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HUNTING PIRATES AT THE ITC: A COST-EFFECTIVE APPROACH TO BRAND PROTECTION

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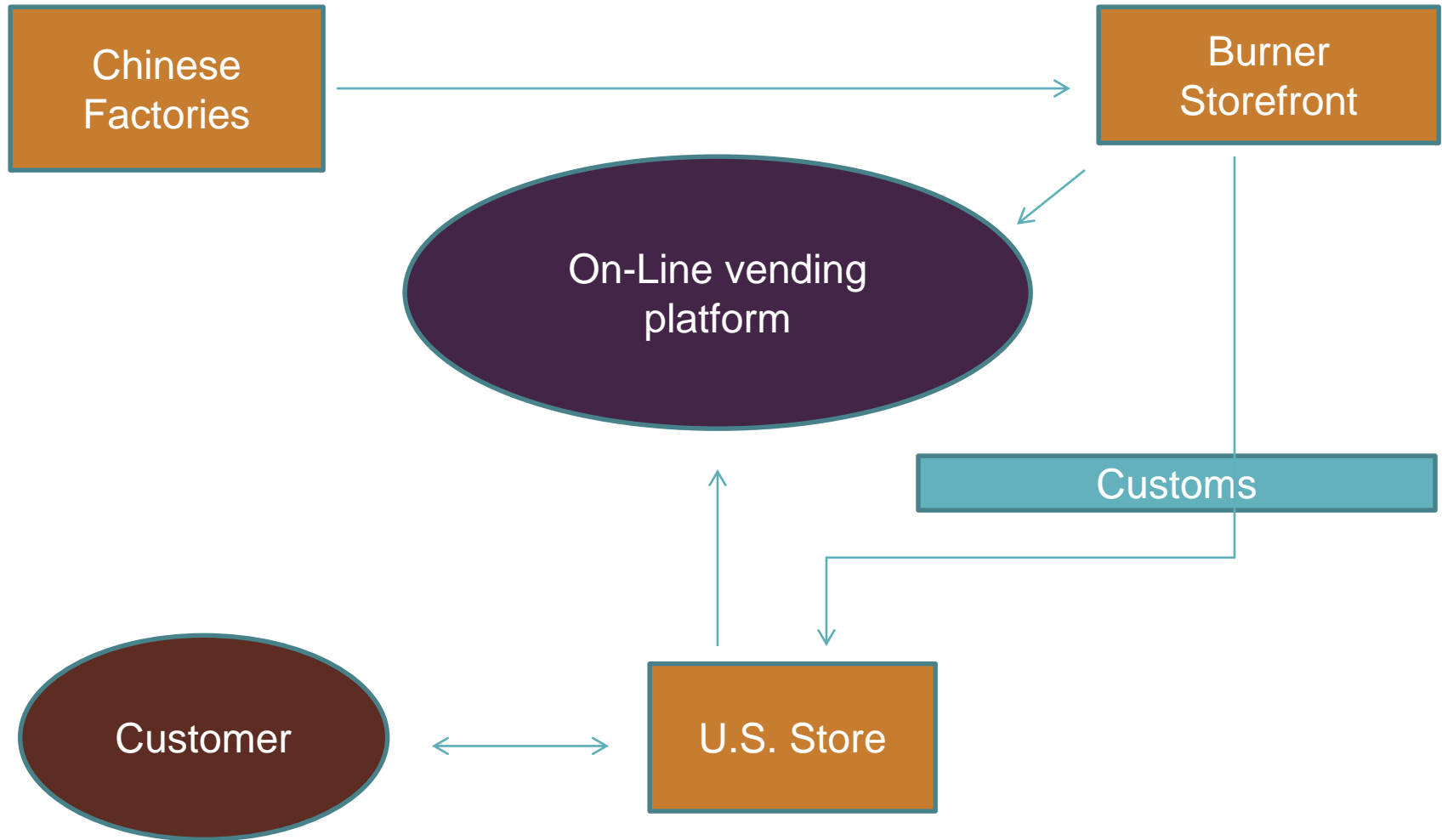
PIRACY

