2017

Criminal Trademark Enforcement and the Problem of Inevitable Creep

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CRIMINAL TRADEMARK ENFORCEMENT AND THE PROBLEM OF INEVITABLE CREEP*

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ABSTRACT

This Article focuses on the federal Trademark Counterfeiting Act (TCA), the primary source of federal criminal trademark sanctions. That statute was intended to increase the penalties associated with the most egregious form of trademark infringement—use of an identical mark for goods identical to those for which the mark is registered and in a context in which the use is likely to deceive consumers about the actual source of

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* This paper was delivered as the 2017 Oldham Lecture at the University of Akron School of Law.

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the counterfeiter's goods. The TCA was intended to ratchet up the penalties associated with counterfeiting, but only in cases involving particularly egregious conduct.

Several recent trends in the application of the TCA, however, suggest that doctrinal creep is afoot. Not only has Congress twice broadened the statute and increased the associated penalties, but courts also have played an active role in expanding the range of conduct that is subject to liability under the TCA. 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, sanctions) to fail along the scope dimension. Indeed, that evolution is so common that one might think it is inevitable. This should give lawmakers real pause when considering these types of legal responses. To put it simply, if these provisions are initially justifiable only to the extent they are limited to the truly egregious cases, then their costs are likely to exceed their benefits over time because narrow application will not hold.

I. INTRODUCTION

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

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

2. *See* 19 U.S.C. § 1526(e); 18 U.S.C. § 2320.

3. Act of Aug. 14, 1876, ch. 274, 19 Stat. 141 (1846).

Trade-Mark Cases.[4] Thus, for all practical purposes, criminal trademark enforcement is a modern development, and one that has received relatively little scholarly attention.[5]

This Article focuses on the federal Trademark Counterfeiting Act of 1984 (TCA), the primary source of federal criminal trademark sanctions.[6] That statute was intended to increase the penalties associated with the most egregious form of trademark infringement—use of an identical mark for goods identical to those for which the mark is registered and in a context in which the use is likely to deceive consumers about the actual source of the counterfeiter's goods.[7] According to the legislative history, Congress felt these criminal penalties were necessary because civil damages were not sufficient to deter counterfeiters, who had come to regard civil liability as "the cost of doing business."[8] Indeed, "[t]he absence of [criminal] penalties, and the lack of sufficiently stiff civil sanctions, ha[d] emboldened counterfeiters, who now defraud consumers out of billions of dollars each year in the United States alone."[9] And increasing the damages available civilly was not enough by itself because the counterfeit goods could pose significant health and safety risks to

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

5. There are a few exceptions. *See, e.g.*, David J. Goldstone & Peter J. Toren, *The Criminalization of Trademark Counterfeiting*, 31 CONN. L. REV. 1 (1998). Irina Manta has recently published several papers on criminal enforcement of intellectual property rights. *See, e.g.*, Irina D. Manta, *Intellectual Property and the Presumption of Innocence*, 56 WM. & MARY L. REV. 1745 (2015); Irina D. Manta, *The High Cost of Low Sanctions*, 66 FLA. L. REV. 157 (2014); Irina D. Manta, *The Puzzle of Criminal Sanctions for Intellectual Property Infringement*, 24 HARV. J. L. & TECH. 469 (2011). Those papers generally do not focus specifically on criminal trademark provisions, but they have in some cases discussed the Trademark Counterfeiting Act. *See* Manta, *The Puzzle of Criminal Sanctions*, *supra*, at 485-88.

6. Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 2178 (codified at 18 U.S.C. § 2320 (1984)). A few other statutes, including the money laundering statute, also impose criminal liability for trademark counterfeiting under certain circumstances. *See* Violent Crime Control and Law Enforcement Act of 1994, Pub. L. No. 103-322, § 320104(b), 108 Stat. 1796, 2111 (amending 18 U.S.C. § 1956(c)(7)(D) (2006 & Supp. III 2009)). Trademark counterfeiting is also a predicate offense to racketeering under the Anticounterfeiting Consumer Protection Act of 1996. *See* Pub. L. No. 104-153, § 3, 110 Stat. 1386, 1386 (1996).

7. *See* 130 CONG. REC. 31,675 (1984).

8. *See* S. REP. NO. 98-526, at 5 (1984), *as reprinted in* 1984 U.S.C.C.A.N. 3627, 3631 ("Although the Lanham Act provides for civil penalties for all forms of trademark infringement, including intentional trafficking in known counterfeits, penalties under that Act have been too small, and too infrequently imposed, to deter counterfeiting significantly. Indeed, many counterfeiters view potential civil penalties simply as the cost of doing their illegal business—a cost they can well afford, given the enormous profits to be made by capitalizing on the reputations, development costs, and advertising efforts of honest manufacturers at little expense to themselves.").

9. *Id.* at 1; *see also id.* at 4 (focusing on consumers "who pay for brand-name quality, and take home only a fake").

consumers, who have no cause of action under the Lanham Act.[10] The TCA therefore was intended to ratchet up the penalties associated with counterfeiting. But parties would be exposed to this new criminal liability only when engaged in particularly egregious conduct—not in ordinary cases of trademark infringement.

Several recent trends in the application of the TCA, however, suggest that doctrinal creep is afoot. Congress has twice amended the statute to increase the penalties,[11] and courts have in several ways expanded the range of conduct that is subject to liability under the TCA. Specifically, courts have accepted as relevant in the counterfeiting context controversial theories of civil infringement that are divorced from the most significant justifications of criminal liability, and they have interpreted specific provisions of the TCA in ways that undermine the limiting role those provisions were intended to play.

