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September 28, 2017

VIA EMAIL

CONFIDENTIAL

Port Director, U.S. Customs and Border Protection
Attn: Tracey Marquez, Fines, Penalties and Forfeitures Officer
One East Bay Street
Savannah, Georgia 31401

Re: LKQ Petition No. 68 for Relief from Seizure and Forfeitures Notices

Case Nos. 2017-1703-000376-01 and 2017-1703-000378-01

Dear Ms. Marquez:

As you know, we represent LKQ Corporation and its subsidiary Keystone Automotive Industries, Inc. ("Keystone"), referred to collectively herein as "LKQ." LKQ has shared with us certain seizure notices issued from your office generally pertaining to the seizure of aftermarket LKQ grilles intended for automobile repair. On May 26, 2017, we filed a 200-page petition responsive to the first three seizures of LKQ grilles, Seizure Nos. 2017-1703-000073-01, 2017-1703-000074-01, and 2017-1703-000091-01 (the "First Filed Petition").¹ Since that time, your office has made one hundred and thirty-eight (138) additional seizures, all of which we respectfully contend are improper for the same reasons as set forth in the First Filed Petition.

In June 2017, authorization was given to file "short form" petitions that would refer back to, and incorporate by reference, the First Filed Petition as well as set forth and address the specific facts at issue and make any arguments unique to the seizures in question. To date, LKQ filed thirty-five of these short form petitions, as well as a further eighteen long form petitions. As of the date of this petition, LKQ has not received any response from your office in regards to any of the fifty-four filed petitions.

In order to again set out fully all of LKQ's arguments as to why seizure of its goods is inappropriate, this petition will not refer back to the First Filed Petition. Instead, this Petition fully sets out LKQ's arguments by restating and incorporating all relevant arguments from (1) the First Filed Petition, (2) subsequent supplemental materials that LKQ has submitted as part of the short form petitions, and (3) communications with CBP Headquarters. This petition responds to U.S. Customs and Border Protection ("CBP") property seizure notices CBP Case Nos. 2017-1703-000376-01 and 2017-1703-000378-01 (together, "Notices"), which are dated September 1 and 5, 2017 (attached hereto as Exhibit

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A). Respectfully, and as explained herein, LKQ disagrees that there is a basis under applicable law for the seizure of its aftermarket replacement grilles.

Please be advised that this Petition contains confidential business information and LKQ requests that it be kept confidential. Please also note that—based on discussions with Dax Terrill and Alaina van Horn, Attorney Advisors for the Intellectual Property Rights Branch of CBP, and in light of national importance of this issue—we are providing a copy of this confidential Petition to Charles Steuart, Chief of the CBP Intellectual Property Rights Branch.

In support of its Petition, LKQ submits Exhibits A–J, attached hereto, including the Declaration of Justin Jude (“Jude Dec.”) (attached hereto as Exhibit C), Senior Vice President of Wholesale Operations at LKQ, with supporting Exhibits 1–10, attached thereto; a June 29, 2017 Declaration by Professor Mark P. McKenna (“McKenna Dec.”) (attached hereto as Exhibit D); and a May 25, 2017 Declaration of Professor David J. Franklyn (“Franklyn Dec.”)² (attached hereto as Exhibit E). Professors McKenna and Franklyn are both well-respected experts in the area of trademark law.

Turning now to the substance of the Notices, CBP has seized ten (10) styles of LKQ replacement grilles; four models of replacement Chrysler grilles, five models of replacement Ford grilles, and one model of a replacement Hyundai grille. Seizure of LKQ’s grilles is inappropriate for the following reasons:

- Seizure of all of the grilles is improper under the doctrine of functionality and the well-established right to repair trademarked articles.
- Additionally, LKQ is authorized to import and sell at least six of the seized replacement grilles, indicated below, pursuant to confidential design patent license agreements it has entered into with Chrysler and Ford.³ Automobile

² In support of its First Filed Petition, LKQ submitted the Declaration of David J. Franklyn, the director of the LLM program in IP and Technology Law and Director of the McCarthy Institute for IP and Technology Law at the University of San Francisco School of Law. Professor Franklyn opined that LKQ’s replacement grilles are not infringing of the Asserted Marks under the doctrine of functionality and the long-standing right of consumers to repair trademarked items absent a likelihood of confusion. *See generally* Exhibit E hereto, Franklyn Dec. LKQ further supported its position in the short form petitions with the Declaration of Notre Dame Law Professor and Presidential Fellow Mark P. McKenna. Professor McKenna—author of the oft-quoted article addressing the doctrine of functionality “(Dys)Functionality,” *Houston Law Review*, Vol. 48, No. 4, p. 823, 2011—reached the same conclusion as Professor Franklyn. *See generally* Exhibit D hereto, McKenna Dec.

