

International Trade Alert

April 2012

CBP Adds a New Tool to its Anti-Counterfeit Arsenal: New Rule Brings IP Rights Holders into Pre-seizure Investigative Process

Tuesday, April 24, 2012, U.S. Customs and Border Protection (“CBP”) issued a new Interim Rule that, effective immediately, enhances the effectiveness of its anti-counterfeit operations. 77 Fed. Reg. 24,375. The rule amends 19 C.F.R. Part 133 and authorizes CBP field agents, subject to certain limitations, to share information with Intellectual Property (“IP”) rights holders in order to assist CBP in determining whether merchandise bears a “counterfeit mark.” The revisions also include a clarification to CBP’s definition of “counterfeit trademark” for consistency in enforcement.

Do These Changes Remedy the Challenges You’ve Been Facing?

The Interim Rule, which for many importers fighting against imported counterfeit products has been a long time coming, is open for comment until **June 25, 2012**. If you are an importer or an IP rights holder struggling against the ever-more sophisticated techniques of the counterfeit market, it is important to ensure that CBP’s Rule works for you.

The Interim Rule authorizes CBP to disclose to IP right holders, for limited purposes, information it had previously refused to release out of concern that it might be protected under the Trade Secrets Act (“TSA”), an Act which prohibits government employees from disclosing confidential information obtained in the course of their governmental duties. 18 U.S.C. § 1905, Pub. L. 96-349, as amended. CBP previously had interpreted the TSA from providing information to IP rights holders regarding imports that may contain counterfeit merchandise.

Under the new Interim Rule, CBP field agents now have the authority to share certain information with the IP rights holders when CBP “reasonably suspects that such merchandise and/or packaging may bear a counterfeit mark.” In this scenario, the information CBP would share with the rights holders may be in the form of photographs, samples, retail packaging in their condition as presented to CBP for examination and alphanumeric codes appearing on the goods. The information may also include serial numbers, universal product codes and stock keeping unit (SKU) numbers appearing on the imported merchandise and its retail packaging.

Pre-Seizure Process Established

The Interim Rule creates a pre-seizure process that specifies when and how CBP will disclose information about imported merchandise suspected of bearing a counterfeit mark for the limited purpose of obtaining the rights holder’s assistance in determining whether the mark is counterfeit or not. The procedure is as follows:

- CBP has 30 days from the date of importation to determine whether it has reasonable suspicion that the merchandise bears a counterfeit mark and will be detained;
- CBP must notify the importer within five (5) days of its decision to detain that CBP will disclose information about the merchandise to the owner of the mark;
- Upon receipt of this notice, the importer has seven (7) days to establish that the marks are not counterfeit; and
- CBP releases information, images and samples to the IP rights holder only if the importer does not demonstrate that the goods are not infringing within the seven days.

The Interim Rule also clarifies the definition of “counterfeit trademark” at Part 133.21(a). The amended definition specifically uses the word “mark” instead of “trademark,” and provides as follows: “[a] counterfeit mark is a spurious mark that is identical with, or substantially indistinguishable from, a mark registered on the Principal Register of the U.S. Patent and Trademark Office.”

Statutory Basis

CBP looks to both the National Defense Authorization Act of 2011, enacted on December 31, 2011, and

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the Administrative Procedure Act as statutory authority for these changes. In issuing the rule, CBP states that its intention is to remove ambiguity about authority to disclose information under the TSA and to clarify that its disclosure authority extends to all imports, and not just those associated with military sales, as some have argued.

Congress has also been active on this issue. While several bills introduced in 2011 contain similar operative provisions to the CBP rule, one bill was introduced as recently as March 20, 2012 in the House of Representatives. The legislation, known as the Foreign Counterfeit Prevention Act (H.R.4216), was the subject of a March 28th hearing before the House Judiciary Subcommittee on Crime, Terrorism and Homeland Security.

If your business is impacted by counterfeit imports, and you are interested in submitting comments by the June 25, 2012 deadline or understanding how the procedures introduced under the Interim Rule may benefit your cross-border activities, please contact Venable's **International Trade and Customs Group** for assistance.