



## **ITC Can Protect Trademarks, Not Just Patents, Panel Says; Also Hope for Anti-Counterfeit Legislation**

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With too many small packages to inspect, and Instagram and other social media influencers promoting knockoffs, fashion brands are dealing with a challenging environment. But panelists on a Crowell & Moring webinar Oct. 26 called "The Year of the Knockoff" found some reason for hope.

Josh Pond, a partner at Crowell & Moring, said that some companies have not considered using the International Trade Commission, rather than civil suits in federal court, to protect their products against counterfeits. But Pond said that the ITC has some advantages. In a civil action, you need to know who is selling the counterfeit, which can be difficult, and even if you do know, it can be difficult to establish personal jurisdiction against a foreign seller. Personal jurisdiction, if there is a judgment against the foreign seller, would allow seizure of U.S. assets.

Pond said at the ITC, "you don't need personal jurisdiction." He said you can roll all the targets into one case. He said that even before the pandemic, U.S. district court cases could take years to resolve, and with the backlog of federal criminal cases delayed during COVID-19, that's getting worse.

"The ITC offers U.S. government investigation of knockoffs. You either play ball with the ITC investigation or you will suffer an exclusion from the U.S. market," he said. "If they don't show up, you're going to get a default order and that could come as soon as four months after you file your claim."

Even if there is not a default order, it is 10 months from complaint to trial at the ITC, and another 8 months for a final decision. He said that final decision could be a general exclusion order for all infringing products.

As a government entity, the ITC has access to full CBP records on the imports, which can lead to another avenue for recompense. Pond said that CBP has a whistleblower statute, so if the ITC investigation reveals that importers have been misclassifying items to avoid tariffs, a company can report that to CBP and claim a portion of the fines if they are ultimately paid.

But there are disadvantages to an ITC case, too. For one, it's easier to be successful if you have a registered trademark or a design patent, though it is also possible to win cases based on false advertising, Pond said.

Howard Michael, co-chair of Crowell & Moring's technology and brand protection group, said his clients hesitate somewhat to go to the ITC with a trademark case, as they think it's more for patent enforcement. He said there's also the perception that going to the ITC is more expensive than a typical district court case.

Pond said his colleague is right about cost. "It's going to cost you about ... to get the complaint in the door, and maybe get some default judgment, you're looking at a half-million dollars." He said if the case gets through the entire 18-month process, that would tend to cost between \$1.6 million and \$2.4 million.

But, he said, that could be dwarfed by the losses a company is enduring due to counterfeits.

He gave the example of Yeti, whose coolers sales climbed from \$470 million in 2015 to \$820 million in 2016 before falling to \$640 million in 2017. After its ITC case was filed in 2017, Yeti's sales climbed again to \$780 million in 2018, then \$910 million, and in 2020, topped \$1 billion. Pond said the drop in sales couldn't fully be attributed to knockoff competition, but it did play a role.

Christina Mitropoulos, director of brand protection at the American Apparel and Footwear Association, said during the webinar that after a report AAFA published in May, Instagram did block the hashtag "#designerdupe." But still, she said, "We're seeing a lot of these social media influencers to actually promote counterfeit and knockoff products, and they're doing this very brazenly and openly."

Michael said those are the sorts of cases in which district court makes more sense. As the parties wait for hearings to be scheduled, he can "try to work out some sort of resolution with the influencer, try to work things out at a relatively minimal cost."

Mitropoulos said that the threat of counterfeits isn't just about lost sales. She said an AAFA member company had said that it has received calls to its customer service line with the complaint: "What showed up at my doorstep fell apart after I wore it once."

So, she said, "It's really a brand reputation problem."

The panel's moderator asked what can be done in terms of preventing knockoffs, and Mitropoulos said there are two bills under consideration in Congress that would help, the Shop SAFE Act (see 2109290055) and the INFORM for Consumers Act (see 2103240013).

She said the Shop SAFE Act would go a long way toward having e-commerce platforms do what they need to do to counter fraudulent sellers.

"Hopefully we'll see these two bills pass," she said. But if they don't pass, she said, "at the very least it's bringing attention to this important issue."

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