

China Case Study: Digest of Cases for Discussion

November 23, 2007¹

Ahava (USA), Inc. v. J.W.G., Ltd., 250 F. Supp. 2d 366 (S.D.N.Y. 2003)

- **Synopsis.** Plaintiff trademark holder filed a motion for a preliminary injunction, seeking to bar defendant, an alleged infringer, from selling health and beauty care products that were manufactured in Israel under a trademarked brand name, and sold by the seller in Israel to consumers in the United States through the seller's website. The trademark holder demonstrated a likelihood of success on the merits with regard to likelihood of confusion. Even if the manufacturer of the products was accurately identified, the infringer's sale of the products could still infringe if it deceived the public into believing that the trademark holder's goodwill stood behind the product. Also, the court was persuaded that the trademark holder was likely to succeed on the claim under 19 U.S.C.S. § 1526 of the Tariff Act. The trademark holder was the owner of the trademark, the infringer had been importing foreign manufactured goods with the trademark holder's trademark into the United States for sale, and the trademark holder was a separate corporate entity from the product manufacturer and there was no common control or ownership over the trademark holder by the manufacturer. Further, the trademark holder would suffer irreparable harm in the absence of an injunction. If the infringer was allowed to sell the products through the website, both the undercutting of the trademark holder's prices and the failure to enforce quality controls could damage the trademark holder's sales and prestige. The motion for a preliminary injunction was granted.
- **Scope of Lanham Act § 42.** Section 42 (15 U.S.C.S. § 1124) of the Lanham Act provides that no 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.
- **Definition of Genuine Gray Market Good.** A gray market good is not considered genuine if the goods do not meet the trademark owner's quality control standards. Goods that do not meet the trademark owner's quality control standards will not be considered genuine goods, and their sale will constitute trademark infringement. Such a rule enforces the intention of trademark law, which serves to guarantee the quality of the trademarked product. Without such a guarantee, the sale of inferior goods with a true mark will clearly undermine the value of the trademarked brand as a guarantor of quality.
 - A gray market good is not considered genuine if the goods (1) were not intended to be sold in the United States and (2) were materially different from the authentic goods that are authorized for sale in the U.S. market. This rule serves to protect a domestic trademark holder's good will with consumers from damage caused by importation of similar but distinguishable goods that were never intended to be imported into the United States.
 - Even if there were no possibility of confusion as to source of origin when a product is "genuine," there might still be confusion as to sponsorship when a "genuine" product is manufactured by a foreign manufacturer but distributed in the U.S. without the authorization of and in competition with the U.S. trademark owner.

¹ Compiled by Bruce A. McDonald, SCHNADER HARRISON SEGAL & LEWIS LLP, 2001 Pennsylvania Ave., N.W., Suite 300, Washington, D.C. 20006, tel. (202) 419-4235. **Disclaimer:** this is a subjective selection of reported judicial decisions compiled in preparation for today's case study. This information does not constitute legal advice and is not a substitute for the advice of counsel. Its intended purpose is to provide an overview of the legal and procedural context in which the case study arises. The author assumes no legal liability for the accuracy, completeness, or usefulness of this information.

- **Scope of Tariff Act § 526(a).** Section 526(a) (19 U.S.C.S. § 1526) of the Tariff Act prohibits the importation of merchandise bearing a registered trademark owned by a U.S. trademark holder unless the U.S. trademark holder has consented in writing.
- **Tariff Act Not Applicable to Affiliated Companies.** The Tariff Act does not apply to goods manufactured by entities affiliated with or under common control of the foreign manufacturer

***Christopher Norman Chocolates, Ltd. v. Schokinag Chocolates North America, Inc.*, 270 F. Supp. 2d 432 (S.D.N.Y. 2003)**

- **Synopsis:** Plaintiff chocolate confectioner sued defendant seller of chocolate products, alleging that the seller improperly used the confectioner's trademark on products produced by the parties' joint venture after the joint venture was terminated. The confectioner moved for a preliminary injunction prohibiting the seller from promoting, advertising, marketing, or selling chocolate products bearing the confectioner's trademark. Under the terms of the joint venture agreement, chocolate products were marketed using the trademarks of both the confectioner and the seller. The confectioner contended that the seller's continued marketing of the co-branded products after the joint venture was terminated would cause the public to associate the products with the confectioner in the event that the quality of the products was inferior. The court held, however, that preliminary injunctive relief was not warranted since the confectioner failed to show any irreparable harm which would result from the seller's continued use of the confectioner's trademark. The presumption of irreparable harm from trademark infringement causing confusion did not apply because the parties were joint venturers rather than competitors or participants in a licensing arrangement. Further, it was undisputed that the seller continued to produce, package, and distribute the products in the same manner accomplished by the joint venture, there was no indication that the products suffered from any loss of quality, and there was no reason to doubt the seller's representation that it was simply in the process of selling inventory. The confectioner's motion for a preliminary injunction was denied.
- **Trademark Issues Rising Out of Joint Ventures.** When a trademark dispute arises out of a joint venture, the parties are not competitors, nor are there two similar competing products. Rather, the parties are fractured parts of the same enterprise, and the product at issue is the fruit of that enterprise. Therefore, no presumption of irreparable harm arises.

