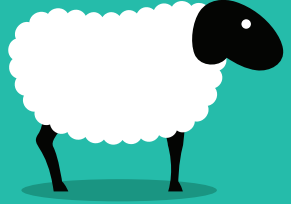
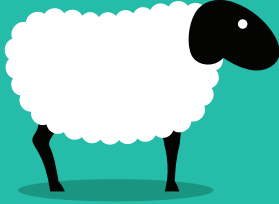
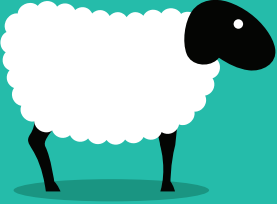
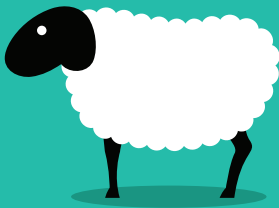
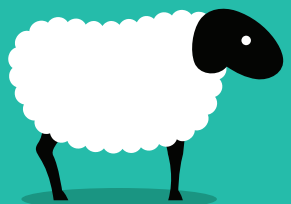
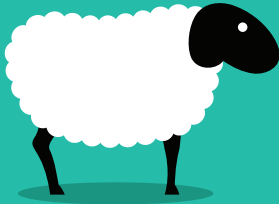


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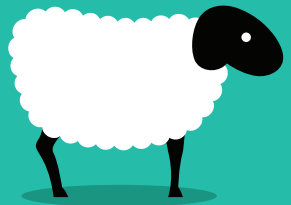
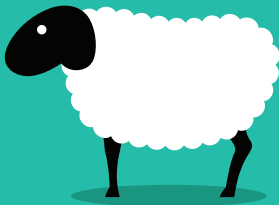
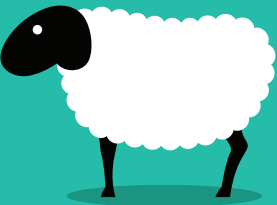
# Anti-counterfeiting 2016 A Global Guide



United States

Greenberg Traurig, LLP

*Steven J Wadyka Jr, Cameron M Nelson and Jeff Joyner*



## Our Trademark Litigation Team Assists Clients Around the Corner or Across the World

Counterfeiting is a global enterprise – a rapidly growing problem for companies in numerous industries around the world. Our attorneys have experience dealing with the manufacturing, sale, and distribution of unauthorized products throughout the world. To date, we have conducted and testified in legal proceedings in more than 50 countries.

We work with clients to:

- > Conduct complex litigation
- > Lead counterfeiting investigations
- > Conduct and testify in legal proceedings
- > Work with local authorities to address problems where traditional IP-based solutions are either limited or not available
- > Handle anti-counterfeiting actions and related criminal proceedings

**We are proud to appear as authors in World Trademark Review  
*Anti-counterfeiting 2016 – A Global Guide***

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# United States

Greenberg Traurig, LLP



Authors

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## Legal framework

Civil counterfeiting enforcement primarily falls under the Lanham Act (15 USC Section 1051), while criminal counterfeiting enforcement primarily falls under 18 USC Section 2320. Although many states have their own laws imposing civil and criminal penalties for counterfeiting, most anti-counterfeiting actions in the United States apply federal law.

A rights holder must register its trademark before it can take advantage of federal anti-counterfeiting laws. These laws define a 'counterfeit mark' as "a spurious mark which is identical to, or substantially indistinguishable from, a registered mark". A mark which is merely confusing may not qualify as a counterfeit mark; a counterfeit mark must be "substantially indistinguishable" from the registered mark.

In a civil anti-counterfeiting matter, the rights holder may pursue a seizure order, temporary restraining order and preliminary injunction at the beginning of the case. It may also seek an order freezing the counterfeiter's assets, as well as an order granting expedited

discovery into the counterfeiter's business and operations. At the conclusion of the case, the rights holder may elect actual damages or statutory damages, a permanent injunction and attorneys' fees. The minimum statutory damages are \$1,000 per mark per type of goods. The maximum statutory damages are \$200,000 per mark per type of goods for non-wilful counterfeiting and \$2 million per mark per type of goods for wilful counterfeiting.

In a criminal anti-counterfeiting matter, for a first offence the government may seek up to \$2 million in fines and up to 10 years' imprisonment. For a subsequent offence the government may seek up to \$5 million in fines and up to 20 years' imprisonment. In practice, fines and sentences in criminal anti-counterfeiting matters are significantly below these maximum numbers.

Grey-market goods are not considered to be counterfeit and the sale or distribution of these types of goods is not treated as a criminal violation; however, grey-market goods may be considered infringing under other provisions of trademark, patent or copyright law.

