

2002

End Game: Ex Parte Seizure Process and the Battle Against Bootleggers

Lucas G. Paglia

Mark A. Rush

Follow this and additional works at: <https://scholarship.law.vanderbilt.edu/jetlaw>

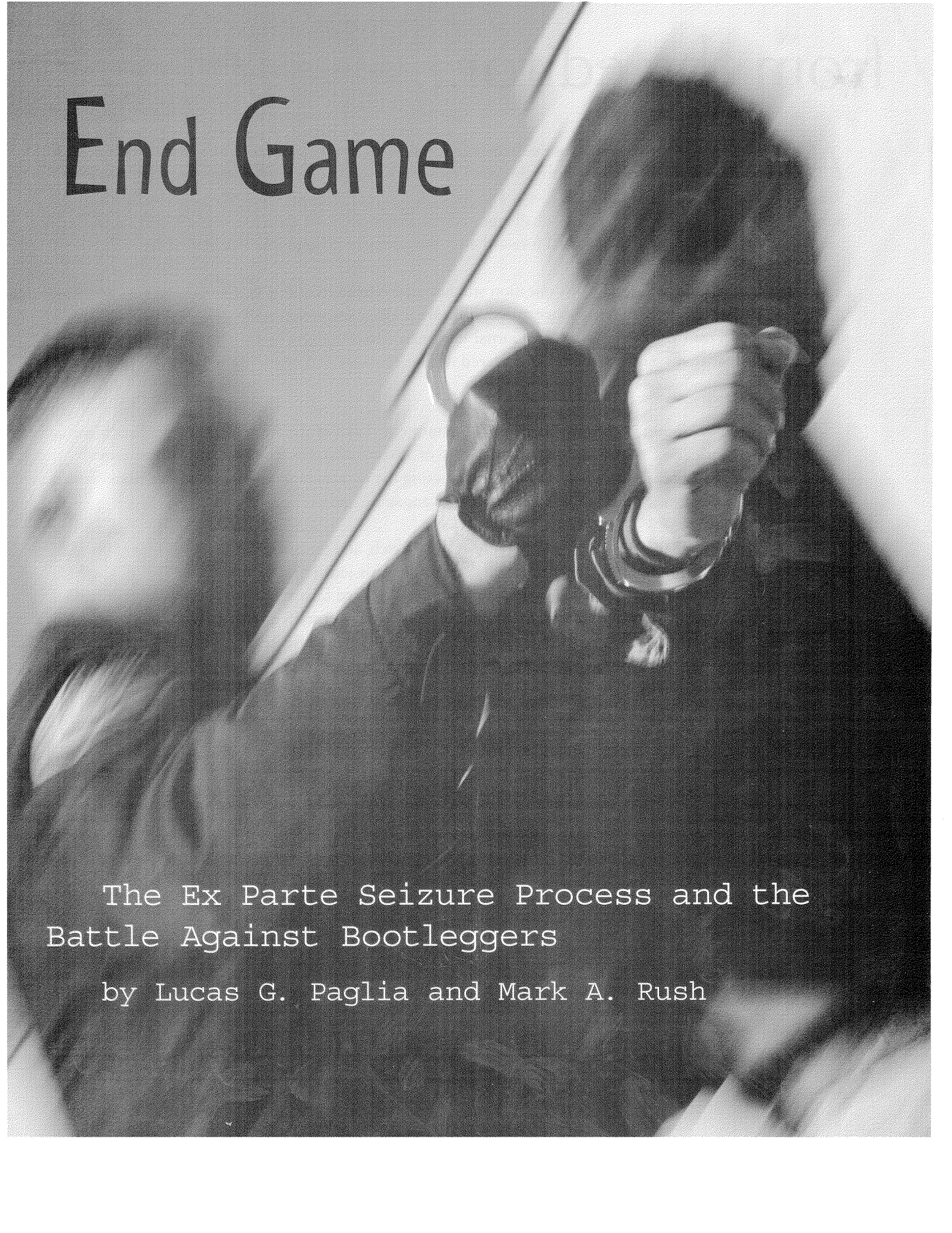


Part of the [Intellectual Property Law Commons](#), and the [Marketing Law Commons](#)

Recommended Citation

Lucas G. Paglia and Mark A. Rush, End Game: Ex Parte Seizure Process and the Battle Against Bootleggers, 4 *Vanderbilt Journal of Entertainment and Technology Law* 4 (2020)
Available at: <https://scholarship.law.vanderbilt.edu/jetlaw/vol4/iss1/1>

This Article is brought to you for free and open access by Scholarship@Vanderbilt Law. It has been accepted for inclusion in Vanderbilt Journal of Entertainment & Technology Law by an authorized editor of Scholarship@Vanderbilt Law. For more information, please contact mark.j.williams@vanderbilt.edu.



End Game

The Ex Parte Seizure Process and the
Battle Against Bootleggers

by Lucas G. Paglia and Mark A. Rush

I. Introduction

What do the World Series, the Super Bowl, the Daytona 500, and Wrestlemania all have in common? Avid sports fans may have trouble finding an answer; but many lawyers could quickly provide one. That is because no matter what the game, all the major sports leagues share an attribute that has nothing to do with scoring records or winning streaks and everything to do with intellectual property law. But those similar property rights are everyday threatened by counterfeiters, as many sidewalk vendors of MLB, NFL, or NBA T-shirts could tell you. Although sports trademark owners have tried a number of different methods to eradicate the counterfeiting problem, including cease-and-desist letters, undercover stings, and periodic retail sweeps, the single most effective mechanism remains the ex parte seizure process. This process alone enables trademark owners to excise bootlegged products from the marketplace, providing the immediate benefits of increased per capita merchandise sales as well as preserving (for another day) the reputation and good will the mark embodies.

