into the US, detained for a minimum period of thirty days, and potentially subject to seizure and forfeiture proceedings.⁵¹

When applying for Lever Rule protection for specific products, a trademark owner must: (1) state the basis for this claim with particularity; (2) support the claim by competent evidence; and (3) provide CBP with summaries of the alleged physical and material differences that exist between the merchandise authorized for sale in the US and that intended for other markets.⁵² “Physical and material” differences between merchandise authorized for sale in the US and that intended for other markets may include:

- The specific composition of both the authorized and gray market product(s) (including chemical composition);
- Formulation, product construction, structure, or composite product components of both the authorized and gray market product;
- Performance and/or operational characteristics of both the authorized and gray market product;
- Differences resulting from legal or regulatory requirements, certification, etc.; or
- Other distinguishing and explicitly defined factors that would likely result in consumer deception or confusion as proscribed under applicable law.⁵³

2. Personal Use Exemption from Trademark Restrictions

Under 19 U.S.C. § 1526(d), a traveler arriving in the US with merchandise bearing a protected trademark may be granted an exemption to the import restrictions.⁵⁴ Under the personal use exemption, a traveler may import one article of the type bearing a protected trademark.⁵⁵ For example, a person arriving in the US with three watches bearing an unauthorized mark, whether each watch bears the same mark or different marks, is allowed to retain only one watch.⁵⁶ That exemption applies to merchandise bearing a counterfeit or confusingly similar version of a registered and recorded trademark, or an otherwise restricted gray market article.⁵⁷ The exemption is applicable only if the article: (1) accompanies a traveler to the US; (2) is for personal use and not for sale; and (3) the traveler has not been granted an exemption for the same type of article within thirty days preceding his or her arrival.⁵⁸

3. Nominative Fair Use

A claim for trademark infringement requires not only a showing that the alleged violator used the owner's trademark, but that the alleged violator used the trademark to misrepresent the origin and source of the alleged violator's merchandise.⁵⁹ An alleged violator may argue that he or she was making a "nominative fair use" of a trademark, i.e., using it only for the relevant merchandise.⁶⁰

E. Registration and Recordation of Trademarks, Trade Names, and Copyrights

Trademarks and copyrights issued by the USPTO may be recorded with CBP. Trade names may be recorded with CBP without registration. As noted above, patents are not recordable at CBP, but are subject to exclusion orders in section 337 proceedings. CBP actively seeks partnerships with trademark owners and encourages owners to register IPR with CBP.⁶¹ The registration process is electronic. Before filing a registration application, the applicant should have a USPTO Number or a US Copyright Office Registration Number, as well as digital images that identify the IPR to be protected. IPR requires a separate application and nominal fee for each recordation, which applications IPR processes in the order it receives them.⁶²

CBP is less likely to detain or seize a non-recorded mark, even if registered with the USPTO. An electronic application with CBP will begin the administrative recordation process. A separate application is required for each recordation sought.⁶³

III. CBP ENFORCEMENT OF IPR

The Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) was signed into law on February 24, 2016. It is the first comprehensive CBP legislation since the US Department of Homeland Security was created in 2003 to, among other things, house CBP upon the transfer of the US Customs Service from the US Department of the Treasury to the US Department of Homeland Security. The overall objective of the TFTEA is to ensure a fair and competitive trade environment. CBP has embraced a renewed approach to trade facilitation and enforcement, focusing on IPR and other areas. At the same time, trademark and copyright owners continue to struggle with the importation of counterfeit merchandise and pirated works.

Stopping the flow of counterfeit merchandise is a top priority for CBP, pursued by means of seizures at the border, and "pushing the border outward" through audits of infringing importers, risk modeling, and cooperation with the agency's counterparts in foreign countries. Domestically, CBP coordinates enforcement efforts with US government trade policy and law enforcement agencies and works closely with US Immigration and Customs Enforcement (ICE) and the trade community to carry out investigative IPR enforcement actions. CBP partners with IP owners to collaborate on educational programs and individual cases of suspected IPR infringement. CBP also administers an online recordation system, Intellectual Property Rights e-Recordation, which enables IP owners to record their trademarks and copyrights electronically and facilitates seizures by making recordation information readily available to CBP personnel.

CBP has the powers of search, seizure, and arrest, and the legal authority to make determinations regarding infringement of trademarks and copyrights, under the Tariff Act of 1930, the Lanham Act, the Copyright Act of 1976, and the Digital Millennium Copyright Act of 1998. CBP enforces patents under section 337 exclusion orders issued by the ITC.

Under 19 U.S.C. § 1595(a)(c)(2), merchandise "may be seized and forfeited" if certain conditions exist, or certain requirements have not been complied with. The merchandise may be seized and forfeited if:

- Its importation or entry requires a license, permit or other authorization of an agency of the US government and the merchandise is not accompanied by such license, permit, or authorization;

- It is merchandise or packaging involving copyright, trademark, or trade name protection violations (including, but not limited to, violations of sections 1124, 1125, or 1127 of title 15, sections 506 or 509 of title 17, or sections 2318 or 2380 of title 18);
- It is “trade dress merchandise” involved in the violation of a court order citing section 1125 of title 15;
- It is merchandise that is marked intentionally in violation of legal requirements; or
- It is merchandise for which the importer has received written notice that previous importations of identical merchandise from the same supplier were found to have been marked in violation of the law.

five business days from the date on which the merchandise is presented for examination to decide whether to detain the merchandise or to allow its release. If CBP decides to detain a shipment, then CBP must provide the importer with a formal Notice of Detention within five days of the determination to detain the shipment. CBP issues a detention notice to the importer of record.⁶⁴ During the detention phase, the importer can resolve any issues as to admissibility to avoid rejection or seizure.

