

INTA Submission on the Request for Public Comment Regarding:

Docket No. USCBP 2012-0011:
“Disclosure of Information for Certain Intellectual Property Rights Enforced at the Border”
U.S. Customs & Border Protection, Department of Homeland Security, Department of
Treasury (77 Federal Register 24375 (April 24, 2012))

Submitted: June 25, 2012

The International Trademark Association (INTA) is pleased to provide comments on the U.S. Customs and Border Protection (CBP) interim rules pertaining to importations of merchandise bearing recorded trademarks or recorded trade names. For the reasons discussed below, we support the proposed interim rule authorizing officials to share identifying information with intellectual property holders during the import clearance process, but propose deletion of the seven (7) day waiting period requirement. Instead, CBP should provide the owner of the mark with information regarding the seizure at the same time as the importer so that CBP can make a determination based on information from both interested parties.

INTA is a not-for-profit organization founded in 1878 with 5,900 members in more than 190 countries. INTA’s members include trademark owners of all sizes, law firms, advertising agencies, and professional associations who share the common mission of supporting trademarks as essential elements of fair and effective commerce.

I. Proposed Amendment to Interim Rule on Pre-Detention Notice Procedure

INTA proposes that Part(b)(1) of § 133.21 be amended as follows (bolded and underlined text to be added; strikethrough words to be deleted):

(b) *Detention. . . .*

(1) *Notice to importer **and owner of the mark** of detention and possible disclosure.* Within five days (excluding weekends and holidays) from the date of a decision to detain, CBP will notify the importer in writing of the detention **and send a copy of the notice to the owner of the mark.** The notice will **identify the detained merchandise and** inform the importer that a disclosure of information concerning the detained merchandise may be made to the owner of the mark to assist CBP in determining whether any marks are counterfeit; ~~unless the importer presents information within seven days of the notification (excluding weekends and holidays) establishing to CBP’s satisfaction that the detained merchandise does not bear a counterfeit mark.~~ CBP may disclose information appearing on the merchandise and/or its retail packaging, images (including photographs) of the merchandise and/or its retail packaging in its condition as presented for examination, or a sample of the merchandise and/or its retail packaging in its condition as presented for examination. The release (disclosure) of a sample is subject to the bond and return requirements of paragraph (c) of this

~~section. Where the importer does not timely provide information or the information provided is insufficient for CBP to determine that the merchandise does not bear a counterfeit mark, CBP may proceed with the disclosure to the owner of the mark, and will so notify the importer.—Disclosure under this section may include any serial numbers, dates of manufacture, lot codes, batch numbers, universal product codes, or other identifying marks appearing on the merchandise or its retail packaging, in alphanumeric or other formats.~~

II. Rationale for Proposed Amendment

INTA supports the need for disclosure of product and packaging information to rights holders, because such disclosure will assist CBP in making independent infringement determinations and provide a badly needed mechanism and authority that will assist in weeding out counterfeit products. Product counterfeiting poses real and serious threats to the American economy, the health and safety of Americans as well as undermines national security. INTA further supports the disclosure of this information earlier in the process and therefore does not agree with the seven (7) day waiting period imposed on when information can be shared with the owner of the mark. INTA believes that the waiting period serves no purpose in preserving legitimate goals of the Trade Secrets Act and unduly handicaps CBP officials' and the mark owners' ability to protect the public from the real threats of counterfeiting, which have grown in recent years to epidemic proportions.

CBP discloses information to the owner of the mark so it can determine whether or not the goods are counterfeit, thereby protecting not only the owner of the mark, but also the consumer. Between the importer and the owner of the mark, the owner is the more reliable source of information for the CBP. Information from the owner of the mark should be shared with CBP at least simultaneously with any information from the importer.

INTA is also concerned that the interim rule, as written, will impair the ability of rights holders to assist CBP in its efforts to eliminate the unlawful importation of parallel imports, including under the Lanham Act, 15 U.S.C. §§ 1114(1), 1124, and 1125(a)(1) and under the Tariff Act, 19 U.S.C § 1526. Thus, not only does the seven (7) day waiting rule hamper trademark owners' ability to protect themselves from the importation of counterfeit products, it also has the effect of circumventing existing U.S. law and *Lever* rule protections designed to prevent and/or control unauthorized parallel imports.

