



# NEWSLETTER

*A quarterly update on intellectual property topics.*

Vol. 10 • Issue 2

Summer 2008

## Addressing the Problem of Infringing Imports

Infringing imports<sup>1</sup> present a persistent and ever-growing problem for intellectual property owners. The United States imported approximately \$2.3 trillion in goods and services in 2007.<sup>2</sup> The same year, United States Customs and Border Protection (“Customs”) executed over 13,000 seizures of infringing imports, confiscating goods worth nearly \$200 million, more than double the amount seized in 2003.<sup>3</sup> Complicated distribution chains make it more difficult to locate the source of infringing imports. Establishing jurisdiction over the party ultimately responsible may also be difficult. Finally, infringers may evade injunctions by changing their business practices without altering the underlying infringing behavior.

Two complements to federal litigation are (1) recording trademarks with Customs, and (2) initiating investigations before the United States International Trade Commission (“ITC”). While Customs recordation and ITC actions are useful to address specific issues, important limitations deserve consideration.

### **CUSTOMS**

Recording a trademark with Customs allows officials to seize imported articles that bear a mark or name “copying or simulating” the recorded mark. The effectiveness of enforcement improves if Customs receives specific information from the brand owner about the arrival date and location of known or expected infringing imports. It is important to meet with Customs’ officials at ports, for example, to give them information about how to distinguish counterfeits from authentic goods. Recordation with Customs is particularly helpful in stopping counterfeit goods, but it may be ineffective against parallel imports or “gray market goods,” i.e., genuine and sometimes materially different goods intended for sale abroad that are improperly imported into the United States. Specifically, Customs regulations permit imports if the domestic and foreign trademark owners are under common control, a situation frequently present in gray market goods cases.<sup>4</sup>

### **THE INTERNATIONAL TRADE COMMISSION**

The ITC has jurisdiction to investigate and remedy unfair methods of competition and unfair acts in the importation of articles into the United States, including infringements of intellectual property rights, under 19 U.S.C. § 1337.

Section 337 investigations are particularly useful when an intellectual property rights owner is confronted with multiple infringers. If the investigation results in finding a violation, the ITC can issue in rem exclusion orders, enforced by Customs at U.S. ports, that can be limited (directed at infringing articles from a certain source) or, in appropriate cases, general (directed at all infringing articles regardless of source). Both types of orders allow imports to be blocked without having to establish personal jurisdiction over infringers located outside the United States. General exclusion orders circumvent the issue of identifying every specific violator, as they are effective against the same infringing goods from all sources. The ITC also can direct cease and desist orders to specific parties to prevent their sale of domestic inventory of infringing goods or other infringing conduct.

Section 337 investigations are relatively fast compared to federal litigation. When an investigation is instituted, the ITC sets a target date for completing the investigation, generally within one year of the date that the beginning of the investigation is published in the Federal Register. This expedited process means that discovery is more accelerated than in federal court, with responses to discovery requests typically required in ten days rather than thirty. Restrictions on discovery that apply in federal court, such as limits on the number of interrogatories, often do not apply in the ITC, resulting in discovery that is simultaneously more accelerated and broader than conventional litigation. Therefore, the costs in an ITC proceeding have the potential to mount quickly.

The United States also participates in Section 337 investigations through the ITC’s Office of Unfair Imports Investigation (OUII). The OUII staff attorneys act as independent participants representing the public interest, with full power to take discovery, file briefs, and otherwise participate in the investigation as a party. Thus, a complainant’s control over the direction of the proceeding is diminished by this additional “party,” as compared to district court litigation. For example, because the Commission must always consider the public interest, OUII staff would still respond to a motion for default judgment or a motion for termination by settlement, even if both parties agree on the settlement terms, and may recommend certain terms that a brand owner may not find satisfactory, e.g., a disclaimer label.

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One important limitation of the ITC is the lack of monetary damage awards. Violations of ITC orders can result in seizures, forfeitures, and daily civil penalties of up to \$100,000 or twice the value of the articles, but the monetary penalties are paid to the United States, not the complainant. Customs' enforcement of exclusion orders may also not be perfect, depending on the volume of imports and the availability of agents to investigate incoming goods. Customs' enforcement is also less effective against goods that enter the U.S. without going through a port, such as through the mail.

## CONCLUSION

While subject to certain limitations, Customs recordations and ITC proceedings may be appropriate tools to protect IP interests, either in combination with or as alternatives to other enforcement strategies, and should be considered when developing a plan to combat infringing imports.

