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[This paper was prepared in response to a questionnaire circulated to lawyers of about a dozen countries around the world for a working session on counterfeiting laws around the world held during the 1993 AIJA Congress in Rio. Since the paper was written, Congress passed the Anticounterfeiting Consumer Protection Act of 1996. The act establishes an elective statutory damage scheme similar to that for copyright, but providing from \$500 to \$100,000, and as much as \$1,000,000 in statutory damages for wilful infringement. 18 USC Section 2318 has been expanded to including the trafficking in computer software labels and packaging. Various acts of infringing and trafficking in counterfeit labels have been made predicate acts under RICO. Additional features of the statute will be discussed in a future site.]

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" How to Fight Against Counterfeiting"

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Counterfeit Law in the United States

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A. Civil Law

1. Definition of counterfeiting

Although the word "counterfeiting" is used in reference to unauthorized appropriation of a variety of different types of Intellectual property, only in the trademark area is the term "counterfeiting" technically accurate semantically in U.S. parlance. Nevertheless, the term "counterfeiting" has some connotation associated with each of the types of intellectual properties specified in the questionnaire.

In relation to patent infringement, the term counterfeit, if it has a meaning at all, is probably associated with the situation where not merely each of the elements covered by a patents is infringed, but the very specific details of the product are copied as well.

In the trademark area a counterfeit is defined in a somewhat circuitous manner [[15 U.S.C. 1116(d) (I)(B)] as;

(i) a counterfeit of a mark that is registered on the principal register of the United States Patent and Trademark Office for such goods or services said, 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; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this Act are made available by reason of Section 380 of Title 36 [special statute pertaining to Olympic designations.]

Counterfeiting in the trademark sense goes beyond mere likelihood of consumer confusion at point of purchase but even to the situation of the "walking advertisement" resulting in confusion. Counterfeiting can exist where there is no confusion of the purchaser but of a third party such as the person on the street who sees the merchandise carried by the consumer long after its purchase. Examples of cases supporting this type of an infringement have been decided in connection with imitation Louis Vuitton handbags, and automobile designs having the marks and appearance of a Ferrari body design. A real and justifiable concern of lawmakers and the Judiciary is the counterfeiting of products where public safety of third parties, rather than merely purchasers might be compromised.

The United States does not have model protection but it does have design patent protection. A design patent protects the ornamental appearance of a useful article. Counterfeiting of an article protected by a design patent is not defined by law. The connotation of a counterfeit design would be one which closely corresponds to that design depicted on a product.

In the copyright area, a term often associated with the term "counterfeiting" is piracy. Piracy commonly refers to clear cut unauthorized infringement of sound recordings, videos, and computer software. Frequently, the term counterfeiting, that is, the use of a counterfeit trademark, also occurs in connection with video or software piracy. The term counterfeiting in connection with a computer chip or "masked work" is similar to that in the copyright area. There is no definition of a counterfeit under the Semiconductor Chip Protection Act of 1984. In both copyright protection and masked work protection, piracy involves reproductions of works which essentially directly fulfill the sales of the original owner of the intellectual property.

2. Types of legal actions and remedies

There is only one type of action which may be filed for infringement of intellectual property, though various remedies are provided by the court which include injunction, declaratory relief, seizure, or impoundment, destruction of infringing goods and damages.

In each of the various types of intellectual property outlined, the courts will, in appropriate circumstances, grant preliminary injunctions to stop complained of piracy. A preliminary injunction is a court order which restrains a party from further infringing activity until a full trial in the matter can be heard. A preliminary injunction over a shorter period of time, without full notice to the opposing party is called a temporary restraining order (TRO). Courts will grant TRO'S to preserve the status quo until a hearing on the motion or application for preliminary injunction can be filed. A permanent injunction may be granted at the conclusion of the case.

