

No. 08-1201

In the Supreme Court of the United States

ABLE TIME, INC., PETITIONER

v.

UNITED STATES OF AMERICA

*ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT*

BRIEF FOR THE UNITED STATES IN OPPOSITION

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QUESTION PRESENTED

Whether Section 526 of the Tariff Act of 1930, 19 U.S.C. 1526, authorizes a civil penalty for importation of merchandise bearing a counterfeit trademark when the owner of the mark does not manufacture the same type of merchandise.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. A1-A26) is reported at 545 F.3d 824. The opinion of the district court (Pet. App. C1-C8) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on September 25, 2008. A petition for rehearing was denied on December 22, 2008 (Pet. App. B1). The petition for a writ of certiorari was filed on March 23, 2009 (Monday). The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Petitioner is a California corporation that imports products on a wholesale basis. In 1999, the Customs Service (now Customs and Border Protection, part of

the Department of Homeland Security) (Customs) seized a shipment of watches that petitioner was importing into the United States. Pet. App. A1-A2. The watches bore the mark “TOMMY,” which is a registered trademark owned by Tommy Hilfiger Licensing, Inc. (Tommy Hilfiger). *Id.* at A2.

At the time of the seizure, the “TOMMY” mark was registered in International Class 3, which covers cosmetics, cologne, and aftershave. Pet. App. A4; see 37 C.F.R. 2.85(a), 6.1(3). The mark was not registered in International Class 14, which covers watches, and Tommy Hilfiger did not make watches at the time of the seizure. Pet. App. A4; see 37 C.F.R. 6.1(14). Shortly after the seizure, Tommy Hilfiger registered the “TOMMY” mark in International Class 14, and the company now makes and sells watches bearing the mark. Pet. App. A4.

2. The government instituted proceedings against the watches under Section 526 of the Tariff Act of 1930, 19 U.S.C. 1526. Merchandise manufactured abroad that bears a registered and recorded trademark may not be imported into the United States without the permission of the trademark owner. 19 U.S.C. 1526(a). If the merchandise bears a “counterfeit mark,” it is subject to seizure and civil forfeiture, and its importer is liable for a civil penalty:

Any such merchandise [of foreign manufacture] bearing a counterfeit mark (within the meaning of [15 U.S.C. 1127]) imported into the United States in violation of the provisions of [15 U.S.C. 1124], shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws.

19 U.S.C. 1526(e); see 19 U.S.C. 1526(f) (civil penalties). The amount of the penalty is within Customs' discretion, 19 U.S.C. 1526(f)(4), subject to certain limits:

For the first such seizure, the fine shall be not more than the value that the merchandise would have had if it were genuine, according to the manufacturer's suggested retail price, determined under regulations promulgated by the Secretary.

19 U.S.C. 1526(f)(2).

Section 1526(e), the seizure and forfeiture provision, refers to two provisions of the Lanham Act, 15 U.S.C. 1051 *et seq.* To define the term "counterfeit mark," the Tariff Act incorporates 15 U.S.C. 1127, which provides that "[a] 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." To describe the merchandise whose seizure triggers imposition of a civil penalty, the Tariff Act cites 15 U.S.C. 1124, which provides:

Except as provided in [19 U.S.C. 1526(d)], no article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer * * * or which shall copy or simulate a trade-mark registered in accordance with the provisions of [the Lanham Act] * * * shall be admitted to entry at any customhouse of the United States.

Ibid.

3. Following the seizure of petitioner's imported merchandise, the United States instituted an *in rem* civil forfeiture proceeding against the watches, as well as a similar shipment of watches that bore an allegedly counterfeit mark registered to Guess?, Inc. The civil forfeiture complaint was dismissed on grounds of defective service because Customs' lack of funding prevented

it from effecting publication notice until 76 days after the complaint was filed. See *United States v. 2,164 Watches, More or Less, Bearing a Registered Trademark of Guess?, Inc.*, 366 F.3d 767, 770 (9th Cir. 2004). The statute of limitations had run before the government could re-file, and the government accordingly returned nearly all of the watches. Pet. App. A5.

The government next initiated a civil-penalty action under 19 U.S.C. 1526(f). Pet. App. A5. Petitioner counterclaimed, arguing that the civil-penalty provision is unconstitutional. See *United States v. Able Time, Inc.*, No. CV-04-2695-RMT, 2004 WL 5573444, at *1 n.2 (C.D. Cal. Dec. 16, 2004).