Trademark counterfeiting is big business, lucrative for the counterfeiters and devastating for its victims. For example, the International Anti-Counterfeiting Coalition estimates that sales from counterfeit T-shirts in New York City alone exceed five hundred million

pany a great deal more than lost sales—it could cost a company its reputation.⁴ The substandard nature and quality of counterfeit products inevitably causes the unwitting consumer to direct his dissatisfaction with the product toward the legitimate manufacturer, rather than the counterfeiter. This negative (and inaccurate) association of the mark with inferior workmanship results in not only a loss of consumer confidence, but also the loss of future purchases by the (ineluctably) disgruntled consumer.⁵

The manner in which counterfeiters operate does not lend itself to standard civil remedies. The majority of counterfeiters are street vendors who peddle their goods at flea markets, city kiosks, and live entertainment events. These individuals and groups are usually not incorporated or otherwise formally organized. Instead, they tend to do business from remote, makeshift factories and storage centers. Their vans and trucks serve as "moving warehouses" that travel from event to event, city to city, in search of unsuspecting consumers.⁶

Because they operate on the fringe of society, counterfeiters benefit from practical immunity to standard cease-and-desist approaches and civil litigation. If apprised in advance of a pending motion for injunction, counterfeiters invariably leave with their illicit merchandise and either relocate to a venue beyond the jurisdiction of the court or simply wait until their pursuers have abandoned the cause before restarting their illegal businesses. While it does seem that the link between counterfeiting and organized crime appears to be getting stronger,⁷ there has also been a commensurate increase in the tendency of legitimate manufacturers and licensees of goods to engage in counterfeiting.⁸ Companies

who market first-rate goods and services now face knock-offs from an ever-increasing variety of sources. The upshot of this phenomenon is that stemming the tide of product counterfeiting for these companies has become a more difficult challenge. Unfortunately, some businesses are just not up to it; instead they are beginning to cut corners themselves. Some companies, for example, sell second-rate or rejected merchandise into the "gray" market. Others distribute branded merchandise long after a license has expired.⁹

In light of the problems confronting trademark

ALTHOUGH *sports trademark owners have tried a number of different methods to eradicate the counterfeiting problem, including cease-and-desist letters, undercover stings, and periodic retail sweeps, the single most effective mechanism remains the ex parte seizure process.*

dollars yearly, causing an annual loss of over three hundred and fifty million dollars in tax revenues.¹ Nationwide, lost sales fall in the neighborhood of two hundred billion dollars annually.² And with lost revenues come lost jobs—750,000 per year, according to U.S. Customs Services estimates.³

Beyond the numbers, however, are the less tangible effects, which paint a similarly grim picture. As the president of the International Trademark Association noted in her testimony before the House Judiciary Committee, counterfeiting of trademarked and copy-righted goods and services may ultimately cost a com-

owners, the ex parte seizure process (described below) represents the best weapon in the fight against counterfeiters. Although courts had endorsed a similar remedy prior to its passage, the Trademark Counterfeiting Act of 1984 (the "TCA" or the "Act") officially introduced the seizure process to the judicial landscape.¹⁰ Under the Act, victims of trademark and service mark counterfeiting may obtain, ex parte, a temporary restraining order and a seizure order authorizing the immediate impoundment of all offending goods.¹¹

This Article presents a broad overview of the ex parte seizure process, what it is and how it can be deployed by trademark owners to shut down counterfeiters. It first discusses the general structure and mechanics of the TCA. It then proceeds to discuss some important areas of practical concern with respect to proceedings under the Act. The Article concludes by providing a hypothetical case study of the ex parte seizure process in action.

II. The Trademark Counterfeiting Act

For years prior to the adoption of substantive legislation to address the problem of counterfeiting, commentators and practitioners alike called for ex parte relief:

In cases of outright counterfeiting by marginal imitators, traditional civil remedies have proven largely ineffective. The retailer of counterfeit goods is often a vendor peddling memorabilia merchandise at a rock concert, a transient street vendor, or a merchant at a flea market. The counterfeiter or its distributor who is served with a civil summons to appear at a hearing on a preliminary injunction will either disappear or quickly dispose of existing inventory of counterfeit items [leaving the trademark owner without an effective remedy].¹²

Finally heeding the call, Congress passed the Trademark Counterfeiting Act of 1984 as Section 34(d) of the Lanham Act, 15 U.S.C. § 1116(d).¹³ The Act specifically authorizes the seizure of counterfeit goods without notice to the counterfeiters.¹⁴ Advance notice would undoubtedly result in the disappearance of the counterfeiters, the counterfeit goods and, therefore, leave the trademark owner essentially without any meaningful remedy.¹⁵

The Act merits close examination. It states that a court may, upon ex parte application, grant an order "providing for the seizure of goods and counterfeit marks involved" in the use of such a mark in connection with the sale, offering for sale, or distribution of goods or services.¹⁶ The TCA empowers a federal court to authorize the seizure of not only infringing goods, but also the means of making counterfeit marks and records documenting the manufacture, sale, or receipt of things involved in the counterfeiting process.¹⁷ The Act defines a "counterfeit mark" as

a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered.¹⁸

Thus, the Act technically applies only to counterfeiting of registered trademarks and service marks.¹⁹ As discussed below, however, owners of unregistered marks may protect themselves via the ex parte seizure process as well.

BECAUSE *they operate on the fringe of society, counterfeiters benefit from practical immunity to standard cease-and-desist approaches and civil litigation. If apprised in advance of a pending motion for injunction, counterfeiters invariably leave with their illicit merchandise and either relocate to a venue beyond the jurisdiction of the court or simply wait until their pursuers have abandoned the cause before restarting their illegal businesses.*

While generally taking a hard line against counterfeiters, the TCA does contain procedural provisions designed to safeguard the rights and interests of the suspected counterfeiters. First, an application for ex parte seizure relief must be "based on an affidavit or verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required to secure an order."²⁰ Second, the application

must contain a proposed order including all of the following:

- (a) specific findings of fact and conclusions of law required for the issuance of an ex parte order;
- (b) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;
- (c) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;²¹
- (d) the amount of security required to be provided; and
- (e) the proposed date for a required hearing, to determine if the seizure was in fact warranted.²²

Likewise, the court may not grant the application unless the claimant posts a bond to cover any damages incurred as a result of a wrongful seizure.²³ The Act also prohibits a court from issuing an ex parte seizure order unless it finds "clearly from specific facts" all of the following:

- (a) that an order other than an ex parte seizure order is not adequate to achieve the purposes of the Lanham Act;
- (b) that the applicant has not publicized the requested seizure;
- (c) that the applicant is likely to succeed in showing that the suspected counterfeiter used a counterfeit mark in connection with the sale, offering for sale or distribution of goods or services;
- (d) that an immediate and irreparable injury will occur if such seizure is not ordered;
- (e) that the matter to be seized will be located at the place identified in the application;

(f) that the harm to the applicant of denying the application outweighs the harm to any legitimate interests of the suspected counterfeiter of granting the application; and

(g) that the suspected counterfeiter or persons acting in concert with such person, would be ordered to or would destroy, move, hide or otherwise make the counterfeit goods inaccessible to the court, if the applicant were to proceed on notice to such person.²⁴

In addition, the Act mandates that courts take appropriate action to protect the suspected counterfeiter from publicity about the requested order and any seizure under such an order.²⁵ It specifically requires that the ex parte seizure order be sealed until the defendant has had an opportunity to review and contest the order.²⁶ Similarly, the TCA contains provisions that protect defendants from "undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure."²⁷ These provision include a requirement that the court enter an appropriate protective order governing the applicant's review of any records seized.²⁸