- Infringing goods
 - Patent infringement
 - Trademark infringement
 - Copyright infringement
- Fake goods
- Grey market (parallel imports)

**Going to a baseball game and
looking to make a little extra
beer money?**

How pirates work

THE PIRATE MODELS



6,806 items found for **baseball jersey mlb**

Related Keywords : white baseball balls, orange jersey embroidery, george brett, atlanta braves snapback

Brand:

ZekalMeka

LRVBIKS

Price:

\$

- \$

Min Order: less than

Unit(s)

Ship to:

United States

DHL-

On Sale

Free Shipping

Wholesale

Customer Review

In Stock

Sort by: **Best Match**

Price

Bestselling

Recently Listed

Customer Review



2016 MLB Flexbase Washington Nationals Jerseys Daniel Murphy

US \$ 16.59 - 22.96 / Piece

Free shipping Via ePacket (Standard)

Min. Order: 1 Piece

(52 Customer Review)

Seller: jayjerseystore (99.6%)

Save \$10: With Coupon



Boston Red Sox #34 David Ortiz Navy Blue Usa Flag Gray Red Black White

APP-only **US \$ 14.93 - 23.81**

US \$ 15.10 - 23.87 / Piece

~~US \$ 18.50 - 28.21~~ / Piece

Free shipping Via ePacket (Standard)

Min. Order: 1 Piece

(31 Customer Review)

Seller: tradeleadercn (99.4%)

Home > Sports & Outdoors > Athletic & Outdoor Apparel > Baseball Wear > Baseball Jerseys > Product detail



[See larger image](#)



Share on



als Jerseys Daniel Murp
rg Jersey Blue Red Whi



15 +
US \$20.84

20 +
US \$18.75

Shipping Cost: **Free Shipping** to United States Via ePacket

Estimated delivery time: May 17 and Jun 2, ships out within 5 bu

Total Cost: The total price will depend on the final product features you select

[Buy it Now](#)

[Add to Cart](#)



Jay Jersey Store

Add To Favorite Stores (478)

1st year

99.6% Positive Feedback 5753 Transactions

[Message Seller](#)



In this store



MLB Jersey , NHL Jersey , chicago cubs jersey

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[Store Home](#) > [About us](#)

About Us

[Store Introduction](#)

[Basic Information](#)

Store Introduction



Hi, the factory and post office is not work in chinese new year holiday already, the order is available but will ship out on February 6th. Regards! Jay

Basic Information

Company Name: Jay Jersey Store

Business Type:

Location: Fujian, China (Mainland)

Year Established: May 2016

Main Product(s)/Service: Jay Jersey Store

Contact Us

[Message Seller](#)