Petitioner moved for summary judgment. The district court initially denied that motion, holding that a reasonable jury could find that the watches bore a counterfeit mark. *Able Time*, 2004 WL 5573444, at *2. The district court subsequently granted reconsideration *sua sponte*, however, and entered summary judgment for petitioner. Pet. App. C1-C10. The court concluded that, “[b]ecause Tommy Hilfiger did not make watches at the time of the seizure, the watches [petitioner] sought to import did not ‘imitate a well-known product.’ As such, they cannot be characterized as counterfeit. Accordingly, they are not subject to seizure and forfeiture pursuant to 19 U.S.C. §1526(e) and a penalty under § 1526(f) cannot be imposed.” *Id.* at C8.

4. The court of appeals reversed and remanded. Pet. App. A1-A26.

The court of appeals held that the plain language of the statute does not require an “identity of goods or services,” *i.e.*, a showing that the owner of the mark makes the same kind of goods as the goods bearing the counterfeit mark. Pet. App. A3. The court explained that no

such requirement appears in either the pertinent provision of the Tariff Act, 19 U.S.C. 1526, or the two provisions of the Lanham Act that the Tariff Act incorporates or cites, 15 U.S.C. 1127 and 1124. Pet. App. A8-A9. Although the penalty provision of the Tariff Act, 19 U.S.C. 1526(f), refers to the value of “genuine” merchandise, the court of appeals concluded that the statute did not thereby require proof that the trademark owner manufactured a genuine version of the specific goods bearing the counterfeit mark. Pet. App. A11-A12. The court observed that the reference to “genuine” merchandise appears in a provision that “affects the calculation of the civil penalty, not the initial determination of whether a penalty should apply.” *Id.* at A11. The court noted as well that “on its face, the language of 19 U.S.C. § 1526(f)(2) does not require the genuine merchandise to be manufactured by the trademark owner,” and that “the term ‘genuine’ could refer to genuine name-brand [goods] generally.” *Id.* at A12.

The court of appeals concluded that other indicia of congressional intent were consistent with the most natural reading of the statutory text. Pet. App. A13-A23. The court explained that some other intellectual-property statutes do contain an “identity of goods or services” requirement, and that “[t]he sequence of enactments of and amendments to the relevant statutes strongly supports the inference that the omission of an identity of goods or services requirement from the Tariff Act was intentional.” *Id.* at A13. The court of appeals noted that Congress has enacted both civil and criminal statutes that contain an “identity of goods or services requirement,” while leaving unchanged the Tariff Act and Lanham Act provisions that govern this case. *Id.* at A15-A17. The court of appeals also reviewed the legisla-

tive history of both the seizure provision and the civil-penalty provision, and it discerned no congressional intent to limit those provisions' application to cases involving the same goods as those manufactured by the trademark owner. *Id.* at A17-A19.

Finally, the court of appeals concluded that its interpretation of the Tariff Act does not give trademark owners a "right in gross." Pet. App. A23-A24. The court acknowledged the general principle of trademark law that "a registered trademark can be used by someone other than its owner so long as the use does not confuse the public." *Id.* at A23. The court explained that, under the relevant statutory provisions, "[t]he offending merchandise must 'copy or simulate' a registered mark," meaning that "the watches must be likely to cause confusion in order for a civil penalty to apply." *Id.* at A23-A24.

The court of appeals remanded the case to the district court to determine whether the mark on petitioner's watches meets the definition of a "counterfeit" of Tommy Hilfiger's mark, and if so, "whether [petitioner's] mark copies or simulates the registered mark," under the "traditional" test for "likelihood of confusion." Pet. App. A25. The court also left open a potential challenge to the methodology by which the civil penalty was calculated. *Id.* at A12 n.2.

5. In the remand proceedings in the district court, petitioner and the government have stipulated to the reinstatement of petitioner's counterclaim challenging the civil-penalty statute. The district court had previously dismissed that counterclaim without prejudice when it granted summary judgment against the government on the civil-penalty claim. See CV-04-2695-RMT Order Regarding Counterclaim (C.D. Cal. Apr. 13, 2009).

ARGUMENT

The decision of the court of appeals is correct and does not conflict with any decision of this Court or any other court of appeals. The plain text of the relevant statutes refutes petitioner’s attempt to narrow the term “counterfeit mark.” Nothing in the Tariff Act, the Lanham Act, their legislative history, or general principles of trademark law supports petitioner’s argument that it was free to import any item bearing the “TOMMY” mark as long as Tommy Hilfiger did not yet make the same item.

The Tariff Act is primarily intended to protect the interests of the buying public, while the Lanham Act is primarily intended to protect the interests of the trademark owner. The Tariff Act directs Customs to seize goods that bear a counterfeit mark so that the public can be assured that products appearing on the market are correctly labeled. In contrast, the Lanham Act empowers trademark owners to obtain injunctive relief and damages for infringing uses of their mark by another person. The decision below accurately reflects the Tariff Act’s distinct role.

