

TRADEMARK, COPYRIGHT AND PATENT VIOLATIONS

MITIGATION OF TRADEMARK, COPYRIGHT AND PATENT VIOLATIONS

I. Introduction

This section includes extensive background information and a number of matrices that will help in the processing of trademark, copyright and patent violations.

II. Trademark Violations - Seizures

A. Counterfeit – 19 U.S.C. 1526(e); 19 U.S.C. 1595a(c) and 18 U.S.C. 2320

If the mark on the merchandise is identical with, or substantially indistinguishable from, the genuine trademark in question, it is then deemed counterfeit (i.e., “Ray Ban” vs. “Ray Ban”). See, sections 1-4, Trademark Matrix (this chapter) for correct citations, Customs action, and mitigation disposition.

B. Confusingly Similar – 19 U.S.C. 1595a(c)(2)(C) for violation of 15 U.S.C. 1124

If the trademark is not identical to, or indistinguishable from the genuine mark, but is likely to cause confusion or mistake by the average consumer, then it is confusingly similar (i.e., a “Ray Bane” mark on sunglasses would be considered confusingly similar to the genuine mark “Ray Ban”). See, sections 5-8, Trademark Matrix (this chapter) for correct citations, Customs action and mitigation disposition.

C. Gray Market – 19 U.S.C. 1526(b)

[If the mark is identical to the genuine mark, it may be because the mark is genuine, and as such, it may or may not be entitled to gray market protection (which is the prohibition of the importation of genuine trademarked merchandise by any person other than the trademark owner). The IPR module will tell you if the mark is entitled to gray market protection. The IPR Branch at headquarters can also assist in the determination of counterfeit versus gray market issues.] replacement language from GFM.

III. Trademark Violation – Civil Monetary Fine; 19 U.S.C. 1526(f); T.D. 99-76

A. In General

The Anticounterfeiting Consumer Protection Act provides authority to impose civil fines pursuant to 19 U.S.C. 1526(f) in addition to the seizure and forfeiture of imported merchandise bearing counterfeit trademarks.

Once merchandise is found to contain a counterfeit trademark and is seized and forfeited and destroyed or otherwise disposed of pursuant to 19 U.S.C. 1526(e), then a civil fine also may be imposed under 19 U.S.C. 1526(f). See also, Section 7 regarding sample retention. **Forfeiture must be perfected before a 1526(f) fine may be imposed.**

B. Administrative Process

1. After forfeiture under 19 U.S.C. 1526(e) is completed, Notice of Penalty citing 19 U.S.C. 1526(f) as penalty authority should be issued consistent with provisions of 19 C.F.R. 162.31.
2. Petition mitigation permitted pursuant to 19 U.S.C. 1618 (see Section E below), if appropriate.
3. If the assessed or mitigated fine is not paid, refer the case to the appropriate Associate or Assistant Chief Counsel's Office for referral to the Department of Justice for collection.

C. Parties Subject to Fines

19 U.S.C. 1526(f)(1) specifically allows assessment against "any person who directs, assists financially or otherwise, or aids and abets the importation of merchandise...." This statutory language subjects all parties who exercise control over the import transaction to its application. These individuals may be named individually or jointly and severally in penalty notices.

D. Amount of Fine

1. For any penalty that arises subsequent to a first violation incurred per 19 U.S.C. 1526(e), the fine assessed should be value of the merchandise as if it had been genuine, based on the MSRP of the genuine merchandise at the time of seizure.
2. For the penalty assessed following a second or subsequent seizure (that is, where there has been a prior seizure under 19 U.S.C. 1526(e) and fine under 19 U.S.C. 1526(f)), the fine assessed shall be twice the value of the merchandise as if it had been genuine, based on the MSRP of the genuine merchandise at the time of seizure.

E. Mitigation

1. In General

Customs 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 initial assessment of the fine.