As a strategic matter involving counterfeiting situations, It is often desirable to seek temporary relief without notice to the alleged counterfeiter, if it is believed that tie evidence of counterfeiting activity will disappear. Therefore, the plaintiff may seek to obtain orders on an ex parte basis without knowledge to the defendant. There are statutory provisions for ax parte seizure both under the

Copyright Rules of the United States Supreme Court and under the Trademark Counterfeiting Act of 1984. Prior to the Trademark Counterfeiting Act, the basis for obtaining this type of order is that a declaration be submitted showing to the court the justifiable reasons for not giving notice, and minimizing the intrusion absent appropriate procedural safeguards for the defendant. Typical declarations submitted would recite a laundry list of the problems typically encountered. In a counterfeiting situation, e.g., the defendant's business was portable, the business would disappear and number of businesses would be notified of the lawsuit, the records and infringing goods would disappear and the relief sought under the lawsuit would then be moot.

It has been only recently that courts have been willing to grant preliminary injunctions in connection with patent infringement matters. The reason is that in proving patent infringement, one of the key factors is that the plaintiff show a likelihood of success on the merits. In the United States, statistics had been against the likelihood of success at trial of patents since a large percentage of patents were invalidated by the court. The issues in patent infringement litigation and the defenses tended to be complex and the comfort level for a judge to restrain infringement of a patent was difficult at an early stage hearing. This was particularly the situation where the defendant had not had an opportunity to bring out what it perceived as being prior art, for example, which might prevent an adequately broad interpretation of infringement or invalidating prior art.

A relatively new court, the Court of Appeals for the Federal Circuit, in existence about ten years now, has caused greater uniformity in the patent decisions issued by the various Federal District Courts across the country and have tended to uphold a greater percentage of patents. The Federal Circuit, rather than the regular federal appellate courts, now hear appeals in patent infringement cases exclusively and its decisions are binding on Federal District Courts under stare decisis. Injunctions under the right circumstances are granted by Federal District Courts.

The same issues with utility patents occur in connection with a design patent where the level of complexity tends to be much lower and there is a far greater likelihood that an injunction will issue to enjoin enforcement of a design patent, given an appropriate factual situation. In connection with both design and utility patents, permanent injunctions are available at the conclusion of a case.

Under the Federal Rules of Civil Procedure which are applicable to all types of infringement actions and other actions in the federal courts, a party on request, or the judge on the court's own motion, may consolidate the trial of the matter with the preliminary injunction hearing and in doing so may end up granting a permanent injunction at an early stage in the case.

In connection with all different types of intellectual property, it is possible to obtain declaratory relief stating that a patent, copyright or trademark is valid and infringed.

3. Statute of limitations

The statute of limitations for both utility patent infringement and design patent infringement is six years. 35 U.S.C. 286.

For trademark infringement there is no statute of limitations specified under the Lanham Act (the federal trademark statute), and the defense of laches, discussed below, is more often the critical factor. The court may apply a statute of limitations in existence in the state where the court sits, which may vary from state to state, typically, though not necessarily from three years to six years.

For both copyright infringement and mask works infringement the statute of limitations is three years. [35 U.S.C. 507; 17 U.S.C. 911(d)] The three year period begins to run from the last infringing act. Some courts will permit recovery for any infringing activity occurring within the period of the statute of limitations prior to filing the lawsuit.

In addition to the strict statute of limitations, the concept of laches also is applicable in all types of infringement litigation. A unjustified delay on the part of the plaintiff resulting in a material change in position on the part of the defendant will prevent the plaintiff from successfully prevailing against the defendant. This then can have the effect of considerably shortening any fixed statute of limitations.

4. Damages

Damage suits may be brought for infringement of all the listed types of intellectual property. For patent infringement and design patent infringement damages are "damages adequate to compensate for the infringement, but In no event less than a reasonable royalty for the use made of the invention by the infringer together with interest and costs as fixed by the court." 35 U.S.C. . 284. In the event that the actions of the defendant are willful, that amount may be increased up to three times the damages assessed. in the counterfeiting and piracy area, this is an ideal situation where treble damages might apply. Factors which are considered in awarding enhanced damages include the following: (1) deliberate copying; (2) the infringer did not have a good faith belief in the invalidity or noninfringement of the patent; (3) the nature of the infringers conduct during litigation; (4) the infringers size and financial condition; (5) closeness of the case; (6) the duration of the misconduct; (7) the infringers motivation for harm; and (8) the infringers attempt to conceal the misconduct. *Read Corp. v. Porte., Inc.* 23 USPQ2d 1426 (Fed Cir 1992).