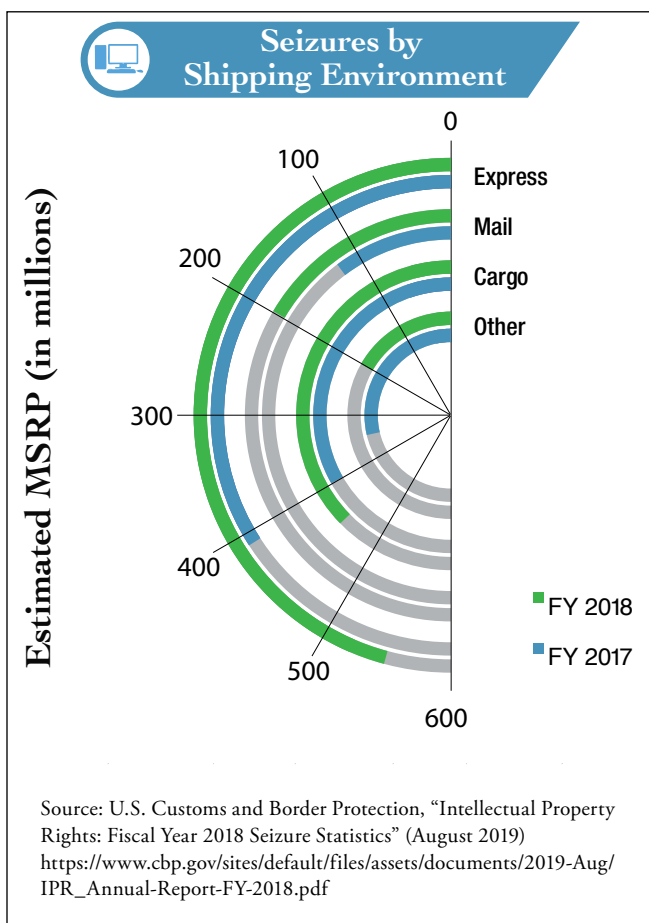
A Notice of Detention must provide the following information:

- That the merchandise has been placed under detention;
- The precise reason for their detention;
- The estimated length of time that it will be detained;
- A description of any inquiries being conducted or tests to be made (legally, test results also must be promptly provided to the importer) regarding the merchandise; and
- Any additional information that may assist in the prompt disposition of the detention.

CBP has thirty days to render a decision regarding the detained shipment unless a longer time has been granted. If no final decision is reached at the end of this thirty-day period, the merchandise is automatically considered excluded for purposes of protest. If the merchandise is seized, the importer will receive a Notice of Seizure and Information to Claimants Form Non-CAFRA or Form CAFRA. It will provide the reasons for the seizure and options available.

In most cases, CBP will seize merchandise when the officer has probable cause to believe that there was a violation of law or regulation. Once the merchandise is seized, the merchandise is turned over to a seized merchandise custodian and a report is prepared and the matter is referred to the appropriate CBP Fines, Penalties, and Forfeitures (FP&F) office. The merchandise is appraised to determine its domestic value. The domestic value is the price at which this merchandise is offered for retail sale. If there is no market for the seized merchandise, the value in the market closest to the place of appraisal is used.

Title 19 provides CBP with the authority to seize and forfeit merchandise imported into the US which bears counterfeit trademarks, marks that are confusingly similar to protected trademarks, and marks that are piratical copies of protected copyrights.⁶⁵ Titles 19 U.S.C. § 1595a(d) and 22 U.S.C. § 401(a) provide CBP with authority to seize and forfeit merchandise



A. CBP’s Detention and Seizure Process

1. Detention

CBP is given broad authority to inspect shipments entering the US. When CBP questions the admissibility of merchandise into the US, CBP has the authority to detain the shipment until satisfactory information is provided to enable release. CBP has

that is exported contrary to law, including through violations involving IPR. Title 19 U.S.C. § 1526(f) also provides CBP with the authority to assess a monetary penalty against parties who direct, assist financially or otherwise, or aid and abet the importation of merchandise bearing counterfeit trademarks which are seized and forfeited under 19 U.S.C. § 1526(e). These authorities, as implemented by part 133 of Title 19, Code of Federal Regulations (19 C.F.R. part 133), apply to importations and exportations, including Transportation and Exportation (T&E) and Importation and Exportation (IE) entries, with limited exceptions.

2. Notice of Seizure and Election of Proceedings

Upon finding a violation, CBP will seize the merchandise and transfer it from the Centralized Examination Station in question to a bonded warehouse. Throughout this process, the importer is charged storage fees, which may need to be paid if CBP agrees to release the merchandise. Seizures are handled by FP&F. An FP&F paralegal reviews the case and issues a seizure notice to the alleged violator. The seizure notice will give information regarding the identity of the merchandise, the location of the seizure, and citations to legal authorities. Generally, the alleged violator is given the option to file a petition with CBP within thirty days of the issuance date on seizure notice; file an offer in compromise; abandon the merchandise; take the matter directly for court action (requiring the violator to fill out the seized asset claim form and post a cost bond equal to 10 percent of the value of the seized merchandise, or \$5,000 USD, whichever is lower); or begin administrative proceedings to forfeit the merchandise.

B. The Post-Seizure Process

1. Penalties, Remission, and Mitigation

In July 2019, CBP revised its guidelines concerning trade, copyright, and patent violations.⁶⁶ CBP may consider aggravating and mitigating factors. While a lack of intent or knowledge as to the counterfeit nature of the importation(s) in question may be considered a mitigating factor in determining the mitigated amount of the fine, it does not shield the involved party from an initial assessment of the fine.

Mitigating factors include:

- lack of knowledge of the counterfeit nature of the trademark;
- prior good record of importation under 19 U.S.C. § 1526;

- inexperience in importing;
- cooperation with CBP officers in ascertaining the facts establishing the violation; and
- inability to pay the fine, demonstrated by documentary evidence, including income tax returns for the prior three years.

Aggravating Factors include:

- more than two prior importations of merchandise seized and forfeited under 19 U.S.C. § 1526(e);
- criminal violation relating to the subject transaction; and
- submission of falsified documentation, i.e., false description, false country of origin, etc., or other deceptive practices in connection with the subject importation.

Although CBP is not required to grant relief in any specific case, CBP may reference its mitigation guidelines when deciding whether to grant relief, and, if CBP deems that relief is appropriate, to determine the mitigation, remission, or cancellation amount. CBP reviews the specific facts and circumstances of each case and may deviate from the guidelines if it determines that such deviation is appropriate.