2. Dispositions

a. First offense (under 19 U.S.C. 1526(f)), with mitigating, and no aggravating factor(s):

10-30% of the applicable MSRP of the genuine good (the assessed fine amount).

b. First offense (under 19 U.S.C. 1526(f)), with aggravating actor(s):

30-50% of the MSRP of the genuine good.

c. First offense (under 19 U.S.C. 1526(f)), with evidence of knowledge as to the counterfeit nature of the goods, with no aggravating factors:

50-80% of the MSRP of the genuine good.

d. Second offense (under 19 U.S.C. 1526(f)), with mitigating, and no aggravating factor(s):

10-30% of twice the MSRP of the genuine good.

e. Second offense (under 19 U.S.C. 1526(f)), with aggravating factor(s), or third or subsequent offense (under 19 U.S.C. 1526(f)):

50-80% of twice the MSRP of the genuine good.

f. Second offense (under 19 U.S.C. 1526(f)), with evidence of knowledge as to the counterfeit nature of the goods:

no mitigation.

3. Mitigating Factors

- a. Lack of knowledge of the counterfeit nature of the trademark.
- b. Prior good record of importation under 19 U.S.C. 1526.
- c. Inexperience in importing.
- d. Cooperation with Customs officers in ascertaining the facts establishing the violation.
- e. Inability to pay the fine (demonstrated by documentary evidence including, but not limited to, income tax returns for the prior three years).

4. Aggravating Factors

- a. More than two prior importations of merchandise seized and forfeited under 19 U.S.C. 1526(e).
- b. Criminal violation relating to the subject transaction.
- c. Submission of falsified documentation (i.e., false description, false country of origin, etc.), or other deceptive practices in connection with the subject importation.

Note that these fines are in addition to the seizure and forfeiture of merchandise under 19 U.S.C. 1526(e).

F. Personal Use

The statute authorizes fines only against persons (including domestic and foreign corporations) involved with the importation of merchandise "for sale or public distribution" that has been seized under 19 U.S.C. 1526(e). Therefore, fines shall not be assessed under 19 U.S.C. 1526(f) in the case of personal use importations (see also 19 C.F.R. 148.55). However, any separately imported merchandise bearing a counterfeit trademark and not covered by an exemption will still be seized, forfeited, and destroyed or otherwise disposed of under 19 U.S.C. 1526(e).

G. Sample Retention

A sample of the merchandise seized under 19 U.S.C. 1526(e) will be retained by the seizing Customs Officer, or Import Specialist, until the fine under 19 U.S.C. 1526(f) is finally resolved, insofar as the fine under 19 U.S.C. 1526(f) may become the subject of litigation after the seized merchandise has been forfeited and disposed of under 19 U.S.C. 1526(e). Any and all samples retained will be

disposed of pursuant to 19 U.S.C. 1526(e) upon entry of final judgment and completion of any appeals regarding the assessed fine(s).

IV. Copyright Violations

A. In general.

Copyright violations typically pertain to movies, books, CDs, video games, etc. The issue to be determined is if there has been an unauthorized reproduction of material that is substantially similar to the copyrighted work. Many determinations are easy to make, such as badly reproduced movies on videotape. But other determinations are more difficult, such as falling “Brick” style video games, which have similarities to Nintendo’s “Tetris.” Any questions concerning determinations of piracy should be sent to the IPR Branch, ORR, 202-927-2330.

B. Determination of piracy.

Once you have made a determination whether the merchandise is “Clearly Piratical,” or “Possibly Piratical,” and you have consulted the IPR module to determine if the copyright in question has been recorded with Customs or not, you may proceed to the attached Copyright Matrix which will instruct you as to Customs action, correct citations, and mitigation disposition.

V. Patent Infringement

Customs enforcement actions relating to patents are limited insofar as Customs is without legal authority to determine patent infringement. Customs does, however, enforce exclusion orders and seizure orders issued by the U.S. International Trade Commission (“ITC”), and we conduct patent surveys (for a fee ranging from \$1,000 to \$2,000 for a period of two to six months). Pursuant to 19 C.F.R. 12.39(c), seizure of merchandise is permitted under an ITC seizure order where the owner, importer or consignee has previously attempted to import the article, the article was previously denied entry, and written notice was provided to the importer that further attempts to enter the article would result in seizure and forfeiture. No relief shall be afforded from the seizure of any articles found to be within the scope of an ITC seizure order.