These trends are consistent with a number of parallel developments in and around intellectual property law in which provisions created on the promise of narrow application to the most serious violations have in fact been applied far more broadly than originally claimed. Sometimes Congress has been to blame for those expansions—either because it has written grossly overbroad statutes that apply on their face to a much wider range of conduct than purportedly motivated the legal response, or because it has continually revisited statutes to broaden them and increase the penalties. Other times courts have been the primary culprits, as they have interpreted statutes in ways that flouted legislative intent. But whoever is primarily to blame, collectively these developments suggest a strong tendency for this form of regulation (particularly the use of extreme, but supposedly narrowly-tailored, penalties) to fail along the scope dimension. Indeed, that evolution is so common that one might think it is inevitable. This should give lawmakers real pause when considering these types of legal responses. To put it simply, if these provisions are initially justifiable only to the extent they are limited to the

10. This is at least the claim made by Goldstone & Toren, *supra* note 5, at 13-15. Congress did cite health and safety concerns in the legislative history of the TCA, but it did not explicitly mention the lack of consumer standing under the Lanham Act. The Senate Report even gave a number of examples of faulty counterfeit goods that caused significant injuries, including counterfeit Boeing fire detection systems, counterfeit brake parts, and counterfeit heart pumps. S. REP. NO. 98-526, at 4.

11. Congress enhanced the penalties in the Violent Crime Control and Law Enforcement Act of 1994, Pub. L. No. 103-322, 108 Stat. at 2148, and then again as part of the Anticounterfeiting Consumer Protection Act (ACPA), Pub. L. No. 104-153, 110 Stat. 1386 (1996). The ACPA also made counterfeiting a predicate offense to RICO. *Id.* § 3. The Prioritizing Resources and Organization for Intellectual Property Act of 2008 amended 15 U.S.C. § 1117(b) to provide for treble damages and increase statutory damages in civil counterfeiting cases. Pub. L. 110-403, §§ 103-104, 122 Stat. 4256 (2008).

truly egregious cases, then their costs are likely to exceed their benefits over time because narrow application will not hold.

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

II. 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.[12] Courts developed most of the law of infringement, as the statutory provisions creating the causes of action are relatively sparse and the details they do contain are largely codifications of common law. Thus, while the statute makes clear that infringement entails a use in commerce that is likely to cause confusion,[13] 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.[14] 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.[15]

12. 15 U.S.C. §§ 1051, 1052, 1114, 1125 (2012).

13. *Id.* §§ 1114(1), 1125(a)(1)(A).

14. *Id.* § 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").

15. *See* 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 that of actual purchasers to include potential purchasers, it did not intend deletion of the phrase "as to the source of origin of goods" to be considered a substantive change); Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 798-99 (2009) (characterizing Congress's intent

The TCA added criminal penalties for what Congress regarded as a particularly egregious species of trademark infringement—the intentional trafficking in counterfeit goods.[16] Under the statute, 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.[17] For purposes of the TCA, the term "counterfeit mark" means a "spurious mark":[18]

> (i) that is used in connection with trafficking[19] 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;
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> (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
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> (iv) the use of which is likely to cause confusion, to cause mistake, or to

similarly); *see also* Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010) (criticizing the extent to which courts have expanded the notion of source confusion).

16. 18 U.S.C. § 2320. According to the legislative history of the TCA, a "counterfeit mark is the most egregious example of a mark that is 'likely to cause confusion.'" 130 CONG. REC. H12076, H12078 (daily ed. Oct. 10, 1984) (Joint Explanatory Statement of Senate and House sponsors of Trademark Counterfeiting Act of 1984).

17. 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 to a wider range of activities. 18 U.S.C. § 2320(a)(2), (f)(5).

18. The statute does not define a "spurious mark," but the limited case law on the issue suggests that "spurious" means "unauthorized" and can include genuine marks applied to goods that are not genuine.

19. 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).

deceive . . . .[20]

The current statute provides for fines of up to $2 million for an individual (up to $5 million for a person other than an individual) and imprisonment of up to ten years for a first violation.[21] And these penalties are not just theoretical—courts have actually sentenced convicted counterfeiters to meaningful prison time in a number of recent cases.[22]

The TCA also allows for an order of criminal forfeiture, destruction of the counterfeit goods, and restitution.[23] The restitution provision in particular has been controversial of late because the government has been quite aggressive in its calculation of the amount of restitution owed. Specifically, the government has often argued that the amount of restitution should be based on the full retail value of the *genuine* goods, multiplied by the number of counterfeit goods, assuming that the counterfeit goods substitute for the genuine goods on a 1:1 basis.[24] Though empirical evidence makes clear that this assumption of substitutability has no basis in reality, the Sentencing Guidelines do not foreclose it because they speak in terms of the "amount of infringement," and they allow the court to calculate that amount by reference to the value of the goods bearing the *infringed* mark rather than the infringing mark.[25]

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20. *Id.* § 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.

21. *Id.* § 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)).

22. *See, e.g.*, United States v. Lam, No. 3:07-CR-374, 2011 WL 1167208, at *2 (E.D. Va. Mar. 28, 2011) (sentencing defendant to 11 months and 25 days in prison), *aff'd*, 677 F.3d 190 (4th Cir. 2012).

23. 18 U.S.C. § 2320(c).

24. *See, e.g.*, Victim Impact Statements, United States v. Manzo, No. CR-07-2042-WFN-2, 2010 WL 3584499 (E.D. Wash. Sept. 8, 2010), *rev'd*, 675 F.3d 1204 (9th Cir. 2012); *cf.* Jindeli Jewelry, Inc. v. United States, No. 14-cv-0314 (NG), 2016 WL 2593926, at *5-8 (E.D.N.Y. May 4, 2016) (dismissing an APA challenge to the civil fines provision of 19 U.S.C. § 1526, which limits possible fines to "manufacturer's suggested retail price for genuine merchandise," in a case in which the defendant was fined for importing counterfeit "Chanel" jewelry and customs officials used the "closest authentic Chanel costume jewelry analogues" to set the fine, having determined that the counterfeits were not exact duplicates of any genuine Chanel pieces).