Several additional practical challenges are inherent in the existing seven (7) day waiting period. If the importer provides sufficient information within the initial seven (7) day waiting period "establishing to CBP's satisfaction" that the merchandise is not counterfeit, and the owner of the mark either cannot adequately determine authenticity from redacted samples/images or is not afforded an opportunity to weigh in, then detention ends and the goods are released into commerce. This is exactly the outcome sought by the sophisticated counterfeiter.

INTA also questions what information will be "sufficient" to satisfy CBP. How easy will it be for an unscrupulous importer to convince CBP that goods are authentic? If CBP cannot tell whether the product is genuine, how will it determine if the documentation itself is legitimate? This is particularly a concern with a mixed shipment of gray market and counterfeit goods, where the importer may have what appears to be legitimate documentation

for the entire shipment, when in reality the shipment is heavily infiltrated with counterfeits. Without meaningful help from owners of the mark at the front end, CBP officers will likely not have enough information to make the decision to detain.

If the importer is not timely or the information provided is insufficient, CBP may finally proceed with the disclosure of unredacted samples/images to the owner of the mark. Based on the current rules, this means that the owner of the mark does not see meaningful information for at least 14 days (5 days to issue notice plus the 7-day importer procedure plus at least 2 weekend days) and possibly longer (the CBP officer may not make the decision to detain for several days after presentation and the 7 day period could fall on a second weekend, adding 2 more days). So, this process will take anywhere from 14 to 19 days. Meanwhile, the 30-day detention clock starts running on the date of presentation. Only the importer can request an extension of the 30-day detention. This means that the owner of the mark is likely to receive sufficient information to determine authenticity with only 11 days left on detention. While this may be adequate in some cases, the more sophisticated cases often require additional time communicating within the rights holder's organization and/or with CBP officials. Will the delays and procedural hurdles discourage CBP officers from even embarking on the detention process, except when the violation is obvious?

INTA recognizes that the current draft of the interim amendment allows CBP to share redacted samples or images with mark owners without a waiting period, but it does not allow them to disclose tracking numbers or unique identifying codes (UIC). Arguably, this would be a violation of the Trade Secrets Act, which bars the unauthorized disclosure of transactional, financial or other commercially sensitive data collected by government officials. Instead such information can be shared only after the seven (7) day waiting period and may include, *inter alia*, serial numbers, universal product code (UPC) numbers, stock keeping unit numbers, manufacturing dates, and other identifying marks appearing on the merchandise or its retail packaging.

While any kind of information provided to the rights holder can be useful, the redacted images alone are not always sufficient to determine the authenticity of the item, particularly where the counterfeiting is more advanced or sophisticated. Viewing unique UIC or other tracking information is considered an authentication method for counterfeit goods. Where goods are indistinguishable when viewing images as opposed to the goods themselves, viewing UICs or other tracking information is often the only authentication method available. Because of the high expense involved in placing a unique number on each unit, counterfeiters will generally either omit such a number from their packaging or repeatedly use sets of fake numbers on a series of counterfeit units. The UIC system therefore facilitates the spotting of counterfeit units by allowing investigators to make a determination based on the absence of a UIC on the packaging or the use of a repeating and, thus, fake UIC number. Also, the identification of a fake UIC number allows investigators to search for other fakes merely by identifying products bearing the same fake number.

Tracking information is generally visible to the public, and thus any proprietary interpretation of this information remains solely with the shipper and/or mark owner. It follows then that tracking information, as it appears on products/packages, should not be identified as trade secrets. If the tracking information is unique to the importer, the mark owner would have no presumed advantage over a consumer seeing the same information. If the codes or other information were placed on the product or its packaging by the mark

owner, then this information – if a trade secret at all – is one belonging to the mark owner. Arguably, this is information to which the mark owner is entitled. *See Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238 (2d Cir. 2009) (alteration or removal of product's unique production code, that acted as quality control mechanism which enabled mark owner to protect reputation of its trademarks by identifying counterfeits and by protecting against defects, could be basis for infringement, regardless of whether goods were gray market goods, sold through authorized channels in other countries and subsequently imported by others into United States, and even though trademarks themselves were visible and unaltered).

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