Even once an order has been granted, the Act remains mindful of suspects' rights by providing procedures to be followed when effecting ex parte seizures. For instance, the TCA requires that seizures be carried out by federal, state, or local law enforcement officers.²⁹ The Act further protects the interests of suspected counterfeiters by expressly providing a separate cause of action for any person who suffers damage as a result of a wrongful seizure.³⁰ In the event of a wrongful seizure, such person may recover damages for loss of good will, lost profits, costs of materials, and even punitive damages and attorneys fees in appropriate circumstances.³¹ Of course, if the seizure was justified, the applicant himself may recover treble damages and attorneys fees, beyond the equitable relief provided by the Act.³²

Thus, while the TCA provides the possibility of effective ex parte seizure relief for victims of trademark counterfeiting, it does require the applicant to clear several procedural hurdles before such extraordinary relief is granted. If and when an order is granted, the applicant must proceed with caution in enforcing the order.

In addition to affording protection to owners of registered marks, courts are empowered to issue seizure orders for the counterfeiting of unregistered marks as well.³³ The Lanham Act protects the public against deception and confusion with respect to unregistered service marks and trademarks.³⁴ This sweeping protection is provided in Section 43(a) of the Lanham Act, which provides in pertinent part:

Any person who, on or in connection with any goods or services, ...uses in commerce any word, term, symbol, ...or any false designation of origin...which is likely to cause confusion, or to cause mistake, or to deceive as to affiliation, connection, or association...shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.³⁵

A violation of Section 43 occurs when the counterfeiter's use of a mark or name in connection with certain goods causes confusion as to the source or origin of the goods.³⁶ Likelihood of confusion is the key issue for determining infringement as to both registered and unregistered marks under the common law as well as the Lanham Act.³⁷ Thus, in the context of infringement, unregistered marks receive much the same protection

I*N* the context of sports entertainment, trademark owners should find it easy to establish irreparable harm caused by counterfeiting activities. For example, it is well established that the unauthorized use on clothing and other memorabilia of an identical or confusingly similar mark which refers to leagues, teams, or events violates Section 43(a) of the Lanham Act.

that registered marks do.³⁸

This parallel is carried over into the ex parte seizure process. Courts may issue writs of seizure to preserve and protect trademark rights against counterfeiters, even though those rights have not been registered under the Lanham Act.³⁹ Thus, where infringing goods do not bear "counterfeit marks" within the meaning of the Act, a seizure order still remains a viable remedy. As a matter of fact, seizure orders have been routinely granted by the federal courts in infringement cases both before and after the effective date of the TCA.⁴⁰ And the Act has been held to expand rather than limit remedies for victims of commercial counterfeiting.⁴¹

As one court has remarked:

Prior to enactment of the new counterfeit statute, 15 U.S.C. § 1116(d)(2), this Court issued ex parte seizure orders under its traditional equitable powers, upon appropriate showings, in order to protect mark holders from knock-offs and confusingly similar goods...It is this Court's opinion, after reading the legislative history of 15 U.S.C. § 1116(d)(2), that the Congress did not intend to restrict previously existing Lanham Act remedies but rather to expand those remedies where counterfeiting, rather than innocent infringement, is alleged.⁴²

Another court confirmed that, by passing the TCA, Congress had no intention of limiting the right to ex parte seizures for violations of Section 43(a) of the Lanham Act or state or local unfair competition laws.⁴³ Also, it should be noted, under the All Writs Act, "all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law."⁴⁴ Thus, courts may issue temporary restraining orders and seizure orders to protect registered and unregistered marks under this statute as well.⁴⁵

III. Areas of Concern in the Enforcement of Ex Parte Seizure Orders

Once the trademark owner has satisfied all of the statutory prerequisites for the issuance of an ex parte seizure order, she only needs to meet her burden under traditional temporary restraining order/preliminary injunction standards in order to obtain an order to seize counterfeit goods.⁴⁶ The counterfeiting victim thus must establish irreparable harm and a likelihood of success on the merits before she can obtain an ex parte seizure order.⁴⁷ For trademark owners, this typically means simply showing a likelihood of confusion, which will establish automatically a finding of at least a risk for irreparable harm as well as likely success on the merits.⁴⁸

The likelihood of confusion test focuses on whether a defendant's use of a plaintiff's trademark will likely deceive or lead to mistakes by consumers about the

source of the product in question.⁴⁹ In counterfeiting cases, defendants typically copy the trademarks exactly, then use them on the same types of merchandise (e.g., hats, T-shirts, and posters) as does the true owner of the mark.⁵⁰ It is not uncommon for counterfeiters to use the exact name of a sports apparel company in their "knockoffs."⁵¹ Thus, consumer confusion in these types of cases is usually less a "likelihood" than it is a "certainty." As one court concluded in a representative case:

This is the clearest possible case of violation of 15 U.S.C. §§ 1114 and 1125. Defendants were detected purveying goods identical to certain goods sold by plaintiffs and they were using exact 'knock-offs' ... Thus defendants were infringing, and indeed counterfeiting, registered trademarks in violation of § 1114 and were falsely designating the origin of goods in violation of § 1125. In all this, defendants were without question committing willful violations of law.⁵²

Moreover, it is well settled that an organization's loss of control over its reputation or goodwill constitutes an "irreparable injury."⁵³ Courts generally acknowledge that an award of money damages cannot adequately compensate an owner's injured reputation.⁵⁴ The counterfeit merchandise's typically inferior quality contributes to such a loss of reputation, and thus, to a finding of irreparable injury.⁵⁵ Nevertheless, the Lanham Act recognizes that irreparable injury can occur even where the infringing goods are of equal quality, simply because the owner still loses full control over the mark.⁵⁶ In other words, "in determining plaintiff's possible harm, the crucial question is not how different the [products] may be but whether there is a danger that plaintiff may lose control of its reputation."⁵⁷ Where a threat to the owner's control of the mark is established, so, too, is irreparable harm.⁵⁸

In the context of sports entertainment, trademark owners should find it easy to establish irreparable harm caused by counterfeiting activities. For example, it is well established that the unauthorized use on clothing and other memorabilia of an identical or confusingly similar mark which refers to leagues, teams, or events violates Section 43(a) of the Lanham Act.⁵⁹ Similarly, the sale of bootlegged merchandise bearing the names,

trademarks, logos, or likenesses of well-known players or sports personalities constitutes a violation of Section 43(a) of the Lanham Act.⁶⁰

