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RESOLVING THE IP DISCONNECT FOR SMALL BUSINESSES

LEAH CHAN GRINVALD*

Small businesses are an important component of the American economy. In fact, the jobs created by small businesses could assist the United States in overcoming its most recent economic downturn. Paradoxically, though, the failure rate of small businesses is quite high. Although various factors contribute to this high failure rate, one of the factors the U.S. government has focused on has been the disproportionate impact that intellectual property laws, policies, and their enforcement may have on small businesses. While the U.S. government has paid attention to the impact of domestic intellectual property laws on small businesses, the government has paid little attention to the impact that the implementation of international intellectual property obligations may have on small businesses. This disconnect threatens to undo the efforts of the U.S. government, as implementation of these obligations in the United States pose similar hurdles to success for small businesses. One recent example of this disconnect and potential for serious harm to small businesses is the Anti-Counterfeiting Trade Agreement (ACTA), where the U.S. government has seemingly all but ignored small businesses. This Article uses ACTA as an example of how the U.S. government should be analyzing and negotiating international intellectual property agreements with an eye toward the impact on small businesses, which would thereby resolve the disconnect and create a coherent policy approach.

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I. INTRODUCTION

Small businesses are the heart of the American economy, accounting for approximately sixty percent of all job creation in any given year.¹ The United States government has recognized that small businesses may be the key to leading the United States out of its recent economic downturn.² At the same time, starting a small business is a risky proposition. Approximately fifty percent of all new businesses fail within the first five years.³ This vulnerability to failure is due to a number of factors, including the disproportionate impact that certain laws may have on small businesses.⁴ Such laws may be those involving intellectual property,⁵ employment,⁶ taxes,⁷ and international trade,⁸ to

1. See Shayndi Raice, *For Small Business, Slow Gains in Credit*, WALL ST. J. (July 13, 2010), http://online.wsj.com/article/SB10001424052748703283004575363381891292318.html?mod=WSJ_newsreel_smallbiz (“Mr. Bernanke noted that small businesses are essential to job creation, saying that data show that small firms employ roughly one-half of all Americans and account for about 60% of job creation.”).

2. See Brian Headd, *Small Businesses Most Likely to Lead Economic Recovery*, SMALL BUS. ADVOC., July 2009, at 1 (“[S]mall businesses’ historical overall rate of net job creation makes them a key player in solving our labor market woes.”).

3. See *Frequently Asked Questions*, SBA: OFFICE OF ADVOCACY (Jan. 2011), available at <http://www.sba.gov/sites/default/files/sbfaq.pdf>. There is further evidence that 20% of small businesses fail within the first year of inception. See Sarah E. Needleman, *Rise in Start-Ups Draws Doubters*, WALL ST. J. (Feb. 2, 2012), <http://online.wsj.com/article/SB10001424052970204652904577197043592536240.html?KEYWORDS=20+small+business>.

4. See, e.g., Kirk Heriot et al., *Evaluating the Impact of Federal Legislation on Small Businesses: An Exploratory Study of the New Minimum Wage Rate and the Health Insurance Tax*, SMALL BUS. INST. J., Oct. 2010, at 63, 84, http://sbaer.uca.edu/sbij_2010_v6.pdf (concluding that “a firm with as few as 20 employees would have as much as a 50–55 percent decrease in net income as a result of the two federal labor laws discussed in [the article’s] research”).

5. The impact of trademark litigation tactics on small businesses was recognized as a concern by Congress in 2010. In the Trademark Technical and Conforming Act, passed in early 2010, Congress commissioned a study to be undertaken by the Intellectual Property Enforcement Coordinator to study “the extent to which small businesses may be harmed by litigation tactics by corporations attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.” See Trademark Technical and Conforming Amendment Act of 2010, Pub. L. No. 111–146, § 4, 124 Stat. 66, 69–70 (2010). Unfortunately, the study that was presented to Congress does not appear to be responsive to the concerns expressed by Congress. See Eric Goldman, *Department of Commerce Releases Worthless Study on Trademark Bullying*, TECH. & MKTG. L. BLOG (Apr. 29, 2011, 9:58 AM), <http://blog.ericgoldman.org/archives/2011/04/>; David Pardue, *Whitewash: Commerce Department Issues Trifling Report on Trademark Bullying*, TRADE SECRETS AND IP TODAY (May 2, 2011, 9:13 AM), <http://tradesecretstoday.blogspot.com/2011/05/whitewash-commerce-department-issues.html>.

6. See Heriot et al., *supra* note 4, at 64 (“Small firms are especially challenged by changes in their labor costs because the burden is often not shared by multiple shareholders,

name a few. In particular, the U.S. government has recognized that intellectual property laws, policies, and their enforcement can have unintended consequences that may impact the viability of some small businesses.⁹ In recent years, the U.S. government has recognized this unintended harm to small businesses and, through a number of governmental agencies, has established a variety of programs to assist small businesses in overcoming hurdles posed by domestic laws.¹⁰

However, there is a disconnect between the U.S. government's efforts to assist small businesses with domestic intellectual property laws on the one hand, and the international agreements it enters into on the other hand.¹¹ This disconnect threatens to undo the efforts of the U.S. government to assist small businesses, as these agreements may contain intellectual property provisions that will have deleterious effects on small businesses once they are implemented domestically. These deleterious effects may range from creating more competition for small businesses in the United States,¹² raising barriers to doing business,¹³ to directly

but rather by a sole proprietor or a few shareholders in a closely held firm.”).

7. See Teresa A. Sullivan et al., *Financial Difficulties of Small Businesses and Reasons for Their Failure* 4 (U.S. Small Bus. Admin., Working Paper No. SBA-95-0403, 1998), available at <http://archive.sba.gov/advo/research/rs188tot.pdf> (reporting that twenty percent of small businesses studied cited tax-related reasons for their business failure).

8. See Press Release, Office of U.S. Trade Rep., *New Online Tool Highlights Tariff Benefits of Free Trade Agreements for American Small Businesses* (Apr. 27, 2011), available at <http://www.ustr.gov/about-us/press-office/press-releases/2011/april/new-online-tool-highlights-tariff-benefits-free-trad> (quoting Small Business Administration Deputy Administrator Marie Johns, who said, ““Many small business owners would benefit from exporting but might not have the time or resources to get started. Giving small business owners a simple way to navigate the complexities of tariffs and international trade is a crucial step in ensuring they have what they need to grow their business and create jobs.””).

9. See Trademark Technical and Conforming Amendment Act of 2010, Pub. L. No. 111-146, § 4, 124 Stat. at 69-70.

10. See, e.g., *Frequently Asked Questions*, U.S. PAT. & TRADEMARK OFF., <http://www.uspto.gov/smallbusiness/pdfs/USPTOSmallBusinessCampaignFAQ.pdf> (last visited June 6, 2012) (describing, in number thirteen, what the U.S. Patent & Trademark Office is doing to assist small businesses overcome problems related to intellectual property laws); Press Release, Office of U.S. Trade Rep., *supra* note 8 (attempting to overcome knowledge hurdle and assist small businesses in exporting products overseas).

11. International intellectual property obligations are typically included in the international trade agreements the United States negotiates with other nations. One of the main sources of international intellectual property obligations for the United States is from the Agreement on Trade Related Aspects of Intellectual Property (TRIPS). See Agreement on Trade-Related Aspects of Intellectual Property Rights, 33 I.L.M. 1197, 1197-98 (1994) [hereinafter TRIPS Agreement].

12. For example, the Ford Motor Company has complained that the Free Trade Agreement between the United States and South Korea would result in more competition in the United States from Korean cars. Ford has claimed that for every fifty-two Korean cars that are imported into the United States, only one American car can be exported to South

impacting financial resources.¹⁴ This disconnect is a serious concern as the United States has negotiated a number of international agreements that contain intellectual property obligations, in addition to currently negotiating the Trans-Pacific Partnership Agreement.¹⁵ Policymakers in the United States need to take into account the harms that domestic implementation of these obligations will have on small businesses.

This Article examines one recent example of this disconnect and potential for serious harm to small businesses, the Anti-Counterfeiting Trade Agreement (ACTA),¹⁶ where the U.S. government has seemingly all but ignored small businesses.¹⁷ As a result, the signed agreement

Korea. See *All Things Considered: Ford: Korea Trade Deal Could Hurt U.S. Automakers*, NAT'L PUB. RADIO (Nov. 4, 2010), available at <http://www.npr.org/templates/story/story.php?storyId=131075653>.

13. See *infra* Parts IV–V (arguing that due to ACTA, small businesses will be more vulnerable to border seizures and trademark bullies have a more effective bullying framework, both of which impact viability of small businesses).

14. As argued in Part IV, small businesses will be more vulnerable to border seizures of their imported products, which has a direct impact on their finances. If a business is unable to import products, it may default on delivery obligations or run out of inventory, all of which has a negative and direct impact on the cash flow of the business. See *infra* Part IV.B.

15. See *Outlines of the Trans-Pacific Partnership*, OFF. U.S. TRADE REPRESENTATIVE, <http://www.ustr.gov/about-us/press-office/fact-sheets/2011/november/outlines-trans-pacific-partnership-agreement> (last visited June 6, 2012) [hereinafter U.S.T.R., *TPP*] (describing the outlines of the TPP, including intellectual property provisions).

16. See *Anti-Counterfeiting Trade Agreement*, Dec. 3, 2010, 50 I.L.M. 243 (2011) [hereinafter ACTA].

17. In a recent hearing before the United States Senate Committee on Finance, the U.S. Trade Representative, Ron Kirk, indicated in one of his responses that “as stated in the President’s Trade Policy Agenda, the Administration is committed to conducting its trade policy efforts based on high standards that reflect American values on public engagement and transparency. USTR will continue to consult with stakeholders, both formally, through our ITAC advisory system, and informally. This will help ensure that we receive appropriate input” *2011 Trade Agenda: Hearing Before the S. Comm. on Fin.*, 112th Cong. 31 (Mar. 9, 2011) [hereinafter *Questions to Ambassador Kirk*] (Statement of Ambassador Ron Kirk, United States Trade Representative), available at http://keionline.org/sites/default/files/RonKirk_SFC_9Mar2011.pdf. Although small businesses comprise one of the ITACs (an acronym for Industry Trade Advisory Committees), ITAC 11, see *Industry Trade Advisory Committees*, INT’L TRADE ADMIN., <http://www.ita.doc.gov/itac/committees/index.asp> (last visited June 6, 2012), it is unclear how much input or credence they have had in formulating the policies of ACTA. For example, in the transcript from the Meeting of the Committee Chairs of the ITACs in October 2010, the chairperson for ITAC 11 (Small and Minority Businesses) made no statements. See *Industry Trade Association Committees (ITACs) Meeting of the Committee Chairs, Public Session, Oct. 12, 2010*, available at http://www.ustr.gov/webfm_send/2449. In addition, ACTA negotiations were conducted in secret, without any stakeholder attendance. See Charles R. McManis, *The Proposed Anti-Counterfeiting Trade Agreement (ACTA): Two Tales of a Treaty*, 46 HOUS. L. REV. 1235, 1236 (2009) (describing the negotiations as “being carried out behind closed doors”); Peter K.

contains a number of provisions that have the potential to harm small businesses in their implementation in the United States.¹⁸ In particular, this Article argues that there are at least two negative intellectual property-related implications for small businesses: first, small businesses will be more vulnerable to detentions and seizures of their imported products at the U.S. border, and second, trademark bullies¹⁹ will be provided with a more effective framework for bullying. Both implications have a very real potential for harming American small businesses, as the ability to import products into the United States directly impacts a business' ability to remain competitive in the market and maintain its business.²⁰ As mentioned above, small businesses are already vulnerable to financial failure;²¹ therefore, any additional negative financial impact may push a greater number of small businesses into bankruptcy.

Yu, *Six Secret (and Now Open) Fears of ACTA*, 64 SMU L. REV. 975, 998–1015 (2011) (arguing that the first fear of ACTA was the lack of transparency and accountability of the negotiation process).

18. Whether ACTA needs to be implemented in the United States is an open question. The U.S.T.R. has taken the position that U.S. law already complies with ACTA. See *ACTA: Meeting U.S. Objectives*, OFFICE OF U.S. TRADE REP., <http://www.ustr.gov/about-us/press-office/fact-sheets/2011/september/acta-meeting-us-objectives> (last visited June 8, 2012) (“Significantly, the ACTA is consistent with existing U.S. law, and does not require any change to U.S. law for its implementation in the United States.”). However, policy analysts have come to a different conclusion. See Memorandum from Brian T. Yeh, Legis. Atty. Am. L. Div., Cong. Research Serv., to Hon. Ron Wyden, at 2 (Oct. 29, 2010), available at <http://www.techdirt.com/articles/20110421/16580813994/crs-report-withheld-ustr-confirms-that-acta-language-is-quite-questionable.shtml>; Mike Masnick, *CRS Report Withheld by USTR Confirms That ACTA Language Is Quite Questionable*, TECHDIRT (Apr. 26, 2011, 1:33 PM), <http://www.techdirt.com/articles/20110421/16580813994/crs-report-withheld-ustr-confirms-that-acta-language-is-quite-questionable.shtml>.

19. A trademark bully is a large corporation that enforces an unreasonable interpretation of its trademark rights against a small business through the use of intimidation tactics. See Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625, 642 [hereinafter Grinvald, *Shaming Trademark Bullies*].

20. EDWARD G. HINKELMAN, IMPORTERS MANUAL U.S.A. 17 (4th ed. 2004) (listing thirteen ways import businesses fail). If the ability to import products is reduced or lost altogether, the costs of running a small business would be higher, making such business less competitive. See *infra* Parts IV.A–B. In addition, the internet-related provisions of ACTA also pose a serious threat to the viability of small businesses. See ACTA, *supra* note 16, art. 27. These internet provisions of ACTA are bracketed for now.

21. See generally Michael S. Gutter & Tabassum Saleem, *Financial Vulnerability of Small Business Owners*, 14 FIN. SERV. REV. 133, 134 (2005) (positing small business financial vulnerability due to lack of diversification); Sullivan et al., *supra* note 7, at 21–23 (studying factors that lead small businesses to file for bankruptcy).

Although this Article provides a number of proposals that could help mitigate the impact ACTA will have on small businesses, these proposals are merely examples of how policymakers should rethink their approach with respect to international intellectual property agreements that have already been adopted or fully negotiated.²² This Article suggests that interpretation, adoption of safeguards, and education can assist in overcoming barriers that may be posed by such agreements. With respect to future agreements, this Article urges policymakers to take small business concerns into account when negotiating international intellectual property-related agreements (for example, in the current ongoing negotiations of the Trans-Pacific Partnership Agreement²³) and when implementing these agreements in the United States. If policymakers do so, the United States will have a coherent policy approach to small businesses, which will make the assistance it provides to small businesses more effective.

The remainder of this Article will proceed in six parts. Part II will provide an overview of the hurdles posed by intellectual property laws to small businesses and the U.S. government assistance in overcoming these hurdles. Part III will provide background information on ACTA, including an overview of the agreement, an identification of the specific provisions that are of concern, and a comparison of the new provisions to existing law and regulations. Part IV will analyze the provisions of

22. On October 1, 2011, the ACTA negotiating parties held a signing ceremony, where eight parties signed the agreement, including the United States. See Press Release, Off. of U.S. Trade Rep., Partners Sign Groundbreaking Anti-Counterfeiting Trade Agreement (Oct. 1, 2011), available at <http://www.ustr.gov/about-us/press-office/press-releases/2011/october/partners-sign-groundbreaking-anti-counterfeiting-t>. The next step is for the United States to deposit its ratification of ACTA with Japan, the depositary of the Agreement. See *id.* Once six parties have deposited their ratification of ACTA with Japan, ACTA will enter into force. See *id.* Ambassador Ron Kirk has announced that ACTA is considered by the Obama administration as an “executive agreement,” rather than as an international treaty. See *Questions to Ambassador Kirk*, *supra* note 17, at 27–28. An executive agreement does not require Congressional approval, rather, just the President’s signature. See Jack Goldsmith & Lawrence Lessig, *Anti-counterfeiting Agreement Raises Constitutional Concerns*, WASH. POST, Mar. 26, 2010, at A23. However, scholars, commentators, and policymakers have expressed concern that treating ACTA as an executive agreement is unconstitutional. See, e.g., Sean Flynn, *ACTA’s Constitutional Problem: The Treaty Is Not a Treaty*, 26 AM. U. INT’L L. REV. 903, 904 (2011) (arguing that ACTA is an international treaty, and as such, cannot be treated as an executive agreement by the United States); Letter from Ron Wyden, U.S. Senator, to Barack Obama, President of the U.S. (Oct. 12, 2011), available at <http://wyden.senate.gov/newsroom/press/release/?id=12a5b1cb-ccb8-4e14-bb84-a11b35b4ec53>.

23. See U.S.T.R., *TPP*, *supra* note 15.

ACTA that contribute to the first implication for small businesses, which is that small businesses will be more vulnerable to border seizures. Part V will focus on the second implication for small businesses, that ACTA provides a more effective bullying framework to trademark bullies. Part VI will turn to the proposals of this Article that may assist in mitigating harms for small businesses, and Part VII concludes this Article.

II. SMALL BUSINESSES, HARMS TO VIABILITY FROM INTELLECTUAL PROPERTY LAWS AND U.S. GOVERNMENT RESPONSE

Intellectual property rights—the umbrella term for the various intangible ownership rights in inventions,²⁴ brand symbols,²⁵ and original works in recordable media²⁶—pose unique challenges to small businesses.²⁷ As intellectual property rights give exclusivity over use, duplication, distribution, exploitation (among other rights) to the right holder, small businesses run into a variety of issues in starting up or in conducting business.²⁸ In fact, overly protective intellectual property rights may harm the viability of small businesses,²⁹ or prevent small

24. Exclusive rights to an invention are granted through patent law. *See* 35 U.S.C. § 101 (2006) (“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”).

