

Defending Hyundai from Gray-Market Fraud

Client:	Hyundai Motor America and affiliates
Industry:	Manufacturing
Area of Law:	Intellectual property litigation
Venues:	International Trade Commission; U.S. District Courts for Nevada and the Western District of North Carolina
Result:	Consent judgment including \$5 million in damages and a broad permanent injunction and ITC exclusion order to stop importation of grey market Hyundai replacement auto parts



“This case is a win for Hyundai owners who want peace of mind that Hyundai-branded parts used on their cars are approved by Hyundai Motor America and have gone through its quality control.”

—Barry Ratzlaff, Chief Customer Officer, Hyundai Motor America

In 2020, Pillsbury’s intellectual property litigators achieved groundbreaking results for Hyundai in the U.S. International Trade Commission and U.S. District Courts in the Western District of North Carolina and in Nevada, protecting Hyundai’s trademarks from unauthorized use by gray-market importers and sellers.

Hyundai’s victory in the ITC was the first successful effort in the ITC by a global automobile maker to halt the sale of gray-market and counterfeit parts in the United States. Hyundai’s victories in the District Courts included a consent judgment awarding Hyundai \$5,000,000 in damages, a permanent injunction, and award of attorney fees.

An international automobile gray-market parts ring was importing and selling grey market, counterfeit, damaged, rejected-for-quality-control and out-of-date automotive parts bearing the Hyundai trademarks. Following an investigation into the unlawful importation of automotive replacement service and collision parts that infringed Hyundai’s trademarks, the International Trade Commission issued a limited exclusion order, cease-and-desist orders, and a consent order against a U.S.-based automobile parts distributor and its three foreign suppliers located in the United Arab Emirates and Vietnam.

The ITC victory followed protracted litigation in the Western District of North Carolina. In North Carolina, Hyundai won a federal trademark infringement lawsuit against Direct Technologies International Inc. The judgment grants Hyundai a permanent injunction that blocks DTI from importing, distributing, offering for sale or selling any non-genuine Hyundai gray-market parts and awards the Korea-based manufacturer \$5 million in compensatory, statutory and enhanced damages, attorneys’ fees and costs.

In a separate case in Nevada's U.S. District Court, a judge assessed more than \$500,000 in attorneys' fees against other auto parts suppliers because the defendants purportedly engaged in malicious or fraudulent behavior, including by "telephone spoofing" on caller ID to make dealers believe "Hyundai Motor" was calling them. Hyundai remains one of the most aggressive automakers to defend its brand through trademark infringement litigation and has looked to Pillsbury to protect its brand.