INTA Submission on the Request for Public Comment Regarding:

Docket No. 2019-18317:
"Disclosure of Information Regarding Abandoned Merchandise"
United States Customs and Border Protection, Department of Homeland Security,
Department of Treasury
84 Federal Register 44790 (August 27, 2019)

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Introduction

The International Trademark Association (INTA) welcomes the opportunity to respond to the federal register request of the United States Customs and Border Protection (CBP) and the Department of Treasury for comments to the Federal Register Notice for “Disclosure of Information Regarding Abandoned Merchandise”.

INTA is a membership association of more than 7,200 trademark owners and professionals from more than 191 countries. INTA members collectively contribute almost $12 trillion to global GDP annually. The Association’s member organizations represent some 31,000 trademark professionals and include brand owners from major corporations as well as small- and medium-sized enterprises, law firms and nonprofits. INTA undertakes advocacy work throughout the world to advance trademarks and offers educational programs and informational and legal resources of global interest. The organization is dedicated to the support and advancement of trademarks and related intellectual property (IP) in order to protect consumers and to promote fair and effective commerce.

As an important part of its mission, INTA is dedicated to improving trademark enforcement and anticounterfeiting efforts worldwide. The Association supports the efforts of the United States government and congratulates the U.S. enforcement agencies for leading the fight against counterfeits and other IP infringements. However, the problem is growing and much more needs to be done. In 2009, the value of counterfeited and pirated goods moving through international trade alone equaled $250 billion annually. Today, ten years later, the value of global trade in counterfeit and pirated goods in 2019 is $1 trillion and costs over 2.5 million jobs per year. Total counterfeits detained at the U.S. borders have been valued at over $1.4 billion in 2018.

In February 2017, INTA along with ICC-BASCAP released a new report from Frontier Economics titled “The Economic Impacts of Counterfeiting and Piracy”, which seeks to quantify the global value of counterfeiting and piracy, and related economic and social costs. The study found that in 2013, the estimated value of international and domestic trade in counterfeit and pirated goods was a staggering $710-917 billion. The wider economic and social costs was calculated at $717-898 billion- this includes fiscal losses, costs of crime, and displacement of legitimate economic activity.

In 2022, the total estimated value of counterfeit and pirated goods including digital piracy is projected to reach an astounding $1.90 -$2.81 trillion. The number of jobs lost due to
counterfeiting and piracy is expected to reach upwards of 5.4 million jobs in 2022. Billions more counterfeits are moving through our borders undetected. The sale of counterfeits and other trademark infringements on the Internet have exacerbated the problem. This issue spans all industries and all types of goods including electronics, medicines, food, and toys, which can be the cause of serious health and safety issues to consumers. INTA believes that the private sector must work closely with the public sector to make sure that trademark law is properly enforced to ensure that consumers are protected.

**Disclosure of Information Regarding Abandoned Merchandise**

CBP is proposing to disclose the same comprehensive importation information provided to trademark owners when merchandise has been seized in cases where merchandise has been voluntarily abandoned, if CBP suspects the successful importation of the merchandise would have violated United States trade laws prohibiting importation of merchandise bearing counterfeit marks, and that disclosure would assist CBP in its IPR enforcement mission.

INTA is fortunate to have already engaged with CBP with similar legislative changes in line with this proposal. The Association would like to support the changes and take them one step further. INTA would like to propose that the CBP provide some mechanism to provide information to rights holders about the goods that are being abandoned. INTA members should be notified about the:

1. trademark which is infringed;
2. date of import and export;
3. port of entry;
4. description of merchandise, merchandise including any product markings, serial numbers, or product codes appearing on the product or its packaging and packaging materials;
5. quantity of merchandise;
6. country of origin; and
7. name, address, telephone number, email address of manufacturer, exporter, owner, consignee, or importer (i.e., whatever information that is available to CBP that may identify the counterfeiter).

This information should be listed on the bill of lading and should not be overly burdensome for the express carriers to share with the rights holders.

There are other items of information that would be helpful to the brand owner that can be included:

1. information as to whether the shipment contains other infringing goods;
2. digital images of merchandise, including labels and tags; and
3. digital images of the box and any printed information.