25. Ownership rights in brand symbols are granted through trademark law. *See* 15 U.S.C. § 1127 (2006) (“The term ‘trademark’ includes any word, name, symbol, or device, or any combination thereof—(1) used by a person . . . to identify and distinguish his or her goods . . .”).

26. Ownership rights of works in recordable media are granted through copyright law. *See* 17 U.S.C. § 102(a) (2006) (“Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”).

27. The Small Business Administration generally defines a small business as any entity with five hundred or fewer employees and annual revenues of under \$7 million (although the specific figures may differ based on industry). *See Summary of Size Standards by Industry*, U.S. SMALL BUS. ADMIN., <http://sba.gov/content/summary-size-standards-industry> (last visited June 8, 2012).

28. For example, a copyright gives the owner exclusive rights to reproduce, perform, display, distribute, and create derivative works of the copyrighted item. *See* 17 U.S.C. § 106 (2006).

29. *See The Impact of Intellectual Property on Entrepreneurship and Job Creation: Hearing Before the H. Comm. on Small Bus.*, 111th Cong. 1 (2010) [hereinafter *The Impact of Intellectual Property*] (statement of Congressperson Nydia Velazquez, Chairwoman, H. Comm. on Small Bus.) (“Technological entrepreneurs want to know that innovations like TiVo and Slingbox are not hindered, as we seek to protect content creator’s rights.”).

businesses from entering into a particular market.³⁰ For example, due to expanded trademark rights, small businesses face an increasing threat from trademark bullies that threaten litigation, which if instituted could cause the targeted victims to enter into bankruptcy.³¹ Recently, the U.S. Congress and the Obama Administration have recognized this, and as a response, Congress has held hearings and requested studies to be undertaken to determine whether changes to American intellectual property laws are needed.³² In addition, the Obama Administration, through the Small Business Administration and other governmental entities, has worked to provide resources to small businesses in order to mitigate some of the harms intellectual property laws pose.³³ However, as will be discussed in Parts III through V below, if the U.S. government does not pay similar attention to its international intellectual property obligations, small businesses will continue to be negatively impacted by intellectual property laws.

A. Harms to Small Businesses from Intellectual Property Laws

Although intellectual property rights can sometimes be beneficial to small businesses,³⁴ there are significant harms that can arise that may impact viability. These harms arise because the intellectual property right holder is given exclusivity over her patent, trademark, or copyright. Depending on the type of right held, the right holder has the ability to exclude third parties from utilizing her intellectual property in a number of different ways.³⁵ Patents, for example, give a patent holder

However, not all intellectual property laws disfavor small businesses. For example, the Fairness in Music Licensing Act provides a benefit to small business music users, as codified in the Copyright Act. *See* 17 U.S.C. § 110(5)(B)(i)–(ii) (2006) (exempting all businesses that are less than 2,000 gross square feet in size, in addition to food and drinking places that are less than 3,750 square feet).

30. *See, e.g.*, Iain M. Cockburn & Megan J. MacGarvie, *Entry and Patenting in the Software Industry* (Nat'l Bureau of Econ. Research, Working Paper No. 12563, 2006), available at <http://www.nber.org/papers/w12563> (conducting empirical research on the relationship between patents and market entry of entities without prior experience).

31. *See* Grinvald, *Shaming Trademark Bullies*, *supra* note 19, at 647.

32. *See infra* notes 59–63.

33. *See infra* Part II.B.

34. In fact, for some small businesses, such as small biotechnology firms, their intellectual property portfolio may be the most valuable asset of the business. *See* Andrew J. Sherman, *Legal and Strategic Challenges for Life Science and Biotech Companies*, ENTREPRENEURSHIP, <http://www.entrepreneurship.org/en/resource-center/legal-and-strategic-challenges-for-life-science-and-biotech-companies.aspx> (last visited June 8, 2012) (“For life science companies, IP is typically their most valuable asset.”).

35. *See supra* note 28 and accompanying text.

the right to exclude third parties from duplicating the holder's invention, as well as distributing or even using the patented invention in another product.³⁶ As another example, trademark law gives a trademark holder the right to exclude third parties from "us[ing] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive."³⁷

Due to this, small businesses run into a variety of problems when starting up a business, or in conducting business. The first problem arises in starting a business. Intellectual property rights raise the costs of starting a business because entrepreneurs should conduct "clearance" searches to find any existing intellectual property rights that their products or services may infringe.³⁸ To start a business without conducting a search for existing rights is risky. For example, if an entrepreneur starts a business selling fans without conducting a prior search, she is exposed to the risk that her fan may contain elements covered by a patent or that such elements constitute another's trademark.³⁹ If the patent or trademark holder enforces their rights against the entrepreneur, the new business will run into the issues discussed below. However, the costs associated with conducting a clearance search may be outside of the entrepreneur's budget because such clearance searches can be costly.⁴⁰ In addition, even if the entrepreneur conducts such a search, finds existing intellectual property rights, and seeks to create a design that does not infringe on those rights, moving forward may be too costly for a small business.⁴¹ Further,

36. See 35 U.S.C. § 271(a) (2006) ("[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.").

37. 15 U.S.C. § 1114(1)(a).

38. See, e.g., Linda A. Kuczma, *Creating a Trademark Protection Program in the U.S. and Abroad*, in UNDERSTANDING TRADEMARK LAW 2009, 193, 196 (Jeffery A. Handelman et al. eds., 2009) [hereinafter UNDERSTANDING TRADEMARK LAW] ("[I]t is common practice to conduct some level of investigation or a trademark search.").

39. See, e.g., *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1500-01 (10th Cir. 1995), *cert. denied*, 516 U.S. 1067 (1996).

40. For example, having a professional service conduct a clearance search for trademarks can cost anywhere from \$30 to \$100 per mark searched, depending on the type of search used. See STEPHEN ELIAS & RICHARD STIM, *TRADEMARK: LEGAL CARE FOR YOUR BUSINESS & PRODUCT NAME* 101-02 (9th ed. 2010) (advising readers how to conduct trademark searches to save professional search service fees).

41. See Cockburn & MacGarvie, *supra* note 30, at 2.

licensing opportunities of the right holder's intellectual property may also be outside the budget of the entrepreneur's start-up expenses.⁴² In total, the requirements to search, invest in research to design non-infringing products, and pay potential license fees all create high barriers to entry for small businesses.⁴³ This may mean that some entrepreneurs will be thwarted from starting a business, which lowers the potential for job creation by small businesses.⁴⁴

Another problem arises from the enforcement of intellectual property rights against small businesses. In the example above, if the small business did not conduct a prior search and the business' product potentially infringes another's right, the small business would have been vulnerable to a lawsuit brought by the intellectual property right holder.⁴⁵ Litigation is an expensive proposition.⁴⁶ If the small business decides to defend itself in the lawsuit, the business needs to have enough resources to continue the lawsuit through to the final appeal.⁴⁷ In addition, even if the small business decides to not fight the lawsuit (or the right holder just threatens to bring a lawsuit) and the parties settle, a

42. *See id.* This is assuming that the intellectual property right holder is even amenable to a licensing arrangement.

43. *See id.*

44. While entrepreneurs already face high barriers generally due to financing constraints, *see* David S. Evans & Linda S. Leighton, *Some Empirical Aspects of Entrepreneurship*, 79 AM. ECON. REV. 519, 520 (1989), the costs stemming from intellectual property rights have been shown to have a direct impact on entry by small businesses. For example, one study conducted by economists in 2006 of the software industry found that the increased ability to patent software had a disproportionately negative impact on small businesses. *See* Cockburn & MacGarvie, *supra* note 30, at 19–21. The study showed that there was a correlation between an increase in the number of patents obtained in the software industry (due to relaxed standards for patentability) and the decrease in the entry into the industry by small firms. *Id.*

45. *See, e.g.,* *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1500–01 (10th Cir. 1995).

46. *See* AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2009, at 29 (2009) (finding that the median cost to litigate a patent dispute can be as great as \$2.5 million).

47. *See* Rebecca Callahan, *Arbitration v. Litigation: The Right to Appeal and Other Misperceptions Fueling the Preference for a Judicial Forum 2* (Bepress, Legal Series, Working Paper No. 1248, 2006) (noting the money that can be saved through arbitration processes because those processes offer finality). Callahan further notes the nuanced and lengthy appellate process involved in using the judiciary as a means to settle disputes. *Id.* at 7–8. For example, in the *Vornado* case, the case was appealed all the way to the United States Supreme Court. *See* 516 U.S. 1067 (1996) (denying certiorari). Although the Supreme Court did not grant certiorari, *see id.*, the litigants likely expended a great deal of financial resources to perfect the appeal and defense.

settlement may be too costly for the small business to continue its business. In a settlement, the right holder may demand a license fee from the small business, expulsion of profits, delivery of the infringing goods, or attorney's fees (or all of the above).⁴⁸ Further, some of these threats may be without merit because intellectual property rights bullies may abusively claim infringement knowing that small businesses lack the resources to fight lawsuits.⁴⁹ Therefore, enforcement of intellectual property rights can raise the costs of doing business for small firms, which has been found by at least one study to be the number one cause for small entities to fail.⁵⁰

B. U.S. Government Assistance to Mitigate Harms to Small Businesses

Since 1942, the U.S. government has recognized that small businesses need extra support and resources in order to succeed in the marketplace.⁵¹ One of the ways in which the government provides assistance to small businesses is through the Small Business Administration (SBA).⁵² The implementing legislation for the SBA recognized that the "security and well-being [of the American economic system] cannot be realized unless the actual and potential capacity of small business is encouraged and developed."⁵³ With respect to the harms posed by intellectual property laws, the SBA's assistance to small business owners is primarily in educating them about intellectual

48. See, e.g., Letter from Diane Reed, Attorney, Knobbe Martens Olson & Bear LLP, to Christopher J. Day, Law Office of Christopher Day (Sept. 4, 2009) (on file with author); Letter from National Football League, to Ms. Thom, Fleurty Girl (Jan. 13, 2010) (on file with author).

49. See generally DAVID BOLLIER, BRAND NAME BULLIES: THE QUEST TO OWN AND CONTROL CULTURE (2005) (documenting copyright and trademark bullying); Grinvald, *Shaming Trademark Bullies*, *supra* note 19 (discussing trademark bullying); Ted M. Sichelman, *The Vonage Trilogy: A Case Study in 'Patent Bullying'* (San Diego Legal Studies, Working Paper No. 11-057, 2011), available at <http://ssrn.com/abstract=1856703> (discussing patent bullying).

50. See Sullivan et al., *supra* note 7, at 4.

51. The Small Business Administration was established in 1953, see Small Business Act of 1953, Pub. L. No. 83-163, 67 Stat. 230, 278 (1953); but its predecessor, the Smaller War Plants Corporation, was established in 1942. See *Our History*, U.S. SMALL BUS. ADMIN., <http://www.sba.gov/about-sba-services/our-history> (last visited June 8, 2012).

52. See *Mission Statement*, U.S. SMALL BUS. ADMIN., <http://www.sba.gov/content/mission-statement-0> (last visited June 8, 2012) ("The U.S. Small Business Administration (SBA) was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation.").

53. 15 USC § 631(a) (2006).

property rights.⁵⁴ Educating small business owners is critical because without such knowledge, small business owners may not even be aware of the risks that they are taking in starting up a business. As part of its educational measures, the SBA maintains an online community board where small business owners can post questions they may have about intellectual property laws and have them answered by experts.⁵⁵

Similarly, other governmental agencies maintain educational programs that target small businesses, such as the U.S. Patent and Trademark Office (PTO). Its “Small Business Education Campaign” seeks to “curb [intellectual property] crime and strengthen [intellectual property] enforcement—both domestically and overseas.”⁵⁶ As part of this program, the PTO maintains a telephone hotline where small businesses can call and speak to an intellectual property attorney at the PTO.⁵⁷ In addition, the PTO conducts outreach seminars targeted at small businesses.⁵⁸

On the legislative side, the U.S. Congress has addressed the challenges that small businesses face with respect to intellectual property laws. For example, the House Committee on Small Businesses has held a variety of hearings aimed at determining how to revise current intellectual property laws to better serve small businesses. As part of the ongoing debates on patent reform, the Committee held a hearing entitled “The Importance of Patent Reform on Small Business” in 2007.⁵⁹ During the hearing, the Committee heard from a number of witnesses regarding the changes to the American patent laws that would assist small businesses.⁶⁰ With respect to enforcement of intellectual property laws, Congress recognized that small businesses were vulnerable to over enforcement and abuse.⁶¹ In the Trademark Technical and Conforming Act passed in early 2010, Congress commissioned a report from the Intellectual Property Enforcement Coordinator to study “the extent to which small businesses may be

54. See Sarah Millican, *Ultimate Guide to Intellectual Property*, U.S. SMALL BUS. ADMIN. (Oct. 25, 2011, 4:53 PM), <http://community.sba.gov/community/blogs/community-blogs/business-law-advisor/ultimate-guide-intellectual-property>.

55. See, e.g., *id.*

56. *Frequently Asked Questions*, *supra* note 10, at question 2.

57. *Id.* at question 10.

58. *Id.* at question 13.

59. See *The Importance of Patent Reform on Small Business: Hearing Before the H. Comm. on Small Bus.*, 110th Cong. (2007).

60. See *id.* at 19–40 (statements of witnesses representing small business interests).

61. See *id.*

harmed by litigation tactics by corporations attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.”⁶²

With respect to international intellectual property laws, the U.S. government has shown concern that small businesses may be adversely impacted.⁶³ To date, the United States has entered into at least seventeen separate agreements with other countries that contain a variety of intellectual property-related obligations.⁶⁴ Many of these obligations are already implemented in the United States, but there remain some obligations that need to be implemented in order for the United States to be compliant with such agreements.⁶⁵ Although Congress has questioned whether these agreements are a barrier to small businesses, the focus of such concern has been on the harm to small businesses arising from the inability to protect intellectual property rights in other countries.⁶⁶ In addition, other governmental agencies have focused on intellectual property-related barriers to small businesses in *exporting* to other countries, rather than importing into the United States.⁶⁷ Neither Congress nor any other branch of the U.S. government has examined whether these international obligations, as implemented domestically, could harm small businesses. As the U.S. government is continuously negotiating new agreements that contain intellectual property-related obligations⁶⁸ (some of which may need to

62. Trademark Technical and Conforming Amendment Act of 2010, Pub. L. No. 111-146, § 4, 124 Stat. 66, 69–70 (2010). As discussed *supra* in note 5, the actual study was not that helpful to small businesses.

63. See, e.g., *The Impact of Intellectual Property*, *supra* note 29, at 17 (question by Rep. Luetkemeyer regarding the enforcement of existing laws abroad).

64. See *Trade Agreements*, OFFICE OF U.S. TRADE REP., <http://www.ustr.gov/trade-agreements> (last visited June 8, 2012).

65. For example, the Paris Convention and the TRIPS agreement require the United States to protect foreign well-known marks that have not been previously used in the United States but are well-known here. See generally Leah Chan Grinvald, *A Tale of Two Theories of Well-Known Marks*, 13 VAND. J. ENT. & TECH. L. 1 (2010) (discussing the U.S. compliance with the well-known marks doctrine).

66. See, e.g., *Help Wanted: How Passing Free Trade Agreements Will Help Small Businesses Create New Jobs: Hearing Before the H. Comm. on Small Bus.*, 112th Cong. 1–5 (2011).

67. See, e.g., *Small and Medium-Sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms*, Inv. No. 332-509, USITC Pub. 4169 (July, 2010) (Final).

68. For example, the United States is currently negotiating the Trans-Pacific Partnership Agreement, which contains various intellectual property obligations. See Catherine Saez, *US IP Enforcement Ambitions in Trans-Pacific Trade Agreement Stir Reactions*, INTELL. PROP.

be implemented into the United States⁶⁹), this disconnect threatens to undo the assistance that the U.S. government provides to small businesses.

III. THE ANTI-COUNTERFEITING TRADE AGREEMENT

One of the more recently negotiated international intellectual property-related agreements is the Anti-Counterfeiting Trade Agreement (ACTA).⁷⁰ During the negotiations, small businesses appear to have been left out of the calculus.⁷¹ The Office of the United States Trade Representative (USTR) has claimed that, “ACTA is consistent with existing U.S. law, and does not require any change to U.S. law for its implementation in the United States.”⁷² However, this Article argues that there are in fact a number of changes to current U.S. policy and practice that will need to be made in order to comply with ACTA,⁷³ and such changes have the potential to harm small businesses.

WATCH (Mar. 16, 2011, 4:30 PM), <http://www.ip-watch.org/weblog/2011/03/16/us-ip-enforcement-ambitions-in-trans-pacific-trade-agreement-stir-reactions/>. The chapter on intellectual property (dated February 2011) was leaked in March 2011. See Trans-Pacific Partnership Agreement, Intellectual Property Rights Chapter (Feb. 2011), <http://keionline.org/sites/default/files/tpp-10feb2011-us-text-ipr-chapter.pdf>.

69. For example, the draft intellectual property rights chapter of the Trans-Pacific Partnership contains specific obligations with respect to well-known trademarks and geographical indications. See Trans-Pacific Partnership Agreement, *supra* note 68, art. 2(6)–(8). It is questionable whether the United States currently protects well-known trademarks that have not been previously used in the United States at the federal level. See Grinvald, *supra* note 65, at 4–5.

70. See Emily Ayoob, Recent Development, *The Anti-Counterfeiting Trade Agreement*, 28 CARDOZO ARTS & ENT. L.J. 175, 178 (2010).

71. See sources cited *supra* note 17.

72. ACTA: *Meeting U.S. Objectives*, *supra* note 18. However, a report by the Congressional Research Service questions this stating: “Depending on how broadly or narrowly several passages from the ACTA draft text are interpreted, it appears that certain provisions of federal intellectual property law could be regarded as inconsistent with ACTA” Memorandum from Brian T. Yeh to the Hon. Ron Wyden, *supra* note 18, at 2; see also Masnick, *supra* note 18.