VI. IPR Matrices

Recommended Actions, Citations, and Dispositions of Importations Involving Trademark Violations (DATED: 10/10/00)* (*DESTROY ALL PREVIOUS VERSIONS THAT PRE-DATE THIS DOCUMENT)			
STATUS	CUSTOMS ACTION	CITATION	RECOMMENDED DISPOSITION
1. COUNTERFEIT MARK <ul style="list-style-type: none"> ▪ Registered Patent & Trademark Office (PTO) trademark ▪ Recorded with Customs ▪ No consent from U.S. trademark holder ▪ Includes T&E/IE¹ with no valid foreign registration 	SEIZE AS COUNTERFEIT PROCEED TO FORFEIT ISSUE FINE	19 U.S.C. §1526(e) 19 U.S.C. §1526(f)	NO REMISSION OF FORFEITURE: 19 C.F.R. §133.52(c)
2. COUNTERFEIT MARK <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Not recorded with Customs ▪ No consent of trademark holder 	SEIZE AS COUNTERFEIT PROCEED TO FORFEIT DO NOT ISSUE FINE	SEIZE: 19 U.S.C. §1595a(c)(2)(C) for violation of 18 U.S.C. § 2320	NO REMISSION OF FORFEITURE: 19 C.F.R. §133.52(c)
3. COUNTERFEIT MARK <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Recorded with Customs ▪ Consent of trademark holder, obtained <i>after</i> seizure, prior to forfeiture 	SEIZE AS COUNTERFEIT	19 U.S.C. §1526(e) 19 U.S.C. §1595(c)(2)(C)	If consent is obtained prior to forfeiture, MITIGATE based on 1595a(c) to 2% of dutiable value, plus seizure costs, and hold harmless agreement. 19 C.F.R. §133.51(b)
4. COUNTERFEIT MARK <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Recorded with Customs ▪ Consent of trademark holder <u>at time of importation,</u> 	DO NOT SEIZE AS MATTER OF POLICY		

Recommended Actions, Citations, and Dispositions of Importations
Involving Trademark Violations

(DATED: 10/10/00)*

(*DESTROY ALL PREVIOUS VERSIONS THAT PRE-DATE THIS DOCUMENT)

STATUS	CUSTOMS ACTION	CITATION	RECOMMENDED DISPOSITION
<p>5. <u>CONFUSINGLY SIMILAR MARK</u></p> <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Recorded with Customs ▪ No consent of trademark holder 	<p>INITIALLY DETAIN, SEIZE, UNLESS EXEMPTIONS APPLY UNDER 19 CFR §133.22(c)</p>	<p>DETAIN: 19 C.F.R. §133.25</p> <p>SEIZE: 19 U.S.C. §1595a(c)(2)(c) FOR VIOLATION OF: 15 U.S.C. §1124</p>	<p>REMIT FORFEITURE UPON: standard 1595a(c) mitigation guidelines of 10% –30% for first violation, and export to country of origin under Customs supervision, and removal or obliteration of the offending mark [19 C.F.R. §133.51(b)]</p> <p>Detention and Seizure includes T&E and IE shipments.</p>
<p>6. <u>CONFUSINGLY SIMILAR MARK</u></p> <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Recorded with Customs ▪ Consent, at time of importation, of trademark holder 	<p>DO NOT SEIZE AS A MATTER OF POLICY</p>		
<p>7. <u>CONFUSINGLY SIMILAR MARK</u></p> <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Recorded with Customs ▪ No Consent, at time of importation, of trademark holder, but <u>consent obtained during detention</u> 	<p>If NO consent is given at time of importation, INITIALLY DETAIN, (30 days to obtain consent)</p> <p>If no consent is obtained, SEIZE, UNLESS EXEMPTIONS APPLY UNDER 19 CFR §133.22(c)</p>	<p>DETAIN: 19 C.F.R. §133.25</p> <p>SEIZE: 19 U.S.C. §1595a(c)(2)(c) FOR VIOLATION OF: 15 U.S.C. §1124 [Not 19U.S.C. §1526(e) or (f)]</p>	<p>REMIT FORFEITURE UPON: mitigation of 1595a(c) to 2% of dutiable value, plus seizure costs, and hold harmless agreement. 19 C.F.R. §133.51(b)</p>
<p>8. <u>CONFUSINGLY SIMILAR MARK</u></p> <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Not recorded with Customs 	<p>DO NOT SEIZE AS A MATTER OF POLICY</p>		