25. *See* U.S. SENTENCING GUIDELINES MANUAL § 2B5.3 cmt. n.2 (U.S. SENTENCING COMM'N 2016):

> 2. Determination of Infringement Amount.—This note applies to the determination of the infringement amount for purposes of subsection (b)(1).
>
> (A) Use of Retail Value of Infringed Item.—The infringement amount is the retail value of the infringed item, multiplied by the number of infringing items, in a case involving any of the following:
>
> (i) The infringing item (I) is, or appears to a reasonably informed purchaser to

At the same time it enacted the TCA, Congress also amended the Lanham Act to provide for enhanced civil remedies for counterfeiting.[26] Specifically, the amended Lanham Act gives courts the power to grant ex parte seizure orders in cases in which the infringement "consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services."[27] 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.[28] And plaintiffs in civil counterfeiting cases may now elect 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 million per counterfeit mark per type of goods or services in cases in which courts deem the violation willful.[29]

Section 34 defines a "counterfeit mark" for purposes of these special remedies to mean:

> [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."[30]

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be, identical or substantially equivalent to the infringed item; or (II) is a digital or electronic reproduction of the infringed item.

(ii) The retail price of the infringing item is not less than 75% of the retail price of the infringed item.

(iii) The retail value of the infringing item is difficult or impossible to determine without unduly complicating or prolonging the sentencing proceeding . . . .

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

26. 15 U.S.C. §§ 1116(d), 1117(c), (d).

27. *Id.* § 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").

28. *Id.* § 1117(b).

29. *Id.* § 1117(c).

30. *Id.* § 1116(d)(1)(B)(i) (emphasis added). 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 the use of terms related to the Olympics. Despite its focus on the Olympic terms, the definition in subsection (ii) is otherwise identical to the

The Lanham Act defines a "counterfeit" generally as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark."[31] Thus, reading the general definition of "counterfeit" into § 34, the Lanham Act makes enhanced remedies available in cases involving essentially the same conduct as would trigger criminal liability under the TCA.[32]

B. Narrow Tailoring of Criminal Counterfeiting

Viewing the civil and criminal provisions together, federal statutory law provides for civil remedies for infringement of registered and unregistered trademarks. It provides for criminal liability and enhanced civil remedies for counterfeiting, which is a species of infringement of federally registered trademarks. The conduct subject to criminal liability under the TCA is somewhat more clearly defined, but piecing together various aspects of the relevant Lanham Act definitions, it seems the TCA criminalizes essentially the same conduct for which the Lanham Act provides enhanced civil remedies. Both § 34 of the Lanham Act and the TCA contain a number of important limitations that make the standard for counterfeiting substantially higher than for ordinary trademark infringement, and the TCA's limitations in particular make criminal liability narrower than civil infringement liability.

1. Intent and Registration Requirements

Most obviously, counterfeiting under the TCA requires intentionally trafficking in goods or services and knowingly using a counterfeit mark.[33] Thus, criminal liability should not attach to unintentional infringement or use of a mark with a good faith belief that the use is legitimate. Civil trademark infringement, by contrast, does not require intent, nor is good faith use of a mark exempt from liability.[34]

TCA's definition of a counterfeit mark. It is unclear whether that is supposed to imply that the definition of "counterfeit mark" in subsection (i) differs from that of the TCA in any substantive way.

31. 15. U.S.C. § 1127.

32. Specifically, in cases involving use of "a spurious mark which is identical with, or substantially indistinguishable from," a "mark that is registered on the principal register in the Unites 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." *Id.*; 15 U.S.C. § 1116(d).

33. 18 U.S.C. § 2320(a).

34. Lack of knowledge does limit remedies in some cases. *See* 15 U.S.C. § 1114(1)(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 used to cause confusion).

Moreover, to violate the TCA a defendant must use a counterfeit of a mark that is registered and in use by the mark owner.[35] There are at least three interrelated ways this requirement makes counterfeiting liability narrower than civil infringement liability. First, counterfeiting requires use of a registered mark, whereas civil infringement claims are available under the Lanham Act for both registered and unregistered marks.[36] Second, and somewhat more subtly, the mark allegedly counterfeited must be both registered and in use—one cannot be guilty of counterfeiting for using a mark that is identical to a mark that is registered but which is not in use, or for using a mark that is in use but is not registered. And third, the alleged counterfeiter must be using the counterfeit mark for the goods and services specifically identified in the registration.

Civil infringement liability of course requires that the plaintiff's mark be in use, but it does not require that it be in use for precisely the goods identified in the registration, nor does it require that the defendant use the mark for goods or services identical to those for which the plaintiff uses the mark.[37] 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.[38] Indeed, the multifactor likelihood of confusion test was developed specifically for the purpose of determining when a use infringes even though the defendant's goods or services differ from the plaintiffs.[39]

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35. 18 U.S.C. § 2320(f)(A)(ii) ("[A] spurious mark . . . 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 . . . ."). The defendant need not know that the mark is registered, however. *Id.*

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

37. Civil counterfeiting liability, however, does require use of the counterfeit mark on the same goods or services for which the mark is registered. 15 U.S.C. § 1116(d)(1)(B) ("'[C]ounterfeit 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 . . . ." (emphasis added)).

38. *See* Pike v. Ruby Foo's Den, Inc., 232 F.2d 683, 686 n.2 (D.C. Cir. 1956) (calling the notion that there can be no unfair competition without competition "outmoded"); Aunt Jemima Mills Co. v. Rigney & Co., 247 F. 407, 409-10 (2d Cir. 1917) (finding that while "no one wanting syrup could possibly be made to take flour," the products were "so related as to fall within the mischief which equity should prevent").