73. See *infra* Part III.B. At the time of this Article, it is unclear whether compliance with ACTA will be necessary, as a number of member nations within the European Union have refused to sign the agreement. See *ACTA Loses More Support in Europe*, GUARDIAN (Feb. 15, 2012), <http://www.guardian.co.uk/technology/2012/feb/15/acta-loses-more-support-europe>. According to Article 40(1), six signatories of ACTA need to deposit their ratifications with Japan in order for ACTA to enter into force. See ACTA, *supra* note 16, art. 40(1), 45. Only after ACTA comes into force will it have the effect of binding the United States. See Sean Flynn, *ACTA to Be Signed—But Can It Enter into Force?*, INFOJUSTICE.ORG (Sept. 29, 2011), <http://infojustice.org/archives/5699>.

A. Overview

Although the initial goal of the drafters was focused on counterfeiting and piracy, the early drafts of ACTA and related documents that were leaked beginning in 2007 showed that the proposed text of ACTA envisioned far broader changes to international intellectual property law and norms.⁷⁴ For example, these early drafts envisioned the criminalization of all trademark infringement, rather than confining criminalization to counterfeit trademark products.⁷⁵ Fortunately, the final text of ACTA is a marked improvement over these earlier drafts (for example, deleting the criminalization of trademark infringement⁷⁶); however, the current text still poses serious concerns for small businesses.⁷⁷ Because there are numerous provisions in ACTA that may harm small businesses, this Article focuses on the immediate and direct harm for small businesses that import products

74. See, e.g., Japan–U.S. Joint Proposal, Anti-Counterfeiting Trade Agreement, Discussion Draft, June 25, 2008, <http://sites.google.com/site/iipenforcement/acta> (discussing “Border Measures”); Discussion Paper on a Possible Anti-Counterfeiting Trade Agreement, May 22, 2008, <http://ipjustice.org/wp/wp-content/uploads/ACTA-discussion-paper-1.pdf>. For scholarly commentary of this issue, see Kenneth L. Port, *A Case Against the ACTA*, 33 CARDOZO L. REV. 1131, 1156–59 (2012) (describing the various objections to ACTA, citing to various organizations, including the Electronic Frontier Foundation); Yu, *supra* note 17, at 1019–44 (arguing that the second and third fears of ACTA are “upward ratchets” of intellectual property protection in the United States and abroad); Margot Kaminiski, Recent Development, *The Origins and Potential Impact of the Anti-Counterfeiting Trade Agreement (ACTA)*, 34 YALE J. INT’L L. 247, 247 (2009) (arguing that ACTA would create a “new world” of intellectual property enforcement).

75. Criminalizing all forms of trademark infringement would be a major change in the United States. See *infra* Part III.B.1 for a discussion of the differences between mere trademark infringement and counterfeiting. For the early proposal to criminalize all forms of trademark infringement, see Japan–U.S. Joint Proposal, Anti-Counterfeiting Trade Agreement [Chapter 2 (Criminal Provisions)], Discussion Draft, Oct. 16, 2008, <http://sites.google.com/site/iipenforcement/acta> (“Each Party shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting [Option J; trademark infringement caused by confusing similar trademark goods]”); Consolidated Text, Anti-Counterfeiting Trade Agreement, Deliberative Draft, Jan. 18, 2010, sec. 3, art. 2.14, <http://sites.google.com/site/iipenforcement/acta>; see also Margot E. Kaminski, *An Overview and the Evolution of the Anti-Counterfeiting Trade Agreement*, 21 ALB. L.J. SCI. & TECH. 385, 424–26 (2011); Kimberlee G. Weatherall, ACTA April 2010—Analysis of Provisions 3 (2010), available at <http://works.bepress.com/kimweatherall/20/>.

76. See ACTA, *supra* note 16, art. 23 (“Each Party shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright or related rights piracy on a commercial scale.”).

77. See Kim Weatherall, *ACTA: New (Leaked) Text, New Issues*, FORTNIGHTLY REVIEW IP & MEDIA LAW (July 15, 2010), <http://fortnightlyreview.info/2010/07/15/acta-new-leaked-text-new-issues%E2%80%A6/> (“In short, though: the text is an improvement that continues to have significant problems.”).

into the United States.⁷⁸ Without the ability to effectively import products into the United States, the capital resources of small businesses will be hampered through a number of ways, including defaults on delivery obligations or elimination of inventory.⁷⁹

B. Provisions of Concern

There are at least four different provisions in ACTA that have the potential to harm the ability of small businesses to effectively import products into the United States. While the U.S.T.R. maintains that there is no need to change U.S. laws to implement ACTA, this Article argues that compliance with ACTA will require the United States to expand the scope of its border enforcement measures, provide right holders with increased participation in border enforcement, provide additional information to right holders, and encourage right holders to utilize border enforcement measures. Parts IV and V argue that these provisions will increase small business vulnerability to border detentions and seizures, along with providing trademark bullies with a more effective framework for bullying small businesses.

1. Scope of Border Measures

As a first concern, Article 13 of ACTA will require that the United States broaden the scope of its enforcement at the border. The relevant portion of Article 13 states, “In providing, as appropriate, and consistent with its domestic system of intellectual property rights protection . . . for effective border enforcement of *intellectual property* rights, a Party should do so in a manner that does not discriminate unjustifiably between intellectual property rights”⁸⁰ Currently the U.S. Customs and Border Protection agency (CBP) enforces American intellectual property rights at the border by detaining imported shipments that infringe an American right holder’s intellectual property.⁸¹ Prominent among the intellectual property rights that are enforced at the border

78. There are a number of small businesses that import into the United States. See U.S. DEPT. OF COMMERCE, U.S. CENSUS BUREAU NEWS, A PROFILE OF U.S. IMPORTING AND EXPORTING COMPANIES, 2008–2009, at 15 (Apr. 2011).

79. See *infra* notes 178 and 179.

80. See ACTA, *supra* note 16, art. 13 (emphasis added).

81. The United States Customs and Border Protection agency is the border law enforcement agency within the Department of Homeland Security. See *We Are CBP!*, BORDER PROT. (Oct. 4, 2010), http://cbp.gov/xp/cgov/careers/customs_careers/we_are_cbp.xml.

are trademarks.⁸² Defined broadly, trademark infringement is the unauthorized use by a third party of another's trademark that is likely to cause confusion.⁸³ However, the term "trademark infringement" refers to two different types of infringement: "mere" or "traditional" trademark infringement and counterfeiting. The differences between the two are vast.

In order for a trademark to be determined to be "counterfeit," the unauthorized trademark must be identical or "substantially indistinguishable from" a registered mark.⁸⁴ In contrast, mere trademark infringement occurs when a third party's mark is similar enough to the original trademark that confusion is likely to occur among consumers of the trademark holder.⁸⁵ The requirement that the unauthorized mark be identical or indistinguishable from the registered trademark means that the legal standard for determining a mark as counterfeit is much narrower than the standard for mere trademark infringement. Counterfeiting is considered the more severe form of trademark infringement, as seen in the different remedies that are available for instances of counterfeiting. In cases of mere trademark infringement, an injunction is the typical remedy.⁸⁶ In cases of counterfeiting, an injunction and statutory damages are typical remedies.⁸⁷ Statutory damages may be up to \$1 million for each mark on each product.⁸⁸ Further, counterfeiting is a crime, punishable by up to

82. See U.S. CUSTOMS & BORDER PROT. AND U.S. IMMIGRATION & CUSTOMS ENFORCEMENT, INTELLECTUAL PROPERTY RIGHTS, FISCAL YEAR 2010 SEIZURE STATISTICS—FINAL REPORT 6 (Jan. 2011) (showing that counterfeit footwear accounted for the number one commodity seized at the border).

83. See 15 U.S.C. § 1114 (2006) (defining trademark infringement of a registered trademark).

84. See 15 U.S.C. § 1127 (2006) (defining "counterfeit" as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark").

85. *Birmingham v. Mizuno USA, Inc.*, No. 5:09-CV-0566 (GTS/GHL), 2011 U.S. Dist. LEXIS 34696, *26 ("This test of identical with, or substantially indistinguishable from requires a closer degree of similarity than is required for traditional trademark infringement or unfair competition." (citation omitted) (internal quotation marks omitted)).

86. See Jennifer E. Rothman, *The Questionable Use of Custom in Intellectual Property*, 93 VA. L. REV. 1899, 1910 n.24 (2007) ("Generally, only injunctive relief is awarded in trademark infringement cases, but when a showing of willfulness is made, courts can award monetary damages for lost profits, costs, and fees.").

87. See 15 U.S.C. § 1117(a) (2006).

88. See *id.* § 1117(c).

ten years in prison, a fine of no more than \$2 million (for individuals), or both.⁸⁹

As will be discussed in Part IV, the current border enforcement efforts of the United States are focused on stopping counterfeit products from entering into the United States.⁹⁰ This is understandable, as counterfeit products have the potential to harm Americans, whereas mere trademark infringement only has the potential to confuse consumers.⁹¹ However, implementing Article 13 of ACTA will mean that the U.S. Customs and Border Protection (CBP) will need to revise its focus and include mere trademark infringement in its border enforcement efforts. This is due to the definition of the term “intellectual property” in Article 13, which is all-inclusive and incorporates a very broad notion of “trademark.”⁹² This means that all forms of potentially trademark infringing products will need to be detained by border enforcement authorities, not just those shipments that the authorities suspect contain counterfeited goods. This provision is problematic because it will mean that small businesses will be vulnerable to increased border detentions and seizures of their imported products.⁹³

2. Right Holder Involvement in Border Measures

Another provision of concern is Article 16(1), which requires that the United States give right holders the ability to request detention of suspect shipments.⁹⁴ The language of Article 16(1) provides, “Each

89. See 18 U.S.C. § 2320(a).

90. See *infra* Part IV.B.

91. See J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:10 (4th ed. 2011) (discussing counterfeiting in a variety of industries that have caused serious harm to the public and distinguishing between counterfeit and civil trademark infringement).

92. See ACTA, *supra* note 16, art. 5(h). Article 5(h) refers to the TRIPS agreement definition of intellectual property, which includes copyright and related rights, trademarks, geographical indications, industrial designs, and layout designs of integrated circuits. See TRIPS Agreement, *supra* note 11, at 1201–12; see also Henning Grosse Ruse-Khan, *A Trade Agreement Creating Barriers to International Trade?: ACTA Border Measures and Goods in Transit*, 26 AM. U. INT’L L. REV. 645, 672–73 (2011).

93. See *infra* Part IV. This Article is not suggesting that small businesses be allowed to import trademark infringing products; however, due to the complexities of determining what infringes a trademark, it is likely that small businesses in certain industries will be subject to increased border detentions for shipments that may come close to infringing but do not in fact infringe. See *infra* Part IV.B.

94. See ACTA, *supra* note 16, art. 16(1).

Party shall adopt or maintain procedures with respect to import and export shipments under which: . . . (b) where appropriate, a right holder may request its competent authorities to suspend the release of suspect goods.”⁹⁵ This requirement would also be a change for the CBP, as the current CBP regulations do not include procedures for trademark holders to request detention of specific shipments.⁹⁶

Although the CBP encourages right holders to provide to the CBP intelligence about specific shipments, there is no application procedure that the right holders follow (as envisioned by ACTA).⁹⁷ It can be inferred from the CBP materials that the CBP may utilize the information provided by trademark holders, but that the decision to detain shipments is ultimately in the CBP’s discretion while trademark holders play a passive role.⁹⁸ This inference is further supported by the current CBP regulations that provide for trademark holders’ recordation of their registered trademarks with the CBP,⁹⁹ and provision of training materials and information.¹⁰⁰ Therefore, if the United States

95. *Id.*

96. See 19 C.F.R. §§ 133.1–133.53 (2011); CUSTOMS & BORDER PROT., CUSTOMS DIRECTIVE NO. 2310-008A, TRADEMARK AND TRADE NAME PROTECTION (Apr. 7, 2000) [hereinafter CUSTOMS DIRECTIVE], <http://www.cbp.gov/linkhandler/cgov/trade/legal/directives/2310-008a.ctt/2310-008a.pdf>.

97. Although the Customs Directive states that there is an application procedure, see CUSTOMS DIRECTIVE, *supra* note 96, at 2.3, there is no further mention of the process in the Customs Directive, nor is there an application on the CBP website. See *Intellectual Property Rights*, U.S. CUSTOMS & BORDER PROT., http://cbp.gov/xp/cgov/trade/priority_trade/ipr/ (last visited June 8, 2012). Instead, trademark holders are encouraged to fill out an online form or call the CBP with any intelligence information they may have. See *E-Allegations: Online Trade Violation Reporting System*, CUSTOMS & BORDER PROT. (CBP), <https://apps.cbp.gov/eallegations/> (last visited June 8, 2012).

98. See, e.g., *E-Allegations Frequently Asked Questions*, U.S. CUSTOMS & BORDER PROT., http://cbp.gov/xp/cgov/trade/trade_programs/e_allegations/e_allegations_faq.xml (last visited June 8, 2012) (“Q: Will I be able to find out the status of an e-Allegation I submit? A: In most cases, Privacy Act and Trade Secrets Act laws prevent CBP from disclosing the results of any research conducted as the result of an e-Allegation.”). Trademark holders that are able to afford to train CBP officers and agents may often see products that infringe their trademarks detained more often. See, e.g., TIMOTHY P. TRAINER & VICKI E. ALLUMS, CUSTOMS ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS 25–30 (2011) (discussing training of CBP by trademark holders and advising that training will increase the effectiveness of CBP efforts on their behalf).

99. See 19 C.F.R. §§ 133.3–133.7. Trade names are also allowed to be recorded with the CBP. See 19 C.F.R. §§ 133.11–133.15.

100. See U.S. CUSTOMS & BORDER PROT., PROTECTING INTELLECTUAL PROPERTY RIGHTS AT OUR BORDERS, Publication No. 0105-0909 (“How Can Right Holders Protect Themselves from Counterfeiting and Piracy? For maximum protection, right holders should: . . . Familiarize customs officials with their intellectual property through product identification

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implements this requirement of ACTA, changes in the current CBP regulations and procedures would be needed. This would be a drastic departure from current practices and—combined with the provisions discussed in subsections 3 and 4 below—provides a new and more effective enforcement framework to trademark bullies, which would harm small businesses.

3. Disclosure of Information

Along with the increased trademark holder involvement in customs detentions of shipments, ACTA requires that the scope of information required to be disclosed to right holders be significantly broadened. Article 22(c) of ACTA requires that the following information be given to right holders: “description and quantity of the goods, the name and address of the consignor, importer, exporter, or consignee, and, if known, the country of origin of the goods, and the name and address of the manufacturer of the goods.”¹⁰¹ By comparison, the CBP currently provides similar information only in cases of counterfeit seizures.¹⁰² In cases of mere trademark infringement, the CBP provides much less information: “Date of Importation; Port of Entry; Description of Merchandise; Quantity; [and] Country of Origin.”¹⁰³ Article 22(c) would require broad disclosure in all cases of trademark infringement and, therefore, would necessitate a change in current CBP interpretation and practice of U.S. law. As will be argued in Part V, this expanded scope of information required to be provided to right holders encourages more effective bullying of small businesses.

4. Provisions to Encourage Use of Detention Procedures by Trademark Holders

Not only does ACTA require that the United States provide a method for trademark holders to request detentions of suspected shipments, there are also a number of provisions in ACTA that encourage such use by trademark holders. In particular, Articles 17, 18 and 21 include such “encouragement” provisions.

Article 17 covers various matters related to the application process by the trademark holder to request detentions. Article 17(1) provides

training guides and/or customs officials training.”).

101. ACTA, *supra* note 16, art. 22(c).

102. *See* CUSTOMS DIRECTIVE, *supra* note 97, at 5.1.

103. *See id.* at 5.2.

that requesting trademark holders shall provide “adequate evidence to satisfy the competent authorities that . . . there is *prima facie* an infringement of the right holder’s intellectual property right”¹⁰⁴ Although this language would seem to place a fairly heavy burden on requesting trademark holders, and thereby work as a disincentive, it is unclear the level of scrutiny that the CBP will apply to such applications.

In trademark litigation, the elements of a *prima facie* case of trademark infringement are: (1) valid trademark of the plaintiff with priority of use; (2) unauthorized use by the defendant; and (3) a likelihood of confusion between the plaintiff’s trademark and defendant’s use.¹⁰⁵ However, embedded into these seemingly straightforward elements are a variety of complexities, as in the case of an alleged unauthorized use by the defendant.¹⁰⁶ When dealing with mere trademark infringement, there are a variety of defenses that can turn an otherwise unauthorized use into a permissible one.¹⁰⁷ For example, a trademark holder’s evidence of *prima facie* infringement may be copies of brochures of an importer’s product that bear the trademark holder’s mark alongside the importer’s product.¹⁰⁸ But such advertising may qualify for a nominative fair use defense or be permissible comparative advertising, and therefore, not be considered

104. ACTA, *supra* note 16, art. 17(1).

105. See Eric Goldman, *Online Word of Mouth and Its Implications for Trademark Law*, in TRADEMARK LAW AND THEORY 404, 414 (Graeme B. Dinwoodie & Mark D. Janis eds., 2008). Some courts require plaintiffs to establish an additional element for a *prima facie* case of trademark infringement, that of “commercial use” of the trademark. See Lisa P. Ramsey, *Brandjacking on Social Networks: Trademark Infringement by Impersonation of Markholders*, 58 BUFF. L. REV. 851, 885 (2010) (“Appellate courts in some circuits hold the use in connection with goods, services, or commercial activities language in the infringement statutes also implicitly requires the markholder to establish ‘commercial use’ of the mark for a *prima facie* infringement claim.”).

106. The definition of “unauthorized use” has been the subject of a lengthy debate among the scholarly community, with scholars arguing for and against a “trademark use” requirement in infringement cases. See generally Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. DAVIS L. REV. 371 (2006) (arguing for such a rule); Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007) (arguing against a bright-line rule of trademark use); Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 IOWA L. REV. 1703 (2007); Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669 (2007) (arguing for such a bright-line rule). For a good discussion of the current status of a “trademark use” requirement by courts, see Ramsey, *supra* note 105, at 890–94.

