"Move or Destroy Provision" Is Key To *Ex Parte* Relief In Trademark Counterfeiting Cases

An *ex parte* seizure order permits brand owners to enter an alleged trademark counterfeiter's business—unannounced and without prior notice or an opportunity to be heard—and seize goods believed to be counterfeit, along with related documentary and electronic evidence.[1]

Because of the extraordinary nature of such relief, the Trademark Counterfeiting Act of 1984 ("the Act") put in place several safeguards to ensure that such orders would be granted only when certain requirements were met.[2] One of these safeguards was the requirement that the seizure applicant plead "specific facts" showing that the person against whom seizure would be ordered (or someone in concert with it) would destroy, move, or hide goods at issue, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice.[3] This requirement was so important that the Act's sponsors referred to this requirement (the "Move or Destroy Provision") as "the key to obtaining an *ex parte* seizure order" under the Act.[4]

This article describes cases in which *ex parte* seizure orders have been denied for failing to satisfy the Move or Destroy Provision, key legislative history concerning this provision and related recommendations for counsel representing both brand owners and accused infringers.

I. Legislative History Concerning The "Move or Destroy Provision"

One issue sometimes litigated in trademark counterfeiting cases is whether the party seeking an *ex parte* seizure was required to present "specific facts" that *the named defendant(s)* would move or destroy goods if given notice, or whether allegations related to *defendants*

[1] The scope of what a brand owner may lawfully search in both physical and electronic searches is delineated in seizure orders drafted by brand owners, as approved or modified by the Court.
[2] *See* 15 U.S.C. § 1116(d) (2018).
[3] *See id.* § 1116(d)(4)(B)(vii).
[4] Joint Explanatory Statement on Trademark Counterfeiting Legislation, 130 Cong. Rec. H12081 (Oct. 10, 1984) (citing 15 U.S.C. § 1116(d)(4)(B)(vii)).

historically accused of trademark counterfeiting are sufficient to merit *ex parte* relief. In a Joint Explanatory Statement, Congress directly addressed this issue and rejected the proposition that a showing unrelated to the seizure target could warrant *ex parte* relief.

As the Act's sponsors explained, the Move or Destroy Provision was adapted from "comparable Senate and House provisions" requiring a seizure applicant to "show that if he or she were to proceed on notice to the defendant, the defendant or persons associated with the defendant would destroy, transfer, or hide the materials in question, or otherwise make them inaccessible to the court's jurisdiction." 130 Cong. Rec. H12081 (emphasis added). As stated:

> The compromise draft require[d] . . . the court [to] find that 'the person against whom the seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.' The most compelling proof on this point would be evidence that the defendant had acted in bad faith towards the judicial process in the past. A court may, however, consider any other evidence relevant to this determination.

Id. (emphasis added) The Act's sponsors further noted that "persons acting in concert" with the defendant meant "persons acting under the direction of, or at the request of, the defendant."[5] *Id*. (emphasis added) Thus, the facts required to be pled by seizure applicants must relate to the seizure target or "persons acting in concert with" the target—not just any defendant ever alleged to have engaged in trademark counterfeiting. Accordingly, many courts have denied *ex parte* seizure orders due to an applicant's failure to tie facts or evidence to the actual seizure target.

II. Judicial Application Of The "Move or Destroy Provision"

In Earth Prods. Inc. v. Gordo Enter. Inc., Civ. No. 05-1847C, 2005 U.S. Dist. LEXIS 27937 (W.D. Wash. 2005), the court denied an *ex parte* seizure order where the plaintiff relied

[5] *See also* U.S. Attorneys Manual § 1711 (Joint Statement—Part G. Ex Parte Seizures), *available at* www.justice.gov/usam/criminal-resource-manual-1711-joint-statement-part-g-ex-parte-seizures (last visited May 21, 2018).

on the "history" of defendants moving goods after receiving notice of a lawsuit, but insufficient information about the defendants named in the lawsuit. *Id*. at *3. Likewise, in Wangson Biotechnology Grp., Inc. v. Tan Tan Trading Co., Civ. No. 08-04212, 2008 U.S. Dist. LEXIS 79691, at *11-*12 (N.D. Cal. Sept. 11, 2008), the court denied *ex parte* relief where neither the plaintiff nor declarations submitted on its behalf demonstrated how defendants might respond to the suit, and claimed instead that the goods at issue were "easy" to hide or destroy and that defendants were likely to destroy evidence since "counterfeiting is a federal crime[.]"

Similar decisions abound. For example, in MRC Golf, Inc. v. Hippo Golf Co., the absence of specific facts showing that the defendant was likely to "move or destroy" goods after notice led to denial of a seizure order. Civ. No. 09-327, 2009 U.S. Dist. LEXIS 15625, at *6 (S.D. Cal. Feb. 26, 2009). And later, in Rovio Entm't Ltd v. Royal Plush Toys, even where the plaintiff did present specific facts, the failure to show any history of destroying evidence or failing to appear in court when required led to denial of a seizure order. 907 F. Supp. 2d 1086, 1096-1097 (N.D. Cal. 2012); *see also* Starbuzz Tobacco, Inc. v. Namou, Civ. No. 13-1539, 2013 U.S. Dist. LEXIS 93099, at *10-*11 (S.D. Cal. July 2, 2013) (denying ex parte request based on an attorney declaration detailing the attorney's general experience with accused infringers).