In the design patent area, there is an additional remedy permitting recovery of defendant's entire profit, not available in the case of infringement of utility patents. 35 U.S.C. 286.

In the trademark area, actual provable damages may be assessed against the defendant. Typically, under equitable principles, the plaintiff may be awarded the profits of the infringer which may be, under equitable principles, trebled by the court. particularly appropriate in counterfeit situations. Note that damages are easier to show in the counterfeiting situation for trademark infringement since real damage is likely to be incurred in the form of lost sales by the plaintiff.

In copyright infringement, damages assessed are either actual damages, typically in the form of plaintiffs lost sales, or profits of the infringer attributable to the infringement. 17 U.S.C. 504. Damages for infringement of "masked works" are actual damages and profits, following the same approach as with copyright infringement. The copyright plaintiff, who has registered its copyright with the Copyright Office before the infringement had occurred (including Berne Convention nationals), has the opportunity of obtaining what are known as statutory damages. Statutory damages assessed by the court are in the amount of between \$500 and \$20,000 against each defendant, generally for each copyrighted work. In some situations the copyrighted works are lumped together so that multiple and exceptionally large statutory damage awards are not possible. However in the case of counterfeiting or piracy, that is, where copyright infringement has been found to have been willful, the \$20,000 figure for statutory damages may be enhanced by the court from \$20,000 to \$100,000.

Statutory damages are also available for masked work infringements for up to \$250,000. 17 U.S.C. 911(c). Registration prior to infringement is not a prerequisite for statutory damages for masked

works, however, registration for masked works is a prerequisite for bringing suit and rights in masked works terminates 2 years after initial commercial exploitation anywhere in the world, if registration is not made within that time frame.

5. Seizure and destruction of counterfeit goods

Although seizure and impoundment are provided for both under the copyright laws and the trademark laws, the laws and rules have developed quite differently under the copyright act and the trademark laws. The Supreme Court Rules under the copyright laws were promulgated under the old Copyright Act of 1909. The trademark seizure law as a significant part of the Trademark Counterfeiting Act of 1984 was enacted only within the past ten years, specifically In response to Congress recognizing the realities of counterfeiting activity. Congress was made aware of consumer status products as well as counterfeiting where the public was at risk in connection with safety measures associated with products, for example, in the aircraft industry, in pharmaceutical area and in connection with dangerous toys. This resulted in the Trademark Counterfeiting Act of 1984 providing a statutory basis for seizure of counterfeit goods, while setting out strict guidelines and limits to use of the procedure, along with the basis of an action for wrongful seizure. The concerns with seizure dealt with the proximity of seizures to undue and potentially constitutionally violative intrusions sanctioned by the government. In order to limit undue intrusions of the public, and provide protection for improper seizures, the law provides that the court must find each of the following to issue a seizure order:

(1) an order other than ex parte seizure is not adequate to achieve the purposes of finding infringement

(2) the applicant has not publicized the requested seizure

(3) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods and services

(4) an immediate and irreparable injury will occur if such seizure is not ordered

(5) the matter to be seized will be located at the place identified in the application

(6) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application and

(7) the person against whom seizure would be ordered or persons acting in concern with such person would destroy, move hide or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

There are specific requirements for the order as well which must set out findings of fact and conclusions of law which is required to show that the above findings were made.

Once seizure has been obtained, the court provides further protection to the party subject to seizure. The court must hold a hearing on the date set by the court, whereby the party obtaining the seizure must prove the facts supporting the seizure, or the order will be dissolved or modified.