39. *See* Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961) ("Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers."); *see also* Robert G. Bone, *Taking the Confusion Out of "Likelihood of Confusion": Toward*

Notably, setting aside enhanced civil remedies for counterfeiting, the goods and services identified in the registration take a back seat in civil infringement cases even in cases involving infringement of a registered mark. Rather than comparing the defendant's goods to those recited in the registration, for likelihood of confusion purposes courts focus on the goods for which the plaintiff is actually using the mark, which they believe are more relevant to consumers' potential confusion.[40] One reason for courts' focus on use rather than registration may be that, even when plaintiffs have registered their marks, they nearly always assert, in addition to infringement claims under § 32, § 43(a) unfair competition claims, for which registration is irrelevant. But whatever the reason, the TCA requires more than ordinary infringement; it requires identity between the defendant's goods and those listed in a particular registration. Any variation between them ought to defeat a criminal counterfeiting claim.

2. The Heightened Similarity Requirement

Criminal counterfeiting liability is also more limited than civil liability because of the level of similarity needed between the defendant's mark and the allegedly counterfeited mark. Specifically, the TCA imposes criminal liability only when the defendant uses a mark that is "identical with, or substantially indistinguishable from" the registered mark.[41] The statute does not define "substantially indistinguishable," and there is some indication in the legislative history that Congress intended for courts to determine the meaning of that standard on a case-by-case basis.[42] Yet while it seems clear that "substantially indistinguishable" was meant to

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a More Sensible Approach to Trademark Infringement, 106 NW. U. L. REV. 1307 (2012) (describing courts' development of the multifactor likelihood of confusion test).

40. *See, e.g.*, Applied Info. Sciences Corp., v. eBay, Inc., 511 F.3d 966, 972 (9th Cir. 2007) ("Having established a protectable interest by proving it is the owner of a registered trademark, the owner does not additionally have to show that the defendant's alleged confusing use involves the same goods or services listed in the registration."). Courts do sometimes focus on the goods and services identified in the registration for purposes of determining whether the mark should enjoy a presumption of validity that is relevant to the case. But they also make clear that does not limit the scope of remedy. *See* 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:137 (4th ed. 2014) ("A contestable registration is prima facie evidence of the exclusive right to use only as to the goods specified in the registration. However, while the presumption of validity is limited, the remedies of the Lanham Act are not: they apply even though the infringing goods or services are not the same as those specified in the registration.").

41. 18 U.S.C. § 2320(f)(1)(A)(ii). I claim no responsibility for the awkward "identical *with*" phrasing.

42. *See* 130 CONG. REC. H12076, H12078, at 31,675 (daily ed. Oct. 10, 1984) (explaining that courts would have to provide the specific meaning of "substantially indistinguishable").

prevent defendants from escaping liability by making merely "trivial" changes to the mark,[43] it is also abundantly clear that Congress meant to require a much higher level of similarity for criminal counterfeiting liability than is necessary for a finding of civil infringement, for which mark similarity is only one factor to be considered in determining likelihood of confusion.[44] The legislative history even gives an example:

> "Pristimol" might be used as the mark for a medication that is the functional equivalent of a product sold under the trademark "Mostimol." Whether or not this sort of imitation violates the Lanham Act or other provisions of law, it does not constitute use of a "counterfeit mark" for purposes of the bill.[45]

Describing the substantially indistinguishable standard, Congress also cited approvingly the Second Circuit's pre-TCA decision in *Montres Rolex, S.A. v. Snyder*,[46] in which the court interpreted the term "counterfeit" trademark for purposes of § 211 of the Customs Procedural Reform and Simplification Act of 1978.[47] *Montres Rolex* endorsed an approach under which a defendant's mark would qualify as counterfeit only when "the average buyer examining [goods] carrying the infringing mark would, if he or she were familiar with plaintiff's mark, conclude that the infringing mark was in fact plaintiff's mark."[48]

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

> [T]he 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

43. *See id.* at 31,676 (making clear that the counterfeit mark need not be identical).

44. *See, e.g.*, AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir. 1979); *Polaroid*, 287 F.2d at 495.

45. 130 CONG. REC. H12076, H12078, at 31,675.

46. 718 F.2d 524 (2d Cir. 1983).

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

48. *Montres Rolex*, 718 F.2d at 527.

infringing" articles].[49]

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

In the first of those cases, *In re Louis Vuitton*, "both the legitimate and the bogus merchandise bore marks comprised of two capital letters superimposed one upon the other, surrounded by a fleur-de-lis pattern"—the legitimate merchandise bearing Louis Vuitton's well-known mark.[50] Customs 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 Second Circuit in *Montres Rolex* thought the accused mark was nevertheless not a counterfeit because it was "doubtful that the average purchaser would have viewed these marks as substantially indistinguishable."[51]

In the second case, *In re Amazonas*, the alleged counterfeiter used the name "Amazonas" as opposed to "Amazon" on shoe heels and soles.[52] Customs found that those two marks were similar enough to cause confusion, but the Second Circuit thought it was nevertheless clear that "Amazonas" was not a counterfeit mark because "it could not be seriously contended that the average consumer would have found [the marks] substantially indistinguishable."[53]

Finally, in *In re Bulova Watch Co.*, the defendant used the name "Bolivia" as opposed to "Bulova" for watches.[54] Customs found 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."[55] "Bolivia" was not similar enough to "Bulova" to be considered a counterfeit mark, just as "Amazonas" was not similar enough to "Amazon" and a mark that consisted of a superimposed "P" over a "V" was not similar enough to the genuine mark with an "L" superimposed over a "V."

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49. *Id.* at 528.

50. *Id.* at 531 (citing *In re* Louis Vuitton, 14 Cust. B. & Dec. 878 (C.S.D. 80–97, Aug. 31, 1979)).

51. *Id.*

52. *Id.* at 531-32 (citing *In re* Amazonas, 14 Cust. B. & Dec. 787 (C.S.D. 80–39, July 17, 1979)).

53. *Id.* at 532.