More recently, in *Hand & Nail Harmony, Inc. v. ABC Nail & Spa Prods.,* Civ. No. 16-0969, 2016 U.S. Dist. LEXIS 190309, at *1 (C.D. Cal. May 31, 2016), the court refused to permit an *ex parte* seizure where it found insufficient evidence that the defendant "would disregard a Court order and dispose of or hide the allegedly infringing goods within the time it would take for a hearing." *Id*. at *11 (internal citations omitted); *see also Esquire Props. Trading v. Starmax Enters*., Civ. No. 14-09379, 2014 U.S. Dist. LEXIS 198858, at *31 (C. D. Cal. Dec. 8, 2014) (noting that plaintiff had "not made a sufficient showing that defendants

would *destroy* the evidence . . . if . . . given notice") (emphasis in original). Likewise, in *SATA GmbH & Co. KG v. Hauber,* Civ. No. 17-0294, 2017 U.S. Dist. LEXIS 81312, at *3 (N.D. Okla. May 26, 2017), the court denied an *ex parte* seizure order where it found insufficient proof that the seizure target would move or destroy goods if given notice of the lawsuit, stating:

> [P]laintiff offers no reason to believe that defendant will destroy or hide evidence other than general assertions that individuals who sell counterfeit products tend to destroy evidence.

Id.

III. Other Notable Decisions

Notwithstanding the clarity of the legislative history and opinions noted above, attorneys representing accused infringers should note the existence of copyright decisions such as *Century Home Enter., Inc. v. Laser Beat, Inc*., 859 F. Supp. 636, 638-39 (E.D.N.Y. 1994), where the court held that a party seeking a seizure (albeit in a copyright case) need only show "that someone like the Defendant would be likely to hide or destroy evidence of his infringing activity." *Id.* (emphasis added) While brand owners may cite this opinion to support an *ex parte* seizure under the Lanham Act, *Century Home* was a copyright infringement action—not a trademark counterfeiting case—and relied upon (1) 17 U.S.C. § 503, *a copyright law provision*, (2) Rules 3-13 of the U.S. Supreme Court Rules of Practice *for Copyright cases*, and (3) cases which failed to specifically apply the requirements for an *ex parte* seizure found at 15 U.S.C. § 1116(d)(4).[6]

Neither *Century Home Enter.* nor *First Tech. Safety Sys. Inc. v. Depinet*, a case cited by the *Century Home* court, could support the grant of an *ex parte* seizure under the Lanham Act, as

[6] *See Century Home Enter*., 859 F. Supp. at 637 (citing *In re Vuitton et. fils S.A.*, 606 F.2d 1 (2d Cir. 1979) (decided before the Trademark Counterfeiting Act was promulgated); & *First Tech. Safety Sys. Inc. v. Depinet*, 11 F.3d 641 (6th Cir. 1993) (another copyright law decision)).

neither court expressly applied 15 U.S.C. § 1116(d)(4)(B)(vii)—the provision Congress described as the "key" to *ex parte* relief. *See* Joint Explanatory Statement, 130 Cong. Rec. H12081; *Century Home Enter.*, 859 F. Supp. at 638 (citing "good cause" to be concerned that tapes would be moved or destroyed, but failing to explain what amounted to "good cause"). In addition, the *First Tech Safety* court conceded that having "the opportunity to conceal evidence is insufficient to justify proceeding *ex parte*. If it were, courts would be bombarded with such requests in every action filed." *First Tech. Safety*, 11 F.3d at 651; *cf. Adobe Sys. v. South Sun Prods., Inc.*, 187 F.R.D. 636, 640 (S.D. Cal. 1999) ("in every civil action, there is a possibility that a defendant will destroy or conceal evidence once it receives notice that an action has been commenced . . . [t]he extraordinary remedy of *ex parte* injunctive relief cannot be justified by merely pointing to the obvious opportunity every defendant possesses to engage in such unlawful deceptive conduct.") Moreover, the statement in *Century Home Enter.* noted above, that a plaintiff need only show that "someone <u>like the Defendant</u> would be likely to hide or destroy evidence" contradicts the Joint Explanatory Statement and legislative history. *See* 130 Cong. Rec. H12081; H.R. Rep. 98-997 (Sept. 1984) at 21-22 (emphasis added) ("[t]he most obvious example of proof sufficient to satisfy [the Move or Destroy Provision] is that <u>the defendant</u> has attempted to evade the judicial process in the past. If no such action <u>on the defendant's part</u> will occur, there is no reason for the defendant not to be notified of the seizure request.")

IV. <u>Conclusion</u>

In light of the legislative history and interpretive case law, counsel for alleged infringers should carefully evaluate whether seizure applicants have pled "specific facts" showing that the seizure target or someone associated with it would move or destroy goods if notice were to be given. If this provision is not satisfied, both the seizure order and resulting seizure may be

challenged. In addition, counsel representing brand owners should not rely on past experience in other cases or with other defendants to support *ex parte* relief. Instead, they should search for evidence that a named seizure target or its associates have evaded judicial process in the past. The existence of prior court actions in which a seizure target has appeared—and litigated in good faith—should lead a court to find that the target would not move or destroy goods if given notice.

Wendy R. Stein is a partner in the New York office of Gibbons P.C. and serves as Vice President of the Federal Bar Association's Southern District of New York chapter. Ms. Stein is an IP litigator focused on intellectual property disputes, primarily in the patent and trademark areas.

In the trademark area, Ms. Stein has litigated trademark ownership, infringement and alleged counterfeiting disputes involving perfume, apparel, luxury goods, electronics, real estate and gaming. She has represented both a brand owner and accused infringers during brick and mortar *ex parte* seizures. In the patent arena, Ms. Stein has extensive experience litigating patent infringement and related matters in the pharmaceutical and life science area, and has also litigated patent infringement disputes in areas such as GPS, gaming, trading, and packaging.

Ms. Stein has appeared before federal and state courts throughout the United States, including New York, New Jersey, Delaware, Massachusetts, California, Florida, Texas, the District of Columbia, Illinois, and Nebraska, and the Court of Appeals for the Federal and D.C. Circuits.