The defendant is given a cause of action for wrongful seizure, including entitlement to recover for damages for lost profits, costs, good will and punitive damages where the seizure was sought in bad

faith, and attorneys fees unless extenuating circumstances were present. The court may also award to the defendant prejudgment interest.

As a result of the differences and divergences of the copyright and trademark laws and rules, the practitioner must be careful to distinguish among these laws in both seeking relief and in carrying out the seizure. Any heavy-handed appearance of the plaintiff to the court is likely to have a negative effect on the case should it proceed. Both under the copyright law, [[17 U.S.C. 503] and trademark laws, [[15 U.S.C. 1118) it is possible to obtain an order at the end of the case whereby there is in fact destruction of the pirated or counterfeit goods. This is often accompanied by publicity initiated by the plaintiff to the press. However, no such provision exists under the Patent Act. The remedies under the Semiconductor Chip Protection Act of 1984 are similar to those under the Copyright Act permitting destruction of both the infringing semiconductor chips and the "articles by means of which such products may be reproduced". [[35 U.S.C. 911(e)(2))

6. Publication and publicity

There is no national legislation authorizing publication of the civil judgment obtained against the counterfeiters. Under the Trademark Counterfeiting Act there is a special provision whereby publicity concerning the seizure under the Trademark Counterfeiting Act of 1984 is actually prohibited and gives the court the power to protect the defendant against publicity. Moreover, prior to seizure, the court is actually required to seal the entire court record so that the public and the press are prevented from viewing the court files, at least on a temporary basis at least until the party against whom seizure has been directed has had an opportunity to contest the order.

At the conclusion of the case, when a judgment is entered, there is nothing that would prohibit publication of the civil judgment, however that is not something that the court engages in and is up to the parties to the lawsuit. Publicity is typically an issue which is dealt with in a settlement. The parties may stipulate that there be no focused publicity where in other circumstances publicity may be a specific part of the settlement agreement. The court records are public and news reporters as well others are permitted to normally see and obtain copies of court records for publication.

7. Civil procedure

The owner of a patent, design patent or copyright or an exclusive licensee of any particular rights can file a civil lawsuit for infringement. The owner of a trademark may file an action for trademark infringement. The owner as opposed to a licensee may be required to be joined in an action for infringement, since the litigation may potentially place the owner's intellectual property in jeopardy of being invalidated.

The lawsuit is commenced by filing a complaint with the clerk of the United States District Court usually where the counterfeiting activity is occurring. A summons to answer the complaint is issued by the clerk of the court. The complaint and summons are served on the defendant.

If a Temporary Restraining Order (TRO) is desired, an application is prepared which generally consists of a relatively short legal brief, along with declarations of individuals who can competently state on the basis of personal knowledge that the defendants are engaged in counterfeiting activity, along with the nature and location of that activity. In addition., a motion or application for a preliminary injunction is also prepared. This tends to be a more in depth legal brief supporting an Order to Show Cause Why A Preliminary Injunction should not be Granted. The legal brief intertwines the facts supported in the declarations to convince the court why it should grant the

extraordinary relief requested by way of injunction pending trial in the matter. If a TRO is granted, a bond must be posted within a short period of time, in order that the TRO be effective. A request for seizure is often requested at this point in time in connection with copyright and trademark cases.

If a "temporary restraining order" is sought at the same time, and granted by the court, papers are personally served on the defendant which include the application for the temporary restraining order, the temporary restraining order itself, along with the summons and complaint. Also served is the "Order to Show Cause Why a Preliminary Injunction Should Not be Issued" on the defendant, setting out dates for a preliminary injunction hearing and specifying the date the defendant must submit a written response.

In the counterfeiting situation, additional considerations come into play. For example, one of the concerns is secrecy, to prevent the defendant from learning of the pending litigation to avoid the defendant from secreting records and evidence of infringement. In this situation, the plaintiff may request that the documents be filed with the court under seal. Filing documents under seal may not be a readily accepted practice of the court since there is a public policy supporting free and open access to the proceedings of the court. Thus, the court must be given substantial justification. In the trademark area, the basis for keeping certain documents under seal appears in the Trademark Counterfeit Act of 1984, which in fact requires that the file be sealed, at least initially.