– Scott Lonardo

1. "Infringing imports" include imported articles that infringe intellectual property rights, including trademark, copyright, and patent rights. Within the field of trademarks, infringing imports include goods that infringe a trademark in the general sense of creating likelihood of confusion, counterfeit goods, and gray market goods, i.e., genuine goods intended for sale abroad that are improperly imported into the United States.
2. U.S. Census Bureau, Foreign Trade Statistics, Annual Trade Highlights 2007, available at <http://www.census.gov/foreign-trade/statistics/highlights/annual.html> (Feb. 18, 2008) (last visited Apr. 10, 2008).
3. "Yearly Comparison: Seizure Statistics for Intellectual Property Rights," available at CBP Website, [http://www.cbp.gov/xp/cgov/trade/priority\\_trade/ipr/seizure/seizure\\_stats.xml](http://www.cbp.gov/xp/cgov/trade/priority_trade/ipr/seizure/seizure_stats.xml) (Jan. 23, 2008) (last visited Apr. 9, 2008).
4. 19 C.F.R. § 133.23(d). In addition, the *Lever*-rule regulations that address materially different goods, no matter the existence of a common control ownership structure, currently are hampered by a labeling option that allows the gray goods to enter the country. *Id.* at § 133.23(b)

Recognized as the  
**Midwest Trademark Prosecution  
FIRM OF THE YEAR,**  
**Midwest Trademark Contentious  
FIRM OF THE YEAR,**  
and  
**Midwest Copyright  
FIRM OF THE YEAR**  
by  
**Managing Intellectual  
Property magazine.**

# ANNOUNCEMENTS

## APPOINTMENTS

**Robert W. Sacoff** has been appointed a member of the AIPPI United States Group's Nominating Committee for 2008, and also a member of the INTA Anti-Counterfeiting Committee.

**Sanjiv D. Sarwate** was appointed to the WHOIS Subcommittee of the International Trademark Association's (INTA) Internet Committee. Within that subcommittee, Sanjiv will be working with the Proxies Working Group.

**Belinda J. Scrimenti** was appointed to INTA's Non-traditional Marks Committee, North American Subcommittee.

**Joseph N. Welch II** was elected President of the Chicago Intellectual Property Alliance on February 7, 2008.

## TEACHING

**Bradley L. Cohn** taught a course on "Advanced Legal Writing – Trademarks" at DePaul University in the Spring of 2008.

## PRESENTATIONS

**Phillip Barengolts** gave a presentation entitled "Copyright Law and Media Distribution over the Internet," at the Northwestern University Law School, in Chicago on January 16, 2008. On April 2, 2008, **Phil** gave a presentation entitled "Trademark Dilution Surveys" at the Chicago Bar Association Young Lawyers Section Intellectual Property Committee's Monthly Meeting **Phil** also discussed his career as an attorney on May 2, 2008, during the Second Annual Career Day at Columbia Explorer's Academy, a K-8 public school located in Chicago's Brighton Park neighborhood.

**Thad Chaloehtiarana** gave a presentation entitled "Licensing IP Assets" at a Law Bulletin Corporate IP Seminar in Chicago on February 19, 2008. On February 29, 2008, **Thad** gave a presentation entitled "Trademark Licensing and Defective Products - Walking the Line Between Licensing Control and Product Liability" at the 52nd Annual Conference on Intellectual Property Law at The John Marshall Law School in Chicago.

**Bradley L. Cohn** gave a presentation entitled "Navigating Trademark Practice Before the PTO 2008: From Filing Through the TTAB Hearing" at a Practising Law Institute CLE seminar in New York City on February 21, 2008. On April 24, 2008, **Bradley** gave presentations entitled "Ethical Issues That Arise While Investigating Potential Infringements and Clearing Proposed Trademarks" and "Fraud on the United States Patent and Trademark Office" at the 2nd Annual Intellectual Property Institute for Corporate Counsel.

**Jonathan S. Jennings** met with U. S. Treasury officials on gray market goods issues on behalf of INTA's Parallel Imports Committee's North American Subcommittee on April 24, 2008. In February and March of 2008, **Jonathan** responded to requests for commentary from the Illinois State Bar Association, the Chicago Bar Association, and the office of Illinois Speaker Michael J. Madigan on pending legislation that would amend the Illinois Right of Publicity Act.

**Janet A. Marvel** will speak on basic trademark law at a Mealy's/Lexis webinar on June 10, 2008.

# ANNOUNCEMENTS

**Kristen S. Knecht** and **Ashly Iacullo** moderated the “Judges Panel: Intellectual Property Law” program presented by the Chicago Bar Association’s Young Lawyers Section, Intellectual Property Law Committee on February 5, 2008. This panel featured the Honorable Judges Virginia M. Kendall, Matthew F. Kennelly, and Rebecca R. Pallmeyer of the United States District Court for the Northern District of Illinois.

**J. Michael Monahan** gave a presentation entitled “The Law Meets Massively Multiplayer Online Role-Playing Games (MMORPGs)” on December 18, 2007, at the Cyberlaw & Data Privacy and Intellectual Property Law Committee Meeting of the Chicago Bar Association. On April 2, 2008, **Mike** spoke at a panel discussion on “License Agreements: Best Practices, Avoiding Pitfalls” at the Virtual Worlds/Virtual Law Conference in New York City. On April 18, 2008, Mike gave a presentation entitled “Famous for Fifteen Minutes: IP and Internet Social Networking” at The Northwestern Journal of Technology & Intellectual Property 3rd Annual Symposium, titled “Following the Yellow Brick Road: The Future of Intellectual Property.”