It is well known that counterfeiters set up shop near popular sporting events and try to sell unauthorized, counterfeit T-shirts and similar souvenirs and memorabilia to unwitting fans.⁶¹ In such cases, courts have consistently cited the bootleggers' ability to avoid prosecution if given prior notice as the reason for granting ex parte temporary restraining orders authorizing the seizure of merchandise bearing counterfeit marks.⁶² For example, in its landmark *Vuitton I* decision, the Second Circuit Court of Appeals reversed the district court's refusal to issue an ex parte order and recognized that it is common practice in the counterfeiting industry to dump counterfeit goods or transfer them to third parties:

The ex parte temporary restraining order is indispensable to the commencement of an action when it is the sole method of preserving a state of affairs in which the court can provide effective final relief. Immediate action is vital when imminent destruction of disputed property, its removal beyond the confines of the state, or its sale to an innocent third party is threatened. In these situations, giving the defendants notice of the application for an injunction could result in an inability to provide any relief at all.⁶³

The court in *Vuitton I* also emphasized that "in a trademark infringement case... a substantial likelihood of confusion constitutes, in and of itself, irreparable injury sufficient to satisfy the requirements of Rule 65(b)(1)" governing the granting of temporary restraining orders.⁶⁴

In another seminal anti-counterfeiting case, the district court issued a permanent injunction against defendants after having granted a temporary restraining order and an ex parte seizure order.⁶⁵ The plaintiff was the exclusive licensee of the right to make and sell merchandise bearing the name or any mark associated with the Rolling Stones.⁶⁶ Similarly to the *Vuitton I* case, the defendants sold counterfeit merchandise outside of arenas where the Rolling Stones performed live concerts.⁶⁶ In granting the injunction against one defendant, the court held:

Defendant...cannot obtain a 'free ride' at the plaintiff's expense. Its shirts are designed to take advantage of the efforts and expenditures of the plaintiff and benefit from the good will associated with the Rolling Stones, their 1989 tour, and the promotion of the event created or undertaken by the plaintiff and the Rolling Stones. Such unlicensed use of the Rolling Stones' name would permit the defendant to reap where it had not sown...Defendant's argument that the T-shirt in question merely celebrates an 'event' is circular reasoning, at best, given the fact there would be no 'event' to celebrate, were it not for the hard work and financial outlay provided by the plaintiff.⁶⁷

Put differently, because counterfeiters most often obtain "free rides" by peddling unauthorized merchandise bearing marks identical to those legally belonging to the victim, likelihood of confusion is rarely difficult to prove.⁶⁸ Accordingly, the legal hurdles for obtaining an ex parte seizure order against known counterfeiters are usually manageable.

Once the order is granted, however, several practical considerations arise. The victim of counterfeiting must have an organized, well-conceived plan for enforcing any seizure order, as he will have, at most, seven to ten days to carry it out.⁶⁹ That plan, at a minimum, must consider each of the following: (1) the means and method of posting whatever bond is required; (2) the procurement and usage of federal, state and/or local law enforcement officials to carry out the order; (3) proper collection and storage of seized materials; (4) a procedure for returning any documents or records seized during enforcement; and (5) a mechanism for amending the seizure order to include additional counterfeiters who might be discovered during the enforcement of the original order.

Plaintiffs must be aware of significant Fourth Amendment concerns associated with the ex parte seizure process. "[W]hen a private and interested party solicits judicial authorization for the kind of search and seizure that is normally reserved for Government agents, there is an obvious potential for abuse."⁷⁰ Thus, if goods—even though counterfeit in nature—are obtained unlawfully, or if the trademark owner exceeds the scope of the

seizure order, the court may suppress the evidence obtained.⁷¹ Although the Act enables mark owners to vigilantly protect their intellectual property against counterfeiting, overzealous enforcement is not tolerated.⁷²

Victims of counterfeiting can usually steer clear of this fate by simply complying with all of the statutory requirements set forth in the TCA and by staying within the strictures of the seizure order.⁷³ Thus, if the application for ex parte relief includes sworn affidavits and offers specific facts relating to the suspected counterfeiting, Fourth Amendment concerns are generally alleviated.⁷⁴ The same can be said if careful enforcement of the seizure order results in the recovery of actual counterfeit goods and/or incriminating documentary evidence.⁷⁵ If the targeted counterfeiters fail to come forward with any objections to the seizure of their illicit materials, as is usually the case, the point may be largely moot.⁷⁶ (As noted above, most counterfeiters prefer to retreat and resume their illegal activities at a later time, rather than to identify themselves and risk exposure).

Finally, a successful seizure of counterfeit goods need not be the end of the story. The TCA expressly provides for the conversion of temporary seizure orders into preliminary injunctions.⁷⁷ To effect such a conversion, the seizing party must establish that continuation is necessary to prevent irreparable harm, and that either (1) there is a strong likelihood of success on the merits or (2) there exists sufficiently serious questions on the merits of the claim as to make it fair grounds for litigation, and a balance of the hardships tips decidedly in favor of the moving party.⁷⁸ Following a successful seizure of goods confirmed to be counterfeit, procurement of a preliminary injunction, in most cases, should not be difficult.

After securing an injunction, trademark owners can further proceed with litigation against the counterfeiters. However, a successful seizure might satisfy the primary objective of the counterfeiting victim—to remove the infringing materials from the marketplace. They may wish to terminate the litigation at that point. In between those two extremes lie a variety of options.

Ideally, of course, the trademark owner will want to determine what individuals or groups are at the center of the suspected counterfeiting operation. This way the mark owner can attempt to strike at the core of the problem, rather than simply attacking selected

counterfeiters in a piecemeal fashion. Discovery following on the heels of the initial seizure can aid in this regard. Along the way, victims of counterfeiting also will undoubtedly want to investigate the history of bootlegging activity, in order precisely determine the extent of the harm they have suffered at the hands of counterfeiters. Again, the post-seizure discovery process may aid this effort.

It is well known that counterfeiters set up shop near popular sporting events and try to sell unauthorized, counterfeit T-shirts and similar souvenirs and memorabilia to unwitting fans. In such cases, courts have consistently cited the bootleggers' ability to avoid prosecution if given prior notice as the reason for granting *ex parte* temporary restraining orders authorizing the seizure of merchandise bearing counterfeit marks.