***Dan-Foam A/S and Tempur-Pedic, Inc. v. Brand Named Beds, LLC*, 500 F. Supp. 2d 2956 (S.D.N.Y. 2007)**

- **Synopsis.** Plaintiffs, the manufacturers and distributors of foam-based mattress products, sued defendant dealer for trademark infringement and dilution under the Lanham Act, 15 U.S.C.S. §§ 1114, 1125, and N.Y. Gen. Bus. Law §§ 349, 350, and 360-1, and for common law unfair competition and tortious interference with contract. Defendant countersued for a declaratory judgment under the Sherman Act, 15 U.S.C.S. § 1 et seq., and sought summary judgment. At issue was whether plaintiffs' non-transferable 20-year product warranty to original purchasers was available to consumers who bought plaintiffs' products from defendant, an unauthorized dealer who resold them on the Internet, and what effect the availability of such a warranty had on plaintiffs' claims for trademark infringement and dilution. Plaintiffs alleged that either no warranty attached or was voided because defendant improperly compressed and damaged its product to reduce shipping costs. The court found that genuine fact issues remained. A reasonable jury could find trademark infringement based on material differences between plaintiffs' products and those resold by defendant. Under a Polaroid factors analysis, defendant's display of plaintiffs' logos on defendant's web site arguably caused a likelihood of consumer confusion. Defendant's product was inferior if the warranty were voided by unapproved shipping and installation. A reasonable jury could find actual or likely dilution of plaintiffs' distinct and widely-advertised trademark under 15 U.S.C.S. § 1125(c)(2)(A) or dilution by tarnishment under 15 U.S.C.S. § 1125(c)(2)(C) based on harm to the mark's reputation. The court denied defendant's motion for summary judgment.
- **Grey Market Goods.** The term "grey market goods" refers to a fact pattern in which someone other than the designated exclusive United States importer buys genuine trademarked goods outside the U.S. and imports them for sale in the U.S. in competition with the exclusive U.S. importer. The body of trademark law that has developed around grey goods cases can be applied by analogy to sales by unauthorized United States retailers of goods bearing genuine trademarks that have been created by a trademark owner for the United States market.
- **Elements of Trademark Infringement in Case of Grey Market Goods.** In a gray goods trademark dilution case, a cause of action for trademark infringement or dilution arises when (1) material differences exist between the goods sold by the trademark holder and its authorized or licensed dealers and those sold by the unauthorized dealer, and (2) the unauthorized dealer sells the materially different trademarked goods in a manner that would be likely to cause consumer confusion, and/or dilute the strength of the trademark owner's mark.
- **Definition of "Grey Market Good."** A gray-market good is a foreign-manufactured good, bearing a valid United States trademark, that is imported without the consent of the U.S. trademark holder.
- **Material Difference Constituted by Likelihood of Confusion.** Material differences between authorized and unauthorized goods created by the same trademark owner exist when the differences between the goods create confusion over the source of the product and result in a loss of the trademark owner's good will. Even though the trademark owner's genuine trademark is attached to the materially different goods, these goods are not considered genuine because they are confusingly different.
- **Trademark Infringement Action Against Unauthorized Seller.** An action for trademark infringement arises when an unauthorized seller's actions create a likelihood that consumer confusion, mistake, or deception will result from the seller's use of a trademark owner's mark in connection with the sale, offering for sale, distribution, or advertising of any goods. 15 U.S.C.S. § 1114(1).
- **Confusion as to Endorsement by Trademark Owner.** If consumers are likely to believe that they are purchasing genuine goods created or endorsed by a particular trademark owner, and the goods they receive are not genuine as a result of material differences between those goods and authorized

goods, then a likelihood of confusion exists, and trademark infringement has occurred. Because the unauthorized sale of a trademarked article does not, without more, constitute a Lanham Act violation, the material differences standard operates to ensure that trademark infringement is only found in gray goods cases where the unauthorized sale of a trademarked article is likely to cause consumer confusion.

- **Physical vs. Non-Physical Material Difference.** Courts have found both physical and nonphysical material differences to cause consumer confusion and/or loss of goodwill in gray goods cases. The term "physical" refers to tangible product qualities. The term "nonphysical" refers to intangible product qualities, such as accompanying paperwork, service plans, or warranties.
- **Material Differences Standard as Proxy for Likelihood of Confusion in Grey Goods Cases.** In gray goods cases generally, the material differences standard has been used by courts as a proxy for the likelihood of confusion test traditionally used in trademark infringement cases, permitting gray market goods to be sold unless the goods are materially different from those sold through authorized distribution channels. However, because it is well settled in the U.S. Court of Appeals for the Second Circuit that in cases involving a claim under the Lanham Act the trier of fact must consider and balance the factors set forth in the Polaroid test, the material differences standard may be applied in conjunction with the applicable Polaroid factors.
- **Qualify of Defendant's Product Has Added Importance in Gray Goods Case.** In a trademark dilution suit, the seventh Polaroid factor--the quality of the defendant's product--should be given more weight in gray goods cases because the crux of the consumer confusion question revolves around whether consumers are likely to be confused by differences between products (often not initially detectable to the consumer eye) that they presume to be of identical quality because they all bear identical genuine trademarks and are almost the same product.
- **Materiality Standard.** The materiality threshold for establishing material differences in gray goods trademark dilution cases requires no more than showing that consumers would be likely to consider the differences between the foreign and domestic products to be significant when purchasing the product, for such differences would suffice to erode the goodwill of the domestic source. Indeed, there need only be one material difference between a domestic and a foreign product in order to determine that the latter is a gray market good eligible for exclusion.
- **Court Should Beware of Trademark Owners Over-Emphasizing Material Differences.** When applying the low materiality threshold for establishing material differences in gray goods trademark dilution cases, courts must be wary of trademark owners who attempt to overly emphasize differences to obtain a protection from gray market goods that Congress has not yet been willing to extend. The U.S. Court of Appeals for the Federal Circuit guards against overreaching application of its low materiality threshold by requiring a plaintiff to establish that all or substantially all of its sales are accompanied by the asserted material difference in order to show that its goods are materially different.
- **Difference in Product Packaging May Constitute Material Difference.** Differences in product packaging have been found to constitute material differences in trademark dilution gray goods cases.
- **Lack of Warranty May Constitute Material Difference.** In trademark dilution cases, gray goods' lack of warranty protection may constitute a material difference where a trademark owner's authorized goods include warranty protection.
- **Whether Intangible Difference in Warranty Coverage Constitutes Material Difference is Genuine Issue of Material Fact.** In trademark dilution cases, lack of a warranty, in itself, may constitute a material difference between gray goods. Whether an intangible difference in warranty

coverage is material to a consumer's decision to purchase a product, i.e., is a material difference, is an issue of material fact for a jury to decide.

- **Lack of Warranty Alone is Sufficient to Render Product Inferior.** In trademark dilution cases, the lack of an enforceable warranty standing alone is sufficient to render a product inferior for trademark infringement analysis purposes and could constitute a material difference.
- **Likelihood of Confusion and Material Difference Tests Work in Tandem.** The U.S. Court of Appeals for the Second Circuit has developed its own body of trademark infringement law based on a trademark owner's right to control the quality of its goods separate and apart from the material differences theory of infringement used in gray goods cases. However, the two theories work in tandem, because when a trademark owner's product is distributed without the authorization of the trademark owner, differences in quality control procedures may cause consumer confusion between the authorized and unauthorized products.
- **Trademark Owner Must Establish Quality Control to Argue That Lack of Quality Control is Grounds for Action.** In order to succeed in a Lanham Act action for trademark infringement or dilution based on a quality control theory, a trademark owner must be able to show that it actually follows the quality control procedures it alleges. A trademark dilution plaintiff is required to establish that all or substantially all of its sales are accompanied by an asserted material difference in quality control in order to show that its goods are materially different. The U.S. Court of Appeals for the Second Circuit's approach to evaluating whether or not a Lanham Act violation has occurred based on the right to quality control is essentially the same as the way in which courts limit the material differences threshold.
- **Trademark Owner Not Obligated to Prove Most Stringent Quality Control.** The U.S. Court of Appeals for the Second Circuit has clarified the contours of a trademark action based on a trademark owner's right to control the quality of its goods by setting out a three-pronged test that a trademark holder must satisfy in order to succeed under this theory of infringement. To be entitled to relief for trademark infringement, a trademark holder is not required to adopt the most stringent quality control procedures available. Rather, under the *Warner-Lambert* test, the trademark holder must demonstrate only that (i) it has established legitimate, substantial, and non-pretexual quality control procedures, (ii) it abides by these procedures, and (iii) the nonconforming sales will diminish the value of the mark. This test refines the *Polymer II* standard by recognizing that even if some nonconforming products survive a mark holder's quality control procedures and enter the marketplace, the sale of additional nonconforming products by an unauthorized dealer could further devalue the trademark, thus still giving rise to a Lanham Act claim.
- **Third Prong of Warner-Lambert Test is Dilution Based, not Infringement Based.** The third prong of the U.S. Court of Appeals for the Second Circuit's *Warner-Lambert* test casts trademark actions predicated on differences in quality control as dilution-based, rather than infringement-based. The third prong requires a plaintiff to show that unauthorized sales of goods that do not conform to the plaintiff's quality control standards or procedures will diminish the value of the plaintiff's mark. Protecting the value of a trademark owner's mark from negative consumer impressions about a mark, in contrast with protecting against consumer confusion as to source or sponsorship, is the precise basis of an action for dilution by tarnishment under federal dilution law. 15 U.S.C.S. § 1125(c)(2)(C).
- **First Sale or Exhaustion Doctrine.** The first sale or exhaustion doctrine, as applied in the trademark context, provides that a distributor has the right to resell a branded item in an unchanged state. The rationale underlying this doctrine is that trademark rights are exhausted once the trademarked goods have been duly placed into the market. However, it is well-recognized that the exhaustion doctrine does not apply to genuine goods that have been altered. When trademarked goods are materially different from the goods that the trademark is known to represent, the exhaustion doctrine cannot be used as a defense to infringement or dilution. When unauthorized,