107. See 15 U.S.C. § 1115 (2006) (listing defenses to trademark infringement).

108. See, e.g., *Smith v. Chanel, Inc.*, 402 F.2d 562, 562–63 (9th Cir. 1968) (involving defendant’s use of plaintiff’s trademark “Chanel No. 5” on brochures and invoices).

trademark infringement.¹⁰⁹ In addition, the final element of a prima facie case, the likelihood of confusion, is a multi-factor analysis that greatly differs from circuit to circuit,¹¹⁰ and is further vulnerable to great subjectivity.¹¹¹ All of this legal complexity provides CBP field officers with great leeway to determine likelihood of confusion and therefore, the requirement of a prima facie case may not be much of an impediment to trademark holders.

Moreover, the additional provisions of Article 17 seem to indicate that the drafters of ACTA wanted to encourage the use of the application process. An additional requirement for a requesting trademark holder is that it provide “sufficient information that may reasonably be expected to be within the right holder’s knowledge to make the suspect goods *reasonably* recognizable by the competent authorities.”¹¹² As will be discussed below, it is unclear the level of information the term “reasonably recognizable” will require.¹¹³ Further, the last sentence of Article 17(1) acts as a barrier to the United States to place greater restrictions on requesting trademark holders as it states, “The requirement to provide sufficient information shall not unreasonably deter recourse to the procedures described in subparagraphs 1(b) and 2(b) of Article 16 (Border Measures).”¹¹⁴

Similarly, Article 18 encourages trademark holders to apply for detentions of shipments. Article 18 indicates that the United States should provide their customs authorities with the authority to request from trademark holders, “a reasonable security or equivalent assurance

109. *See id.* at 570 (holding that “where, as here, the appellants have done all that could reasonably be expected to avoid confusion, the speculative possibility of deliberate fraud by third persons is not a sufficient basis for injunctive relief”); *New Kids on the Block v. News Am. Pub., Inc.*, 971 F.2d 302, 309 (9th Cir. 1992) (holding that nominative fair use is an appropriate defense to trademark infringement).

110. The specific number of factors varies from circuit to circuit. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1582–84 (2006); *see also* GRAEME B. DINWOODIE & MARK D. JANIS, *TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY* 506–08 (3d ed. 2010) (listing the circuits and the respective tests).

111. *See* Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 745 (2004) (“Whether a mark accused of infringing another mark is similar enough to constitute an actionable colorable imitation is a subjective decision that courts make and is usually articulated as a judgment about whether the contemporaneous coexistence of the marks underlying the dispute is likely to cause consumer confusion.”).

112. ACTA, *supra* note 16, art. 17(1) (emphasis added).

113. *See infra* Part V.B.1.

114. ACTA, *supra* note 16, art. 17(1).

sufficient to protect the defendant . . . and to prevent abuse.”¹¹⁵ While the “reasonableness” of such security is not defined, the following sentence provides an insight into the levels which ACTA envisions the United States to set: “Each Party shall provide that such security or equivalent assurance shall not unreasonably deter recourse to these procedures.”¹¹⁶ This requirement would appear to indicate that the levels of the security should be on the lower end of the scale and effectively creates a barrier to the United States being allowed to set higher levels of security in order to disincentivize abuse.

Finally, Article 21 places an additional barrier on the United States from requiring that requesting trademark holders pay high fees in order to discourage abuse. Article 21 provides, “Each Party shall provide that any application fee, storage fee, or destruction fee to be assessed by its competent authorities in connection with the procedures described in this Section shall not be used to unreasonably deter recourse to these procedures.”¹¹⁷ As will be discussed in Part IV, one of the ways to weed out non-serious or abusive actors is by setting fees at an amount at which only serious actors would be willing to pay.¹¹⁸ By creating a barrier to such fee-setting, it appears that ACTA contemplates that some level of abuse should be tolerated by the United States. Altogether, these “encouragement” provisions found in Articles 17, 18, and 21 work to not only encourage abuse, but—as this Article argues in Part V—work hand-in-hand with Articles 16 and 22 to provide to trademark bullies a more effective framework for bullying.

IV. FIRST IMPLICATION: SMALL BUSINESSES WILL BE MORE VULNERABLE TO BORDER SEIZURES

ACTA’s mandate to include all forms of trademark infringement in the United States’ border enforcement measures will mean that small businesses will be more vulnerable to border seizures. This is due to at least two factors. The first factor is that it will be more likely that shipments of products that are potentially merely trademark infringing will be detained by customs authorities.¹¹⁹ Although ACTA’s mandate

115. *Id.* art. 18.

116. *Id.*

117. *Id.* art. 21.

118. See Edward Lee, *The Global Trade Mark 17* (April 4, 2011) (unpublished manuscript), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1804985 (stating the rationale for setting the application fee at \$5,000).

119. This assumes that a majority of small businesses are “followers” of large businesses

to include all forms of trademark infringement in border enforcement measures is not new to the United States' domestic legislation, the current focus of the U.S. CBP is on counterfeit products.¹²⁰ Therefore, ACTA requires that the CBP broaden their net of detection at the border. The second factor is that small businesses are less likely to have the resources to know how to handle such detention. Small businesses are less likely than large businesses to be able to financially afford delays in importation of products or any losses of shipments that may arise through seizure.¹²¹ This implication is particularly troubling, as the American economy depends in large part on the health of its small businesses.¹²²

A. Broadening the Net of Detentions & Seizures

As discussed above, Article 13 of ACTA requires that all trademark infringing products be subject to the border measures of the United States.¹²³ Legislatively, the scope of ACTA's border enforcement measures actually mirrors that of the federal trademark statute, the Lanham Act,¹²⁴ and the customs-related statute, the Tariff Act.¹²⁵ Section 42 of the Lanham Act provides,

[N]o article of imported merchandise which shall copy or simulate the name of any domestic manufacture . . . or which shall copy or simulate a trademark registered in accordance with the provisions of this chapter . . . shall be admitted to entry at any customhouse of the United States.¹²⁶

In addition, Section 526 of the Tariff Act reads,

and sell products that may imitate popular or famous products, such as look-alike designs of clothing, which may be similar to the original but not trademark infringing or counterfeit products. *See* Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 207–08 (2000) (involving a case where plaintiff sued designer and Wal-Mart for allegedly infringing the clothing design of plaintiff).

120. *See infra* Part IV.A.

121. *See infra* Part IV.B.

122. *See, e.g.,* Raice, *supra* note 1 (“Mr. Bernanke noted that small businesses are essential to job creation, saying that data show that small firms employ roughly one-half of all Americans and account for about 60% of job creation.”).

123. *See supra* Part III.B.1.

124. 15 U.S.C. §§ 1051–1124 (2006).

125. 19 U.S.C. §§ 1001–1654 (2006).

126. 15 U.S.C. § 1124 (2006).

[I]t shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of . . . the United States, and registered in the Patent and Trademark Office . . . unless written consent of the owner of such trademark is produced at the time of making entry.¹²⁷

Read together, Section 42 of the Lanham Act and Section 526 of the Tariff Act both prohibit the importation of goods that infringe upon registered trademarks.

Based on this reading, it does not appear that Article 13 would necessitate a legislative change in the United States; rather, this Article argues that Article 13 would require a major change in the practices of the U.S. customs authorities. In its implementation of the Lanham and Tariff Acts, the U.S. CBP currently focuses its intellectual property enforcement efforts on counterfeited and pirated shipments.¹²⁸ While shipments of products that are not counterfeit, but potentially are trademark infringing, are detained and seized at times,¹²⁹ these shipments are not the primary focus of the U.S. government or the CBP.¹³⁰ This can be seen in the manner in which the CBP promotes the work that it undertakes and in its interpretation of the relevant statutory provisions.

First, in almost every description of its priorities and focus on intellectual property enforcement, the CBP describes the scope of its measures in counterfeiting and piracy terms.¹³¹ For example, in the overview of its intellectual property rights priority, the CBP states, “Stopping the flow of fake goods is a priority for the U.S. government, and CBP has designated intellectual property rights (IPR) enforcement as a Priority Trade Issue (PTI).”¹³² In particular, the CBP attempts to

127. 19 U.S.C. § 1526(a) (2006).

128. See *Intellectual Property Rights*, *supra* note 97 (describing its role as one that “protects businesses and consumers every day through an aggressive IPR enforcement program[, whereby] CBP targets and seizes imports of counterfeit and pirated goods”).

129. See Keith M. Stolte, Note, *If It Walks Like a Duck: A Proposal to Unify U.S. Customs’ Treatment of Infringing Imports*, 29 J. MARSHALL L. REV. 711, 747 n.180 (1996).

130. Other commentators have argued similarly, although with a different goal in mind. See, e.g., *id.* at 746.

131. See, e.g., *Intellectual Property Rights*, *supra* note 97.

132. U.S. CUSTOMS & BORDER PROT., TRADE, PRIORITY TRADE ISSUES,

intercept those shipments that would contain products that threaten the health and safety of Americans.¹³³ In the brochure entitled “Protecting Intellectual Property Rights at Our Borders,” the encroachment on intellectual property rights defined as a serious problem is counterfeiting and piracy: “Growing global trade in pirated and counterfeit goods threatens the health and safety of people, their jobs, community competitiveness, trade, investment in research and innovation, and critical infrastructure and national security.”¹³⁴

Additionally, the CBP interpretation of the relevant provisions of the Lanham and Tariff Acts provides support that the CBP views its primary responsibility in intellectual property enforcement as related only to counterfeiting and piracy.¹³⁵ First, the CBP regulations interpreting these federal laws differentiate between detention of counterfeit products on the one hand and products “bearing copying or simulating trademarks” on the other.¹³⁶ This distinction is made without much statutory support: Section 42 of the Lanham Act does not distinguish between counterfeited trademarks and “copy[ing] or simulat[ing] . . . trademark[s].”¹³⁷ And although Section 526 of the Tariff Act distinguishes products bearing counterfeit trademarks in subsection (e), the purpose for such distinction could be seen to provide a different method of disposal for counterfeit products, as opposed to merely infringing products.¹³⁸ The original Section 526 did not distinguish between counterfeit and merely infringing products.¹³⁹

INTELLECTUAL PROPERTY RIGHTS, OVERVIEW OF IPR ENFORCEMENT: A PRIORITY TRADE ISSUE (on file with author; webpage no longer available).

133. *See id.*

134. PROTECTING INTELLECTUAL PROPERTY RIGHTS AT OUR BORDERS, *supra* note 100.

135. At least one American industry group, the Intellectual Property Owners Association, believes similarly. *See* Letter from Douglas K. Norman, President, Intell. Prop. Owners Ass’n, to The Hon. Ron Kirk, Ambassador, U.S. Trade Representative (Jun. 25, 2010) [hereinafter *IPO June Letter*], available at <http://www.ipo.org/AM/Template.cfm?Section=Home&template=/CM/ContentDisplay.cfm&ContentID=26212> (“ACTA is unwittingly broadening the scope of the seizure power of Customs and Border Patrol forces to encompass civil action trademark infringement . . .” (emphasis added)).

136. *Compare* 19 C.F.R. § 133.21 (2011) (counterfeit), *with id.* § 133.22 (copying or simulating) (2011).

137. *See* 15 U.S.C. § 1124 (2006).

138. *See* 19 U.S.C. § 1526(e) (2006). This provision was added by amendment in 1978. *See* Customs Procedural Reform and Simplification Act of 1978, Pub. L. No. 95-410, 92 Stat. 888, 903 (1978).

139. *See* Tariff Act of 1930, Pub. L. No. 71-361, 46 Stat. 590, 741 (1930).

More telling is the different treatment in the CBP monitoring efforts between counterfeit and merely infringing products. The CBP policy is to encourage trademark holders to “record” their federally-registered trademarks with the CBP: “Customs policy mandates that the majority of resources and emphasis should be placed upon the enforcement of recorded trademarks.”¹⁴⁰ While the CBP indicates that unrecorded trademarks may still be monitored at the borders (just not as a priority), the CBP actually does not provide the same protection to counterfeited unrecorded trademarks and merely infringed unrecorded trademarks.¹⁴¹ Whereas CBP field officers are instructed that goods bearing counterfeit, but unrecorded, trademarks “may be seized” “where administratively feasible and appropriate,”¹⁴² CBP field officers are instructed the opposite in cases of merely infringing, but unrecorded, trademarks. For this latter category, the CBP states that “Customs policy is to neither detain nor seize goods bearing such marks.”¹⁴³

Therefore, it would appear that Article 13 of ACTA would require the United States and the CBP to broaden its current focus to include not only counterfeit shipments but any shipment that may potentially contain trademark infringing products. Broadening the net of potential detentions and seizures will likely have a disproportionate impact on those small businesses who import products that bear trademarks similar to large trademark holders but are not counterfeits.¹⁴⁴ In 2009, there were approximately 174,500 small businesses importing products into the United States.¹⁴⁵ This represents approximately ninety-seven percent of the total number of importers in the United States.¹⁴⁶ Specifically, those small businesses that operate in the private label market are likely to be importing products that may be more likely to be

140. CUSTOMS DIRECTIVE, *supra* note 96, at 4.1 (“Agency policy dictates that U.S. Customs focus its enforcement efforts on trademarks and trade names that are ‘recorded’ with Customs.”).

141. *Compare id.* at 4.3.4.2, *with id.* at 4.3.6.2.

142. *Id.* at 4.3.4.2.

143. *Id.* at 4.3.6.2.

144. One example may be generic medicines. *See* Ruse-Khan, *supra* note 92, at 676 (“Imposing this task [referring to the determination of likelihood of confusion analysis] on customs officers is likely to result in a considerable increase in seizures and temporary detentions based on right holder allegations that transiting generics are confusingly similar.”).

145. *See* U.S. CENSUS BUREAU NEWS, *supra* note 78, at 15 (stating that the total number of identified importers in 2009 was 179,831, with 5,219 importers having 500 or more employees).

146. *See id.* The U.S. Census Bureau reports on those U.S. companies that can be linked to import transactions.

detained under a broadened CBP enforcement net.¹⁴⁷ Private label manufacturers produce products that are intended to be a low-cost alternative to branded products.¹⁴⁸ Although some private label manufacturers have their own trademarks, they may appear to be similar to more well-known products due to characteristics such as fonts, colors, or packaging design.¹⁴⁹ In addition, private label products may include the more well-known product trademark as a manner of comparison for consumers.¹⁵⁰ All of these factors increase the potential for these types of products to be detained by the CBP under ACTA's broadened requirements. In addition, depending on the standards used by the CBP to determine infringement, seizures and forfeitures may be the more likely outcome after an initial detention.¹⁵¹ This greater potential for detention, seizure, and forfeiture of imported shipments will place an additional burden on small businesses' existing lowered resource levels and potentially increase the failure rate of small businesses in the United States.

B. Small Businesses' Lack of Resources

Another factor contributing to the increased vulnerability of small businesses to ACTA's enhanced border measures is the paucity of

147. It is hard to determine how many small businesses operate in the private label manufacturing market. However, among the fourteen member board of directors of the Private Label Manufacturers' Association, at least three board members represent small businesses. See Press Release, Private Label Manufacturer's Association, Tom Chaffee of Sturm Foods Elected to Second Term as Chairman of PLMA Board of Directors, http://plma.com/share/press/FOR_IMMEDIATE_RELEASE/PLMA_Board_of_Directors%E2%80%952011_Election.pdf (listing Bill Bond from Willert Home Products, Philip Shaoul from Global Tissue Group, and Quentin Filippo from ASO LLC as board members). Willert Home Products employs approximately 380 employees. See *Willert Home Products Company Profile*, HOOVERS, http://www.hoovers.com/company/Willert_Home_Products_Inc/rtryfri-1.html (last visited June 8, 2012). Global Tissue Group has approximately fifty employees. See *Global Tissue Group Company Profile*, MANTA, <http://www.manta.com/c/mm3s544/global-tissue-group-inc> (last visited June 8, 2012). ASO LLC employs approximately 240 employees. See *Aso LLC Company Profile*, MANTA, <http://www.manta.com/c/mmgjrfd/aso-llc> (last visited June 8, 2012).

148. See *What Are Store Brands?*, PRIVATE LABEL MFR. ASS'N, <http://plma.com/storeBrands/facts11.html> (last visited June 8, 2012) (“[S]tore brands . . . are products that stores put their own names or brands on. They may also be called private label, house brands, own brands or retailer brands . . .”).

149. See, e.g., *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 207–08 (2000) (trademark infringement case involving product design similar to that of plaintiff's).

150. For example, the well-known trademark may be used as a point of comparison with the lesser known trademark. See, e.g., *Smith v. Chanel, Inc.* 402 F.2d 562 (9th Cir. 1968).

151. See *supra* Part III.B.

resources that small businesses have to draw upon. In the United States, approximately seventy-eight percent of the twenty-seven million small businesses are owned and managed by a single individual without additional employees.¹⁵² This means that most small business owners are managing every aspect of their business on a daily basis, from the day-to-day business aspects, to future planning, to handling legal claims such as customs detentions based on an allegation of trademark infringement. Unlike a large corporation with a staff of in-house lawyers who may be knowledgeable about customs procedures and trademark law, the small-business owner will likely not be informed as to his or her rights with respect to the customs authorities or trademark law, as she is likely to not be a lawyer.¹⁵³ Even if the owner is a lawyer (or perhaps has family or friends that are lawyers), it is likely that trademark law is not her area of expertise.¹⁵⁴

Without the internal capacity for an analysis of the allegation of trademark infringement by customs, the small business will need outside legal assistance. But unlike large corporations with large legal budgets and multiple outside law firms on retainer, small business owners generally operate on a very tight budget.¹⁵⁵ Most small businesses are undercapitalized,¹⁵⁶ which means that it is likely that the owner has not properly funded the business to begin with.¹⁵⁷ To compound the

152. U.S. CENSUS BUREAU, 2007 SURVEY OF BUSINESS OWNERS (2007), http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSCB07&prodType=table.