Trademark owners must be sure to evaluate the costs as well as the risks inherent in advanced litigation against its likely benefits. In reality, however, to have any hope of fully and finally eliminating counterfeiting in a given market or marketplace, owners must be committed to probing beyond the initial seizure. At the least, victims of known counterfeiters ought to pursue permanent injunctions against the identified offenders. In addition, minimal discovery may well pave the way for a meaningful settlement based, at least in part, upon damages suffered by the trademark owner. In this manner, the victim can force the counterfeiters to consider, from a stark economic perspective, the financial ramifications of their unlawful business practices. Whether or not the mark owner pursues its litigation strategy to conclusion, she has at least taken the critical first step toward eliminating the counterfeiting problem at its roots.

IV. Taking it to the Streets: How an Ex Parte Seizure Goes Down

The following is a brief discussion of the basic steps involved in the *ex parte* seizure process for a typical trademark owner besieged by product counterfeiting. In this hypothetical case, for discussion purposes only, we will assume that the victim is the United States Football League (the "USFL").

A. Suspicion

A USFL employee is surfing the Web one day and notices a site that advertises "USFL jerseys at a fraction of the regular price." Naturally suspicious, the employee does some digging and finds out that the website in question—www.counterfeitusflstuff.com—is not a USFL licensee and is not an authorized re-seller of USFL merchandise. Nevertheless, the website offers

merchandise identical or nearly identical to legitimate game-day items. The employee enlists the services of a relative to purchase one such item from Counterfeitusflstuff.com and, sure enough, the jersey she purchases is counterfeit.

The resourceful USFL employee notifies the league's general counsel, who decides to investigate this website in order to prepare and commence an *ex parte* seizure action against the site and the manufacturer of the bogus

USFL merchandise. Rather than rush into court immediately, the league's attorney is determined to gather as much information and evidence against the counterfeiters as possible, to ensure a bullet-proof application for seizure relief and a watertight enforcement effort.

B. Investigation

To begin its investigation of the suspected website, the USFL enlists the aid of a veteran private investigator who has experience dealing with merchandise counterfeiters. The investigator researches the target site and its owners and operators, gathering critical geographical and product information. After making another undercover "buy" from the site, the investigator and his team commence the next stage: surveillance.

Contrary to movie and television portrayals of private eyes and detectives, the work of a counterfeiting investigator is far from glamorous. The investigator spends hours, perhaps even days, in the back seat of a vehicle watching and waiting. He and his team watch the website operators come and go to and from their place of business. They wait for the suspected counterfeiters to drop clues as to where their merchandise comes from, and where it goes. Eventually, they discover that the site operators themselves manufacture the counterfeit merchandise in a warehouse adjacent to their offices.

The investigative team does not hesitate to raid the dumpsters and other garbage containers surrounding

the target property.⁷⁹ Scattered amid the trash are treasures: sales receipts from suppliers of raw materials; discarded materials and product molds; purchase orders and invoices. This evidence links the target individuals to their illegal conduct—and all of it can be used to support the investigators' affidavits and the request for ex parte seizure relief. After days (or weeks!) of intensive surveillance and research, the investigation is complete, and now the USFL legal team is ready to apply for the seizure order and (hopefully) bust the target counterfeiters.

C. Application

Armed with sworn statements from its investigators that describe in graphic detail the counterfeiting operation behind Counterfeitusflstuff.com, USFL attorneys prepare a verified complaint and application under the Act, along with a proposed order that will allow the league's enforcement team to enter the site's manufacturing facility unannounced and commence seizure activity. The proposed order must set forth the precise location where USFL believes it will find counterfeit merchandise and related documents and materials. In addition, the USFL legal team must be prepared to explain to the judge, with the aid of its lead investigator, how it discovered and observed the target counterfeiters, and how it plans to enforce the proposed seizure order, if granted.

In short, the USFL legal team must dot every "i" and cross every "t" to ensure that the judge will grant this extraordinary relief and permit ex parte, unannounced seizure activity. Federal judges are wary of private search and seizure orders, and equally reluctant to permit non-federal enforcement of seizure orders. Thus, the legal team and the investigator must be prepared to explain why local law enforcement, with the aid of private investigators, are suited to carry out the seizure activity.

Finally, the USFL must be prepared to post a bond and coordinate a team of enforcement personnel to carry out the seizure order on short notice. Despite the "ex parte" nature of its action, every minute is critical if the USFL is to successfully enforce the order and

shut down the counterfeiters. Thus, the USFL must have its enforcement team and strategy in place even before an order is granted.

D. Enforcement

If the league has done its homework and presented a solid case, it should obtain a seizure order and be prepared to execute a military-like enforcement plan within days of getting the order. The selection and organization of enforcement personnel is critical to a successful mission. The USFL and its investigators will need to retain local law enforcement officials to conduct the seizure effort, and doing so is not always easy. Finding ten to twenty available police officers on short notice can be difficult, and negotiating prices and coordinating schedules can be nearly impossible.

Fortunately, the USFL, like any trademark owner with a meaningful anti-counterfeiting program, uses investigators who are well-connected with local law

enforcement agencies in a number of cities throughout the country. As a result of prior cooperative work between the USFL investigators and city and county police officers performing game-day ex parte seizures at the USFL's venues nationwide, the league is able to

contact a police supervisor and quickly assemble a team of officers where Counterfeitusflstuff.com's headquarters are located. After clearing schedules and coordinating the enforcement team, the USFL investigators prepare for the all-important seizure day roll call.

Early in the morning on the day of the planned seizure, the lead USFL investigator and the supervising attorney gather all enforcement officials—including the team of police officers, investigators, and attorneys—to go over the plan of execution. On this day, the USFL enforcement team will execute a simultaneous raid on three different locations: the factory and two retail outlets also operated by Counterfeitusflstuff.com. After going through the seizure order, and the dos and don'ts of enforcement, the team is ready to hit the streets.

Armed with cell phones and radio communicators, the enforcement team executes a near-flawless seizure effort, with a phalanx of nine police officers literally storming the factory ahead of their investigator and

ONCE *the order is granted, however, several practical considerations arise. The victim of counterfeiting must have an organized, well-conceived plan for enforcing any seizure order, as he will have, at most, seven to ten days to carry out it out.*

attorney supervisors. The factory workers are stunned and ultimately very cooperative. The owner is nowhere to be found—until he arrives an hour later to see his illicit counterfeiting operation crawling with law enforcement officers and crowded full of evidence bags and boxes. Hundreds of items of counterfeit merchandise, along with related documents and materials, are hauled away in trucks. Two teams of three officers each simultaneously hit each retail location, with similar results.

Within four hours all three sites have been raided and scoured by the enforcement team, statements have been taken, evidence gathered, and papers served.

