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## If It Walks Like a Duck: A Proposal to Unify U.S. Customs' Treatment of Infringing Imports, 29 J. Marshall L. Rev. 711 (1996)

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# IF IT WALKS LIKE A DUCK: A PROPOSAL TO UNIFY U.S. CUSTOMS' TREATMENT OF INFRINGEMENT IMPORTS

## INTRODUCTION

A United States Customs Service official from Seattle contacted the General Counsel of ACME Widget Company, a world leader in the manufacture and sale of widgets, and informed her that Customs had seized an imported shipment of 500,000 widgets which bore the trademark WIGGIES.<sup>1</sup> This mark was identical to a registered trademark<sup>2</sup> under which ACME Widget sold its products. After identifying the importer, exporter and manufacturer of the counterfeit imports, the Customs official stated that unless ACME Widget consented to the importation of the counterfeit<sup>3</sup> widgets, Customs would immediately initiate forfeiture proceedings.<sup>4</sup> The Customs official remarked that the agency was performing these actions to protect consumers and to safeguard ACME Widget's trademark rights. Not surprisingly, ACME Widget's General Counsel refused to consent to the importation of the counterfeit goods. Acting in accordance with regulations, Customs then seized the shipment of counterfeit WIGGIES and instituted forfeiture proceedings against the goods.

One week later, Customs officials in Portland refused to allow the importation of 500,000 widgets using the trademark WIJJIES. The officials declared that the intended imports in-

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1. This hypothetical example illustrates the discrepancy between the manner by which United States Customs laws control imports bearing counterfeit trademarks and those bearing non-counterfeit, infringing trademarks. Both types of infringements violate U.S. trademark laws. However, imported articles which counterfeit protected trademarks are subject to automatic seizure and forfeiture. U.S. Cust. Reg., 19 C.F.R. § 133.23a(b) (1995). In contrast, importers of non-counterfeit infringements have the option of removing the offending mark or reexporting the infringing merchandise to other jurisdictions. U.S. Cust. Reg., 19 C.F.R. §§ 133.21(c)(4)(i)-(ii), 133.51(b)(1)-(2) (1995). See *infra* notes 97-111 and accompanying text for a further discussion of the disparate manner in which customs regulations treat counterfeit and non-counterfeit, but infringing goods.

2. See *infra* note 12 for a discussion of the procedure for registration of trademarks in the United States.

3. See *infra* notes 98-106 and accompanying text for a discussion of counterfeit goods.

4. See *infra* notes 102-05 and accompanying text for a discussion of forfeiture proceedings.

fringed ACME's registered trademark because the designation WIJJIES was confusingly similar, although not identical, to Acme Widget's WIGGIES trademark and was thus likely to cause consumers to believe that ACME Widget manufactured the imported WIJJIES. Despite this determination, the Portland authorities failed to contact ACME Widget. Instead, Portland Customs informed the importer that since the widgets infringed a registered U.S. trademark, they could not be imported into the United States. Customs explained to the importer that it must bar the infringements from being brought into the United States in order to protect the consumer and safeguard ACME Widget's trademark rights. Customs then advised the importer that he could nevertheless reexport the infringing widgets and sell them elsewhere. The importer agreed to reexport the infringing widgets to Brazil, which was ACME Widget's second largest market and where ACME also held a registered trademark for WIGGIES. A few weeks later, ACME Widget's sales of its WIGGIES in Brazil suddenly began to plummet, which thereafter resulted in lay-offs at its U.S. factory.

While the above illustration might be fanciful, it illustrates an all too real situation — that Customs Service regulations often fail to adequately protect holders of U.S. trademarks from the importation of infringing articles. Present U.S. law limits drastic remedies, such as automatic seizure and forfeiture, to imports bearing counterfeit or identical marks.<sup>5</sup> However, if the article is "merely infringing,"<sup>6</sup> Customs does not necessarily seize the arti-

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5. Tariff Act of 1930 § 526(b), 19 U.S.C. § 1526(b) (1988); U.S. Cust. Reg., 19 C.F.R. § 133.23(a).

6. Throughout this Note, the terms "merely infringing," "merely infringes," "mere infringement" and similar forms are used to distinguish goods which do not bear a counterfeit trademark (one which is identical to or virtually indistinguishable from a protected trademark) but bear a mark which so resembles a protected trademark as to be likely to cause confusion, cause mistake or to deceive consumers regarding the source of the goods. Courts which have examined the differences between counterfeit goods and non-counterfeit goods that nevertheless infringe United States protected trademarks typically use the "merely infringing" designation to distinguish between non-counterfeit, infringing products and those bearing an identical or virtually indistinguishable trademark. See e.g., *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 528 (2d Cir. 1983). In *Montres Rolex*, the court recognized the distinction between the two types of infringing imports:

[T]he Customs laws and regulations create a two tier classification scheme.

The first category consists of marks which are merely infringements, judged by whether they are likely to cause the public to associate the copying mark with the recorded mark. In the second category are those marks which not only infringe but in addition are such close copies that they amount to counterfeits.

*Id.*; see also *Ross Cosmetics Distrib. Ctrs., Inc. v. United States*, 34 U.S.P.Q. 2d 1758, 1762-63 (Ct. Int'l Trade 1994) (distinguishing copying or simulating marks which are counterfeit from copying or simulating marks which are merely infringing).

cles; rather, the agency refuses only to allow entry of the articles into the United States.<sup>7</sup> This weaker sanction against articles which merely infringe U.S. trademarks results in substantial harm to trademark owners, the public and to the U.S. economy.<sup>8</sup>

For example, Customs regulations presently allow importers of merely infringing articles to reexport the offending products to other jurisdictions.<sup>9</sup> The importer is then free to attempt to reintroduce the infringing products into the United States at a different port or into other countries where they may compete with genuine trademarked articles. Moreover, if the importer of a merely infringing product agrees to remove or obliterate the infringing mark, Customs regulations will then permit importation of the product into the United States.<sup>10</sup> Once the importer regains possession of the articles, the importer can then reapply the merely infringing designation to the articles and introduce them into the U.S. market.<sup>11</sup>

Despite the adverse effects of these actions to the U.S. economy, courts, government bodies and business and trademark related organizations have not sufficiently addressed this serious problem. In order to avoid the harm caused by these practices, Congress and the U.S. Customs Service should ensure that *all* imports which infringe U.S. trademarks are automatically seized and subject to forfeiture whenever the U.S. trademark holder refuses consent to importation, regardless of whether the offending articles are counterfeit or merely infringing.<sup>12</sup>

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ing marks).

7. See *infra* notes 143-47 and accompanying text for a discussion of the procedure Customs uses in determining whether an article may infringe a U.S. trademark.

8. See *infra* notes 21-23 and accompanying text for a discussion of the harm caused by entry of infringing goods into U.S. commerce.

9. U.S. Cust. Reg., 19 C.F.R. § 133.51(b)(1).

10. U.S. Cust. Reg., 19 C.F.R. §§ 133.21(c)(4), 133.51(b)(2).

11. An importer who reapplies an infringing trademark onto imported articles after the articles have been released to his custody is still subject to the Customs laws, as well as to U.S. civil law relating to trademark infringement. See Trademark Act of 1946 § 32, 15 U.S.C. § 1114 (1988) [hereinafter Lanham Act]; U.S. Cust. Reg., 19 C.F.R. § 133.24 (1995). If Customs determines that merchandise which it has released is subject to import restrictions or seizure, the agency's regulations authorize Customs to demand redelivery of the infringing merchandise or, alternatively, the payment of liquidated damages. U.S. Cust. Reg., 19 C.F.R. § 133.24. While the reapplication of an infringing mark on an imported article still violates the customs laws, customs officials or the trademark owner are unlikely to know of the violation prior to introduction of the infringing merchandise into the U.S. marketplace.

12. A "trademark" is any "word, name, symbol, or device, or any combination thereof used by a person . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." Lanham Act § 45, 15 U.S.C. §

This Note explores the weaknesses of current U.S. Customs laws and policies and suggests how protection of U.S. trademarks against infringing imports might be strengthened. Part I briefly discusses the growing adverse economic impact of certain countries and regions which have made ineffective efforts in combating intellectual property abuses. Part II outlines the efforts that the U.S. government has historically undertaken to combat the problem of attempted importation of infringing merchandise. Part III analyzes the manner in which current Customs regulations which deal with infringing imports interferes with the rights of U.S. trademark owners and may also run afoul of this country's international treaty commitments. Part IV proposes changes to current Customs regulations that will work to resolve many of the problems identified in this Note.

#### I. GLOBAL GROWTH OF INTELLECTUAL PROPERTY ABUSE AND THE IMPACT ON U.S. TRADEMARK OWNERS

The world economy will undergo significant changes over the next decade due to increasing competitive forces taking shape in Eastern Europe, South America and the Pacific Rim region.<sup>13</sup>

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1127 (1988). The proprietor of a trademark which is used in interstate commerce on or in connection with the proprietor's goods may apply to register the trademark on the Principle Register by filing certain documents with the U.S. Patent and Trademark Office. Lanham Act § 1, 15 U.S.C. § 1051(a)(1)(A) (1988). An application to register a trademark must contain the applicant's name, domicile, citizenship, date of applicant's first use of the trademark in commerce, a list of the goods on which the trademark is used, a verification that the applicant owns the trademark and that, to the best of the applicant's knowledge and belief, no other person or corporation has the right to use the trademark or a confusingly similar trademark on the same or similar goods in commerce. *Id.* In addition to this information, the applicant must submit a drawing of the trademark, specimens of the mark as used in commerce and the prescribed filing fees. Lanham Act § 1, 15 U.S.C. §§ 1051(a)(1)(B)-(2) (1988). An applicant may also file an application to register a trademark which the applicant has not yet used in interstate commerce, but which the applicant has a bona fide intent to use in the future. Lanham Act § 1, 15 U.S.C. § 1051(b) (1988).

In determining whether or not to register a trademark, the U.S. Patent and Trademark Office will examine a trademark application to ensure that the application meets certain criteria for registrability. Lanham Act § 2, 15 U.S.C. § 1052 (1988). For example, the applicant's trademark must not be identical to a previously registered trademark for the same or similar goods; the trademark must also not resemble a prior registered mark so as to cause confusion or mistake or to deceive. *Id.* Once the U.S. Patent and Trademark Office concludes that the applicant's trademark may be registered, it will issue a certificate of registration which establishes prima facie evidence of the validity of the protected trademark and of the registrant's exclusive right to use the mark in interstate commerce on or in connection with the goods specified in the certificate of registration. Lanham Act § 7, 15 U.S.C. § 1057 (1988).

13. Charlene Barshefsky, *The Future of U.S. - Japan Trade Relations*, 25 LAW & POLY INT'L BUS. 1287, 1287-88 (1994); Tara Kalagher Giunta & Lily H. Shang,

The commercial influence and manufacturing capability of these areas will continue to expand rapidly in the near future.<sup>14</sup> This trend will result in the increased availability of competitive foreign imports in North America, Europe and other economically and technically prosperous regions.<sup>15</sup> Many nations throughout the world have become ever more committed to general free trade doctrines, and this commitment will continue to grow.<sup>16</sup> In support of the idea of free trade, the United States and other industrially developed countries have encouraged reforms of intellectual property laws in countries which historically have afforded inadequate protection.<sup>17</sup>

Despite these efforts, profound problems in the protection of intellectual property still exist in many of the countries which are increasing their global trading capacity.<sup>18</sup> Many developing nations, particularly in Asia, do not consider intellectual property to be as important as tangible property and, therefore, tend to accord it less legal protection.<sup>19</sup> Indeed, some foreign governments be-

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*Ownership of Information in a Global Economy*, 27 GEO. WASH. J. INT'L L. & ECON. 327, 346-47 (1994); William A. Lovett, *Current World Trade Agenda: GATT, Regionalism, and Unresolved Asymmetry Problems*, 62 FORDHAM L. REV. 2001, 2002-04 (1994).

14. Clive Crook, *The Future of Capitalism (The Future Surveyed: 150 Economist Years)*, ECONOMIST, Sept. 11, 1993, at 52, 52 (discussing the present and future economic repercussions for the West created by formidable economies in Asia and Eastern Europe); see also Murray Weidenbaum, *The Shifting Roles of Business and Government in the World Economy: The Unveiling of an Increasingly Complex Global Marketplace*, CHALLENGE, Jan.-Feb. 1993, at 23, 23-25.

15. Crook, *supra* note 14, at 52-53.

16. *Id.*; Weidenbaum, *supra* note 14, at 29.

17. Trade Act of 1974 § 301, 19 U.S.C. § 2411 (1988 & Supp. VI). Section 301 requires that the United States Trade Representative (USTR) determine which foreign governments fail to provide adequate and effective intellectual property protection to U.S. citizens or corporations. *Id.* Based on the nature of a country's unfair acts, policies and enforcement practices, the USTR may designate the country a "priority foreign country." *Id.* This might lead to the withdrawal of a country's most "favored nation status" and to other economic sanctions. *Id.*

18. *USTR Cites Lax IPR Protection in Foreign Trade Barriers Report*, 5 WORLD INTELL. PROP. REP. (BNA) 136, 136-40 (May 1995). On March 31, 1995, the Office of the USTR issued its 1995 National Trade Estimate Report on Foreign Trade Barriers. *Id.* at 136. This document identified countries which currently fail to provide adequate intellectual property protections. *Id.* at 137-40. Furthermore, the USTR placed eight countries on the "priority watch list" and many others on the "watch list" for failing to provide effective intellectual property measures. *Id.* Among those on either list are: Argentina, Brazil, China, Columbia, Costa Rica, India, Indonesia, Japan, South Korea, Pakistan, the Philippines, Poland, Romania, Saudi Arabia, Singapore, Taiwan, Thailand and Venezuela. *USTR Announcement and Fact Sheet on 'Special 301' Decisions Announced April 29, 1995*, 6 WORLD INTELL. PROP. REP. (BNA) 179, 179-86 (June 1995); see also J. V. Feinerman, *The Role of Intellectual Property Protection in Attracting Foreign Investment and Foreign Technology*, in INTELLECTUAL PROPERTY PROTECTION IN ASIA: A ROUNDTABLE DIALOGUE 14-17 (The Economist Conferences, June 7-8, 1995).

19. Feinerman, *supra* note 18, at 14; Edgardo Buscaglia & Jose-Luis Guerrero-

lieve that the internal economic benefits derived from the abuse of foreign-owned intellectual property outweigh the importance of bending to the encouragement of the United States and other countries to develop meaningful intellectual property reforms.<sup>20</sup>

The economic impact of inadequate intellectual property protection of developing nations is enormous. For example, studies in the late 1980's suggested that U.S. companies alone suffered yearly losses of as much as sixty-five billion dollars resulting from the failure of some nations to provide adequate protection to intellectual property belonging to foreign nationals.<sup>21</sup> In 1991, U.S. Customs seized eighty-nine million dollars worth of infringing imported merchandise.<sup>22</sup> By 1995, losses to U.S. businesses resulting from worldwide intellectual property counterfeiting and other infringing activities were estimated to have increased to approximately \$200 billion a year.<sup>23</sup> Thus, it is apparent that unless developing nations undertake significant efforts to strengthen intellectual property protection, foreign imported products which infringe U.S. trademark, copyright and patent rights will continue to cause severe economic harm to U.S. intellectual property owners, as well as to the U.S. economy. In the meantime, U.S. trademark owners must rely on U.S. government efforts to control the damage caused by infringing imported merchandise.

## II. GOVERNMENT EFFORTS TO COMBAT INFRINGING IMPORTS

For over one hundred years, the United States government has made significant and, to a degree, successful efforts to combat infringing imports.<sup>24</sup> The most direct and effective measure of

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Cusumano, *Quantitative Analysis of Counterfeiting Activities in Developing Countries in the Pre-GATT Period*, 35 JURIMETRICS J. 221, 221-22 (1995); see generally William H. Ball, Jr., *Attitudes of Developing Countries to Trademarks*, 74 TRADEMARK REP. 160 (1984).