downstream sales of a trademarked item cause consumer confusion or dilution of a trademark, the purposes of trademark law have been frustrated, and the trademark owner is therefore entitled to relief.

- **Unauthorized Sale is Not Infringement in Absence of Confusion or Dilution.** When the resale of a trademarked item does not cause consumer confusion or dilution of a trademark--even if that resale is unauthorized--an action for trademark infringement will not lie.
- **Defendant Must Tell “Whole Truth” About Product.** Where a defendant resells a trademarked product under the manufacturer's trademark and does not tell the whole truth so as to cause confusion, or to cause mistake, or to deceive under 15 U.S.C.S. § 1114(1) as to the source or sponsorship of the product, or to cause dilution by blurring or dilution by tarnishment of the famous mark under 15 U.S.C.S. § 1125(c)(1), a defendant cannot hide behind the first sale doctrine.
- **First Sale Doctrine Limited to Sale of Branded Item in Unchanged State.** The first sale doctrine only ensures that an unauthorized distributor of a trademarked item is not liable for trademark infringement or dilution when the distributor resells a branded item in an unchanged state.

***The Grateful Palate Inc. v. Joshua Tree Imports, LLC*, 220 Fed. Appx. 635 (9th Cir. 2006)**

- **Synopsis.** Plaintiff trademark holder challenged a judgment from the United States District Court for the Central District of California, which denied the holder's motion for a preliminary injunction in the holder's trademark action against defendant limited liability corporation (LLC) under the Lanham Act. The district court held that the holder did not show it was likely to succeed on the merits or raise serious questions regarding the merits of its claim based on the district court's belief that *Monte Carlo Shirt, Inc. v. Daewoo Int'l (America) Corp.* held that an unauthorized first sale of a trademarked good, without more, did not constitute per se trademark infringement. On appeal, the court noted that *Monte Carlo* was decided under California common law and did not involve any Lanham Act claims. The court held that an unauthorized first sale of a trademarked good was generally deemed non-genuine under the Lanham Act. After the first sale, however, the holder could establish infringement only by showing that the goods were materially different. The district court abused its discretion by holding that *Monte Carlo* required the district court to reject the holder's infringement claim unless the holder could show that the wines imported by the LLC were materially different from the wines that the holder itself sold under its trademarks. *Monte Carlo's* applicability in Lanham Act cases remained an open question, which was a serious question that went to the merits of the holder's claim. The court vacated the order and remanded the matter to the district court for further proceedings. On remand, the court instructed the district court to take into account the extent and type of injury that each party would incur if the district court erred in granting or denying the preliminary injunction and both parties' ability to obtain a legal remedy for such injuries.
- **California vs. Federal Trademark Law.** Although California trademark law is substantially congruent to federal trademark law under the Lanham Act, and *Monte Carlo Shirt, Inc. v. Daewoo Int'l (America) Corp.*, 707 F.2d 1054 (9th Cir. 1983) may therefore provide guidance in cases presenting similar claims arising under federal law, it is not binding in such cases.
- **First Sale Doctrine.** The United States Court of Appeals for the Ninth Circuit, along with every other circuit to have considered the question, recognize that trademark holders possess certain rights over the initial sale of a product that they do not have over subsequent sales in the stream of commerce. The right of a producer to control distribution of its trademarked product does not extend beyond the first sale of the product. One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark. Under the first sale doctrine, the mark holder may ordinarily control the initial sale of the product, and a product sold without the authorization of the mark holder is generally deemed non-genuine for purposes of the Lanham Act. After that first sale, however, the trademark holder may establish infringement only if he demonstrates that the goods are materially different.

***Kitty Walk Systems, Inc. v. Midnight Pass Inc.*, 431 F. Supp. 2d 306 (E.D.N.Y. 2006)**

- **Synopsis.** Plaintiffs sued defendants, their co-venturers in a joint venture business agreement to market certain pet products, alleging claims of trademark and patent infringement, a claim for the attempted importation of infringing copies, a claim for "turnover" of patented and trademarked products, and several state law claims. Defendants moved to dismiss all but the cause of action for an accounting. The goods purchased were precisely what they purported to be (the only question was which party had the right to sell products and the apportionment of any profit). As such, the case was not one of consumer confusion that could be relied upon to support a Lanham Act claim, but a case alleging breach of contract as to authentic goods. Accordingly, the claims of trademark and copyright infringement failed. Plaintiffs' patent infringement claims failed for a similar reason. To the extent that plaintiffs claimed violation of the Anti-Cybersquatting Protection Act, the claim was dismissed because defendants were not diluting a famous mark or using a mark that was confusingly similar to that mark. Instead, defendants were merely advertising authentic goods, over the internet, of which they were in proper possession. Finally, plaintiffs' state law claims were properly categorized as legal claims arising between parties to a joint venture. Accordingly, they could not be heard prior to an accounting, and had to be dismissed. The court granted the motion to dismiss all but the cause of action for an accounting.
- **TM Infringement Not Established by Unauthorized Sale of Genuine Goods.** A Lanham Act claim does not generally lie following the unauthorized sale of genuine goods. Instead, success on such a claim requires a showing that customers will be misled or confused as to the source of goods purchased. Such confusion occurs when a consumer purchases goods on the mistaken belief that the goods are those of a competitor.
- **TM Infringement Claim Not Established by Fruit of Fractured Joint Enterprise.** No confusion as to source of goods can exist where the goods are genuine and the parties are fractured parts of the same enterprise, and the product at issue is the fruit of that enterprise.
- **First Sale Doctrine Prohibits Ability to Restrict Resale.** There can be no liability to a seller in valid possession of patented goods based upon the re-sale of those goods. Under the "first sale" doctrine, a patent owner who transfers his goods to another has given up any right to restrict the re-sale of those goods to a consumer.