PLAINTIFFS *must be aware of significant Fourth Amendment concerns associated with the ex parte seizure process. “[W]hen a private and interested party solicits judicial authorization for the kind of search and seizure that is normally reserved for Government agents, there is an obvious potential for abuse.”*

After the officers depart, the investigators and lawyers regroup to assess what the USFL has gained from this seizure—including intelligence on other counterfeiting operations and outlets—and to plan a litigation strategy. After all of the seized evidence has been tagged and stored, the team pauses to reflect on a successful raid.

Meanwhile, back at the factory, the counterfeitusflstuff.com principals slowly and painfully pass through the several stages every counterfeiter seems to experience upon being caught—denial and anger resolve into a levelheaded appreciation for the situation they find themselves in, which, ineluctably leads to a desire for atonement and a way out.

E.End Game

Several days after the raid, the USFL attorneys successfully secure a preliminary injunction based upon the substantial evidence obtained during enforcement of the seizure order. Soon after, the defendants—including the principals of Counterfeitusflstuff.com, all of whom are on the hook—consent to a permanent injunction and attempt to settle the USFL’s sizeable damages claims against them. At this point, the USFL must decide how vigorously it wants to pursue these claims.

Having already shut down the counterfeiter and removed a large cache of knock-offs from the marketplace, the USFL’s objective becomes recouping its expenses and, perhaps, to realize some additional income as well. Using discovery, the USFL may likely learn more about the parasitic network of merchandise counterfeiting eating into its profits. With a little luck it might even find the key players. But in the meantime, all the pressure remains on the defendants, who are well aware that the USFL is likely to stay its hand as long as it thinks a better settlement offer is possible. **JELP**

Lucas G. Paglia is an associate at Kirkpatrick & Lockhart LLP who practices in the area of intellectual property litigation

Mark A. Rush is a partner at Kirkpatrick & Lockart who practices in the areas of white collar crime and commercial litigation. The views expressed in this Article are the authors’ own; the article does not necessarily reflect the views of any client of Kirkpatrick & Lockhart LLP, or the firm itself.

1 See International Anticounterfeiting Coalition, *Get the Facts on Fakes*, at <http://www.iacc.org/> (last visited Nov. 3, 2001) [hereinafter *Get the Facts on Fakes*].

2 See *id.*

3 See *id.*

4 H.R. REP. NO. 104-556, at 2 (1996) (discussing the Anti-counterfeiting Consumer Protection Act of 1996), reprinted in 1996 U.S.C.C.A.N. 1074-75.

5 See *id.*

6 The tactics and *modi operandi* of counterfeiters are well known to Customs agents, as well as private investigators. The authors have had the pleasure of working with and learning from private investigators who have spent years studying and apprehending bootleggers.

7 H.R. REP. NO. 104-556, at 3 (1996) (discussing the Anti-counterfeiting Consumer Protection Act of 1996), reprinted in 1996 U.S.C.C.A.N. 1074-75; *Get the Facts on Fakes*, *supra* note 1.

8 H.R. REP. NO. 104-556, at 3-4 (1996) (discussing the Anti-counterfeiting Consumer Protection Act of 1996), reprinted in 1996 U.S.C.C.A.N. 1074-75.

- 9 See Christopher A. Mohr, *Gray Market Goods and Copyright Law: An End Run Around K-Mart v. Cartier*, 45 CATH. U. L. REV. 561, 572-73 (Winter 1996) (commenting on how the presence of counterfeit and gray market goods in U.S. markets inflates supply and lowers prices, encouraging manufacturers to produce more cheaply made, lower-quality products). See also Steven M. Auvil, *Gray Market Goods Produced by Foreign Affiliates of the U.S. Trademark Owner: Should the Lanham Act Provide a Remedy?*, 28 AKRON L. REV. 437, 448 (Spring 1995) (noting that if law did not prevent "free riding" via counterfeiting and gray marketing, manufacturers would have less incentive to develop high quality goods).
- 10 Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320(c) (1994); See also Lanham Act, 15 U.S.C. § 1116(d) (1994).
- 11 18 U.S.C. § 2320(c); 15 U.S.C. § 1116(d).
- 12 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:34 (4th ed. 1996) [hereinafter MCCARTHY ON TRADEMARKS].
- 13 18 U.S.C. § 2320(c); 15 U.S.C. § 1116(d).
- 14 § 1116(d)(1)(A).
- 15 The Second Circuit pioneered this area of the law; therefore, decisions from that Circuit offer especially helpful guidance. For example, in the seminal case of *Matter of Vuitton et Fils S.A.*, 606 F.2d 1 (2d Cir. 1979) [hereinafter *Vuitton I*], the court, in reversing the district court's refusal to issue an ex parte temporary restraining order against a counterfeiter, recognized that counterfeiters damage trademark owners and giving them notice of a seizure "all too often appears to serve only to render fruitless further prosecution of the action" because counterfeiters will quickly dispose of their illegal inventory by giving it to persons unknown to the plaintiff. *Id.* at 2-5. In the prosecution of a counterfeiter under the criminal provisions of the Trademark Counterfeiting Act of 1984, the Second Circuit acknowledged that counterfeiting has reached "epidemic proportions" and that counterfeiters are making "enormous profits" by "capitalizing on the reputation, development costs, and advertising efforts of honest manufacturers at little cost to themselves." *United States v. Hon*, 904 F.2d 803, 806 (2d Cir. 1990). See also *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 528 (2d Cir. 1983). Courts in other jurisdictions have followed the Second Circuit's lead by granting temporary restraining orders and seizure orders to prevent the manufacture, distribution and sale of counterfeit goods. See, e.g., *Pepe (U.K.) LTD v. Ocean View Factory Outlet Corp.*, 770 F. Supp. 754, 760 (D.P.R. 1991) (In counterfeiting cases, "even when the court issues a temporary restraining order to prevent the continued sale of bogus goods, it is common for counterfeiters to simply ignore and violate the order by destroying or hiding the property in question . . . it is equally common for counterfeiters to transfer their inventory to another counterfeit seller whose identity is unknown to the trademark owner," thus justifying the grant of an ex parte seizure.); *Titan Sports, Inc. v. Various John Does*, No. 99C1806, 2000 U.S. Dist. LEXIS 20357, at *1 (N.D. Ill. 2000); *Brockum Co. v. Blaylock*, 729 F. Supp. 438 (E.D. Pa.1990); *Brockum Co. v. Various John Does*, 685 F. Supp. 476, 478 (E.D. Pa. 1988).
- 16 § 1116(d)(1)(A).
- 17 *Id.*
- 18 *Id.* § 1116(d)(1)(B)(i).
- 19 See *id.*
- 20 *Id.* § 1116(d)(3)(A).
- 21 Although the Act prescribes a maximum duration for the order of seven days, a federal judge may in her discretion allow up to ten days, pursuant to FED. R. CIV. P. 65(b). In either case, it is important to note that the duration of the order should be expressed in terms of "business days," pursuant to FED. R. CIV. P. 65(a).
- 22 § 1116(d)(3)(B) (cross-referencing § 1116(d)(5)(A-E)).
- 23 *Id.* § 1116(d)(4)(A).
- 24 *Id.* § 1116(d)(4)(B)(i)-(vii).
- 25 *Id.* § 1116(d)(6).
- 26 *Id.* § 1116(d) (8).
- 27 *Id.* § 1116(d)(9).
- 28 *Id.* § 1116(d)(7).
- 29 See *id.* § 1116(d)(9).
- 30 *Id.* § 1116(d)(11).
- 31 *Id.*
- 32 See § 1117(a).
- 33 See, e.g., *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1512-13 (11th Cir. 1984).
- 34 See § 1125(a)(7).
- 35 *Id.* § 1125(a)(1)(A)-(B).
- 36 See, e.g., *Lois Sportswear U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 871 (2d Cir. 1986). See generally 4 MCCARTHY ON TRADEMARKS *supra*, note 12, at § 27:18.
- 37 See, e.g., *Nikon, Inc. v. Ikon Corp.*, 987 F.2d 91, 94 (2d Cir. 1993); *Breakers of Palm Beach, Inc. v. Int'l Beach Hotel Dev., Inc.*, 824 F. Supp. 1576, 1582 (S.D. Fla. 1993) ("[T]he common element Plaintiff must prove to prevail on both Lanham Act claims is 'likelihood of confusion' between the marks."). See generally 3 MCCARTHY ON TRADEMARKS *supra*, note 12, at § 27:18.
- 38 See *Grupka v. Linda Lori Sportswear*, 921 F. Supp. 987, 994 (E.D.N.Y. 1996).
- 39 See *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1512-13 (11th Cir. 1984).