20. Feinerman, *supra* note 18, at 14.

21. *Legislation: Industry Calls for Stiffer Enforcement of Anti-Counterfeiting Laws Abroad*, 44 PAT. TRADEMARK & COPYRIGHT J. (BNA) 585, 586 (Oct. 1, 1992).

22. *Id.* The \$89 million figure becomes even more impressive when one considers that, due to the tremendous volume of import traffic, Customs is able to inspect a small portion of imported cargo. *Id.* For example, in fiscal year 1993, Customs inspectors conducted examinations of only about eight percent of all imported cargo. See GENERAL ACCOUNTING OFFICE REPORT TO CONGRESS: FINANCIAL AUDIT: EXAMINATION OF CUSTOMS' FISCAL YEAR 1993 FINANCIAL STATEMENTS, June 15, 1994, available in Westlaw GAO-RPTS, WL 835014 [hereinafter GAO AUDIT]. In 1993, Customs also reported a significant increase in seizures resulting from the violation of intellectual property rights over 1992 levels. *Id.* Customs attributed the 60% increase in seizures to "the growing threat of copyright and trademark violations as more foreign-produced merchandise competes in the American market." *Id.*

23. S. REP. NO. 177, 104th Cong., 1st Sess. 1-2 (1995).

24. Over the last 100 years Congress has enacted many laws which effect the prohibition, seizure and forfeiture of imported goods which infringe U.S. trademark

countering imports which infringe intellectual property rights is to refuse entry of such imports into the U.S. stream of commerce in the first place.<sup>25</sup> This Part briefly examines the history of government efforts to control foreign imports which infringe protected trademarks. Section A addresses U.S. commitments under international treaties. Section B discusses the development of congressional legislation designed to prohibit infringing imports. Section C examines the manner in which the U.S. Customs Service implements congressional mandates.

### A. U.S. Commitments Under International Treaties

Since the 1880's, the United States has obligated itself under various international treaties to exercise effective measures to control the importation of merchandise which infringes trademark rights.<sup>26</sup> This Section provides a brief overview of the more important treaties under which the United States has instituted effective measures against infringing imports. First, this Section examines relevant provisions of the International Convention for the Protection of Industrial Property (Paris Convention). Next, this Section discusses the more recent treaties and agreements, such as the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs and Trade (GATT), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

#### 1. The Paris Convention's Treatment of Infringing Imports

Throughout its existence, the Paris Convention has contained

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rights. See e.g. Trademark Act of 1870, ch. 230, 16 STAT. 210 (1871); Act of March 3, 1871, ch. 125, 16 STAT. 580; Act of March 3, 1881, ch. 138, 21 STAT. 502; Tariff Act of 1890, ch. 1244, § 7, 26 STAT. 613 (1891); Tariff Act of 1894, ch. 349, § 6, 28 STAT. 547 (1895); Tariff Act of 1897, ch. 11, § 11, 30 STAT. 207 (1899); Trademark Act of 1905, ch. 592, § 27, 33 STAT. 730; Tariff Act of 1922, ch. 356, § 526, 42 STAT. 975 (1923); Tariff Act of 1930 § 526, 19 U.S.C. § 1526 (1988); Lanham Act § 42, 15 U.S.C. § 1124 (1988 & Supp. VI 1994).

25. *Trademark Counterfeiting Act of 1983, Hearing on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 98th Cong., 1st Sess. 22 (1983) (statement of Edward T. Borda, President of the Association of General Merchandise Chains), reprinted in 4 JEROME GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 34, at 34-164 (1995). Effectively dealing with infringing imports at the border can save U.S. trademark owners great effort and expense which they would ordinarily have to incur to both track down infringers and to file and prosecute civil infringement actions. *Id.* Further, banned infringing imports presumably do not enter U.S. commerce and, therefore, the chance of harm to the trademark owner and to the public is thereby diminished.

26. Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 13 U.S.T. 1, T.I.A.S. No. 4931, revised by the Stockholm Conference, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention].



provisions for the prohibition and seizure of infringing imports.<sup>27</sup> Article 9 of the Paris Convention requires the seizure or, at the least, prohibition of imported goods which unlawfully bear a protected trademark.<sup>28</sup> Article 9 provides in relevant part:

(1) All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection. (2) Seizure shall likewise be effected in the country where the unlawful affixation occurred or in the country into which the goods were imported. . . .

(5) If the legislation of a country does not permit seizure on importation, seizure shall be replaced by prohibition of importation or by seizure inside the country.<sup>29</sup>

The language used in Article 9 suggests that this provision requires the seizure or prohibition of imports using identical marks since it makes reference only to "goods unlawfully bearing a trademark" but does not refer on its face to copying or simulating marks or to colorable imitations.<sup>30</sup> Article 10 of the Paris Convention, however, extends the requirement of seizure or prohibition to imports which either directly or indirectly use a "false indication of the identity of the producer, manufacture or merchant" of the goods.<sup>31</sup> Such a designation covers any mark or trade dress<sup>32</sup> which simulates, copies, reproduces or colorably imitates a protected trademark in a manner which creates confusion as to the source of the goods.<sup>33</sup> The United States originally ratified the Paris Convention in 1887, as well as each subsequent amendment to the treaty.<sup>34</sup>

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27. STEPHEN P. LADAS, *THE INTERNATIONAL PROTECTION OF INDUSTRIAL PROPERTY* 574-79 (1930).

28. Paris Convention, *supra* note 26, at art. IX.

29. *Id.*

30. *Id.* The Lanham Act defines a "colorable imitation" as any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive. Lanham Act § 45, 15 U.S.C. § 1127.

31. Paris Convention, *supra* note 26, at art. X. "The provisions of the preceding Article shall apply in cases of direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer or merchant." *Id.*

32. The term "trade dress" is used to describe "the overall appearance or image of goods or services as offered for sale in the marketplace." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 16 cmt. a (1995). "Trade dress" may include the appearance of such things as labels, wrappers, containers and other packaging and may include all or part of the design features appearing thereon. *Id.*

33. See e.g. *Universal Money Ctrs., Inc. v. American Tel. & Tel. Co.*, 22 F.3d 1527, 1529 (10th Cir. 1994). In *Universal Money Centers*, the court stated:

The unauthorized use of any reproduction, counterfeit, copy, or colorable imitation of a registered trademark in a way that is likely to cause confusion in the marketplace concerning the source of the different products constitutes trademark infringement under the Lanham Act.

*Id.* at 1529 (internal quotation marks omitted).

34. G.H.C. BODENHAUSEN, *GUIDE TO THE APPLICATION OF THE PARIS CONVEN-*

## 2. *Infringing Imports Under GATT and NAFTA*

Despite the long existence of the Paris Convention, in the late 1980's the United States government became disillusioned with the effectiveness of the World Intellectual Property Organization (WIPO), which oversees the Paris Convention and other existing intellectual property treaties, in enforcing the provisions of the treaty.<sup>35</sup> Under WIPO administration of the Paris Convention, a dissatisfied member country must file an action with the International Court of Justice, which is the only legal recourse available.<sup>36</sup> The United States government found this remedial forum to be less effective than the dispute settlement procedures available upon the implementation of multi-lateral, trade-based treaties, such as the North American Free-Trade Agreement (NAFTA)<sup>37</sup> and the General Agreement on Tariffs and Trade/Trade-Related Aspects of Intellectual Property Rights (GATT/TRIPS).<sup>38</sup> Accordingly, the Reagan Administration be-

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TION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 9-10 (1968). The Paris Convention has been revised six times: at Brussels (Dec. 14, 1900), at Washington (June 2, 1911), at the Hague (Nov. 6, 1925), at London (June 2, 1934), at Lisbon (Oct. 31, 1958) and at Stockholm (July 14, 1967). *Id.*

35. *International Trade: Strengthening Worldwide Protection of Intellectual Property Rights*, in NATIONAL SECURITY AND INT'L AFFAIRS DIV., GEN. ACCT. OFFICE 3 (1987) [hereinafter GAO REP.]; see also Monique L. Cordray, *GATT v. WIPO*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 121, 121-22 (1994). The World Intellectual Property Organization (WIPO), headquartered in Geneva, Switzerland, is an administrative body which governs 17 multinational treaties that deal with intellectual property matters. Five of the most significant treaties are the Paris Convention (patents and trademarks), the Berne Convention (copyright), the Madrid Agreement (trademarks), the Rome Convention (performers' rights) and the Patent Cooperation Treaty (patents). *Id.* at 122-24.

36. Paris Convention, *supra* note 26, at art. XXVIII; Berne Convention for the Protection of Literary and Artistic Works, Sept. 19, 1886, as last revised at Paris, July 24, 1971, art. XXXIII, 828 U.N.T.S. 221 [hereinafter Berne Convention].

37. North American Free-Trade Agreement, Dec. 17, 1992 [hereinafter NAFTA]. The text of NAFTA is reprinted in two editions of INTERNATIONAL LEGAL MATERIALS at: 32 I.L.M. 289 (Jan. 1993) & 32 I.L.M. 670 (May 1993).

38. General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 STAT. 43, T.I.A.S. No. 1700, 55 U.N.T.S. 187 [hereinafter GATT]; see Final Act Embodying the Results of Multilateral Trade Negotiations, Apr. 15, 1994, Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights, reprinted in THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS: THE LEGAL TEXTS 2-3 (GATT Secretariat ed., 1994) [hereinafter TRIPS Agreement]; see also Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 STAT. 4809 (1994) (authorizing President Clinton to agree to the Uruguay Round Agreements). The U.S. government held serious misgivings on WIPO's ability to effectively enforce international protection of intellectual property rights. GAO REP., *supra* note 35, at 25. U.S. officials believed that the dispute resolution opportunities provided under GATT and other trade-related agreements would lead to substantially greater progress in strengthening worldwide protection of patents,

lieved that reforms of international intellectual property protection would be more effective through implementation of tougher standards available under these treaties. That is, NAFTA and GATT would allow the institution of trade sanctions against governments which failed to recognize and enforce the basic intellectual property rights afforded by member countries.<sup>39</sup>

NAFTA and GATT/TRIPS today serve as two of the most important trade-related international agreements which incorporate basic intellectual property protection requirements.<sup>40</sup> Wide ranging protection is called for as both agreements require member countries to comply with the provisions of the Paris Convention by incorporating the earlier treaty by reference.<sup>41</sup> Furthermore, both agreements also seek to achieve the Customs border control objectives for infringing imports required by Articles 9 and 10 of the Paris Convention.<sup>42</sup>

However, unlike the Paris Convention, both NAFTA and GATT/TRIPS set out specific and detailed import enforcement provisions.<sup>43</sup> The treaties require member countries to permit a

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trademarks and copyrights. *Id.* at 36. Specifically, the U.S. government recognized that GATT provided a more "fluid mechanism" for adopting stronger protection standards and for avoiding significant opposition from developing nations to intellectual property protection reforms. *Id.* at 37-38.

39. GAO REP., *supra* note 35, at 35-37; Cordray, *supra* note 35, at 124; *see also* J.H. Reichman, *Universal Minimum Standards of Intellectual Property Protection Under the TRIPS Component of the WTO Agreement*, 29 INT'L LAW. 345, 381-85 (1995) (discussing the advantages of relying on the dispute resolution mechanisms available under the TRIPS Agreement).

40. John F. Sweeney et al., *Heading Them Off at the Pass — Can Counterfeit Goods of Foreign Origin be Stopped at the Counterfeiter's Border*, 84 TRADEMARK REP. 477, 490-94 (Sept.-Oct. 1994).

41. *See, e.g.*, TRIPS Agreement, *supra* note 38, at art. 2. Article 2 states in relevant part:

(1) In respect of Parts II, III, and IV of this Agreement, Members shall comply with Articles 1-12 and 19 of the Paris Convention (1967).

(2) Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.

*Id.*; *See also* NAFTA, *supra* note 37, at art. 1701(2).

42. NAFTA, *supra* note 37, at ch. 17, art. 1718; TRIPS Agreement, *supra* note 38, at § 4, arts. 51-60. The language of the border control measures provisions in both the NAFTA and GATT/TRIPS agreements is virtually identical and thus there appears to be no significant difference between how each treaty deals with imports which infringe intellectual property rights.

43. For example, the TRIPS Agreement contains 10 articles directed at specific aspects of the mandatory border control requirements: Article 51 relates to the suspension of release of infringing imports by Customs authorities; Article 52 discusses the application of the suspension of importation; Article 53 relates to the requirement that the right holder post a bond during the pendency of a proceeding determining whether the imported merchandise infringes an intellectual property right; Article 54 requires notice of import suspension; Article 55 sets time limits for

trademark<sup>44</sup> owner to apply to Customs for the detention of imported merchandise provided the trademark holder possesses valid grounds for suspecting that the imported merchandise may infringe an intellectual property right.<sup>45</sup> In addition, both treaties permit a Customs official on his or her own initiative to detain goods at the border without the request of a trademark owner.<sup>46</sup>

Upon detention of suspect merchandise, Customs officials must promptly notify both the importer of record and the trademark owner of the detention and within ten days of receiving such notice, the trademark owner must inform Customs whether he or she has initiated legal proceedings which would lead to a decision on the infringing nature of the merchandise.<sup>47</sup> If not, Customs must then release the merchandise.<sup>48</sup> Moreover, if Customs or another competent authority<sup>49</sup> makes a determination that the imported merchandise infringes a recognized intellectual property right, both NAFTA and GATT/TRIPS permit Customs officials to notify the trademark or copyright owner of the identities and

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suspension; Article 56 relates to indemnification; Article 57 requires Customs authorities to allow the right holder to inspect the suspect imports; Article 58 authorizes Customs officials to take *ex officio* actions against infringing imports; Article 59 relates to remedies; and Article 60 excludes *de minimis* imports from Customs' import control measures. Similarly, Article 1718 of NAFTA presents almost identical detailed provisions in 14 subparagraphs.

44. Both treaties address import protection for trademarks and copyrights. TRIPS Agreement, *supra* note 38, at art. 51; *see also* NAFTA, *supra* note 37, at art. 1718(1). However, this Note deals only with the trademark aspects of NAFTA and GATT/TRIPS.

45. TRIPS Agreement, *supra* note 38, at art. 51. Article 51 states:

Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met.

*Id.*; *see also* NAFTA, *supra* note 37, at art. 1718(1). When a trademark or copyright owner has made an application for detention of imported merchandise, the owner must prove a *prima facie* case of infringement and must post security in order to protect the importer and/or the Customs Service. TRIPS Agreement, *supra* note 38, at arts. 52-53; NAFTA, *supra* note 37, at art. 1718(2)-(3).

46. TRIPS Agreement, *supra* note 38, at art. 58; NAFTA, *supra* note 37, at art. 1718(11).

47. TRIPS Agreement, *supra* note 38, at arts. 54 and 55; NAFTA, *supra* note 37, at art. 1718(5-7).

48. TRIPS Agreement, *supra* note 38, at art. 55; NAFTA, *supra* note 37, at art. 1718(6).

49. A U.S. federal court would likely be a competent authority under the provision, since federal courts typically determine whether one person's use of a mark infringes another's protected trademark.

addresses of the consignor, consignee and importer and the quantity of goods detained.<sup>50</sup> Furthermore, both treaties permit Customs to destroy imports which infringe intellectual property rights recognized by member countries.<sup>51</sup>

The United States' accession to the Paris Convention and the more recent NAFTA and GATT/TRIPS treaties manifests Congress' clear intent to provide effective and meaningful mechanisms to protect U.S. trademarks from the adverse effects of importation of infringing goods. This reflects the importance that Congress has traditionally placed on protecting holders of U.S. trademarks.

### *B. Congressional Legislation Prohibiting Infringing Imports*

With the first federal trademark statute, the Act of 1870, Congress attempted to create a system for the protection of trademarks in the United States. However, the statute did not contain any language which prohibited the importation of foreign merchandise that might infringe a U.S. trademark.<sup>52</sup> The following year Congress enacted the first Federal statute to limit the importation of goods which infringed domestic trademarks.<sup>53</sup> This Act barred importation of all watches and watch parts that "copied or simulated" a trademark of a domestic manufacturer.<sup>54</sup> Nonetheless, due to its narrow scope, this legislation did little or nothing to protect any U.S. industry apart from watch manufacturers, and also failed to protect the U.S. trademarks of foreign watch producers.<sup>55</sup>

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50. TRIPS Agreement, *supra* note 38, at art. 57; NAFTA, *supra* note 37, at art. 1718(10).