Under 19 U.S.C. §§ 1618 and 1623, as well as under applicable regulations, CBP officials are entitled to grant relief under such terms and conditions as they deem appropriate, sufficient, reasonable, or just. CBP's Mitigation Guidelines⁶⁷ are as follows:

- Trademark Seizures Under 19 U.S.C. § 1526(e), or 19 U.S.C. § 1595a(d) and 22 U.S.C. § 401+

VIOLATION

- Counterfeit Mark
- Trademark registered on Principal Register of USPTO
 - Trademark recorded with CBP
 - No consent from U.S. trademark owner

- Counterfeit Mark
- Trademark registered on Principal Register of USPTO
 - Trademark recorded with CBP
 - Consent from U.S. trademark owner obtained post-seizure

RECOMMENDED DISPOSITION

No remission of forfeiture

Remission of forfeiture upon payment of ten percent of the dutiable value of the merchandise, payment of all seizure costs and submission of properly executed hold-harmless agreement

- Guidelines for Penalties Levied Pursuant to 19 U.S.C. 1526(f)

<u>VIOLATION</u>	<u>RECOMMENDED DISPOSITION</u>
○ First offense, with mitigating factor(s) and no aggravating factor(s)	10-30 % of the assessed penalty amount
○ First offense with aggravating factor(s)	30-50 % of the assessed penalty amount
○ First offense with evidence of knowledge as to the counterfeit nature of the merchandise, with no aggravating factor(s)	50-80 % of the assessed penalty amount
○ Second offense, with mitigating factor(s) and no aggravating factor(s)	10-30 % of the assessed penalty amount
○ Second offense, with aggravating factor(s), or Third or subsequent offense	50-80 % of the assessed penalty amount
○ Second or subsequent offense, with evidence of knowledge as to the counterfeit nature of the merchandise	No mitigation

- Guidelines for Trademark Seizures Under 19 U.S.C. § 1595a(c)(2)(C) or 19 U.S.C. § 1595a(d) and 22 § U.S.C. 401

<u>VIOLATION</u>	<u>RECOMMENDED DISPOSITION</u>
Counterfeit Mark	No remission of forfeiture
○ Trademark registered on Principal Register of USPTO	
○ Trademark NOT recorded with CBP	
○ No consent from U.S. trademark owner	
Confusingly Similar Mark	Remission of forfeiture upon payment of 25 % of dutiable value, obliteration or removal of the offending mark and export to the country of origin under CBP supervision, payment of all seizure costs (including obliteration/ removal of offending mark) and submission of properly executed hold-harmless agreement
○ Trademark registered on Principal Register of USPTO	
○ Trademark recorded with CBP	
○ No consent from U.S. trademark owner	
Confusingly Similar Mark	Remission of forfeiture upon payment of 10 % of dutiable value, payment of all seizure costs, and submission of properly executed hold-harmless agreement
○ Trademark registered on Principal Register of USPTO	
○ Trademark recorded with CBP	
○ Consent from U.S. trademark owner	

- Guidelines for Trademark Seizures Made Pursuant to 19 U.S.C. 1526(b) (or 19 U.S.C. 1595a(d) and 22 U.S.C. 401)

<u>VIOLATION</u>	<u>RECOMMENDED DISPOSITION</u>
Gray Market	Remission of forfeiture upon payment of 10 % of dutiable value, export to the country of origin under CBP supervision, payment of seizure costs, and submission of properly executed hold-harmless agreement.
○ Trademark registered on Principal Register of USPTO	
○ Trademark recorded with CBP	
○ Trademark has gray market protection	

- Guidelines for Seizures Involving an ITC Exclusion Order Made Pursuant to 19 U.S.C. 1337(i)

<u>VIOLATION</u>	<u>RECOMMENDED DISPOSITION</u>
ITC Exclusion Order	No relief shall be afforded from the seizure of any articles found to be within the scope of an ITC seizure order.
○ The article falls within the scope of ITC exclusion order	
○ Article previously denied entry	
○ Written notice provided that any further attempts would result in seizure and forfeiture	

2. Recovery of Seized Merchandise

If CBP has agreed to release seized merchandise, and depending on the port of entry, there are several steps necessary for the claimant importer to regain custody of the merchandise, including:

- Claimant’s submission a signed, notarized Hold Harmless Agreement and Agreement Not to Contest Decision to CBP, discharging the US from actions, suits, proceedings, debts, dues, contracts, judgments, damages, claims, and/or demands. In consideration of CBP’s agreement not to pursue the matter further, the claimant agrees to waive the right to judicially contest any aspect of the CBP case, including, but not limited to, the remission decision or propriety of the seizure;
- Claimant’s submission a remission or forfeiture fee in an amount determined by CBP;
- Claimant’s filing a duty-paid live entry/entry summary (CBP Form 7501)⁶⁸ (the “Seizure Entry”) and providing the filed 7501 to CBP. For example, the CBP Port of Los Angeles Public Bulletin LA07-014 states that if “FP&F authorizes the release of seized merchandise for entry into the commerce of the U.S., the broker/importer must file a duty-paid live entry/entry summary (CBP

Form 7501) ... Seized merchandise may not be released under an Entry/Immediate Delivery (CBP Form 3461), informal entry or warehouse entry;⁶⁹

- Claimant pays any exam fees and satisfaction of liens filed by the steamship line, terminal, etc. under CBP Form 3485 and providing proof of payment to CBP;⁷⁰
- Claimant's submission of the name and phone number of the person (POC) the storage facility should contact to make arrangements for release, such as a motor carrier;
- FP&F issues disposition order authorizing release and forwards to Seized Property Custodian;⁷¹
- Seized Property Custodian contacts the designated POC. At that time, the claimant will be provided with information about the Seized Property Custodian and the procedures and storage payments needed to gain possession of the merchandise.
- Seized Property Custodian releases the merchandise to claimant's authorized POC.

IV. CASE LAW SURVEY

A. Forfeiture

CBP is required to make the finding that the importer's labels and packages are either identical to or substantially indistinguishable from registered marks before concluding that they are counterfeit and subject to forfeiture. It is arbitrary and capricious for CBP to determine that proposed packages are likely to be confused with registered trademarks without first comparing the proposed packages with the actual packages bearing the registered trademark.⁷² Although 19 U.S.C. § 1526(e) addresses the importation of merchandise bearing counterfeit trademarks and does not expressly address certification marks, courts have nevertheless interpreted the statute to authorize seizure and forfeiture of merchandise bearing counterfeit certification marks.⁷³ A mark on merchandise may be counterfeit, and the merchandise seized, even if the mark owner does not manufacture that type of merchandise at the time of the seizure.^{74,75}

Under the Mitigation Guidelines, CBP can remit a seizure if the importer obtains a post-seizure consent from the IP owner, but such consent is not freely given. IP owners such as UL have strict zero-tolerance policies against granting retroactive consent to use their marks. In a recent case, UL denied an importer's request for a waiver because that "would allow other companies to copy the UL Mark with impunity, safe in

the knowledge that if the merchandise is intercepted at U.S. Customs, that the investment could still be salvaged."⁷⁶

B. Civil Liability

Importers potentially face diverse forms of civil liability. Most dramatically, importers are subject to having their merchandise detained, seized, and forfeited. In addition, importers can be liable in damages to trademark and copyright owners in civil actions brought by such owners not just for willful imports of counterfeit merchandise but also for imports of allegedly counterfeited merchandise to which importers have colorable defenses. Even assuming that trademark infringement is proved, however, the recovery of damages is contingent on a defendant's intent.⁷⁷ That can be an issue in actions against online retailers, as illustrated in *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010).