- 40 See, e.g., *Sega Enters. Ltd. v. Maphia*, 857 F. Supp. 679, 690 (N.D. Cal. 1994); *Pepe (U.K.) Ltd. v. Ocean View Factory Outlet Corp.*, 770 F. Supp. 754, 759 (D.P.R. 1991) ("Prior to the enactment of [the Trademark Counterfeiting Act], *ex parte* seizure of duplicating, counterfeit goods was common."); *Fimab-Finanziaria Maglificio Biellese Fratelli Fila S.p.A. v. Kitchen*, 548 F. Supp. 248 (S.D. Fla. 1982); *Brockum Int'l, Inc. v. Various John Does*, 551 F. Supp. 1054, 1055 (E.D. Wis. 1982); *Joel v. Various John Does*, 499 F. Supp. 791, 792 (E.D. Wis. 1980).
- 41 See, e.g., *Swatch Watch S.A. v. Aste Trading Corp.*, 1986 WL 734, at *3 (S.D.N.Y. Jan. 3, 1986).
- 42 *Id.*
- 43 *Pepe*, 770 F. Supp. at 759.
- 44 28 U.S.C. § 1651 (1994).
- 45 See, e.g., *XFL, LLC v. Various John and Jane Does*, C.A. No. 01-01534-DT (CTx) at ¶ 10 (C.D. Cal. Mar. 2, 2001) ("This Court has the power under the All Writs Act, 28 U.S.C. § 1651, to grant a seizure order for goods that are infringing but are not counterfeits within the meaning of 15 U.S.C. § 1116(d).") (opinion on file with authors).
- 46 See, e.g., *Roberts v. Atlantic Recording Corp.*, 892 F. Supp. 83, 86 (S.D.N.Y. 1995).
- 47 See *id.*
- 48 See generally *Vuitton I*, 606 F.2d 1, 4 (2d Cir. 1979).
- 49 See *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 871 (2d Cir. 1988). See also *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 484 (9th Cir. 1994) ("The purpose of the Lanham Act is to prevent consumer confusion or deception about the origin or mark of a product.").
- 50 See *Reebok Int'l Ltd. v. Su Youn Pak*, No. 87 Civ. 2727, 1989 U.S. Dist. LEXIS 7266, at * 6 (S.D.N.Y. June 30, 1989).
- 51 See *id.*
- 52 *Id.* See also *Vuitton v. White*, 945 F.2d 569, 576 (3d Cir. 1991) ("Courts have held that both potential damage to reputation and likelihood of confusion constitute irreparable injury.") [hereinafter *Vuitton II*]; *Robot Wars LLC v. Roski*, 51 F. Supp.2d 491, 493 (S.D.N.Y. 1999); *Southland Corp. v. Froelich*, 41 F. Supp.2d 227, 242 (E.D.N.Y. 1999). See generally 5 MCCARTHY ON TRADEMARKS § 30:47.
- 53 *United States v. Hon*, 904 F.2d 803, 806 (2d Cir. 1990) ("[T]rademark laws are designed not only to prevent consumer confusion but also to protect 'the synonymous right of a trademark owner to control his product's reputation.'"); *Opticians Ass'n of America v. Indep. Opticians*, 920 F.2d 187, 196 (3d Cir. 1990) ("Potential damage to reputation constitutes 'irreparable injury' for the purpose of granting preliminary injunction in a trademark case."); *Southland*, 41 F. Supp.2d at 242.
- 54 *Romm Art Creations Ltd. v. Simcha Int'l, Inc.*, 786 F. Supp. 1126, 1140 (E.D.N.Y. 1992). See also *TEC Eng'g Corp. v. Budget Molders Supply, Inc.*, 927 F. Supp. 528, 535 (D. Mass. 1996) (quoting *Hypertherm, Inc. v. Precision Prods., Inc.*, 832 F.2d 697, 700 (1st Cir. 1987) ("Few harms are more corrosive... than the inability of a trademark holder to control the quality of bogus articles thought (erroneously) to derive from it.")).
- 55 See *Rosenthal A.G. v. Ritelite, Ltd.*, 986 F. Supp. 133, 144 (E.D.N.Y. 1997) ("To the extent a defendant's product is of inferior quality to a plaintiff's product, the plaintiff's interest in avoiding any confusion is heightened.>").
- 56 *Playboy Enters., Inc. v. Chuckleberry Publ'g., Inc.*, 486 F. Supp. 414, 432 (S.D.N.Y. 1980).
- 57 *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1988) (Where plaintiff's goods are of high quality, "the good quality of [defendant's] product actually may increase the likelihood of confusion as to source."); *Tanning Research Labs., Inc. v. Worldwide Imp. & Exp. Corp.*, 803 F. Supp. 606, 609 (E.D.N.Y. 1992) (holders of trademark are not required to prove that alleged infringers' products were inferior in order to establish violation of Lanham Act). See also *Franklin Mint, Inc. v. Franklin Mint, Ltd.*, 331 F. Supp. 827, 830 (E.D. Pa. 1971) ("Even if defendant matches the high quality of plaintiff's products... plaintiff is still entitled to have his reputation within his control.>").
- 58 See *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22 (1st Cir. 1989) (plaintiff entitled to summary judgment against vendors who made reference to Boston Marathon on clothing even though vendors did not use exact name of race); *National Football League Props., Inc. v. Yingling*, 224 U.S.P.Q. 845, 851 (Fla. Cir. Ct. 1984) (*ex parte* TRO granted against vendors who sold merchandise bearing trademark of NFL).
- 59 *Brockum Co. v. Blaylock*, 729 F. Supp. 438, 444 (E.D. Pa. 1990) (court held as a matter of law that the sale of T-shirts bearing the names, trademarks, logos, trade names, or likenesses of well-known performers or groups without their consent constitutes a violation of Section 43(a)); *Joel v. Various John Does*, 499 F. Supp. 791, 792 (E.D. Wis. 1980) (actions of defendants in selling merchandise bearing picture and name of popular musical performer violated Lanham Act).
- 60 See *Big League Trademark Headache*, NAT'L L.J., Nov. 6, 2000, at A4 (describing how Major League Baseball Props. Inc. seized approximately 15,000 counterfeit T-shirts and other items around Yankee and Shea stadiums during the 2000 World Series).
- 61 See *XFL, LLC v. Various John and Jane Does*, No. 01-01534 DT (CTx) at ¶13 (C.D. Cal. Feb. 16, 2001) (holding that notice of *ex parte* application for seizure order need not be given to defendants because "Defendants who can