***Lois Jeans & Jackets, U.S.A., Inc., v. United States*, 5 C.I.T. 238, 566 F. Supp. 1523 (1983)**

- **Synopsis.** Plaintiff jean importer contested the denial of its protest against new redelivery notices issued by the United States Custom Service. The jean importer sought an injunction against defendant United States from enforcing the notices of redelivery. The United States was requested to show cause why the injunction should not be issued. The United States served the jean importer with redelivery notices for two shipments of jeans because the pocket design infringed on a trademark owned by a competitor, pursuant to 15 U.S.C.S. § 1124. The jean importer sought relief. The United States granted the relief and found that the pocket design did not infringe on the competitor's trademark. The competitor asked the United States to reconsider the finding. Over a year later, the United States reversed its prior finding and again concluded that the pocket design infringed upon the competitor's trademark. The jean importer did not receive notice of the change. Prior to the change, the jean importer ordered substantial quantities of jeans and made binding commitments for the sale of the jeans. The court, in granting a preliminary injunction to the jean importer, found that there was a viable threat of immediate irreparable injury if implementation of the redelivery notices was not enjoined. The court found that the importer was likely to succeed in establishing its claim that the contested notices of redelivery should be declared null and void on the ground that the ruling was made without notice and an opportunity for comment. The court granted the jean importer's motion for a preliminary injunction, which enjoined the United States' enforcement of redelivery notices.
- **Publication in Federal Register Required for Ruling That Changes Position of Customs.** 19 C.F.R. § 177.10(c)(2) states: Before the publication of a ruling which has the effect of changing a position of the United States Customs Service and which results in a restriction or prohibition, notice that the position (or prior ruling on which the position is based) is under review will be published in the Federal Register and interested parties will be given an opportunity to make written submissions with respect to the correctness of the contemplated change. 19 C.F.R. § 177.9(d)(1) states: Modification or revocation of ruling letters. Generally, any ruling letter found to be in error or not in accordance with the current views of the United States Customs Service may be modified or revoked. Modification or revocation of a ruling letter shall be effected by giving notice to the person to whom the ruling letter was addressed and, where circumstances warrant, by the publication of a notice or other statement in the Customs Bulletin.

***Philip Morris USA Inc. v. Liu*, 489 F. Supp. 2d 1119 (C.D.Cal. 2007)**

- **Synopsis.** Plaintiff tobacco company sued defendant importer alleging violations of the Lanham Act, the Tariff Act, and unfair competition under state law. The company moved for summary judgment. Held, importer was liable under the Lanham Act because he conceded that he unloaded and transported cargo which turned out to be counterfeit cigarettes. The importer also signed the bill of lading for the counterfeit cigarettes. Unloading and transporting counterfeit cargo was "use in commerce," as required by the Lanham Act. The same facts that proved trademark infringement and false designation or origin against the importer also establish illegal importation under Section 42 of the Lanham Act. The importer was liable under *19 U.S.C.S. § 1526(a)* because he imported goods that bore copies of the company's trademarks. Proof of trademark infringement under the Lanham Act independently constituted unfair competition under state law. The court found that the importer willfully blinded himself to facts that would put him on notice that he was infringing another's trademarks, and had cause to suspect it. Therefore, the court would award the company statutory damages of \$ 1,000,000 for the unlawful use of each of the trademarks for a total of \$ 2,000,000. Because the importer's conduct was willful, the court would award attorney fees and costs to the company. The company's motion for summary judgment was granted. The shipper was found liable for statutory damages and attorney fees. The shipper and his officers, agents, employees and others associated with the shipper were permanently enjoined from purchasing, importing, selling, offering for sale, or otherwise; using in commerce any counterfeit cigarettes that bore the company's trademarks or from assisting, aiding, or abetting any such activity.
- **Strict Liability.** Offenses under the Lanham Act are strict liability offenses.
- **Elements of Lanham Act § 42 Violation.** To prove a violation under § 42 of the Lanham Act, a trademark owner need only prove that the defendant imported goods bearing copies of its federally registered marks. In a counterfeit importation case, the same facts that prove trademark infringement and false designation or origin against the importer also establish illegal importation under § 42 of the Lanham Act.
- **Elements of Tariff Act § 562(a) Violation.** Under § 562(a) of the Tariff Act, 19 U.S.C.S. § 1526(a), a plaintiff need only prove that it has filed copies of the certificates of registration of its marks with the Department of the Treasury and that the defendant imported goods bearing copies of its trademarks. Section 562(a) of the Tariff Act provides that it is unlawful to import any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States.
- **Failure to Inquire as Willful Infringement.** Where a court finds a defendant has violated the Lanham Act, it may award statutory damages of up to \$ 100,000 per mark infringed. 15 U.S.C.S. § 1117(c)(1). However, where the use of the counterfeit mark was willful, 15 U.S.C.S. § 1117(c)(2) permits statutory damages awards of \$ 1,000,000 per counterfeit mark as the court considers just. It is enough that the defendant failed to inquire because he was afraid of what the inquiry would yield. To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate.