54. *Id.* (citing *In re* Bulova Watch Co., 14 Cust. & B. Dec. 849 (C.S.D. 80–77, July 23, 1980)).

55. *Id.*

All of those Customs cases, the Second Circuit believed, involved marks that were similar enough to the senior marks to be considered infringing as a civil matter, but they were not substantially indistinguishable from those senior marks. *Montres Rolex* therefore stands for the proposition that similarity that is sufficient to cause a likelihood of confusion is not enough for counterfeiting liability; substantially indistinguishable means something more than similarity sufficient to make confusion likely.[56]

Montres Rolex also highlights a second crucial point: while the accused mark must meet the higher substantially indistinguishable threshold, meeting that standard is not sufficient because the defendant's use must also be likely to cause confusion. The requirement that the allegedly counterfeit mark be identical with, or substantially indistinguishable from the genuine mark is an *additional* element of criminal counterfeiting beyond likelihood of confusion. There are, in other words, two distinct requirements for counterfeiting liability: (1) that the accused mark be identical with, or substantially indistinguishable from the registered mark; and (2) that the defendant's use of the accused mark be likely to cause confusion. This should be obvious, since interpreting the statute to make dispositive proof that the spurious mark is substantially indistinguishable from the genuine mark would render superfluous the separate statutory requirement of proof of likelihood of confusion, violating ordinary canons of statutory construction.[57]

In many cases, of course, the evidence on similarity and likelihood of confusion will overlap, since the level of similarity between the two marks will feature prominently in the determination of likely confusion. As the *Montres Rolex* court observed, in some cases, "the challenged mark, when viewed from the perspective of the average purchaser, would not be 'likely to cause confusion' unless it was 'substantially indistinguishable' from the registered mark."[58] But as the Customs cases make clear, "this will not always be so."[59]

One reason it will not always be so is that comparisons of the marks will have a different texture depending on the purpose of the comparison. To evaluate similarity for counterfeiting purposes, a decisionmaker must compare the registered mark and the allegedly counterfeit mark in

56. *Id.* at 527.

57. *See* Nat'l Ass'n of Home Builders v. Defs. of Wildlife, 551 U.S. 644, 669 (2007) ("[W]e have cautioned against reading a text in a way that makes part of it redundant."); Hibbs v. Winn, 542 U.S. 88, 101 (2004) (calling this the "rule against superfluities").

58. *Id.* at 531.

59. *Id.*

isolation, ignoring any additional context (such as other packaging elements or additional marks displayed on the defendant's goods). Similarity analysis entails only a comparison of the marks themselves. When evaluating likelihood of confusion, however, a decisionmaker should never ignore the context in which consumers will encounter the marks because that context is clearly relevant to whether consumers are likely to be confused by the defendant's use. Thus, both the heightened similarity requirement and the likelihood of confusion requirement 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. This 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 at its greatest. But as the next sections demonstrate, appearances mislead here, as courts have often ignored the general understanding that criminal sanctions are meant to apply only in the most egregious cases and have undermined many of the specific statutory limitations. To make matters worse, the government has used a number of other statutory provisions to effectively criminalize conduct that cannot be reached under the counterfeiting provisions.

III. COUNTERFEITING CREEP

Notwithstanding their repeated acknowledgment that the federal counterfeiting standards are supposed to be construed more narrowly in the criminal context,[60] courts in fact have expanded the reach of the TCA in a number of ways. Some of these developments violate the general principle that criminal liability should be narrower than civil infringement; others eviscerate specific statutory limitations in the TCA.

A. Embracing Controversial Expansion from the Civil Side

First, far from limiting counterfeiting to the clearest and most egregious forms of infringement, courts have embraced some of the most controversial civil infringement doctrines. In a number of cases, courts have accepted that post-sale confusion satisfies the likelihood of

60. *See, e.g.*, United States v. Cone, 714 F.3d 197, 209 (4th Cir. 2013) ("[T]he standard [for liability] may be construed more narrowly in a criminal context than in a civil context." (quoting United States v. Guerra, 293 F.3d 1279, 1288 (11th Cir. 2002))).

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."[61]

These cases, which often involve knock-off luxury goods, must rely on post-sale confusion because they arise in contexts in which no reasonable consumer would be confused at the point of sale. It is quite obvious to consumers who buy twenty-dollar Louis Vuitton handbags on Canal Street, for example, that the bags they are buying were not made by Louis Vuitton. Aside from the fact that they are being sold on Canal Street, their prices undoubtedly signal to consumers that the bags are not genuine. Nevertheless, courts repeatedly have found the TCA's likelihood of confusion standard satisfied in cases in which the defendant was selling the allegedly counterfeit goods for a fraction of the price of the genuine goods, and even in cases in which the defendant told purchasers explicitly that the goods were not genuine.[62] Post-sale confusion is sufficient, these courts argue, as "[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."[63]

As many have pointed out, one problem with the claim that post-sale confusion focuses simply on non-purchaser confusion is that, in reality, the cases in which post-sale confusion is claimed often involve no confusion of any kind at all.[64] Indeed, courts have to make a number of significant inferential leaps to string together any narrative that involves

61. 812 F.2d 1347, 1352 (11th Cir.1987); *see also* United States v. Hon, 904 F.2d 803, 808 (2d Cir. 1990); United States v. Yamin, 868 F.2d 130, 132 (5th Cir. 1989) ("The statute's application is not restricted to instances in which direct purchasers are confused or deceived by the counterfeit goods."); United States v. Gantos, 817 F.2d 41, 43 (8th Cir. 1987).

62. United States v. Song, 934 F.2d 105 (7th Cir. 1991) (upholding the conviction in a case in which the defendant sold counterfeit Gucci, Rolex, and Louis Vuitton goods for $35); *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 the 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).

63. *Torkington*, 812 F.2d at 1351; *see also* United States v. Foote, 413 F.3d 1240, 1246 (10th Cir. 2005).

