

# United States

Contributing firm  
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## Legal framework

Recognising the increasing threat of counterfeit goods to US businesses and public safety, Congress and US government agencies have taken steps to assist brand owners in curbing the counterfeit problem in the United States. While a variety of US laws guard against counterfeiting, the Lanham Act (the Trademark Act of 1946, 60 Stat 427 (July 5 1946), codified as amended at 15 USC §1051 *et seq*) is the principal federal statute that provides brand owners with a civil cause of action to deter and stop counterfeiters. The Trademark Counterfeiting Act of 1984 criminalised counterfeiting and greatly increased the remedies available to Lanham Act plaintiffs, making it a more effective tool in the fight against counterfeiting.

Congress has since passed three additional laws providing civil and criminal counterfeiting remedies:

- the Anti-counterfeiting Consumer Protection Act of 1996;
- the Stop Counterfeiting in Manufactured Goods Act of 2006; and
- the Prioritising Resources and Organization for Intellectual Property Act of 2008 (the Pro-IP Act).

These acts increased criminal and civil penalties for counterfeiting, expanded the power of US Customs and Border Protection to combat counterfeiting activities and broadened the definition of ‘counterfeit goods’ to include labels and all other forms of packaging not actually attached to the goods.

The Pro-IP Act also created the position of IP enforcement coordinator (commonly known as the IP czar) within the Executive Office of the President. In June 2010 Victoria Espinel, the current IP czar, released the 2010 Joint Strategic Plan on IP Enforcement, as required by the Pro-IP Act. The plan is the result of a multi-agency effort to enhance IP protection and comprehensively outlines the enforcement strategy actions to be taken

by the federal government. The plan identifies a number of steps to protect brand owners and consumers from the sale of counterfeit goods and services, such as programmes specifically targeting counterfeit pharmaceuticals and medical devices. It also expressly states the government’s commitment to promote the enforcement of US IP rights through trade policy tools such as the proposed Anti-counterfeiting Trade Agreement, which would establish an international framework to combat the proliferation of counterfeiting and piracy. Importantly, the plan calls for a multi-agency review of existing US IP laws to ensure that they combat infringement effectively.

A counterfeit mark is one which is “identical with or substantially indistinguishable from” a mark in use and registered on the Principal Register of the US Patent and Trademark Office (USPTO) for the same goods to which the alleged infringer applied the mark, as well as marks “identical with, or substantially indistinguishable from” unregistered Olympic designations

protected under the Olympic Charter Act (15 USC §§ 1116(d)(1)(B), 1127; 18 USC § 2320(e)(1)). The definition of ‘counterfeit marks’ excludes grey-market goods because those are cases in which the mark is affixed with the owner’s consent.

### Border measures

#### Customs and Border Protection

Customs and Border Protection plays an important role in the fight against counterfeiting. It is a division of the Department of Homeland Security and is responsible for protecting US borders against the unlawful entry of counterfeit and pirated goods. In order for a brand owner to take advantage of Customs and Border Protection inspections, it should record its trademark registration with Customs or obtain an exclusion order from the International Trade Commission. A party may also record its unregistered trade name if it has been in use for at least six months (however, it cannot record an unregistered trademark or trade dress). Customs and Border Protection encourages brand owners to provide the division with product identification manuals to assist inspectors in identifying counterfeit goods. Such manuals should outline the company’s intellectual property, registration and recordation information, physical characteristics of genuine goods and information related to genuine distribution channels and any known violators.

Customs and Border Protection has the authority to exclude from entry, detain and/or seize goods that infringe a recorded mark (19 CFR §133.0 *et seq*). When it identifies goods that it thinks may be counterfeit, Customs and Border Protection will detain the suspect goods and notify the brand owner within 30 days. The brand owner will then have 30 days to provide written consent or the goods will be formally seized and subject to forfeiture. Customs and Border Protection may also impose civil fines for the import of counterfeit goods.

The joint strategic plan identifies a number of items aimed at improving Customs and Border Protection’s ability to protect the border against counterfeit goods, such as:

- enhancing its authority over infringing exports;
- increasing communication between Customs and Border Protection, the International Trade Commission and brand owners; and
- providing penalty relief to importers that voluntarily disclose violations to

Customs and Border Protection.

#### International Trade Commission

In addition to recording a mark with Customs and Border Protection, brand owners should consider bringing an action before the International Trade Commission, an administrative body that is authorised to act against “unfair methods of competition and unfair acts in the importation of articles in to the United States” (19 USC §1337, known as Section 337). The International Trade Commission has the power to issue the following:

- a general exclusion order against all infringing products (including entities not party to the investigation);
- a limited exclusion order against specific respondents;
- a cease and desist order directed against specific parties; and
- preliminary relief while an action is pending (19 USC §1337 (d)-(f)).