1. The court of appeals correctly held that the Tariff Act authorizes a civil penalty for the importation of merchandise bearing a counterfeit mark regardless of whether the trademark owner manufactures the same type of merchandise at the time of the importation. Pet. App. A26. Contrary to petitioner’s contentions (Pet. 12), that holding is consistent with the decisions of this Court.

a. Section 1526 authorizes seizure, forfeiture, and a civil penalty when a person imports “merchandise bearing a counterfeit mark.” 19 U.S.C. 1526(e) and (f); see 19 U.S.C. 1526(a). Those provisions do not require the

government to prove that the *merchandise* is “counterfeit” or that the trademark owner makes and sells the same kind of merchandise. Nor does the applicable statutory definition of “counterfeit” impose such a requirement. “A ‘counterfeit’ is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.” 15 U.S.C. 1127. And “[t]he term ‘registered mark’ means a mark registered in the United States Patent and Trademark Office under [the Lanham Act or three other trademark statutes].” *Ibid.* Thus, both the Tariff Act and the definition of “counterfeit” that the Tariff Act incorporates focus on the “mark” that appears on the merchandise, not the “merchandise” bearing the mark.

Petitioner has never contended that it was entitled to summary judgment on the question whether the “TOMMY” logo on its goods was “spurious” or “substantially indistinguishable from” Tommy Hilfiger’s mark. Nor does petitioner dispute that Tommy Hilfiger’s mark is a registered mark. See Pet. App. C2-C3. The court of appeals therefore correctly determined that petitioner had not shown beyond factual dispute that its mark was *not* a “counterfeit mark” subject to a civil penalty.

Petitioner contends (Pet. 14-15) that the Lanham Act’s definitions of “registered mark,” “mark,” and “trademark” incorporate an identity-of-goods requirement. But the provisions that petitioner cites, 15 U.S.C. 1051 and 1057, are not referred to in the definitions that are in turn incorporated into the Tariff Act. Rather, Sections 1051 and 1057 concern the requirements for registering a mark and obtaining a certificate of registration. Neither the definition of “counterfeit” nor the reference to a “registered mark” in Section 1127 can be said to incorporate all elements of the registration pro-

cedure. For a mark to be a “counterfeit” under Section 1127, it need only be “spurious” and substantially indistinguishable from a registered mark.

b. Although Section 1526 and the incorporated provisions of the Lanham Act do not contain any “identity of goods or services” requirement, Congress has expressly incorporated such a requirement into other statutes. See, *e.g.*, 15 U.S.C. 1116(a) and (d)(1)(B)(i); 18 U.S.C. 2320(a) and (e)(1)(A)(iii). In adding these provisions to the Lanham Act and the Criminal Code in 1984, see Pet. App. A15, Congress did not change the definitional provisions of the Lanham Act or the seizure and forfeiture provisions of the Tariff Act. And when Congress later revisited the Tariff Act to add the civil-penalty provision at issue here, it once again did not incorporate the identity-of-goods requirement. See *id.* at A15-A16. As the court of appeals recognized, Congress’s inclusion of identity-of-goods requirements in other parts of the statutory scheme, combined with its failure to add such a requirement to the Tariff Act and Lanham Act provisions at issue here, “supports the inference that the omission of such a requirement from those provisions was intentional.” *Id.* at A16.¹

¹ In the court of appeals, petitioner relied in part on the fact that the maximum civil penalty is set by reference to “the value that the merchandise would have had if it were genuine, according to the manufacturer’s suggested retail price [MSRP], determined under regulations promulgated by the Secretary” of the Treasury. 19 U.S.C. 1526(f)(2); see Pet. App. A12. Petitioner contended that Section 1526(f)(2)’s reference to the retail price charged for genuine merchandise “shows that Congress intended to require the owner of the registered mark to manufacture the same goods as those bearing the offending mark.” *Ibid.* In this Court, petitioner argues only that the court of appeals’ decision will make civil penalties difficult to calculate if there is no genuine article with an MSRP. Pet. 26-27. As the court of appeals explained, how-

c. The legislative history of Section 1526 also supports the conclusion that Congress did not intend to require that the mark owner make the same merchandise as that bearing a counterfeit mark before Customs could issue a civil penalty. The legislative history of Section 1526(e), the seizure provision, refers to “counterfeit marks” rather than to “counterfeit goods.” H.R. Rep. No. 1517, 95th Cong., 2d Sess. 17 (1978). The legislative history of Section 1526(f), the civil penalty provision, describes the problems posed by goods with counterfeit marks and explains that consumers who purchase those products (which are generally substandard) will likely blame the mark’s owner, thus costing the owner not only that sale but future sales as well. See H.R. Rep. No. 556, 104th Cong., 2d Sess. 1-4 (1996).