³ The designs of at least Seized Grilles CH1200298, CH1200303, CH1200340V, CH1200260, FO1200432, and FO1200455 fall within the claims of design patents licensed to LKQ under the terms of its confidential Chrysler and Ford License Agreements. *See* Exhibit C hereto, Jude Dec. at ¶19. While there are no design patents that cover the design of Seized Grilles FO1200426, FO1200374V, and FO1200142, LKQ has a license under its confidential Ford License Agreement to design patents which correspond to the trademarks that Customs has asserted against these seized grilles. *Id.* at

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parts manufactured and sold pursuant to a license agreement cannot be “counterfeit” and their seizure is improper on that basis alone.

- Many of the grilles cannot be counterfeit, as they are not identical to or substantially indistinguishable from the asserted marks. As shown below, in Section II.E and II.G, many of the grilles are not even similar to, much less identical to or substantially indistinguishable from, the recorded mark upon which seizure is allegedly based. As such, they cannot be counterfeit.
- As to the replacement grilles seized based upon a registered trademark for the emblem of an original equipment manufacturer (“OEM” or plural, “OEMs”) (i.e., the Hyundai replacement grille), the replacement grilles by necessity have placeholder areas that are designed to receive the emblem tag manufactured by the OEM. As the replacement grilles do not replicate the OEM emblem identically or in a way that is “substantially indistinguishable” from the registered trademark, these three replacement grilles are not and cannot be counterfeit.
- Additionally, the placeholder regions of the seized Hyundai grilles are completely covered by a properly applied OEM emblem tag, which obviates any likelihood of confusion as to the source of these replacement grilles at any point to the relevant consuming public.
- Finally, the well-established right to repair trademarked articles gives LKQ the right to make use of trademarks to repair items in the context of these grilles containing an emblem placeholder as well.

As such, LKQ respectfully requests relief from the seizure and forfeiture of its inventory in these cases, as well as any other detentions currently pending in the Port of Savannah, and requests to reclaim possession of its lawful merchandise.

I. FACTUAL BACKGROUND

A. For Decades, Non-OEM Manufacturers Have Supplied Aftermarket Automobile Parts to Repair and Restore Automobiles

Perhaps for as long as automobiles have been sold, aftermarket auto part suppliers have offered replacement parts for those automobiles. Beginning in the early 1900’s, blacksmiths, who already repaired and replaced parts for tractors and farm equipment, became involved in the repair and replacement of automobile parts. *See*, Kevin L. Borg, Auto Mechanics: Technology and Expertise in Twentieth-Century America, 31-52 (2007). As

¶22. However, since the design of the grilles covered by the trademarks bear no similarity to Seized Grilles FO1200426, FO1200374V, and FO1200142, LKQ does not contend that it has a license to these seized grilles. Instead, because the seized grilles are not similar to the trademarked design, and for

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automobiles became more popular both during the Great Depression and the great boom after WWII, consumers continued to use third-party automotive replacement parts to repair their cars. These consumers were soon able to begin browsing automotive catalogues that sold third-party replacement parts for automobiles, which catalogues included replacement grilles and gauges of many brands. *See* Exhibit B; *see also, e.g.,* David Goldenberg, *The Long and Winding Road: A History of the Fight Over Industrial Design Protection in the United States*, 45 J. Copyright Soc’y U.S.A. 21, 28–29 (1997–98).

Although OEMs typically sell replacement parts for their respective automobiles for a number of years after they are introduced, aftermarket auto part suppliers generally offer replacement parts at a much lower price than OEMs, saving American consumers and insurance companies billions of dollars each year.⁴ Additionally, aftermarket auto part suppliers continue to manufacture replacement parts for automobiles well after the OEM has ceased production of the vehicle line and replacement parts for the vehicles. *See* Exhibit D McKenna Dec., at ¶12; *see also* Exhibit E Franklyn Dec., at ¶12.