This information is also not in violation of the Trade Secret Act. They information is being provided on suspicion that the product is fraudulent – a clear exception to the Trade Secret Act. Moreover, the information is necessary in many cases for making the appropriate determination. The 7 day rule would not apply because the merchandise has been abandoned.

Incidental to enforcement work by various government authorities in counterfeiting cases, information is generated that can be useful for investigating the identity and role of other parties,
including suppliers of goods and accessories. Due to limitations of resources, government enforcers are not always able to use such documents and information in the course of their own investigations following an initial seizure of goods, documents or other evidence. However, trademark owners can utilize these documents and information in the course of private investigations. In order to ensure that the trademark owner has prompt access to information regarding counterfeiters and the potential counterfeiter, INTA recommends that the government revise rules and procedures to provide prompt and reasonable access by trademark owners to relevant documents and information on counterfeiters for the trademark owners’ use in conducting private investigations or the filing of complaints to the courts or other government agencies.

In addition, INTA recommends that an electronic means be established to share as many data points as possible with the rights holder. At the very least, the data points from the bill of lading should be shared, as they are already in the possession of the express carriers.

The proposed amendments allowing customs officials to share information about the abandoned counterfeit goods should be a required action rather than a permissive one. Brand owners, whose rights are effected, should be informed of all suspected counterfeiters at the border in order to properly protect enforce their trademarks. Rights holders should be contacted as a mandatory step when customs officials are disposing of these abandoned goods. A specific process should also be put in place in order to provide a mechanism to report these abandoned goods.

**Further Amendment to 19 CFR 133.21**

In order to allow the public and private sector to work against counterfeiting, INTA proposes another amendment to 19 CFR 133.21. This amendment should apply to counterfeit seizures.

**Proposed Amendment**

INTA proposes that Part(b)(2) of § 133.21 be amended as follows (strikethrough words to be deleted):

(b) *Detention*. . . .

(2) Notice of detention to importer and disclosure to owner of the mark—(i) Notice and seven business day response period. Within five business days from the date of a decision to detain suspect merchandise, CBP will notify the importer in writing of the detention as set forth in § 151.16(c) of this chapter and 19 U.S.C. 1499. CBP will also inform the importer that for purposes of assisting CBP in determining whether the detained merchandise bears counterfeit marks:

(A) CBP may have previously disclosed to the owner of the mark, prior to issuance of the notice of detention, limited importation information concerning the detained merchandise, as described in paragraph (b)(4) of this section, and, in any event, such information will be released to the owner of the mark, if available, no later than the date of issuance of the notice of detention; and

(B) CBP may disclose to the owner of the mark information that appears on the detained merchandise and/or its retail packaging, including unredacted photographs, images, or samples, as described in paragraph (b)(3) of this section, unless the importer presents information within seven business days of the notification establishing that the detained merchandise does not bear a counterfeit mark.
(ii) Failure of importer to respond or insufficient response to notice. Where the importer does not provide information within the seven business day response period, 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 of information described in paragraph (b)(3) of this section to the owner of the mark and will so notify the importer.

**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 most needed mechanism and authority that will assist in weeding out counterfeit products. 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 the ability of CBP officials and the mark owners to protect the public from the real threats of counterfeiting.

CBP discloses information to the owner of the mark in order to 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 members have seen fake documents that were provided to CBP to justify a shipment of counterfeit goods. Therefore, relying on the potential counterfeiter to provide sufficient documentation is misplaced; the rights holder is better equipped to determine the authenticity of the good.

INTA is also concerned that the 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 as well as Lever rule protections designed to prevent and/or control unauthorized parallel imports. Lever rule protection is there to guard against the import of product that materially differs from what the rights’ holder puts into the stream of commerce in the US. It is a consumer protection mechanism to make sure the purchaser of the good gets what is expected.

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 the goods.

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). As a result, 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. This raises the question whether the delays and procedural hurdles will discourage CBP officers from even embarking on the detention process, except when the violation is obvious.

INTA recognizes that the current draft of the law 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, the 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).

**Conclusion**

INTA greatly appreciates this opportunity to comment on the proposed amendments for the Federal Register Request on “Disclosure of Information Regarding Abandoned Merchandise”. INTA would be pleased to answer any questions that CBP and the Department of Treasury may have and is available to discuss our recommendations in more detail. Please contact the following INTA representative:

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