153. See Chad Moutray, *Baccalaureate Education and the Employment Decision: Self-Employment and the Class of 1993*, at 30 tbl.6 (Office of Advocacy, U.S. Small Bus. Admin., unnumbered working paper, 2008), available at <http://archive.sba.gov/advo/research/rs333tot.pdf> (indicating that only 8.3% of self-employed citizens had attained a professional degree). While a small percentage of small-business owners have a graduate degree, it is likely that not all of these graduate degrees are law degrees.

154. Unlike patent attorneys, who are admitted to practice before the U.S. Patent & Trademark Office, trademark attorneys need no special qualification or admittance in order to prosecute or litigate trademark matters. Therefore, it is difficult to estimate the number of trademark attorneys in the United States; however, in 2010, there were approximately 2,218 U.S.-based attorneys who were members of the International Trademark Association, the largest trademark organization. See INT'L TRADEMARK ASSOC., MEMBERSHIP DIRECTORY 2010 (on file with author).

155. Incomes for the average American household fell 4.8% between 2000 and 2009. See Conor Dougherty & Sara Murray, *Lost Decade for Family Income*, WALL ST. J., Sept. 17, 2010, <http://online.wsj.com/article/SB10001424052748703440604575495670714069694.htm>.

156. See David K. Randall, *In Pictures: Five Common Financial Mistakes Small Businesses Make*, FORBES, at slide 2 (Apr. 30, 2009), http://www.forbes.com/2009/04/30/moneybuilder-start-business-personal-finance-starting_slide_2.html.

157. Properly funding a new small business is crucial, as the small business will need to

undercapitalization problem, many small businesses poorly estimate their future earnings and do not manage their cash flow well.¹⁵⁸ In addition, it is unlikely that the small business owner will adequately budget for any potential customs detentions or seizures, as many small businesses conduct inadequate risk assessments.¹⁵⁹ Further, it is unlikely that small businesses will be able to access low-cost legal resources. Although there are many governmental agencies in the United States with office liaisons that provide small business assistance, the CBP is not one of them.¹⁶⁰ Similarly, while there are various non-profit entities devoted to providing legal assistance for intellectual property issues, such as the Volunteer Lawyers for the Arts organizations around the United States or law school legal clinics, these entities are likely not well-versed in customs procedures.¹⁶¹ Even if these organizations do have the capacity to handle the unique cross section of intellectual property and customs issues that arise in a detention proceeding, barriers still exist to receiving legal assistance through these organizations, including the capacity of the organization and whether the small business meets the criteria of the organization.¹⁶²

In addition, even if small businesses could access low-cost or free assistance, many small businesses may not be able to afford the delay in the release of their shipments from the customs authorities, in terms of both monetary and reputational costs. Under current CBP procedures, customs officers are allowed to detain shipments based on “reasonable suspicion” that the shipment likely infringes a registered trademark.¹⁶³

draw upon the start-up funds in the beginning days of the business, when it is trying to attract customers. *See id.*

158. *See id.*, at slide 5.

159. *See id.*, at slide 6.

160. *See Commissioner’s Staff Offices*, U.S. CUSTOMS AND BORDER PROT., http://cbp.gov/xp/cgov/about/organization/comm_staff_off/ (last visited June 8, 2012); *Assistant Commissioners’ Offices*, U.S. CUSTOMS AND BORDER PROT., http://cbp.gov/xp/cgov/about/organization/assist_comm_off/ (last visited June 9, 2012).

161. *See, e.g., About Us*, ST. LOUIS VOLUNTEER LAW. & ACCT. FOR THE ARTS, <http://www.vlaa.org> (last visited June 9, 2012); *Intellectual Property and Nonprofit Organizations Clinic*, WASH. U. L. SCH., <http://law.wustl.edu/ClinicalEd/pages.aspx?id=6835> (last visited June 9, 2012).

162. For example, the Intellectual Property and Nonprofit Organizations Clinic at Washington University Law School divides its activities into four category areas, with none of the categories seemingly a match for a small business with an intellectual property/customs issue. *See Intellectual Property and Nonprofit Organizations Clinic*, *supra* note 161 (listing coursework, early stage legal advice to innovators and entrepreneurs, entity formation of nonprofit organizations, and research at local area organizations).

163. *See CUSTOMS DIRECTIVE*, *supra* note 96, at 4.2.1 (“Customs policy mandates that

Even if no reasonable suspicion exists at the time of detention, CBP officers are allowed to detain shipments for up to five days in order to determine whether reasonable suspicion exists.¹⁶⁴ If, after five days, reasonable suspicion is determined to exist, then the CBP sends a letter to the importer informing him or her of the detention.¹⁶⁵

The next step in the detention process is that the importer has up to thirty days to meet one of the exceptions provided by the CBP in order for the shipment to not be seized and forfeited.¹⁶⁶ These exceptions include the following: (1) the trademarks that are deemed to be infringing are removed from the products such that the products can no longer be associated with the infringed trademarks;¹⁶⁷ (2) the importer can prove that he or she is legitimately associated with the trademark holder as either the recordant of the trademark or the holder's designate;¹⁶⁸ (3) the trademark holder provides written consent to the importation of the shipment;¹⁶⁹ or (4) the importer is claiming the one-item personal exemption.¹⁷⁰ If none of these exceptions are met, then the shipment is subject to seizure and forfeiture.¹⁷¹

suspect trademark-violative goods can only be detained upon a 'reasonable suspicion' that said goods bear marks which violate a federally registered trademark.").

164. See 19 U.S.C. § 1499(c)(1) (2006) ("Within the 5-day period (excluding weekends and holidays) following the date on which merchandise is presented for customs examination, the Customs Service shall decide whether to release or detain the merchandise."); see also CUSTOMS DIRECTIVE, *supra* note 96, at 4.2.2 ("Where a Customs officer is unsure whether to formally detain the goods at the time of presentation to Customs, he may detain the goods for a 5-day period pursuant to 19 U.S.C. § 1499 to determine whether such 'reasonable suspicion' exists.").

165. See 19 U.S.C. § 1499(c)(2) (2006) ("The Customs Service shall issue a notice to the importer or other party having an interest in detained merchandise no later than 5 days, excluding weekends and holidays, after the decision to detain the merchandise is made."); see also CUSTOMS DIRECTIVE, *supra* note 96, at 4.2.3 ("If Customs determines that such 'reasonable suspicion' exists, Customs shall issue a formal letter of detention to the importer before the expiration of the 5-day period.").

166. See 19 C.F.R. § 133.25(a) (2011) ("The importer may, during the 30-day period, establish that any of the circumstances described in § 133.22(c) or § 133.23(d) are applicable.").

167. See 19 C.F.R. § 133.22(c)(1) ("The objectionable mark is removed or obliterated as a condition to entry in such a manner as to be illegible and incapable of being reconstituted . . .").

168. See 19 C.F.R. § 133.22(c)(2) ("The merchandise is imported by the recordant of the trademark or trade name or his designate . . .").

169. See 19 C.F.R. § 133.22(c)(3) ("The recordant gives written consent to an importation of articles otherwise subject to the restrictions set forth in paragraph (b) of this section or § 133.23(c) of this subpart, and such consent is furnished to appropriate Customs officials . . .").

170. See 19 C.F.R. § 133.22(c)(4) ("The articles of foreign manufacture bear a recorded

In addition, this thirty-day timeframe for detentions may change with the enactment of ACTA. The current provisions of ACTA do not specify a timeframe in which the CBP needs to render a decision regarding the infringing nature of the shipment. The only limitation on such determination is that it should be made “within a reasonable period” after the shipment’s detention.¹⁷² From leaked prior versions of ACTA, it can be seen that the drafters debated specifying that this “reasonable” time period apply to the initiation of such determination proceedings, and not to the need to determine whether the shipment infringed.¹⁷³ Therefore, this “reasonable” time period may be well beyond thirty days.

Further, ACTA’s mandate to include mere trademark infringement into the United States’ border measures may mean that the CBP will need to revise its current procedures with respect to merely infringing shipments. As mentioned above, during the thirty-day period after the CBP notifies the importer of a detained shipment that has been judged “confusingly similar” to a recorded trademark, the importer may remove the marks from the products.¹⁷⁴ This provides the importer the opportunity to salvage a portion of her shipment, albeit without its original source identifying mark. While it is likely that the importer would need to expend resources to remove the infringing marks and perhaps replace them with new ones, this expense is likely to be less than the loss of the shipment altogether through seizure and forfeiture. However, the CBP will likely need to revise this procedure in the event of ACTA’s implementation. Article 20(1) of ACTA requires that

Each Party shall provide that its competent authorities have the authority to order the destruction of goods following a

trademark and the one-item personal exemption is claimed and allowed under § 148.55 of this chapter.”). The personal exemption contains a couple of limitations, the first being that a person importing an otherwise infringing product is limited to “one article of the type bearing a protected trademark” and second, that the importation of the same type of product can only occur once within thirty days. See 19 C.F.R. § 148.55(b)–(c).

171. See 19 C.F.R. § 133.22(f) (“If the importer has not obtained release of detained articles within the 30-day period of detention, the merchandise shall be seized and forfeiture proceedings instituted.”).

172. See ACTA, *supra* note 16, art. 19.

173. See Japan–U.S. Joint Proposal Border Measures, *supra* note 74, at 6–7 (“Comment: The language should refer to launching a determination within a reasonable period of time, rather than making a determination within a reasonable period of time.”).

174. See 19 C.F.R. § 133.22(c)(1).

determination referred to in Article 19 (Determination as to Infringement) that the goods are infringing. In cases where such goods are not destroyed, each Party shall ensure that, except in exceptional circumstances, such goods are disposed of outside the channels of commerce in such a manner as to avoid any harm to the right holder.¹⁷⁵

This provision effectively removes the CBP discretion to allow an importer to reclaim her shipment after removal of the infringing trademarks, as the release of the shipment to the importer will place the products into the “channels of commerce.”¹⁷⁶ Although Article 20(1) allows for some infringing goods to be disposed of within channels of commerce, the limitation of “exceptional circumstances” appears to require a high level of justification on the part of the CBP and importer for such release. It is likely that the average small business will not qualify under this exception, and the number of seizures and forfeitures may rise as a consequence.¹⁷⁷

Many small businesses may not be able to financially afford such delays or losses of their shipments. Depending on the situation of a small business, the financial loss can arise from a number of different reasons. If the small business had contracted with a third party to deliver the products contained in the shipment by a certain date, or within a certain time period, any delay of the shipment by customs may cause the small business to be in breach of its contract. Delays in delivery, especially substantial delays, often provide contractual grounds for a third party to decline to accept and pay for the products even if

175. ACTA, *supra* note 16, art. 20(1).

176. See Letter from Stewart Baker, Assistant Sec’y for Pol’y, U.S. Dep’t of Homeland Security, to The Hon. Susan C. Schwab, Ambassador, Officer of the U.S. Trade Rep. (Aug. 7, 2008), available at http://keionline.org/sites/default/files/steward_baker_schwab_7aug2008.pdf.

177. Article 20 of ACTA is very similar to the language found in TRIPS Articles 46 and 59, which was the subject of interpretation by a WTO dispute panel in the 2009 United States–China intellectual property dispute. The WTO Panel found that “exceptional cases” meant “of the nature of or forming an exception; unusual, out of the ordinary; special” See Panel Report, *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, ¶ 7.390, WT/DS362/R (Jan. 26, 2009) (citing 1 NEW SHORTER OXFORD ENGLISH DICTIONARY 872 (1993)). In addition, the Panel stated, “such cases must be narrowly circumscribed in order to satisfy the description of ‘exceptional.’ Even when narrowly circumscribed, application of the relevant provision must be rare, lest the so-called exception become the rule, or at least ordinary.” See *id.* ¶ 7.391.

they are eventually delivered.¹⁷⁸ In addition, if the delivery is never made (due to a seizure and forfeiture), the small business may be in total breach of its contractual obligations. Depending on the contract and third party, the small business may be liable for damages for its unintended breach.¹⁷⁹

Although some small businesses may have insurance that could cover such losses, such small businesses could still face issues in obtaining payment under their policies.¹⁸⁰ First, it is not certain that the coverage would be adequate to cover such losses. When purchasing insurance, a small business owner may decide to pay a lower premium in exchange for a higher deductible.¹⁸¹ This may mean that when a loss occurs, the deductible may be the same amount as the loss of the shipment, which will not help the small business.¹⁸² Second, the insurance company may decide to decline the small business' claim, depending on the scope of coverage that the small business selected at the time of purchasing the insurance. The scope of insurance policy coverage differs widely and oftentimes depends on the priorities that the small business laid out when purchasing the insurance.¹⁸³ At the time of purchase, the small business owner may have overlooked the need to include losses from potential trademark infringement claims. In addition, not all small businesses may purchase business insurance. While some types of insurance may be mandatory in some states, general business insurance is typically not required and may be too

178. See, e.g., *Harlow & Jones, Inc. v. Advance Steel Co.*, 424 F. Supp. 770, 772 (E.D. Mich. 1976) (litigating the rejection by defendant of final delivery due to defendant's contention that the contract provided for timely delivery).

179. See, e.g., *Melford Olsen Honey, Inc. v. Adeo*, 452 F.3d 956, 967 (8th Cir. 2006); *Latex Equip. Sales & Serv., Inc. v. Apache Mills, Inc.*, 484 S.E.2d 274, 277 (Ga. Ct. App. 1997); *Borah v. McCandless*, 205 P.3d 1209, 1218–19 (Idaho 2009).

180. Coverage will depend on how the insurance company interprets a customs detention or seizure and forfeiture situation, and whether that interpretation fits within the insurance policy. See generally Ernest Martin, Jr., et al., *Insurance Coverage for the New Breed of Internet-Related Trademark Infringement Claims*, 54 SMU L. REV. 1973, 1983–2004 (2001) (discussing interpretation of commercial general liability insurance policies and trademark infringement claims).

181. See *Buying Insurance, Five Tips for Buying Business Insurance*, SMALL BUS. ADMIN., <http://www.sba.gov/content/buying-insurance> (last visited June 15, 2012) (“Generally, the higher deductible you agree to pay, the lower your premium will be.”).

182. See *id.* (“However, when you agree to take on a high deductible you are taking on some financial risk.”).

183. See generally *Choosing Your Specialty Insurance*, NAT'L FED'N OF INDEP. BUS., <http://www.nfib.com/business-resources/business-resources-item/cmsid/20385/amp%3bv/1> (last visited June 15, 2012).

costly, especially for start-up businesses in the early stages of business formation.¹⁸⁴

Notwithstanding the financial impact that a delay or loss of a shipment may have on a small business, there may be other, non-financial consequences (or even indirect consequences). All businesses depend on their reputation, both for maintenance of their customer base and for future growth.¹⁸⁵ Small businesses that deliver shipments late, or not at all, may lose good reputations that they have worked hard to build. Current customers may decline to perform under executed contracts, or they may decline to enter into future contracts. In addition, potential customers may choose to select to do business with another entity that has not had similar delivery or legal issues. As a consequence, the small business may have difficulty maintaining its current business, with the end result being bankruptcy. With the success rate of U.S. small businesses hovering at around fifty percent, it appears that these indirect and direct financial impacts could push the success rate even lower.¹⁸⁶

V. SECOND IMPLICATION: ACTA PROVIDES TRADEMARK BULLIES WITH A MORE EFFECTIVE FRAMEWORK FOR BULLYING

Trademark bullying has become a problem in recent years in the United States and is a particular problem for small businesses due to their weakness vis-à-vis large trademark holders.¹⁸⁷ Trademark bullying occurs when a large corporation enforces an unreasonable interpretation of its trademark rights against a small business through

184. Mandatory insurance usually includes worker's compensation and unemployment insurance. See *Insurance Requirements for Employers*, SMALL BUS. ADMIN., <http://www.sba.gov/content/insurance-requirements-employers> (last visited June 15, 2012). For example, in Missouri, any business that employs five or more employees is required to carry worker's compensation insurance, with a construction business required to carry such insurance where they employ one or more employees. See *Worker's Compensation Insurance*, MO. DEP'T OF LABOR, <http://www.labor.mo.gov/DWC/Employers/insurance.asp> (last visited June 15, 2012). In Missouri, unemployment insurance is also required for general businesses in certain circumstances, including where \$1,500 or more in wages are paid in any calendar quarter or where the business has an employee for any part of a day in each of twenty different weeks. See *Liability for Missouri Unemployment Insurance Tax*, MO. DEP'T OF LABOR, <http://www.labor.mo.gov/DES/Employers/liability.asp> (last visited June 15, 2012).

185. See CHARLES J. FOMBRUN & CEES B.M. VAN RIEL, *FAME & FORTUNE: HOW SUCCESSFUL COMPANIES BUILD WINNING REPUTATIONS* 3-4 (2004) (explaining that reputations are used by people to decide what to purchase and which businesses to invest in).

186. See *Frequently Asked Questions*, *supra* note 3.

187. See generally Grinvald, *Shaming Trademark Bullies*, *supra* note 19.

the use of intimidation tactics.¹⁸⁸ Trademark bullies tend to attempt to coerce small businesses into ceasing use of the bullies' trademarks through a traditional enforcement program, which consists of intimidating cease-and-desist letters and the threat of litigation.¹⁸⁹ This type of trademark bullying has stemmed in part from an expansion of trademark rights and protection afforded to American trademark holders.¹⁹⁰ Although U.S. trademark law currently serves to assist trademark bullies and perhaps even incentivize such bullies, ACTA would go one step further and provide trademark bullies with a more effective path for bullying.¹⁹¹ This implication arises from the requirements contained in Articles 16 and 17 of ACTA, which in effect incentivizes bullies to work through the CBP to bully their victims with a complete lack of judicial oversight.¹⁹² In addition, the expanded information requirements of Article 22 of ACTA allow bullies to interfere in the supply chain of small businesses both inside and outside of the United States. Finally, Articles 17, 18, and 21, requiring the United States to encourage participation in the border enforcement measures by trademark holders and limiting the United States' ability to implement safeguards, work to support this more effective framework for bullying.¹⁹³

A. Incentivizing Forum Shifting and Interference with Supply Chains

As discussed above, Articles 16(1)(b) and 17 would appear to require the CBP to establish an application process whereby trademark holders would have the right to request detentions of specific shipments

188. *See id.* at 642. *Cf.* 156 CONG. REC. S349 (daily ed. Jan. 28, 2010) (statement of Sen. Leahy) ("When a corporation exaggerates the scope of its rights far beyond a reasonable interpretation in an attempt to bully a small business out of the market, that is wrong.").

