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**Katten Muchin Rosenman
LLP**
New York

Karen Artz Ash



*and
Bret J Danow*

US: TRADE MARKS

Addressing grey market sales into the US

Companies not domiciled in the United States that own US trade mark registrations often face difficulties in enforcing their US trade mark rights against the importation of grey market products bearing their registered US trade marks. Difficulties may be encountered because certain protection afforded to the trade mark owner under US law may only be available where the US trade mark registrations are owned by an entity existing under the laws of the United States.

For example, the US Tariff Act prohibits the importation of goods bearing a valid registered US trade mark without the written consent of the trade mark holder and provides that any such imports may be seized by US Customs and that the person dealing in the merchandise may be enjoined. However, these enforcement rights are not available for marks owned by foreign entities or in circumstances when the domestic trade mark holder and the foreign manufacturer are part of the same entity or are under common control.

Similarly, Lever Rule protection allows a US trade mark owner to secure special protection against imported grey market goods based upon identified differences between the goods authorized for importation and sale in the US and those goods not so authorized. Again, these protections are available only if the US trade marks are owned by an entity

organized and existing under the laws of the United States.

Notwithstanding these potential difficulties, there may be other options available to foreign entities that own US trade mark registrations to address the unauthorized importation into the US of grey market products. One possible structure may be to consider the formation of a special intellectual property holding trust to hold, administer and own the US trade mark registrations. The shareholders of the trust might include both the foreign trade mark holder and, for example, the US distributor. Ownership interests in the trust would correspond to shares in the trust. The trust could be established so that it is independent from and not controlled by the foreign entity and would not be a subsidiary, parent or affiliate.

Companies should consult with IP counsel to determine the optimal way to address each specific factual situation, including the viability, value and other consequences (such as tax) concerning the formation and implementation of an intellectual property holding trust. One important consideration for purposes of addressing grey market issues is to ensure that the underlying ownership structure of the entity satisfies all requirements to take advantage of the protections afforded by US Customs practices and procedures to domestic owners of US trade mark registrations.

Katten

KattenMuchinRosenman LLP

www.kattenlaw.com