

Criminal Trademark Enforcement and the Problem of Inevitable Creep

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Trademark owners have long been able to enforce their rights through a federal cause of action against unauthorized uses of their marks.¹ Private enforcement, however, is only part of the story. The federal government now also acts on behalf of mark owners, both seizing infringing and counterfeit goods at the border and prosecuting counterfeiters under federal criminal law.² The idea of criminal penalties for certain trademark violations is not new – indeed, Congress enacted criminal penalties as early as 1876, just a few years after it passed the very first federal trademark statute.³ But for most of the history of American trademark law, mark owners have had to be content with civil remedies, as Congress would not again enact criminal trademark penalties for more than 100 years after the Supreme Court struck down the 1876 Act in the *Trademark Cases*.⁴ Thus, for all practical purposes, criminal enforcement is a modern development, and one that has received relatively little scholarly attention.⁵

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¹ The first federal trademark statute was passed in 1870. Act of July 8, 1870, ch. 230, 16 Stat. 198. That Act, like each of the others passed before the Lanham Act in 1946, provided for a private cause of action only for infringement of registered trademarks.

² See Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320.

³ Act of Aug. 14, 1876, ch. 274, 19 Stat. 141.

⁴ *The Trade-Mark Cases*, 100 U.S. 82 (1879) (finding both the 1870 and 1876 Acts unconstitutional).

⁵ There are a few exceptions. See David J. Goldstone & Peter J. Toren, *The Criminalization of Trademark Counterfeiting*, 31 Conn. L. Rev. 1 (1998). Irina Manta has recently focused her attention on criminal IP remedies generally, and to some extent on trademark criminal penalties. See ____.

This article focuses on the federal Trademark Counterfeiting Act (TCA). That statute was intended to increase the penalties associated with the most egregious form of trademark infringement –use of an identical mark for goods identical to those for which the mark is registered in a context in which the use is likely to deceive consumers about the actual source of the counterfeiter’s goods.⁶ According to the few accounts available, Congress felt these criminal penalties were necessary because civil damages were not sufficient to deter counterfeiters, who had come to regard civil liability as “the cost of doing business.”⁷ And merely increasing the amount of available damages was not believed to be sufficient because the counterfeit goods could pose significant health and safety risks to consumers, who have no cause of action under the Lanham Act.⁸ The TCA therefore was intended to ratchet up the penalties associated with counterfeiting. But these new sanctions would apply only to particularly egregious conduct and not to ordinary cases of trademark infringement, so there was no reason to worry.

Several recent trends in the application of the TCA, however, suggest that doctrinal creep is afoot. Not only has Congress twice broadened the statute and increased the associated penalties,⁹ courts have played an active role in expanding the range of conduct that is subject to liability under the TCA. Specifically, courts have accepted as relevant in the counterfeiting context controversial theories of civil infringement that are divorced from the most significant of the purported justifications of criminal liability, and they have interpreted specific provisions of the TCA in ways that undermine the limiting role those provisions were intended to play.

⁶ See 130 Cong. Rec. at 31,675.

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These trends are consistent with a number of parallel developments in and around intellectual property law in which provisions created on the promise of narrow application to the most serious violations have in fact been applied far more broadly than originally claimed. Sometimes Congress is primarily to blame for those expansions – either because it writes grossly overbroad statutes that apply on their face to a much wider range of conduct than purportedly motivated the legal response, or because it continually revisits existing statutes to broaden them and increase the penalties. Other times courts are the primary culprits, as they have interpreted statutes expansively and thereby undermined important provisions that were meant to limit application of the statutes. But whether Congress or the courts are primarily to blame, the story is largely the same – there is a strong tendency for this type of regulation (particularly the use of extreme, but supposedly narrowly-tailored, remedies) to fail along the scope dimension. Indeed, that evolution is so common that one might think it is practically inevitable.

This problem is the mirror image of the one Irina Manta called “the high cost of low sanctions.”¹⁰ Manta argues persuasively that low sanctions make it easier for lawmakers to pass problematic laws, which then become part of the background fabric of the law and are unlikely to be repealed. That is particularly problematic because the sanctions rarely stay low over time – there is an almost inevitable one-way ratchet as lawmakers often come to see existing sanctions as inadequate and rarely, if ever, see the need to scale them back. Low sanctions, then, are just the thin edge of the wedge. The problem I describe here is similar, except that it is narrow tailoring of high sanctions that is the thin

¹⁰ Irina D. Manta, *The High Cost of Low Sanctions*, 66 Fla. L. Rev. 157 (2014).

edge of the wedge, and the one-way ratchet is toward broader application of those sanctions.

On its own, the type of doctrinal creep I describe calls into question the wisdom of enacting targeted criminal sanctions, at least without considering significant additional safeguards against expansion. To put it simply, if these provisions are initially justifiable only to the extent they are limited to the truly egregious cases, then their costs are likely to exceed their benefits over time because narrow application will not hold. But the lessons are even broader, considering the problem of increasing scope together with the one Manta describes about sanctions. For cumulatively they suggest that doctrinal creep is likely along *both* the scope and the sanction dimension, at least for criminal regulations in and around intellectual property.

The remainder of this paper proceeds as follows. Part I describes federal regulation of counterfeiting, focusing primarily on the TCA and comparing it to civil infringement and counterfeiting liability. Part II documents several ways in which courts have expanded the reach of the TCA by accepting post-sale confusion and liberally interpreting particular provisions of the statute. Part III links these developments to similar trajectories in related contexts, and then more broadly to the expansion of federal criminal law. In light of those developments, it seems likely that greater expansion of the TCA is in store, and it suggests some ways of guarding against that expansion.

I. Federal Trademark Law

A. Infringement and Counterfeiting Provisions

The Lanham Act broadly regulates in the trademark area, creating a mechanism for federal registration of marks and civil causes of action for infringement of both registered

and unregistered marks.¹¹ Most infringement law has been developed by courts, as the statutory provisions creating the causes of action are relatively sparse and the details they contain are largely codifications of common law. Thus while the statute makes clear that infringement entails a use in commerce that is likely to cause confusion,¹² language about the types of confusion that are relevant can be found only in § 43(a), which deals with infringement of unregistered marks and other species of unfair competition.¹³ That more specific language was, it is widely acknowledged, added to the Lanham Act to codify case law that had expanded trademark law to cover cases of non-competing goods under the guise of “sponsorship or affiliation” confusion.¹⁴

The Trademark Counterfeiting Act of 1984 added criminal penalties for what Congress regarded as a particularly egregious species of trademark infringement – the intentional trafficking in counterfeit goods.¹⁵ Under § 2320, anyone who intentionally “traffics in goods or services and knowingly uses a counterfeit mark on or in connection

¹¹ 15 U.S.C. §§ 1051 *et seq.*

¹² 15 U.S.C. §§ 1114(1), 1125(a)(1)(A).

¹³ 15 U.S.C. § 1125(a)(1)(A) (making actionable uses in commerce that are “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person”).

¹⁴ See Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 798-99 (2009); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 Emory L.J. 367, 470-75 (1999) (noting that, while Congress meant to expand the scope of actionable confusion beyond actual purchasers to potential purchasers, it did not intend deletion of the phrase ‘as to the source of origin of goods’ to be considered a substantive change). See also Mark A. Lemley and Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010) (criticizing the extent to which courts have expanded the notion of source confusion).

¹⁵ 18 U.S.C. § 2320. According to the legislative history of the TCA, a “counterfeit mark is the most egregious example of a mark that is ‘likely to cause confusion.’”

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with such goods or services” is guilty of a criminal violation.¹⁶ For purposes of § 2320, the term “counterfeit mark” means a “spurious mark”¹⁷

- (i) that is used in connection with trafficking¹⁸ in any goods, services, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature;
- (ii) that is identical with, or substantially indistinguishable from, a mark registered on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered;
- (iii) that is applied to or used in connection with the goods or services for which the mark is registered with the United States Patent and Trademark Office, or is applied to or consists of a label, patch, sticker, wrapper, badge, emblem, medallion, charm, box, container, can, case, hangtag, documentation, or packaging of any type or nature that is designed, marketed, or otherwise intended to be used on or in connection with the goods or services for which the mark is registered in the United States Patent and Trademark Office; and
- (iv) the use of which is likely to cause confusion, to cause mistake, or to deceive.¹⁹

Penalties under the TCA are substantial – fines of as much as \$2,000,000 for an individual (up to \$5,000,000 for a person other than an individual) and imprisonment of

¹⁶ 18 U.S.C. § 2320(a)(1). Largely in response to cases like *United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000), which had held that it was not a violation to traffic in labels unattached to any goods, Congress amended the provision in 2006 to prohibit trafficking in labels and packaging themselves, and to expand the definition of trafficking a wider range of activities. 18 U.S.C. §§ 2320(a)(2), (f)(5).

