

## Criminal Trademark Enforcement and the Problem of Inevitable Creep

Mark P. McKenna\*

Trademark owners have long been able to enforce their rights through a federal cause of action against unauthorized uses of their marks.<sup>1</sup> Private enforcement, however, is now only part of the story. The federal government also acts on behalf of mark owners, both seizing infringing and counterfeit goods at the border and prosecuting counterfeiters under federal criminal law.<sup>2</sup> 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.<sup>3</sup> But mark owners had to be content with civil remedies for most of the history of American trademark law – 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*.<sup>4</sup> Thus, for all practical purposes, criminal enforcement is a modern development, and one that has received little scholarly attention.

This essay focuses initially on the federal Trademark Counterfeiting Act (TCA). That statute was intended to increase the penalties associated with the most egregious instances of trademark infringement – those involving the use of an identical mark for the

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\* Professor of Law and Notre Dame Presidential Fellow, Notre Dame Law School. Thanks to Jeanne Fromer, Irina Manta, and Chris Sprigman for helpful discussions of the ideas in this paper.

<sup>1</sup> 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.

<sup>2</sup> See Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320.

<sup>3</sup> Act of Aug. 14, 1876, ch. 274, 19 Stat. 141.

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

identical goods or services for which the counterfeited mark is registered and which are likely to deceive consumers about the actual source of the goods.<sup>5</sup> But several recent trends in the application of the TCA suggest doctrinal creep is afoot. Courts have accepted as relevant in the counterfeiting context some of the most controversial theories of civil infringement, and they have interpreted specific provisions of the TCA in ways that undermine their limiting role.

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. Collectively these developments suggest a strong tendency for this form of regulation (particularly the use of extreme, but supposedly narrowly-tailored, remedies) to fail along the scope dimension. To put it simply, if the benefits of such provisions exceed their costs only to the extent there are limited to the truly egregious cases, then their benefits are unlikely to exceed their costs over time because narrow application will not hold.

## 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.<sup>6</sup> Most infringement law has been developed by courts, as the statutory provisions creating the causes of action are relatively sparse, and the details they

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<sup>5</sup> See 130 Cong. Rec. at 31,675.

<sup>6</sup> 15 U.S.C. §§ 1051 *et seq.*

contain are codifications of common law. Thus while the statute makes clear that infringement entails a use in commerce that is likely to cause confusion,<sup>7</sup> 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.<sup>8</sup> 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.<sup>9</sup>

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.<sup>10</sup> Under § 2320, anyone who intentionally “traffics in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services” is guilty of a criminal violation.<sup>11</sup> Penalties for counterfeiting are substantial – fines of as much as \$5,000,000 and as much as 10 years

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<sup>7</sup> 15 U.S.C. §§ 1114(1), 1125(a)(1)(A).

<sup>8</sup> 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”).

<sup>9</sup> 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).

<sup>10</sup> 18 U.S.C. § 2320.

<sup>11</sup> 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).

imprisonment for a first violation.<sup>12</sup> For purposes of § 2320, the term “counterfeit mark” means a “spurious mark”

- (i) that is used in connection with trafficking<sup>13</sup> 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.<sup>14</sup>

Congress also amended the Lanham Act to provide for enhanced civil remedies for counterfeiting at the same time it enacted the TCA.<sup>15</sup> 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

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<sup>12</sup> *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)).

<sup>13</sup> 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).

<sup>14</sup> 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.

<sup>15</sup> 15 U.S.C. §§ 1116(d), 1117(c), (d)

mark in connection with the sale, offering for sale, or distribution of goods or services.”<sup>16</sup>

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.<sup>17</sup> And plaintiffs may now elect in 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 was willful.<sup>18</sup>

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 essentially circular: a “counterfeit 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.”<sup>19</sup>

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<sup>16</sup> 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”).

<sup>17</sup> Id. at 1117(b)

<sup>18</sup> Id. at 1117(c). Significantly, under § 1117(e),

<sup>19</sup> 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.