The equivalent of Anton Pillar orders are not generally available in the United States. However, several techniques come close. For copyright seizures, document discovery is not available, though it is possible to seize not only infringing goods but the means and manner by which goods are made. In the video piracy area, it had been common for one motion picture studio to publicize its seizures by including in the seized goods video reproduction equipment. In the trademark counterfeit area, the statute specifically provides for obtaining an order for "records documenting the manufacture, sale, or receipt of things involved in such violation" on an ex parte basis. IS U.S.C. 1116(d)(1)(A).

The Federal Rules of Civil Procedure (FRCP) are applicable to intellectual property cases brought in the federal courts. If the case continues, the parties usually proceed with discovery rules under the FRCP which permit discovery of facts to help prove one's case. Discovery includes among others methods, written interrogatories, requests for production of documents, written admissions, and depositions. Written Interrogatories are written questions answered under oath (thus subject to penalty of perjury if not truthfully answered), which in recent years are typically limited by local court rules (e.g. 30 questions with no multiple subparts), and soon will probably also the Federal Rules themselves will limit their number. The Federal Rules of Civil Procedure are effective nationwide in Federal District Courts. Requests for admissions are statements requesting the other party to admit that certain facts are true. These must be admitted or denied. The parties can request admissions that certain documents are indeed genuine. Document production and inspection requires that the defendant produce documents in its possession or control as set out in a document production request. Depositions are a form of live questioning of witnesses by counsel. Present are counsel on both sides, along with the witness and a shorthand reporter who takes down the questions and answers on a special shorthand reporter machine. The questions and answers are transcribed later into a booklet, reviewed and signed by the witness (deponent). Some depositions are now videotaped in addition to be taken down by a shorthand reporter. It is also possible to conduct depositions by telephone, though this can be difficult in practice. Other forms of discovery are occasionally used.

Motions are filed by various parties to limit the issues to the case and narrowly defined the issues to be decided for trial. Legal issues are determined by the court, and the parties may try to file motions

for summary judgment where there are no factual issues in dispute, in which case the legal issues are determined by the court.

Pretrial proceedings are used to further refine the issues for trial. Civil trials as well as criminal trials may be tried before a jury, if requested by either side. Although the determination of actual damages is by the trier of fact, that is jury if a jury trial was requested, the judge has the ultimate discretion to determine statutory damages in copyright and chip protection cases, if so elected by the plaintiff.

The characteristics of the civil laws used to determine infringement of a patent are that each element set forth in at least one claim of a patent appear in the infringing device. If the element does not literally appear in the infringing device, its equivalent must appear in the infringing device. This is known as the Doctrine of Equivalents which permits elements which serve the same purpose and in the same manner and in the same way of the element specified in a claim to satisfy the test of infringement. The Doctrine of Equivalents is limited by another doctrine known as "File Wrapper Estoppel" in which one may not seek a broader definition of the patent claim than one has given up in communication or correspondence with the Patent and Trademark Office.

Under the trademark laws, infringement is measured based on whether the allegedly infringing mark is likely to confuse a significant segment of the consuming public. The confusion may be as to source or origin of the goods, or licensing or sponsorship. What is meant by "significant segment" is determined by the judge or jury. Where surveys have been admitted, it has been held that, for example, 25% of the public being confused is significant and it has also been held that confusion as to 10% of the public is also significant. It is often thought that confusion must be at the point of purchase, however, particularly important in connection with counterfeit merchandise is the fact that the courts have liberalized their interpretation so that even where a famous status product does not result in confusion at the point of purchase, the courts will under a quasi-dilution doctrine find for infringement. Examples of this have occurred for example, with Louis Vuitton handbags where the public is not likely to think that the merchandise was actually made by Louis Vuitton, particularly where the infringement relates more in the nature of style piracy. Another example has been in connection with expensive automobile designs and design kits where the party purchasing the vehicle is well aware that the vehicle is not made or authorized by the famous status manufacturer, but is indeed intended to be only a replica.