In *Tiffany*, the trademark owner alleged that eBay had contributorily infringed on the Tiffany trademark by allowing third parties to list counterfeit Tiffany merchandise for sale on its website. The court noted the significant efforts made by eBay to prevent sales of counterfeit Tiffany merchandise, pointing out that when "complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers' listings were removed and repeat offenders were suspended from the eBay site."⁷⁸ Nevertheless, Tiffany argued that eBay was a contributory infringer because it "continued to supply its services to the sellers of counterfeit Tiffany merchandise while knowing or having reason to know that such sellers were infringing Tiffany's mark."⁷⁹ The court rejected the argument, stating, "For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit merchandise. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary."⁸⁰

C. Criminal

CBP may seize merchandise that meets the criteria for criminal seizure under 19 U.S.C. § 1595a(c)(2)(C) for violation of the applicable criminal copyright or trademark statute. The determination to initiate criminal prosecution for a violation of an IPR law is made by the US Department of Justice, through the US Attorney for the jurisdiction where the violation occurred.

In a criminal action where a defendant has forfeited assets in the form of a monetary payment as part of a criminal sentence for trademark counterfeiting or copyright piracy, the rightful

owner of such assets may file a petition with the US Department of Justice for Remission of Forfeiture pursuant to the Civil Asset Forfeiture Reform Act of 2000 (CAFRA).⁸¹ Section 6 of CAFRA, entitled “Use of Forfeited Funds to Pay Restitution to Crime Victims,” amended section 981(e)(6) of the US Criminal Code to authorize the remission of funds forfeited by a criminal defendant as restoration to any victim of the offense giving rise to the forfeiture.⁸²

Under 18 U.S.C. § 981(e), the Attorney General has the authority to restore forfeited assets to the victim of an offense that gave rise to the forfeiture, and to “take any other action to protect the rights of innocent persons which is in the interests of justice and which is not inconsistent with the provisions of [the applicable chapter or section].”⁸³ Under 28 C.F.R. § 9.5(a), the trademark or copyright owner in such a case must allege that it has a valid, good faith, and legally cognizable interest in the seized merchandise.⁸⁴ The Justice Department has the discretion to grant a petition for remission of forfeiture under CAFRA if it determines that:

- a pecuniary loss of a specific amount has been directly caused by the criminal offense or related offense that was the underlying basis for the forfeiture, and the loss is supported by documentary evidence including invoices and receipts;
- the pecuniary loss is the direct result of the illegal acts and is not the result of otherwise lawful acts that were committed in the course of the criminal offense;
- the victim did not knowingly contribute to, participate in, benefit from, or act in a willfully blind manner towards the commission of the offense, or related offense, that was the underlying basis for the forfeiture;
- the victim has not in fact been compensated for the wrongful loss of the merchandise by the perpetrator or others; and
- the victim does not have recourse reasonably available to other assets from which to obtain compensation for the wrongful loss of the merchandise.⁸⁵

D. Victim Restitution

In cases involving copyright infringement and intellectual property theft, the intellectual property owner is a “victim” for purposes of the Mandatory Victim Restitution Act of 1996 (MVRA) and may therefore file a victim impact statement. The MVRA makes restitution in the full amount of a victim’s loss mandatory for property offenses in which an identifiable victim suffered a pecuniary loss.⁸⁶

In the case of such theft, the value of victims’ losses is calculated by the volume of counterfeit sales,⁸⁷ based on the entire number of sales established by the evidence, not merely the sale as to which a defendant pleads guilty.⁸⁸ The amount of restitution, which is not the same as forfeiture but is sufficiently analogous for relevant purposes, is determined by calculating only “the actual amount [of infringing merchandise] placed into commerce and sold,” and must be based on net lost profits, not the total sale price.⁸⁹

As in any case involving the calculation of pecuniary loss resulting from criminal conduct, a restitution order or remission of forfeiture in a case of trademark counterfeiting or copyright piracy must be limited to the victim’s actual losses “caused by the specific conduct underlying the offense of conviction.”⁹⁰ But “[w]here a fraudulent scheme is an element of the conviction,” the court may award restitution for actions pursuant to that scheme.⁹¹ Further, a court’s failure to order restitution for others who might have participated in the scheme is of no consequence.⁹²

In order to obtain victim restitution or remission of forfeiture in a trademark counterfeiting or copyright piracy case, the owner must present a forensic accounting of the calculations leading to the damage claim. But in practice, the government will accept reasonable inferences based on the evidence, particularly where claimed royalty is measured in a single digit, on the grounds that the forensic evidence necessary to quantify damages more specifically is exclusively in the possession of the government, which lacks the authority to share such information even in response to a subpoena.⁹³ Regarding the calculation of pecuniary loss in a case involving mandatory restitution, the Fifth Circuit has held, in *United States v. Beydown*, 469 F.3d 102 (5th Cir. 2006), that such restitution must be based on the amount of counterfeit merchandise actually distributed or sold, that the counterfeit merchandise must enter the marketplace to support the calculation, and that the amount must be based on net lost profits, not the total retail price.⁹⁴

To obtain victim restitution or remission of forfeiture, the IPR owner must also show that there is a reasonable relationship between the retail price actually paid by purchasers of the pirated product and the price they would have paid for genuine merchandise.⁹⁵ In quantifying the pecuniary loss to the victim of IPR theft, the Justice Department must ensure that the remission of forfeiture is limited to the actual loss to the victim,⁹⁶ and to prevent a “windfall for crime victims.”⁹⁷ Also recoverable are costs incurred in the rendering of assistance to the government in its investigation and prosecution of the case.⁹⁸