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

confusion.[65] They must assume that, even though the purchasers of fake Louis Vuitton bags on Canal Street are not confused, others will see the purchasers carrying around their imitation bags, believe the bags are genuine, observe some inferior quality about the bags, and attribute that inferior quality to Louis Vuitton. This will affect those observers' view of the quality of genuine Louis Vuitton goods and thereby harm Louis Vuitton. These courts suggest not only that observers will make some assessment of the quality of handbags they see at a distance (despite not knowing anything about the age of those bags), but that those observers' conclusions about the quality of the used handbags will affect their future purchasing behavior.[66] Courts assume these effects even though they have no reliable information about observers' future purchasing potential, and in spite of the likelihood that most purchasers of counterfeit goods would not, and probably could not, have purchased the genuine goods.

The implausibility of courts' inferential leaps is a clear indication that the post-sale confusion doctrine is nothing more than 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.[67] This is often apparent in decisions that have accepted the relevance of post-sale confusion in the counterfeiting context, as courts in those cases commonly emphasize that the counterfeiting provisions were meant primarily to protect mark owners rather than consumers. According to the *Torkington* court, for example:

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

65. *See* Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1907-09 (2007) ("[T]he 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.").

66. For example, in *Rolex Watch U.S.A v. Canner*, a civil post-sale confusion case, the court claimed that "[i]ndividuals examining the counterfeits, believing them to be genuine Rolex watches, might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real time piece." 645 F. Supp. 484, 495 (S.D. Fla. 1986). Jeremy Sheff calls this a theory of "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, 773-74 (2012) (emphasis added).

67. 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.

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.[68]

These decisions effectively read any meaningful likelihood of confusion requirement out of the counterfeiting statute on policy grounds. Sometimes, as in *U.S. v. Hon*, courts try to justify their acceptance of post-sale confusion by claiming that is what Congress intended.[69] That argument is superficially plausible, since some courts had already recognized post-sale confusion in the civil context by the time Congress passed the TCA.[70] But the conclusion that post-sale confusion is relevant for purposes of the TCA is hardly inevitable, and there is precious little evidence of Congressional intent on the question.[71] More importantly, as an empirical matter, there are serious questions about the harms to trademark owners in the post-sale context, particularly in cases involving luxury goods (which constitute the large majority of post-sale confusion cases). One study by Northwestern economist Yi Qian even suggests that, on balance, counterfeiting *helps* rather than hurts high-end brands.[72] As Qian demonstrates, "counterfeits have both advertising effects for the

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68. *Torkington*, 812 F.2d at 1352-53 (internal citations omitted); *see also* United States v. Gantos, 817 F.2d 41, 43 (8th Cir. 1987) ("Section 2320(a) 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)).

69. 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 . . . . The owners of trademarks on prestige items are particularly likely to be plagued by recurring counterfeit problems . . . [and] that the criminal counterfeiting act was designed to help stem this epidemic." 904 F.2d 803, 806 (2d Cir. 1990) (internal quotation marks omitted) (citing S. REP. NO. 98-526, *as reprinted in* 1984 U.S.C.C.A.N. 3627, 3631).

70. *See, e.g.*, United States v. Infurnari, 647 F. Supp. 57, 59-60 (W.D.N.Y. 1986) ("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. Nonetheless, Congress chose to use the same operative language in the criminal trademark act as in the Lanham Act. Both the Second and Ninth Circuits had already held that post-sale confusion was actionable when section 2320 was passed.").

71. 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." *Hon*, 904 F.2d at 806.

72. *See* Yi Qian, *Counterfeiters: Foes or Friends?* (Nat'l Bureau of Econ. Research, Working Paper No. w16785, 2011), http://ssrn.com/abstract=1759857 [https://perma.cc/W33R-YSS2].

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."[73]

Nor is it clear why we should care about any harm to mark owners in the post-sale context even if it were likely to result. As Jeremy Sheff argued persuasively, protection of prestige value via post-sale confusion doctrine comes at a cost—specifically, it preferences some consumers' tastes for exclusivity (and producers' ability to capture the value of that preference) over other consumers' desire to use the marks for their own expressive purposes.[74] It does so not to avoid deception in the market, but purely because of a normative choice to value some consumers' preferences over others.[75] As Sheff says, "[b]y establishing a system of licenses for social expression and enforcing those licenses with both monetary and injunctive remedies, the State is entering into an expressive alliance with one (powerful) segment of society, in opposition to the expressive interests of a different (weak) segment of society."[76]

Precisely because the harm-based justifications for post-sale confusion are so weak, the doctrine is quite controversial even in the civil infringement context. But even if post-sale confusion is now well established as a civil matter, we ought to be more reluctant to accept that doctrine in the criminal counterfeiting context. And yet the Second Circuit has explicitly rejected the argument that, because "Congress intended that the criminal act be narrower in scope than the Lanham Act and prohibit only 'egregious' instances of the conduct that the civil statute prohibits," likelihood of confusion should be interpreted more narrowly in the context of the TCA.[77] According to the Second Circuit, "egregiousness is grounded not upon whether the person deceived is a purchaser or potential purchaser but whether the mark is a counterfeit and is knowingly used as such."[78]

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73. *Id.* (manuscript at 2).

74. Sheff, *supra* note 66, at 821.

75. *Cf.* Barton Beebe, *Intellectual Property Law and the Sumptuary Code*, 123 HARV. L. REV. 809, 851-53 (2010) (referring to the post-sale confusion doctrine's role in protecting rarity and distinction).

76. Sheff, *supra* note 66, at 775.

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

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

Perhaps courts' acceptance of post-sale confusion in the counterfeiting context can't be considered a surprise—after all, many people refer colloquially to knock-off luxury goods as "counterfeits," and the legislative history of the TCA makes specific reference to a case about fake Rolex watches.[79] Thus, maybe it is too hard to imagine that a counterfeiting statute would *not* reach imitation luxury goods, and post-sale confusion is the only way to accomplish that end. In fact, to the extent most people think of imitation luxury goods when they speak of counterfeiting, it might even seem that the argument against criminalizing post-sale confusion is just an argument against criminal liability for counterfeiting.