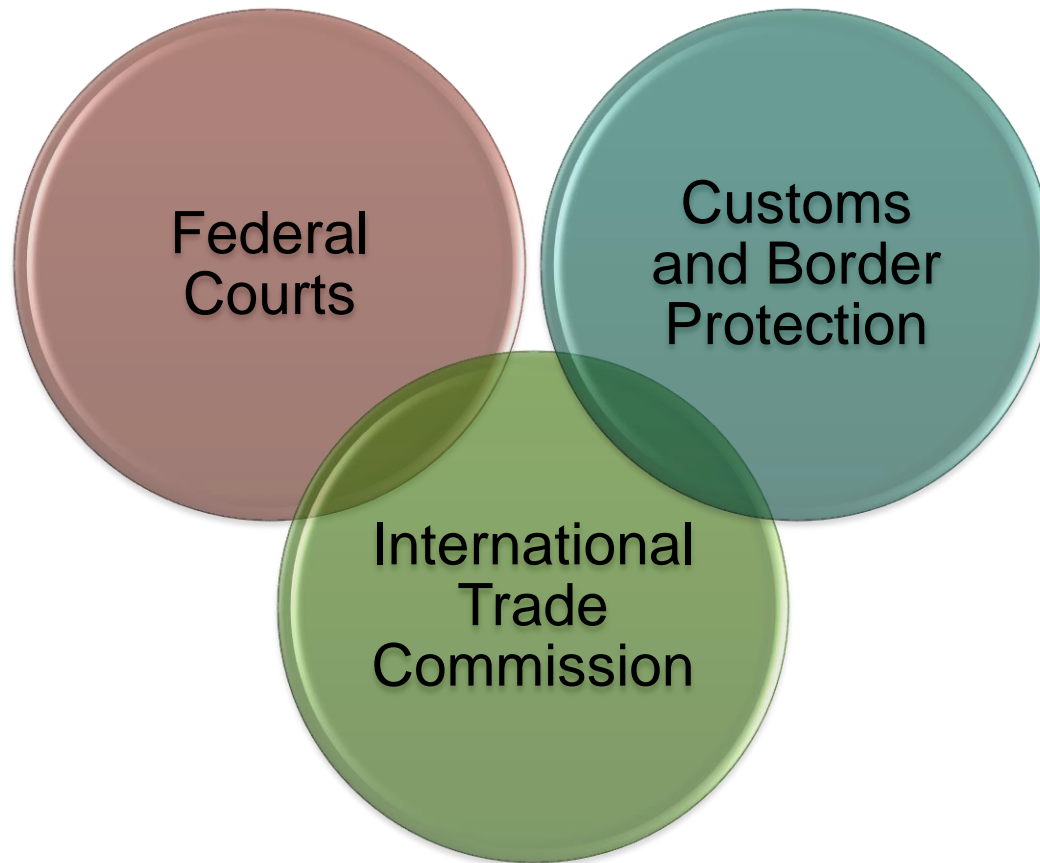
Purchase Flow



1. Buyer searches for products and places an order at [REDACTED]; search for and evaluate an item, communicate with Seller, and then add to cart.
2. Buyer makes payment, which [REDACTED] will hold until Buyer authorizes its release to Seller.
3. Seller delivers package. When the payment is confirmed, Buyer will get tracking information.
4. Buyer receives package and checks quality and quantity of item(s).
5. Buyer completes order and gives feedback and product review; payment is released to Seller.

Your tools for hunting pirates

YOU HAVE SEVERAL DIFFERENT TOOLS



Use All of Them!

YOUR TOOLBOX

- District Court
 - 28 U.S.C. § 1338 - Patent, Copyright & Trademark
- ITC
 - 19 U.S.C. § 1337(a) - Patent, Copyright & Trademark
- CBP
 - 19 C.F.R. § 133.1 - Trademark
 - 19 C.F.R. § 133.31 - Copyright

PIRATE HUNTING PROBLEMS

- Reaching the factories
- Limits on suing the agents
- “Helpful friendlies” (websites)
- Customs and Border Protection – a finger in the dike
 - Low fines
 - Cost of finding and confiscating

THE BURDEN TO POLICE

- *Tiffany Inc. eBay Inc.*, 600 F.3d 93 (2nd Cir. 2010)
 - Trademark infringement
 - Not liable under *Inwood Labs v. Ives Lab.*, 456 U.S. 844 (1982) because of take down
- *Milo & Gabby, LLC v. Amazon.com*, C13-1932 (W.D. Was.)
 - Design patent
 - No liability (not offering for sale)

MOST COMMON ENFORCEMENT METHODS AND THEIR DRAWBACKS

Courts

- Personal jurisdiction and service
- Limited defendant pool
- Currently existing product
- Past damages for infringement

Customs and Border Protection

- Register mark/copyright
- Have to find infringing products
- Low fines

WHAT IF

- You could name the distribution chain?
- You could impose substantial financial liability to prevent recidivism?
- You could get the U.S. Government to pay for a large portion of your enforcement?