Recommended Actions, Citations, and Dispositions of Importations Involving Trademark Violations (DATED: 10/10/00)* (*DESTROY ALL PREVIOUS VERSIONS THAT PRE-DATE THIS DOCUMENT)			
STATUS	CUSTOMS ACTION	CITATION	RECOMMENDED DISPOSITION
<p>9. GRAY MARKET</p> <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Not recorded with Customs ▪ No Gray Market protection <p>(Lack of gray market protection indicated by “N” in IPR module)</p>	<p>DO NOT SEIZE AS MATTER OF POLICY</p>		
<p>1. GRAY MARKET</p> <ul style="list-style-type: none"> ▪ Registered PTO trademark ▪ Recorded with Customs, ▪ Gray Market protection (indicated by “Y” in IPR module) 	<p>INITIALLY DETAIN, 19 U.S.C. §133.25</p> <p>Do not detain Gray Market T&E and IE Even if protected.</p>	<p>DETAIN: 19 C.F.R. §133.25</p> <p>Seize: 19 U.S.C. §1526(b) and 19 C.F.R. §133.23(f)</p>	<p>IF PETITION FILED, REMIT FORFEITURE UPON: payment of 10% of the dutiable value for first violation, hold harmless agreement, and export to country of original exportation under Customs supervision.</p>

NOTES:

1) Detention and Seizure provisions apply to Transportation and Exportation (T&E) and Importation and Exportation (IE) entries (except Gray Market goods which should **NOT** be detained or seized when entered under T&E or IE provisions). When goods are seized traveling under T&E and IE, and proof of valid foreign registration is made (either pre-dating U.S. registration, or a well established foreign registration), refer case to ORR, Penalties Branch for disposition.

- If the only document filed is a permit to unlade (i.e., no in-bond entry has been made), contact ORR, IPR Branch before making a seizure.
- If goods are diverted, the standard seizure and penalty provisions will apply. Contact ORR, Penalties Branch for guidance, if needed.

2) The above-recommended dispositions apply only to first violations. If there is a prior violation, call ORR, Penalties Branch for guidance. A “2nd violation” would be the second violation involving same mark, regardless of what type of merchandise the mark appears on.

3) See, the regulations regarding “personal use” exemption at 19 C.F.R. §148.55 (usually applying to only “one article of the type bearing a protected trademark”).

4) Under 19 U.S.C. §1526(f), the fine, and the mitigation thereof, are based upon the Manufacturers Suggested Retail Price (MSRP) of the goods, if it were genuine. Please refer to Section III.D., above.

5) Do not separate the packaging from the goods. If there is a violation under 19 U.S.C. §1526(e), both should be seized and forfeited.