Even if an action is limited to a charge of copyright piracy and does not include a count for trademark infringement, the copyright owner may assert damage incidentally inflicted on its trademark, for example, from the sale of pirated software bearing a counterfeit of the owner's mark. Where a fraudulent scheme is an element of the conviction, a court may award restitution for actions pursuant to that scheme.⁹⁹ Similarly, the remission of forfeiture is available to victims for losses caused by a "related offense."¹⁰⁰ "Related offense" means: "(1) Any predicate offense charged in a Federal Racketeer Influenced and Corrupt Organizations Act (RICO) count for which forfeiture was ordered; or (2) An offense committed as part of the *same scheme or design, or pursuant to the same conspiracy, as was involved in the offense for which forfeiture was ordered.*"¹⁰¹

An award of trademark damages is not certain. At the same time, it is critical to consider claims of trademark damages since statutory damages for trademark counterfeiting are provided for up to \$2 million USD per counterfeited mark under the Anticounterfeiting Consumer Protection Act of 1996.¹⁰²

Finally, the IPR owner, to establish entitlement to victim restitution or grounds for the remission of forfeiture, must show:

- The owner's pecuniary loss is the direct result of the defendant's illegal acts and not the result of otherwise lawful acts that were committed in the course of the criminal offense;
- The owner did not knowingly contribute to, participate in, benefit from, or act in a willfully blind manner towards the commission of the offense, or related offense, that was the underlying basis for the forfeiture;
- The owner has not been compensated for the wrongful loss of the merchandise by the perpetrator or others; and
- The owner has no recourse to other assets from which to obtain compensation for the wrongful loss of the merchandise.

V. MANAGING IPR ISSUES IN INTERNATIONAL TRADE AND AVOIDING SEIZURES

In 1993, Congress enacted Title VI of the North American Free Trade Agreement Implementation Act,¹⁰³ also known as the Customs Modernization or "Mod" Act. An importer's failure to exercise reasonable care can delay the release of merchandise and, in some cases, result in the imposition of penalties, including the forfeiture of counterfeit and pirated merchandise. CBP notes that requirements related to information and

documents apply to electronic records, as well as to hard copy records. Despite the seemingly simple connotation of the term "reasonable care," that explicit responsibility defies easy explanation. In keeping with the Mod Act's theme of informed compliance, CBP has provided the trade community with a list of questions that prompt or suggest a reasonable care program, framework, or methodology that importers may find useful in avoiding compliance problems and meeting reasonable care responsibilities. In the case of IPR, CBP has proposed the following questions:¹⁰⁴

Basic Question: Have you determined or established a reliable procedure to permit you to determine whether your merchandise or its packaging bears or uses any trademarks or copyrighted matter or is patented and, if so, that you have a legal right to import those items into, and/or use those items in, the United States?

- If you are importing merchandise or packaging bearing a trademark registered in the United States, have you checked or established a reliable procedure to ensure that it is genuine and not restricted from importation under the gray-market or parallel import requirements of U.S. law,¹⁰⁵ or that you have permission from the trademark owner to import such merchandise?
- If you are importing merchandise or packaging which consist of, or contain registered copyrighted material, have you checked or established a reliable procedure to ensure that it is authorized and genuine? If you are importing sound recordings of live performances, were the recordings authorized?
- If you are importing merchandise that has been refurbished or remanufactured, do you have documentation detailing the remanufacturing process?
- Have you checked or developed a reliable procedure to see if your merchandise is subject to a U.S. International Trade Commission or court-ordered exclusion order?
- Have you established a reliable procedure to ensure that you maintain and can produce any required entry documentation and supporting information?

Also, importers should review their purchasing agreements and include terms that require foreign vendors to provide copies of licensing agreements, and evidence of the right to use the IPR. Importers should also review the IPR owner's website to determine if the seller is listed. Many IPR owners, such as UL, list their IPR on the Internet and provide search engines to confirm that the foreign vendor is licensed.¹⁰⁶

VI. CONCLUSION

IPR protection is critical to running a successful business. E-commerce and the Internet have revolutionized commerce and importing. The average US company has unparalleled access to international trade, but this access is not without risk. IPR is at the front lines of the US trade war. An IPR owner's ability to enlist CBP and the US government to enforce his or her rights is increasing. Importers risk CBP detention, seizures, and penalties if they do not exercise due diligence, document their right to import merchandise, and follow reasonable care guidelines. Importers are well-advised to implement an IPR trade compliance program with their foreign manufacturers, resellers, and exporters if they want to avoid fees, costs, and significant supply chain disruption. IPR trade compliance programs should be updated regularly and reflect changes in law and the importer's supply chain.