51. TRIPS Agreement, *supra* note 38, at art. 59. Article 59 states:

Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Article 46 above. In regard to counterfeit trademark goods, the authorities shall not allow the reexportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.

*Id.*; see also NAFTA, *supra* note 37, at art. 1718(12).

52. Trademark Act of 1870, ch. 230, 16 STAT. 210. This piece of legislation was the first attempt by Congress to implement statutory protection for trademarks throughout the United States. The Trademark Act of 1870 generally created the right of persons or corporations to record with the Patent Office an application for federal trademark protection. *Id.* Section 79 of the Act also made it illegal to "reproduce, counterfeit, copy, or imitate any such recorded trademark[.]" *Id.* at 211. The Act was silent on the prohibition of foreign merchandise which infringed protected trademarks. *Id.*

53. Act of March 3, 1871, ch. 125, 16 STAT. 580.

54. *Id.*

55. *Id.* The 1871 Act provided import protection to only domestic manufactur-

In 1876, Congress made it a criminal offense to sell merchandise which bore a "counterfeit" or "colorable imitation" of a trademark registered under the Act of 1870.<sup>56</sup> While this legislation did not expressly prohibit importation of infringing foreign merchandise, the sale of imported merchandise was nevertheless subject to criminal sanctions.<sup>57</sup> Later, through the Tariff Act of 1890, Congress afforded administrative protection to U.S. trademarks against the importation of infringing goods of all kinds.<sup>58</sup> The 1890 legislation swept more broadly than the 1871 Act by prohibiting importation of all merchandise, as opposed to prohibiting only watches and related goods, which "copied or simulated" the trademark of any domestic manufacturer.<sup>59</sup> Congress retained this expansive provision in subsequent tariff legislation.<sup>60</sup>

Congress substantially amplified the administrative prohibition of infringing imports in the Trade-Mark Act of 1905.<sup>61</sup> Un-

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ers. *Id.*

56. Act of Aug. 14, 1876, ch. 274, 19 STAT. 141 (1877).

57. In *United States v. Steffens*, the U.S. Government sought criminal penalties against numerous defendants who were selling foreign manufactured liquors which bore "colorable imitations" of trademarks registered under the Act of 1870. 100 U.S. 82, 82 (1879). In 1879, the Supreme Court held that the trademark provisions of the 1870 Act and the Act of 1876 were unconstitutional. *See id.* at 98. The Court held that Congress exceeded its constitutional authority by failing to limit the trademark provisions of the 1870 Act to acts which took place in interstate or foreign commerce. *Id.* Because the 1876 Act criminalized sales of goods which infringed marks registered under the 1870 Act, this Act too was declared unconstitutional. *Id.*

In response to the Supreme Court's decision, Congress passed the Trademark Act of March 3, 1881, which mirrored much of the previous legislation while remaining within the constitutional limits of congressional authority. *See* Act of March 3, 1881, ch. 138, 21 STAT. 502. But once again, this legislation did not explicitly prohibit the importation of infringing articles. *See id.* at 502. In enacting the Act of 1881, Congress cured the defects of the previous trademark legislation (Act of 1870) by limiting the operation of the Act to trademarks used in commerce between the United States and foreign nations or Indian Tribes. Act of March 3, 1881, ch. 138, preamble, 21 STAT. 502; *see also* A. Leschen & Sons Rope Co. v. Broderick & Bascom Rope Co., 201 U.S. 425, 426 (1906) (discussing how Congress limited the Act of 1881 to commerce under its control in order to pass constitutional muster). Again, the main purpose of the 1881 legislation was to create a federal trademark registration system. *See* Act of March 3, 1881, 21 STAT. 502. Congress also provided trademark owners with various types of relief against infringing activities but did not include import control measures against imported merchandise which may have infringed registered trademarks. *See id.* at 503.

58. Tariff Act of 1890, ch. 1244, 26 STAT. 613. Section 7 of this act provided that "no article of imported merchandise which shall copy or simulate the name or trade-mark of any domestic manufacture or manufacturer shall be admitted to entry. . . ." *Id.* at 613.

59. *Id.*

60. Tariff Act of 1894, ch. 349, § 6, 28 STAT. 547; Tariff Act of 1897, ch. 11, § 11, 30 STAT. 207.

61. Trademark Act of 1905, ch. 592, § 27, 33 STAT. 730 (repealed 1946). Section

like previous legislation, § 27 of this Act barred all goods which "copied or simulated" marks of both foreign and domestic trademark owners.<sup>62</sup> This change complied with the provisions of the Paris Convention, to which the United States had by this time become a signatory.<sup>63</sup> As a result, after 1905, United States and foreign trademark owners alike could expect administrative protection from all types of infringing foreign imports.

In later years, Congress attempted to rectify what it perceived as an unexpected gap in the 1905 Act by enacting § 526 of the Tariff Act of 1922.<sup>64</sup> This gap existed because courts had construed § 27 of the 1905 Act as not prohibiting the importation of merchandise manufactured abroad either by or under the authority of a U.S. trademark owner, but which was later imported into the United States by a third party without the permission of the U.S. trademark owner.<sup>65</sup> This type of imported goods, commonly known as "grey market" or "parallel imports,"<sup>66</sup> held the potential of causing severe economic harm to U.S. manufacturers.<sup>67</sup>

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27 of the Act provides that:

[N]o 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 which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trade-mark registered in accordance with the provisions of this Act, . . . shall be admitted to entry at any custom-house of the United States . . . [.]

*Id.* Section 1 of the Act provides that foreign entities of countries which grant reciprocal rights to U.S. citizens or corporations may have their trademarks registered in the United States. *Id.* at 724.

62. *Id.* at 730.

63. Paris Convention, *supra* note 26, at art. II. A main objective of the Paris Convention was to insure equal trademark and patent protection to a member country's own nationals and to foreign citizens or corporations. LADAS, *supra* note 27, at 203-06.

64. Tariff Act of 1922, ch. 356, § 526, 42 STAT. 975 (1923) (repealed 1930).

65. See *A. Bourjois & Co., Inc. v. Katzel*, 275 F. 539, 543 (2d Cir. 1921); *Fred Gretsch Mfg. Co. v. Schoening*, 238 F. 780, 782 (2d Cir. 1916).

66. A discussion of the various problems posed by grey market goods or parallel imports is beyond the scope of this Note. Congress, the courts, academics and other commentators have comprehensively addressed this controversial issue for more than 70 years. For further reading see generally Richard A. Fogel, *Grey Market Goods and Modern International Commerce: A Question of Free Trade*, 10 FORDHAM INT'L L.J. 308 (1986) (discussing U.S. policies limiting the importation of grey market goods); Clark W. Lackert, *Introduction to the Parallel Imports Controversy: Trade or Trademark Policy?*, 1987 COLUM. BUS. L. REV. 151 (providing a generalized introduction of the laws dealing with grey market imports); Harry Rubin, *Destined to Remain Grey: The Eternal Recurrence of Parallel Imports*, 26 INT'L LAW. 597 (1992) (discussing recent cases which deal with the manner in which Customs should treat grey market merchandise).

67. Articles manufactured abroad frequently cost less than their U.S. counterparts, due to the lower cost of labor and materials, and this cost reduction often results in a lower market price for the foreign-produced goods. *Hearings on S. 875*

Accordingly, Congress enacted § 526(a) of the 1922 Tariff Act to specifically bar all foreign-manufactured imports "bear[ing] a trade-mark owned by a citizen . . . of the United States and registered in the Patent Office by a person domiciled in the United States" without the consent of the trademark owner.<sup>68</sup>

Since Congress intended § 526(a) of the Tariff Act of 1922 to specifically apply to imported grey market goods bearing the same trademark as a U.S.-made good, this provision markedly narrowed the definition of prohibited imports.<sup>69</sup> That is, although the Trade-Mark Act of 1905 barred all imports which bore a mark which would "copy or simulate" a protected trademark, § 526 of the Tariff Act of 1922 prohibited only imports that bore an identical or a counterfeit mark.<sup>70</sup>

*Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 98th Cong., 1st Sess. 40 (1983) (statement of Joseph Rares, President of the American Free Trade Association), reprinted in 4 GILSON, *supra* note 25, at § 34, at 34-297. Lower priced imported merchandise could therefore undercut sales of articles manufactured by the U.S. company, thereby reducing profits of the U.S. company. *Id.*

68. Tariff Act of 1922, ch. 356, § 526, 42 STAT. 975. After very little debate, Congress enacted this provision expressly to protect domestic trademark holders from goods manufactured by foreign companies which legally held foreign trademark rights to the identical mark. 1 GILSON, *supra* note 25, at § 4.05(5). "The section was enacted to overcome the Court of Appeals decision in *A. Bourjois & Co., Inc. v. Katzel*, which was later reversed by the Supreme Court." *Id.*

In *Katzel*, a French face powder manufacturer sold to a U.S. distributor its U.S. business and U.S. trademark registration. *A. Bourjois & Co., Inc. v. Katzel*, 275 F. 539, 539-40 (2d Cir. 1921). The French company continued to manufacture and sell its face powder under an identical trademark in Europe. *Id.* at 540. Afterward, a third party bought a supply of the face powder made by the French company in France. *Id.* The third party then imported and sold the product in the U.S. under the trademark which was at that time owned by the U.S. distributor. *Id.* The Circuit Court held that the imported face powder did not violate the U.S. distributor's trademark rights. *Id.* at 543. The next year, Congress enacted § 526 expressly to overcome the Circuit Court's decision in *Katzel*. 1 GILSON *supra* note 25, at § 4.05(5). Subsequently, the Supreme Court reversed the decision. *A. Bourjois & Co. v. Katzel*, 260 U.S. 689, 692 (1923). Later, Judge Learned Hand declared that:

Section 526(a) of the Tariff Act of 1922 . . . was intended only to supply the *casus omissus*, supposed to exist in section 27 of the [Trade-Mark] Act of 1905 . . . because of the decision of the Circuit Court . . . in *Katzel*. . . . Had the Supreme Court reversed that decision last spring, it would not have been enacted at all.

*Coty, Inc. v. Le Blum Import Co., Inc.*, 292 F. 264, 268-69 (S.D.N.Y. 1923).

69. 1 GILSON, *supra* note 25, at § 4.05(5).

70. Section 526(a) prohibited importation of a foreign manufactured article which "bears a trade-mark" owned by a U.S. citizen or corporation. Tariff Act of 1922, ch. 356, § 526(a), 42 STAT. 975. Congress omitted the broader language of Section 27 of the Trade-Mark Act of 1905, which barred imports that would "copy or simulate" registered trademarks. Trade-Mark Act of 1905, ch. 592, § 27, 33 STAT. 730. This is not surprising, given that Congress intended Section 526(a) to apply only to situations which closely mirrored the set of facts in *Katzel* where the



The courts had interpreted the "copy or simulate" language of § 27 of the 1905 Act to include both identical or counterfeit marks and other marks which were similar enough to cause consumer confusion regarding the source of the merchandise.<sup>71</sup> Therefore, the Tariff Act of 1922 operated as the first congressional trademark legislation which limited the prohibition of infringing goods to only those bearing identical marks. However, Congress continued to mandate the prohibition of non-counterfeit, infringing goods under § 27 of the Trade-Mark Act of 1905.<sup>72</sup>

Moreover, § 526(a) of the Tariff Act of 1922 also conflicted with the obligation under Article 2 of the Paris Convention to ensure foreign citizens or companies equal protection in trademark related matters.<sup>73</sup> Congress purposely designed § 526(a) to protect only those trademarks owned by persons or entities domiciled in the United States and, thus, did not afford equal protection to owners of U.S. trademarks domiciled in foreign countries.<sup>74</sup> This serious conflict between the Tariff laws and the requirements of the Paris Convention remains unresolved even today.<sup>75</sup> Despite these deficiencies, the Tariff Act of 1922 signifi-

imported article bore a mark identical to the U.S. protected mark. 1 GILSON, *supra* note 25, at § 4.05(5).

71. *Le Blume Import Co. v. Coty*, 293 F. 344, 349 (2d Cir. 1923). "It is not essential to the right of the complainant to an injunction in cases of this character [involving Section 27 of the Trade-Mark Act of 1905] that the word or name used be the same, if it be so similar that purchasers would be liable to be misled." *Id.*

72. Trade-Mark Act of 1905, ch. 592, § 27, 33 STAT. 730.

73. Section 526(a) reads in relevant part: "it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, . . . bears a trade-mark owned by a citizen of, or by a corporation . . . [of] the United States." Tariff Act of 1922, ch. 356, § 526(a), 42 STAT. 975. Article II of the Paris Convention reads:

[N]ationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals, . . . Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights[.]

Paris Convention, *supra* note 26, at art. II(1).

74. *Hearings on H.R. 2828 Before the House Comm. on Patents*, 71st Cong., 2d Sess. 17-19 (1930) (statement of Edward S. Rogers), reprinted in 4 GILSON, *supra* note 25, at § 42, at 42-4. Section 27 of the Trade-Mark Act of 1905 nonetheless continued to bar imports which infringed the trademarks of foreign trademark owners. Trademark Act of 1905, ch. 592, § 27, 33 STAT. 730.

75. The equal treatment provision of the Paris Convention has remained essentially the same since 1883. Paris Convention, *supra* note 26, at art. II(1), Stockholm Text (1967). The current version of § 526 of the 1922 Act still only expressly applies to foreign imports which counterfeit trademarks of U.S. entities. Tariff Act of 1930, ch. 497, § 526, 46 Stat. 741 (current version at 19 U.S.C. § 1526). Other commentators have pointed out the discrepancy between the Paris Convention's mandate for equal protection and the unequal treatment which the Tariff Acts have afforded U.S. and foreign trademark owners. See e.g., Kaoru Takamatsu,

cantly expanded the powers of Customs to battle counterfeit goods shipped into the United States. For the first time, Congress expressly made counterfeit imports, albeit only those which affected trademarks owned by U.S. citizens and corporations, subject to seizure and forfeiture.<sup>76</sup>

While this provision enhanced the Customs Service's ability to deal more effectively with imported counterfeits, Congress did not authorize Customs to seize and initiate forfeiture proceedings against merely infringing imports.<sup>77</sup> For example, under § 526 of the Tariff Act of 1922 Customs officials could seize and possibly institute forfeiture proceedings against a shipment of soap bearing the protected trademark "Ivory Soap."<sup>78</sup> Nonetheless, the Tariff Act of 1922 probably would not authorize Customs to seize and initiate forfeiture proceedings against a shipment of "Ivorie Soap," a designation which is not identical to the protected mark but is considered to be "merely infringing."<sup>79</sup>

Moreover, forfeiture of goods bearing counterfeit marks would not necessarily happen automatically. That is, § 526(c) did not require Customs to seize or institute forfeiture proceedings, but, rather, permitted the importer to avoid seizure and confiscation of imports bearing a mark which was identical to a protected trademark by allowing reexportation or destruction of the goods, or by removing the mark from the goods.<sup>80</sup> Indeed, § 526(c) provided

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*Parallel Importation of Trademarked Goods: A Comparative Analysis*, 57 WASH. L. REV. 433, 438-39 (1982) (suggesting that § 526 of the Tariff Act of 1930 violates the Paris Convention's requirement of equal treatment for domestic and foreign nationals).

76. Section 526(b) of the Tariff Act of 1922 provides that "[a]ny such merchandise imported into the United States in violation of the provisions of this section shall be subject to seizure and forfeiture for violation of the customs laws." Tariff Act of 1922, ch. 356, § 526(b), 42 STAT. 975. Unlike previous legislation, Congress intended § 526 of the Tariff Act of 1922 to provide for seizure and forfeiture of imports that violated the trademark laws. *Id.* The Trade-Mark Act of 1905, while providing for the wholesale prohibition of all goods which infringed U.S. trademarks, failed to set out specific penalties which the Customs Service could impose on importers of such merchandise. Trade-Mark Act of 1905, ch. 592, § 27, 33 STAT. 730. Section 27 of the 1905 Act merely required the exclusion of infringing goods. *Id.* There appears to be no case, statute, legislative history or other authority which suggests that the Trademark Act of 1905 or any previous U.S. statutory enactments allowed for the ultimate seizure and forfeiture of infringing goods or for any other disposition, apart from removal or obliteration of the offending trademark or reexportation of the goods.

