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Protecting Your Product From Counterfeiters

Ex parte seizure is one of the most powerful legal tools available to sewn products manufacturers to prevent counterfeiters from selling their goods.

by Jeffrey N. Mausner and Chris Raine*

AS MOST OF US RECOGNIZE, counterfeiting in the apparel industry is rampant. And because counterfeit clothing not only sells for less than the real thing, but also is often inferior in quality, it represents a substantial threat to the reputation of a product, as well as to sales.

For example, in a recent (and all too familiar) case, a well-known manufacturer of T-shirts found it was being ripped off. Someone was making T-shirts with counterfeit labels identical to the labels of the manufacturer and selling *thousands* of those T-shirts to stores and swap meets.

In this particular case, the counterfeiting operation was shut down, the counterfeit items were seized by U.S. marshals and the infringers paid monetary damages to the trademark owner. What was the method used to effect the seizure of the infringing goods before they could be hidden or sold? It's called an *ex parte* seizure under the U.S. trademark or copyright laws.

Fortunately, a manufacturer can legally protect his or her products, reputation and sales. The federal trademark and copyright laws provide powerful remedies against the counterfeiting and copying of trade names and goods. Of these remedies, the *ex parte* seizure is one of the most powerful and useful.

Ex parte means "on one side only." In an *ex parte* seizure, notice of the hearing before the judge is not given to the alleged infringer, and the court hears only from the trademark or copy-

right owner who is seeking a seizure order. Without giving any notice to the alleged infringer, the court may order that a U.S. marshal seize the infringing goods.

To be a trademark or copyright owner, it is not necessary that the copyright or trademark already have been registered. For example, a copyright may exist as soon as something original has been created, even if the creator has not yet filed a copyright registration. The copyright may be registered at any time prior to filing a copyright infringement lawsuit. (Trademarks also do not have to be registered to be enforceable.)

Seeking An Ex Parte Seizure Order

The key to the effectiveness of an *ex parte* seizure is surprise. If the trademark or copyright violators are forewarned that a seizure will take place, they will have the opportunity to sell or hide the infringing goods. Not only will this weaken the manufacturer's case by leaving no evidence of the extent of the infringement, but the infringing

clothing might resurface later to be sold, and the manufacturer will suffer the same harm he or she wanted stopped in the first place.

To obtain a court order for an *ex parte* seizure, it is necessary to obtain a sample of the counterfeit item. If you or your employees ever see counterfeit goods being sold, you should purchase several of the items to be

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used as samples. On each of the infringing items, write your name, the date of purchase and where the items were purchased. This will help to maintain a chain of custody for the counterfeit items when they are introduced as evidence in court.

A request for an order for an ex parte seizure is made in U.S. District Court, which also is known as federal court. Samples of the counterfeit items and samples of the trademarked or copyrighted real items are submitted to the court, along with legal papers commencing a lawsuit and requesting an ex parte seizure. Before the court will order an ex parte seizure, there must be a showing that the trademark or copyright owner's case has merit. The owner must be able to show that it owns a valid copyright or trademark, that the copyright or trademark has been infringed, and that there is a danger that the infringer might hide or move the infringing items if he or she is given warning of the impending seizure.

Generally, the trademark laws protect the names, symbols and logos of businesses, goods and services. The copyright laws protect original works of authorship, such as clothing designs. Under the trademark laws, in order to obtain an ex parte seizure, the counterfeit items must be exact duplicates of the real thing. Under the copyright laws, the infringing items only have to be "substantially similar" to the real thing. The court will compare the infringing items with the real items, and if it is convinced that the trademark or copyright laws on seizure are satisfied, it will issue a seizure order.

Carrying Out The Ex Parte Seizure Order

It is important that the seizure order direct that the U.S. marshal seize all documents relating to the infringing goods, as well as the infringing goods themselves. The seizure order should also specify that the attor-

ney and a representative of the owner of the trademark or copyright accompany the U.S. marshal when the seizure occurs, so that infringing items can be identified to the marshal.

Once a seizure order is issued, the actual seizure must be coordinated with the U.S. marshal. The attorney for the trademark or copyright owner must make arrangements for the marshal to make the seizure, for transportation of the seized items (rent a truck if it's going to be a large seizure) and for storage of the infringing items (rent a storage facility if necessary) pursuant to the court's order.

Often, the first seizure is made from a retail store or swap meet. Documents seized that relate to the infringing goods, such as purchase orders, may give the name of the supplier. If documents do not identify the supplier, the owner of the store should be questioned about the supplier. Once the name and location of the supplier is learned, another ex parte seizure can be carried out at the supplier's premises. Seizure of documents at the supplier's premises, or questioning of the supplier, may lead to the manufacturer, where another ex parte seizure can be carried out.

It is advisable to secure a promise from the retail seller or wholesale supplier not to tip off the manufacturer about an impending seizure, so that a seizure can be successfully implemented at the premises of the supplier and/or manufacturer. The retail seller may be advised that it will be easier for him or her to settle the lawsuit if the supplier is not tipped off about the impending seizure.

This process of working up the chain of supply to find the ultimate producer of the counterfeit goods is much like the procedure used by law enforcement agencies to break up drug rings.

It is important that an ex parte seizure be used only in the proper circumstances. A trademark or copyright owner who requests an ex parte seizure must post a bond to cover any damages which may occur as a result of an improper seizure. If the seizure turns out to be improper, or if a significant amount of non-infringing goods are

seized along with the counterfeit items, the alleged infringer can recover for the harm he or she has suffered.

Courts can be strict in ordering payment for improper seizures, since the seizure order is issued without the alleged infringer being able to oppose the request for seizure. It is imperative that a party seeking a seizure be totally truthful with the court in seeking the seizure order and that the seizure be carried out in exact compliance with the terms of the order.

Improper seizures rarely occur, however, because in most cases an apparel producer or its agents can easily distinguish counterfeit items from those that are legitimate. Additionally, courts have held that if a few legitimate items are seized along with the counterfeit materials, the seizure is not wrongful. If the seizure is proper and it is carried out correctly, the bond will be returned to the trademark or copyright owner once the legal proceedings have been completed.

In addition to ex parte seizure, there are other strong remedies available against counterfeiting. For instance, the legitimate owner of a copyright or trademark also can recover money damages from an infringer, including, in certain cases, triple the actual damages, statutory damages or profits of the infringer.

If businesses are alert and can establish that goods are being sold in violation of their trademarks or copyrights, they can bring a quick end to the lost sales and damage to their products' good name, as well as recover damages. **B**

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