WELCOME TO THE ITC

United States International Trade Commission is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade



THE ITC OPTION

- *In rem* jurisdiction
 - Worldwide service
- Large respondent pool
- Title defines scope of products at issue
- Orders cover future products that infringe
- Large fines for violating Orders

SO WHY THE ITC

	District Court	ITC
Cost of service	Yes	No
Worldwide service	No	Yes
Distribution chain liability	No	Yes
Speed	Slow (i.e. 24 months)	Fast (8 months to hearing, 15 to Final Determination)
Policing cost	You	Respondent (w/ Cease & Desist)
Cost of Appeal	You	Optional
Cost of enforcement	You	You – Enforcement action ITC/DOJ – Collection

19 U.S.C. § 1337(A)

- Unfair competition - § 1337(a)(1)(A)
- Patent infringement - § 1337(a)(1)(B)(i) & (ii)
- Copyright infringement - § 1337(a)(1)(B)(i)
- Trademark infringement - § 1337(a)(1)(C)
- Design (17 U.S.C. § 1301) - § 1337(a)(1)(E)

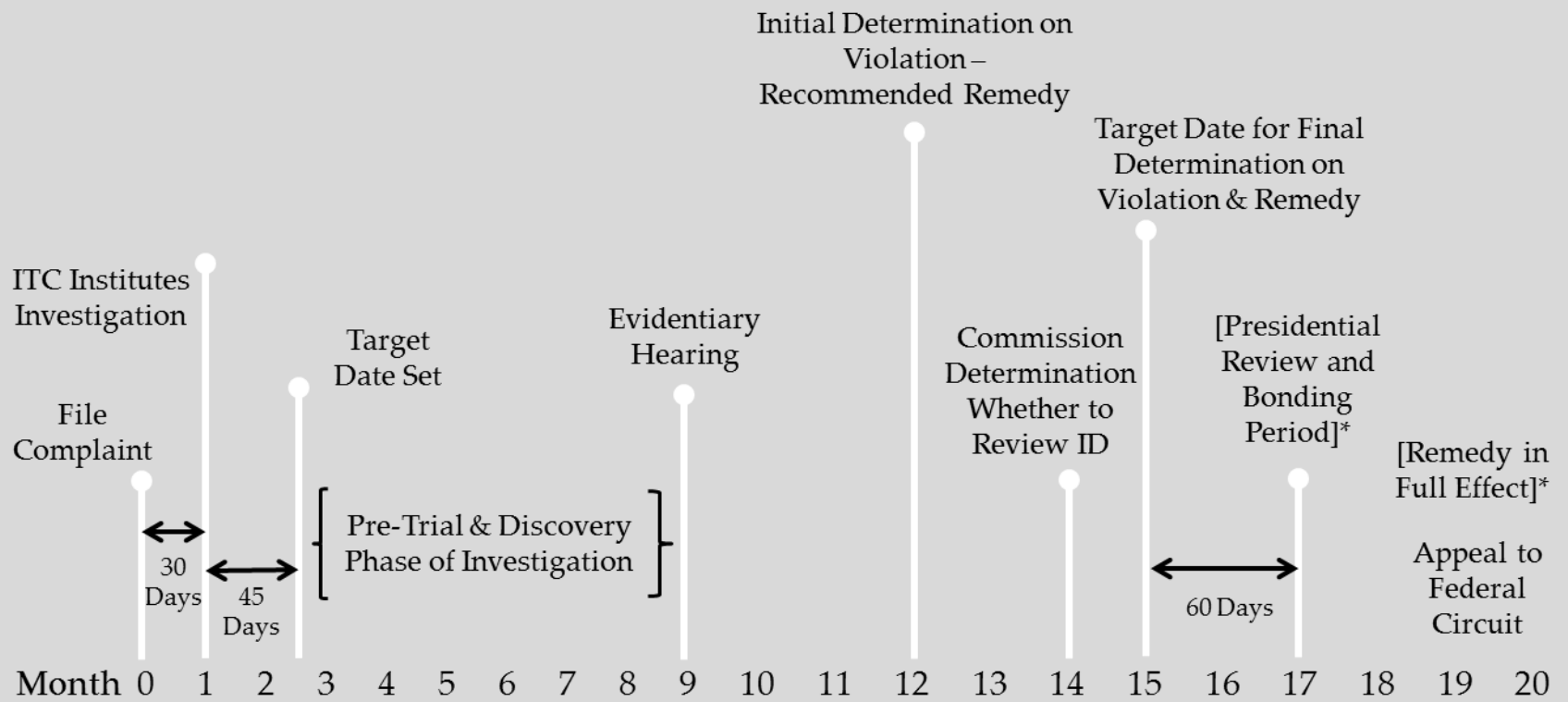
19 U.S.C. § 1337(A)