77. Tariff Act of 1922, ch. 356, § 526, 42 STAT. 975. Section 526 only authorized Customs officials to initiate forfeiture proceedings against imports which bore a trademark that was identical to a protected mark. *Id.*

78. U.S. Trademark Registration No. 66,990, Registered Jan. 7, 1908, Proctor & Gamble Company, Registrant (expired Jan. 8, 1988).

79. See *supra* note 6 for a definition of the term "merely infringing."

80. Tariff Act of 1922, ch. 356, § 526(c), 42 STAT. 975. "Any person dealing in any such merchandise may be enjoined from dealing therein within the United

an unexpected benefit to importers of counterfeit goods since, unlike previous laws, under this provision importers were not compelled to reexport the goods. That is, by merely removing the counterfeit marks, importers may have been allowed to introduce the goods into U.S. commerce. Presumably, if the importer chose to remove or obliterate the identical mark, Customs would permit the entry of the imports into U.S. commerce.<sup>81</sup> In many cases this would have provided a less costly option than reexporting the goods. In 1930, Congress passed the Tariff Act of 1930 and retained most of the provisions, and deficiencies, of § 526 of the 1922 Tariff Act.<sup>82</sup>

The Trademark Act of 1946 (Lanham Act) incorporated most of the existing trademark statutory law and also codified various common law doctrines. The provisions of the Lanham Act that address the prohibition of infringing imports essentially conformed to the existing law but enlarged trademark protection in significant respects. For example, § 42 of the Lanham Act continued to prohibit the importation of merchandise which would "copy or simulate" a registered trademark.<sup>83</sup> However, § 43 of the Lanham Act expanded the class of goods which Congress authorized Customs to prohibit from entering the United States. While previous law required that Customs prohibit merchandise which infringed only registered trademarks,<sup>84</sup> § 43 mandated the prohibition of imported goods which infringed even an unregistered trademark.<sup>85</sup> The Lanham Act also for the first time provided a

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States or may be required to export or destroy such merchandise or to remove or obliterate such trademark. . . ." *Id.*

81. *Id.*

82. See Tariff Act of 1930, ch. 497, § 526, 46 STAT. 590; Tariff Act of 1922, ch. 356, § 526, 42 STAT. 975.

83. Lanham Act § 42, 15 U.S.C. § 1124. "[N]o article of imported merchandise which shall copy or simulate . . . a trademark registered in accordance with the provisions of this chapter . . . shall be admitted to entry at any customhouse of the United States. . . ." *Id.* This language is essentially identical to the language of § 27 of the Trade-Mark Act of 1905. Trade-Mark Act of 1905, ch. 592, 33 STAT. 724.

84. Trade-Mark Act of 1905, ch. 592, § 27, 33 STAT. 730; Tariff Act of 1922, ch. 356, § 526, 42 STAT. 975; Tariff Act of 1930, ch. 497, § 526, 46 STAT. 590 (current version at 19 U.S.C. § 1526).

85. Lanham Act § 43, 15 U.S.C. § 1125 (1988 & Supp. VI 1994). Section 43(a) makes it illegal for anyone to use:

any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association . . . or as to the origin, sponsorship, or approval of his or her goods, services, commercial activities by another person. . . .

*Id.*

Courts have interpreted § 43(a) as, in part, providing protection to unregistered marks. 1 GILSON, *supra* note 25, at § 7.02(1). Section 43(b) provides that "[a]ny goods marked or labeled in contravention of the provisions of this section

statutory definition of "counterfeit trademarks."<sup>86</sup> This definition required that an allegedly counterfeit mark be identical to, or virtually indistinguishable from, the genuine mark.<sup>87</sup> Nonetheless, § 42 and § 43 of the Lanham Act, like § 27 of the Trademark Act of 1905, failed to contain any provision for the ultimate disposition of infringing imports other than prohibiting entry of such goods into the United States.<sup>88</sup>

The most recent significant change made by Congress to the Customs laws required the automatic forfeiture of imported goods which bore a counterfeit mark if the importer of such goods could not obtain the trademark owner's consent for importation.<sup>89</sup> With the enactment of the Customs Procedure Reform and Simplification Act in 1978, Congress also amended § 526 of the Tariff Act of 1930 by withdrawing all relief which had previously been available to importers of counterfeit goods.<sup>90</sup> This amendment was directed specifically at increasing the penalties for counterfeit importation activities. However, it did not change the existing relief available to importers of merely infringing goods.<sup>91</sup>

### C. Treatment of Infringing Imports by Customs

Generally, Customs regulations can effectively limit the damage created by infringing imports.<sup>92</sup> These regulations permit a

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shall not be imported into the United States or admitted to entry by any custom-house of the United States." Lanham Act, *supra*.

86. Lanham Act § 45, 15 U.S.C. § 1127. "A 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." *Id.*

87. *Id.*

88. Lanham Act §§ 42-43, 15 U.S.C. §§ 1124-1125; Trade-mark Act of 1905, ch. 592, § 27, 33 STAT. 730.

89. Customs Procedure Reform and Simplification Act, Pub. L. No. 95-410, § 211, 92 STAT. 903 (codified as amended at 19 U.S.C. § 1526 (1988)). The legislative history of this provision, although scant, is interesting. Language requiring automatic seizure and forfeiture of imported articles bearing a merely infringing mark had been added by the Senate Finance Committee. S. REP. NO. 778, 95th Cong., 2d Sess. 25 (1978). The proposed amendment required Customs to notify the trademark owner of the attempt to import infringing goods and compelled forfeiture to the government of all goods which "cop[y] or simulate[s]" a trademark in violation of § 42 of the Lanham Act. *Id.* The reasoning behind this amendment was that "[t]he committee believes that there is now no effective sanction against violations of Section 42 as it relates to merchandise which simulates or copies a registered trademark." *Id.* Section 42 of the Lanham Act is directed to all trademark infringements and is not limited to counterfeits. Lanham Act § 42, U.S.C. § 1124. The amendment was later narrowed by the joint conference committee to include only counterfeit imports. H.R. CONF. REP. NO. 1517, 95th Cong., 2d Sess. 4, 16-17 (1978).

90. Tariff Act of 1930 § 526(c), 19 U.S.C. 1526(c).

91. Lanham Act § 42, 15 U.S.C. § 1124. This Section only requires the prohibition of goods having confusingly similar marks. *Id.*

92. U.S. Cust. Reg., 19 C.F.R. § 133 (1995). Indeed, U.S. Customs regulations,

trademark owner to record a trademark with the Customs Service.<sup>93</sup> Under these rules, Customs will only allow recordation of trademarks which are registered in the United States Patent and Trademark Office (PTO).<sup>94</sup> The period of recordation runs concurrently with the term of the corresponding PTO registration.<sup>95</sup> However, a trademark owner may renew a trademark recordation with Customs upon renewal of the mark in the PTO.<sup>96</sup>

As discussed in Section B, the law currently requires Customs officials to detain imports bearing any marks which are confusingly similar to U.S. protected trademarks.<sup>97</sup> Nonetheless, Customs regulations treat certain types of infringing imports disparately. As with the underlying federal statutes, Customs regulations recognize two types of infringing trademarks: (1) a counterfeit mark, defined as a "spurious designation that is identical with, or substantially indistinguishable from," a U.S. protected trademark;<sup>98</sup> and (2) a "copying or simulating mark" which so closely resembles a U.S. protected trademark as being likely to cause consumer confusion.<sup>99</sup> The latter category denotes a mark that, while not identical, is so similar to the protected trademark that the consuming public might mistake the source of the good.<sup>100</sup>

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particularly those directed to controlling counterfeits, are probably the most stringent in the world. Sweeney et al., *supra* note 40, at 481. Customs is responsible for monitoring a tremendous volume of import activity. For example, the Customs Department estimated that in 1993 it processed over \$500 billion in imported merchandise and over 450 million passengers. GAO AUDIT, *supra* note 22.

93. U.S. Cust. Reg., 19 C.F.R. § 133.2 (1995). A written application for the recordation of a mark must include the following information: name, address and citizenship of the applicant; places of manufacture of applicant's goods; information relating to licensees and foreign concerns authorized to use the trademark. *Id.* Moreover, a copy of the U.S. trademark registration certificate and a fee of \$190.00 for each mark must also be submitted. *Id.*; see also U.S. Cust. Reg., 19 C.F.R. § 133.3 (1995).

94. U.S. Cust. Reg., 19 C.F.R. § 133.1 (1995).

95. *Id.* at § 133.4.

96. *Id.* at § 133.7.

97. Lanham Act § 42, 15 U.S.C. § 1124. Section 42 of the Lanham Act specifically states that no "imported merchandise which shall copy or simulate the name of the any (sic) domestic manufacturer . . . or which shall copy or simulate a trademark registered in accordance with the provisions of this Act . . . shall be admitted to entry at any customhouse of the United States." *Id.* Section 526 of the Tariff Act of 1930 prohibits the importation of merchandise which bears a trademark owned by a U.S. citizen or corporation. Tariff Act of 1930 § 526(a), 19 U.S.C. § 1526(a).

98. U.S. Cust. Reg., 19 C.F.R. §§ 133.21(a)-(b); Lanham Act §§ 34, 45, 15 U.S.C. §§ 1116, 1127 (for the definition of "counterfeit").

99. U.S. Cust. Reg., 19 C.F.R. § 133.21(a).

100. For instance, CODY or COTEY may be marks which may infringe COTY, but they would not necessarily be counterfeit marks. In a case involving the protected mark "BRITISH KNIGHTS," Customs characterized imported footwear bearing the marks "BRITISH KNIGHTS" and "BRITISH NIGHTS" as counterfeits while concluding that footwear using the mark "BRITISH HIGHTS" was merely

In implementing the federal statutory scheme discussed in Section B, Customs regulations require Customs officials to detain both counterfeit articles and "copying or simulating marks" at the point of importation.<sup>101</sup> Both types of infringements may also be subject to seizure and forfeiture.<sup>102</sup> However, unlike the treatment of imports which merely infringe protected trademarks, Customs regulations compel immediate and automatic seizure of all imported products bearing a counterfeit mark.<sup>103</sup> That is, if the importer cannot provide written consent from the owner of the protected U.S. trademark providing approval for the importation of the counterfeit goods, Customs may then initiate forfeiture proceedings with the government ultimately taking title to the products.<sup>104</sup>

Final disposition of counterfeit products refused entry is currently limited to four options: (1) upon request, Customs may give the counterfeits to a government department; (2) upon re-

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infringing. *Suspected Infringement of the Trademark "BRITISH KNIGHTS"* (Reg. No. 1,324,699); *Cust. Recordation Issuance No. 88-019*, CUSTOMS SERVICE RUL. LTR. No. HQ 450180 (Aug. 24, 1990), available in WESTLAW, File no. WL 511570. In another case involving a detention of athletic shoes by Customs, agency officials determined that imported shoes bearing a striped design which "very closely resemble[d] the [Reebok] registered and recorded design" were not counterfeits because, despite the very close similarity, the stripes on the imported shoes did not extend quite as far as the stripes in the protected design. *Suspected Infringement of a Reebok Trademark* (Reg. No. 1,196,293); *Cust. Recordation Issuance No. 87-247*, CUSTOMS SERVICE RUL. LTR. No. HQ 450660 (Jan. 23, 1991), available in WESTLAW, File no. WL 407822. The shoes, which had a market value of over \$211,000.00, were therefore deemed to be merely infringing imports. *Id.*

"Sound-alikes" can also pose problems in differentiating counterfeits from merely infringing marks, particularly when consumers may know the pronunciation, but not the spelling of a protected mark. For example, Customs characterized imported ceramic figurines bearing the mark YADRO as merely infringing rather than counterfeits of the protected mark LLADRO which has an identical pronunciation. *Prohibited and Restricted Importations: Trademark Infringement Involving Marks Similarly Spelled and Pronounced*, 14 CUST. B. & DEC. 1031 (Jan. 2, 1980), available in WESTLAW, File no. WL 113081.

101. Lanham Act § 42, 15 U.S.C. § 1124; U.S. Cust. Reg., 19 C.F.R. § 133.21.

102. U.S. Cust. Reg., 19 C.F.R. § 133.21. This regulation purportedly draws its authorization from three statutory provisions: Tariff Act of 1930 § 526(c), 19 U.S.C. § 1526(c) (authorizing Customs to seize and treat as forfeit imported goods which bear a trademark registered by a U.S. entity); Tariff Act of 1930 § 595, 19 U.S.C. § 1595 (1988) (authorizing Customs to seize articles which violate laws of the United States, including the trademark laws); Lanham Act § 42, 15 U.S.C. § 1124 (prohibiting Customs from allowing the entrance of goods bearing confusingly similar marks but not authorizing Customs to seize such goods or to initiate forfeiture proceedings).

103. U.S. Cust. Reg., 19 C.F.R. §§ 133.21(b), 133.23a(b).

104. U.S. Cust. Reg., 19 C.F.R. § 133.23a(b). This Section mandates that "[a]ny article imported into the United States bearing a counterfeit trademark shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violation of the Customs laws." *Id.*

quest, Customs may deliver the products to a charitable institution; (3) after ninety days, Customs may sell the counterfeits at public auction; or (4) Customs may destroy the products if they pose a safety or a health hazard.<sup>105</sup> Essentially, if the importer cannot provide the U.S. trademark holder's consent to importation, the importer then loses title to the counterfeit products.<sup>106</sup>

By contrast, Customs regulations relating to merely infringing imported goods do not mandate that the importer be stripped of title to the offending goods. After detaining non-counterfeit, merely infringing imports, the regulations require Customs to send notice of the detention to the importer, who may then obtain release of the articles by removing or obliterating the offending mark within thirty days.<sup>107</sup> If after thirty days the importer has failed to obtain release of the goods, Customs must seize the articles and begin forfeiture proceedings.<sup>108</sup> The importer can then petition for relief by requesting release of the infringing products after agreeing to the following conditions: (1) the importer reexports the infringing articles; (2) the importer removes or obliterates the offending mark; or (3) the importer provides satisfactory evidence that the U.S. trademark holder has abandoned his mark.<sup>109</sup> In contrast to the requirements for counterfeit goods, regulations do not require Customs to notify the U.S. trademark holder of the detention of merely infringing imports.<sup>110</sup> Therefore, trademark owners are unlikely to ever know of the attempted importation of infringing goods or of the importer's or exporter's identity.<sup>111</sup>

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105. U.S. Cust. Reg., 19 C.F.R. § 133.52 (1995). The first three options require obliteration, if feasible, of the trademark prior to a final disposition of the goods. *Id.*

106. U.S. Cust. Reg., 19 C.F.R. § 133.23a(b). In addition, regulations require that Customs send notice of the seizure of counterfeits to the U.S. trademark holder. U.S. Cust. Reg., 19 C.F.R. § 133.23a(c). Such notice must provide the identity of the importer of the counterfeit articles as well as the quantity seized and a sample of the product. *Id.*

107. U.S. Cust. Reg., 19 C.F.R. §§ 133.22, 133.23(a).

108. U.S. Cust. Reg., 19 C.F.R. § 133.22(c) (1995).

109. U.S. Cust. Reg., 19 C.F.R. § 133.51 (1995).

110. U.S. Cust. Reg., 19 C.F.R. § 133.22(b) (1995).

111. *Copyright/Trademark/Trade Name Protection; Disclosure of Information*, 60 Fed. Reg. 36249, 36251 (1995) (to be codified at 19 C.F.R. §§ 133.22, 133.23(a), 133.42-43) (proposed July 14, 1995). The Customs Service recently issued a notice stating that it is considering revising its regulations to allow trademark owners greater information regarding detained imports which merely infringe registered trademarks. *Id.* at 36252. The proposal, if adopted, would allow Customs to furnish the trademark owner with information regarding the country of origin, the dates of importation and further allows Customs to provide a sample of the merchandise. *Id.* Customs will not provide information relating to the importer's or exporter's identity. *Id.* In 1993, the Customs Service issued a similar notice but has never implemented the proposed provisions. *Copyright/Trademark/Trade Name Pro-*

### III. CURRENT CUSTOMS REGULATIONS DO NOT ADEQUATELY PROTECT U.S. TRADEMARK RIGHTS

This Part examines the policies behind United States Customs laws and regulations regarding the prohibition of infringing imported merchandise and how these policies mandate more severe treatment of non-counterfeit, merely infringing imports by Customs. Section A discusses the purpose of U.S. trademark laws, specifically the Lanham Act, and the manner in which current Customs practice involving merely infringing imports may, in fact, contravene these policies. Section B examines international treaty obligations under which the United States operates and discusses the manner in which these treaties apparently require both seizure and forfeiture of confusingly similar trademarked imports of all types. Section C sets forth some practical reasons why Customs should not release merely infringing imports solely on an importer's bare promise to either remove the offending mark or to reexport the articles to another jurisdiction.

