

PROFESSIONAL POINTERS

HOW BRAND OWNERS CAN USE THE ITC TO KNOCK OUT KNOCKOFFS

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All brand owners know the harm counterfeits and knockoffs do, stealing sales and wrecking reputations. Unfortunately in this age of digital commerce and increasing online purchases, this threat is only growing. While fighting fakes can be tricky and expensive, there is a lesser-known legal venue where such battles can be cost-efficient and effective—the [U.S. International Trade Commission \(ITC\)](#), whose General Exclusion Order is a greatly underutilized tool for companies looking to fight an increasingly widespread knockoff epidemic.

The struggle of brand owners to fight counterfeits and knockoffs has been aptly described as a game of whack-a-mole. Companies usually focus on two methods: either filing lawsuits in the U.S. district courts or registering their trademarks with U.S. Customs. However, all too often these methods come up short. First, overseas knockoff artists selling over the internet are both hard to find and difficult for U.S. courts to obtain jurisdiction over. Further, the plethora of infringers means brand owners have to sue in multiple courts, increasing costs and the amount of hassle. Intellectual property owners expend money, time, and effort obtaining an injunction against a counterfeiter, or getting knockoffs removed from one website, only to find that the infringer evades the injunction by changing their name or address, simply ignoring it, or refusing to pay any awarded damages. Registering a trademark with U.S. Customs can be useful in certain circumstances, but does not apply to patents, design patents, unregistered trademarks, distinctive trade dress or non-trademarked aspects of branding and packaging, nor can it be used to stop true knockoffs (which do not use the brand name or logo) (See [A-CAPP Glossary](#)).

Companies fighting fakes, including those fakes that may take the form of the above, should be considering a different venue: the ITC, an independent government agency. The ITC is the most efficient, cost-effective way for companies to stop counterfeits and knockoffs from coming into the United States, particularly when the items are being sold over the internet and it is difficult to locate the actual source of the fake goods.

The ITC has many functions, including protecting intellectual property through proceedings under [19 U.S.C. Section 1337](#), often referred to simply as “Section 337.” ITC proceedings are “in rem” (See [A-CAPP Glossary](#)) and therefore focus on infringing products, not the makers of the products, and parties who are successful in their Section 337 actions obtain either Limited Exclusion Orders or General Exclusion Orders.

A brand owner who receives an ITC General Exclusion Order receives the right to have U.S. Customs stop any goods that infringe its intellectual property—be it a design patent, trademark, trade dress, grey market, copyright or even false advertising—from entering the United States. The infringing goods are stopped at the border, regardless of where they are coming from and who is attempting to import them. The order is not limited to named infringers or even to products that were being produced at the time the order went into effect. It is effective even when the sellers change their names, locations, or distribution channels, or sell too few to make prosecution cost-effective, yet collectively sell enough to harm. Therefore, results may be more effective than whack-a-mole methods.

Section 337 proceedings cannot take longer than 16 months. However, in many, if not most, knockoff cases, the defendants default (do not respond as required) so relief is obtained in less than a year and with significantly less expense than most companies anticipate, because there is no opposition.

The procedure for obtaining a General Exclusion Order is somewhat similar to litigation in the district courts, but with some significant differences, the most relevant of which are the involvement of the ITC staff, having an administrative hearing rather than jury trial, and speed. Although the ITC generally follows the same substantive law of patent and trademark infringement as the district courts, ITC proceedings may also encompass common law trademarks, trade dress violations, passing off, deceptive advertising, and other practices falling in the category of “unfair methods of competition” or “unfair acts.” However, to take advantage of the ITC, the rights owner must not only own the relevant intellectual property, but must also have a “domestic industry” in the United States, which is determined by examination of their U.S. investments and activities.

Companies in many industries have taken advantage of the ITC’s procedures. Louis Vuitton, Converse, Segway, Canon, and Otterbox have used ITC proceedings as part of their brand protection strategy, as have companies like Phillip Morris (to fight counterfeit cigarettes) and Sharpie (to stop, for example, “Sharpei” indelible markers).

Some examples illustrate the benefits: Crocs foam footwear were all the rage in the early 2000s. However, success bred a flood of cheap imitators, which swamped the market with knockoffs. To stop the inflow, Crocs filed a complaint with the ITC asserting both its utility and design patents, and also asserting that its products’ distinctive appearance and image were protected trade dress. The brand prevailed and the ITC issued a General Exclusion Order barring all knockoffs, which infringed Crocs’ patents from entering the United States.

Farouk Systems Inc., owner of the “CHI” trademark used for high-end hair irons and hair products, was faced with a flood of counterfeits and knockoffs coming in through websites, distributors, and eBay. Farouk filed over 21 lawsuits in the U.S. district courts, hired a company to monitor websites selling unauthorized products, and worked with eBay to prevent sales of knockoffs and was still unable to stop the tide of infringing products. It finally turned to the ITC and received a General Exclusion Order barring all counterfeits and knockoffs from entering the United States. The case was completed with only a single deposition taken and a motion for summary judgment. No hearing was necessary and the General Exclusion Order issued 15 months after the case began.

The ITC does have some disadvantages—no damages for past sales are available to brand owners, its tricky procedural rules and extreme speed can be difficult for those inexperienced in the forum, and it requires that the brand owner have significant U.S. operations—but for those that meet its criteria, the ITC can be a powerful weapon in cutting off a flood of knockoffs that more brand owners should take advantage of.

Aarti Shah was formerly a Senior Investigative Attorney at the ITC. She now focuses her practice on intellectual property and patent litigation, particularly for innovators, with a focus on the ITC. She handles a wide range of intellectual property disputes, including trademark, trade secret, and patent, in many industries, including cosmetic, high-tech, food, and medical.