By contrast, petitioner’s interpretation of the Tariff Act would create a loophole in the law’s protection against consumer confusion and fraud by allowing counterfeiters to place counterfeit marks on any type of merchandise not made by the owner of the mark at that time. Even when Tommy Hilfiger did not produce watches, members of the consuming public may have purchased petitioner’s watches only because they believed that the watches were made by Tommy Hilfiger. Under petitioner’s reading of the statute, counterfeiters could usurp the mark owner’s goodwill and use it as a springboard into the market. The legislative history provides no indication that Congress intended such a counterintuitive result.

ever, Customs has properly used its interpretive authority to arrive at a method for determining “the value that the merchandise would have had if it were genuine” without the benefit of an MSRP. See Pet. App. A12 & n.2.

2. The decision below is the first reported appellate decision to address the question presented under the Tariff Act. Although petitioner contends (Pet. 16) that the court of appeals' decision conflicts with "trademark case law" in other circuits, the cases it cites involve other statutes that include limiting language that does not appear in the Tariff Act.² In the absence of a circuit conflict on the statutory question presented here, further review is not warranted.

a. Citing numerous cases, petitioner contends (Pet. 16-24) that trademark protection is tied to a specific product for which the mark has been registered. Petitioner argues (Pet. 19) that the decision below "protects marks (in isolation), not goods" and "is a radical departure from this principle as enunciated in other courts of appeals." But the cases on which petitioner relies involve either (1) private infringement cases arising under the Lanham Act,³ or (2) criminal cases arising under

² Petitioner also contends that the ruling below conflicts with a decision of the Court of International Trade (CIT) involving allegedly counterfeit marks. Pet. 25-26 (citing *Ross Cosmetics Distribution Ctrs., Inc. v. United States*, 18 Ct. Int'l Trade 979, 986 (1994)) (*Ross*). The CIT's decision in *Ross* was not appealed to the Federal Circuit, and that court has not adopted the CIT's reasoning. In any event, *Ross* did not involve the question presented here. *Ross* was importing fragrance oil that invited consumers to "COMPARE TO" another company's well-known, trademarked fragrance. 18 Ct. Int'l Trade at 979-980, 982. The CIT concluded that *Ross*'s products were not counterfeit, but the court held that they were subject to seizure and forfeiture on another ground. *Id.* at 986, 989-990. The decision in *Ross* will not affect the disposition of civil-penalty actions under the Tariff Act because the CIT lacks jurisdiction to hear challenges to such penalties. *Sakar Int'l, Inc. v. United States*, 516 F.3d 1340, 1346-1350 (Fed. Cir.), cert. denied, 129 S. Ct. 488 (2008).

³ *E.g.*, *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998). cert. denied, 526 U.S. 1133 (1999); *General Elec. Co. v. Speicher*,

18 U.S.C. 2320.⁴ As noted above, Congress included in those statutes an explicit “identity of goods” requirement. Because this case involves the application of different statutory provisions that contain no such requirement, petitioner’s reliance on those decisions is misplaced.

Petitioner argues (Pet. 22) that the definition of “counterfeit” in Section 1127 is meant to be “interchangeabl[e]” with other trademark provisions defining the same term. But as noted above, the Lanham Act’s civil-enforcement provision contains its own definition of “counterfeit mark,” 15 U.S.C. 1116(d)(1)(B), and other provisions of the Lanham Act relating to private rights of action expressly incorporate that definition rather than the one in Section 1127 that is at issue here. See, e.g., 15 U.S.C. 1117(b). Neither of the cases petitioner cites actually holds that Section 1127 implicitly includes the same limitation that appears explicitly in Section 1116(d)(1)(B)(i).⁵

b. Contrary to petitioner’s assertion (see Pet. 10-11, 18-20), the court of appeals clearly did not treat the Tariff Act or Customs’ enforcement policy as conferring a “right in gross.” As the court of appeals explained (Pet. App. A23-A24), Customs’ enforcement of Section

877 F.2d 531 (7th Cir. 1989); *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352 (9th Cir. 1985) (en banc).

⁴ E.g., *United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000); *United States v. Hon*, 904 F.2d 803 (2d Cir. 1990).