¹⁷ The statute does not define a “spurious mark,” but the limited case law on the issue suggests that “spurious” means “unauthorized” and can include genuine marks applied to goods that are not genuine. *See, e.g.*, *U.S. v. Petrosian*, 126 F.3d 1232 (9th Cir. 1997) (“ when a genuine trademark is affixed to a counterfeit product, it becomes a spurious mark ... The Coca-Cola mark became spurious when defendant affixed it to the counterfeit cola because the mark falsely indicated that Coca-Cola was the source of the beverage and falsely identified the beverage in the bottles as Coca-Cola.”).

¹⁸ To “traffic” means “to transport, transfer, or otherwise dispose of, to another, for purposes of commercial advantage or private financial gain, or to make, import, export, obtain control of, or possess, with intent to so transport, transfer, or otherwise dispose of.” 18 U.S.C. § 2320(f)(5).

¹⁹ 18 U.S.C. § 2320(f)(1)(A). Section 2320(f)(1)(B) includes within the definition of “counterfeit mark” a “spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of the Lanham Act are made available by reason of section 220506 of title 36,” the statutory provision dealing with use of terms relating to the Olympics.

up to 10 years for a first violation.²⁰ Section 2320 also allows for an order of criminal forfeiture, destruction of the counterfeit goods, and restitution.²¹ The restitution provision in particular has been somewhat controversial of late, because the government has been quite aggressive in its valuation. In particular, the government has often argued that the amount of restitution owed should be based on the full retail value of the *genuine* goods, multiplied by the number of counterfeit goods, assuming that counterfeit goods substitute for the genuine goods on a 1:1 basis.²² Though empirical evidence makes clear that this assumption has no basis in reality, the Sentencing Guidelines do not foreclose it because they speak in terms of the amount of infringement, and they allow the court to calculate that amount by reference to the value of the infringed goods under certain circumstances.²³

²⁰ *Id.* at 2320(b). Penalties increase for second and subsequent offenses ((b)(1)(B), where the counterfeiter knowingly or recklessly causes serious bodily injury or death ((b)(2)), and where the counterfeiting involves military goods or services or counterfeit drugs ((b)(3)).

²¹ 28 U.S.C. § 2320(c)

²² See *U.S. v. Manzo* Victim Impact Statements (E.D. Wash.). That assumption of substitutability has no basis in reality, as the research on the economic effects of counterfeits shows quite clearly.

²³ See United States Sentencing Guidelines 2B5.3

2. Determination of Infringement Amount.--This note applies to the determination of the infringement amount for purposes of subsection (b)(1).

(A) Use of Retail Value of Infringed Item.--The infringement amount is the retail value of the infringed item, multiplied by the number of infringing items, in a case involving any of the following:

- (i) The infringing item (I) is, or appears to a reasonably informed purchaser to be, identical or substantially equivalent to the infringed item; or (II) is a digital or electronic reproduction of the infringed item.
- (ii) The retail price of the infringing item is not less than 75% of the retail price of the infringed item.
- (iii) The retail value of the infringing item is difficult or impossible to determine without unduly complicating or prolonging the sentencing

At the same time it enacted the TCA, Congress also amended the Lanham Act to provide for enhanced civil remedies for counterfeiting.²⁴ Specifically, the amended Lanham Act gives courts the power to grant ex parte seizure orders in cases involving infringement of a registered mark, where the violation “consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services.”²⁵ Courts are now also instructed, unless they find “extenuating circumstances,” that they *shall* “enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney’s fee” for intentional acts of counterfeiting.²⁶ And plaintiffs may now elect in civil counterfeiting cases to receive statutory damages of “not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed,” an amount that can be increased to \$2,000,000 per counterfeit mark per type of goods or services” where the violation is deemed willful.²⁷

Perhaps because it enacted these civil remedies together with the TCA, which contains its own definition of a “counterfeit mark,” Congress apparently did not see the need to define clearly the conduct eligible for these special civil remedies. Thus, the Lanham Act definition of “counterfeit mark” is fundamentally circular: a “*counterfeit*

proceeding.

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(v) The retail value of the infringed item provides a more accurate assessment of the pecuniary harm to the copyright or trademark owner than does the retail value of the infringing item.

²⁴ 15 U.S.C. §§ 1116(d), 1117(c), (d)

²⁵ 15 U.S.C. § 1116(d)(1)(A) (allowing courts to grant orders to seize the “goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation”).

²⁶ Id. at 1117(b)

²⁷ Id. at 1117(c). Significantly, under § 1117(e),

mark” means “a *counterfeit* of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered.”²⁸

B. Narrow Tailoring of Criminal Counterfeiting

Viewing the civil and criminal provisions together, federal statutory law provides civil remedies for infringement of registered and unregistered trademarks. It provides for criminal liability and enhanced civil remedies for counterfeiting, a species of infringement of federally registered trademarks. The definition of counterfeiting for purposes of enhanced civil remedies is mostly unhelpful, in that it never specifies what it means for a mark to be a “counterfeit.” The conduct subject to criminal liability under the TCA is somewhat better defined, and there are a number of important limitations in the TCA that should make criminal liability substantially narrower than civil liability for ordinary trademark infringement.

1. Intent and Registration Requirements

Most obviously, counterfeiting under the TCA requires *intentionally* trafficking in goods or services and *knowingly* using a counterfeit mark.²⁹ Thus, criminal liability should not attach to innocent infringement or use of a mark with a good faith belief that

²⁸ Id. at § 1116(d)(1)(B)(i). Section 1116(d)(1)(B)(ii) makes the same remedies available for use of “a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 220506 of title 36,” which deals with use of terms related to the Olympics.

²⁹ 18 U.S.C. § 2320(a).

use was legitimate. Civil trademark infringement has no state of mind requirements, nor does it exempt from liability good faith uses of a mark.³⁰

Moreover, to violate the TCA a defendant must use a counterfeit of a mark that is *registered and in use* by the mark owner.³¹ There are at least three interrelated ways this requirement makes counterfeiting liability narrower than civil infringement liability. The first is simply the fact that counterfeiting requires use of a registered mark, whereas civil infringement claims are available under the Lanham Act for both registered and unregistered marks.³² Second, and somewhat more subtly, the mark allegedly counterfeited must be both registered and in use – one cannot be guilty of counterfeiting for using a mark that is identical to a mark that is registered but which is not in use, or for using a mark that is in use but is not registered. And third, the alleged counterfeiter must be using the counterfeit mark for the goods and services specifically identified in the registration. Civil infringement liability of course requires that the plaintiff’s mark be in use, but it does not require that it be in use for precisely the goods identified in the registration, nor does it require that the defendant use the mark for goods or services identical to those for which the plaintiff uses the mark.³³ A mark owner may enforce its

³⁰ Lack of knowledge does limit remedies in some cases. See 15 U.S.C. § 1114(b) (restricting the availability of profits or damages for applying a registered mark to labels, signs, prints, etc., without knowledge those items were intended to be sued to cause confusion).