The test of infringement in connection with a design patent is that the infringing design must be a colorable imitation of the patented design. The test of infringement of here is actually somewhat closer to a standard for trademark infringement rather than patent infringement.

In the copyright area, the test of infringement is whether there is substantial similarity of protectable expression. In establishing infringement for copyright, one must show that the plaintiff is the owner of the copyright or of the exclusive right sought to be enforced. This is typically shown by a Copyright Registration Certificate. Infringement is rarely shown by direct evidence. It is commonly shown by proof of access and probative similarity to raise an inference that the work has indeed been copied. Once copying has been shown, infringement still requires a showing of substantial similarity with the infringing work. That substantial similarity is from the protectable aspects of the work as opposed to the portions of the work that are not protectable, such as ideas. The test of infringement of a chip or masked work is the same as for copyright infringement, that being substantial similarity. In the counterfeiting or piracy context, the similarity is generally so striking so that the access issue is usually not a problem and the determination of copying is readily established.

In the patent and design patent areas, only the patent owner or an exclusive licensee is entitled to file a suit for infringement. In the copyright and masked work areas, the owner of an exclusive right is entitled to file a lawsuit for infringement. In the trademark area, the owner of the trademark is usually the only party entitled to file a lawsuit for infringement. Exclusive licensees having characteristics of ownership may sue. Under the generalized trademark infringement statute, Section 43(a) of the Lanham Act, anyone "who believes that he or she is likely to be damaged by such act" has the right to bring suit.

The competent court for filing an action for patent, design patent or copyright infringement is only the United States District Court. Thus it is not possible at the present time to file a lawsuit in the state court or the small claims court for either copyright infringement or patent infringement. A lawsuit for trademark infringement, on the other hand, may be brought either in a state court or a federal court. However a lawsuit for trademark infringement may not be brought in federal court unless there is an aspect of infringement which affects interstate commerce. Federal courts also have exclusive jurisdiction of patent and design patent infringement cases.

8. Counterfeiting as unfair competition law

Of the various types of intellectual property rights discussed, only counterfeiting of a trademark or an indication of a source results in infringement under unfair competition provisions of our national law. That results in part from the fact that there is no general federal common law of unfair competition. The primary statute dealing with unfair competition is Section 43(a) of the Lanham Act which essentially protects against violations of false designations of origin. It, in effect, is part of the trademark law and essentially provides a generalized form of trademark infringement remedy for marks and other designations of origin which may or may not even be registered.

9. Protective measures

Foreign nationals are entitled to the benefits of protection available under the Lanham Act on a reciprocal basis where a treaty is in effect, including the Paris convention. The remedies available to US nationals under the Lanham Act are made available to foreign nationals under Section 44(h) of the Act. However, the benefits under the Counterfeiting Act of 1984 pertaining to the availability of seizure is only available to registered marks. Thus, as a practical matter, for this and other reasons it becomes beneficial to register prominent marks likely to be the subject of counterfeiting with the U.S. Patent and Trademark Office.

B. Criminal offenses.

1.1 Does counterfeiting constitute a criminal offense under the intellectual property law?

The "counterfeiting" of a patent or a design patent does not constitute a criminal offense under the intellectual property law of the United States or of the criminal laws of the United States.

One who traffics or attempts to traffic in goods or services knowingly using a counterfeit mark does commit a crime, under the Piracy and Counterfeiting Amendments Act of 1982. An offense requires proof that one (1) Intentionally (2) traffics or attempts to traffic in goods or services and (3) knowingly (4) uses a counterfeit mark (5) on or in connection with such goods or services. 18 U.S.C. 2320.