#### *A. Customs Regulations Fail to Embrace the Broad Objectives of the Lanham Act*

The purposes of the Lanham Act are clearly set forth in the Act itself.<sup>112</sup> Congress explicitly intended to safeguard the interests of both trademark owners and the American public from the harm caused by infringing merchandise which is likely to cause confusion, mistake or deception in the marketplace.<sup>113</sup> Whether merchandise bears a counterfeit mark, a colorable imitation of a protected mark or a confusingly similar trade dress, Congress intended the Lanham Act to provide trademark owners with adequate means of preventing, staunching and remedying the harm which infringing products might cause consumers and trademark owners in the marketplace.<sup>114</sup>

The distinction between a counterfeit trademark and a merely infringing mark is only a matter of degree; that is, sometimes it

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tection; *Disclosure of Information*, 58 Fed. Reg. 44476, 44477 (1993) (proposed Aug. 23, 1993).

112. Lanham Act § 45, 15 U.S.C. § 1127. This section states in relevant part: The intent of this [Act] is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; . . . to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits or colorable imitations of registered marks.

*Id.*

113. *Id.*

114. *Id.*



may be difficult to distinguish whether an offending mark is counterfeit or merely infringing.<sup>115</sup> Often the difference between a merely infringing mark and the genuine mark can seem quite insignificant, as the ACME Widget illustration set forth in the Introduction demonstrates.<sup>116</sup> Even where an identical mark is used, minor differences in the construction and the general appearance of an imported article may qualify the article as merely infringing rather than as counterfeit.<sup>117</sup> The Lanham Act may recognize that a counterfeit mark is the most egregious type of trademark infringement,<sup>118</sup> but the Act nevertheless seeks to provide the widest possible protection against infringing goods.<sup>119</sup>

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115. *Trademark Counterfeiting Act of 1982: Hearings on S. 2428 Before the Senate Comm. on the Judiciary*, 97th Cong., 2d Sess. (1982) (statement of Thomas J. Corum, President of the U.S. Trademark Association), reprinted in 4 GILSON, *supra* note 25, at § 34, at 34-97. In explaining the difficulty of distinguishing whether merchandise is counterfeit or merely infringing, Mr. Corum stated:

Obviously, given the many variables of similarity of trademark, similarity of goods, similarity of trade dress, and so forth which must be considered, the line between trademark infringement and criminal counterfeiting is difficult to draw in the abstract. Even those who support the concept of strengthened remedies against counterfeiting do not all agree upon where that line should be drawn.

*Id.*

116. *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 525 (2d Cir. 1983). In distinguishing whether imported watch bracelets were counterfeits or mere infringements, Customs officials required the use of a magnifying glass. *Id.* at 526. Customs further indicated that only an expert could determine whether the imports were counterfeit or merely infringing. *Id.* at 530. Surprisingly, Customs concluded that the bracelets were merely infringing. *Id.* The Circuit Court disagreed and upheld the District Court's holding that the imports were counterfeit. *Id.* at 533; see also *Trademark Counterfeiting Act of 1983: Hearings on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 98th Cong., 1st Sess. (Sept. 14, 1983) (statement of Guy M. Blynn, Senior Counsel of R. J. Reynolds Industries, Inc.), reprinted in 4 GILSON note 25, at § 34, at 34-251.

117. *Ross Cosmetics Distrib. Ctrs., Inc. v. United States*, 34 U.S.P.Q. 2d 1758, 1761-63 (Ct. Int'l Trade 1994) (holding that imported articles which bore trademarks identical to the protected marks were not counterfeit because they did not imitate the well known products "in all details of construction and appearance").

118. SENATE COMM. ON THE JUDICIARY, TRADEMARK COUNTERFEITING ACT OF 1984, S. REP. NO. 526, 98th Cong., 2d Sess. 3-10 (1984), reprinted in 4 GILSON, *supra*, note 25, at § 34, at 34-532 to 34-537 (discussing the serious nature of counterfeiting activities).

119. Lanham Act § 32, 15 U.S.C. § 1114. The Act provides:

(1) Any person who shall, without the consent of the registrant- (a) use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

*Id.* The purpose of the Lanham Act is not to protect the actual trademark owner

For example, under intense pressure from numerous American and European corporations and legal organizations, Congress enacted the Trademark Counterfeiting Act of 1984 to impose criminal sanctions against persons trafficking in counterfeit merchandise.<sup>120</sup> This legislation amended the Lanham Act to permit a trademark owner to request a federal court to institute an *ex parte* seizure order against persons who manufacture, distribute or sell goods which bear a counterfeit of a federally registered trademark.<sup>121</sup>

The passage of the Trademark Counterfeiting Act unquestionably manifests congressional intent to deal with commercial counterfeiting in a severe manner.<sup>122</sup> However, the additional protections afforded by the Trademark Counterfeiting Act did not operate to diminish Congress' concern for ensuring adequate protection to trademark owners against all types of infringement.<sup>123</sup>

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only in proportion to the similarities between his mark and the challenged infringement, but rather to determine whether the challenged infringement "is likely to cause confusion, or to cause mistake or to deceive" and thereby harm the trademark owner and the public. *Id.*

The remedies available to the trademark owner against all types of infringement include injunctive relief, an award of profits, damages, costs and attorney fees and the destruction of the infringing articles. Lanham Act §§ 34, 35, 15 U.S.C. §§ 1116, 1117 (1988). The law imposes treble damages arising out of counterfeiting activities. 15 U.S.C. § 1117(b). The Lanham Act also allows a court to enter judgment in connection with all types of infringing activity for up to three times actual damages. 15 U.S.C. § 1117(a).

120. Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320. This statute provides that individuals who knowingly engage in counterfeit commercial activities shall be fined up to \$250,000 and could serve up to five years in prison. *Id.* A corporation which knowingly uses a counterfeit mark in selling its merchandise may face fines up to \$1,000,000. *Id.* For repeat offenders, the penalties increase significantly. *Id.* Prior to enacting this legislation, congressional committees held numerous hearings on the growing issue of counterfeiting. See generally *Hearings on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 98th Cong., 1st Sess. (1983), reprinted in 4 GILSON note 25, at § 34, at 34-140 to 34-254; *Hearings on S. 2428 Before the Comm. on the Judiciary*, 97th Cong., 2d Sess. (1982), reprinted in 4 GILSON note 25, at § 34, at 34-17 to 34-139.

121. Lanham Act § 34(d), 15 U.S.C. § 1116(d). This section provides that a court may grant *ex parte* orders for the seizure of: goods bearing a counterfeit mark, the means and equipment for making such marks and all records which relate to their manufacture and sale, or other business documents involved in such violation. *Id.*

122. SENATE COMM. ON THE JUDICIARY, TRADEMARK COUNTERFEITING ACT OF 1984, S. REP. NO. 526, 98th Cong., 2d Sess. 5 (1984), reprinted in 4 GILSON, *supra*, note 25, at § 34, at 34-532.

123. See generally *Hearings on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 98th Cong., 1st Sess. (1983), reprinted in 4 GILSON, *supra* note 25, at § 34, at 34-140 to 34-254. In reviewing the legislation which ultimately became the Trademark Counterfeiting Act of 1984, both Congress and trademark related organizations were rightfully concerned about possible constitutional limits on the imposition of criminal sanctions

Nor did the Act lessen Congress' commitment to redress the injuries of trademark owners against goods which merely infringe, rather than counterfeit, federally registered marks.

For example, under the Lanham Act, once a court determines that a challenged mark in fact infringes a registered or otherwise protected trademark, the court may order the delivery and destruction of all infringing merchandise.<sup>124</sup> This remedy is available in cases involving either counterfeits or mere infringements.<sup>125</sup> Moreover, the Lanham Act does not explicitly allow the infringing party to claim any type of relief from a delivery and destruction order.<sup>126</sup> Furthermore, the Act contains no provisions which permit a person trafficking in non-counterfeit infringing merchandise to petition a court to allow him to remove the offending mark from the contested articles and subsequently reintroduce the merchandise into commerce.<sup>127</sup> The Lanham Act also

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and *ex parte* seizure orders against those who violated the trademark laws. *Hearings on H.R. 2447 Before the Subcomm. on Crime of the House Comm. on the Judiciary*, 98th Cong., 1st Sess. 35-39 (1983) (statement of Edward T. Borda, President of the Association of General Merchandise Chains, Inc.), reprinted in 4 GILSON, *supra* note 25, at § 34, at 34-292 to 34-296. Factors such as intent to defraud, probable cause and the arguability of trademark infringement in any given case led Congress to act cautiously in extending such severe criminal sanctions to infringing activities. *Id.* Congress and some experts were concerned that arguable cases of trademark infringement should not be subject to severe criminal punishment. SENATE COMM. ON THE JUDICIARY, TRADEMARK COUNTERFEITING ACT OF 1984, S. REP. NO. 526, 98th Cong., 2d Sess. 10-12 (1984), reprinted in 4 GILSON, *supra*, note 25, at § 34, at 34-537 to 34-539. However, they justified criminal sanctions and *ex parte* seizure orders where a person knowingly used an identical mark with the intent to deceive a consumer into believing that he or she was purchasing the genuine article. *Id.* In view of these concerns, Congress limited the extreme criminal penalties and *ex parte* seizure orders to a party who "intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark." Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320 (1988).

124. Lanham Act § 36, 15 U.S.C. § 1118 (1988). Section 1118 states that:

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established, the court may order that all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark . . . or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed.

*Id.*

125. *Id.*

126. *Id.*

127. An earlier version of the legislation that ultimately became the Lanham Act did, in fact, provide for the release of imports bearing infringing marks after the mark had been removed. *Hearings on H.R. 9041 Before the Subcomm. on Trademarks of the House Comm. on Patents*, 75th Cong., 2d Sess. 192 (1938), reprinted in 4 GILSON, *supra* note 25, at § 42, at 42-6. H.R. 9041 specifically stated:

SEC 40 (a) Any merchandise, whatever may be its source or origin, which

does not permit an infringer to petition the court to allow reexportation of the infringing articles to another country.<sup>128</sup> In fact, § 42 of the Lanham Act is entirely silent in providing any sort of relief to an importer of counterfeit or merely infringing merchandise.<sup>129</sup> Customs regulations, on the other hand, explicitly provide these types of relief to an importer who attempts to bring merely infringing merchandise into the United States.<sup>130</sup>

The conflict between the objectives of the Lanham Act and Customs regulations is magnified when one considers that the former expressly provides that a trademark owner may force the seizure and destruction of merely infringing imports upon a proper ruling by a U.S. District Court in a trademark infringement suit.<sup>131</sup> However, this action requires that the trademark owner first bring suit as well as a determination by a court that the goods in fact infringe a valid U.S. trademark.<sup>132</sup> Such a court

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shall bear any registered trade-mark or any infringement thereof . . . shall not be imported into the United States or admitted to entry at any custom-house of the United States unless the written consent of the registrant to such importation or entry be first had and obtained or *unless such offending mark be removed or obliterated.*

*Id.* (emphasis added). In addition, § 40(a) of H.R. 9041 also provided that importers of goods that infringe U.S. trademark rights might "be required to export or destroy such merchandise." *Id.* Congress specifically, and presumably intentionally, removed these provisions by the time it enacted the Lanham Act. Lanham Act § 42, 15 U.S.C. § 1124.

128. Lanham Act § 42, 15 U.S.C. § 1124.

129. *Id.*

130. U.S. Cust. Reg., 19 C.F.R. § 133.21(c)(4) (permitting entry if the objectionable mark is removed); U.S. Cust. Reg., 19 C.F.R. §§ 133.23(a), 133.51(b)(1) (permitting the importer to reexport the infringing articles); U.S. Cust. Reg., 19 C.F.R. § 133.51(b)(2) (permitting entry if the infringing mark is removed from the merchandise).

131. Lanham Act § 36, 15 U.S.C. § 1118. *Hearings on H.R. 82 Before a Subcomm. of the Senate Comm. on Patents*, 78th Cong., 2d Sess. 90 (1944), reprinted in 4 GILSON, *supra* note 25, at § 42, at 42-24. In a memorandum submitted to the Subcommittee, Mr. E.G. Martin, General Counsel of the U.S. Tariff Commission, explained:

It is well to bear in mind in considering administrative trade-mark protection that a trade-mark registrant is entitled to the same judicial remedies against an importer as he has against a domestic infringer. The administrative protection is superimposed on the judicial remedy for the reason that it is sometimes quite difficult, if not impossible, to utilize the judicial remedy against importers.

*Id.*

132. Lanham Act § 36, 15 U.S.C. § 1118. If an owner of a registered U.S. trademark discovers a detention by Customs of a quantity of merely infringing imported merchandise and learns that the agency nevertheless intends to release the merchandise if the importer agrees to remove the offending mark or to reexport the imports, the registrant may file a trademark infringement suit against the importer and request an injunction barring the release of the merchandise. Lanham Act § 34(a), 15 U.S.C. § 1116(a); *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 529 (2d

order effectively forecloses any relief available to the importer under the Customs regulations and allows a trademark owner to obtain relief by circumventing Customs regulations which would otherwise allow an importer to retain title to the goods. However, it is notable that a trademark owner must necessarily possess knowledge of the intended importation of merely infringing goods before he or she can file such a suit — notice that Customs regulations are not required to be given to the trademark owner.

Another substantial inconsistency between the objectives of the Lanham Act and current Customs practice relates to the failure of Customs to implement regulations protecting unregistered marks or trade dress, even while these marks are otherwise protected under § 43 of the Lanham Act.<sup>133</sup> The courts have interpreted the “false designation of origin” language of § 43 to effectively protect unregistered trademarks or trade dress.<sup>134</sup> Thus, under § 43, Customs is required to forbid importation of goods which exhibit a false designation of origin, including those goods which infringe an unregistered trademark or a trade dress design.<sup>135</sup> Nevertheless, Customs regulations relating to infringing

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Cir. 1983) (granting standing to a trademark owner to file suit seeking an injunction against Customs after Customs officials determined that imported goods were mere infringements and therefore not subject to automatic seizure). After a court establishes that the imported merchandise indeed infringes the trademark owner's registration, the court may then order delivery and destruction of the infringing imports. Lanham Act, § 36, 15 U.S.C. § 1118.

133. Lanham Act § 43, 15 U.S.C. § 1125. Section 1125 provides in part:

(a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name symbol or device, or any combination thereof, or any false designation of origin, false or misleading description of fact . . . which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is or likely to be damaged by such act.

(b) Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States.

*Id.*

134. 1 GILSON, *supra* note 25, at § 7.02(5).