***Ross Cosmetics Distribution Centers, Inc. v. United States*, 18 C.I.T. 979, 34 USPQ2d 1758 (1994)**

- **Synopsis.** In a remand determination, plaintiff renewed its motion for judgment upon the agency record, challenging the United States Customs Service (customs) ruling letter as arbitrary, capricious, an abuse of discretion, and otherwise not in accordance with law, in finding plaintiff's products would constitute counterfeit use of trademarks and were subject to seizure if imported. Plaintiff, an importer of knock-off cosmetics and toiletries, requested customs to issue a pre-importation ruling pursuant to 19 C.F.R. § 177.2, regarding whether its packaging for certain bath oils conformed with regulations relating to trademarks. Customs held that some of plaintiff's products if imported would be seized under 19 U.S.C.S. § 1595a(c) because they infringed on trademarks registered with the Patent & Trademark Office. Customs determined that products which infringed on marks that were recorded with customs would also be seized. Plaintiff challenged, through a motion for judgment upon an agency record upon a remand determination of customs' ruling letter, customs' decision as arbitrary, capricious, and an abuse of discretion. The court held that customs' decision was not arbitrary, capricious or an abuse of discretion, and that customs had engaged in a proper analysis to determine whether plaintiff's products would create consumer confusion between the trademarked product and the plaintiff's knock-off product. The court granted the motion in part and denied it in part. The court upheld the determination of customs that plaintiff's packaging of its products infringed upon certain trademarks, and that such a determination was not arbitrary, capricious, or an abuse of discretion.
- **Scope of Lanham Act § 43(b).** Section 43(b) of the Lanham Act, 15 U.S.C.S. § 1125(b), forbids importation of any goods marked or labeled in contravention of 15 U.S.C.S. § 1125(a).
- **Customs Protection Extends to Unregistered Trademarks and Trade Dress.** By virtue of the broad coverage of 15 U.S.C.S. § 1125(a), 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.
- **Scope of 19 U.S.C. § 1526(e).** Under 19 U.S.C.S. § 1526(e), any merchandise bearing a counterfeit mark imported into the United States in violation of 15 U.S.C.S. § 1124 shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws. A counterfeit is defined as a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.
- **Scope of 19 U.S.C. § 1595(c).** Under 19 U.S.C.S. § 1595(c), any merchandise imported into the United States may be seized and forfeited if the merchandise or its packaging violates 15 U.S.C.S. §§ 1124, 1125, or 1127, or 18 U.S.C.S. § 2320, which imposes criminal liability on any person who intentionally traffics in counterfeit goods.
- **Definition of Counterfeit Mark.** A counterfeit mark is defined in accordance with 15 U.S.C.S. § 1127. A confusingly similar mark is defined by customs as one that is likely to cause confusion, or to cause mistake, or to deceive the consumer as to the origin, affiliation, or sponsorship of the goods in question.
- **Scope of Seizure Authority.** Imported articles bearing counterfeit versions of marks recorded with customs are subject to seizure and forfeiture under 19 U.S.C.S. § 1526(e). Imported articles bearing counterfeit versions of marks not recorded with customs are subject to seizure and forfeiture under 19 U.S.C.S. § 1595a(c) for violation of 18 U.S.C.S. § 2320. Imported articles bearing confusingly similar versions of marks recorded with customs are ultimately subject to seizure and forfeiture under 19 U.S.C.S. § 1595a(c) for violation of 15 U.S.C.S. § 1124. Imported articles bearing confusingly similar versions of marks not recorded with customs are currently not prohibited for importation.

- **Marks Need Not Be Registered But Must Be Recorded With Customs.** Imported articles bearing confusingly similar versions of marks recorded with customs are ultimately subject to seizure and forfeiture under 19 U.S.C.S. § 1595a(c) for violation of 15 U.S.C.S. § 1124. Imported articles bearing confusingly similar versions of marks not recorded with Customs are currently not prohibited for importation.

- **Categories of Infringing Merchandise**
 - **Counterfeit Merchandise.** Under customs' laws and regulations, goods that infringe upon rights of trademark owners are classified into two categories. The first category consists of counterfeit merchandise which bears a spurious mark which is identical with, or substantially indistinguishable from, a registered mark. Usually, counterfeit merchandise is made so as to imitate a well-known product in all details of construction and appearance so as to deceive customers into thinking that they are getting genuine merchandise.

 - **Confusingly Similar.** The second category consists of merely infringing goods which are not counterfeits but bear marks likely to cause public confusion. This category includes merchandise which bears a mark that copies or simulates a registered mark so as to be likely to cause the public to associate the copying or simulating mark with the registered mark.

 - **Significance of Distinction.** The significance of the distinction between counterfeits and merely infringing goods lies in the consequences attached to the two categories. Counterfeits must be seized, and in the absence of the written consent of the trademark owner, forfeited. Merely infringing goods, on the other hand, may be seized and forfeited for violating 15 U.S.C.S. §§ 1124 or 1125. 19 U.S.C.S. § 1595a(c)(2)(C). Under customs regulations, merely infringing goods may be imported if the objectionable mark is removed or obliterated prior to importation in such a manner as to be illegible and incapable of being reconstituted.

 - **Use of TM to Market Own Merchandise Distinguished.** The use of another person's trademark in the context of marketing one's own product is not prohibited by law unless it creates a reasonable likelihood of confusion as to the source, identity, or sponsorship of the product.

 - **Relevance of Disclaimer.** Although courts may also consider an alleged infringer's use of a disclaimer stating that it is not connected with the trademark owner, the mere presence of a disclaimer does not necessarily prevent consumer confusion.

***Sakar International, Inc. v. United States*, 466 F. Supp. 2d 1333, 2006 Ct. Intl. Trade LEXIS 182 (2006)**

- **Synopsis.** Plaintiff challenged as unlawful an administrative decision issued by the Bureau of Customs and Border Protection, United States Department of Homeland Security (Customs), assessing plaintiff a mitigated penalty for the importation by plaintiff of merchandise that Customs alleged to be counterfeit. Defendant United States filed a motion to dismiss plaintiff's first amended complaint. Plaintiff filed a motion to amend its complaint. Customs seized merchandise imported by plaintiff because they bore counterfeit marks and later destroyed the merchandise after it denied plaintiff any relief in an administrative forfeiture proceeding. Plaintiff did not exercise its right to demand that Customs initiate a judicial forfeiture proceeding. Customs then imposed a mitigated penalty. The government argued that 28 U.S.C.S. § 1581 did not grant the court subject matter jurisdiction. The court held that, although jurisdiction was lacking under § 1581(a) because there was no filing of a valid protest, a protest denial, and a timely contest of a protest denial, it did have jurisdiction under § 1581(i)(4) because the case arose out of a law, 19 U.S.C.S. § 1526(f), that, in providing for administration and enforcement of the import prohibition established by § 1526(e) and the exclusion from entry required by 15 U.S.C.S. § 1124, created an embargo on the importation of counterfeit goods for reasons other than the protection of the public health or safety. In dismissing the complaint, the court held that plaintiff had asserted no valid cause of action under the Administrative Procedure Act, 5 U.S.C.S. § 706, or any other statute. The court granted the government's motion to dismiss the first amended complaint and denied as futile plaintiff's motion to amend the complaint.
- **CIT Had Exclusive Jurisdiction Over Denial of Protest Under 19 U.S.C. § 1515.** Under 28 U.S.C.S. § 1581(a), the Court of International Trade has exclusive jurisdiction of any civil action commenced to contest the denial of a protest, in whole or in part, under 19 U.S.C.S. § 1515. Section 1515 provides for administrative review of protests filed pursuant to 19 U.S.C.S. § 1514. 19 U.S.C.S. § 1515. Once a party has filed with the U.S. Bureau of Customs and Border Protection a protest that satisfies the requirements of 19 U.S.C.S. § 1514, and Customs has acted on that protest, the party may contest a denial of the protest, in whole or in part, by timely filing a summons in the Court of International Trade. 19 U.S.C.S. §§ 1514(a), (c), 1515; 28 U.S.C.S. § 2636(a).
- **Proceedings in Case of Forfeitures and Penalties.** Under 19 U.S.C.S. § 1499, the failure by the U.S. Bureau of Customs and Border Protection to make a final determination on the admissibility of detained merchandise within 30 days of the presentation of that merchandise for examination is treated as a decision by Customs to exclude the merchandise for purposes of the filing of a protest. 19 U.S.C.S. § 1499(c)(5)(A). A party may file a protest to challenge the deemed exclusion after the close of the thirtieth day. 19 U.S.C.S. § 1499(c)(5)(A). If Customs does not act on such a protest within 30 days of the filing date of that protest, the protest is deemed denied on the thirtieth day. 19 U.S.C.S. § 1499(c)(5)(B).
- **Petition Does Not Qualify as Administrative Protest.** A petition contesting a seizure and forfeiture usually does not qualify as an administrative protest of a decision by the U.S. Bureau of Customs and Border Protection to exclude merchandise for purposes of 19 U.S.C.S. § 1514.
- **CIT Has Exclusive Jurisdiction of any Action Against US Arising Out of Administration and Enforcement Under § 1581.** Under 28 U.S.C.S. § 1581(i)(4), the Court of International Trade is granted exclusive jurisdiction of any civil action against the United States that arises out of any law of the United States providing for administration and enforcement with respect to the matters referred to in the various other subsections of § 1581, including § 1581(a).
 - Under 28 U.S.C.S. § 1581(i)(3) and (4), the Court of International Trade has jurisdiction of any civil action against the United States that arises out of any law of the United States providing for embargoes or other quantitative restrictions on the importation of merchandise for reasons other than the protection of the public health or safety or arises out of any law of