- be located and identified likely will cause the immediate concealment or destruction of" counterfeit goods) (opinion on file with authors).
- 62 *Vuitton I*, 606 F.2d at 1, 4 (2d Cir. 1979). *See also Vuitton II*, 945 F.2d 569, 571 (3d Cir. 1991). recognizing the bad faith tactics of counterfeiters, such as the extreme likelihood that the counterfeiters will conceal infringing merchandise and destroy records); *Pepe (U.K.) LTD v. Ocean View Factory Outlet corp.*, 770 F. Supp. 754,760 (D.P.R. 1991). ("In such counterfeiting cases, "even when a court issues a temporary restraining order to prevent the continued sale of bogus goods, it is common for counterfeiters to simply ignore and violate the order by destroying or hiding the property in question...it is equally common for counterfeiters to transfer their inventory to another counterfeit seller whose identity is unknown to the trademark owner," thus necessitating the grant of an ex parte seizure).
- 63 *Vuitton I*, 606 F.2d at 4. *See also General Motors Corp. v. Gibson Chem. & Oil Corp.*, 786 F.2d 105, 109 (2d Cir. 1986) (explaining that in trademark actions, a showing of confusion as to the source of a product ordinarily establishes risk of irreparable harm); *Warner Bros., Inc. v. Dae Rim Trading, Inc.*, 677 F. Supp. 740, 759 (S.D.N.Y. 1988) (explaining that the likelihood of confusion constitutes irreparable harm sufficient to support the grant of a temporary restraining order); *Or Da Indus., Ltd. v. Leisure Learning Prods. Inc.*, 479 F. Supp. 710, 719 (S.D.N.Y. 1979).
- 64 *Brockum Co. v. Blaylock*, 729 F. Supp. at 444.
- 65 *Id.* at 441.
- 66 *Id.* at 443
- 67 *Id.* at 444.
- 68 *See Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 n.14 (1982) (characterizing the practice of labeling and selling generic drugs with the registered trademark of a brand name as blatant trademark infringement); *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 142 (3d Cir. 1981) ("[T]here is great likelihood of confusion when an infringer uses the exact trademark"); *Omega Importing Corp. v. Petri-Kine Camera Co.*, 451 F.2d 1190, 1194 (2d Cir. 1971) ("The probabilities of confusion from the sale of another camera bearing the identical name are too obvious to require detailed proof."); *Interstate Battery Sys. v. Wright*, 811 F. Supp. 237, 242 (N.D. Tex. 1993) (finding that defendants' marks are identical to plaintiff's marks and that defendants' products are identical to plaintiff's products militates strongly toward a finding of infringement); *Pepe (U.K.) LTD v. Ocean View Factory Outlet Corp.*, 770 F. Supp. 754,759 (D.P.R. 1991) (explaining that exact reproduction of plaintiff's mark as actually used in marketplace is more than an arguable case of infringement).
- 69 *See* 15 § 1116(d)(5)(C) (1994); FED. R. CIV. P. 65(b).
- 70 *Gucci America, Inc. v. Accents*, 955 F. Supp. 279, 281 (S.D.N.Y. 1997).
- 71 *Id.* at 282.
- 72 *Cf. NFL Properties, Inc. v. Coniglio*, 554 F. Supp. 1224, 1226 (D.D.C. 1983) (holding that mark owners can protect their intellectual property against counterfeiting by mere service of complaints).
- 73 *See Reebok Int'l v. Su Youn Pak*, 683 F. Supp. 929, 930 (S.D.N.Y. 1987) (statutory requirements under TCA satisfy Fourth Amendment requirements).
- 74 *See, e.g., Gucci America*, 955 F. Supp. at 282 (recognizing that affidavits and other offers of proof provide specific facts sufficient to satisfy all statutory requirements and alleviate Fourth Amendment concerns).
- 75 *Id.* at 282-83.
- 76 *See id.*
- 77 *See* 15 § 1116(d)(10)(A) (1994).
- 78 *See Gucci America*, 955 F. Supp. at 283 (citing § 1116(d)(10)(A) and *Malkentzos v. DeBuono*, 102 F.3d 50, 54 (2d Cir. 1996)).
- 79 Investigators must be aware that, although counterfeiters may not claim a reasonable expectation of privacy in discarded garbage, dumpsters that remain on the counterfeiters' property may not be subject to search. *See generally* Mark A. Rush, et al., *Protecting Trade Secrets From Dumpster Divers and Other Snoops: The Law Protects Those That Protect Themselves*, MEALEY'S LITIGATION REPORT, INTELLECTUAL PROPERTY, Vol. 8, No. 21 (Aug. 7, 2000). Of course, the last thing a trademark owner wants is to have an order denied—or a successful seizure nullified—because of trespassing or privacy violations by his investigators.