135. *Ross Cosmetics Distrib. Ctrs., Inc. v. United States*, 34 U.S.P.Q. 2d 1758, 1762 (Ct. Int'l Trade 1994) (stating that “under the broad coverage of § 43, Customs’ protection of trademark rights extends to all trademarks and trade dresses, regardless of whether they are registered with the PTO or recorded with Customs”). Courts have recently applied a very broad construction to § 43(a), interpreting the provision to proscribe all types of unfair competition beyond the more typical “palming-off” of goods. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 780-82 (1992) (Stevens, J., concurring) (asserting that § 43(a) “has been widely interpreted to create, in essence, a federal law of unfair competition”); *see also American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1140 (3d Cir. 1986) (“Sec-

imported merchandise explicitly limit the scope of protection only to those goods bearing federally registered trademarks or confusingly similar variations.<sup>136</sup> Customs' failure to implement regulations prohibiting importation of goods which infringe unregistered trademarks and trade dress is inexcusable in the face of explicit congressional statutory directives, as interpreted by the federal courts, which mandate such protection.<sup>137</sup>

Customs' failure to implement some of the larger trademark policy objectives of the Lanham Act does not mean that the Customs Service completely ignores statutory mandates.<sup>138</sup> In implementing its regulations, however, Customs appears to be somewhat selective about which congressional statutes it will enforce. For example, while the Customs Service has never adopted rules or regulations which conform to the requirements of § 43 of the Lanham Act, it has implemented regulations which closely correspond to the edicts of § 526 of the Tariff Act of 1930.<sup>139</sup>

As discussed above in Part II(B), § 526 is exclusively directed to imports bearing a designation that is identical to the protected mark or a counterfeit of the mark.<sup>140</sup> The test for determining whether an article is subject to the severe provisions of § 526 is fairly simple: is the mark "identical with, or substantially indistinguishable from," the protected mark?<sup>141</sup> Customs officials will conclude that a mark is counterfeit if they believe that an average consumer "would find it to be the spitting image" of the protected mark.<sup>142</sup>

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tion 43(a) of the Lanham Act proscribes not only trademark infringement in its narrow sense, but more generally creates a federal cause of action for unfair competition.").

136. U.S. Cust. Reg., 19 C.F.R. § 133.0 (1995). In order to record a mark with Customs for the purpose of excluding entry of infringing imports, the trademark owner must have a current registration in the PTO. U.S. Cust. Reg., 19 C.F.R. §§ 133.1, 133.3.

137. The failure of the Customs Department to implement regulations guarding against imported merchandise that infringes an unregistered trademark or trade dress may result from the inherent difficulty in recording such marks. The Customs Service has, nevertheless, made no attempt to incorporate the requirements of § 43 of the Lanham Act into its regulations. At the very least, Customs regulations should include a provision which would allow owners of unregistered trademarks or trade dress designs to petition for the exclusion of known imports which infringe such marks or designs.

138. For instance, Customs regulations do exclude merely infringing imported goods in accordance with § 42 of the Lanham Act. 15 U.S.C. § 1124; U.S. Cust. Reg., 19 C.F.R. § 133.21.

139. Tariff Act of 1930 § 526, 19 U.S.C. § 1526; U.S. Cust. Reg., 19 C.F.R. § 133.23a.

140. Tariff Act of 1930 §§ 526(a), (e), 19 U.S.C. §§ 1526(a), (e).

141. *Id.* at § 1526(e) (applying the definition of counterfeit in § 45 of the Lanham Act, 15 U.S.C. § 1127).

142. CUSTOMS SERVICE RULING, 19 CUST. B. & DEC. 578 (Jan. 2, 1985).

However, the analysis required to establish whether a mark merely infringes a registered or an unregistered trademark or trade dress is considerably more complex.<sup>143</sup> While reviewing a number of factors, Customs officials must determine whether similarities exist between the mark as it appears on the imported article and the protected trademark or trade dress.<sup>144</sup> These officials must then conclude whether the similarities rise to a level which would cause a likelihood of confusion.<sup>145</sup> The making of such a determination requires substantial knowledge of U.S. trademark law as interpreted by the federal courts.<sup>146</sup> Due to this greater burden, the Customs Service may be less willing to closely enforce the policy objectives of the Lanham Act with respect to merely infringing imports or imports which violate § 43(b). Despite this possible reluctance, Customs officials are charged by their own regulations, as well as by the Lanham Act, to make these types of determinations.<sup>147</sup>

The above discussion shows that existing Customs regulations fail to implement the broad policy objectives embodied in the Lanham Act. As a result, Customs does not adequately protect the owners of U.S. trademarks from the damage caused by the importation of goods that merely infringe a registered trademark or those goods which counterfeit or merely infringe an unregistered trademark or trade dress design. That is, although the Lanham

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143. Lanham Act § 32(1), 15 U.S.C. § 1114(1). This Section defines an infringing trademark as a mark that creates a likelihood of confusion as to the source of the article. *Id.* Courts have considered the following non-exclusive factors in analyzing whether use of a challenged mark would cause a likelihood of confusion: (1) similarity between the marks in appearance and suggestion; (2) the similarity of the products; (3) the area and manner of concurrent use, if any; (4) the degree of care likely to be exercised by consumers; (5) strength of the protected mark; (6) actual confusion; and (7) intent, if any, of the defendant to palm-off his product as that of another. *McGraw-Edison Co., v. Walt Disney Prod.*, 787 F.2d 1163, 1168-73 (7th Cir. 1986); *Marathon Mfg. Co. v. Enerlite Prod. Corp.*, 767 F.2d 214, 217-18 (5th Cir. 1984).

144. *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 530-33 (2d Cir. 1983).

145. *Id.* This determination must be made from the perspective of an average purchaser. *Id.* at 531.

146. *Hearings on H.R. 82 Before a Subcomm. of the Senate Comm. on Patents*, 78th Cong., 2d Sess. 88 (1944), reprinted in 4 GILSON, *supra* note 25, at § 42, at 42-22. Emphasizing the knowledge and skill required in determining whether imported merchandise infringes a protected trademark, the General Counsel, the U.S. Tariff Commission stated:

For a just and adequate determination of [whether an imported article infringes], the officer making the decision should possess, in addition to perspicacity in "finding" the facts, thorough familiarity with the controlling principles of law and the complex lines of distinction drawn by the courts in case after case. In performing this difficult function, the customs officer is "on his own."

*Id.*

147. Lanham Act § 42, 15 U.S.C. § 1124; U.S. Cust. Reg., 19 C.F.R. § 133.21.

Act affords protection by means of a trademark infringement suit in a U.S. District Court upon the entry of any type of infringing goods into U.S. commerce, Customs could prevent the need for these actions by seizing the goods prior to entry into this country. The objective of the U.S. trademark laws — prevention of the harm caused by confusion as to the source of goods — will be more effectual by changes in Customs regulations to require automatic seizure and forfeiture of all infringing goods, not just counterfeits, at the border. It is time that the U.S. Customs Service embrace the larger objectives espoused by the Lanham Act and adopt regulations that more closely comport with Congress' express statutory directives.

*B. International Agreements Mandate More Stringent Customs Regulations for Mere Infringements*

Not only does Customs currently fail to fully effectuate the policies of Congress, it also fails to implement the obligations of the United States under existing treaties. For example, the Paris Convention, to which the United States is a signatory, requires Customs to treat counterfeit and merely infringing imports in the same manner.<sup>148</sup> The framers of the Paris Convention intended to establish fundamental, minimum international standards for the protection of trademarks and patents.<sup>149</sup> The most recognized aspect of the treaty is its requirement that a member country afford intellectual property protection to foreign individuals and companies to the same extent that it provides to its own citizens.<sup>150</sup> Moreover, a number of provisions of the Paris Convention indicate that a member country is required to do more than afford equal protection to foreign nationals.<sup>151</sup>

For example, Article 9 of the Paris Convention compels the member countries to seize imports bearing a counterfeit trademark if its domestic laws permit such seizure.<sup>152</sup> If no seizure is

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148. Paris Convention, *supra* note 26, at arts. IX & X; see also *supra* notes 27-34 and accompanying text for a discussion of the import seizure requirements for identical and merely infringing imports as required by the Paris Convention.

149. LADAS, *supra* note 27, at 202-15.

150. Paris Convention, *supra* note 26, at art. II; LADAS, *supra* note 27, at 203-07.

151. For example, several provisions of the Paris Convention require affirmative domestic action or legislation by member countries for the establishment of fundamental principles of patent and trademark protection and have little bearing on the equal treatment principle of Article II. See, e.g., Paris Convention, *supra* note 26, at arts. IV, V, VI, VII, VIII, IX, X & XII.

152. Paris Convention, *supra* note 26, at art. IX. The Convention states in part:

(1) All goods unlawfully bearing a trademark or trade name *shall be seized* on importation into those countries of the Union where such mark or trade name is entitled to legal protection.

(2) Seizure shall likewise be effected in the country where the unlawful af-



permitted under domestic law, these governments are required, at a minimum, to bar importation.<sup>153</sup> The language of Article 9 requires seizure of merchandise bearing a protected U.S. trademark in the first instance, if the law permits, and then requires a bar to importation (permitting reexporting the prohibited article) in the second instance only if the law does not permit seizure.<sup>154</sup> United States law not only permits, but even requires, seizure of certain infringing imports, *i.e.*, counterfeits.<sup>155</sup> Thus, under the provisions of the Paris Convention, the United States is required to seize counterfeit goods bearing a trademark protected under U.S. law.

Moreover, Article 10 of the Paris Conventions mandates that the provisions of Article 9 apply to imports which bear marks that either directly or indirectly designate a false source of the article.<sup>156</sup> This definition includes non-counterfeit, merely infringing imports.<sup>157</sup> Thus, the United States is also required to seize imported goods that merely infringe a protected trademark. Since Customs is the agency which operates to control imports into the United States, it then follows that Customs regulations should also operate to implement the obligations of the United States under the Paris Convention.

Since the Paris Convention is not a self-executing treaty, the United States government must implement legislation to carry out the treaty's terms.<sup>158</sup> Accordingly, Congress, which has ratified the Paris Convention and all its subsequent revisions seven times over the last one hundred years,<sup>159</sup> has affirmatively incorporated, at least in part, the basic principles of Articles 9 and 10 in

fixation occurred or in the country into which the goods were imported.

(5) If the legislation of a country does not permit seizure on importation, seizure shall be replaced by prohibition of importation or by seizure inside the country. . . .

*Id.* (emphasis added).

153. *Id.* The textual distinction between seizure and prohibition of importation clearly suggests that seizure would not include reexportation of seized imports since prohibition of importation would allow, if not require, reexportation of the goods. Any other reading of Article 9 would render the seizure mandate meaningless.

154. *Id.*

155. Tariff Act of 1930 § 526(b), 19 U.S.C. § 1526(b).

156. Paris Convention, *supra* note 26, at art. X.

157. See *supra* notes 31-33 and accompanying text for a discussion of the manner in which imports that directly or indirectly use a false indication of source can include non-counterfeit, merely infringing articles.

158. *Int'l Convention on Patents and Trademarks: Hearings on H.R. 5754 and H.R. 7347 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 87th Cong., 1st Sess. 4 (1961) (statement of P. J. Federico, Examiner in Chief of the United States Patent Office), reprinted in 4 GILSON, *supra* note 25, at § 44, at 44-22.

159. BODENHAUSEN, *supra* note 34, at 9-10.

federal legislation.<sup>160</sup> Since Congress clearly intends that the mandates of Articles 9 and 10 operate in the United States, Customs regulations should be amended to require seizure of both counterfeit and merely infringing goods that would violate trademarks protected under U.S. law.

While the Paris Convention primarily furnishes a rudimentary framework for fundamental intellectual property protections, NAFTA and GATT/TRIPS provide more detailed enforcement provisions, particularly in the area of border control measures.<sup>161</sup> As discussed in Part II,<sup>162</sup> NAFTA and GATT/TRIPS provide detailed import restrictions on merchandise which infringes intellectual property rights afforded by member nations.<sup>163</sup> The scope of the border enforcement provisions of both NAFTA and GATT/TRIPS appears, at first glance, to encompass only trademark counterfeits and copyright piracy.<sup>164</sup> However, Article 51 of TRIPS and Article 1718(1) of NAFTA enable member countries to extend the border control measures to "goods which involve other infringements of intellectual property rights."<sup>165</sup> Therefore, both treaties allow extension of their respective import sanctions to apply to imported merchandise which merely infringes a protected U.S. trademark or trade dress.<sup>166</sup>

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160. Lanham Act § 42, 15 U.S.C. § 1124; *see also* Tariff Act of 1930 § 526, 19 U.S.C. § 1526; *Hearings on H.R. 4744 Before the Subcomm. on Trademarks of the House Comm. on Patents*, 76th Cong., 1st Sess. 161 (1939), *reprinted in* 4 GILSON *supra* note 25, at § 42, at 42-9; *Hearings on H.R. 13486 Before the House Comm. on Patents*, 69th Cong., 2d Sess. 85 (1927) (statement of Edward S. Rogers, Chairman, Section of Patent, Trademark and Copyright Law, American Bar Association), *reprinted in* 4 GILSON, *supra* note 25, at § 44, at 44-4.1.

161. Cordray, *supra* note 35, at 135-36. It is notable that both the NAFTA and GATT/TRIPS agreements, in addition to providing specific additional measures, expressly require member countries to comply with the provisions of the Paris Convention. *See, e.g.*, TRIPS Agreement, *supra* note 38, at art. 2. Therefore, both treaties by implication reinforce the existing provisions of the Paris Convention.

162. *See supra* notes 35-51 and accompanying text.

163. NAFTA, *supra* note 37, at ch. 17, art. 1718; TRIPS Agreement, *supra* note 38, at arts. 51-60.

164. TRIPS Agreement, *supra* note 38, at art. 51. This article explicitly requires that member countries adopt legislation to protect against "the importation of counterfeit trademark or pirated copyright goods." *Id.* NAFTA, *supra* note 37, at art. 1718(1) contains almost identical language. A counterfeit trademark is defined as a designation which is "identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark." TRIPS Agreement, *supra* note 38, at n.14.

165. TRIPS Agreement, *supra* note 38, at art. 51; NAFTA, *supra* note 37, at art. 1718(1).

166. Indeed, when the United States government first proposed the GATT action which ultimately resulted in the TRIPS Agreement, one of the United States' explicit policy goals was to "complete and implement an 'anti-counterfeiting' code aimed at eliminating market access for imported goods that counterfeit or infringe trademarks." GAO REP., *supra* note 35, at 35 (emphasis added); *see also* Cordray,

The basic trademark rights, civil enforcement provisions and remedies required under NAFTA and GATT/TRIPS substantially mirror those set forth in the Lanham Act. For example, both treaties require that member countries adopt or maintain legislation that protects a trademark owner from all types of trademark infringing activities.<sup>167</sup> To ensure an effective means of deterring trademark infringement, both treaties also require that each member country confer upon appropriate judicial officers the authority to dispose of all goods that infringe protected trademarks in a manner which will not harm the trademark holder.<sup>168</sup> Like the remedies available under the Lanham Act, NAFTA and GATT/TRIPS permit final judicial disposition to include destruction of the infringing merchandise.<sup>169</sup>

Both treaties also provide that where an administrative body such as Customs makes a determination of infringement on the merits, the procedures set forth for judicial officials shall be followed.<sup>170</sup> This provision therefore limits the manner by which Customs can dispose of any imported infringing goods.<sup>171</sup> According to Article 46 of the TRIPS agreement, the final disposition of all infringing goods, including those that merely infringe, must be made "outside the channels of commerce in such a manner as to avoid any harm caused to the right holder."<sup>172</sup>

Current U.S. Customs regulations appear to contravene these

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*supra* note 35, at 139.

167. TRIPS Agreement, *supra* note 38, at art. 16. Article 16 explicitly imposes on member countries the obligation to protect trademarks:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having his consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.

*Id.*; NAFTA, *supra* note 37, at art. 1708(2).

168. TRIPS Agreement, *supra* note 38, at art. 46. Article 46 states:

In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed.

*Id.*; NAFTA, *supra* note 37, at art. 1715(5)(a).

169. TRIPS Agreement, *supra* note 38, at art. 46; NAFTA, *supra* note 37, at art. 1715(5).

170. TRIPS Agreement, *supra* note 38, at art. 49. "To the extent that any civil remedy can be ordered as a result of administrative procedures on the merits of a case, such procedures shall conform to principles equivalent in substance to those set forth in this Section." *Id.*; NAFTA, *supra* note 37, at art. 1715(8).