³¹ 18 U.S.C. § 2320(f)(A)(ii) (defining a spurious mark as one that “is identical with, or substantially indistinguishable from, *a mark registered on the principal register in the United States Patent and Trademark Office and in use*”) (emphasis added). The defendant need not know that the mark is registered, however. *Id.*

³² See 15 U.S.C. § 1125(a). Enhanced civil remedies for counterfeiting are, by their own terms, limited to cases involving infringement of a registered mark. 15 U.S.C. §§ 1116(d), 1117(c), (d)

³³ Civil counterfeiting liability, however, does require use of the counterfeit mark on the same goods or services for which the mark is registered.

rights against any use that might cause confusion, and courts in the modern era have made clear that non-competing uses can cause actionable confusion.³⁴ Indeed the multifactor likelihood of confusion test was developed specifically for the purpose of determining when a use infringes despite the fact that the defendant's goods or services differ from the plaintiffs.³⁵

Notably, setting aside enhanced civil remedies for counterfeiting, the goods and services identified in the registration take a back seat in civil infringement cases even in cases involving infringement of a registered mark. Rather than comparing the defendant's goods to those recited in the registration, for likelihood of confusion purposes courts focus on the goods for which the plaintiff is actually using the mark, which they believe is a better indication of likely confusion.³⁶ One reason for this focus may be that, in addition to claims of infringement under § 32, plaintiffs nearly always allege violation of § 43(a), for which the registration is irrelevant. But whatever the reason, the TCA requires a more precise focus on the identity between the defendant's goods and those listed in a particular registration. Any variation between them ought to defeat a criminal counterfeiting claim.

2. The Heightened Similarity Requirement

Criminal counterfeiting liability is also more limited than civil liability because of the level of similarity needed between the defendant's mark and the allegedly

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³⁵ See Robert G. Bone, *Taking the Confusion Out of "Likelihood of Confusion": Toward a More Sensible Approach to Trademark Infringement*, 106 NW. U. L. REV. 1307 (2012).

³⁶ Courts do sometimes focus on the goods and services identified in the registration for purposes of determining whether the mark should enjoy a presumption of validity that is relevant to the case.

counterfeited mark. Specifically, the TCA imposes criminal liability only when the defendant uses a mark that is “identical with, or substantially indistinguishable from” the registered mark.³⁷ The statute does not define “substantially indistinguishable,” and there is some indication in the legislative history that Congress intended for courts to determine the meaning of that standard on a case-by-case basis.³⁸ Yet while it seems clear that “substantially indistinguishable” was meant to prevent defendants from escaping liability by making merely “trivial” changes to the mark,³⁹ it is abundantly clear that Congress meant to require a much higher level of similarity for criminal counterfeiting liability than is necessary in for a finding of civil infringement, for which mark similarity is only one factor to be considered in determining likelihood of confusion.⁴⁰ The legislative history even gives an example:

“Pristimol” might be used as the mark for a medication that is the functional equivalent of a product sold under the trademark “Mostimol.” Whether or not this sort of imitation violates the Lanham Act or other provisions of law, it does not constitute use of a “counterfeit mark” for purposes of the bill.⁴¹

Congress also cited approvingly the Second Circuit’s pre-TCA decision in *Montres Rolex, S.A. v. Snyder*,⁴² in which the court interpreted the term “counterfeit” trademark for purposes of § 211 of the Customs Procedural Reform and Simplification Act of

³⁷ 18 U.S.C. § 2320(f)(1)(A)(ii). I claim no responsibility for the “identical *with*” phrasing.

³⁸ See 130 Cong. Rec. at 31,675 (explaining that courts would have to provide the specific meaning of “substantially indistinguishable”).

³⁹ See 130 CONG. REC. 31,676 (1984) (Joint Explanatory Statement of Senate and House sponsors of Trademark Counterfeiting Act of 1984) (making clear that the counterfeit mark need not be identical).

⁴⁰ See, e.g., *Polaroid Corp. v. Polarad Elect. Corp.*, 287 F.2d 492 (2d Cir. 1961); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).

⁴¹ 130 CONG. REC. at 31,675

⁴² 718 F.2d 524 (2d Cir. 1983).

1978.⁴³ *Montres Rolex* endorsed an approach under which a defendant's mark would qualify as counterfeit only when "the average buyer examining [goods] carrying the infringing mark would, if he or she were familiar with plaintiff's mark, conclude that the infringing mark was in fact plaintiff's mark."⁴⁴

And the Second Circuit explicitly distinguished this high standard from the lower one applicable in cases of ordinary infringement:

Thus the customs laws and regulations create a two-tier classification scheme. The first category consists of marks which are merely infringements, judged by whether they are likely to cause the public to associate the copying mark with the recorded mark. In the second category are those marks which not only infringe but in addition are such close copies that they amount to counterfeits. The significance of this distinction emerges from the consequences that are attached to the two categories. Counterfeits are treated [more] harshly [than "merely infringing" articles].⁴⁵

To make clear exactly how high it believed this "substantially indistinguishable" standard was, the *Montres Rolex* court commented on three other customs cases in which it thought the mark the defendant used could not properly have been considered a counterfeit under this standard.

In the first of those cases, *In re Louis Vuitton*, "both the legitimate and the bogus merchandise bore marks comprised of two capital letters superimposed one upon the other, surrounded by a fleur-de-lis pattern [the legitimate being Louis Vuitton's well-

⁴³ Pub.L. No. 95-410, 92 Stat. 888, 903-04, 19 U.S.C. § 1526(e) (Supp. V 1981). That statute gave customs the authority to seize goods, and it expressly cross-referenced the Lanham Act to define the term "counterfeit mark." And the Lanham Act at that time defined a "counterfeit mark" as "a spurious trademark which is identical with, or substantially indistinguishable from, a registered trademark." *See Montres Rolex*, 718 F.2d at 527.

⁴⁴ 718 F.2d at 527.

⁴⁵ *Id.* at 528.

known mark].”⁴⁶ Customs had ruled in that case that “the use of a superimposed ‘P’ rather than an ‘L’ over a ‘V’ created a substantial likelihood of customer confusion,” but the *Montres Rolex* court thought the accused mark was not a counterfeit because it was “doubtful that the average purchaser would have viewed these marks as substantially indistinguishable.”⁴⁷

In the second case, *In re Amazonas*, the alleged counterfeiter used the name “Amazonas” as opposed to “Amazon” on shoe heels and soles.⁴⁸ Customs had found that those two marks were similar enough to cause confusion, but the Second Circuit thought it was nevertheless clear that “Amazonas” was not a counterfeit because “it could not be seriously contended that the average consumer would have found [the marks] substantially indistinguishable.”⁴⁹

Finally, in *In re Bulova Watch Co.*, the defendant used the name “Bolivia” as opposed to “Bulova” for watches.⁵⁰ Customs found an infringement, yet the Second Circuit deemed it “unlikely that an average purchaser would have found the marks on the two watches to be substantially indistinguishable.”⁵¹ According to the Second Circuit, Bolivia was not similar enough to Bulova to be considered a counterfeit mark, just as Amazonas was not similar enough to Amazon and a superimposed “P” over a “V” was not similar enough to the genuine “L” superimposed over “V”.

All of these customs cases, the Second Circuit believed, involved marks that were similar enough to the original marks to be considered infringing as a civil matter, but they

⁴⁶ *In re Louis Vuitton*, (C.S.D. 80–97, August 31, 1979).

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⁴⁸ *In re Amazonas*, (C.S.D. 80–39, July 17, 1979)

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⁵⁰ *In re Bulova Watch Co.*, (C.S.D. 80–77, 14 Cus.Bull. No. 30, July 23, 1980)

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were not “substantially indistinguishable” from those marks. *Montres Rolex* therefore stands for the proposition that similarity sufficient to cause a likelihood of confusion is not enough for counterfeiting liability; the defendant’s mark must also meet the higher standard of being “identical with, or substantially indistinguishable from” the registered mark. There are, in other words, two distinct requirements: (1) that the accused mark be “identical with or substantially indistinguishable from” the registered mark, and (2) that the defendant’s use of the accused mark be likely to cause confusion. In many cases, of course, the evidence on these questions will substantially overlap, since the level of similarity between the two marks will feature prominently in the determination of likely confusion. As the *Montres Rolex* court observed, “in some cases, the challenged mark, when viewed from the perspective of the average purchaser, would not be ‘likely to cause confusion’ unless it was ‘substantially indistinguishable’ from the registered mark.”⁵² But the “this will not always be so,” as the cited customs cases make clear.

And the case also makes clear a second crucial point: while it is necessary that the accused mark meet the higher “substantially indistinguishable” threshold, meeting that standard is not *sufficient* because the defendant’s use must *also* be likely to cause confusion. In other words, the requirement that the allegedly counterfeit mark be “identical with or substantially indistinguishable from” the genuine mark is an *additional* element of criminal counterfeiting beyond likelihood of confusion.