the United States providing for administration and enforcement with respect to the matters referred to in, inter alia, 28 U.S.C.S. § 1581(i)(3).

- The Court of International Trade is granted jurisdiction under 28 U.S.C.S. § 1581(i)(4) of cases against the United States that arise out of a law providing for "administration and enforcement" of the matters referred to in § 1581(i)(3), which matters would include an "embargo" within the meaning of § 1581(i)(3).
- The ordinary meaning of "embargo," and the meaning that Congress apparently adopted in the statutory language "embargoes or other quantitative restrictions," of 28 U.S.C.S. § 1581(i)(3) is a governmentally imposed quantitative restriction-of zero-on the importation of merchandise. An importation prohibition is not an embargo if rather than reflecting a governmental restriction on the quantity of a particular product that will enter, it merely provides a mechanism by which a private party might, at its own option, enlist the government's aid in restricting the quantity of imports in order to enforce a private right. 19 U.S.C.S. § 1526(a), according to the U.S. Supreme Court, relates to enforcement of a private right and is very different from an embargo because, in addition to the trademark owner, any other importer having the owner's consent may import the good without limitation.
- **Protection of Trademark Owners Under 19 U.S.C. § 1526(e).** 19 U.S.C.S. § 1526(e) protects the rights of owners of genuine trademarks from importations of counterfeit goods, but the scope of the provision is much broader than that. It provides that any merchandise imported into the United States in violation of 15 U.S.C.S. § 1124 shall be seized. 19 U.S.C.S. § 1526(e). Under 15 U.S.C.S. § 1124, a provision of the Lanham Act, no article of imported merchandise bearing a counterfeit trademark, as defined therein, shall be admitted to entry at any customhouse of the United States. 15 U.S.C.S. § 1124. The provision incorporates only a limited exception for classes of articles, as identified by regulation under 19 U.S.C.S. § 1526(d), that are imported by travelers for personal use. Thus, § 1526(e) and the related provision of 15 U.S.C.S. § 1124 together establish a general prohibition on the importation of, and the exclusion from entry of, counterfeit merchandise, and both form the predicate for assessment of civil fines under 19 U.S.C.S. § 1526(f). The statutory scheme does not permit the owner of a trademark to import counterfeits of its trademarked merchandise. Nor does it permit goods bearing a counterfeit trademark to be released into commerce, even with the consent of the owner of the genuine trademark.
- **§ 1526(e) and § 1526(a) Distinguished.** The reason for the import restraint of 19 U.S.C.S. § 1526(e) differs from that of § 1526(a). The § 1526(a) import control does not reflect what the Supreme Court considered to be a "governmental" restriction but instead provides a mechanism by which a private party might, at its own option, enlist the government's aid in restricting the quantity of imports bearing the genuine trademark in order to enforce a private right. Prohibiting the importation of goods bearing a counterfeit, as opposed to genuine, trademark not only serves the private interest of the trademark owner but also reflects the government's interest in the strict enforcement of intellectual property law to protect the U.S. economy and to protect the consuming public from the effects of a counterfeit good.
- **Definition of "Embargo."** An embargo is a government order prohibiting commercial trade with individuals or businesses of other nations. It is a policy which prevents goods from entering a nation and which may be imposed on a product or on an individual country. Embargoes as referred to in 28 U.S.C.S. § 1581(i)(3) are not confined to embargoes that are grounded in trade policy but typically serve a governmental purpose in being directed to specific categories of goods, for example, public health or safety, morality, law enforcement, foreign affairs, or ecology. 19 U.S.C.S. § 1526(e) incorporates by reference, and enforces through seizure and forfeiture, the specific exclusion from entry that the Lanham Act, in 15 U.S.C.S. § 1124, applies to imported merchandise bearing counterfeit trademarks. Together, the two statutory provisions establish an import control that falls

within the definitions of "embargo" on which the U.S. Supreme Court based its analysis of 19 U.S.C.S. § 1526(a) and 28 U.S.C.S. § 1581(i)(3).