171. TRIPS Agreement, *supra* note 38, at art. 49; NAFTA, *supra* note 37, at art. 1715(5).

172. TRIPS Agreement, *supra* note 38, at art. 46 (emphasis added); *see also* NAFTA, *supra* note 37, at art. 1715(5).

requirements of both NAFTA and GATT/TRIPS in various ways. First, both treaties compel the United States to comply with the import sanctions of the Paris Convention.<sup>173</sup> As discussed above, U.S. Customs regulations fail to do this. Furthermore, NAFTA and GATT/TRIPS require that judicial and administrative authorities dispose of all types of infringing goods "outside of commerce" and in such a manner as to avoid *any* harm to the trademark owner.<sup>174</sup> In contrast, Customs regulations allow imported goods that merely infringe a protected trademark to be introduced into U.S. commerce once the importer has removed the infringing mark.<sup>175</sup> Furthermore, Customs regulations permit an importer to reexport merely infringing goods to other countries where such goods may compete with the genuine trademark owner's goods.<sup>176</sup> Both dispositions can result in substantial harm to the trademark owner and thus fail to fully comply with the obligations of the United States under NAFTA and GATT/TRIPS.<sup>177</sup>

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173. TRIPS Agreement, *supra* note 38, at art. 2; NAFTA, *supra* note 37, at art. 1; Paris Convention, *supra* note 26, at arts. IX and X.

174. TRIPS Agreement, *supra* note 38, at art. 46.

175. U.S. Cust. Reg., 19 C.F.R. §§ 133.21(c)(4), 133.23(b)(1), 133.51(b)(2).

176. U.S. Cust. Reg., 19 C.F.R. § 133.51(b)(1).

177. Current Customs regulations also depart substantially from the notice requirements of NAFTA and GATT/TRIPS. Both NAFTA and the TRIPS Agreement mandate that Customs notify the importer and the trademark owner of the detention of all types of infringement. TRIPS Agreement, *supra* note 38, at art. 54; NAFTA, *supra* note 37, at art. 1718(5). Both treaties also require Customs, without prejudicing confidential information, to provide a sample of the detained imported merchandise to the trademark owner so he or she may inspect the articles and substantiate whether the articles infringe or not. TRIPS Agreement, *supra* note 38, at art. 57; NAFTA, *supra* note 37, at art. 1718(10). Moreover, once Customs authorities or other competent officials make a determination that imported goods do infringe a U.S. protected trademark, TRIPS and NAFTA require Customs to inform the trademark owner of the identities and addresses of the consignor, consignee and importer. TRIPS Agreement, *supra* note 38, at art. 57; NAFTA, *supra* note 37, at art. 1718(10). Present Customs regulations, while requiring notice to a trademark owner of the detention of counterfeit imports, do not allow any notice to a trademark owner whose mark is merely infringed by imported merchandise. U.S. Cust. Reg., 19 C.F.R. § 133.23a(c).

Noting the current discrepancy between the notice requirements of NAFTA and GATT/TRIPS and its own regulations regarding notice to trademark owners, the Customs Service is presently considering amending their regulations to provide notice to the trademark owner in cases of merely infringing imports. *Copyright/Trademark/Trade Name Protection; Disclosure of Information*, 60 Fed. Reg. 36249, 36249-50 (1995) (proposed July 14, 1995, to be codified at 19 C.F.R. §§ 133.22, 133.23(a), 133.42-43). The proposed notice guidelines would require Customs to provide the trademark owner with: (1) a sample of the product bearing the suspected mark; (2) the quantity detained; (3) the name and address of the manufacturer; and (4) the country of origin. *Id.* at 36252. The proposed rule change, however, would not require notification of the identity of the exporter or the importer as mandated under NAFTA and GATT/TRIPS. *Id.*

### C. Practical Considerations

Since the late 1970's, much public and legislative dialogue on the issue of trademark "counterfeiting" has occurred. During the 1980's the term "counterfeit" became an important buzzword in matters of trade and intellectual property legislative efforts and its significance as a call to arms is still powerful today.<sup>178</sup> However, while counterfeiting activities appear to have captured widespread attention from the press, Congress, executive officials and the public, the issue of merely infringing trademarks, particularly as applied to imported merchandise, has received scant attention.<sup>179</sup> Indeed, Congress has not enacted any major legislation which limits importation of goods that merely infringe U.S. trade-

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178. Such dialogue is prevalent today. For example, due to pressure by anti-counterfeiting organizations, both Houses of Congress are currently reviewing "counterfeit" legislation which would impose stiffer criminal penalties against counterfeiters and would further strengthen Customs handling of counterfeit imports. 141 CONG. REC. S12,079-03 (daily ed. Aug. 9, 1995) (statement of Mr. Hatch); 141 CONG. REC. E1994-01 (daily ed. Oct. 20, 1995) (statement of Mr. Goodlatte). The Senate bill, the Anti-Counterfeiting Consumer Protection Act of 1995, S. 1136, 104th Cong., 2d Sess., would make trademark counterfeiting a RICO offense and would impose up to \$1,000,000 for each counterfeit violation. In addition, § 9 of the bill would require Customs to destroy all seized and forfeit imported counterfeit goods, unless the trademark owner consents to some other disposition. *Id.* at § 9. This legislation would also permit Customs to levy civil fines on anyone involved in the importation of counterfeit goods, up to the market value of the seized merchandise. *Id.* The House bill seeks similar objectives. 141 CONG. REC. E1994-01.

179. It should be noted that a significant misunderstanding seems to have arisen over the meaning of the term "counterfeit" as applied by the public, members of Congress and various executive officers of the United States government. That is, when congressional or executive officials discuss broad trademark violation problems, they frequently appear to use the term "counterfeit" indiscriminately to denote all manner of infringing activities. For example, in 1986 the Reagan Administration called a news conference to announce additional measures for the prohibition of imported counterfeits. Oswald Johnson, *U.S. Taking Hard Line On Counterfeiters - Unveils Program to Protect American Products*, L.A. TIMES, Apr. 8, 1986, at B4. At this news conference, Commerce Secretary Malcolm Baldrige and United States Trade Representative Clayton Yeutter, while specifically calling for legislative action against counterfeit imports, displayed three U.S. products side by side with "imported counterfeits." *Id.* One of the imported articles was "seemingly identical" to Chesebore-Ponds Vaseline Petroleum Jelly. *Id.* Another article, purported to be a "counterfeit" of EVEREADY batteries, was marked REALREADY. *Id.* The last item was a bottle of perfume bearing the mark CAMET. *Id.* This item was considered to be a "counterfeit" of Prince Matchabelli's CACHET perfume. *Id.* It cannot seriously be contended that the latter two imported articles were counterfeits as defined by the Lanham Act: "a mark which is identical with, or substantially indistinguishable from, a registered mark." Lanham Act § 45, 15 U.S.C. § 1127. Thus, due to abuse of the term "counterfeit," it is now difficult to determine whether congressional and executive officials use the term in a broad sense or are referring to the narrow meaning of the term.

mark rights since the passage of the Lanham Act in 1946. Nor does it appear that Congress has considered any legislation within the last eighteen years with this objective in mind. This potentially sends a message to the outside world that the U.S. Government is relatively more permissive to imported merchandise which merely infringes protected trademarks.

Currently, it is not possible to accurately determine the percentage of all trademark-related detentions that involve merely infringing imports as opposed to counterfeit merchandise.<sup>180</sup> However, with the implementation of increasingly stiff criminal and civil penalties for counterfeiting activities, foreign manufacturers and importers who would otherwise traffic in counterfeit merchandise could begin dealing in goods that merely infringe trademarks or trade dress, especially given the apparently lax position of the U.S. government with respect to these goods.<sup>181</sup> The use of merely infringing marks and trade dress which is substantially similar to existing goods still creates the potential to confuse consumers as to the source of the goods. Moreover, any such action creates the risk of economic harm to trademark owners since sales may be diverted to the misdesignated products if the consumer buys them instead of the bona fide product. For these reasons, the Customs Service should strengthen its treatment of merely infringing imports both as to substantially similar marks and products bearing misleading trade dress.

#### IV. PROPOSAL

To ensure adequate protection of U.S. trademark rights and also to fulfill U.S. obligations under the Paris Convention, NAFTA and GATT/TRIPS, Congress should explicitly mandate new Customs procedures for the handling of imports which merely infringe

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180. The U.S. General Accounting Office recently criticized the deplorable state of Customs' seizure records for 1992 and 1993. GAO AUDIT, *supra* note 22. The U.S. Customs Office of Strategic Trade, the department which is responsible for compiling detention, seizure and forfeiture statistics, does not differentiate between detained imports which merely infringe and those which bear counterfeit marks. Telephone Interview with Lisa Fong, Office of Strategic Trade (Oct. 10, 1995). It is estimated, however, that more than half of seized imports involve goods which merely infringe. *Id.* In addition, Customs does not maintain statistics relating to the quantity or value of merchandise detained for bearing a merely infringing mark and subsequently released. *Id.*

181. *Hearings on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 98th Cong., 1st Sess. 95 (1983) (written statement of the American Hardware Manufacturers Association), *reprinted in* 4 GILSON, *supra* note 25, at § 34, at 34-239 (arguing that severe criminal penalties imposed on counterfeiters may lead counterfeiters to refrain from using an identical mark and instead rely on confusingly similar product configuration or packaging design).

a protected U.S. trademark. Alternatively, the Customs Service should independently promulgate new regulations that would allow automatic seizure and forfeiture of merely infringing goods and imported products bearing substantially similar trade dress to that of existing products. It follows that to implement these objectives, Customs will also be required to adopt more equitable methods to determine whether a mark or trade dress infringes a protected trademark or trade dress. Appendices A-H of this Note proposes changes to the relevant Customs regulations.

To achieve these objectives, the Customs Service should embrace procedures similar to those which Customs currently applies to imported goods that infringe U.S. protected copyrights.<sup>182</sup> In

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182. U.S. Cust. Reg., 19 C.F.R. § 133.43 (1995); U.S. Cust. Directive No. 2300-05, Copyright Protection 1-8 (1989). As with its procedures for imports which violate trademark rights, Customs has adopted two methods for handling imports that infringe or may infringe protected copyright matter. Where a district director can determine that an article clearly infringes a recorded U.S. copyrighted work, he or she must summarily seize the article and institute forfeiture proceedings. U.S. Cust. Reg., 19 C.F.R. § 133.42(c) (1995). This treatment is similar to Customs' treatment of imports which bear a counterfeit trademark. U.S. Cust. Reg. 19 C.F.R. § 133.23a(b).

Where a Customs' district director merely suspects that an imported article may infringe a protected copyright, he or she must detain the article, notify the importer of the detention and invite the importer to file a statement denying that the article is a piratical copy. U.S. Cust. Reg., 19 C.F.R. § 133.43(a). If the importer fails to file such a denial within 30 days, the Customs Service must seize the goods and initiate forfeiture proceedings. *Id.* If the importer files a denial of copyright infringement, the district director then must notify the copyright owner of the detention and furnish a sample of the imported article. U.S. Cust. Reg. 19 C.F.R. § 133.43(b). The district director must advise the copyright owner that Customs will release the detained merchandise after 30 days unless the copyright owner files a written demand for exclusion of the imported merchandise and posts a bond, the value of which is set by the district director. *Id.*

If the copyright owner files an exclusion demand together with the requisite bond, Customs then becomes a forum of quasi-judicial determination of infringement. The district director must promptly send notice to the importer and the copyright owner and invite both parties to submit any evidence, legal briefs and other pertinent materials to substantiate a claim of infringement or a denial within 30 days. U.S. Cust. Reg., 19 C.F.R. § 133.43. Each party must also provide copies of their respective evidence and briefs to the other. U.S. Cust. Reg., 19 C.F.R. § 133.43(c)(1)(ii). After submission of each party's briefs and other evidence, the district director will invite the parties to file a response rebutting the opposing party's submission within 30 days. *Id.* After receipt of all briefs and responses, the district director must send the entire file to the Customs Service's International Trade Compliance Division, Office of Regulations and Rulings which, after reviewing the file, will render a decision. *Id.*

In the event that Customs determines that the imported article is a piratical copy, the district director must seize and begin forfeiture proceedings. U.S. Cust. Reg., 19 C.F.R. § 133.44(a) (1995). The bond is then returned to the copyright owner. *Id.* If the district director finds that the importer had no reasonable grounds for knowing that the imported merchandise violated a U.S. protected copyright, he or she may allow the importer to reexport the merchandise. Congress is currently

contrast to the Customs regulations calling for the detention, seizure and forfeiture of imported goods that violate U.S. protected trademarks, Customs copyright regulations set forth detailed procedures for a quasi-judicial adjudication on the merits of whether imported goods are piratical copies.<sup>183</sup> In evaluating arguable cases of copyright infringement, Customs officials do not make an infringement decision in a vacuum.<sup>184</sup> Regulations invite the involvement of both the importer and the copyright owner in the adjudication process.<sup>185</sup> This procedure is essentially more equitable and fair to both parties than existing Customs procedures for determining whether imported merchandise infringes a protected trademark. With respect to trademark violations, Customs essentially makes an infringement determination on its own without any input from the importer or trademark owner.<sup>186</sup>

In order for Customs officials to be able to evaluate whether imported goods infringe protected trademarks, these officials must rely on trademark owners to record their trademarks with the Customs Service.<sup>187</sup> For a preliminary determination of whether an imported article bears a mark which is confusingly similar to a protected trademark, Customs officials must compare the article with the trademark as recorded by the trademark owner. In particular, Customs should consider the factors which courts use in analyzing trademark infringement.<sup>188</sup> Once a Customs official has made a preliminary determination that imported merchandise may infringe a protected trademark, the official should then detain the merchandise.

Under the proposed procedure, when a Customs official detains merchandise suspected of infringing a U.S. protected trademark or trade dress, he or she should notify the importer of the detention and require the importer to file a denial of trademark infringement within a period of fifteen days of the notification.<sup>189</sup> Should the importer fail to file such a denial, Customs should then seize the imported goods and promptly initiate forfei-

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reviewing legislation to remove this type of relief. Anti-counterfeiting Consumer Protection Act of 1995, S. 1136, 104th Cong., 2d Sess. If Customs determines that the imported article does not infringe, it must release the detained merchandise and pay over the bond to the importer. U.S. Cust. Reg., 19 C.F.R. § 133.46 (1995).

183. See U.S. Cust. Reg., 19 C.F.R. § 133.43.

184. *Id.*

185. *Id.*

186. See *supra* notes 141-46 and accompanying text for a discussion on how Customs determines whether imported goods violate U.S. trademark laws.

187. See *supra* notes 93-96 and accompanying text for a discussion of how trademark owners may record their trademarks with Customs.

188. See *supra* note 43 for a discussion of the seven factors which courts consider in determining infringement.

189. For the proposed language of U.S. Customs Reg. 19 C.F.R. § 133.22(a), see *infra* Appendix E.



ture proceedings.<sup>190</sup> If the importer does file a denial within the prescribed period, Customs should then notify the trademark owner and request the trademark owner to file a demand for exclusion and to post a bond if the owner wishes to contest entry of the goods into the United States.<sup>191</sup> The determination of the value of the bond should be such that it would not discourage trademark owners from filing a demand for exclusion; however, it should be sufficient to ensure that any protest by the U.S. trademark owner will be made in good faith.<sup>192</sup> The regulations may even require that the trademark owner pay all reasonable costs relating to the storage of detained merchandise.<sup>193</sup>

Customs should then invite both the trademark owner and the importer of the suspect merchandise to submit briefs and other legal evidence to support or refute the claim of trademark infringement.<sup>194</sup> Customs should also give each party an opportunity to file responsive briefs opposing the other party's arguments or evidence.<sup>195</sup> The complete file should then be submitted to a Customs attorney experienced and knowledgeable in the area of trademark infringement for adjudication.<sup>196</sup> This official would then apply U.S. trademark law as set forth in the Lanham Act and as interpreted by the courts to render a decision on

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190. For the proposed language of U.S. Customs Reg. 19 C.F.R. § 133.22(b), see *infra* Appendix E.