⁵ See *Babbitt Elecs., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1181 & nn.5-6 (11th Cir. 1994) (examining whether the defendant knew that the mark was counterfeit, not whether the definition of “counterfeit” was satisfied); *Meece*, 158 F.3d at 826-827 (treating Section 1116(d)(1)(B)’s definition of “counterfeit mark” as incorporating Section 1127’s definition of “counterfeit,” not vice versa).

1526(e) and (f) involves two determinations. First, Customs determines whether the imported merchandise bears a “counterfeit mark” as defined by 15 U.S.C. 1127. Second, if so, Customs determines whether that merchandise is being imported in violation of 15 U.S.C. 1124, *e.g.*, for copying or simulating a registered trademark.

Customs defines a “copying or simulating” trademark as “one which may so resemble a recorded mark or name as to be likely to cause the public to associate the copying or simulating mark or name with the recorded mark or name.” 19 C.F.R. 133.22(a). Even if an importer uses a mark that is identical to a registered mark, Customs must determine that the use of the mark in a particular case is “likely to cause confusion in order for a civil penalty to apply.” Pet. App. A24. Thus, “even under the government’s theory of the case, a trademark is still a ‘right appurtenant to an established business or trade in connection with which the mark is employed.’” *Ibid.* (quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918)).

Furthermore, because the two determinations are separate, petitioner is incorrect in its assertion (Pet. 17) that the court of appeals “collapsed the distinction between counterfeits and infringing goods.” Customs must first determine whether the mark on the imported merchandise is counterfeit, as defined in 15 U.S.C. 1127, before considering whether importation of the merchandise violates 15 U.S.C. 1124. See, *e.g.*, *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 527-528 (2d Cir. 1983) (“Thus the customs laws and regulations create a two-tier classification scheme. The first category consists of marks which are merely infringements, judged by whether they are likely to cause the public to associate the copying mark with the recorded mark. In the sec-

ond category are those marks which not only infringe but in addition are such close copies that they amount to counterfeits.”), cert. denied, 465 U.S. 1100 (1984); accord *Sakar Int’l, Inc. v. United States*, 516 F.3d 1340, 1346 n.5 (Fed. Cir.), cert. denied, 129 S. Ct. 488 (2008). The court of appeals was discussing the infringement inquiry, not the definition of “counterfeit,” when it analogized the applicable Customs regulation (19 C.F.R. 133.22(a)) to the test for likelihood of confusion discussed in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-349 (9th Cir. 1979). See Pet. App. A9-A11.

3. Petitioner contends (Pet. 24) that the court of appeals’ decision creates a “new system of trademark law.” Contrary to petitioner’s assertion, the decision below is faithful to Congress’s intent that goods may not be imported for sale if they bear counterfeit marks and trade on the mark owner’s goodwill. Petitioner’s criticism of what it describes as “broader protection for trademarks under the Tariff Act” than under the Lanham Act (Pet. 24) reflects nothing more than disagreement with Congress’s decision to impose distinct restrictions on the importation of foreign-manufactured goods bearing counterfeit trademarks.

Contrary to petitioner’s contention (Pet. 27), the decision below will not negatively impact the nation’s commerce. To the contrary, the court of appeals’ holding ensures that forfeiture and civil-penalty proceedings remain available to keep mislabeled (and potentially substandard) goods out of the Nation’s commerce, and to prevent unscrupulous importers from trading upon the goodwill and customer confidence built up by trademark owners. The only reasonable interpretation of petitioner’s conduct is that petitioner sought to exploit Tommy Hilfiger’s good name; petitioner’s actions were not

made less exploitative by the fact that Tommy Hilfiger had not yet begun to manufacture watches bearing the “TOMMY” mark when the importation at issue here occurred.

4. The current interlocutory posture of the case further counsels against this Court’s review. Petitioner filed two separate motions for summary judgment; when it prevailed on the one at issue here, the other was dismissed as moot. The court of appeals reversed the ruling granting petitioner summary judgment and remanded for further proceedings “to determine whether (1) the mark on the watches is identical to or substantially indistinguishable from the registered mark * * *, and (2) whether the offending mark copies or simulates the registered mark.” Pet. App. A25. If the district court answers those questions in the affirmative, the court must also consider the amount of the civil penalty, including any challenge to the methodology used by Customs in assessing the domestic value of petitioner’s watches. *Id.* at A12 & n.2.

Those further proceedings are pending in the district court (although petitioner has sought a stay while its petition for a writ of certiorari is considered). Petitioner has also reinstated its counterclaim challenging the constitutionality of the civil-penalty statute. If petitioner prevails on alternative grounds, this Court’s resolution of the question presented would have no practical impact on the disposition of this case.

CONCLUSION

The petition for a writ of certiorari should be denied.
Respectfully submitted.

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