## 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 in cases of counterfeiting, a special species of infringement of federally registered trademarks. The definition of counterfeiting for purposes of enhanced civil remedies is quite unclear, though it seems at least that the alleged counterfeiter must have been using the plaintiff's federally registered mark for the same goods or services for which the mark is registered and in use by the plaintiff. 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 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.<sup>20</sup> Thus, criminal liability should not attach to innocent infringement or use of a mark with a good faith belief that use was legitimate. Civil trademark infringement has no state of mind requirements, nor does it exempt from liability good faith uses.<sup>21</sup>

Counterfeiting is also more limited than civil infringement because only unauthorized use of *registered* marks violates the TCA,<sup>22</sup> whereas infringement claims

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<sup>20</sup> 18 U.S.C. § 2320(a).

<sup>21</sup> 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).

<sup>22</sup> 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

are available under the Lanham Act for both registered and unregistered marks.<sup>23</sup>

Criminal liability under the TCA requires that the defendant use the registered mark for the goods and services specifically identified in the registration. Civil liability is not so limited along this dimension either – the defendant in a civil case need not use the plaintiff’s mark for identical goods to be considered infringing. A mark owner may enforce its 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. 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.<sup>24</sup>

The goods and services identified in the registration also tend to take a back seat in infringement cases even when the plaintiff alleges infringement of a registered mark. Courts instead generally focus on the goods for which the plaintiff is actually using the mark, which they believe is a better indication of likely confusion. 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 criminal counterfeiting provision requires a more precise focus on the

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*United States Patent and Trademark Office* and in use”) (emphasis added). The defendant need not know that the mark is registered, however. *Id.*

<sup>23</sup> 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.

<sup>24</sup> 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). Notably, when it comes to the similarity of goods necessary to find infringement, the goods identified in the registration play very little role in anchoring the analysis. Courts instead tend to look more carefully at the goods for which the plaintiff is using the mark, which may or may not be exactly those identified in the registration.

identity between the defendant's goods and those listed in a particular registration. Any variation between them ought to defeat a counterfeiting claim.

## 2. The Heightened Similarity Requirement

Most significantly, counterfeiting liability is more limited because the TCA imposes criminal sanctions only when the defendant uses a mark that is “identical with, or substantially indistinguishable from” the registered mark.<sup>25</sup> 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 in specific cases.<sup>26</sup> Yet it seems quite clear that Congress meant to require a much higher level of similarity for criminal counterfeiting than is necessary in civil infringement cases, where mark similarity is only one factor to be considered in determining likelihood of confusion.<sup>27</sup>

The legislative history reflects Congress's view that a “counterfeit mark is the most egregious example of a mark that is ‘likely to cause confusion.’”<sup>28</sup> And Congress cited approvingly the Second Circuit's pre-Trademark Counterfeiting Act decision in *Montres Rolex, S.A. v. Snyder*,<sup>29</sup> in which the court interpreted the term “counterfeit” trademark for purposes of § 211 of the Customs Procedural Reform and Simplification Act of 1978,<sup>30</sup> and held that the lower court had applied the proper standard when it concluded

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<sup>25</sup> 18 U.S.C. § 2320(f)(1)(A)(ii).

<sup>26</sup> See 130 Cong. Rec. at 31,675 (explaining that courts would have to provide the specific meaning of “substantially indistinguishable”).

<sup>27</sup> 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).

<sup>28</sup> *Id.*

<sup>29</sup> 718 F.2d 524 (2d Cir. 1983).

<sup>30</sup> 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



that “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.”<sup>31</sup>

And *Montres Rolex* 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].<sup>32</sup>

To make clear exactly how high it believed this standard of “substantially indistinguishable” was, the *Montres Rolex* court commented on three other customs cases in which the defendant’s use could not have been properly determined to have been counterfeits.

In the first of those cases,<sup>33</sup> “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-known mark].” 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

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the Lanham Act to define the term “counterfeit mark.” Even then the Lanham Act defined “counterfeit mark” to mean “a spurious trademark which is identical with, or substantially indistinguishable from, a registered trademark.” See *Montres Roles*, 718 F.2d at 527.

<sup>31</sup> 718 F.2d at 527.

<sup>32</sup> Id. at 528.

<sup>33</sup> *In re Louis Vuitton*, (C.S.D. 80–97, August 31, 1979)

found it “doubtful that the average purchaser would have viewed these marks as substantially indistinguishable.”