- Acts
 - Importation into the United States
 - Sale for importation, or
 - Sale within the United States after importation
- Entity
 - Owner, importer, or consignee
 - And their agents

THE ITC IS FAST!

- Fast (usually within 18 months)
- Broad jurisdiction
- Broad discovery
 - No need to perfect service
 - Nationwide subpoena power
- Sanctions (similar to FRCP 37) are available

Based on a 15-month target date (typical range: 15-16 months)



* Only applies if a violation is found

http://www.americanbar.org/content/dam/aba/publications/litigation_committees/corporate/summer2016-001.png

HOW IT STARTS

- One product is all you need
- Pre-filing review by staff
- Complaint is filed requesting institution
- Approximately 30 days later the ITC reviews and votes
- ITC institutes investigation
 - Notice of Investigation (Federal Register)
 - ITC serves parties
 - ITC serves involved country embassies

HOW IT ENDS

- Resolution on the merits (ALJ / Commission)
 - General Exclusion Order
 - Limited Exclusion Order
 - Cease and Desist Order
- Settlement (Rule 210.21(b))
- Consent Order (Rule 210.21(c))
- Default (Rule 210.17 and 210.16)
- Withdrawal of complaint (Rule 210.21(d))

ODDITIES

- Rulings (infringement and invalidity) are not binding on district court
- No counterclaims – removed to district court
- No threat of costs or fees
- Appeals are between the ITC and the appealing party
- ITC does not stay investigation for patent IPRs

NO DAMAGES?

- The ITC only issues prospective relief
 - Title of the investigation defines the scope
 - If a product falls within the scope of the title and infringes, the ITC reaches it
- The ITC does not award damages
 - No damages experts
 - High fines are often a stronger deterrent than paying a royalty
 - You can file in both the ITC and district court if you want damages

BUT THE ITC

- Has Cease and Desist orders
 - Consent orders
- Imposes substantial fines for violations
- Reaches the actors involved in selling the product for import, importing and selling the product after importation
- Reaches agents

BE CAUTIOUS ABOUT ASKING FOR A GEO

- GEO = General Exclusion Order
- Takes on an entire industry so expect an industry-coordinated defense
- Enforced by CBP
 - Remedy is only as good as CBP enforcement

FOCUS ON THE CEASE AND DESIST

- Enforced by the ITC
- Cease and Desist
 - Consent Orders include a cease and desist
 - Require pleading of substantial inventory
- Large liability for violations

FINES FOR VIOLATION OF ITC ORDERS

Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty **for each day** on which an importation of articles, or their sale, occurs in violation of the order of **not more than the greater of** \$100,000 or twice the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and may be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. In such actions, the United States district courts may issue mandatory injunctions incorporating the relief sought by the Commission as they deem appropriate in the enforcement of such final orders of the Commission.