B. LKQ is an Established Automotive Aftermarket Parts Supplier

LKQ is a U.S. company with headquarters in Chicago, Illinois. For decades, LKQ and its predecessors have been offering for sale aftermarket replacement automobile parts, including grilles. *See* Ex. C, Jude Dec., at ¶¶5–6. LKQ has 42,000 employees with 20,000 employees in the US, and more than 1300 facilities, more than 500 of which are located in the US. *Id.*

LKQ carefully monitors its parts production to ensure that all replacement parts meet or exceed the quality of the OEM parts it replaces. Due to its long-standing presence in the aftermarket industry, and its reputation for quality, LKQ has become a market leader among replacement automobile parts providers. *See* Ex. C, Jude Dec., at ¶7. LKQ’s quality assurance department inspects production and manufacturing plants and also randomly tests parts post-production to make sure they meet LKQ’s high standards. In addition, two independent companies review and certify LKQ’s various parts: NSF International and CAPA (the “Certified Automotive Parts Association”). *Id.* Finally, insurance carriers also require LKQ to maintain quality levels that meet or exceed OEM quality standards. *Id.*

LKQ’s customers for aftermarket automotive parts primarily consist of professional auto body and mechanical repair shops who are knowledgeable about the automotive industry. *See* Ex. C, Jude Dec., at ¶10. When LKQ sells its aftermarket parts, it makes clear in its online sales channels, and on its packaging, that the products are not manufactured by the automobile manufacturer that originally sold the vehicle on which the replacement grille

⁴ *See, e.g.,* Insurance Information Institute, “Generic Auto Crash Parts, 2016” <http://www.iii.org/issue-update/generic-auto-crash-parts> [accessed May 3, 2017] (“The Property Casualty Insurers Association of America said that non-OEM parts saved consumers over \$2.2 billion

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is intended to be placed. *Id.* at ¶¶12-13. Furthermore, LKQ's website expressly touts the fact that its parts are a low-cost alternative to OEM parts:

Keystone Automotive Industries, Inc., a subsidiary of LKQ Corporation, is the United States' largest aftermarket auto parts supplier. Keystone Automotive is an ISO registered distributor that offers a **high-quality, low-cost alternative to new OEM parts** for autos and trucks. Keystone's aftermarket auto parts product lines include: bumpers, hoods, fenders, grilles, remanufactured wheels, radiators, and condensers. We offer a variety of Keystone aftermarket product lines to meet or exceed the needs of any vehicle owner or repairer.

See www.lkqcorp.com/en-us/Aftermarket/About-Our-Aftermarket-Parts (emphasis added).

To the extent LKQ references an OEM trademark in the course of marketing or selling its products, it is done so in a nominative fair use fashion, to truthfully inform consumers of the OEM vehicles on which the LKQ replacement parts can be used, and LKQ does not make more use of the trademark than is necessary to inform the customer. *Cf. Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir.1969) (Auto repair shop "may advertise to the public that he repairs appellant's cars, [but he] must not do so in a manner which is likely to suggest to his prospective customers that he is part of Volkswagen's organization of franchised dealers and repairmen."). In addition, many of LKQ's aftermarket grilles are sold under LKQ's own "REPLACE" trademark. And LKQ's packaging indicates that the parts inside are aftermarket. *See* Ex. C, Jude Dec., at ¶13.

In addition, when auto body shop customers buy, or insurance underwriters work up an estimate for, aftermarket parts, they almost always do so through CCC Information Services Inc., an online system that requires a user to select the type of part they wish to purchase/estimate. *See* Ex. C, Jude Dec., at ¶11. The CCC online system requires that a user select whether he or she wishes to purchase/price out an OEM, recycled, or aftermarket part. If the user selects an aftermarket part, he or she can then choose LKQ or another aftermarket supplier. *Id.* It is therefore clear to the CCC user whether he or she is purchasing/estimating OEM or aftermarket parts.

Finally, no OEM has complained of or alleged trademark infringement against LKQ based on the shape and design of the grilles themselves. The disputes that arose pertained **not to the general shape and design of the grilles**, but rather to the shape and design of the **placeholders** designed to accommodate the OEM's logo badge or to **design patents** (as opposed to trademark rights) covering the grille designs. *See, e.g., General Motors Corp. v. Keystone Automotive Indus., Inc.*, 453 F.3d 351 (6th Cir. 2006) ("*Keystone II*"). The lack of OEM enforcement efforts evinces a key fact: participants in the pertinent industry have long recognized that trademark law is not a means to prevent fair competition in the aftermarket for replacement automobile parts, and the doctrines of functionality and the right to repair

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