In the second case,<sup>34</sup> the alleged counterfeiter used the name “Amazonas” as opposed to “Amazon” on shoe heels and soles. Customs had found that those two marks were similar enough to cause confusion, but the Second Circuit thought that case would have been an easy call under the “substantially indistinguishable” standard it embraced: “it could not be seriously contended that the average consumer would have found [the marks] substantially indistinguishable.

Finally, the court referred to a case in which the defendant used the name “Bolivia” as opposed to “Bulova” for watches.<sup>35</sup> 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.” According to the Second Circuit, Bolivia was not similar enough to be substantially indistinguishable, 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 cases, the Second Circuit believed, involved marks that were similar enough to be considered infringing, but were not “substantially indistinguishable.”

*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 meet the higher standard of “identical with, or substantially indistinguishable from” the registered mark. But that case also makes clear that that level similarity is not *sufficient* because the defendant’s use must *also* be likely to cause confusion. In other

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<sup>34</sup> *In re Amazonas*, (C.S.D. 80–39, July 17, 1979)

<sup>35</sup> *In re Bulova Watch Co.*, (C.S.D. 80–77, 14 Cus.Bull. No. 30, July 23, 1980)

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 in addition to evidence of a likelihood of confusion.

In many cases, of course, the evidence on these questions will substantially overlap, if not coincide, since the level of similarity will feature prominently in the determination of likely confusion. But this will not always be the case. The similarity question focuses on 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). The likelihood of confusion analysis, however, should never ignore those other elements because they 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 increasingly ignored the general understanding that criminal sanctions are meant to apply only in the most egregious cases and undermined many of the specific statutory limitations. To make matters worse, the government has used a number of other provisions to effectively criminalize conduct that would not 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,<sup>36</sup> courts in fact have expanded criminal liability in a number of ways. Some of these developments violate the general principle that criminal liability is supposed to be narrower than civil infringement; others eviscerate specific statutory limitations in the TCA.

### 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 highly controversial civil infringement doctrines. In a number of cases involving allegedly counterfeit luxury goods, 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.”<sup>37</sup>

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”

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<sup>36</sup> See, e.g., *United States v. Guerra*, 293 F.3d 1279, 1288 (11<sup>th</sup> Cir. 2002) (“the ‘identical or substantially indistinguishable’ standard is to be construed more narrowly in a criminal context than in a civil context”).

<sup>37</sup> 812 F.2d 1347, 1352 (11<sup>th</sup> Cir.1987). See also *United States v. Yamin*, 868 F.2d 130, 132 (5<sup>th</sup> 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 (2<sup>d</sup> Cir. 1990); *United States v. Gantos*, 817 F.2d 41, 43 (8<sup>th</sup> Cir. 1987).

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 is for sale on Canal Street, the price undoubtedly signals to them that the bags are fakes. 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.<sup>38</sup> Post-sale confusion is sufficient, these courts argue, because "[n]othing in the 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."<sup>39</sup>

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. Indeed, courts have to make a number of significant inferential leaps to string together any narrative that involves confusion.<sup>40</sup> They must assume that, even though the purchasers of fake Louis Vuitton bags on Canal street are not confused, those who see the purchasers carrying around their imitation bags will believe the bags are genuine and that will affect those observers' view of the quality of genuine Louis Vuitton goods and thereby somehow harm Louis Vuitton. These courts

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<sup>38</sup> *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 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); *See also* .

<sup>39</sup> *Torkington*, 812 F.2d at 1351; *U.S. v. Foote*, 413 F.3d 1240, 1246 (10<sup>th</sup> Cir. 2005).

<sup>40</sup> *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").

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 purchase behavior.<sup>41</sup> This, they suggest, even though they have no reliable information about those observers' future purchasing potential.

The implausibility of these 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.<sup>42</sup> 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 to protect mark owners and not really 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

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<sup>41</sup> In *Rolex Watch U.S.A v. Canner*, a civil pos-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).

<sup>42</sup> 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.

customers and to link that identity to their reputations for quality goods and services.

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.<sup>43</sup>

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,<sup>44</sup> 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.<sup>45</sup> But that conclusion is hardly inevitable, as there is precious little evidence of Congressional intent on the question.<sup>46</sup> More importantly, there are serious questions about the harms to trademark owners in the post-

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<sup>43</sup> *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).

<sup>44</sup> 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.

<sup>45</sup> *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”).