Recommended Actions, Citations, and Dispositions of Importations Involving Copyright Violations (Dated: 10/10/2000)*			
(*Destroy ALL Previous Versions that Pre-date this Document.)			
STATUS	CUSTOMS ACTION	CITATION	RECOMMENDED DISPOSITION
1. Clearly Piratical copy of U.S. registered (U.S. Copyright Office) and recorded (USCS) copyright	SEIZE AND FORFEIT (pursuant to Customs Regulations)	19 U.S.C. §1595a(c)(2)(C) for violation of 17 U.S.C. §602	No Remission of Forfeiture
2. Clearly Piratical copy of U.S. registered copyright that is not recorded with USCS	SEIZE AND FORFEIT	19 U.S.C. §1595a(c)(2)(C) for violation of 17 U.S.C. §501 in civil cases, or for violation of 17 U.S.C. §506 and §509 in criminal cases.	No Remission of Forfeiture
3. Clearly Piratical copy of U.S. registered copyright, recorded or not recorded with USCS, with consent of copyright owner after seizure	SEIZE, (if no consent given prior to time of seizure)	<u>If recorded with USCS:</u> 19 U.S.C. §1595a(c)(2)(C) for violation of 17 U.S.C. §602 and 19 C.F.R. §133.42 <u>If not recorded with USCS:</u> 19 U.S.C. §1595a(c)(2)(C) for violation of 17 U.S.C. §501 in civil cases, or for violation of 17 U.S.C. §506 and §509 in criminal cases.	REMIT FORFEITURE UPON: consent of copyright owner, mitigation of 1595a(c) to 2% of dutiable value, seizure costs, and hold harmless agreement, for first violation.

Recommended Actions, Citations, and Dispositions of Importations Involving Copyright Violations (Dated: 10/10/2000)*			
(*Destroy ALL Previous Versions that Pre-date this Document.)			
STATUS	CUSTOMS ACTION	CITATION	RECOMMENDED DISPOSITION
4. Possibly piratical copy of registered and recorded copyright (with no consent from copyright owner)	-DETAIN [follow 19 C.F.R. §133.43. No need for exchange of briefs if HQ IPR Branch advice obtained and seizure made within first 5 days of merchandise being presented (see Customs Directive No. 2310-005A, dated April 7, 2000)]. -SEIZE if determined to be infringing copy after exchange of briefs and HQ decision pursuant to 19 C.F.R. §133.43	-DETAIN: 19 C.F.R. §133.43 -SEIZE: 19 U.S.C. §1595a(c)(2)(C) for violation of 17 U.S.C. §602.	-If determined to be non-infringing, release pursuant to 19 C.F.R. 133.44(b) and transmit the copyright owner's bond to the importer -If infringing, no remission of forfeiture, and return bond to the copyright owner
5. Possibly piratical copy of registered copyright, which has not been recorded with U.S. Customs	DO NOT SEIZE AS A MATTER OF POLICY		

1) The importation of lawfully made copies (gray market) is not a violation (see 19 C.F.R. §133.42(b)).

2.) T&E and IE: Detention and Seizure recommendations apply to T&E and IE shipments.

3.) The above-recommended dispositions apply only to first violations. If there is a prior violation, call HQ penalties branch for guidance. A "2nd violation" would be the second violation involving same copyright, in entries which are not closely related in time (i.e. 90 days).

4.) Copyright infringement applies to the good in its entirety, and not just the packaging or exterior surface. Do not separate the packaging from the goods!