- **CIT Has Jurisdiction Over Any Embargo for Reasons of Public Health or Safety.** Neither the plain meaning nor the legislative history of 28 U.S.C.S. § 1581(i)(3) indicates that Congress intended to exclude from the jurisdiction of the Court of International Trade cases arising out of a law providing for an embargo for which any reason relates to the public health or safety. The embargo created by 19 U.S.C.S. § 1526(e) in conjunction with 15 U.S.C.S. § 1124 satisfies the requirement of 28 U.S.C.S. § 1581(i)(3) that the law in question provide for embargoes for reasons other than the protection of the public health or safety.
- **District Court Has Jurisdiction of Seizures Except Matters Within CIT Exclusive Jurisdiction.** Under 28 U.S.C.S. § 1355, the district courts are granted jurisdiction generally over forfeiture actions; under 28 U.S.C.S. § 1356, the district courts possess jurisdiction of any seizure under any law of the United States on land or upon waters not within admiralty and maritime jurisdiction, except matters within the jurisdiction of the Court of International Trade under 28 U.S.C.S. § 1582. 28 U.S.C.S. §§ 1355, 1356.
- **CIT Pleadings Requirements**
 - **Rule 8(a)(2).** Under Ct. Int'l Trade R. 8(a)(2), the pleading requirement is satisfied by a short and plain statement of the claim showing the pleader is entitled to relief. In ruling on a motion to dismiss, the Court of International Trade accepts as true the facts alleged in plaintiff's pleading and construes all inferences in the plaintiff's favor. The Court may not dismiss for failure to state a claim unless it appears beyond doubt that the plaintiff could prove no set of facts consistent with the plaintiff's allegations that would entitle the plaintiff to relief.
 - **Commencement of Action.** The provisions of 28 U.S.C.S. § 2632 specify how a civil action is commenced in the Court of International Trade, i.e., generally by the filing of a summons and complaint pursuant to § 2632(a) or by the filing of a summons only in the instance of a civil action brought under 19 U.S.C.S. § 1515 or § 1516 pursuant to 28 U.S.C.S. § 2632(b). 28 U.S.C.S. §§ 2632(a)-(b)
 - **Standard of Review.** 28 U.S.C.S. § 2640(e) defines the scope and standard of review for civil actions not specified in § 2640(a) through (d) and, therefore, directs how the Court of International Trade is to review a matter within the subject matter jurisdiction of 28 U.S.C.S. § 1581(i). 28 U.S.C.S. § 2640(e). In so doing, 28 U.S.C.S. § 2640(e) does not create a cause of action under which a plaintiff may challenge an agency decision but instead refers to the scope and standards of review applicable under the Administrative Procedure Act, 5 U.S.C.S. § 706.
- **Administrative Procedure Act as Basis for Action.** A case brought under the jurisdiction of 28 U.S.C.S. § 1581(i) may rely for its cause of action on the Administrative Procedure Act "right of review" provision, 5 U.S.C.S. § 702, which generally entitles any person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute to judicial review thereof. 5 U.S.C.S. § 702.
 - However, 5 U.S.C.S. § 704 limits agency review to agency action made reviewable by statute and final agency action for which there is no other adequate remedy in a court. To be reviewable under the Administrative Procedure Act, the agency action being challenged must be "final" such that it must mark the consummation of the agency's decisionmaking process and, in addition, must be one by which rights or obligations have been determined, or from which legal consequences will flow.

- Under *19 U.S.C.S. § 1526(f)*, the imposition of a fine shall be within the discretion of the Customs Service. *19 U.S.C.S. § 1526(f)(4)*. By statute, therefore, the United States could initiate no judicial action to recover a penalty unless Customs, in the discretion of the Customs Commissioner, first makes a decision to go forward with such an action, which it would do initially by means of a referral to the Department of Justice. *19 C.F.R. § 171.22*.
- Although, as provided by Ct. Int'l Trade R. 15(a), leave to amend a pleading is to be freely given when justice so requires, a court may deny a motion to amend a pleading when doing so would be futile.

Swatch S.A. v. New City Inc., 454 F. Supp. 2d 1245 (S.D.Fla. 2006)

- **Synopsis.** Plaintiff, a watch manufacturer and its exclusive distributor sued defendant importer for importing and selling their watches without their consent and infringing upon their intellectual property rights. Plaintiffs sought summary judgment on their claims of trademark infringement under 15 U.S.C.S. § 1114(1)(a), false advertising under 15 U.S.C.S. § 1125(a), and copyright infringement under 17 U.S.C.S. §§ 106(3), 602(a). The importer's packages were stripped of reference numbers and codes, but whether consumers considered packaging in deciding whether to buy was an issue of fact. The warranty provided it had no effect if the warranty card was not endorsed by an authorized dealer; the importer could not validly endorse the cards. Plaintiffs' honoring of otherwise void warranties did not waive the right to demand a valid warranty, but the question of whether not having a valid warranty was material to a consumer precluded summary judgment as to trademark infringement. The parties disputed whether the importer's employee had represented the importer as an authorized seller, and while the importer's representation that the watches it sold "had a warranty" was false, whether a warranty was an inherent quality or characteristic of the watch was a question of fact precluding summary judgment under 15 U.S.C.S. § 1125(a). The watches were manufactured and first sold abroad. The first sale protection of 17 U.S.C.S. § 109(a) applied only to copies first sold in the United States. Because the importer relied exclusively on § 109(a) to defend the copyright claim, summary judgment was proper on that claim. Plaintiffs' motion for summary judgment was denied with respect to the trademark infringement and false advertising claims, but was granted with respect to the copyright infringement claim.
- **TM Infringement Not Constituted by Unauthorized Resale of Genuine Trademarked Goods Without More.** Generally, the resale of genuine trademarked goods, even if unauthorized, does not constitute trademark infringement. This is because consumers of resold genuine goods are not confused as to the origin of the goods. The origin of the goods does not change as a result of the resale. Under what has been called the "first sale" or "exhaustion" doctrine, the trademark protections of the Lanham Act are exhausted after the trademark owner's first sale of its product.
- **First Sale Doctrine Does Not Protect Seller of TM Goods that are "Materially Different."** The first sale doctrine does not protect alleged trademark infringers that sell trademarked goods that are "materially different" than those sold by the trademark owner. This is because materially different products that have the same trademark may confuse consumers and erode consumer goodwill toward the mark. A "material difference" is one that consumers consider relevant to a decision about whether to purchase a product. The threshold of materiality in this regard is low because a great number of considerations may influence consumer preferences.
- **Importation Protection Under 17 U.S.C. § 602(a).** The importation protection provision in 17 U.S.C.S. § 602(a) applies to copies that are not "lawfully made" under the United States Copyright Act, but under the law of some other country.
- **First Sale Protection Under 17 U.S.C. § 109(a).** The first sale protection of 17 U.S.C.S. § 109(a) applies only to copies first sold in the United States -- not to those manufactured and first sold abroad.

Total Control Apparel, Inc. v. DMD International Imports, LLC, 409 F. Supp. 2d 403 (S.D.N.Y. 2006)

- **Synopsis.** Plaintiff owner applied for a preliminary and permanent injunction preventing defendants, an importer and the stores, from using its trademark and requiring them to identify the allegedly infringing garments in their possession. The trademark owner's affiliate sold its assets to the importer. The affiliate's principal sold apparel bearing the mark to the stores. The owner filed infringement claims against the importer and stores. The court denied the owner a permanent injunction as premature. The court declined to issue a preliminary injunction because the owner failed to make a sufficient showing of irreparable harm and its likelihood of success on the merits depended on substantial factual issues, which were not sufficiently developed and concerned whether the owner granted the importer ongoing permission to use the mark. Given that the owner knew the importer was selling trademarked apparel to the stores when its chief executive officer (CEO) went to work for the importer, the owner's delay of 19 months in sending a cease and desist letter after its CEO severed his relationship with the importer rebutted a presumption of irreparable harm. The court found that, while the CEO's settlement agreement showed the owner's acquiescence in the use of the mark, it did not abandon the mark and unclean hands did not apply. The court held that a loss of business was not irreparable harm. The court denied the application for injunction, ordered the parties to submit a proposed case management plan to govern the remaining pretrial proceedings, and ordered the parties to inform the court of whether significant progress had been made toward settlement and whether they would consent to trial before a magistrate judge.