Endnotes

- 1 William Mauldin & Alex Leary, *U.S. Signals Crackdown on Counterfeit Goods Sold Online*, WALL ST. J. (Jan. 24, 2020), <https://www.wsj.com/articles/u-s-signals-crackdown-on-counterfeit-goods-sold-online-11579820400?shareToken=st4a5f30f0891c4d14a022c193e1a67431>.
- 2 ENSURING SAFE & LAWFUL E-COMMERCE FOR US CONSUMERS, BUSINESSES, GOVERNMENT SUPPLY CHAINS, AND INTELLECTUAL PROPERTY RIGHTS (Jan. 31, 2020), <https://www.whitehouse.gov/presidential-actions/ensuring-safe-lawful-e-commerce-us-consumers-businesses-government-supply-chains-intellectual-property-rights/>.
- 3 THE COMMISSION ON THE THEFT OF AMERICAN INTELLECTUAL PROPERTY'S WRITTEN COMMENTS ON BEHALF OF THE COMMISSION ON THE THEFT OF AMERICAN INTELLECTUAL PROPERTY TO THE UNITED STATES TRADE REPRESENTATIVE (May 11, 2018), http://ipcommission.org/report/ustr_written_comments_301_tariffs-may2018.pdf.
- 4 Grant Clark, *What Is Intellectual Property, and Does China Steal It?*, BLOOMBERG (Jan. 21, 2019 2:04am pst), <https://www.bloomberg.com/news/articles/2018-12-05/what-s-intellectual-property-and-does-china-steal-it-quicktake>.
- 5 Riley Walters, *Why China's Intellectual Property Theft Is a Concern for National Security*, HERITAGE FOUND. (April 4, 2019), <https://www.heritage.org/asia/commentary/why-chinas-intellectual-property-theft-concern-national-security>; Press Releases and other news related to FBI intellectual property theft and piracy investigations and initiatives, <https://www.fbi.gov/investigate/white-collar-crime/piracy-ip-theft/intellectual-property-theftpiracy-news>.
- 6 THE U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE) HOMELAND SECURITY INVESTIGATIONS (HSI) LED NATIONAL INTELLECTUAL PROPERTY RIGHTS COORDINATION CENTER (IPR CENTER), <https://www.iprcenter.gov/about>; THE DEPARTMENT OF JUSTICE'S INTELLECTUAL PROPERTY (IP) TASK FORCE, <https://www.justice.gov/iprf/mission-statement>; CBP ENFORCEMENT OF IPR, <https://www.cbp.gov/trade/priority-issues/ipr>.
- 7 For the convenience of the reader and to avoid confusion, this article refers to merchandise, in lieu of goods or property, which may be found in specific legal citations.
- 8 Press Release: IPR Center reports counterfeit seizures rise to \$1.4 billion (Aug 19, 2019), <https://www.ice.gov/news/releases/ipr-center-reports-counterfeit-seizures-rise-14-billion>.
- 9 Mauldin, *supra* note 3.
- 10 For the convenience of the reader and to avoid confusion, this article refers to IPR owners or holders as "owners."
- 11 This article provides information about the law designed to help readers address their own legal needs. But legal information is not the same as legal advice -- the application of law to a specific circumstance. Although we go to great lengths to make sure our information is accurate and useful, we recommend the reader consult a lawyer if the reader wants professional assurance that our information, and the reader's interpretation of it, is appropriate to the reader's particular situation.
- 12 United States Dept. of Homeland Security (DHS), U.S. Customs and Border Protection, *What Every Member of the Trade Community Should Know About: CBP Enforcement of Intellectual Property Rights*, (2012) https://www.cbp.gov/sites/default/files/assets/documents/2017-Feb/enforce_ipr_3_0.pdf (last updated 02/16/2017) (Hereinafter DHS).
- 13 Tariff Act of 1930 § 526(e), 19 U.S.C. § 1526(e); 19 C.F.R. § 133.21.

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- 14 DHS, *supra* note14 at § III.A.1.
- 15 *Id.*
- 16 *Id.* In limited circumstances, CBP may seize such merchandise under 19 U.S.C. § 1595a(c)(2)(C) for a violation of 18 U.S.C. § 2320.
- 17 CBP mitigation guidelines commonly refer to “confusingly similar,” instead of “copying or simulating marks.”
- 18 Lanham Act of 1946§ 42, 15 U.S.C. § 1124; 19 C.F.R. § 133.22.
- 19 19 C.F.R. § 133.22.
- 20 19 U.S.C. § 1526(a); 19 C.F.R. § 133.23.
- 21 DHS, *supra* note14 at § III.A.3.
- 22 *Id.*;19 C.F.R. § 133.23(f).
- 23 *Id.*
- 24 *Id.*
- 25 Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith, 382 F. Supp. 3d 312, 323 (S.D.N.Y. 2019).
- 26 Funky Films, Inc. v. Time Warner Entm’t Co., 462 F.3d 1072, 1076 (9th Cir. 2006); Three Boys Music Corp. v. Bolton, 212 F.3d 477, 481 (9th Cir. 2000). “By establishing reasonable access and substantial similarity, a copyright plaintiff creates a presumption of copying. The burden shifts to the defendant to rebut that presumption through proof of independent creation.” (*Three Boys*, 212 F.3d at 486.) “Even without proof of access, a plaintiff can still prove copying if he can show that the two works are not only substantially similar, but are so strikingly similar as to preclude the possibility of independent creation.” (*Meta-Film Assocs., Inc. v. MCA, Inc.*, 586 F. Supp. 1346, 1355 (C.D. Cal. 1984) (citing 3 NIMMER ON COPYRIGHT § 13.01[B]; *Ferguson v. Nat’l Broad. Co.*, 584 F.2d 111, 113 (5th Cir. 1978)).) “Thus, whether or not a plaintiff proves access determines the degree of similarity that he must demonstrate between the two works.” (*Id.*)
- 27 *Berkic v. Crichton*, 761 F.2d 1289, 1293–94 (9th Cir. 1985) (rejecting consideration of general ideas as well as scènes-à-faire in determining substantial similarity under the extrinsic test).
- 28 *Three Boys*, 212 F.3d at 484.
- 29 DHS, *supra* note14 at § III.B.
- 30 *Id.* at § III.B.1.
- 31 *Id.*
- 32 19 U.S.C. § 1595a(c)(2)(C) for violation of 17 U.S.C. § 501.
- 33 DHS, *supra* n. 14 at § III.B.2.
- 34 19 C.F.R. § 133.43.
- 35 19 U.S.C. § 1595a(c)(2)(C).
- 36 The Digital Millennium Copyright Act of 1998, Pub. L. No. 105–304, 112 Stat. 2860 (1998).
- 37 *In re Dealer Mgmt. Sys. Antitrust Litig.*, 362 F. Supp. 3d 558, 570 (N.D. Ill. 2019).
- 38 17 U.S.C. § 1201(a)(2).
- 39 *Id.*
- 40 19 U.S.C. § 1595a(c)(2)(C).
- 41 19 U.S.C. § 1337.
- 42 *Id.*
- 43 *Id.*
- 44 DHS, *supra* note14 at § III.C.
- 45 19 U.S.C. § 1337(i).
- 46 *Pac. Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, 739 F.3d 694, 701 (Fed. Cir. 2014). Otherwise “[t]here never could be piracy of a patented design, for human ingenuity has never yet produced a design, in all its details, exactly like another, so like, that an expert could not distinguish them.” (*Id.* (quoting *Gorham Mfg. Co. v. White*, 81 U.S. 511, 527 (1871)); *Braun Inc. v. Dynamics Corp. of America*, 975 F.2d 815, 820 (Fed. Cir. 1992) (“[P]atent infringement can be found for a design that is not identical to the patented design.”)).
- 47 *Lee v. Dayton-Hudson Corp.*, 838 F.2d 1186, 1189 (Fed. Cir. 1988).
- 48 The test for design patent infringement is whether “the accused design could not reasonably be viewed as so similar to the claimed design that a purchaser familiar with the prior art would be deceived by the similarity between the claimed and accused designs,” thereby “‘inducing him to purchase one supposing it to be the other.’” (*Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 683 (Fed. Cir. 2008) (quoting *Gorham*, 81 U.S. at 528)).
- 49 19 C.F.R. §§ 133.2(e) (providing trademark owners with the ability to apply for Lever Rule protection), 133.23(a)(3) (describing the merchandise subject to Lever Rule protections).
- 50 19 C.F.R. § 133.2(e).
- 51 19 C.F.R. § 133.23(c)–(f).
- 52 DHS, *supra* note14 at § III.A.4.
- 53 *Id.*
- 54 19 U.S.C. § 1526(d).
- 55 *Id.*
- 56 DHS, *supra* note14 at § III.A.5.
- 57 *Id.*
- 58 19 C.F.R. § 148.55.
- 59 *Jackson v. Odenat*, 9 F. Supp. 3d 342 (S.D.N.Y. 2014) (denying trademark owner’s motion for summary judgment, holding that issue of whether consumers w d source of product by defendant’s use of plaintiff’s trademark was for jury to decide).
- 60 *Id.* The doctrine of nominative fair use originated in the Ninth Circuit. (*See New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 307–09 (9th Cir. 1992)). A nominative fair use occurs when plaintiff’s mark is used to describe plaintiff’s own product. (*Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002)). In the Ninth Circuit, it provides an alternative way to analyze likelihood of confusion. (*Id.*) The Third Circuit allows it to be used as an affirmative defense. (*Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 228–31 (3d Cir. 2005)). The Second Circuit has neither adopted nor rejected the doctrine, but has recognized that a “defendant may lawfully use a plaintiff’s trademark where doing so is necessary to describe the plaintiff’s product and does not imply a false affiliation o. (*y (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102–03 (2d Cir. 2010)).
- 61 *See* CBP, Help CBP Protect Intellectual Property Rights, <https://www.cbp.gov/trade/priority-issues/ipr/protection> (last accessed 09/09/2019).
- 62 CBP IPR ENFORCEMENT - INTELLECTUAL PROPERTY RIGHTS E-RECORDATION (IPRR) APPLICATION, <https://iprr.cbp.gov/>.
- 63 *Id.*