In addition, one who "traffics" in counterfeit labels for phonographs or copies of motion pictures or other audiovisual works" is also guilty of a crime under the Piracy and Counterfeiting Amendments of 1982. The statute requires that one (1) knowingly (2) traffics in (3) a counterfeit label affixed or designed to be fixed to a phonorecord, or a copy of a motion picture or other audiovisual work. Label is defined as one that appears to be genuine but is not. Traffic is defined as to "transport, transfer or otherwise dispose of, to another, as consideration for anything of value or to make or obtain control of with intent to so transport, transfer or dispose of". In order that the U.S. government have the ability to obtain jurisdiction, the offense must either be committed under the special maritime or aircraft jurisdiction of the United States, or by, use of the mail or a facility of interstate or foreign commerce. Also, Jurisdiction attaches if the counterfeit label is affixed to one of the copyrighted works referred to In the statute. 18 U.S.C. 2318.

Copyright infringement is a criminal offense both under Section 506(a) of the Copyright Act, and under Section 2319 of the criminal laws setting out penalties for criminal copyright infringement. The elements of criminal copyright infringement require In addition to claims under the civil law, the element of intent. In the trademark area, the prosecutor must prove that the defendant either manufactured for sale, sold or distributed a confusingly similar mark. The prosecution must show that the defendant knew the mark was owned by another. The prosecutor must prove its cases beyond a reasonable doubt.

1.2 Penalties for the offenses

The penalties for the offense of "knowingly trafficking In a counterfeit label" is a fine of \$250,000 or imprisonment for not more than five years, or both, under the Piracy and Counterfeiting Amendments Act of 1982. [[18 U.S.C. 2318] The penalty for criminal copyright infringement involving sound recordings, motion pictures or other audiovisual works depends on the quantity distributed and the time period. The fine is a maximum of \$250,000 or imprisonment for not more than five years or bath if the offense involves 1000 phonorecords or copies in a 100 day period, or 65 copies of a motion picture or audiovisual work within my that time period. In the event of a second offense involving either a sound recording, motion picture or other audiovisual work, the fine is not more than \$250,000 or not more then two years or both. If the quantity is smaller that is, between 100 and 1000 phonorecords in a 181 day period, or between 7 and 65 copies of a motion picture, then the fine is not more than \$25,000 or imprisonment for not more than one year or both.

For knowingly trafficking in goods or services using a counterfeit mark, the penalties are not more then \$250,000 or Imprisonment for not more than 5 years or bath, and If a person not an individual, the fine is not more than \$1,000,000. 18 U.S.C. 2320(A) provides for fines of up to \$1,000,000 and Imprisonment of up to 15 years for individual repeat offenders and up to \$5,000,000 for individual repeat offenders.

The purpose of these two statutes was to establish substantial penalties to give the prosecuting authorities, namely the office of the United States Attorney, greater Incentive to become involved in the prosecution of these types of cases.

2. Counterfeiting is not a criminal offense under national unfair competition law.

There is no separate national general unfair competition law making counterfeiting a crime.

3. Counterfeiting as criminal offense under national criminal law

The counterfeiting of the various types of intellectual property, with the exception of trademarks and indications of origins, does not constitute a criminal offense under the national legislation on unfair competition.

Counterfeiting does constitute a criminal offense under national criminal laws In the copyright and trademark areas referred to above in 6.1.2.

4. Double Application of offenses

There is no-double application of intellectual property and criminal laws. However, the criminal law regarding penalties [18 U.S.C. 2319] does, make reference to the Copyright Act [17 U.S.C. 506].

5. Destruction of counterfeit Products

National criminal legislation provides for destruction of counterfeited labels and articles 10 which counterfeit labels have been affixed or which were intended to have labels affixed for phonorecords and audiovisual works. 18 USC 231& National criminal legislation also provides that where by a preponderance of evidence that any articles in the possession of a defendant in a prosecution under Section 2320 (trafficking In counterfeit goods or services) bear counterfeit marks, the United States may obtain an order for the destruction of such articles.