Recommended Actions, Citations, and Dispositions of Exportations Involving Trademark & Copyright Violations			
Status	Customs Action	Citation	Recommended Disposition
<p><u>Trademark: Counterfeit Mark</u> Registered Patent & Trademark Office (“PTO”) trademark. Regardless of recordation with Customs. No consent from U.S. trademark holder. T&E and I.E. violations are Treated as importation violations.¹</p>	<p>SEIZE AS COUNTERFEIT PROCEED TO FORFEIT</p> <p>NO FINE IS ISSUED</p>	<p>22 U.S.C. §401(a) for violation of 18 U.S.C. §2320 (need intent).</p>	<p>No remission of forfeiture.</p>
<p><u>Trademark: Counterfeit Mark</u> Registered PTO trademark. Regardless of recordation with Customs. Consent of U.S. trademark holder, obtained after seizure, prior to forfeiture.</p>	<p>SEIZE AS COUNTERFEIT</p>	<p>22 U.S.C. §401(a) for violation of 18 U.S.C. §2320 (need intent).</p>	<p>If consent is obtained prior to forfeiture, MITIGATION/ REMISSION of seizure is made pursuant to 19 U.S.C. §1618 to 2% of dutiable value, plus seizure costs, and hold harmless agreement.</p>
<p><u>Trademark: Confusingly Similar</u> Registered PTO trademark Recorded with Customs No consent from U.S. trademark holder. Evidence of sufficient effect on U.S. commerce.</p>	<p>INITIALLY DETAIN, SEIZE provided that intended sales of infringing exports in a foreign country have a sufficient effect on U.S. commerce.</p>	<p>22 U.S.C. §401(a) for violation of 15 U.S.C. §1125.</p>	<p>Proceed with forfeiture.</p> <p>Penalties Branch will grant substantial, if not full, mitigation or remission in cases where referring office has not provided evidentiary support for sufficient effect on U.S. commerce.</p>
<p><u>Trademark: Confusingly Similar</u> Registered PTO trademark Recorded with Customs No consent from U.S. trademark holder. Insufficient effect on U.S. commerce.</p>	<p>DO NOT DETAIN AND/OR SEIZE</p>		

¹ See Chart titled “Recommended Actions, Citations, and Dispositions of Importations Involving Trademark Violations”.

Recommended Actions, Citations, and Dispositions of Exportations Involving Trademark & Copyright Violations			
Status	Customs Action	Citation	Recommended Disposition
<u>Trademark: Confusingly Similar</u> Registered PTO trademark. Not recorded with Customs.	DO NOT DETAIN AND/OR SEIZE		
<u>Trademark: Gray Market</u> Not applicable to exportations.	DO NOT DETAIN AND/OR SEIZE		
<u>Copyright: Clearly Piratical</u> Registered (U.S. Copyright office). Recorded copyright with Customs. No consent of copyright owner.	SEIZE AND FORFEIT	22 U.S.C. §401(a) for violation of 17 U.S.C. §506 and 17 U.S.C. §509.	No remission of Forfeiture.
<u>Copyright: Clearly Piratical</u> Registered (U.S. Copyright office). Recorded copyright with Customs. Consent of copyright owner after seizure.	SEIZE (if no consent given prior to time of seizure)	22 U.S.C. §401(a) for violation of 17 U.S.C. §506 and 17 U.S.C. §509.	If consent is obtained prior to forfeiture, MITIGATION/ REMISSION of seizure is made pursuant to 19 U.S.C. §1618 to 2% of dutiable value, plus seizure costs, and hold harmless agreement.
<u>Copyright: Clearly Piratical</u> Registered (U.S. Copyright office). Copyright NOT recorded with Customs. No consent of copyright owner.	SEIZE AND FORFEIT	22 U.S.C. §401(a) for violation of 17 U.S.C. §506 and 17 U.S.C. §509.	No remission of Forfeiture.
<u>Copyright: Clearly Piratical</u> Registered (U.S. Copyright office). Copyright NOT recorded with Customs. Consent of copyright owner after seizure.	SEIZE (if no consent given prior to time of seizure)	22 U.S.C. §401(a) for violation of 17 U.S.C. §506 and 17 U.S.C. §509.	If consent is obtained prior to forfeiture, MITIGATION/ REMISSION of seizure is made pursuant to 19 U.S.C. §1618 to 2% of dutiable value, plus seizure costs, and hold harmless agreement.

Recommended Actions, Citations, and Dispositions of Exportations Involving Trademark & Copyright Violations			
Status	Customs Action	Citation	Recommended Disposition
<u>Copyright: Possibly Piratical</u> Registered (U.S. Copyright office). Recorded copyright with Customs.	SEIZE AND FORFEIT	22 U.S.C. §401(a) for violation of 17 U.S.C. §506 and 17 U.S.C. §509.	No remission of Forfeiture.
<u>Copyright: Possibly Piratical</u> Registered (U.S. Copyright office). Copyright NOT recorded with Customs.	DO NOT DETAIN AND/OR SEIZE		