It is, however, worth noting that rejecting post-sale confusion would not render the TCA meaningless, as there are many counterfeit products—including counterfeit drugs—that risk substantial point-of-sale confusion. And those counterfeit products are clearly the ones most likely to do harm, both to consumers and to mark owners. Indeed, neither of the two primary concerns identified by advocates for criminal counterfeiting penalties—that consumers might be defrauded and that counterfeits pose health and safety risks—have much to do with post-sale confusion. Consumers generally are not buying counterfeit luxury goods under any illusion that they are genuine goods, so they are very unlikely to be defrauded. And it's hard to imagine meaningful health or safety risks from handbags.

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

B. Eviscerating Express Statutory Limits

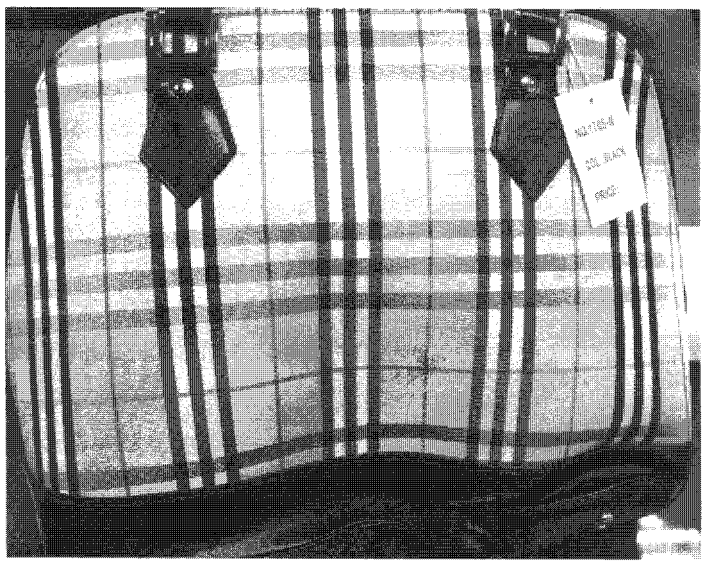
1. Watering Down the Similarity Requirement

Despite many courts' citations of the *Montres Rolex* interpretation of the substantially indistinguishable standard (and their recognition that Congress referenced that standard in the legislative history of the TCA), courts have found defendants guilty of counterfeiting in cases in which the defendants used marks that clearly were not so similar to the registered marks that "the average buyer examining [the goods] would, if he or she were familiar with the [allegedly counterfeited] mark[s], [have]

79. Montres Rolex, S.A. v. Snyder, 718 F.2d 524 (2d Cir. 1983).

conclude[d] that the infringing mark[s] [were] in fact the [allegedly counterfeited] mark[s]."[80]

One reason courts have reached these questionable results is that they have made the wrong comparisons. Specifically, courts have compared the mark used by the defendant to some combination of registered marks—in clear contravention of the statutory requirement that the allegedly counterfeit mark be identical with, or substantially indistinguishable from "*a* mark registered on the principal register in the United States Patent Office."[81] 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.[82] In that case, the defendants sold handbags with a composite pattern that consisted of a plaid pattern with an equestrian knight superimposed over it.

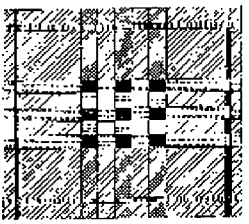


80. *Id.* at 527.

81. 18 U.S.C. § 2320(f)(1)(A)(ii) (2012) (emphasis added).

82. United States v. Lam, 677 F.3d 190 (4th Cir. 2012). Full disclosure: I served as an expert witness for the defendants in *U.S. v. Lam*. My testimony focused on precisely this question—whether the defendants' marks were "identical with, or substantially indistinguishable from" a registered mark. In my view, they were not.

Burberry owned a federal registration of a plaid pattern,[83] which the Fourth Circuit believed was similar to the one used by the defendants, and it owned several other federal registrations for an equestrian knight device. But importantly, Burberry did not own a single registration for any mark consisting of both components.



According to the Fourth Circuit, the defendants' pattern "consisted of a plaid pattern similar to the Burberry Check mark with an equestrian knight superimposed over it."[84] Having noted that the defendants' products were very similar to Burberry's commercial products, on which Burberry often used both marks,[85] the court affirmed the district court's finding that the pattern was substantially indistinguishable from Burberry's registered plaid pattern.[86] 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."[87]

The Fourth Circuit's analysis wrongly aggregated multiple registered marks for purposes of the comparison with the defendants' design. But the flipside of that aggregation—the court's dissection of the defendants' aggregate design to compare one part of it to the Burberry plaid pattern—was just as problematic. As the Fourth Circuit noted,

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

84. *Lam*, 677 F.3d at 195.

85. *Id.* at 199 ("[T]he 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.").

86. 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." *Id.* at 195 n.6.

87. *Id.* at 200.

during its deliberations the jury asked the district court judge whether it should consider the presence of the defendants' knight device when comparing the defendants' plaid pattern to the registered Burberry plaid pattern.[88] In response, the district court judge essentially told the jury that it had the discretion to decide whether to consider the knight device or not.[89] This was a clear legal error.

Unlike the ultimate factual question of whether two marks are, in fact, substantially indistinguishable, the question of which marks should be compared is a legal question answered definitively by the statute. It therefore was not up to the jury to decide whether to consider the defendants' knight device; the statute required a comparison of the defendants' 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 at least some jurors considered the differences significant. But the point is that the court should have forced the jury to make precisely that finding.