- 64 19 C.F.R. § 151.16 (Detention of merchandise).
- 65 Section 1526 of Title 19, United States Code (19 U.S.C. § 1526) and 19 U.S.C. § 1595a(c)(2)(C). CBP administers and enforces exclusion orders issued pursuant to 19 U.S.C. § 1337 by the ITC. Such orders involve a range of unfair trade practices including but not limited to trademarks, copyrights, trade secrets and patents; however, most ITC exclusion orders are patent-based.
- 66 CBP MITIGATION GUIDELINES ICP: TRADEMARK, COPYRIGHT, AND OTHER IPR VIOLATIONS, https://www.cbp.gov/sites/default/files/assets/documents/2017-Nov/Mitigation%20Guidelines_11%20SEIZURES%20AND%20PENALTIES%20-%20Trademark%2C%20Copyright%2C%20and%20Patent.pdf (After May 1, 2019).
- 67 *Id.*
- 68 CBP FORM 750I, https://www.cbp.gov/sites/default/files/assets/documents/2019-Dec/CBP%20Form%20750I_0.pdf.
- 69 CBP PORT OF LOS ANGELES PUBLIC BULLETIN LA07-014, <http://tradeandcargo.com/2020/02/03/los-angeles-public-bulletin-no-la07-014-entries-for-seized-merchandise/>.
- 70 CBP FORM 3485, <https://www.cbp.gov/sites/default/files/assets/documents/2017-May/CBP%20Form%203485.pdf>.
- 71 CBP DISPOSITION ORDER FORM 7605, https://foiarr.cbp.gov/docs/Contracts/2013/5641478_1393/1304241307_PD1244_HSBP1006D01275_Attachments.pdf.
- 72 *See* Ross Cosmetics Distrib. Ctrs., Inc. v. United States, 17 Ct. Int'l Trade 814, 814 (1993) (remanding matter to Customs because the court was unable to review whether Customs decision was based on a consideration of the relevant factors).
- 73 *See* United States v. 10,510 Packaged Comput. Towers, 152 F. Supp. 2d 1189, 1190 (N.D. Cal. 2001) (denying importer's motion for summary judgment because Customs was authorized to forfeit merchandise with counterfeit certification mark).
- 74 *See* United States v. Able Time, Inc., 545 F.3d 824 (9th Cir. 2008)
- 75 United States v. One (1) Lot of Approximately Twenty Thousand (20,000) Pairs of Counterfeit Blue Jeans Bearing the Jordache Trademark, 601 F. Supp. 476, 477 (W.D.N.C. 1985) (granting the United States summary judgment on claim for forfeiture of jeans).
- 76 *See* ICCS USA Corp. v. United States, No. 2019-1561, 2020 U.S. App. LEXIS 7538, at *7-8 (Fed. Cir. Mar. 11, 2020)
- 77 *See* Bentley Motors Ltd. v. McEntegart, 96 F. Supp. 2d 1297 (M.D. Fla. 2013) (denying motion of luxury automobile manufacturer for summary judgment on damage issue in action for trademark and design patent infringement against manufacturers modification of inexpensive vehicles into those resembling the "Bentley" appearance and shape).
- 78 Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d at 109.
- 79 *Id.* at 106.
- 80 *Id.* at 107.
- 81 Civil Asset Forfeiture Reform Act of 2000, Pub. L. No. 106-185, 114 Stat. 202 (2000)
- 82 18 U.S.C. § 981(e) & 28 C.F.R. § 9.4. The civil asset forfeiture laws provide law enforcement agencies with the power to seize property and money connected to illegal activity. (*See generally* Moores, *Reforming the Civil Asset Forfeiture Reform Act*, 51 ARIZ. L. REV. 777 (Fall 2009)). In time, however, the system grew exponentially and became a significant source of funding for law enforcement operations, resulting in the loss of property to, "overzealous police forces motivated more by the prospect of forfeiture proceeds than a desire to enforce laws and protect society." (*Id.* at 777.) CAFRA was enacted to "level the playing field between law enforcement and property owners." (*Id.*)
- 83 *See* 21 U.S.C. § 853(i)(1), incorporated by reference at 18 U.S.C. § 982.
- 84 For purposes of remission of forfeiture, the term "victim" means any "person" who has "incurred a pecuniary loss as a direct result of the commission of the offense underlying a forfeiture." (28 C.F.R. § 9.2(v).) A "person" is "an individual, partnership, corporation, joint business enterprise, estate, or other legal entity capable of owning property." (28 C.F.R. § 9.2(m).)
- 85 28 C.F.R. § 9.8(a).
- 86 18 U.S.C. §§ 3663A(c)(1)(A)(ii) & (B). United States v. McKenzie, 550 Fed. App'x. 221, 225 (5th Cir. 2013); United States v. Titus, 547 Fed. App'x. 464, 469 (5th Cir. 2013); United States v. Woodward, 493 Fed. App'x. 483, 484 (5th Cir. 2012); United States v. Warner, 384 Fed.App'x. 416, 417 (5th Cir. 2010); United States v. Arledge, 553 F.3d 881, 899 (5th Cir. 2008); United States v. Harper, No.12-106, 2013 WL 1628353 (E.D. La. April 15, 2013) ("District courts are accorded broad discretion in ordering restitution."); United States v. Aubin, 87 F.3d 141, 150 (5th Cir.1996) (A court "review[s] de novo the district court's method of determining loss, while clear error review applies to the background factual findings that determine whether or not a particular method is appropriate."); United States v. Isiwele, 635 F.3d 196, 202 (5th Cir.2011).
- 87 United States v. Robertson, 493 F.3d 1322, 1332 (11th Cir. 2007); United States v. Chay, 281 F.3d 682 (7th Cir. 2002); United States v. Milstein, 481 F.3d 132, 135-36 (2d Cir. 2007).
- 88 *See* 18 U.S.C. § 3663(a)(3); United States v. Benson, 449 Fed. App'x. 400 (5th Cir. 2011) (recoverable loss not limited to "single count of conviction but could include [the] total offense conduct").
- 89 United States v. Beydoun, 469 F.3d 102, 108 (5th Cir. 2006).
- 90 United States v. Arledge, 553 F.3d 881, 899 (5th Cir. 2008), *cert. denied*, 129 S. Ct. 2028 (2009).
- 91 United States v. Inman, 411 F.3d 591, 595 (5th Cir. 2005).
- 92 *See* United States v. Ingles, 445 F.3d 830, 839 (5th Cir. 2006).
- 93 *See* Campbell v. United States, 365 U.S. 85 (1961)(litigant does not have burden of proof of establishing facts peculiarly within knowledge of adversary); United States v. New York, N.H. & H.R. Co., 355 U.S. 253, 256 (1957) (fairness dictates that litigant does not bear burden of establishing facts primarily within knowledge of opposing party); Shanghai Automation Instrument Co. v. Kuei, 194 F. Supp. 2d 995 (N.D. Cal. 2000) ("[a]lthough the burden of proving each element generally lies with the party asserting the claim, the burden of proving a fact may be shifted to the party who has sole access to evidence which would prove the claim false").
- 94 469 F.3d at 107-08.
- 95 *Cf.* United States v. Hudson, 483 F.3d 707, 710 (10th Cir. 2007) ("As an initial matter, we are very skeptical of the implicit suggestion that [the customer's] agreement to purchase 537 copies of the [counterfeit Microsoft] software for a total price of less than \$86,000 proves that [the customer] would have agreed