<sup>46</sup> 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.”

sale context, particularly in cases involving luxury goods (like many of the post-sale confusion cases). One recent study by Northwestern economist Yi Qian even suggests that counterfeiting *helps* rather than hurts high-end brands.<sup>47</sup> 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.”<sup>48</sup>

Nor is it clear why we should care about any harm to mark owners in the post-sale context even if they were likely to occur. 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.<sup>49</sup> It does not do so in order to avoid deception in the market, but purely because of a normative choice to value some consumers’ preferences over others.<sup>50</sup> As Jeremy 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.”<sup>51</sup>

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<sup>47</sup> 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>.

<sup>48</sup> *Id.* (manuscript at 2) (emphasis added).

<sup>49</sup> Sheff, *supra* note \_\_.

<sup>50</sup> 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).

<sup>51</sup> Sheff, *supra* note \_\_ at 775.



For these reasons, post-sale confusion is enormously controversial even in the civil infringement context, let alone the criminal counterfeiting context. And yet the Second Circuit specifically rejected the argument that the confusion requirement be read more narrowly in the criminal context 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.”<sup>52</sup>

## B. Eviscerating Express Statutory Limits

Not only have courts accepted post-sale confusion doctrine in the criminal counterfeiting context (a move that, though not clearly embraced by the statutory text, is also not explicitly ruled out), they have 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* standard for “substantially indistinguishable” (and noting 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.”<sup>53</sup>

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

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<sup>52</sup> *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: “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.”).

<sup>53</sup> *Montres Rolex*, 718 F.2d at 527.

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.<sup>54</sup> In that case, the defendant sold handbags with a composite pattern that consisted of a plaid pattern with an equestrian knight superimposed over it.



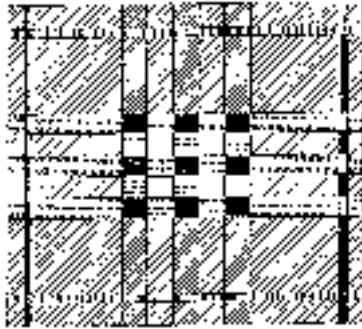
Burberry owned a federal registration of a plaid pattern,<sup>55</sup> which the Fourth Circuit believed was similar to the one used by the defendants, and it owned several other

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<sup>54</sup> 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 the defendant’s marks were “identical with, or substantially indistinguishable from” a registered mark.

<sup>55</sup> 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.

federal registration for an equestrian knight device.<sup>56</sup> But importantly, Burberry did not own a registration for any mark consisting of both components.



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."<sup>57</sup> Having noted that the defendant's product was very similar to Burberry's commercial products, on which Burberry often used both marks,<sup>58</sup> the court affirmed the district court's finding that the pattern was substantially indistinguishable from Burberry's registered plaid pattern. 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."<sup>59</sup>

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<sup>56</sup> 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.

<sup>57</sup> *Id.* at 195.

<sup>58</sup> *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).

<sup>59</sup> *Id.* at 200.

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 pattern to the registered Burberry plaid pattern.<sup>60</sup> In response, the district court judge essentially told the jury that it could decide whether to consider the knight device.<sup>61</sup> This was a clear legal error, but the Fourth Circuit was unmoved by it.

Unlike the ultimate 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

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<sup>60</sup> *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?”).

<sup>61</sup> *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.”).

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 confusion analysis); they should not be dissected into their constituent parts because the issue is the commercial impression of the mark as whole.<sup>62</sup> When confronted with that argument, the Fourth Circuit mangled the doctrine by 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.<sup>63</sup> Looking at the anti-dissection rule this

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<sup>62</sup> *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).

<sup>63</sup> *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.

way made the court focus solely on Burberry's mark (and not the defendant's), missing the point of anti-dissection entirely.<sup>64</sup>

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. 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.<sup>65</sup> In that case the defendant was arrested and charged with counterfeiting under a Massachusetts statute<sup>66</sup> for selling t-shirts that depicted the Vancouver Canucks hockey team's registered logo (right) overlaid with a large red opaque universal "NO" symbol (a circle with a line through it) (left).<sup>67</sup>



According to the state, the t-shirts contained logos, and the addition of the "NO" symbol made no difference, even though it's quite obvious that there was no risk that anyone would buy one of those t-shirts believing it came from the Vancouver Canucks (indeed, no reasonably person could possibly miss the critical message).