-19 U.S.C. § 1337(f)(2)

CONSENT ORDERS

- “A respondent that unilaterally enters into a consent order to avoid further litigation has an affirmative duty to take ‘energetic steps’ to do ‘everything in [their] power’ to assure compliance with that order.”
 - *Two-Way Global Satellite Communication Devices*, Inv. No. 337-TA-854, Comm’n Op. at 10-11
- Treated like a cease and desist order

CEASE AND DESIST VIOLATIONS

- Plead commercially significant inventory
- Civil penalties are mandatory for violations
 - For each day, not more than \$100,000 or twice the value, whichever is greater
- Can preclude a wide range of activities
 - Importation
 - Sale
 - Marketing
 - Distribution
 - Advertising

WHAT MAKES THE ITC WORK?

- Distribution chain liability
 - Little desire to fight someone else's battle
 - Broad scope (not limited to one accused product)
- Large fines effectively flips policing obligation
 - Consent Orders
 - Defaults with cease and desist orders
- ITC and DOJ absorb part of the enforcement cost

FACTORS USED FOR SETTING A FINE

- The ITC will look at:
 - Good or bad faith
 - Injury due to violation
 - Ability to pay
 - Extent the respondent benefited from sale
 - Need to vindicate the Commission's authority
 - Public interest
- *Ninestar Technology Co., Ltd. v. International Trade Comm'n.*, 667 F.3d 1373 (Fed. Cir. 2012)

EXAMPLES

- *Two-Way Satellite Communication Devices* (Inv. No. 337-TA-854)
 - ALJ found 51 days of violation at \$12,500 per day (total \$637,500)
 - Commission 227 days at \$27,500 per day (total \$6,242,500)
 - 1,600 InReach 1.5 & 15,302 InReach SE
 - Approx. price \$150 (total \$2.5m)

EXAMPLES

- *Dimmable Compact Fluorescent Lamps* (Inv. No. 337-TA-830)
 - 20 lightbulbs on two days (\$200 of merchandise)
 - Civil penalty \$10,000
 - “absent a meaningful penalty, Maxlite and potentially other parties subject to Commission remedial orders would have little incentive to strictly comply with such orders or to institute adequate safeguards, knowing that small infractions would go unpunished.”

AND THEY WILL COLLECT

- *US/ITC v. Dupuy*, No. CV 00-09469 (RNBx)(CD Cal., filed 9/5/2000)
 - Order granting motion for SJ 2/28/2001
 - Gross value of the merchandise sold was \$753,976
 - ITC imposed a \$40k a day penalty which totaled \$2,3200,000

ELEMENTS OF AN EFFECTIVE ITC CAMPAIGN

- Target the key players in the distribution chain
 - Manufacturers; Importers; U.S. distributors; and Websites facilitating sale
- Do you need a GEO?
 - More likely to trigger coordinated resistance
- Pursue cease and desist and consent orders
- Coordinate with sales and marketing

A hunting we will go

STEP 1- LET'S BREAK THINGS

- Assume MLB patch is subject to a trademark
- Buy the Nationals jersey
- Complaint against (i) seller **AND** (ii) website
 - Request LEO and cease and desist
- Does the website default or consent?
 - Will the seller fight over one jersey?

STEP 1 (*cont'd*)

- File the ITC complaint naming the seller and website
- Instituted in 30 days
 - Possible default and/or consent in 3-4 months
- Final Determination with
 - Cease and Desist
 - LEO or Consent Order

STEP 2 - NOW WE WATCH

- Monitor website
- Test buys
 - One jersey a day (fines are per day)
- Evidence of continued piracy from new vendor but on the same website?
 - Website liability
 - Shift the policing cost

STEP 3 - ENFORCEMENT

- File enforcement complaint
 - OUII does not review these
- Absent settlement, ITC will hold discovery and a hearing
- ITC will issue a fine
 - Appeal (no right to intervene)
- Fine goes to the DOJ to enforce by registering at the district court
 - Money goes to the Treasury

TAKEAWAYS

- Think about the pirate's distribution chain
- The ITC offers broader protection
- Easier foreign service and discovery
- Cease and Desist relief is a huge deterrent
 - IP's version of the IRS going after a bad guy
 - Resolve the issue with complainant or face the ITC and DOJ

THANK YOU!