189. *See generally* BOLLIER, *supra* note 49 (documenting various bullying campaigns).

190. *See* Grinvald, *Shaming Trademark Bullies*, *supra* note 19, at 632 ("Although merely expanding the law to provide stronger protection to trademark owners does not, in and of itself, cause bullying, simultaneous developments have assisted in incentivizing bullying, including increased protection given to strong or famous trademarks and a lack of meaningful developments to assist those accused of trademark infringement."); *see also* Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1791 (2007).

191. Although all businesses (small or large) may be impacted by ACTA's empowerment of trademark bullies, the focus of this Article is on small businesses due to their lack of resources and extra vulnerability to enhanced border measures.

192. *See infra* Part V.A.

193. *See infra* Part V.B.

of suspected goods.¹⁹⁴ Although the CBP encourages trademark holders to engage the CBP with training and provide them with information regarding shipments, the CBP currently retains the discretion regarding whether to detain shipments.¹⁹⁵ The requirements of Articles 16 and 17 result in an incentivization of trademark bullies to shift their attacks on small businesses from one that includes a potential for judicial oversight (the threat of litigation) to the CBP. Additionally, adherence to Article 22, which requires an expanded scope of information to be given to trademark holders, would provide trademark bullies with the tools to interfere in the supply chain of small businesses both inside and outside of the United States.

1. Incentivizing Forum Shifting

Articles 16 and 17 provide trademark holders with an unprecedented ability to direct the CBP's seizure activities and target specific importers.¹⁹⁶ Although this ability to target specific importers would appear to have merit in cases of counterfeiting, the inclusion of all forms of trademark infringement in the scope of border measures could mean that small businesses could be disproportionately targeted.¹⁹⁷ In addition, and perhaps more importantly, implementation of Articles 16 and 17 would shift the costs of enforcement from the budgets of the trademark bullies onto the CBP.¹⁹⁸ Instead of having to resort to

194. See ACTA, *supra* note 16, arts. 16(1) and 17. See discussion of Articles 16(1) and 17 *supra* Parts III.B.2 & III.B.4.

195. See *supra* Part II.

196. See ACTA, *supra* note 16, arts. 16(1), 17.

197. If the CBP excludes mere trademark infringement from its implementation of ACTA and provides educational outreach to small businesses, this provision could provide a benefit to small businesses who are victims of counterfeiting. One of these benefits would be a lowered cost of trademark enforcement against counterfeiters through the CBP. Large businesses are not the only entities that need to be worried about counterfeiters—businesses of all sizes may be victims. See *About the Small Business Education Campaign*, STOPFAKES.GOV/SMALLBUSINESS, <http://www.uspto.gov/smallbusiness/about/> (last visited June 15, 2012) (“Piracy, counterfeiting and the theft of intellectual property pose a serious threat to all U.S. businesses.”).

198. Cf. Kaminski, *supra* note 75, at 442 (arguing that ACTA on the whole shifts costs from right holders to governments): Stewart Baker, *When DHS Questioned ACTA, THE VOLOKH CONSPIRACY* (Apr. 27, 2011, 9:13 PM) (stating (in an article by Stewart Baker, who was the Assistant Secretary for Policy at the Department of Homeland Security at the time ACTA was being negotiated) that “[i]n the Bush Administration, [the Department of Homeland Security] didn’t much like ACTA, at least as it was then drafted. It seemed like a sweetheart deal for a few intellectual property owners, who’d get free government enforcement of their private rights, potentially to the detriment of security and traditional

traditional enforcement measures (sending cease-and-desist letters, followed by potential litigation), a trademark bully would be able to simply apply to the CBP for detentions of specific shipments of small businesses.¹⁹⁹ This would result in a cost savings to the trademark bully because the bully would not need to pay high-priced lawyers to oversee its enforcement efforts.²⁰⁰

Border enforcement efforts are typically the purview of “brand managers,” who are generally not attorneys, but in-house employees with experience in customs practices and procedures.²⁰¹ Depending on experience, brand protection managers may be paid in the range of \$67,000 to \$118,000.²⁰² In addition, under traditional enforcement tactics, if a target decided to put up a fight, a trademark bully may need to litigate the dispute to maintain its reputation as a bully,²⁰³ which can be quite expensive. In a survey conducted by the American Intellectual Property Law Association in 2006, median costs for trademark litigation ranged from \$250,000 to \$650,000, depending on the size of the lawsuit.²⁰⁴ Further, litigating necessitates expending financial resources

customs enforcement”).

199. See ACTA, *supra* note 16, art. 17(2) (“Each Party shall provide for applications to suspend the release of, or to detain, any suspect goods under customs control in its territory. A Party may provide for such applications to apply to multiple shipments. A Party may provide that, at the request of the right holder, the application to suspend the release of, or to detain, suspect goods may apply to selected points of entry and exit under customs control.”).

200. Many large corporations engage outside law firms to write and send cease and desist letters. See, e.g., Letter from Diane Reed to Christopher J. Day, *supra* note 48.

201. For example, Apple and Fossil have advertised for in-house positions that oversee brand protection management. See Apple, *Senior IPR Investigator—Apple* (on file with author; webpage no longer available) (advertising for senior intellectual property rights investigator with needed experience in customs procedures); Fossil, *Careers, Legal Assistant* (on file with author; webpage no longer available) (advertising for paralegal who will coordinate anti-counterfeiting measures). See generally Ginny Han, *Lenovo’s Brand Management Strategy—Promotion and Protection*, CHINA INTELL. PROP. (Dec. 2007), <http://www.chinaipmagazine.com/en/journal-show.asp?id=267> (discussing Lenovo’s brand management strategy, where the brand communication department is independent of the legal department); Ken Taylor, *Using the ‘P’ Word. The Inside Scoop on Pretext Investigations* 1, 8–9 (May 8, 2008) (unpublished manuscript) (discussing the ethical issues with attorneys conducting trademark infringement investigations and advocating the use of private investigation firms), available at <http://www.alabar.org/sections/intellectualproperty/pdf/KenTaylor-PretextInvestigations.pdf>.

202. See *Salary Wizard: Product/Brand Manager*, SALARY.COM, <http://swz.salary.com/SalaryWizard/Product-Brand-Manager-Salary-Details.aspx> (last visited June 15, 2012).

203. See Cheryl L. Hodgson, *When Enforcement Becomes Bullying*, WORLD TRADEMARK REV., June–July 2010, 73, 76.

204. See AM. INTELLECTUAL PROP. LAW ASS’N, REPORT OF THE ECONOMIC SURVEY

to see a lawsuit through until the final appeal.²⁰⁵ A trademark bully may decide to appeal a lost lawsuit all the way to the end and then need to pay both its legal costs and the defendant's, as in the case of Mattel Corporation's lawsuit against the artist Tom Forsythe.²⁰⁶

In addition, an ability to direct the CBP's enforcement actions seemingly provides trademark bullies with the power to directly impact the inventory flow of small businesses on a faster timetable than through traditional enforcement methods. Instead of sending a cease-and-desist letter and providing an option (albeit in some cases not a viable option) to the target to comply with its demands, a trademark bully could simply apply to the CBP and have that target's shipments detained.²⁰⁷ This then shifts the point of contact and the responsibility for compliance from the trademark bully to the CBP. Once a shipment is detained, the small business needs to work through the CBP and on the CBP's timeframe to obtain release of the shipment.²⁰⁸ By contrast, under the traditional enforcement framework, a trademark bully would need to work with its target, oversee compliance, and potentially resort to the judicial system if a target decided to not comply with its demands. The traditional enforcement framework results in a much longer process than the CBP process. Litigation, in the best of circumstances, may take up to one year to complete.²⁰⁹

25 (2007).

205. See Callahan, *supra* note 47, at 2, 7–8.

206. See *Mattel, Inc. v. Walking Mountain Prods.*, No. CV99-8543RSWL(RZX), 2004 WL 1454100, at *4 (C.D. Cal. June 21, 2004) (awarding defendant \$1,584,089 in legal fees and \$241,797.09 in costs), *aff'd*, 353 F.3d 792 (9th Cir. 2003). Mattel Corporation attempted to bully artist Tom Forsythe from using Barbie dolls in his artwork by filing a lawsuit against him. See BOLLIER, *supra* note 49, at 83, 89–93; *Food Chain Barbie and the Fight for Free Speech*, ARTSURDIST: PHOTOGRAPHIC ART, <http://www.tomforsythe.com/the-fight-for-free-speech.html> (last visited June 16, 2012). Forsythe had created the “Food Chain Barbie” photography series, which depicted naked Barbie dolls in various kitchen and food-oriented situations. See *Food Chain Barbie-Supergloss-Edition of 20*, ARTSURDISM: PHOTOGRAPHIC ART, <http://www.tomforsythe.com/food-chain-barbie---supergloss.html> (last visited June 15, 2012). The Ninth Circuit district and appellate courts ruled in favor of Forsythe, with the decision of the Ninth Circuit Court of Appeals stating: “[T]he public interest in free and artistic expression greatly outweighs its interest in potential consumer confusion about Mattel’s sponsorship of Forsythe’s works.” *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 807 (9th Cir. 2003).

207. See ACTA, *supra* note 16, art. 17(2).

208. See 19 C.F.R. § 133.22(e) (2011) (outlining procedure for obtaining release of detained shipment).

209. See Julie A. Katz, *The Long and Winding Road: Successful Trademark Litigation in the United States*, INTELL. ASSET MGMT. MAG. 44, 45 (Brands in the Boardroom 2009).

Finally, another aspect that incentivizes trademark bullies to shift their enforcement efforts to the CBP is that the option for small business victims to resort to the court system is opaque in customs proceedings. First, it is unclear that a targeted small business would be able to afford to appeal a detention or seizure to the judicial system. As discussed above, many small businesses are undercapitalized and have conducted insufficient risk assessments.²¹⁰ Even if a targeted small business could afford to mount a legal appeal of a CBP decision, under current law, an appeals process is quite complicated.²¹¹ Depending on the type of action taken by the CBP, a targeted small business can appeal to the Court of International Trade or to a U.S. District Court.²¹² If an appealing small business chooses the wrong forum, the case may be dismissed for lack of subject matter jurisdiction.²¹³ The small business is then required to re-file the case in the alternate jurisdiction and pay the relevant costs and attorneys' fees for a second time. This type of complicated process will likely dissuade a small business from filing an appeal (or may dissuade an attorney from advising the small business to mount a legal appeal), which allows the bullies easy victories without any type of judicial oversight. Altogether, these three aspects of implementing Articles 16 and 17 would incentivize forum shifting of abusive trademark enforcement to the CBP.

2. Empowering Interference with Supply Chains Without Judicial Oversight

In addition to incentivizing a shift in forums from one that may include judicial oversight to the CBP, an implementation of Article 22 of ACTA would encourage the CBP to provide unprecedented levels of information to trademark holders. This would empower trademark bullies with the ability to impair small business activities not only in the United States, but also at the source of their manufacturing. This is due

210. *See supra* Part IV.B.

211. The appropriate place to appeal depends on whether the CBP "excluded" the importer's shipment or "seized" the shipment. *See Stuhlberg Int'l Sales Co. v. John D. Brush & Co.*, 240 F.3d 832, 836 (9th Cir. 2001); *H & H Wholesale Servs., Inc. v. United States*, 437 F. Supp. 2d 1335, 1340 (Ct. Int'l Trade 2006). If an appeal is inappropriately filed, a later court may vacate any judgment based on lack of subject matter jurisdiction. *See Sakar Int'l, Inc. v. United States*, 516 F.3d 1340, 1341–42 (Fed. Cir. 2008) (vacating judgment of the Court of International Trade for lack of subject matter jurisdiction).

212. *See Stuhlberg Int'l Sales Co.*, 240 F.3d at 836; *H & H Wholesale Servs.*, 437 F. Supp. 2d at 1340.

213. *See Sakar Int'l, Inc.*, 516 F.3d at 1341–42.

to the expanded scope of information required to be given under Article 22, along with the potential for the CBP to provide such expanded scope of information prior to the time a determination of infringement has been made.²¹⁴

Currently, the CBP policies require that very limited information be provided to trademark holders in cases of mere trademark infringement.²¹⁵ This information includes date of importation, port of entry, description of merchandise, quantity, and country of origin.²¹⁶ This limited information means that trademark holders are kept informed about infringing imports, but have no ability to interfere with the importer's business because the CBP does not release personally-identifying information.²¹⁷ By contrast, Article 22 expands the scope of such information to "including, but not limited to, the description and quantity of the goods, the name and address of the consignor, importer, exporter, or consignee, and, if known, the country of origin of the goods, and the name and address of the manufacturer of the goods."²¹⁸ This information would provide trademark holders with personally-identifying information of every entity connected to the shipment.

In addition, ACTA encourages that the timeframe for the provision of such information is as soon as possible. Article 22(b) encourages that customs authorities provide the personally-identifying information as soon as a shipment is detained so that the trademark holder can "assist in the determination referred to in Article 19 (Determination as to Infringement)."²¹⁹ Currently, CBP field officers are allowed to disclose to trademark holders the limited information described above prior to the time of detention.²²⁰ Because Article 22(b) is couched in optional

214. See ACTA, *supra* note 16, art. 22(b).

215. See 19 C.F.R. § 133.25(b) (2011).

216. See *id.*

217. In fact, a recent Ninth Circuit case deemed the information contained in the CBP Notice of Seizures "trade secrets" and exempt under the Freedom of Information Act. See *Watkins v. U.S. Bureau of Customs and Border Protection*, 643 F.3d 1196 (9th Cir. 2011). Although *Watkins* was primarily a case about counterfeit goods, the court acknowledged that "importers of non-counterfeit goods . . . zealously guard their supply chain." See *id.* at 1196.

218. ACTA, *supra* note 16, art. 22(b).

219. *Id.*

220. See CUSTOMS DIRECTIVE, *supra* note 96, at 5.2 ("When articles are subject to the restrictions under 19 CFR § 133.22, Customs officers MAY disclose to the trademark holder the following information prior to the time that a detention notice is issued under 19 CFR § 133.25.").

language (“a Party *may* authorize its competent authorities”²²¹), the CBP could decide that its current practice of allowing CBP field officers to provide trademark holders with information prior to the time of detention is consistent with Article 22(b).

The more important question is whether the current CBP practice of releasing its limited information after a shipment has been detained would comport with the scope of information listed in Article 22(b). If the CBP decided that it needed to expand the scope of information to comply with Article 22(b), personally-identifying information would be given to trademark holders prior to the time of detention.²²² This would in effect provide trademark bullies with the tools to interfere with the supply chain of small businesses prior to a determination of infringement. By knowing the name of the consignor, importer, exporter, and consignee as well as the name and address of the manufacturer of the goods, trademark bullies would be able to trace small businesses’ chain of supply.²²³

Depending on the country of origin, a trademark bully may be able to persuade the consignor, exporter, or manufacturer of the goods to cease supplying the small business with products.²²⁴ For example, if the country of origin is China, it is likely that the trademark bully is manufacturing in China as well, since a high percentage of the world’s manufacturing occurs in China.²²⁵ A cease-and-desist letter from a well-known American corporation to the manufacturer, exporter, or consignor may be all that is needed to cease supply to the small business. In addition, depending on the influence of the trademark bully in any particular local area of China, the trademark bully may be able to

221. ACTA, *supra* note 16, art. 22(b) (emphasis added).

222. This may not be too far afield. In 1995, the CBP expanded the scope of information provided to trademark holders for merely infringing shipments. See Copyright/Trademark/Trade Name Protection; Disclosure of Information, 60 Fed. Reg. 36249, 36251 (July 14, 1995) (codified at 19 C.F.R. §§ 133.22, 133.23(a), 133.42–.43).

223. See, e.g., *Gilda Indus., Inc. v. United States Customs & Border Prot. Bureau*, 457 F. Supp. 2d 6, 11 (D.D.C. 2006) (finding that disclosure of information related to “sources of supply,” “product lines,” and “supply chains” to provide competitive advantages to competitors by, “for example, arrogating another company’s exclusive source of supply”).

224. These products may or may not be infringing.

225. See James Fallows, *China Makes, the World Takes*, THE ATLANTIC, July–Aug. 2007, at 48, 48–50 (describing that Guangzhou, China, has become the world’s manufacturing center); Forrest Jones, *China Ousts US as World’s Top Manufacturer*, MONEYNEWS (Mar. 14, 2011, 9:39 AM), <http://www.moneynews.com/StreetTalk/China-Ousts-US-World/2011/03/14/id/389350> (“China is now the world’s top manufacturer in terms of output, ousting the U.S. from the top spot . . .”).

“persuade” the local authorities to raid the consignor, exporter, or manufacturer of the goods without proof of counterfeit products.²²⁶ This would, in turn, disrupt the small business’ supply chain and at the very least, make life more difficult for the small business.

Further, even if the CBP decided that it did not need to comply with the optional Article 22(b) language, it would need to comply with the mandatory Article 22(c) language. As discussed above, Article 22(c) would require that the CBP release the personally-identifying information within thirty days after seizure or a determination of infringement. It is hard to read the straight-forward language of Article 22(c) as consistent with the current practices of the CBP with respect to the scope of information provided. Therefore, it is likely that an implementation of Article 22(c) would require that the CBP include the personally-identifying information along with its provision of information to trademark holders. While the timing of the provision of information (after seizure or determination of infringement) may make such provision more appropriate, it is important to remember that the scope of the CBP’s determination of infringement is quite narrow. The CBP’s determination is with respect to only the shipment at issue, and not with respect to other products or shipments that a small business may import in the future.²²⁷ However, providing trademark holders with personally-identifying information allows trademark bullies to interfere with such small business’s entire importing operation, regardless of whether future shipments would be infringing.