Section 337 orders are an especially important mechanism for owners of unregistered trademarks and trade dress, which cannot take advantage of the protection provided by Customs and Border Protection without them. However, registrants may also find it useful to pursue a Section 337 order. There are several advantages to litigating before the International Trade Commission as opposed to a federal court (eg, the availability of expert judges, broader remedies, expedited hearings and more expansive jurisdiction). For example, Section 337 does not require personal jurisdiction over foreign manufacturers; rather the statute permits *in rem* orders, which provides jurisdiction over the goods. While relatively few brand owners utilise Section 337, it can be an effective means of preventing the import of infringing goods into the United States and should be considered in a brand owner’s overall enforcement strategy.

#### Criminal prosecution

Criminal counterfeiting laws are important weapons in the fight against counterfeiting, particularly since recent counterfeiting laws have increased the criminal penalties available. Only the US government can prosecute federal criminal counterfeiting violations. While there is no private right of action for brand owners to enforce criminal provisions, they can still play an important role in the effectiveness of criminal counterfeiting laws by informing the government of counterfeit goods and cooperating with the prosecution.

Section 2320 of Title 18 of the US Code provides criminal penalties for intentional trafficking, or attempting to traffic, in goods or services with the knowledge that the goods or services are counterfeit. The term ‘traffic’ is broadly defined and may include manufacturing, importing, exporting, holding and selling the product.

For first-time offenders, the statute imposes a maximum penalty of 10 years’ imprisonment and/or a \$2 million fine in the case of an individual and a \$5 million fine in the case of a corporation or other entity. The law provides for increased penalties for repeat offenders, namely 20 years’ imprisonment and/or a \$5 million fine for individuals and a \$15 million fine for other entities. If the defendant is convicted of knowingly or recklessly causing or attempting to cause death when violating the criminal counterfeiting laws, the maximum penalty can include life in prison. Moreover, the court may order the forfeiture of any proceeds or property that derived from the offence, any property used to commit the offence and any articles prohibited by the statute, as well as ordering the defendant to pay restitution to any persons directly or proximately harmed by the offence.

Further, a number of states have their own criminal counterfeiting statutes. These should be reviewed to determine their applicability in a given situation.

#### Civil enforcement

When a company believes that its goods or services are being counterfeited, it may file a federal civil action under the Lanham Act against both direct infringers and parties that intentionally assist the infringer (eg, flea market owners or swap meet operators who knowingly provide a booth to a vendor of counterfeit goods). The Lanham Act provides a variety of remedies to counterfeit plaintiffs, including *ex parte* seizures, expedited discovery, injunctive relief, treble damages/profits or statutory fees, attorneys’ fees, costs and the destruction and recall of counterfeit goods.

Successful plaintiffs in a civil counterfeit suit may be entitled to treble damages or profits (15 USC § 1117). The Lanham Act provides for mandatory treble damages or profits to successful plaintiffs unless there are “extenuating circumstances”, which is an extreme exception and rarely granted. The purpose of the liberal award is both to deter piracy and to encourage private enforcement, especially in light of limited governmental resources to stem the burgeoning counterfeiting problem through

criminal prosecution. As an alternative, plaintiffs may elect statutory damages instead of actual damages or profits. The Pro-IP Act recently doubled the statutory damages available: a plaintiff may now receive an award of anywhere between \$1,000 and \$200,000 per counterfeit mark per type of goods or, in the case of wilful infringement, up to \$2 million.

As trademark counterfeiters are often 'fly-by-night' vendors who sell in the streets and use false contact information, it can be difficult to obtain their identities and the location of the counterfeit goods. Moreover, such untrustworthy businesses are likely to destroy the products or transfer the goods to other vendors if they receive advance notice of an action against them. Thus, an important extraordinary remedy available in civil counterfeiting actions under the Lanham Act (15 USC § 1116) is the *ex parte* seizure of counterfeit goods and related items, before they are distributed to the market and without notice to the defendant. Applicants of such orders must demonstrate a number of elements, such as a likelihood of success on the merits, immediate and irreparable injury and that the defendant, if notified, would move, destroy or conceal the counterfeit goods.

#### Anti-counterfeiting online

The rise of the Internet has exacerbated the counterfeiting problem by allowing counterfeiters to reach large audiences with minimal start-up costs. Traditional anti-counterfeiting strategies are often ineffective at halting online counterfeiting. For example, online counterfeiters do not typically maintain large inventories to be seized; rather, counterfeiters 'drop ship' goods directly to customers using the Chinese and US postal services. It is also more difficult, if not impossible, to track down the identities of online counterfeiters.

