



## Record Your Trademark Registration With Customs to Effectively Combat Counterfeiting

A company's trademark is one of its most valuable assets because its function is to identify the source of a specific product. Trademarks embody the goodwill and reputation developed from the quality of the product. Trademark law provides rights to that trademark, ensuring that others will not take advantage of what a company has invested over time to establish. As the world of counterfeiting continues to grow, your company may need added protection of its trademark.

Counterfeiting affects a wide variety of industries, ranging from footwear, wearing apparel, handbags, wallets, and backpacks, computers/hardware, consumer electronics, media, headwear, health care, watches/parts, and pharmaceuticals, just to name a few. The Department of Homeland Security reported that from 2000 through 2006, the number of IPR border seizures increased nearly five-fold, and the domestic value of all of the seizures from 2006 equaled \$155 billion. Clearly, counterfeiting is a very real threat to not only many company's bottom line profits, but also the national and global economies. Furthermore, counterfeiting funds illegal crime organizations and directly impacts public safety.

The Lanham Act offers civil penalties for infringement of a trademark while The Federal Trademark Counterfeiting Act (TCA), criminalizes the trafficking of counterfeit "goods or services" It used to state, in pertinent part, as follows: "[w]hoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services ..." The ambiguity of the TCA, however, lay in the fact that the definition of "goods" did not specifically include the term "component parts." Accordingly, counterfeiters have evaded prosecution under the TCA by importing counterfeit component parts separate from fully assembled counterfeit products.

A circuit split reinforced the ambiguity, creating legal precedence to what became known as the "label loophole." As a result of the "label loophole", trafficking in counterfeit component parts increased and actually became one of the top ten items seized at the U.S. border.

In 2006, Congress finally responded to the circuit split by closing the "label loophole", erasing any notion of ambiguity by specifically defining that component parts are included in the definition of "goods". The amended language of the TCA now states as follows: "[w]hoever intentionally traffics or attempts to traffic in goods or services ... , or intentionally traffics or attempts to traffic in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature, knowing that a counterfeit mark has been applied thereto [...]" Accordingly, the language of the TCA now clearly forbids trafficking in counterfeit component parts.

Presumably, trafficking in counterfeit component parts will dwindle and stop, although it remains to be seen as to how this will actually affect counterfeiting on both a national and global scale. However, the amendment certainly provides an added level of protection for trademark holders, as counterfeiters cannot evade criminal prosecution under the TCA for trafficking unassembled counterfeit products.

Your company may want to consider precautionary measures to combat the possibility of counterfeiting your company's trademark. First, if your company's trademark is not yet registered, you may want to pursue registration of that trademark, whether in the U.S. or in any other country where your company does business.

Once you obtain a registration of your trademark, you may want to record your trademark registration with the Customs office in the U.S. and/or in the country of concern so that any import of counterfeit goods or services may be seized. Recording your registrations with Customs is relatively inexpensive compared to the lost profits from counterfeit product sales and perhaps more importantly, can avoid damage to your company's good will and reputation from inferior counterfeit products.

Please contact Rita E. Kline at (216) 621-2234 x 121 or [ritakline@tarolli.com](mailto:ritakline@tarolli.com) if you would like to learn more about trademark Customs recordation procedures.