Gray Market Goods and Recording with U.S. Customs

BESIDES SECTION 526, WHAT ARE THE ALTERNATIVE MEASURES FOR TRADEMARK ENFORCEMENT

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Disclaimer

- Formal article submitted to the UBIPLJ is entitled, *Gray Market Goods and Recording with the U.S. Customs and Border Protection: Where Section 526 May be Limited by Interpretation, What are the Alternative Measures for Trademark Enforcement.*
- The views expressed in the article and the remarks to be made in this presentation are those of the speaker only and not the U.S. Patent and Trademark Office nor the U.S. Department of Commerce
Domestic Impact of Intellectual Property

- **U.S. Customs and Border Protection**
  - Largest Division of U.S. Department of Homeland Security
  - Monitor terrorism
  - Enforce immigration
  - Secure travel
  - **Monitor Trade**
    - Priority Trade Issues
      - Intellectual Property Rights
        - **Trademarks**
        - Patents
        - Copyrights
Gray Market Goods

- Foreign Manufactured Goods with a valid U.S. Trademark which are imported without the consent of the U.S. Trademark owner.
  - Foreign subsidiaries
  - Licensees

- Compare with Counterfeit Goods
  - Goods bearing trademarks without the consent of the valid trademark owner.

- Customs Authority
  - 19 C.F.R. §§133.2 and 133.23 (2009)
  - List of U.S. registered trademarks recorded with Customs
Differences in Gray Market Goods

- Physical
- Material
- Quality Control
- Expectations of Consumers
- Goodwill of U.S. Trademark Owner
- Safety

*Gamut Trading Company et al., v. United States, 200 F.3d 775 (Fed. Cir. 1999).*
Section 526 of 1930 Tariff Act

- “Merchandise Bearing American Trademark”
  - Private Cause of Action

- Importation prohibited.
  - “... It shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trade-mark owned by a citizen of, or by a corporation or association created or organized within, the United States . . . . unless written consent of the owners of such trade-mark is produced at the time of making entry.

- Seizure and forfeiture.
  - Any such merchandise imported into the United State in violation of the provisions of this section shall be subject to seizure and forfeiture for violation of the customs laws.

- Injunction and damages.

- Does not apply to goods imported for personal use and not for sale
Katzel Case

- **A. Bourjois & Company, Inc. v. Katzel**
  - 260 U.S. 689 (1923)

Territoriality

Whether the owner of a U.S. trademark can prevent the importation of gray market goods.

To prevail, U.S. trademark owner must show
- It is a U.S. citizen, U.S. corporation or U.S. organization
- It is the owner of the specific U.S. trademark
- Trademark is currently registered with the USPTO
- Defendant does not have the written consent of the U.S. trademark owner to import the goods into the United States.
K mart Corp case

- **K mart Corp. v. Cartier, Inc. et al**
- “Authorized use” exception in 1987 Customs regulation of §133.21 was inconsistent with §526
- Customs should not interpret a license to mean that the foreign manufacturer has the U.S. trademark holder’s consent to import the goods into the United States.
- 2009 Customs regulation in §133.21 now refers to “common ownership or control”
§42 of the Lanham Act

- Importation of Goods Bearing Infringing Marks or Names Forbidden
- Private cause of action
  - “Except as provided in subsection (d) of section 526 of the Tariff Act of 1930 [19 USC §1526(d)], no article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country . . . . shall be admitted to entry at any customhouse of the United States; . . . .”
- Remove deceit and confusion from the consumer
- Are the physical differences in the goods material to the consumer’s purchasing decision
Nestle case

- Without consent of the U.S. trademark owner for Perugina, chocolates imported by third party into Puerto Rico for distribution
- Materiality Threshold
  - Low enough to consider differences that are confusing to the consumer
    - Packaging
    - Price
    - Composition
    - Configuration
- Extreme differences in quality control
**Lever Brothers case**

- Customs allowed gray market goods into the U.S. under the 1988 Customs affiliate exception for common ownership.
- Due to the physical and material differences in the goods, §42 precluded the affiliate exception.
  - The products imported into the U.S. created a deception to the consumers that §42 found prohibitive.
- Customs regulations amended – now include the Lever-rule protection.
Recording with U.S. Customs

- Primary duties consumed by national security
- Recorded information to assess IP rights
  - List of U.S. registered trademarks and the owners
  - List of trade names used for at least  months
- Detail
- Time limits
Electronic Tools

- Information for registering a U.S. Trademark
  - http://www.uspto.gov/
- Information for recording with U.S. Customs
  - https://apps.cbp.gov/e-recordations/
Other Statutory Challenges

- §32(1) of the Lanham Act
  - Enjoin the sale of gray market goods if owners can prove the sale and advertising of those goods is likely to cause confusion as to the source of the authentic goods.

- §43(a) of the Lanham Act
  - Owners must prove gray market goods falsely convey the impression that they consented to the importation

- §43 (b) of the Lanham Act
  - Prohibit importation of gray market goods based on 43(a)

- §337 of the Tariff Act
  - International Trade Commission (ITC) can file to bar the importation of goods into the U.S. that are materially different and were manufactured in the U.S. for export.
Tips for Trademark Owners

- Register your trademarks with USPTO
- Record your registered trademarks with U.S. Customs
  - Include detailed facts
    - Ownership
    - Control
    - Physical differences
    - Material differences
- Remedies to the Importation of Gray Market Goods
  - Section 526 of Tariff Act
  - Section 42, 32(1), 43(a) and 43(b) of Lanham Act