191. For proposed language relating to Customs' notice to the trademark owner of the detention of suspected imports of U.S. Cust. Reg., 19 C.F.R. § 133.23(b), see *infra* Appendix H. Customs should also cancel the subject matter in U.S. Cust. Reg., 19 C.F.R. § 133.23 (setting out circumstances which could lead to the release of merely infringing imports). See *infra* Appendix G for the proposed deleted language. In addition, Customs should amend 19 C.F.R. § 133.23a (describing the separate treatment of imported goods bearing a counterfeit mark). See *infra* Appendix H for proposed language to replace the disparate treatment of counterfeit and non-counterfeit, merely infringing imports.

192. The purpose of a security bond is to indemnify the Customs Service and the importer from any loss or damage resulting from Customs' detention of suspect merchandise in the event that Customs ultimately determines that the merchandise does not infringe a protected trademark. U.S. Cust. Reg., 19 C.F.R. § 133.43 (stating the purposes of a security bond in copyright detentions). The district director should evaluate the loss or damage that he or she would reasonably expect the importer to suffer by the detention. In determining the amount of the bond the district director should consider factors relating to the nature of the goods, i.e. whether they are perishable, and other pertinent considerations.

193. The Customs Service apparently does not require copyright owners to pay storage charges.

194. For proposed language relating to the trademark infringement adjudication process of U.S. Cust. Reg., 19 C.F.R. § 133.23(c), see *infra* Appendix H.

195. For the proposed language of U.S. Customs Reg. 19 C.F.R. § 133.23(c)(2), see *infra* Appendix H.

196. For the proposed language dealing with the procedures which Customs should follow in adjudicating infringement decisions of U.S. Cust. Reg., 19 C.F.R. § 133.23(d), see *infra* Appendix H.

whether the imported merchandise infringes a protected trademark or trade dress.<sup>197</sup> This decision should be made appealable to a U.S. District Court or to the U.S. Court of International Trade.

In the event that Customs determines that the imported goods infringe a U.S. trademark and if no appeals are made, Customs should then seize the merchandise and initiate forfeiture proceedings.<sup>198</sup> Customs would then return the bond to the trademark owner.<sup>199</sup> Conversely, if Customs determines that the imports do not infringe a protected trademark, the detained merchandise should be released and the bond delivered to the importer.<sup>200</sup> Customs should also remove all relief, apart from judicial appeals, available to the importer once it has initiated forfeiture proceedings.<sup>201</sup>

The advantages afforded by this proposed manner of import control are numerous. First, the proposed Customs regulations would more adequately protect U.S. trademark owners from harm caused by merely infringing imports by ensuring that such imports are ultimately subject to seizure and forfeiture.<sup>202</sup> The suggested procedure would not allow seized infringing imports to enter domestic or foreign markets. Second, the suggested changes to Customs regulations would ensure that the United States meets its obligations under the Paris Convention, NAFTA and GATT/TRIPS.<sup>203</sup>

Moreover, this proposal would require the trademark owner and the importer to be integral parties to the adjudication process and allow them to make all diligent efforts to support their respective positions before an infringement determination is made.<sup>204</sup> At present, an importer of infringing merchandise is not given the opportunity to argue his or her case prior to an exclusion order and the trademark owner generally never even

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197. See *supra* note 43 for a discussion of the factors which U.S. district courts use in determining trademark infringement.

198. For the proposed language relating to post-decision actions of seizure and initiation of forfeiture proceedings of U.S. Cust. Reg., 19 C.F.R. § 133.23(e), see *infra* Appendix H.

199. *Id.*

200. For the proposed language of U.S. Cust. Reg., 19 C.F.R. § 133.23(f), see *infra* Appendix H.

201. The proposed regulations alleviate the need for the relief provisions of U.S. Cust. Reg., 19 C.F.R. § 133.51(b) as they relate to imports that infringe a protected trademark.

202. See *supra* notes 21-22 and accompanying text for a discussion of the tremendous economic losses suffered by U.S. businesses due to trademark abuses.

203. See *supra* notes 148-77 and accompanying text for a detailing of U.S. obligations under the Paris Convention, NAFTA and GATT/TRIPS.

204. See *infra* Appendix H for suggested procedures set forth in proposed U.S. Cust. Reg., 19 C.F.R. § 133.23(c).

knows of the detention by Customs of imported merchandise.<sup>205</sup> Fourth, Customs would be in a much better position to judge the merits of a case than is now possible.<sup>206</sup> Finally, the proposed regulations would serve notice on the rest of the world that the United States provides the most extensive protection possible to U.S. trademarks against illegal imports. Such a message could effectively dissuade those that would adopt merely infringing marks on their merchandise in an attempt to pass-off their goods for genuine trademarked articles.

### CONCLUSION

The United States has a compelling interest in effectively confronting imported merchandise that infringes U. S. protected trademarks. Throughout this century, Congress and the Customs Service have made notable efforts in attempting to eradicate the problems posed by infringing imports. These efforts have been particularly stringent as they relate to imports bearing counterfeit trademarks. Customs import control practices dealing with foreign goods which bear non-counterfeit, merely infringing marks, on the other hand, have been relatively weak in recent years. It is time that the Customs Service promulgates new regulations that would provide stronger and more equitable relief to U.S. trademark owners against all types of infringing imports.

When Customs officials suspect that imported merchandise may infringe a U.S. protected trademark, they should detain the merchandise, notify the importer of the detention and allow the importer an opportunity to deny infringement.<sup>207</sup> If the importer denies that the merchandise infringes a protected trademark, Customs should notify the trademark owner of the detention, provide a sample of the goods and invite the trademark owner to file a demand for exclusion.<sup>208</sup> Customs should then engage in a quasi-judicial determination of the issue that allows both parties

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205. See *supra* note 177 for a discussion of the lack of notice requirements in Customs Regulations relating to merely infringing imports.

206. Under the proposed language of U.S. Cust. Reg., 19 C.F.R. § 133.23(c), both the importer and the trademark owner would be invited to set out their legal claims and arguments through written briefs and other evidence. See procedures set forth in proposed U.S. Cust. Reg., 19 C.F.R. § 133.23 *infra* Appendix H. The additional information provided by each party would doubtless complement the Customs Service's ability to effectively and fairly adjudicate the issue of whether or not detained imported merchandise infringes a protected trademark. See also *supra* notes 143-46 and accompanying text for a discussion of the present difficulties faced by Customs officials who must determine on their own whether imported goods infringe protected trademarks.

207. See *infra* Appendices D & E.

208. See *infra* Appendix H.

to file legal briefs and other evidence to support their claims.<sup>209</sup> If, after having heard both parties' positions, Customs determines that the detained merchandise in fact infringes the protected trademark, the merchandise should then be seized and forfeited in due course.<sup>210</sup> If Customs finds that the detained articles do not infringe, Customs should immediately release the merchandise to the importer's custody.<sup>211</sup>

These proposed procedures would provide a more effective way of handling merely infringing imports than current practice. In addition, these procedures would significantly lessen the harm presently suffered by trademark owners, even while being fair to the importer. Finally, the proposed regulations would comport with important U.S. policy objectives and obligations under international treaties.

*Keith M. Stolte*

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209. *Id.*

210. *Id.*

211. *Id.*

## APPENDIX A

U.S. Cust. Reg., 19 C.F.R. § 133.21(a):

Copying or simulating marks or names. Articles of foreign or domestic manufacture bearing a mark or name copying or simulating a recorded trademark or trade name shall be ~~denied entry and are~~ subject to *seizure and* forfeiture as prohibited importations. A "copying or simulating" mark or name is an actual counterfeit of the recorded mark or name or is one which so resembles it as to be likely to cause the public to associate the copying or simulating mark with the recorded mark or name.

## APPENDIX B

U.S. Cust. Reg., 19 C.F.R. § 133.21(b):

~~Identical trademark. Foreign-made articles bearing a trademark identical with one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United States are subject to seizure and forfeiture as prohibited importations.~~

## APPENDIX C

U.S. Cust. Reg., 19 C.F.R. § 133.21(e)(b):

Restrictions not applicable. The restrictions set forth in paragraphs (a) ~~and (b)~~ of this section do not apply to imported articles when:

- (1) Both the foreign and the U.S. trademark or trade name are owned by the same person or business entity;
- (2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control;
- (3) [Reserved]
- ~~(4) The objectionable mark is removed or obliterated prior to importation in such a manner as to be illegible and incapable of being reconstituted, for example by:~~
  - ~~(i) Grinding off imprinted trademarks wherever they appear;~~
  - ~~(ii) Removing and disposing of plates bearing a trademark or trade name;~~
- ~~(5)~~(4) The merchandise is imported by the recordant of the trademark or trade name or his designate;
- ~~(6)~~(5) The recordant gives written consent to an importation of articles otherwise subject to the restrictions set forth in paragraphs (a) ~~and (b)~~ of this section, and such consent is furnished to appropriate Customs officials; or
- ~~(7)~~(6) The articles of foreign manufacture bear a recorded trademark and the personal exemption is claimed and allowed under § 148.55 of this chapter.

## APPENDIX D

U.S. Cust. Reg., 19 C.F.R. § 133.21(d):

~~Exceptions for articles bearing counterfeit marks. The provisions of paragraph (c)(4) of this section are not applicable to articles bearing counterfeit trademarks at the time of importation (see §133.24).~~



## APPENDIX E

U.S. Cust. Reg., 19 C.F.R. § 133.22(a):

*In general. Articles subject to the restrictions of § 133.21 shall be detained for 30 days from the date of notice to the importer that such restrictions apply to permit the importer to establish that any of the circumstances described in § 133.21(e) are applicable. If the district director has any reason to believe that an imported article may be a copying or simulating mark of a recorded trademark or trade name subject to the restrictions of § 133.21, he or she shall withhold delivery, notify the importer of the detention and advise that the importer may, within fifteen days from the date of notice, file a statement asserting either of the following:*

- (1) that such restriction exemptions apply to permit the importer to establish that any of the circumstances described in § 133.21(b) are applicable; or*
- (2) that the detained article in fact does not bear a copying or simulating trademark or trade name of the recorded trademark or trade name and alleging that the detention of the article will result in the material depreciation of its value, or a loss or damage to him or her. The district director also shall advise the importer that in the absence of receipt within fifteen days of a statement either asserting the applicability of restrictions described in § 133.21(b) or a denial that the article bears a copying or simulating trademark or trade name, the article shall be considered to be a violation of the trademark laws and subject to seizure and forfeiture.*

## APPENDIX F

U.S. Cust. Reg., 19 C.F.R. § 133.22(b):

*If the importer fails to file a statement described in paragraph (a) within fifteen days of notice of detention, the merchandise shall be seized and forfeiture proceedings initiated. The district director shall send notice of such forfeiture proceedings to the importer.*

## APPENDIX G

## U.S. Cust. Reg., 19 C.F.R. § 133.23:

- ~~(a) General. Articles detained in accordance with § 133.22 may be released to the importer during the 30-day period of detention if any of the circumstances allowing exemption from trademark or trade name restriction set forth in § 133.21(e) are established.~~
- ~~(b) Articles accompanying the importer. Articles arriving as accompanying baggage or on the person of the importer may be exported or destroyed under Customs supervision at the request of the importer, or may be released if:~~
  - ~~(1) The importer removes or obliterates the marks in a manner acceptable to the Customs officer at the time of examination of the articles; or~~
  - ~~(2) The request of the importer to obtain skillful removal of the marks is granted by the port director on such conditions as he may deem necessary, and upon return of the article to Customs for verification, the marks are found to be satisfactorily removed.~~
- ~~(3) 19 C.F.R. § 133.22(c) Articles accompanying the importer. The provisions of § 133.22(a) and (b) paragraphs (b)(1) and (2) are not applicable to articles bearing counterfeit trademarks at the time of importation (see § 133.24) or to trademarked articles exempt from import restrictions under section 526(d), Tariff Act of 1930, as amended (19 U.S.C. 1526(d)) (see § 148.55 of this chapter).~~
- ~~(e) Mail Importations. Articles arriving by mail in noncommercial shipments, or in commercial shipments valued at \$250 or less may be exported or destroyed at the request of the addressee or may be released if:~~
  - ~~(1) The addressee appears in person at the appropriate Customs office and at that time removes or obliterates the marks in a manner acceptable to the Customs officer; or~~
  - ~~(2) The request of the addressee appearing in person to obtain skillful removal of the marks is granted by the port director on such conditions as he may deem necessary, and upon return of the article to Customs for verification, the marks are found to be satisfactorily removed.~~

## APPENDIX H

U.S. Cust. Reg., 19 C.F.R. § 133.23a: ~~Articles bearing Counterfeit trademarks:~~

- ~~(a) Definition. A “counterfeit trademark” is a spurious trademark which is identical with, or substantially indistinguishable from, a registered trademark.~~
- ~~(b) Seizure. Any article imported into the United States bearing a counterfeit trademark shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violation of the Customs laws.~~
- ~~(c) Notice to trademark owner. The owner of the trademark shall be notified of the seizure and the quantity of the articles seized. Unless the trademark owner, within 30 days of notification, provides written consent to importation of the articles, exportation, entry after obliteration of the trademark, or other appropriate disposition, the articles shall be disposed of in accordance with § 133.52, subject to the importer’s right to petition for relief from the forfeiture under the provisions of Part 171 of this chapter.~~

*Procedure in Determining Whether an Article Bears a Copying or Simulating Trademark or Trade Name*

- (a) If the importer of articles suspected of bearing a copying or simulating trademark or trade name files a statement within fifteen days supporting the applicability of restriction exemptions described in § 133.21(b) and if the district director is reasonably satisfied that the detained article in fact is subject to any of the enumerated restriction exemptions, the district director shall immediately release the article.*
- (b) If the importer files a denial as provided in § 133.22(a)(2), the district director shall furnish the trademark owner with the names and addresses of the importer, exporter and manufacturer (if available) of the detained merchandise, a sample of the imported article, together with notice that the imported article will be released to the importer unless, within fifteen days from the date of the notice, the trademark owner files with the district director:*
  - (1) A written demand for the exclusion from entry of the detained imported articles; and*
  - (2) A bond, in the form and amount specified by the district director, conditioned to hold the importer or owner of the imported article harmless from any loss or damage resulting from Customs detention in the*

*event that the Commissioner of Customs or his designee determines that the article is not an infringement of a recorded trademark.*

- (c) If the trademark owner files a written demand for exclusion of the suspected infringing articles together with a proper bond, the district director shall promptly notify the importer and trademark owner that, during a specified period of time not to exceed twenty days, they may submit any evidence, legal briefs or other pertinent material to substantiate the claim or denial of infringement. The burden of proof shall be upon the party claiming that the article does in fact infringe.*
  - (1) Before timely submitting the additional evidence, legal briefs or other pertinent materials to Customs, the importer and trademark owner shall provide each other with copies of all such information, including the importer's denial of infringement and the trademark owner's demand for exclusion. The subsequent submission of this information to Customs shall be accompanied by a written affirmation that a copy has already been provided to the opposing party.*
  - (2) The district director shall then notify both parties that they shall have additional time, not to exceed fifteen days, in which to provide a response to the arguments submitted by the opposing party, and that rebuttal arguments, timely submitted, shall be considered in the determination process.*
- (d) Upon receipt of rebuttal arguments, or fifteen days after notification if no rebuttal arguments are submitted, the district director shall forward the entire file, together with a representative sample of the suspect imported article, to Customs Headquarters (Attention: International Trade Compliance Division, Office of Regulations and Rulings), for decision on the disputed claim of infringement. The final decision on the disputed claim of infringement shall be promptly forwarded to the district director who shall send a copy thereof to the importer and the trademark owner.*
- (e) Upon determination by the Commissioner of Customs or his designee that the detained article forwarded in accordance with § 133.23(d) bears a mark which copies or simulates a recorded trademark in contravention of the Lanham Act, § 42, 15 U.S.C. § 1124, the district director shall seize the imported article and institute forfeiture proceedings. The district director shall return the bond to the trademark owner.*
- (f) Upon determination by the Commissioner of Customs or*

*his designee that the detained article forwarded in accordance with § 133.23(d) does not infringe a recorded trademark, the district director shall release all detained merchandise and transmit the trademark owner's bond to the importer.*