## Border measures

### Customs and Border Protection

US Customs and Border Protection (CBP), part of the Department of Homeland Security, is the federal agency responsible for addressing counterfeit goods at the border. CBP can seize suspected counterfeit goods at any of the hundreds of ports of entry into the United States.

To enable CBP agents to spot potential counterfeits, rights holders must provide CBP with information about their intellectual property. Accordingly, rights holders can record their trademarks and other intellectual property with CBP. Recording a trademark with CBP costs \$190 per class of goods and can be completed online.

Rights holders can also provide additional information to assist CBP agents in identifying counterfeit goods. For example, rights holders can provide photos, samples and other information that would allow CBP agents to identify a counterfeit product. Rights holders should also provide CBP agents with the identities of known sources of counterfeit products. Information about the rights holder's legitimate products may also help CBP agents to spot potentially counterfeit products. For example, if the rights holder's genuine products are only imported from a certain country or received at a certain port, that information can help CBP to identify shipments of counterfeit goods. Some rights holders also arrange training for CBP agents to help them to identify counterfeit goods.

If CBP agents identify suspected counterfeit goods, CBP may notify the

rights holder (or its counsel) of the date of import, the port of entry, a description of the suspected infringing merchandise, the quantity of goods, the country of origin and – in some instances – the name and address of the manufacturer, exporter or importer. CBP may also send a sample of the suspected infringing merchandise to the rights holder for authentication and may ask it to confirm that the suspected counterfeit goods are in fact counterfeit. Rights holders should respond to CBP inquiries promptly.

Rights holders should regularly update CBP regarding suspected counterfeit activity, including updating recordations, identifying known manufacturers or suppliers of counterfeit goods and keeping CBP apprised of authorised distribution channels. Knowledge of authorised distribution channels helps CBP to avoid mistakenly seizing genuine goods while simultaneously helping it to identify suspicious shipments that do not fall within the regular distribution chain.

A recently enacted law significantly enhances protection for rights holders. The Trade Facilitation and Trade Enforcement Act of 2015, signed into law by President Obama on February 24 2016, grants CBP expanded powers to combat the import of counterfeit goods. Among the key provisions of the new law is Section 116 of Title I, relating to the duties of customs brokers. Prior to enactment of the Trade Facilitation and Trade Enforcement Act, counterfeiters could avoid detection by providing fraudulent documentation of their shipments. The Trade Facilitation and Trade Enforcement Act seeks to close this loophole by requiring customs



**Knowledge of authorised distribution channels helps CBP to avoid mistakenly seizing genuine goods while simultaneously helping it to identify suspicious shipments that do not fall within the regular distribution chain**

brokers to undertake due diligence regarding the identity of their customers beyond simply obtaining a valid power of attorney.

CBP is also the agency which enforces International Trade Commission (ITC) orders.

### **International Trade Commission**

Rights holders may also seek an exclusion order from the ITC under Section 337 of the Tariff Act 1930. The ITC is staffed by administrative law judges. Proceedings in the ITC are similar to proceedings in federal court, with some minor rule changes. Like a federal district court, the ITC can issue temporary exclusion orders. An exclusion order may be directed to specific parties or more generally to a particular product – although CBP agents charged with enforcing a general exclusion order may have more success if they have information about the origin of the infringing products.

ITC Section 337 proceedings allow a rights holder to assert unregistered common law trademark rights, in addition to any federally registered trademark rights. However, they can be brought only by US companies that have sufficient ‘domestic industry’ activity and may be more expensive than district court actions. Further, Section 337 actions are only for accused goods entering the United States. A recent Federal Circuit case held that electronic files imported or transmitted into the United States do not fall within the ITC’s jurisdiction.

### **Criminal prosecution**

A rights holder may prefer to let US law enforcement agencies address a particular counterfeiting problem. Both federal and state agencies may pursue counterfeiting charges against a defendant. At the federal level, 18 USC Section 2320 provides for criminal penalties for intentional or unauthorised use of a counterfeit trademark. The criminal penalties for first-time offenders are up to 10 years’ imprisonment and a \$2 million fine in the case of an individual; or a \$5 million fine in the case of a corporation or entity. For repeat offenders, the act calls for a penalty of up to 20 years’ imprisonment and a \$5 million fine in the case of an individual; or a \$15 million fine in the case of a corporation or

entity. The government may seek enhanced penalties for acts of counterfeiting which cause serious bodily injury, including life imprisonment where a defendant knowingly or recklessly causes or attempts to cause death in connection with criminal counterfeiting. The government may also seek enhanced penalties in cases involving criminal counterfeiting of military goods or services or counterfeit drugs.