To evaluate similarity for counterfeiting purposes, a court must compare the registered mark and the allegedly counterfeit mark in isolation, ignoring the possibility of additional context (such as other packaging elements or additional marks displayed on the defendant’s goods). It is simply a comparison of the marks themselves. The likelihood of

⁵² Id. at ___

confusion analysis, however, should never ignore other contextual elements because those elements are clearly relevant to whether consumers are likely to be confused by the defendant's use. Thus, both of these requirements play important roles in limiting the scope of criminal counterfeiting liability, and the fact that both are relevant to criminal liability further distinguishes counterfeiting from ordinary civil infringement.

All of these limitations work together to make criminal counterfeiting liability substantially narrower than civil infringement liability. That is no accident – the TCA is supposed to target only the most extreme forms of trademark infringement, where the risk of trademark law's core harm of passing off is highest. But as the next sections demonstrate, appearances mislead here, as courts have often ignored the general understanding that criminal sanctions are meant to apply only in the most egregious cases and have undermined many of the specific statutory limitations. To make matters worse, the government has used a number of other statutory provisions to effectively criminalize conduct that cannot be reached under the counterfeiting provisions.

II. Counterfeiting Creep

Notwithstanding their repeated acknowledgment that the federal counterfeiting standards are supposed to be construed more narrowly in a criminal, rather than civil, context,⁵³ courts in fact have expanded criminal liability in a number of ways. Some of these developments violate the general principle that criminal liability should be narrower than civil infringement; others eviscerate specific statutory limitations in the TCA.

⁵³ *See, e.g.,* *United States v. Cone*, 714 F.3d 197, 209 (4th Cir. 2013) (the standard for liability “may be construed more narrowly in a criminal context than in a civil context”), citing *United States v. Guerra*, 293 F.3d 1279, 1288 (11th Cir. 2002) (“the ‘identical or substantially indistinguishable’ standard is to be construed more narrowly in a criminal context than in a civil context”).

A. Embracing Controversial Expansion from the Civil Side

First, far from limiting counterfeiting to the clearest and most egregious forms of infringement, courts have in fact embraced some of the most controversial civil infringement doctrines. In a number of cases, courts have accepted that post-sale confusion satisfies the likelihood of confusion requirement under the TCA. In *United States v. Torkington*, for example, the court said that the counterfeiting statute “is satisfied by a showing that it is likely that members of the public would be confused, mistaken or deceived should they encounter the allegedly counterfeit goods in a post-sale context.”⁵⁴

These cases, which often involve knock-off luxury goods, must rely on post-sale confusion because they arise in contexts in which it is obvious that no one would be confused at the point of sale. Consumers who buy twenty dollar “Louis Vuitton” handbags on Canal Street, for example, know well that the bag they are buying was not made by Louis Vuitton. Aside from the fact that it being sold on Canal Street, the price undoubtedly signals to them that the bags are not genuine. Nevertheless, courts have said explicitly that the TCA’s likelihood of confusion requirement was satisfied even though the allegedly counterfeit goods were selling for a small fraction of the price of the genuine goods, and even when the defendant told the purchasers that the goods were not genuine.⁵⁵ Post-sale confusion is sufficient, these courts argue, because “[n]othing in the

⁵⁴ 812 F.2d 1347, 1352 (11th Cir.1987). *See also* *United States v. Yamin*, 868 F.2d 130, 132 (5th Cir. 1989) (“application is not restricted to instances in which direct purchasers are confused or deceived by the counterfeit goods.”); *United States v. Hon*, 904 F.2d 803, 808 (2d Cir. 1990); *United States v. Gantos*, 817 F.2d 41, 43 (8th Cir. 1987).

⁵⁵ *Torkington*, 812 F.2d at 1350 (finding confusion despite the fact that the replica Rolex watches sold for \$27); *Gantos*, 817 F.2d at 43 (upholding conviction despite

plain meaning of the [TCA] restricts its scope to the use of marks that would be likely to cause direct purchasers of the goods to be confused, mistaken or deceived.”⁵⁶

As many have pointed out, one problem with the claim that post-sale confusion focuses simply on non-purchaser confusion is that, in reality, those cases often involve no confusion of any kind at all.⁵⁷ Indeed, courts have to make a number of significant inferential leaps to string together any narrative that involves confusion.⁵⁸ They must assume that, even though the purchasers of fake Louis Vuitton bags on Canal street are not confused, others will see the purchasers carrying around their imitation bags, believe the bags are genuine, observe some inferior quality about the bags, and attribute that inferior quality to Louis Vuitton. This will affect those observers’ view of the quality of genuine Louis Vuitton goods and thereby harm Louis Vuitton. These courts would have us believe not only that observers will make some assessment of the quality of handbags they see at a distance (and the age of which is unknown to them), but that those observers’ conclusions about the quality of the used handbags will affect their future

the fact that the defendant told the undercover agent that the counterfeit watches were copies); *United States v. Infurnari*, 647 F. Supp. 57, 59 (W.D.N.Y. 1986) (accepting that confusion of the general public would suffice for counterfeiting liability where the defendant told his customers that his watches were not actual Rolex or Piaget watches); [US v. Song, 934 F.2d 105 \(7th Cir. 1991\)](#) (upholding conviction when the defendant sold counterfeit Gucci, Rolex, and Louis Vuitton goods for \$35).

⁵⁶ *Torkington*, 812 F.2d at 1351; *U.S. v. Foote*, 413 F.3d 1240, 1246 (10th Cir. 2005).

⁵⁷ *Cf. People v. Rosenthal*, 800 N.Y.S.2d 354, 2003 WL 23962174, at *2 (N.Y. Crim. Ct. Mar. 4, 2003) (“There may indeed be the occasional tourist who actually believes that he is buying a genuine Rolex for \$20 from a man selling watches out of a briefcase in Battery Park. One can safely assume, however, that such naivete is the exception rather than the rule.”)

⁵⁸ See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 Notre Dame L. Rev. 1907-09 (2007) (arguing that “the post-sale confusion doctrine, which makes actionable confusion of nonpurchasers based on their post-sale interaction with a product, requires rank speculation about viewers’ future purchasing intentions”).

purchase behavior.⁵⁹ Courts draw these conclusions even though they have no reliable information about those observers' future purchasing potential, and in spite of the likelihood that most purchasers of counterfeit goods would not, and probably could not, have purchased the genuine goods.

The implausibility of courts' inferential leaps is a clear indication that post-sale confusion is transparently an attempt to dress up in confusion language protection that is really motivated by other concerns – particularly concerns about free-riding and loss of exclusivity.⁶⁰ This is often clear in the decisions that have accepted the relevance of post-sale confusion to counterfeiting liability, where courts quite candidly admitted that they have done so because they believe the counterfeiting provisions are meant primarily to protect mark owners rather than consumers. In *Torkington*, for example, the court made clear that

Like the Lanham Act, the Trademark Counterfeiting Act is not simply an anti-consumer fraud statute. Rather, a central policy goal of the Act is to protect trademark holders' ability to use their marks to identify themselves to their customers and to link that identity to their reputations for quality goods and services.

⁵⁹ For example, in *Rolex Watch U.S.A. v. Canner*, a civil post-sale confusion case, the court claimed that “[i]ndividuals examining the counterfeits, believing them to be genuine Rolex watches, might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real time piece.” *Rolex Watch U.S.A. v. Canner*, 645 F. Supp. 484, 495 (S.D. Fla. 1986). Jeremy Sheff calls this theory “bystander” confusion, which allegedly arises when “a defendant sells its product to a non-confused purchaser, observers who see the non-confused purchaser using the defendant’s [knockoff] product mistake it for the *plaintiff’s* [genuine] product, and those observers draw conclusions from their observations that influence their future purchasing decisions.” See Jeremy N. Sheff, *Veblen Brands*, 96 Minn. L. Rev. 769, _ (2012).

⁶⁰ In *Rolex Watch* the court quite honestly noted its concern that “[non-purchasers] who see the watches bearing the Rolex trademarks on so many wrists might find themselves discouraged from acquiring a genuine [Rolex] because the items have become too common place and no longer possess the prestige once associated with them.” 645 F. Supp. at 495.