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<sup>64</sup> Id. ("It is unclear whether this rule applies to the Burberry Check mark, as it is not a composite.").

<sup>65</sup> Commonwealth v. Busa, Boston Municipal Court, Central Division (Docket 1101CR005277).

<sup>66</sup> M.G.L. c. 266 §147.

<sup>67</sup> 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."

The Massachusetts case ultimately was dismissed, and obviously it was not brought under the TCA.<sup>68</sup> But under the Fourth Circuit’s reasoning in *U.S. v. Lam*, a jury 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 a counterfeiting statute that clearly contemplates trademarks used in the conventional sense – used in conjunction with, but clearly separate from, the goods – in cases that involve the design of goods themselves. 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 onto 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

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<sup>68</sup> 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, 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.*

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 guns that shoot lightweight plastic pellets instead of metal BBs or live ammunition."<sup>69</sup> 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,"<sup>70</sup> accepting both 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.<sup>71</sup> To put it simply, the Indiana Supreme Court turned a huge number of garden variety trade dress infringement cases into criminally indictable offenses.

## 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.<sup>72</sup> 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

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<sup>69</sup> An-Hung Yao v. State of Indiana, 975 N.E.2d 1273 (Ind. 2012).

<sup>70</sup> Id. at 1278. The Indiana statute is Ind. Code § 35-43-5-2.

<sup>71</sup> 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."

<sup>72</sup> 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).



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.<sup>73</sup>

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 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.”<sup>74</sup> 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.”<sup>75</sup>

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<sup>73</sup> 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”).

<sup>74</sup> 426 F.3d 532, 538 (2d Cir. 2005)

<sup>75</sup> *Id.* See also *AM General Corp. v. Daimler Chrysler Corp.*, 311 F.3d 796, 825 (7<sup>th</sup> 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.”); *Fundamental 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

### III. Other Doctrinal Expansions

These developments in criminal trademark law 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 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).<sup>76</sup> 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.<sup>77</sup>

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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.”).

<sup>76</sup> <http://www.bna.com/ice-doj-seize-n12884904587/>.

<sup>77</sup> 2008 Pro-IP Act, Pub. L. No. 110-403, Sec. 206.

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.<sup>78</sup> Many of these domain name 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.”<sup>79</sup>

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.<sup>80</sup> It is entirely unclear how courts have the

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<sup>78</sup> 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), [http://www.wired.com/images\\_blogs/threatlevel/2012/08/8.29.12-cover-letter-to-Judge-Crotty.pdf](http://www.wired.com/images_blogs/threatlevel/2012/08/8.29.12-cover-letter-to-Judge-Crotty.pdf).

<sup>79</sup> [http://www.broadcastingcable.com/article/454379-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)

<sup>80</sup> 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. Liyanghai, 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. Montsol

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 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.<sup>81</sup> Apparently the investigation turned up nothing illegal, because the domain name was returned to its owners without any charges being filed.<sup>82</sup> In other words, the government seized a

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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”).

<sup>81</sup> 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>).

<sup>82</sup> 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

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 contained infringing material.<sup>83</sup> Courts have generally not considered mere linking sufficient to constitute direct copyright infringement even on the civil side.<sup>84</sup> 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.”<sup>85</sup>

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publicizing the works. See

<http://www.techdirt.com/articles/20101222/02112912376/more-bigger-mistakes-discovered-homeland-securitys-domain-seizures.shtml>.

<sup>83</sup> <http://www.ice.gov/news/releases/1102/110202newyork.htm>.

<sup>84</sup> Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9<sup>th</sup> Cir. 2007)

<sup>85</sup> 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).

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,<sup>86</sup> without any apparent sensitivity to the fact that trademark law actually permits resale of branded goods in most circumstances.<sup>87</sup> 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.

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 is what justified the draconian remedies these tools allow. 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,<sup>88</sup> 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

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<sup>86</sup> <http://lexnimbus.com/?p=196>

<sup>87</sup> *Champion Spark Plug v. Sanders*, 331 U.S. 125 (1947); *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924).

<sup>88</sup> 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).

inevitable. But the costs of that wider application are never accounted for when 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.