6. Confiscation of gains

The national legislation on intellectual property and/or unfair competition law does not provide for confiscation of gains arising from criminal offenses, in favor of the state' However, there are as much as \$250,000 for Individuals and \$1,000,000 for nonindividuals for a first offense end up to \$1,000,000 for an individual for a subsequent offense and \$5,000,000 for a non individual for a subsequent offense.

7. Publication

There is no specific national legislation on intellectual property or unfair competition for the publication of a judgment rendered against the counterfeiter.

8. Confiscation or destruction

The criminal portion of the Trademark Counterfeiting Act of 1984 provides for destruction of counterfeited products.

9. Confiscation of gains

The criminal law does not provide for confiscation of gains, though significant monetary penalties may be Imposed.

10. No formal publication of judgment

There is no formal publication of a judgment rendered against counterfeiters under the national criminal law.

11. Statute of limitations under intellectual property law

The statute of limitations for criminal copyright infringement is 3 years. The Statute of limitations for trafficking in labels is not specified. The statute of limitations for trademark counterfeiting is not specified.

12. Statute of limitations under national criminal law.

The general federal statute of limitation is 5 years where a term is not otherwise specified by statute. There is no separate of limitations for criminal copyright Infringement In the criminal law, though the Copyright Act itself specifically refers to limitations of actions for criminal copyright infringement.

13. Characteristics of a criminal action

A criminal action for the Infringement of a trademark or indication of source can be prosecuted by the United States Attorney's office In the name of the United States at America. It is also possible for prosecutions to occur by the action of state authorities, such as the District Attorney or the City Attorney. however, it is somewhat unusual for the local prosecuting authorities to take such action. The criminal complaint Is normally filed In the United States District Court, if prosecuted by the U.S. Attorney's Office.

14. Interrelationship between civil and criminal proceedings

In the event that there is a criminal prosecution for counterfeiting, it would then be possible to file a civil action and obtain the benefit of the judgment rendered in the criminal case (beyond a reasonable doubt). Since the standard for infringement is much higher in the criminal case, the civil plaintiff could use this factor to its significant advantage.

15. Disclosure of suppliers not mandated by statute

The counterfeiter can be required to disclose the supplier of the counterfeit goods during the course of discovery In a civil proceeding, however, that may not be possible in a criminal proceeding. Moreover, if in the course of a civil proceeding, the specter of criminal prosecution is present, it is possible that the defendant may assert the privilege against self Incrimination, potentially limiting the scope of discovery.

C. Public Law

1. Customs intervention

National customs authorities are competent to intervene in cases of trademark or indication of source counterfeiting, copyright piracy and masked works piracy. However, patent infringement and design patent Infringement are outside at the scope of the customs regulations absent an exclusion order from the International Trade Commission. it is possible, though, to obtain an order from the International Trade Commission concerning products which infringe patents. However, the process tends to be rather lengthy, lasting a year or more, and requires not just a showing of patent infringement but also that the infringing activity or unfair acts have an effect or tendency of which is to destroy or substantially injury an industry efficiently and economically operated in the United States or to prevent the establishment of such an Industry or to restrain or monopolize trade and commerce in the United States."

2. Legal Action before customs

For stopping trademark infringement by the customs officials, it is first necessary that the trademark actually be registered with the United States Patent and Trademark Office. This procedure typically lasts from six months to a year and a half after it has been registered with the Patent and Trademark Office, it then must be recorded with the Treasury Department. This procedure may take perhaps three months or more. The Treasury Department then sends copies of the registration and the recordation to the various ports of entry. In order to be effective at stopping pirated merchandise it is necessary to specifically Inform the customs official with information concerning an Incoming shipment. Similarly, it is possible for the Customs authorities to stop copyright infringement and copyright piracy coming through customs, however it is necessary' first to register the copyright with the Copyright office and then record the copyright registration with Customs In a similar to that of a trademark recordation. A question has been raised in a recent case as to whether or not the registration requirement is required in view of the Berne Convention, however, that case is still pending at the present time.

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