***United States v. Darwiche*, No. 04 Cr. 893-01 (RWS), 205 U.S. Dist. LEXIS 32850 (S.D.N.Y., Dec. 12, 2005)**

- **Synopsis.** Defendant was before the court for sentencing after he pled guilty to a violation of 18 U.S.C.S. § 2320. Defendant pled guilty to trafficking in handbags and other consumer leather goods, as well as tags for such goods, bearing counterfeit trademarked designs that he manufactured, in violation of 18 U.S.C.S. § 2320. The guideline for a violation of 18 U.S.C. § 2320 was found in U.S. Sentencing Guidelines Manual § 2B5.3, and provided for a base offense level of eight. Because the total loss attributable to defendant amounted to no more than approximately \$ 22,810, the offense level was increased by four levels. Since the offense involved the manufacture and importation of infringing items, the offense level was increased by two levels, but defendant showed recognition of responsibility for his offense, which resulted in a two level offense reduction. Defendant's resulting adjusted offense level was 12, and the guidelines range of imprisonment was 12 to 18 months. However, defendant was not eligible for probation. The sentencing court determined that the 366 days of imprisonment was appropriate, and that two years of supervised release was required. Moreover, defendant was ordered to pay a mandatory \$ 100 fine and was ordered to make restitution. Defendant was sentenced to a term of imprisonment of 366 days and two years supervised release. Defendant was ordered to make restitution in an amount of not more than \$ 22,810.
- **Possible Penalties for Trademark Counterfeiting.** For a violation of 18 U.S.C.S. § 2320, the maximum term of imprisonment that may be imposed is 10 years. If a term of imprisonment is imposed, the court may impose a term of supervised release of not more than three years. 18 U.S.C.S. § 3583(b)(2).

***United States v. Nippon Miniature Bearing Corp. and Minebea Co., Ltd.*, 25 C.I.T. 635, 155 F. Supp. 2d 707 (2001)**

- **Synopsis.** Defendants contested U.S. Customs' authority to determine that § 43(a), 15 U.S.C.S. § 1125(a), of the Lanham Act, was violated, and alleged that Customs could only bar admission of merchandise under § 43(b), 15 U.S.C.S. § 1125(b), of the Lanham Act pursuant to a court order finding a violation of § 43(a). The issue before the court was whether U.S. Customs could deny entry upon an independent determination that imported merchandise was in violation of § 43(a), or if U.S. Customs could deny entry only pursuant to a court order finding that § 43(a) had been violated. The court held that U.S. Customs could make an independent determination that § 43(a) had been violated. First, U.S. Customs had made such a determination in other contexts. Also, the court saw no reason why U.S. Customs should not be allowed to exercise similar authority in the context of false descriptions of merchandise. The defendants had not requested a pre-importation letter from U.S. Customs, although they could have. Moreover, the second part of § 43(b) provided the importer with a right to challenge U.S. Customs' determination to bar entry to falsely described goods. U.S. Customs had the authority to prevent importation of merchandise that it determined violated § 43(a). The court ruled in favor of the government that U.S. Customs could prevent importation of merchandise that U.S. Customs determined was falsely described.
- **Customs May Exclude Merchandise That Violates Lanham Act § 43(a).** The plain language of § 43(b), 15 U.S.C.S. § 1125(b), of the Lanham Act, and U.S. Customs regulation 19 C.F.R. § 11.13(a) indicate that Customs may deny entry to merchandise that violates § 43(a), 15 U.S.C.S. § 1125(a), of the Lanham Act.
- **Customs May Issue Letter Ruling.** In the context of the protection of trademark rights, U.S. Customs' determination in the form of letter ruling finding a violation of § 43(a), 15 U.S.C.S. § 1125(a), of the Lanham Act was held to be a permissible exercise of its authority.
- **Scope of Lanham Act Section 43(b).** Section 43(b), 15 U.S.C.S. § 1125(b), of the Lanham Act prohibits the importation of merchandise bearing a false country of origin or false description. As a practical matter, this provision is redundant of 15 U.S.C.S. § 1304. And pursuant to 15 U.S.C.S. § 1304 all merchandise imported into the United States must be marked with the country of origin. If the merchandise is not properly marked with the country of origin, it cannot be released from U.S. Customs custody and admitted into the country. Customs may utilize enforcement procedures when it finds that goods were not properly marked.
- **Court Order Not Required.** The language of § 43(b), 15 U.S.C.S. § 1125(b), of the Lanham Act does not specify that U.S. Customs is required to obtain a court order before acting to deny entry to merchandise that is in violation of the statute.
- **Customs May Act Independently.** While a civil action by a third party is one way to enforce the provisions of § 43(a), 15 U.S.C.S. § 1125(a), of the Lanham Act, both § 43(b), 15 U.S.C.S. § 1125(b), of the Lanham Act and 19 C.F.R. § 11.13(a) allow the U.S. Customs to act independently, though subject to review, to enforce § 43(a) at the border by denying entry to merchandise that violates its provisions.

***Vivitar Corp., Plaintiff v. United States*, 8 C.I.T. 109, 593 F. Supp. 420 (1984)**

Synopsis. Plaintiff corporation filed a motion for summary judgment, asking that the United States Customs Service exclude all imports bearing the corporation's trademark that were entered without its written consent. The corporation contended that 19 U.S.C.S. § 1526(a) gave it an unqualified right to demand such exclusion. The corporation was the owner of a certain trademark in the United States. It licensed foreign manufacturers to apply its trademark to a variety of photographic equipment, which were sold by intervenor. The corporation's wholly owned subsidiaries marketed this equipment outside of the United States and the subsidiaries were not licensed to market these goods in the United States. The corporation had not given its written consent to these particular imports and it contended that the plain language of 19 U.S.C.S. § 1526(a) gave it the right to require the exclusion of all goods bearing its trademark. Intervenor argued that the scope of § 1526(a) was much narrower. The court agreed and stated that Congress intended § 1526(a) as an additional remedy for violations of the law of unfair competition generally, and there was no evidence that Congress intended such a sweeping scope to § 1526(a), and the court declined to so interpret it. The court denied the corporation's motion for summary judgment because the court was reluctant to disturb the Customs Service's longstanding construction of the applicable statute.

- **Scope of § 1526(a).** 19 U.S.C.S. § 1526(a) states that except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of sections 81 to 109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15, unless written consent of the owner of such trademark is produced at the time of making entry.
- **Goods Manufactured Abroad Not Excludable Where TM Owner Authorized Application of Mark.** The Customs Service interprets 19 U.S.C.S. § 1526(a) to deny trademark owners the right to require the exclusion of trademarked goods manufactured abroad when the trademark owner has authorized the foreign manufacturer to apply the trademark to the goods. 19 C.F.R. § 133.21 (1983).
- **Scope of 19 C.F.R. § 133.21.** 19 C.F.R. § 133.21 provides: (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; (c) 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 (see §§ 133.2(d) and 133.12(d)); (3) The articles of foreign manufacture bear a recorded trademark or trade name applied under authorization of the U.S. owner.