It is essential to the Act's ability to serve this goal that the likely to confuse standard be interpreted to include post-sale confusion. A trademark holder's ability to use its mark to symbolize its reputation is harmed when potential purchasers of its goods see unauthentic goods and identify these goods with the trademark holder. This harm to trademark holders is no less serious when potential purchasers encounter these counterfeit goods in a post-sale context.⁶¹

These decisions effectively read the likelihood of confusion requirement out of the counterfeiting statute on policy grounds. Sometimes, as in *U.S. v. Hon*, courts try to justify that by claiming that it was what Congress intended,⁶² a suggestion with at least superficial plausibility since some courts had already recognized post-sale confusion in the civil context when the TCA was passed.⁶³ But that conclusion is hardly inevitable, and there is precious little evidence of Congressional intent on the question.⁶⁴ More importantly, as an empirical matter there are serious questions about the harms to trademark owners in the post-sale context, particularly in cases involving luxury goods (which constitute the large majority of post-sale confusion cases). One recent study by

⁶¹ *Torkington*, 812 F.2d at 1352-53; *Gantos*, 817 F.2d at 43 (counterfeiting statute is “not just designed for the protection of consumers. [It is] likewise fashioned for the protection of trademarks themselves and for the prevention of the cheapening and dilution of the genuine product.”) (internal quotation marks omitted).

⁶² In *U.S. v. Hon*, for example, the court referred to the Senate Report on the TCA, which cited the Second Circuit’s own previous observation in *Montres Rolex* that “[c]ommercial counterfeiting ha[d] reached epidemic proportions.... [T]he owners of trademarks on prestige items are particularly likely to be plagued by recurring counterfeit problems,” and claimed that the TCA was designed to help stem this epidemic. 904 F.2d at 806, citing S.Rep.No. 98-526, *reprinted in* 1984 U.S.Code Cong. & Admin.News at 3631.

⁶³ *See, e.g., Infurnari*, 647 F.Supp. at 59-60 (concluding that “Congress did not have [a case in which the defendant told customers that its products were fake] in mind when it passed 18 U.S.C. § 2320” yet noting that Congress chose to use the same operative language in the criminal trademark act as in the Lanham Act when “both the Second and Ninth Circuits had already held that post-sale confusion was actionable when section 2320 was passed”).

⁶⁴ The Senate Report cited by *U.S. v. Hon*, for example, does not mention anything about prestige items, instead citing only the claim in *Montres Rolex* that counterfeiting had reached “epidemic proportions.”

Northwestern economist Yi Qian even suggests that counterfeiting *helps* rather than hurts high-end brands.⁶⁵ As Qian demonstrates, “counterfeits have both advertising effects for the brand and substitution effects for authentic products. *The advertising effect dominates substitution effect for high-end authentic product sales*, and the substitution effect outweighs advertising effect for low-end product sales.”⁶⁶

Nor is it clear why we should care about any harm to mark owners in the post-sale context even if it were likely to result. As Jeremy Sheff argued persuasively, protection of prestige value via post-sale confusion doctrine comes at a cost – specifically it preferences some consumers’ tastes for exclusivity (and producers’ ability to capture the value of that preference) over other consumers’ desire to use of marks for their own expressive purposes.⁶⁷ It does so not to avoid deception in the market, but purely because of a normative choice to value some consumers’ preferences over others.⁶⁸ As Sheff says, “[b]y establishing a system of licenses for social expression and enforcing those licenses with both monetary and injunctive remedies, the State is entering into an expressive alliance with one (powerful) segment of society, in opposition to the expressive interests of a different (weak) segment of society.”⁶⁹

For these reasons, post-sale confusion is quite controversial even in the civil infringement context. But even if it is now well enough established that post-sale confusion is here to stay as a civil matter, we ought to be more reluctant to accept that

⁶⁵ See Yi Qian, *Counterfeiters: Foes or Friends?* (Nat’l Bureau of Econ. Research, Working Paper No. w16785, 2011), available at <http://ssrn.com/abstract=1759857>.

⁶⁶ *Id.* (manuscript at 2) (emphasis added).

⁶⁷ Sheff, *supra* note __.

⁶⁸ Cf. Barton Beebe, *Intellectual Property Law and the Sumptuary Code*, 123 Harvard Law Review 809, 851-53 (2010) (referring to the post-sale confusion doctrine’s role in protecting rarity and distinction).

⁶⁹ Sheff, *supra* note __ at 775.

doctrine in the criminal counterfeiting context. And yet the Second Circuit has explicitly rejected the argument that, because “Congress intended that the criminal act be narrower in scope than the Lanham Act and prohibit only ‘egregious’ instances of the conduct that the civil statute prohibits,” likelihood of confusion should be interpreted more narrowly in the context of the TCA.⁷⁰ According to the Second Circuit, “egregiousness is grounded not upon whether the person deceived is a purchaser or potential purchaser but whether the mark is a counterfeit and is knowingly used as such.”⁷¹

B. Eviscerating Express Statutory Limits

Perhaps it is unsurprising that courts have recognized post-sale confusion in the counterfeiting context – after all, most people refer colloquially to knock-off luxury goods as “counterfeits,” and the legislative history of the TCA makes specific reference to a case about fake Rolex watches.⁷² Thus, maybe it is too hard to imagine that a counterfeiting statute would *not* reach imitation luxury goods, and post-sale confusion is the only way to accomplish that end. If that were true, then the argument against criminalizing post-sale confusion would largely be an argument against criminal liability for counterfeiting. It is, however, worth noting that rejecting post-sale confusion would not render the TCA meaningless, as there are many counterfeit products – including counterfeit drugs – that risk substantial point-of-sale confusion. And those counterfeit

⁷⁰ *United States v. Hon*, 904 F.2d 803, 806-08 (2d Cir. 1990), *cert. denied*, 498 U.S. 1069 (1991) (agreeing that criminal liability is supposed to be narrower, but rejecting the conclusion that post-sale confusion should therefore be irrelevant).

⁷¹ *Id.* This argument is, of course, largely conclusory: it does not help to say that egregiousness relates only to the question of whether the mark is counterfeit and knowingly used as such when likelihood of confusion (and specifically the relevant type of confusion) is necessary to the determination of whether the defendant’s mark is, in fact, a counterfeit.

⁷² *Montres Rolex*

products are clearly the ones most likely to do harm, both to consumers and to mark owners.

However one feels about courts' acceptance of post-sale confusion in the criminal context, it is only one dimension of the judicial expansion of the TCA. Courts have also read down or undermined altogether a number of the TCA's specific textual limits.

1. Watering Down the Similarity Requirement

First, despite many courts' citation of the *Montres Rolex* interpretation of the "substantially indistinguishable" standard (and their recognition that Congress cited that standard in the legislative history of the TCA), courts have found defendants guilty of counterfeiting when the marks those defendants have used clearly were not so similar that "the average buyer examining [the goods] would, if he or she were familiar with the [allegedly counterfeited] mark, conclude that the infringing mark was in fact the plaintiff's mark."⁷³

One way courts have reached that erroneous result is by comparing the mark used by the defendant to some combination of registered marks – in clear contravention of the statutory requirement that the allegedly counterfeit mark be identical with or substantially indistinguishable from *a* registered mark. In *U.S. v. Lam*, for example, the Fourth Circuit found the defendants guilty of counterfeiting when the composite pattern of their goods used elements that were similar to two different registered trademarks, even though no single registration contained both elements.⁷⁴ In that case, the defendant sold handbags

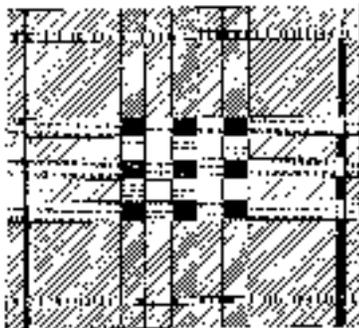
⁷³ *Montres Rolex*, 718 F.2d at 527.

⁷⁴ 677 F.3d 190 (4th Cir. 2012). Full disclosure: I served as an expert witness for the defendants in this case. My testimony focused on precisely this question – whether

with a composite pattern that consisted of a plaid pattern with an equestrian knight superimposed over it.