Moreover, all of this interference can take place without any judicial oversight and due process. Although trademark holders may be allowed to similarly interfere with the supply chains of infringing third parties after a successful determination of infringement in a trademark lawsuit, such interference is typically only allowed after a court issues an injunction against such infringer.²²⁸ And an injunction (preliminary or

226. One long-noted problem with the enforcement of intellectual property laws (including trademark laws) in China has been corruption. See *Protecting Your Intellectual Property Rights (IPR) in China*, EXPORT.GOV, <http://www.export.gov/china/doingbizinchina/riskmanagement/ipr/index.asp> (last visited June 15, 2012). Although bribing local authorities would be illegal for an American corporation under the Foreign Corrupt Practices Act, local authorities could be “persuaded” in non-monetary methods, such as entertainment or even business referrals. See Daniel Chow, *China Under the Foreign Corrupt Practices Act*, 2012 WIS. L. REV. 573, 589–90.

227. HINKELMAN, *supra* note 20, at 199–207 (discussion of entry procedures with respect to shipments).

228. An injunction typically means that the defendant needs to cease production and

permanent) is not granted lightly. In order to grant an injunction, a court must find:

(1) that [the plaintiff] has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.²²⁹

In addition, in cases where a court awards an injunction, such award is subject to review by an appellate court for abuse of discretion.²³⁰ The same cannot be said of the CBP's determination or review standards. As discussed above, it is unclear the standards under which the CBP determines trademark infringement.²³¹ In addition, it is unclear whether small businesses would have the resources to appeal such determination, and if they do, where such appeal should be made.²³² Further, in cases where the CBP has provided personally-identifiable information to trademark holders prior to making a determination of infringement,

sales of the infringing product(s). In addition, through discovery, it is likely that the defendant's supply chain details would be made available to the plaintiff. *See, e.g.,* Marcy J. Bergman, *Trademark Infringement Litigation Primer*, in UNDERSTANDING TRADEMARK LAW, *supra* note 38, at 255, 281–82 (providing sample listing of questions to consider for discovery, including “What information is the manufacturer/producer likely to have on key subjects such as intent to copy and design?” and “What is their relationship with the party and scope of involvement?”).

229. *EBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). Although *eBay* dealt with a patent infringement and permanent injunction situation, the Second Circuit has stated in dicta that *eBay* would extend to any case, regardless of the type of intellectual property involved or whether the requested injunction was permanent or temporary. *See Salinger v. Colting*, 607 F.3d 68, 78 n.7 (2d Cir. 2010) (applying *eBay* in copyright infringement case involving preliminary injunction and stating, in dicta, “although today we are not called upon to extend *eBay* beyond the context of copyright cases, we see no reason that *eBay* would not apply with equal force to an injunction in any type of case”).

230. *See eBay, Inc.*, 547 U.S. at 391.

231. Although the percentage of detained shipments that are found to be non-infringing is not reported by the CBP, *see Stolte, supra* note 128, at 747 n.180, it could be argued that the potential for an erroneous determination of infringement is higher with CBP field officers making the determination, than with a judge. One of the reasons for this potential is that it is unclear how the likelihood of confusion test is applied by CBP field officers, as well as whether defenses to trademark infringement are applied at all. Both of these factor greatly into a correct determination of trademark infringement. *See supra* Part II.A.

232. *See supra* notes 211–213 and accompanying discussion.

small businesses are vulnerable to interference by trademark bullies on perfectly legitimate products.

B. Lack of Safeguards

An additional element in the incentivization of trademark bullies to forum shift and interfere with small businesses' supply chains is the lack of safeguards found within the provisions of ACTA. To the contrary, the provisions of ACTA appear to be directed at encouraging some level of abuse. This stems from the language of ACTA found in Articles 17, 18, and 21 that mandates against overly strict measures that may deter abuse of the border enforcement measures.²³³ In addition, the absence of any real consequences for abuse seems designed to allow bullies easy access to bully their victims through the CBP.

1. Limitations on Deterrence of Abuse

In directing that trademark holders be given the ability to request detention of shipments, Article 17(1) of ACTA requires only that trademark holders provide "sufficient information that may reasonably be expected to be within the right holder's knowledge to make the suspect goods reasonably recognizable by the competent authorities."²³⁴ In addition, Article 17(1) further provides that "[t]he requirement to provide sufficient information shall not unreasonably deter recourse to the [border enforcement] procedures"²³⁵ Similar limiting language is found in Article 18: "Each Party shall provide that such security or equivalent assurance shall not unreasonably deter recourse to these procedures."²³⁶ Additional limiting language is found in Article 21, which discusses fees to be assessed on trademark holders requesting detentions: "Each Party shall provide that any application fee, storage fee, or destruction fee to be assessed by its competent authorities in connection with the procedures described in this Section shall not be used to unreasonably deter recourse to these procedures."²³⁷

Altogether, these provisions work to limit the CBP's ability to curb potential abuses. For example, one method of curbing abuse in the application process by trademark holders would be to require a higher

233. *See supra* Part II.B.4.

234. ACTA, *supra* note 16, art. 17(1).

235. *Id.*

236. *Id.* art. 18.

237. *Id.* art. 21.

threshold amount of information that only trademark holders carrying out a trademark enforcement program in good faith would have. Where trademark holders engage in an enforcement program in good faith, such holders will likely conduct investigations of suspected activity prior to contacting customs authorities or law enforcement agencies. In order to do this, some large trademark holders routinely hire private investigators to report on infringing activities.²³⁸ Employing private investigators is not a costless undertaking, with some private investigation fees starting at \$180 per hour.²³⁹ However, such cost ensures that such trademark holders are obtaining extensive (and more likely accurate) information regarding potential infringements, which can then be passed along to the CBP. In turn, if the CBP decides to act upon such information, it is less likely that they will be conducting a fishing expedition. Under the current language of Article 17(1), it appears that the CBP would be required to allow trademark holders to submit as much information as such holders would “reasonably” possess. It is unclear whether large trademark holders should “reasonably” possess information obtained only through engaging private investigators or other methods of extensive investigation. It is possible that under a loose interpretation of “reasonably,” large trademark holders would not need to undertake extensive investigation efforts before having the right to request detentions. Such requests may then turn into fishing expeditions for the CBP and may result in a greater increase in unwarranted detentions, thus disproportionately impacting small businesses.

In addition, another method to limit abuse in an application process to request detentions would be to require that the requesting trademark holders place with the CBP some form of monetary security that could be used to cover the damage caused by unwarranted detentions. The level of the bond or security could be related to the expected value of the shipment, as measured against the trademark holder’s own products of a similar category and quantity.²⁴⁰ Additionally, a non-refundable

238. See, e.g., Senior IPR Investigator—Apple, *supra* note 201. Cf. Taylor, *supra* note 201, at 9 (advocating for the use of private investigators).

239. See MARKSMEN, TRADEMARK INVESTIGATIONS, SERVICES AND FEES (on file with author).

240. Currently, bonds are assessed by the CBP where a trademark holder requests a sample of an infringing product. According to the CBP guidelines, “The bond is normally set at 120 percent (120%) of the CIF value of the sample, plus duty and other applicable fees (but not lower than \$100).” CUSTOMS DIRECTIVE, *supra* note 96, at 5.2.2. The acronym “CIF” refers to the “cost, insurance and freight price.” See U.N. DEP’T OF ECON. & SOC.

application fee could be assessed based on the expected value of the shipment. If a detention is deemed to have been unwarranted (meaning that no infringement was found), then the bond would be forfeited entirely. This level and type of security would work to discourage those trademark holders from requesting detentions negligently or even willfully. However, the language of Articles 18 and 21 would prevent either of these types of deterring fees from being implemented. Combined, the limiting language of Articles 17(1), 18, and 21 works to limit the discretion the CBP may otherwise have in attempting to deter abuse of the application procedures by trademark bullies.

2. Lack of Consequences for Bullies

Finally, there appears to be no consequences for bullies under ACTA. In fact, with the limiting language contained in Articles 17, 18, and 21, it would seem that ACTA seems more concerned with promoting the use of the application process to request detentions than with deterring abuse. The only mention of a potential penalty for abuse appears in Article 17(4), which provides the following, “A Party may provide that, where the applicant has abused the procedures described in subparagraphs 1(b) and 2(b) of Article 16 (Border Measures), or where there is due cause, its competent authorities have the authority to deny, suspend, or void an application.”²⁴¹ While this language leaves open the possibility that the United States could adopt additional sanctions for trademark bullies, the language does not provide much guidance. In addition, the language seems to indicate that an adequate remedy is to simply “deny, suspend, or void an application.”²⁴² Although an application may be related to multiple shipments and to multiple points of entry (per Article 17(2)), this is not a requirement.²⁴³ Therefore, depending on the application process adopted by the CBP under an implementation of ACTA, denial, suspension, or voidance of an application may just relate to one shipment at one point of entry. The language of Article 17(4) does not seem to contemplate any other

AFFAIRS, INTERNATIONAL MERCHANDISE TRADE STATISTICS: CONCEPTS AND DEFINITIONS, at 9, U.N. Doc. ST/ESA/52, U.N. Sales No. E.98.XVII.16 (1998).

241. ACTA, *supra* note 16, art. 17(4).

242. *Id.*

243. *See id.* art. 17(2) (“A Party may provide for such applications to apply to multiple shipments. A Party may provide that, at the request of the right holder, the application to suspend the release of, or to detain, suspect goods may apply to selected points of entry and exit under customs control.”).

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sanctions or remedies, and therefore, leaves the possibility that no further sanctions will be placed on bullies. This may leave open the potential for bullies to reapply in the future with no further consequences. In addition, if the CBP adopts a single shipment–single port of entry application or sanction process (as contemplated by Article 17(2) of ACTA), this low level of sanction leaves open the possibility that bullies will reapply to request a detention of products for the same importer, just at a different point of entry. With over three hundred points of entry in the United States, this leaves a dedicated bully with quite a number of possibilities for abuse.²⁴⁴

VI. PROPOSALS TO MITIGATE HARM TO SMALL BUSINESSES
STEMMING FROM INTERNATIONAL INTELLECTUAL PROPERTY
AGREEMENTS

The first, and most obvious way in which potential harm to small businesses stemming from international intellectual property agreements could be avoided is to have the U.S. government take into consideration small business concerns during negotiations. However, this only mitigates harms from future agreements and does not assist with fully negotiated or signed agreements, such as ACTA.²⁴⁵ In this latter instance, this Article suggests that at least three approaches may be taken that could still mitigate harms to small businesses: interpretation of problematic provisions, adoption of safeguards, and education of small businesses.

A. Interpretation of Problematic Provisions

In cases where international agreements have already been fully negotiated or signed, promoting a small business-friendly interpretation of problematic provisions may be all that is needed. Specifically, interpretation can be utilized by governmental agencies that may need to implement the problematic provisions of an international agreement. In the case of ACTA and the border enforcement measures, the CBP will need to implement the provisions relating to the scope of such measures. As discussed above, Article 13 of ACTA requires that the CBP broaden the scope of border enforcement to include mere trademark infringement. To mitigate the impact to small businesses

244. See *Locate a Port of Entry—Air, Land, or Sea*, CBP.GOV, <http://www.cbp.gov/xp/cgov/toolbox/contacts/ports/> (last visited June 16, 2012).

245. See sources cited *supra* note 22.

from this implementation, the CBP can adopt an interpretation of Articles 5(h) and 13 that excludes mere trademark infringement.

At least one American industry group, the Intellectual Property Owners Association (IPO), has suggested this path.²⁴⁶ As IPO's letter to Ambassador Ron Kirk states,

ACTA is unwittingly broadening the scope of the seizure power of Customs and Border Patrol forces to encompass civil action trademark infringement and raising the specter of potential abuse in many countries around the globe. The determination of whether marks are similar and whether there is a likelihood of confusion should not be conducted hastily and in an *ex parte* manner by a border official, but should instead be based upon the appropriate legal analysis (possibly resulting from extensive pre-trial preparation and discovery where allowed).²⁴⁷

IPO has suggested that the definition of "intellectual property" as provided in Article 5(h) of ACTA could be narrowly construed as referring only to "trademark counterfeiting" or "copyright piracy."²⁴⁸ The support for such interpretation is that ACTA should be interpreted consistent with the current laws of the United States, as well as with the "stated intention of ACTA as reflected in the preamble, that it is an 'anti-counterfeiting trade agreement.'"²⁴⁹ IPO goes on to state, "IPO is confident that it is not the intent of ACTA to change settled United States law by transforming what are the commonly occurring non-counterfeit-types of civil action infringements into activity intended to be punished under federal criminal law in the case of the United States"²⁵⁰

The same suggestion has been made by at least one scholar, although with the goal of protecting access to generic medicines.²⁵¹ Henning Grosse Ruse-Khan of the Max Planck Institute has proposed a limitation on the scope of ACTA's border measures with respect to

246. *IPO June Letter*, *supra* note 135, at 2; Letter from Douglas K. Norman, President, Intell. Prop. Owners Ass'n, to The Hon. Ron Kirk, Ambassador, U.S. Trade Representative (Feb. 15, 2011), *available at* <http://www.ipo.org/AM/Template.cfm?Section=Home&ContentID=28568&template=/CM/ContentDisplay.cfm> [hereinafter *IPO February Letter*].

247. *See IPO June Letter*, *supra* note 135, at 2.

248. *See IPO February Letter*, *supra* note 246, at 2.

249. *See id.*

250. *See id.*

251. *See generally* Ruse-Khan, *supra* note 92.

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goods in transit through an interpretation of Article 6(1) and Article 13.²⁵² Article 6(1) provides:

Each Party shall ensure that enforcement procedures are available under its law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.²⁵³

And as discussed above, Article 13 provides the scope of border measures for ACTA and allows the United States to provide “as appropriate, and consistent with its domestic system of intellectual property rights protection and without prejudice to the requirements of the TRIPS Agreement, for effective border enforcement of intellectual property rights.”²⁵⁴ In addition, border enforcement measures should not “discriminate unjustifiably between intellectual property rights” and should “avoid[] the creation of barriers to legitimate trade.”²⁵⁵

Although Ruse-Khan’s interpretation of both of these sections of ACTA relies primarily on a policy argument that trade in generic medicines is recognized as a global benefit, Ruse-Khan’s interpretation can still be the basis for similar interpretations of Articles 6(1) and 13 even based on different policy reasons.²⁵⁶ With respect to Article 6(1),

252. *See id.* at 677–81, 695–703.

253. ACTA, *supra* note 16, art. 6(1).

254. *Id.* art. 13.

255. *Id.*

256. With respect to Article 13, Ruse-Khan states,

Here, access to medicines and international trade in generic medicines and other goods can serve as justifications to exclude ordinary trademark infringements, especially if the country has introduced border measures against goods in transit. The *chapeau* provision in Article 13 therefore allows for the exclusion of those types of infringements from a domestic system of border measures that are particularly problematic for generic drugs in transit.

See Ruse-Khan, *supra* note 92, at 680–81. With respect to Article 6(1), Ruse-Khan relies on a normative understanding of the term “legitimate” in this phrase, which means that “any enforcement procedures that create barriers to trade for which a justifiable public policy exists or which are supported by other social norms would be considered as ‘barriers to legitimate trade.’” *See id.* at 699. The justifiable public policy that underlies Ruse-Khan’s argument is access to medicines, which is a public policy generally upheld in both the

Ruse-Khan focuses on the definition of “legitimate trade,” and argues that a normative understanding of the term would mean that a public policy in the country of origin or destination would support a limitation of border measures to exclude mere trademark infringement.²⁵⁷ In addition, Ruse-Khan argues that Article 13 contains “several open and ambiguous terms and conditions, which in sum create a form of constructive ambiguity that disguises the remaining differences amongst the parties over the treaty text.”²⁵⁸ Ruse-Khan posits that these ambiguities may have been a way for the United States and the European Union to resolve their differences over geographical indications and other intellectual property rights.²⁵⁹ However, Ruse-Khan concludes that the same ambiguities could be utilized to interpret an exclusion of mere trademark infringement.²⁶⁰

This Article argues that a similar interpretation can be applied to importations by small businesses in the United States. As discussed above, ACTA’s inclusion of mere trademark infringement in the scope of border measures would likely mean that more small businesses’ imports into the United States would be more vulnerable to a risk of detention than before.²⁶¹ This increased vulnerability raises the very real possibility that barriers to trade conducted by small businesses in the United States would be raised to such an extent as to prevent small businesses from participating in international trade. Without the ability to participate in international trade, small businesses would be unable to take advantage of the savings that manufacturing or supply purchasing in places such as China may bring to a business.²⁶² In turn, this would raise the cost of doing business and perhaps create insurmountable

exporting and importing countries. *See id.* at 700.

257. *See id.* at 701 (“If this insight is applied to the understanding of ‘legitimate trade’ advocated here, ACTA Article 6(1) will prohibit seizures of goods in transit as a barrier to legitimate trade whenever the trade in these goods can be justified by a public policy in the country of origin or the country of destination.”).

258. *See id.* at 678–79; *see also* Henning M. Grosse Ruse-Khan, *The Role of Chairman’s Statements in the WTO*, 41 J. OF WORLD TRADE 475, 491–92 (2007).

259. *See* Ruse-Khan, *supra* note 92, at 678–79.

260. *See id.* at 679 (“While this constructive ambiguity may have been primarily created to allow the negotiating parties to take different approaches to address infringements of geographical indications, it may equally serve as an appropriate tool to exclude ordinary trademark infringements from a national system of border measures.”).

261. *See supra* Part IV.

262. *See* Fallows, *supra* note 225 (“Americans complain about cheap junk pouring out of Chinese mills, but they rely on China for a lot that is not junk, and whose cheap price is important to American industrial and domestic life.”).

obstacles to starting a small business in the first place or, at the very least, maintaining a profitable small business.