**Mark V. B. Partridge** spoke on “Protecting Your Brand Online” at the Chicago Bar Association’s Finance Committee Meeting on February 21, 2008. On March 11, 2008, **Mark** spoke to Vistage Group 496 in Duluth, Georgia on “Intellectual Property Is Your Greatest Asset.” On May 21, 2008, **Mark** gave a presentation entitled “Cybersquatters and the Bottom Line” for the Counsel on Call organization. **Mark** gave a presentation on “ADR for IP Disputes” for the Illinois Bar Association’s CLE programs in Chicago on May 5, 2008, and in Collinsville, Illinois on May 12, 2008. On June 12, 2008, **Mark** will give a presentation entitled “Are Your Employees Selling You Out? - Protect Your Rights and Avoid Infringement” at the John Marshall Law School and on June 25, 2008, **Mark** will speak on “The Plagiarism, Copyright and Fair Use Battle: HR’s Role in Guiding Employees to Avoid Infringement” during the Society for Human Resource Management Annual Convention in Chicago, Illinois.

**Dale E. Qualls**, Director of Information Technology, presented a webinar to the International Legal Technology Association entitled “How to Set up a Nagios Network Monitoring Virtual Appliance - 15 minutes from Unarchiving to Monitoring” on February 28, 2008.

**Robert W. Sacoff** gave a presentation entitled “Trademark Cases in the International Trade Commission” at the AIPPI/ASIPI Meeting, in Mexico City, Mexico on April 6, 2008.

**Joseph N. Welch II** will give a presentation on July 16, 2008, entitled “The Trademark Trial and Appeal Board or Federal Court: Which is Best for Your Case?” at the Practising Law Institute’s Advanced Seminar on Trademark Law 2008 in New York.

**Uli Widmaier** gave a presentation entitled “Introduction to U.S. Trademark Law” on April 16, 2008, at the Pre-conference Seminar for the Ninth International Trademark Conference, in Alicante, Spain. On April 17, 2008, **Uli** spoke on the “Aspects of U.S. Practice likely to affect European Trademark Strategies” at the Ninth International Trademark Conference in Alicante, Spain.

## PUBLICATIONS

Lexis-Nexis has published the Seventh Edition of the coursebook, *Trademarks and Unfair Competition*, which was introduced to attendees at the International Trademark Association annual meeting in May. **Uli Widmaier**, joins **David C. Hilliard** and **Joseph N. Welch II** as a new co-author of the coursebook, which was originally written by **Beverly W. Pattishall** and **David C. Hilliard**.

## NOTEWORTHY

The Firm was recognized by *Managing Intellectual Property* magazine as a U.S. top tier firm for **trademark litigation, trademark prosecution** and **copyright law**, based on a five month worldwide survey and extensive interviews with peers and clients.

The Legal Media Group, in association with *Managing Intellectual Property* magazine, listed **Raymond I. Geraldson, Jr., David C. Hilliard, Jonathan S. Jennings, Janet A. Marvel, Mark V.B. Partridge, Robert W. Sacoff**, and **Joseph N. Welch II** in its Guide to the World’s Leading Trade Mark Law Practitioners:

*Who’s Who Legal: Illinois 2008* recognized **Raymond I. Geraldson, Jr., David C. Hilliard, Janet A. Marvel, Jeremiah D. McAuliffe, Mark V. B. Partridge, Robert W. Sacoff** and **Joseph N. Welch II** as Illinois Leading Lawyers in Trademark law.

*Law & Politics* magazine and the publishers of *Chicago* magazine recognized **Brett A. August, Bradley L. Cohn, Raymond I. Geraldson, Jr., David C. Hilliard, Mark V. B. Partridge, Robert W. Sacoff**, and **Joseph N. Welch II** as Illinois Super Lawyers for 2008. In addition, **Jared D. Solovay** was recognized as an Illinois Rising Star for 2008.

Martindale-Hubbell has also awarded the AV Peer Review Rating to **Brett A. August, Raymond I. Geraldson, Jr., David C. Hilliard, Jeremiah D. McAuliffe, Robert M. Newbury, Mark V. B. Partridge, Robert W. Sacoff**, and **Joseph N. Welch II**. This rating reflects recognition by the attorneys’ peers of outstanding legal ability and high ethical standards.

**Jared D. Solovay** was quoted in a recent article in *The Southern*, a downstate Illinois newspaper, regarding a lawsuit alleging copyright infringement.

**Diana Koppang**, our Research Specialist, was selected from an applicant pool of over one hundred private and corporate law librarians from across the nation to attend the Teaching Research in Private Law Libraries Conference held in April 2008. The conference included intensive training on multiple research education issues such as legal industry trends, getting management buy-in, enhancing communication skills, marketing the law library and maximizing the teachable moment.

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