Burberry owned a federal registration of a plaid pattern,⁷⁵ which the Fourth Circuit believed was similar to the one used by the defendants, and it owned several other federal registration for an equestrian knight device. But importantly, Burberry did not own a registration for any mark consisting of both components.



the defendant's marks were "identical with, or substantially indistinguishable from" a registered mark.

⁷⁵ Burberry actually owns several registrations of slightly different plaid patterns, but the government alleged that the defendant's bags were counterfeits of one plaid pattern in particular.

According to the Fourth Circuit, the defendant’s pattern “consisted of a plaid pattern similar to the Burberry Check mark with an equestrian knight superimposed over it.”⁷⁶ Having noted that the defendant’s product was very similar to Burberry’s commercial products, on which Burberry often used both marks,⁷⁷ the court affirmed the district court’s finding that the pattern was substantially indistinguishable from Burberry’s registered plaid pattern.⁷⁸ The court found it relevant in assessing similarity that “although the Burberry Check mark d[id] not include an equestrian knight, it [was] undisputed that Burberry ha[d] obtained trademark protection for an equestrian knight mark, and that it often [sold] handbags and other goods displaying a combination of the two marks.”⁷⁹

One dimension of the Fourth Circuit’s error was its willingness to aggregate multiple registered marks and to compare the defendant’s design to the aggregate of those marks. But the flipside of that willingness to aggregate – the willingness to dissect the defendant’s aggregate design and compare part of it to the Burberry plaid pattern – was just as problematic. Specifically, the Fourth Circuit mentioned the fact that, during its deliberations, the jury stopped to ask the district court judge whether it should consider the presence of the defendant’s knight device when comparing the defendant’s plaid

⁷⁶ *Id.* at 195.

⁷⁷ *Id.* at 199 (holding that “that the marks are similar enough to allow a reasonable jury to [find them substantially indistinguishable]— *especially in light of the evidence demonstrating that Burberry often sells goods displaying the Burberry Check mark and the Burberry Equestrian mark together*”) (emphasis added).

⁷⁸ Notably, the jury “did not find the knight displayed on these goods to be a counterfeit of the Burberry Equestrian mark. Trial testimony indicates that it differed from the Burberry Equestrian mark in several respects.” 677 F.3d at 195 n.6.

⁷⁹ *Id.* at 200.

pattern to the registered Burberry plaid pattern.⁸⁰ In response, the district court judge essentially told the jury that it had the discretion to decide whether to consider the knight device.⁸¹ This was a clear legal error, but the Fourth Circuit was unmoved by it.

Unlike the ultimate factual question of whether two marks are, in fact, substantially indistinguishable, the statute dictates which marks should be compared to make the similarity determination. It therefore was not up to the jury to decide whether to consider the defendant's knight device; the statute required a comparison of the defendant's mark to a particular registered trademark. Perhaps the jury would have found the pattern on the bags substantially indistinguishable from Burberry's check pattern even if it considered the knight device, though the fact that it asked the district court judge implies that they may have considered the differences significant. But the point is that the court should have forced the jury to make precisely that finding.

Indeed, allowing the jury to ignore the defendant's knight device was to invite it to compare a *part* of the defendant's mark to the allegedly counterfeited registered mark, a comparison that would flout the anti-dissection rule, one of trademark law's most well established principles. As courts have long recognized in the civil context, trademarks must be compared as a whole when assessing similarity (as part of the likelihood of

⁸⁰ *Id.* at 196 (quoting the jury's question of "when comparing the [defendant's] plaid on the purses seized in Norfolk to the [Burberry Check mark], should we consider the presence of the Marco knight?").

⁸¹ *Id.* ("On the one hand, the defendants presented evidence and argued that you accept as a fact that the plaid plus the Marco knight is a composite mark that should be compared as a composite mark with the [Burberry Check mark]. On the other hand, the government has put on evidence and argued that the plaid pattern alone on the alleged counterfeit bag is violative, meaning substantially indistinguishable, from the [Burberry Check mark]. Depending on the way you find facts, you may consider the Marco knight in comparing the marks. That's not the province of the court, it's the province of the jury. Of course, the defendants also contend that the plaid by itself is not substantially indistinguishable and therefore not counterfeit.").

confusion analysis); they should not be dissected into their constituent parts because the issue is the commercial impression of the mark as whole.⁸² When confronted with that argument, the Fourth Circuit mangled the doctrine badly, claiming, incorrectly, that the anti-dissection rule applied only in the registration context, where it served the limited function of determining whether composite marks are registrable despite containing some descriptive (and therefore unregistrable) matter.⁸³ Looking at the anti-dissection rule this way made the court focus solely on Burberry's mark (and not the defendant's), missing the point of anti-dissection entirely.⁸⁴

As a result, dissection may well be legitimate in counterfeiting cases, at least in the Fourth Circuit; a defendant's mark may be considered a counterfeit if a *part* of that mark is sufficiently similar to the registered mark, even if other parts of the defendant's mark clearly differentiate it from the registered mark. Alternatively, it lets the jury decide what the defendant's "mark" is – what is the unit of comparison to the registered mark.

⁸² *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 795 (6th Cir. 2004) (rejecting the defendant's argument that the court should ignore parts of the parties' respective marks when evaluating the similarity of the marks for as part of the likelihood of confusion analysis, noting that would require the court "to violate the 'anti-dissection rule,' whereby we 'view marks in their entirety and focus on their overall impressions, not individual features.'"); see also 3 J.T. McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:41 (collecting cases applying the anti-dissection rule).

⁸³ *U.S. v. Lam*, 677 F.3d at 198 n.7 ("A composite mark is one that contains some matter that is descriptive in nature—and, thus, would not alone be registerable as a trademark—used in conjunction with nondescriptive matter."). The court got this idea from a 1920 registration decision, which of course defined the anti-dissection rule in this way, since registration was the only issue in that case. But clearly that is not the only context in which the anti-dissection rule applies.

⁸⁴ *Id.* ("It is unclear whether this rule applies to the Burberry Check mark, as it is not a composite.").

To see why this kind of thinking could prove enormously problematic, consider a recent case pursued at the state level by a prosecutor in Massachusetts.⁸⁵ In that case the defendant was arrested and charged with counterfeiting under a Massachusetts statute⁸⁶ for selling t-shirts that depicted the Vancouver Canucks hockey team’s registered logo (left) overlaid with a large red opaque universal “NO” symbol (a circle with a line through it) (right).⁸⁷



According to the state, the t-shirts contained logos, and the addition of the “NO” symbol made no difference – the relevant comparison was between the allegedly counterfeited logo and a *part* of the design on the front of the defendant’s t-shirts. That approach allowed the state to ignore the quite obvious differences that eliminated any risk that a consumer would buy one of those t-shirts believing it came from the Vancouver Canucks (indeed, no reasonably person could possibly miss the critical message).

The Massachusetts case ultimately was dismissed, and obviously it was not brought under the TCA.⁸⁸ But under the Fourth Circuit’s reasoning in *U.S. v. Lam*, a jury

⁸⁵ Commonwealth v. Busa, Boston Municipal Court, Central Division (Docket 1101CR005277).

⁸⁶ M.G.L. c. 266 §147.

⁸⁷ Defendant’s Brief in Support of Motion to Dismiss. The defendant also was charged with counterfeiting for selling t-shirts that read “Boston Fights Vancouver Bites.”

⁸⁸ Indeed the definition of “counterfeit mark” under the Massachusetts statute is breathtakingly broad. A counterfeit mark is “any unauthorized reproduction or copy of intellectual property, or intellectual property affixed to any item knowingly sold,

could plausibly have found that the defendant's mark (if it even can be called that) was "identical with or substantially indistinguishable from" the registered Vancouver Canucks mark. The t-shirts contained a replica of that mark, and since there is no rule against dissection, the jury could base its comparison only on that element of the defendant's mark, ignoring the "NO" symbol. That absurd result is clearly inconsistent with the purposes of the TCA.

These kinds of mistakes are to some extent a byproduct of the fact that courts are applying in cases that involve the design of goods themselves a counterfeiting statute that clearly contemplates trademarks used in the conventional sense – used in conjunction with, but clearly separate from, the goods. When the allegedly counterfeited mark is a design feature of the defendant's goods, courts seem more willing to dissect and focus on portions of the overall design. This is dangerous territory, as it is only a short step from applying counterfeiting law to marks or logos incorporated *on to* goods (of which there are many examples) to applying it to the configuration of goods themselves.