These barriers would appear contrary to the current public policies of the United States, which are geared toward providing as much assistance as possible to small businesses.²⁶³ Recognizing that small businesses are the “backbone” of the United States economy, the United States has implemented a number of policy measures aimed at assisting small businesses secure financing,²⁶⁴ effectively plan for the growth of their businesses,²⁶⁵ and even enter the international trade arena.²⁶⁶ It would seem that the importance placed on small businesses in the United States shows a sufficient policy rationale that could underlie an interpretation of Article 6(1) or Article 13 that would allow the United States to exclude mere trademark infringement from the scope of its border measures.

B. Adoption of Safeguards for Small Businesses

Even if a governmental agency (such as the CBP) were unable to interpret problematic provisions as proposed above, another method that could be used to mitigate harms to small businesses is the adoption of safeguards. With respect to ACTA, safeguards could include adopting more rigorous procedures for detentions of imported shipments and adopting penalties for abuse by trademark holders.

1. More Rigorous Detention Procedures

In the event the CBP could not (or does not) adopt a limiting interpretation of ACTA to exclude mere trademark infringement, the CBP should adopt more rigorous procedures for its border measures, which would help mitigate harms to small businesses. An adoption of such measures would not contravene ACTA or require an interpretation of ACTA because Article 6(1) explicitly allows the United States to “provide for safeguards against” the abuse of the

263. See *supra* Part IV.B.

264. See Ben S. Bernanke, Chairman, Bd. Gov. Fed. Res. Sys., Remarks at the Federal Reserve Meeting Series: “Addressing the Financing Needs of Small Businesses”: Restoring the Flow of Credit to Small Businesses (July 12, 2010), available at <http://www.federalreserve.gov/newsevents/speech/bernanke20100712a.pdf>.

265. See *What SBA Offers to Help Small Businesses Grow*, U.S. SMALL BUSINESS ADMINISTRATION, <http://www.sba.gov/content/what-sba-offers-help-small-businesses-grow> (last visited June 6, 2012).

266. See Press Release, Office of U.S. Trade Rep., *supra* note 8.

border measures procedures.²⁶⁷ In particular, one measure that could easily be adopted by the CBP is a more limited timeframe in which detentions can occur for merely trademark infringing shipments, along with a requirement for proactive measures on the part of trademark bullies.²⁶⁸

Currently, the CBP procedures allow a timeframe of between five and thirty days for initial detentions of shipments.²⁶⁹ As discussed above, the first five days are for the CBP to determine whether “reasonable suspicion” exists for detaining a shipment that may be merely infringing.²⁷⁰ After the five days have expired, if the CBP has determined that reasonable suspicion does exist, then the CBP issues a notice of detention to the importer.²⁷¹ The notice of detention provides the importer with thirty days in which the importer may establish any of the grounds in which its goods may be released.²⁷² However, the CBP procedures are silent on whether the importer may obtain a release of its shipment sooner than the thirty day period if the importer meets one of the conditions for release.²⁷³ In addition, these procedures apply where the CBP has acted to detain shipments, not where trademark holders have requested such detentions.²⁷⁴ Although there may be a possibility of abuse by CBP field officers in detaining non-infringing shipments, the potential for abuse is much greater where trademark holders request such detentions.²⁷⁵ In order to deter abuse by trademark holders in requesting detentions, this Article suggests that the CBP should adopt different procedures when detentions are requested by trademark holders for merely infringing products.

267. See ACTA, *supra* note 16, art. 6(1).

268. Whether similar detention procedures should apply to shipments of counterfeit products, even if requested by trademark holders, is bracketed for now.

269. See 19 C.F.R. §§ 133.22, 133.25 (2011)

270. See CUSTOMS DIRECTIVE, *supra* note 96, at 4.2.2.

271. See 19 C.F.R. §§ 133.22, 133.25.

272. See *id.*

273. The language of 19 C.F.R. § 133.22 seems to indicate that the importer will not be able to obtain a release of her goods prior to the thirty days. See 19 C.F.R. § 133.22(c) (“Articles subject to the restrictions of this section *shall* be detained for 30 days from the date on which the goods are presented for Customs examination” (emphasis added)).

274. As discussed above, the CBP procedures do not contemplate direct involvement by trademark holders. See *supra* Part IV.

275. Cf. William E. Ridgway, Comment, *Revitalizing the Doctrine of Trademark Misuse*, 21 BERKELEY TECH. L.J. 1547, 1569 (2006) (arguing for an adoption of a “trademark misuse” cause of action in order to impose costs on trademark enforcement, thereby limiting abuse).

With respect to shipments of merely infringing products detained based on a trademark holder's request, the timeframe for detention should be limited to ten days, or in the case of perishable goods, three days. In addition, the CBP should adopt a requirement that the trademark holder is required to file a cause of action against the importer in a district court before the expiration of the ten or three day period. If the trademark holder does not file such action against the importer, then the goods shall be released.²⁷⁶ Such a rigorous timeframe and a requirement for proactive steps on the part of trademark holders can be found in other international agreements, such as in the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), as well as in the European Union (EU).²⁷⁷ Although these rigorous timeframes are applied only to counterfeit shipments under TRIPS and in the EU,²⁷⁸ the potential for abuse by trademark bullies in the United States supports an application to where merely trademark infringing shipments are detained at the request of trademark holders.

Article 55 of TRIPS provides that a ten-day period (beginning at the time notice is served to the trademark holder of the detention) be provided for trademark holders to inform the customs authorities that they have initiated proceedings against the importer.²⁷⁹ If the trademark

276. One assumption underlying this suggestion is that most trademark bullies are unlikely to file a lawsuit against its victims. As this assumption will not be correct all the time, this requirement does pose a risk of greater lawsuits brought by those trademark bullies who litigate any and all disputes, sometimes in a desire to gain a reputation for being a "bully." See Hodgson, *supra* note 203, at 76 ("A reputation as a bully can actually be seen as a positive for less socially conscious trademark owners—they can not only potentially monopolize the word as a mark, but also gain fame by becoming infamous."). However, one proposal that has been proffered to assist small businesses and individuals with a speedier and less expensive mode of litigation is to create an intellectual property-type of small claims court. See Goldman, *supra* note 5 (making recommendations to assist with overcoming trademark bullying, including "a small claims IP court where low-stakes disputes could be adjudicated more cheaply than full-scale litigation").

277. See TRIPS Agreement, *supra* note 11, at 1218; EC Council Regulation No. 1383/2003.

278. See TRIPS Agreement, *supra* note 11, at 1217 (the scope of border measures is only mandatory with respect to counterfeit and pirated products); EC Council Regulation, *supra* note 276, arts. 1(1), 2(1) ("This Regulation sets out the conditions for actions by the customs authorities when goods are suspected of infringing an intellectual property right in the following situations," and "[f]or the purposes of this Regulation, 'goods infringing an intellectual property right' means: (a) 'counterfeit goods' . . . [and] (b) 'pirated goods.'").

279. See TRIPS Agreement, *supra* note 11, at 1218 ("If, within a period not exceeding 10 working days after the applicant has been served notice of the suspension, the customs authorities have not been informed that proceedings leading to a decision on the merits of the case have been initiated by a party other than the defendant, or that the duly empowered

holder does not provide notice to the customs authorities, then the shipment shall be released.²⁸⁰ In addition, the ten-day period may be extended by another ten days if so requested.²⁸¹ A similar provision is found in the EC Council Regulation No. 1383/2003, which requires that Member states detain shipments for no longer than ten days, or three days in the case of perishable goods.²⁸² Although the timeframe can be extended for another ten days in the case of regular shipments, in the case of perishable goods, no extension is allowed.²⁸³ During this timeframe, a trademark holder who requests such detention must inform the customs authorities that they have initiated legal proceedings against the importer, or else the detained goods shall be released.²⁸⁴

This strict timeframe would assist in providing some safeguard against abuse by trademark bullies who may request unwarranted detentions because it would add costs to the otherwise costless trademark enforcement process that the CBP provides.²⁸⁵ If, instead, the current CBP procedures were applied to detentions requested by trademark holders, factoring of litigation costs would never be required by the trademark holders. While trademark bullies could bring lawsuits for mere trademark infringement against importers after successful detentions, it would not be required, thereby providing a near costless form of enforcement to trademark bullies. Without costs to enforcement, there would be no disincentive for abuse.

Under this Article's proposed new procedures, trademark bullies would need to undertake a serious analysis of the potential infringement

authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released . . .").

280. See TRIPS Agreement, *supra* note 11, at 1218.

281. See *id.* ("[I]n appropriate cases, this time-limit may be extended by another 10 working days.").

282. See EC Council Regulation, *supra* note 277, art. 13 ("If, within 10 working days of receipt of the notification of suspension of release or of detention, the customs office . . . has not been notified that proceedings have been initiated to determine whether an intellectual property right has been infringed under national law in accordance with Article 10 or has not received the right-holder's agreement provided for in Article 11(1) where applicable, release of the goods shall be granted, or their detention shall be ended . . .").

283. See EC Council Regulation, *supra* note 277, art. 13(1) ("This period may be extended by a maximum of 10 working days in appropriate cases."); see also *id.* art. 13(2) ("In the case of perishable goods suspected of infringing an intellectual property right, the period referred to in paragraph 1 shall be three working days. That period may not be extended.").

284. See EC Council Regulation, *supra* note 277, art. 13(1).

285. Cf. Ridgway, *supra* note 274, at 1567-69 (arguing for an adoption of a "trademark misuse" cause of action in order to impose costs on trademark enforcement, thereby limiting abuse).

by third parties *prior* to requesting any detentions. This analysis would include not only the severity of the infringement, but also the likelihood of success on the merits of the case and whether litigation is appropriate. In addition, the short timeframe provided for trademark bullies to undertake any actions against importers would mean that trademark bullies would need to be prepared at the outset to follow up its requests with litigation. This would add a variety of costs, including legal fees for the analysis and for preliminary preparation of court documents. Although there may be some trademark bullies who may proceed in any situation,²⁸⁶ it is likely that in a majority of situations, these costs would incentivize trademark bullies to request detentions only where they have a reasonable case of trademark infringement.²⁸⁷

2. Penalties for Abuse

In addition to adopting a more rigorous timeframe and requiring proactive steps to be taken by trademark holders, the CBP should adopt penalties for abuse of the border enforcement measures. Similar to the adoption of the more rigorous procedures as described above, an adoption of penalties for abuse would not be contrary to the plain language of ACTA, nor would it require an interpretation of ACTA. As mentioned above, ACTA already provides for the ability of the United States to adopt measures that would prevent abuse under Article 6(1).²⁸⁸ Further, as discussed in Part IV, Article 17(4) does contemplate some form of penalty for abusing trademark holders by allowing the United States to “deny, suspend, or void an application.”²⁸⁹ But while Article 17(4) does not seem to indicate that any further penalty should be applied to abusive trademark holders,²⁹⁰ neither does it prevent the United States from adopting additional penalties. In cases where a request by trademark holders has yielded three unwarranted detentions,²⁹¹ the CBP should revoke the ability of such trademark

286. There are some trademark bullies who may desire to gain a reputation as a “bully” and, therefore, litigate any dispute. See Hodgson, *supra* note 203, at 76.

287. Cf. Ridgway, *supra* note 274, at 1567–69 (arguing for an imposition of “misuse damages” to deter trademark bullying).

288. See ACTA, *supra* note 16, art. 6(1).

289. *Id.* art. 17(4).

290. See *supra* Part V.

291. Americans seem to favor a “three strikes” rule, as seen in baseball and in the *California Penal Code*. See OFFICIAL BASEBALL RULES, Rule 10.15 (2011), available at http://mlb.mlb.com/mlb/downloads/y2011/Official_Baseball_Rules.pdf; CAL. PENAL CODE § 667 (West 2010).

holders (and its affiliates) to utilize the border enforcement measures across all U.S. ports of entry. With over three hundred ports of entry in the United States,²⁹² revocation of the ability to request detentions at all ports would likely be a sufficient deterrent to abuse of the process by trademark bullies. This way, a determined bully would not be able to move from one port to another to request additional unwarranted detentions.²⁹³

A determination of unwarranted detentions could be made in one of two situations. The first could be where shipments are detained but the CBP finds that there is no trademark infringement. The second situation could be where the trademark holder declines to proceed with filing a lawsuit against the importer. Either of these situations would indicate that the requesting trademark holder has not sufficiently undertaken an analysis of her trademark rights vis-à-vis the importer. While mistakes can occur, three mistakes on three different occasions is abuse. In addition, in order to make the revocation a serious penalty, the revocation of ability to utilize the border enforcement measures should be for at least one year, if not longer. After expiration of the time period, penalized trademark holders could reapply to the CBP to have their ability to utilize the border enforcement measures reinstated, but only upon a showing of an adoption of internal measures that would prevent future abuses.

C. Educational Outreach to Small Businesses

Yet another method that could be used to mitigate harms stemming from international intellectual property agreements is educational outreach to small businesses. This method is one that many governmental agencies already undertake in order to assist small businesses overcome hurdles that intellectual property laws pose.²⁹⁴ With respect to ACTA, the CBP should undertake an outreach program to educate small businesses on border measures that may affect them.

292. See *Locate a Port of Entry*, *supra* note 244.

293. If the revocation would be with respect to just one port of entry, this forum shopping could be a reality—until recently, each CBP field office operated autonomously from one another. See Telephone Interview with Cherise Miles, Press Officer, U.S. Customs and Border Protection Chicago Field Operations Office (Jun. 21, 2011). However, the CBP is currently attempting to limit port shopping with more recent attempts at inter-office integration. See *id.*

294. See *Frequently Asked Questions*, *supra* note 10.

Although the CBP currently maintains a “Trade Outreach” program,²⁹⁵ very few programs are geared specifically toward small businesses.²⁹⁶ In addition, the CBP does not maintain an office or other liaison specifically for small businesses.²⁹⁷ This is in contrast to other governmental agencies that have a role in intellectual property enforcement, like the Office of the United States Trade Representative, which recently designated an Assistant United States Trade Representative for Small Business, Market Access, and Industrial Competitiveness.²⁹⁸ While the CBP may not have similar resources to establish an office or point of contact dedicated to small businesses, additional training programs geared toward small businesses could easily be adopted. In particular, the CBP should attempt to educate small businesses about the CBP policies and procedures with respect to importations and intellectual property rights. This would help alleviate some of the harms stemming from the lack of knowledge that many small business owners likely operate under with respect to border enforcement measures.²⁹⁹

VII. CONCLUSION

As the U.S. economy struggles to recover from its most recent “meltdown on par with the Great Depression,”³⁰⁰ the U.S. government is paying more attention to small businesses with the understanding that the strength of small businesses may contribute to a successful economic recovery.³⁰¹ Although Congress and the U.S. PTO have recognized that

295. See *Trade Outreach*, U.S. CUSTOMS AND BORDER PROT., http://cbp.gov/xp/cgov/trade/trade_outreach/ (last visited June 16, 2012).

296. From a survey of the CBP website, there appears to have been only one training presentation specifically directed to small businesses. See *Trade Outreach via Webinar Presentations*, U.S. CUSTOMS AND BORDER PROT., http://cbp.gov/xp/cgov/trade/trade_outreach/webinar_present/ (last visited June 16, 2012).

297. See *Commissioner’s Staff Offices*, *supra* note 160; *Assistant Commissioners’ Offices*, *supra* note 160.

298. See Press Release, Off of U.S. Trade Rep., USTR Announces Designation of Assistant United States Trade Representative for Small Business, Market Access, and Industrial Competitiveness (Jan. 21, 2010), available at <http://www.ustr.gov/about-us/press-office/press-releases/2010/january/ustr-announces-designation-assistant-united-states>.

299. See *supra* Part IV.B.

300. See Al Lewis, *The Recovery? Not!*, WALL ST. J. (Aug. 15, 2010), <http://online.wsj.com/article/SB10001424052748704023404575430210787709020.html>.

301. See Headd, *supra* note 2, at 1; *Small Business Jobs Act of 2010*, U.S. SMALL BUSINESS ADMINISTRATION, <http://www.sba.gov/content/small-business-jobs-act-2010> (last visited June 16, 2012); see also Jesse Lee, *President Obama Signs Small Business Jobs Act—*

intellectual property laws can pose an impediment to the success of small businesses,³⁰² this recognition has not extended to international agreements that contain intellectual property obligations. This Article attempts to pull these two related areas together in an effort to craft a more consistent policy approach for small businesses. Utilizing ACTA as a timely foil, this Article has attempted to bring to light the potential harms that the border measure provisions of ACTA pose to small businesses. Policymakers need to seriously consider the increased vulnerability of small businesses to border detentions and seizures, along with an empowerment of trademark bullies, as the viability of small businesses is at stake.

Although the current version of ACTA has been signed by the United States and textual changes are not possible, there are a number of measures that the United States may undertake to mitigate the harms to small businesses. These measures may also be used where other international agreements have already been fully negotiated or signed and ratified. More importantly, the analysis of ACTA provided in this Article and the suggestions to mitigate the harmful provisions provide a framework for policymakers to utilize in their approach to other international intellectual property-related agreements. If this is done, the U.S. government will have resolved the intellectual property disconnect and have a coherent policy approach that effectively assists small businesses.

Learn What's In It, WHITE HOUSE BLOG (Sept. 27, 2010, 2:37 PM), <http://www.whitehouse.gov/blog/2010/09/27/president-obama-signs-small-business-jobs-act-learn-whats-it>.

302. See *supra* Part IV.B.; Trademark Technical and Conforming Amendment Act of 2010, Pub. L. No. 111-146, § 4, 124 Stat. 66, 69–70 (2010) (commissioning a study to report on the effect of trademark litigation abuse on small businesses); see also 156 CONG. REC. S349, *supra* note 189 (statement of Sen. Leahy) (“I have become concerned, however, that large corporations are at times abusing the substantial rights Congress has granted them in their intellectual property to the detriment of small businesses.”).