- to purchase the same number of copies from Microsoft for more than \$321,000.”).
- 96 *United States v. Chalupnik*, 514 F.3d 748, 754–55 (8th Cir.2008)
- 97 *United States v. Borners*, 553 Fed. App’x. 904 (11th Cir. 2014) (“Restitution [and by implication the remission of forfeiture] is not intended to provide a windfall for crime victims but rather to ensure that victims, to the greatest extent possible, are made whole for their losses”).
- 98 *See United States v. Dwyer*, 275 Fed. App’x. 269, 270 (5th Cir.2008) (affirming award of legal fees incurred in victim’s investigation of employee’s embezzlement, where information gathered was turned over to FBI and U.S. Attorney, thereby “enabling the government to prosecute Dwyer without conducting a significant investigation”); *United States v. Beaird*, 145 Fed. App’x. 853, 855 (5th Cir. 2005) (allowing restitution order for “attorneys’ fees and litigation expenses, associated with assistance to the FBI in the investigation of Beaird’s offense”); *see also United States v. Cuti*, 766 F.3d 199, 208 (2d Cir. 2014) (awarding attorney and investigative fees); *United States v. Wilfong*, 551 F.3d 1182, 1188 (10th Cir. 2008) (awarding loss of employee work hours); *United States v. Amato*, 540 F.3d 153, 159 0160 (2d Cir. 2008) (attorney fees and accounting costs).
- 99 *United States v. Maturin*, 488 F.3d 657, 661 (5th Cir. 2007). “Since the [Mandatory Victim Restitution Act] broadens the definition of the term ‘victim’ for any ‘offense that involves as an element a scheme, conspiracy, or pattern of criminal activity’ to include ‘any person directly harmed by the defendant’s criminal conduct in the course of the scheme, conspiracy, or pattern,’ ... this court has held ‘that where a fraudulent scheme is an element of the conviction, the court may award restitution for actions pursuant to that scheme.’” *Id.* (citation omitted); *see also United States v. Inman*, 411 F.3d 591, 595 (5th Cir. 2005); *United States v. Cothran*, 302 F.3d 279, 289 (5th Cir. 2002).
- 100 28 C.F.R. § 9.8(a)(1).
- 101 28 C.F.R. § 9.2(s) (emphasis added); Losses that are secondary to the principal loss, such as “interest foregone or for collateral expenses incurred to recover lost merchandise or to seek other recompense,” are not eligible for remission. (28 C.F.R. § 9.8(b).) Nor are losses from merchandise damage or physical injuries, or from a tort, *unless the tort is the illegal activity underlying the forfeiture*. (28 C.F.R. § 9.8(c) (emphasis added).)
- 102 Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, § 7, 110 Stat. 1386 (July 2, 1996) (codified at § 35(c) of the Lanham Act, 15 U.S.C. § 1117(c)).
- 103 North American Free Trade Agreement Implementation Act, Pub. L. 103-182, 107 Stat. 2057 (1993).
- 104 *Id.*
- 105 *See* 19 C.F.R. § 133.21.
- 106 MARKS FOR UL’S LISTING SERVICE, <https://marks.ul.com/about/ul-listing-and-classification-marks/appearance-and-significance/marks-for-north-america/>.



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