To my knowledge, this subtle move has not yet happened yet in a federal counterfeiting case. But it has at the state level. The Supreme Court of Indiana recently reversed the trial court's dismissal of counterfeiting charges under an Indiana statute against defendants who sold "airsoft guns," described by the court as "toy replicas of real

offered for sale, manufactured or distributed, or identifying services offered or rendered, without the authority of the owner of the intellectual property." M.G.L. c. 266 § 147(a). "Intellectual property" is then defined as "any trademark, service mark, trade name, label, term, device, design or word that is (1) adopted or used by a person to identify such person's goods or services, and (2) registered, filed or recorded under the laws of the commonwealth or of any other state, or registered in the principal register of the United States Patent and Trademark Office. *Id.*

guns that shoot lightweight plastic pellets instead of metal BBs or live ammunition.”⁸⁹

The court found that replicating the design of another company’s real guns could constitute the “mak[ing] or utter[ing] a written instrument in such a manner that it purports to have been made by authority of one who did not give authority,”⁹⁰ accepting that a toy gun could be considered a “written instrument” for purposes of the statute.

Remarkably, the court even held that making toy replica guns could constitute *theft* because doing so “exerted control” over “the property of another” – namely over the trademark (the product configuration) of the manufacturer of the real guns copied by the defendant.⁹¹ To put it simply, the Indiana Supreme Court turned a huge number of garden variety trade dress infringement cases into criminally indictable offenses.

It would be remarkably worrisome were this trend to spill over to cases under the TCA. Courts in civil product configuration cases have generally gone to great lengths to demand that claimants describe their trade dress with some particularity,⁹² in order to guard against ad hoc and opportunistic trade dress claiming and to prevent parties from asserting rights in unprotectable elements.⁹³ The former concern would be less of an issue in the TCA context because counterfeiting requires use of a registered mark, and registration depict the claimed configuration in a definitive way. Allowing comparison of particular elements

⁸⁹ An-Hung Yao v. State of Indiana, 975 N.E.2d 1273 (Ind. 2012).

⁹⁰ Id. at 1278. The Indiana statute is Ind. Code § 35-43-5-2.

⁹¹ Id. at __. Theft is criminalized under Ind. Code §35-43-4-2, which provides that “[a] person who knowingly or intentionally exerts control over property of another person, with intent to deprive the other person of any part of its value or use, commits theft, a Class D felony.”

⁹²

⁹³ The requirement of a written description is not just applicable to product configuration cases, but courts have been more insistent in those cases.

2. Errors in Likelihood of Confusion

Courts have allowed likelihood of confusion to be assessed by way of a side-by-side comparison of the products, devoid of any context, and sometimes even by expert testimony and the inability of a defense witness to distinguish counterfeit and genuine items.⁹⁴ This may be a manifestation of courts' conflation of the similarity question (whether the defendant's mark is "identical with or substantially indistinguishable from" the genuine mark) and the separate likelihood of confusion question. Side-by-side comparison is appropriate for the similarity question, but importantly, the comparison the statute requires is clearly between the defendant's *mark* and the registered mark of which it is allegedly a counterfeit. Side-by-side comparison of *products*, by contrast, is not appropriate, and that is important because the registered mark may well not give the same commercial impression when it is used in context. Indeed, side-by-side comparison of the products is analogous to allowing the plaintiff in a design patent case to compare the defendant's product to the commercial embodiment of the plaintiff's patented design rather than to the drawings in the patent.⁹⁵

Finally, even if it were appropriate for courts to compare products rather than marks, side-by-side comparison would still be problematic at the likelihood of confusion stage when, as is almost certainly the case in most counterfeiting cases, consumers do not encounter products that way in the marketplace. As the Second Circuit said in *Malletier v. Burlington Coat Factory Warehouse Corp.*, "[w]hether simultaneous viewing by

⁹⁴ See, e.g., *United States v. Yamin*, 868 F.2d 130 (5th Cir.), cert. denied, 492 U.S. 924 (1989); *Rolex Watch USA, Inc. v. Canner*, 645 F. Supp. 484, 489 (S.D. Fla. 1986).

⁹⁵ See *Sun Hill Indus., Inc. v. Easter Unlimited, Inc.*, 48 F.3d 1193, 1197 (Fed. Cir. 1995) (comparing the accused device to the plaintiff's commercial embodiment is improper except when there is "no significant distinction in design ... between the patent drawing and its physical embodiment").

consumers is likely to result in confusion is not relevant when it is serial viewing that is at issue given the market context or the type of confusion claimed.”⁹⁶ Rather, the “Lanham Act requires a court to analyze the similarity of the products in light of the way in which the marks are actually displayed in their purchasing context.”⁹⁷

III. Other Doctrinal Expansions

It might be possible to write off these developments in criminal trademark law if they were isolated examples. After all, courts do sometimes hold the line on counterfeiting liability, for example by rejecting arguments that altering a trademarked product or attaching a trademark to repackaged goods triggers counterfeiting liability.⁹⁸ But the expansions have nevertheless been significant, and we have every reason to believe they will continue. In fact, these expansions are of a piece with a number of other developments in intellectual property laws or adjacent enforcement mechanisms. In each of these situations, Congress has provided for substantially increased civil remedies or

⁹⁶ 426 F.3d 532, 538 (2d Cir. 2005)

⁹⁷ *Id.* See also *AM General Corp. v. Daimler Chrysler Corp.*, 311 F.3d 796, 825 (7th Cir. 2002) (“Limiting the focus to the grille and ignoring all that surrounds the grille seems to blink the general rule that courts evaluate similarity in light of what happens in the marketplace, rather than just by making a side-by-side comparison.”); *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 1004 (2d Cir.1997) (“the test of confusion [under the Lanham Act] is not whether the products can be differentiated when [they] are subject to a side-by-side comparison. Instead, we must ask whether they create the same general overall impression such that a consumer who has seen [plaintiff’s] trade dress would, upon later seeing [defendant’s] trade dress alone, be confused.”); *American Home Prods. Corp. v. Johnson Chem. Co.*, 589 F.2d 103, 107 (2d Cir.1978) (“The test [for likelihood of confusion] is not whether the consumer will know the difference if he sees the competing products on the same shelf.”); McCarthy § 23:59 (“A side-by-side comparison of the conflicting marks is improper if that is not the way buyers see the products in the market.”).

⁹⁸ *US v. Cone*, 714 F.3d 197 (4th Cir. 2013) (holding that altering products bearing genuine trademarks does not trigger the TCA); *US v. Hanafy*, 302 F.3d 485 (5th Cir. 2002) (attaching trademark to repackaged baby formula is not counterfeiting).

criminal penalties that have been justified on the ground they would apply only in cases of egregious misconduct. Yet those supposedly narrowly-targeted penalties have routinely been applied far outside the contexts used to justify them, sometimes making draconian penalties applicable to conduct that, far from being the most egregious violations, do not even clearly give rise to civil liability under standard intellectual property provisions.

The federal government, for example, has for several years claimed authority (prior to and independent of the controversial SOPA and PIPA bills) to seize domain names and make their content disappear without notice or a hearing. Indeed, Immigration and Customs Enforcement has seized hundreds of domain names (at least).⁹⁹ To the extent it has articulated the authority under which it has done so, the government has most often pointed to the PRO-IP Act, which amended 18 U.S.C. § 2323 to make civil forfeiture rules applicable to various forms of intellectual property.¹⁰⁰

Sometimes after it has seized the domain names the government has gotten around to instituting actions under civil forfeiture laws, but in a number of cases ICE has simply held the domain names without filing charges.¹⁰¹ Many of these domain name

⁹⁹ <http://www.bna.com/ice-doj-seize-n12884904587/>.

¹⁰⁰ 2008 Pro-IP Act, Pub. L. No. 110-403, Sec. 206.