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Steve's practice focuses on intellectual property. For more than 25 years, Steve has handled a wide variety of IP cases for clients in various industries, including numerous patent cases in federal courts throughout the U.S., and before the U.S. International Trade Commission. In addition, he has handled many other IP cases involving claims of copyright infringement, trademark infringement, cybersquatting, false advertising, and unfair competition, as well as cases involving trade secrets and covenants not to compete. He also has significant experience with the arbitration and mediation of IP disputes.

Besides litigation, Steve's practice includes counseling clients on IP issues and disputes Steve has handled many transactions involving mergers and acquisitions with substantial IP issues, as well as license and technology development agreements. He also prosecutes patents and applications for trademark and copyright registrations.



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John represents and counsels clients in patent and technology related matters, using intellectual property law to achieve a client's goals. He helps clients optimize technology assets including asset creation, use, and management, finding unique solutions for achieving major goals by drawing from varied legal tools and experience, including patent licensing and litigation. In addition to being a registered patent attorney, John holds a legal masters in Intellectual Property (LLM) and has practiced for over 20 years. He is a first chair litigator with extensive experience representing clients in patent infringement lawsuits with international implications, and with a particular focus before the United States International Trade Commission.

John has represented clients in technical fields such as data storage and memory; digital signal processing; displays; encryption; communications, including wireless and satellite; medical devices; food; and drug delivery. Over the course of his career, John has represented clients in multi-national and multi-jurisdictional patent litigation and related technology disputes and handled IP matters involving the United States, Japan, China, Germany, United Kingdom, Italy, Ireland, Russia, France and Canada.

In addition to patent infringement and trade secret related causes of action, John is experienced in 35 U.S.C. § 146 actions, and breach of technology related contracts. He has appeared before the ITC, the PTAB, and numerous federal district courts, including the Northern District of California, the Eastern District of Texas, the Eastern District of Virginia, and the District of Delaware, as well as the U.S. Court of Appeals for the Federal Circuit and the U.S. Supreme Court.

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APPENDIX

19 U.S.C. § 1337(A)

a) Unlawful activities; covered industries; definitions

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

(A) **Unfair methods of competition and unfair acts** in the importation of articles (other than articles provided for in subparagraphs (B), (C), (D), and (E)) into the United States, or in the sale of such articles by the **owner, importer, or consignee**, the threat or effect of which is—

- (i) to destroy or substantially injure an industry in the United States;
- (ii) to prevent the establishment of such an industry; or
- (iii) to restrain or monopolize trade and commerce in the United States.

- (B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the **owner, importer, or consignee**, of articles that—
- (i) infringe a valid and enforceable United States **patent** or a valid and enforceable United States **copyright** registered under title 17; or
 - (ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States **patent**.

- (C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the **owner, importer, or consignee**, of articles that infringe a valid and enforceable United States **trademark** registered under the Trademark Act of 1946 [15 U.S.C. 1051 *et seq.*].
- (D) ...
- (E) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consigner, of an article that constitutes infringement of the exclusive rights in a **design** protected under chapter 13 of title 17.

- (4) For the purposes of this section, the phrase “owner, importer, or consignee” includes **any agent of the owner, importer, or consignee.**

DOMESTIC INDUSTRY

(2) Subparagraphs ***(B), (C), (D), and (E)*** of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being established.

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned—

- (A) significant investment in plant and equipment;
- (B) significant employment of labor or capital; or
- (C) substantial investment in its exploitation, including engineering, research and development, or licensing.