Brand owners have turned their attention to secondary actors, such as online auction sites, credit card processors, internet service providers and even municipalities which operate flea markets. These actions typically turn on whether the secondary actor is contributorily liable for the counterfeiter's infringement. This requires the brand owner to show that the secondary actor:

- intentionally induced the counterfeiter to infringe through the sale of counterfeit goods; or
- knowingly supplied goods or services to counterfeiters and had sufficient control over the infringing activity to merit liability.

In a landmark 2008 decision, affirmed on appeal in 2010, a federal district court held that online auction website eBay was not contributorily liable to jewellery maker Tiffany for sales of counterfeit Tiffany jewellery carried out through its website (*Tiffany, Inc v eBay Inc*, 600 F 3d 93 (2d Cir 2010)). The lower court rejected Tiffany's attempts to shift the policing burden to eBay, reasoning that while eBay had a duty to stop sales of specific products that it knew were counterfeit, it could not be held liable for trademark infringement when it failed to act on generalised knowledge that trademark infringement might be occurring on its website. In this case, when eBay was notified that certain sellers were selling counterfeits, those sellers' listings were removed; thus, eBay was not liable. On November 29 2010 the Supreme Court denied Tiffany's petition to review the appellate court holding.

A more recent federal court decision held that credit card processors could be held contributorily liable for trademark infringement for doing business with a website which sold fake Gucci products (*Gucci America, Inc v Frontline Processing Corp*, 2010 WL 2541367 (SDNY June 23 2010)). The court held that Gucci pled sufficient facts against direct credit card processors to support that the processors had knowledge of the infringing activity and control over the infringer to render the processors liable for the infringing practices. The court held that Gucci did not have to show that the credit card processors could stop the infringing activity or the website.

Recognising the difficulties that the Internet has caused brand owners' enforcement efforts, a group of senators recently introduced the Combating Online Infringement and Counterfeits Act in an effort to strengthen the government's authority against online piracy and the sale of counterfeit goods. The proposed bill would authorise the Department of Justice to file an *in rem* lawsuit against the domain name of an infringing website and seek an immediate order to suspend the site. The bill is currently pending consideration by the Senate.

#### Preventive measures and strategies

In order to take full advantage of the US anti-counterfeiting laws and other available measures, brand owners must be proactive in monitoring unauthorised use of their marks and policing the marketplace for counterfeit goods. In order to develop an effective enforcement strategy against infringers, brand owners should:

- register key trademarks and trade dress

with the USPTO;

- record key registered trademarks and trade dress with Customs and Border Protection. Unregistered trade names that have been in use for at least six months also may be eligible for recordation. They should also provide Customs and Border Protection with comprehensive and up-to-date product identification information and set up training sessions to educate inspectors on how to identify counterfeit goods, as well as notifying Customs and Border Protection of known or suspected violations;
- incorporate anti-counterfeit identification information into genuine goods (eg, holograms, labels, wireless tracking device, security inks and bar codes) to facilitate identification and inhibit the counterfeiting of genuine goods;
- hire third-party investigators to develop information on the counterfeit goods, the individuals behind the counterfeit sales, the sales locations and the numbers of counterfeit goods. They should be experienced and prepared to serve as witnesses if necessary;
- notify local law enforcement to consider criminal action;
- police the Internet for counterfeit goods; and
- utilise informal remedies and take-down procedures offered on websites selling goods such as eBay's Verified Rights Owners programme, under which brand owners register their rights with eBay and can request removal of infringing listings on the site. [WTR](#)

## Biographies

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Philip Jones, chair of the firm's US trademark prosecution group, practises in the fields of trademark and unfair competition law, and copyright law. His experience includes litigation in federal courts and before the Trademark Trial and Appeal Board, analysing clearance opinions, client counselling, trademark and copyright prosecution, false advertising issues and licensing. Mr Jones has represented clients in the fields of air transportation, internet search engines, financial services, toys, consumer products, restaurant and retail services, telecommunications and alternative newspapers. He has also handled domain name arbitration proceedings. Mr Jones has given speeches on trademark topics at various venues including the Association of Corporate Counsel Annual Meeting, the Chicago chapter of the Association of Corporate Counsel and the Practising Law Institute.



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Michelle Miller's IP law practice focuses on all aspects of domestic and international trademarks, trade dress, copyright and unfair competition law. She has represented companies such as Amway Corp in a tortious interference matter; ConvaTec in trademark infringement, unfair competition and cybersquatting matters; Danjaq, owner of the JAMES BOND and 007 marks; and Kimberly-Clark in trademark infringement and unfair competition matters regarding colour trademarks. Ms Miller is a member of the International Trademark Association, the Coalition of Women in Law Firms, the Chicago Bar Association, Young Professionals of Chicago and the Georgetown Club of Chicago. Ms Miller is a 2006 graduate of the Boston University School of Law and in 2003 received a BA *cum laude* from Georgetown University in government and English. She is admitted to practise in Illinois and the District of Columbia.