¹⁰¹ In one case, the website owner sued to get back the domain name rojadirecta.com, a site that streamed Spanish league soccer games (which was perfectly legal in Spain). Puerto 80 Project's Petition for Release of Seized Prop., Puerto 80 Projects, S.L.U. v. United States, No. 11 Civ. 3983 (S.D.N.Y. 2011). The district court denied that seizure of the domain name constituted a "substantial hardship" under 18 U.S.C. § 983, a ruling the web site owner appealed. Not having received a decision from the Second Circuit more than a year after the seizure, the government voluntarily withdrew its forfeiture complaint, mooting the website owner's case. Letter from Preet Bharara, U.S. Attorney, to the Honorable Paul A. Crotty, District Judge, S.D.N.Y. (Aug. 29, 2012),

seizures, it seems clear, were essentially carried out at the direction of private content owners. Indeed, ICE even announced one set of seizures “on a Burbank soundstage (Walt Disney Studios) flanked by members of the Motion Picture Association of America.”¹⁰²

Private parties have also been able to persuade courts to push the boundaries of their authority and issue injunctions (frequently *ex parte*) which include orders to non-party registries, registrars, and/or search engines to, for example, prevent domain names from connecting to corresponding websites or cease facilitating access to any websites through which defendants conduct business.¹⁰³ It is entirely unclear how courts have the authority to order nonparties to take these steps, but that does not seem to have given any of these courts pause.

It would be one thing if these seizures or the injunctions entered by courts in cases of private enforcement really were limited to the most egregious cases—those involving only “rogue” sites “dedicated to infringing activities.” But they often have not been. In

http://www.wired.com/images_blogs/threatlevel/2012/08/8.29.12-cover-letter-to-Judge-Crotty.pdf

¹⁰² [http://www.broadcastingcable.com/article/454379-](http://www.broadcastingcable.com/article/454379-ICE_Seizes_Domains_Assets_of_Alleged_TV_Movie_Pirates.php)

[ICE Seizes Domains Assets of Alleged TV Movie Pirates.php](http://www.broadcastingcable.com/article/454379-ICE_Seizes_Domains_Assets_of_Alleged_TV_Movie_Pirates.php)

¹⁰³ Chanel, Inc. v. Does, et al., 11-cv-01508-KJD-PAL (D. Nev., November 14, 2011) (ordering domain name registers to “transfer to Plaintiff’s counsel, for deposit with this Court, domain name certificates” for the domain names at issue and ordering the top-level domain registries to “change the registrar of record for the [domain names]” and “immediately update the Domain Name System (“DNS”) data it maintains for the [domain names]” to resolve to a site at which a copy of the complaint was posted); Deckers v. Liyanghua, 11-cv-07970 (N.D. Ill.; Dec. 15, 2011) (preliminary injunction against defendant includes orders the registries to change the registrar of record for the domain names to a registrar of plaintiff’s choosing); Richemont Int’l v. Montesol OU, 11-cv-09322 (S.D.N.Y. Jan. 3, 2012) (preliminary injunction ordering “any websites, online search engines, online shopping price comparison services, or any other business or publication that advertises Defendants’ web sites associated with the Subject Domain Names ... advertising, promoting, or marketing Defendants’ Counterfeit products or Defendants’ Web sites” and from “supporting or hosting Defendants’ Websites”).

some cases, ICE has seized domain names, held them for many months without any notice to the owner, and then never filed charges. Indeed, in some cases it has become clear that the domain name owners had never done anything illegal. In one case involving the domain name Dajaz1.com for a year, for example, the government seized the domain name and held it for over a year, well beyond when it should have had to return the domain name or file a forfeiture proceeding. Documents later unsealed revealed that the government had essentially seized the domain name without any real evidence and had filed ex parte requests to extend the time to file the forfeiture proceeding because it was waiting for copyright owners (particularly the RIAA) to investigate.¹⁰⁴ Apparently the investigation turned up nothing illegal, because the domain name was returned to its owners without any charges being filed.¹⁰⁵ In other words, the government seized a domain name on an ex parte basis, held it for a year by seeking ex parte extensions of time to file the forfeiture action it was required by statute to file in a timely fashion, and then essentially admitted there was no basis for the case

Even when it's not making mistakes (many of which could have been avoided with a little due process), the government has acted aggressively toward websites that are far from the core of copyright infringement. For example, ICE has seized domain names on the basis that the websites at the seized domain names *linked to* other sites that

¹⁰⁴ See Ex Parte Application for Order Extending for Sixty Days the Deadline for Filing Complaint for Forfeiture (September 8, 2011) (<https://www.eff.org/sites/default/files/filenode/9-8-11ExParteAppltoExtendTime.pdf>).

¹⁰⁵ In fact, it seems that the songs ICE alleged in its affidavit filed when it seized the domain name were sent by representatives of the copyright holder for the purpose of publicizing the works. See <http://www.techdirt.com/articles/20101222/02112912376/more-bigger-mistakes-discovered-homeland-securitys-domain-seizures.shtml>.

contained infringing material.¹⁰⁶ Courts have generally not considered mere linking sufficient to constitute direct copyright infringement even on the civil side.¹⁰⁷ Under certain circumstances, linking could give rise to contributory infringement. But making contributory copyright infringement criminal would be a significant departure from historical practice, and criminal conduct is necessary for the proper use of civil forfeiture statutes. By using civil forfeiture laws for that purpose, ICE has smuggled in a significant expansion of criminal liability under cover of enforcement against the “worst of the worst.”¹⁰⁸

Nor is this limited to copyright cases: ICE has seized the domain names of clothing resellers on the ground those sites were selling counterfeit products,¹⁰⁹ without any apparent sensitivity to the fact that trademark law actually permits resale of branded goods in most circumstances.¹¹⁰ Here, too, ICE has worked a significant expansion of the scope of trademark law while pretending only to be enforcing the rules against those easily classified as rogue websites.

Something very similar has happened with the Computer Fraud and Abuse Act (CFAA).¹¹¹ Originally designed to target computer hacking that implicated significant

¹⁰⁶ <http://www.ice.gov/news/releases/1102/110202newyork.htm>.

¹⁰⁷ *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007)

¹⁰⁸ It’s not just ICE here – the legal theory on which the government’s criminal prosecution of MegaUpload was predicated on this same application of criminal copyright provisions to conduct that predominantly would have given rise only to secondary copyright liability. <http://www.scribd.com/doc/78786408/Mega-Indictment>. In particular, the government’s theory relies heavily on extension of *Grokster*-style inducement liability as the basis for criminal prosecution. *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

¹⁰⁹ <http://lexnimbus.com/?p=196>

¹¹⁰ *Champion Spark Plug v. Sanders*, 331 U.S. 125 (1947); *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924).

¹¹¹ 18 U.S.C. § 1030.

government interests of national security, financial records, and government property, Congress has repeatedly amended the statute to expand its reach. As Orin Kerr has documented, the cumulative effect has been to reach nearly every computer and a wide range of conduct by ordinary computer users.¹¹² Prosecutors have, for example, charged users under the CFAA for violating terms of use and for using computers in ways that are contrary to their employers' interests.¹¹³

These examples have something important in common: all of them involve legal tools originally justified on the ground they were necessary to combat the clearest and most serious forms of infringement. That limited purpose justified the draconian remedies for which these provisions provided. Yet in practice it is clear that, like the Patriot Act, which was passed on the ground its provisions were needed to combat terrorism but which has been used overwhelmingly in ordinary drug cases,¹¹⁴ these intellectual property tools are being used far beyond the contexts used to justify them.

This calls into question not just the wisdom of these particular provisions (though it clearly does that), but of this form of regulation generally. In all of these contexts, policymakers tell us not to worry about the severity of the sanctions provided for, because those sanctions are narrowly tailored and will apply only in a small number of particularly egregious cases. But once those tools are available, it is too hard to resist their application in a wider range of cases. Indeed it may well be that doctrinal creep is inevitable. The costs of that wider application, however, are never accounted for when

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¹¹³ See Kerr, *supra* note _ at _

¹¹⁴ See, e.g., Report of the Administrative Office of the United States Courts on applications for delayed-notice search warrants and extensions during fiscal year 2008, <http://big.assets.huffingtonpost.com/SneakAndPeakReport.pdf> (reporting that 65% of uses of such warrants were in drug offense cases).

designing the rules, because the designers insist those applications will not come to pass. Given the frequency with which this pattern seems to recur, this is a major problem. If the costs of these tools are only justified to the extent they are applied very narrowly, and if we know it is unlikely the application will remain narrow, policymakers ought to be much more reluctant to create the tools at all.