

Knock-Offs May Be Dangerous

General Counsel's Corner

by Kim Mann, NATM General Counsel

A recent story on "Good Morning America" reports that the U.S. economy loses \$250 billion annually to counterfeit products, the vast majority of which comes in from China. The trailer industry is not immune to the disruptive effects of knock-offs, counterfeit parts, plaguing the U.S. marketplace. Dick Klein's article in this issue describes one such incident, a counterfeit foreign-made coupler that "cracked" in use. Unlike knock-off clothing, watches, cosmetics, and the like, counterfeit trailer parts that are sub-standard may pose serious risks to public safety. Dick suggests several practical steps trailer manufacturers may take to protect themselves, primarily by insisting upon receiving a certificate of the part's compliance with the applicable safety-related standards, whether they be SAE, ASTM, ANSI, or FMVSS (Federal Motor Vehicle Safety Standard) requirements.

Dick's suggestion is an excellent one, but may encounter certain impracticalities in its implementation. Is it realistic to expect your parts supplier or distributor to produce a third-party (i.e. "independent") certification of compliance? That supplier/distributor will have to rely upon the parts manufacturer to prepare that certificate or cause it to be prepared. (Of course, I am not suggesting you as a trailer manufacturer should not ask for one.) How authentic or reliable is that certification of compliance you do receive? A certification from a well-known, reputable domestic or foreign manufacturer of trailer parts may give you the level of comfort you need, but what about the rest?

Suppose you can not get a certificate of compliance, are there steps trailer manufacturers may take to keep non-compliant or counterfeit parts and components out of the U.S. market? Regrettably, today there are very few. There simply is no effective enforcement mechanism

out there even when the parts must meet specified SAE or FMVSS standards.

One possible step is for the defrauded U.S. parts manufacturer to involve the U.S. Department of Homeland Security's Customs and Border Protection ("CBP"). Through its Office of International Trade, CBP theoretically has a legal process in place to ban counterfeit goods from entering the U.S. In order to trigger Customs' enforcement powers, a U.S. parts manufacturer must register its trademark, patent, or other intellectual property rights not only in the U.S., but also in those foreign countries where knock-offs may be produced, and then must record those rights with CBP. Next, the parts manufacturer should educate the pertinent CBP field offices — those nearest the U.S. ports where the counterfeit imports are likely to enter — about the distinguishing features of the genuine parts and the counterfeit ones in order to assist CBP in identifying the infringing goods. Even then, CBP only inspects "high risk shipments." Bills of lading, shipping manifests, and other import documents describing the imported goods and disclosing their source always precede the arrival of the foreign shipment in the U.S. and will receive advance CBP scrutiny. Given enough information in its database about the shipment's origin and the possible nature of the goods, including its status as potentially counterfeit, CBP may be able to target the shipment as "high risk," inspect it upon arrival, and detain and seize the parts if found to be counterfeit. CBP's website, www.ice.gov/partners/cornerstone/pr/irpform.htm, contains a complaint form that industry may access to report potential violators to CBP, or it may email complaints directly to CBP at irpcenter@dhs.gov.

Of course, knowing the identity of the foreign manufacturer engaged in counterfeiting parts is the most helpful piece of information to furnish

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CBP through the complaint process. Even the name of the importer or customs broker handling the part and the country and/or port of export are valuable bits of information that could help CBP target these shipments for inspection upon arrival. The reality is, however, most U.S. parts competitors and trailer manufacturers are not likely to have even this minimal information to pass along.

What else can they do? As Dick explains, most trailer parts and components must meet some SAE standard, not necessarily because some federal regulation or law requires it, but because the trailer manufacturer has specified it or because it is the recognized industry norm or standard and the market demands it. For that reason, these parts are stamped with the applicable SAE standards numbers. Unfortunately, unless NHTSA's FMVSSs incorporate by reference and require compliance with specified SAE standards (for example, FMVSS No. 108, Table I, referencing SAE J585e for tail lamps), the SAE standards are strictly voluntary and unenforceable. SAE has no legal authority or inclination to go after fraudsters stamping or labeling their trailer parts with SAE standards numbers, signifying compliance, but knowing they do not comply. Thus, the SAE stamp could be meaningless, making Dick's suggestion, securing an independent certification of compliance, an even more important protection.

01/28
Of course, it is not just foreign counterfeit parts that pose public safety risks. Any trailer part that must comply with a FMVSS and does not presents the same risk — and creates the same legal obligations flowing from noncompliance. If the foreign (or domestic) trailer part must comply with a FMVSS standard, such as lamps with FMVSS No. 108, the part's noncompliance violates a federal safety standard when installed in an over-the-road trailer, and the trailer manufacturer discovering its trailers are equipped with those noncompliant parts faces the mandatory federal obligation to report the safety noncompliance to NHTSA (49 CFR § 573.6) and possibly to initiate a trailer recall. This report and potential recall brings NHTSA's enforcement powers into play and eventually will involve the parts manufacturer, importer, and supplier or distributor in the recall process.



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