Under the Anti-counterfeiting Consumer Protection Act of 1996, the government may also prosecute an organisation trafficking in counterfeit goods under the Racketeer Influenced and Corrupt Organisations (RICO) Act. The act permits seizure of the counterfeit goods themselves, as well as property, equipment, storage facilities and vehicles associated with the manufacture and transport of counterfeit goods. A RICO prosecution may be appropriate where a rights holder is faced with widespread distribution of counterfeit goods across several states.

Counterfeit goods seized by the government in a criminal prosecution are typically destroyed. Further, the accused counterfeiters are typically required to reimburse victims (including rights holders) of their crimes. However, these reimbursements tend to be smaller than the penalties that a rights holder would obtain if it pursued the case civilly. As discussed below, in a civil case a rights holder can seek its lost profits, statutory damages, an accounting of profits and attorneys’ fees.

### **Civil enforcement**

A rights holder may enforce its rights in civil litigation as an alternative or in addition to criminal prosecution. In order to pursue counterfeiting claims in federal civil litigation, the rights holder must have a federally registered mark.

In order to pursue civil litigation, a rights holder will typically conduct its own private investigation into the accused counterfeiter’s activities. This may include arranging purchases of the counterfeit products, researching the counterfeiters’ supply chain, identifying additional potential defendants and confirming the counterfeit nature of the goods in question. The evidence from

this initial investigation is ordinarily used to support a request for a seizure order, temporary restraining order or preliminary injunction.

Civil litigants may seek actual damages or profits, injunctive relief, statutory damages and attorneys' fees. Statutory damages can range from \$1,000 to \$200,000 per counterfeit mark per type of goods. Where infringement is wilful, statutory damages of up to \$2 million are available. The availability of statutory

damages is particularly beneficial in cases involving counterfeit goods, where evidence regarding actual sales or profits of the infringer may be difficult – if not impossible – to obtain. Statutory damages are set by the judge hearing the case.

#### Civil seizures

At the beginning of a civil counterfeiting case, a rights holder can ask for an *ex parte* seizure order under 15 USC Section 1116(d)(1)(A). This



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Steven J Wadyka Jr is a shareholder with Greenberg Traurig and serves as head of its anti-counterfeiting group. He represents parties in trademark infringement, copyright infringement, trade dress infringement, trademark dilution, false advertising, anti-counterfeiting and unfair competition litigation in federal courts throughout the United States. He serves as lead counsel in trademark and anti-counterfeiting litigation, handling matters such as expedited injunction hearings, jury and non-jury trials, and trademark opposition and cancellation proceedings before the Trademark Trial and Appeal Board. He obtains *ex parte* seizure and asset freeze orders to combat the distribution and sale of counterfeit goods, and handles cases under the federal Anti-cybersquatting Consumer Protection Act to enforce the rights of trademark owners against abusive domain name registrations.



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Cameron M Nelson is a shareholder in Greenberg Traurig's IP department and assists Mr Wadyka in leading Greenberg Traurig's anti-counterfeiting practice. In his anti-counterfeiting practice, he has managed dozens of anti-counterfeiting investigations. He has obtained dozens of civil seizure orders and has assisted clients in the seizure and destruction of millions of dollars of counterfeit goods. Mr Nelson's anti-counterfeiting experience includes extensive coordination with law enforcement, nationwide seizures of counterfeit goods, freezes of counterfeiters' assets and enforcement of anti-counterfeiting judgments both in the United States and abroad.

allows a rights holder to take the counterfeit goods out of circulation at the beginning of the case if it can prove that:

- a seizure order is the only adequate remedy;
- it is likely to succeed on the merits of the case;
- it will suffer immediate and irreparable injury if the seizure is not ordered;
- the counterfeit goods will be located at the place identified by the plaintiff; and
- the defendant will destroy, move or hide



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Jeff Joyner has represented clients in trademark, patent and copyright protection, licensing, enforcement, litigation, trials and appeals. In particular, he has been very active in litigating lawsuits throughout the United States and abroad involving anti-counterfeiting, patent infringement, trademark infringement, trade dress infringement, copyright infringement, reverse confusion, dilution, unfair competition, contractual disputes, licensing disputes, domain name disputes and rights of publicity. Based on decades of experience in IP litigation, Mr Joyner has recovered over \$300 million through civil, criminal and border seizures, restitution, judgments, settlements and exclusion orders in more than 150 matters. He also represents individuals and companies before the US Patent and Trademark Office. Mr Joyner has advised companies globally regarding agreements for licensing, distribution, manufacturing and joint venture.

the goods if it is given advance notice of the seizure.

A typical request for civil seizure should be supported by detailed sworn affidavits, as well as a memorandum of law, in order to ensure that the points above have been adequately supported. Civil seizures of counterfeit goods are relatively common in the United States, though they may be more difficult to obtain in some circuits than in others. Requests for civil seizure orders are often accompanied by requests for a temporary restraining order, preliminary injunction, asset freeze and expedited discovery.

### **Anti-counterfeiting online**

Online sales of counterfeit goods remain a substantial problem for rights holders. Sellers of counterfeit goods, typically located outside the United States, create accounts on popular websites to sell counterfeit goods. Rights holder's attempts to identify these sellers are complicated by the sellers' use of incomplete or inaccurate identification information.

A rights holder must first monitor these sites, or other sites relevant to the rights holder's business, to identify the scope of the problem. Some rights holders handle this monitoring in-house. Others engage outside counsel or other outside service providers to conduct this monitoring. Rights holders often provide consumers with an email address that they can contact if they have obtained suspected counterfeit goods; and some rights holders go so far as to replace counterfeit goods returned by consumers in exchange for information about where the consumer obtained the defective product.

Once a rights holder identifies an online counterfeiting problem, it must assess how a US court might exercise jurisdiction over that particular act of counterfeiting. Although counterfeiters are often not located in the United States, it is possible to exercise jurisdiction over their counterfeiting activities if, for example, they are using a US-based payment processor to handle their transactions. A US federal court may be persuaded to freeze the counterfeiter's US-based financial accounts, for example, in a civil lawsuit.

Rights holders can also combat online sales of counterfeit goods by reducing demand for the counterfeit products. This may take the form of providing educational information about counterfeiting directly on their websites. The particular form of this information may vary: some rights holders may provide consumers with information on how to identify a counterfeit product; others may identify trusted sellers of genuine goods and encourage consumers to do business with those sellers; yet others may emphasise the lack of reliability or potential safety issues in the counterfeit goods.

A developing area of US law presents both opportunities and challenges for rights holders seeking to combat online counterfeiting. The legal concepts of vicarious and contributory liability (whereby a party may be held liable for the trademark infringement or counterfeiting by another) can enable a rights holder to seek relief against an online service provider located in the United States that facilitates the infringing activities of parties located in remote regions of the world which either may not be subject to jurisdiction in the United States or may be impossible to identify. Under US law, liability can exist where one induces another to infringe a trademark or continues to provide services to another whom it knows or has reason to know is engaging in trademark infringement. In the online



**Some rights holders go so far as to replace counterfeit goods returned by consumers in exchange for information about where the consumer obtained the defective product**

space, potential liability may exist against a range of online service providers, including online marketplaces, search engines, auction sites, web hosting companies and credit card payment processors. However, the law on this issue is in a state of flux, with courts rendering widely divergent holdings. One court recently observed that the law is lagging behind technology and called for US Congress to intervene. Before commencing a civil action, rights holders must therefore carefully consider whether the law in a particular US jurisdiction will support a claim against an online service provider.

#### **New developments: trends in online counterfeiting**

The Office of the US Trade Representative (USTR) reported that online sales of counterfeit goods increased by 15% in 2015. The industries most affected were retail, electronics, pharmaceuticals and luxury goods. According to the USTR report, cybersquatting and typosquatting continue to be among the most commonly used methods by counterfeiters to hijack online traffic. Other methods include manipulation of search engine results to direct traffic to 'rogue' websites selling counterfeit goods.

The USTR report highlights the need for rights holders to exercise heightened diligence when policing their brands online. An effective anti-counterfeiting strategy must include measures to monitor online activity and take prompt legal action to remove counterfeits from the marketplace, whether through takedown procedures or federal court action.

#### **Preventive measures/strategies**

A comprehensive anti-counterfeiting strategy in the United States focuses attempts to address the problem at all possible levels.

First, rights holders should register their trademarks with the US Patent and Trademark Office and their copyrights with the US Copyright Office.

Second, they should record both trademarks and copyrights with CBP. Rights holders should also:

- establish contact with CBP personnel at the ports most likely to see counterfeits



- of the rights holders' products;
- offer to train CBP personnel on ways to identify counterfeits;
- establish contact with the appropriate CBP Centre of Excellence; and
- regularly update the information provided to CBP.

Third, they should monitor the relevant marketplace for potentially counterfeit products. This includes monitoring online auction sites as well as brick-and-mortar locations where potential counterfeits are likely to pop up.

Fourth, they should ensure that they have positive, trusting relationships with both their suppliers and distributors, as these often provide a way for counterfeit goods to infiltrate the marketplace.

Finally, they should consider placing on their products appropriate anti-counterfeiting

markings (eg, holograms, heat-sensitive inks, serial numbers, digital fingerprints and watermarks) in order to make it easier to detect counterfeits. **WTR**



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