Indeed, to allow the jury to ignore the defendants' knight device was to invite it to compare a part of the defendants' 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; the marks should not be dissected into their constituent parts because the commercial impressions of the marks as a whole are what matter.[90] When confronted with that argument, the Fourth

88. *Id.* at 196 ("[W]hen comparing the [defendants'] plaid on the purses seized in Norfolk to the [Burberry Check mark], should we consider the presence of the Marco knight?" (quoting a question submitted by the jury)).

89. *See 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.").

90. 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 as part of the likelihood of confusion analysis, noting that doing so would require the court to violate the "anti-dissection rule," according to which courts "view marks in their entirety and focus on their overall impressions, not individual features" (internal quotation marks omitted)); *see also* 3 MCCARTHY, *supra* note 40, § 23:41 (collecting cases applying the anti-dissection rule).

Circuit mangled the doctrine badly, claiming—incorrectly—that the anti-dissection rule applied only in the registration context, and that it served the limited function of determining whether composite marks are registrable even when they contain some descriptive (and therefore registrable) matter.[91] Because the court so misunderstood the anti-dissection rule, it focused solely on Burberry's mark and not the defendants', missing the point of anti-dissection.[92]

In light of the Fourth Circuit's decision, dissection may well be legitimate in counterfeiting cases; 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. The alternative way of looking at the Fourth Circuit's approach—that the court allowed the jury to define the defendants' mark for purposes of comparison to the registered mark—is no better. Nor is the possibility that courts can aggregate elements of multiple marks to compare to the defendant's composite design.

To see why this kind of thinking could prove enormously problematic, consider a case pursued at the state level by a prosecutor in Massachusetts.[93] In that case the defendant was arrested and charged with counterfeiting under a Massachusetts statute[94] for selling t-shirts that depicted the Vancouver Canucks hockey team's registered logo (left) overlaid with a large red opaque universal "NO" symbol (a circle with a line through it) (right).[95]

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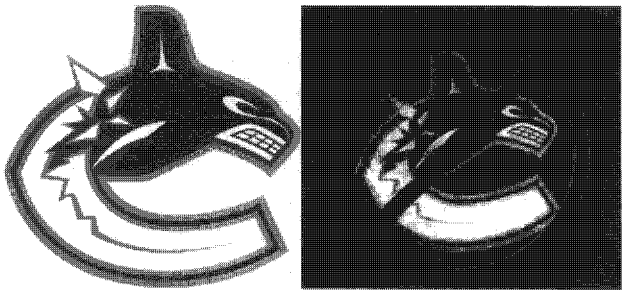
91. *Lam*, 677 F.3d at 198 n.7 ("A composite mark is one that contains some matter that is descriptive in nature—and, thus, would not alone be registerable as a trademark—used in conjunction with nondescriptive matter."). The court got this idea from a 1920 registration decision, which of course defined 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.

92. *Id.* ("It is unclear whether this rule applies to the Burberry Check mark, as it is not a composite."). Of course, the court seemed to have forgotten that the registered check pattern was not a composite when it came time to consider the relevance of the separately-registered equestrian knight device.

93. *See* Andy Sellars, *DMLP Amicus Update: Narrow Victory in Massachusetts Anti-Counterfeiting Case*, DIG. MEDIA LAW PROJECT (June 21, 2012), http://www.dmlp.org/blog/2012/dmlp-amicus-update-narrow-victory-massachusetts-anti-counterfeiting-case [https://perma.cc/3MDY-MUTB].

94. MASS. GEN. LAWS ch. 266, § 147.

95. Defendant's Brief in Support of Motion to Dismiss, Commonwealth v. Busa, No. 1101CR005277 (May 14, 2012), http://www.dmlp.org/sites/citmedialaw.org/files/Busa%20Motion%20to%20Dismiss.pdf [https://perma.cc/HZ5W-H83Y]. The defendant also was charged with counterfeiting for selling t-shirts that read "Boston Fights Vancouver Bites."



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

The Massachusetts case ultimately was dismissed, and obviously it was not brought under the TCA.[96] 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 can even be called that) was identical with, or substantially indistinguishable from the registered Vancouver Canucks mark. The t-shirts contained a replica of that mark, and since there is no rule against dissection, the jury could base its comparison only on that element of the defendant's mark, ignoring the "NO" symbol. That absurd result is clearly inconsistent with the purposes of the TCA.

These kinds of mistakes are to some extent a byproduct of the fact that courts are applying, in cases that involve the design of goods themselves, a counterfeiting statute that contemplates trademarks used in conjunction with, but clearly separate from, the goods. When the allegedly counterfeited mark is a design feature of the defendant's goods, courts seem more willing to dissect the defendant's design and focus on *portions*

96. 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." MASS. GEN. LAWS ch. 266, § 147(a). "Intellectual property" is then defined as: "[A]ny 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.*

of the design. This is dangerous territory, as it is only a short step from applying counterfeiting law to marks or logos incorporated *on to* goods (of which there are many examples) to applying it to the configuration of goods themselves.

To my knowledge, this subtle move has not yet happened in a federal counterfeiting case. But it has at the state level. The Supreme Court of Indiana 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."[97] The court found that replicating the design of another company's real guns could constitute "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,"[98] accepting that a toy gun could be considered a "written instrument" for purposes of the statute.

Remarkably, the court even held that making toy replica guns could constitute *theft*, because making the replicas "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.[99] To put it simply, the Indiana Supreme Court turned a huge number of garden variety trade dress infringement claims into criminal offenses.

It would be worrisome if this trend were to spill over to cases under the TCA, particularly since it's unclear how several of trade dress law's various limiting doctrines apply in the counterfeiting context. Because courts generally have not dealt with counterfeiting cases involving product configuration, for example, they have had no occasion to apply functionality doctrine in this context.[100] And yet concerns about undermining patent law's policy choices and/or imposing significant non-reputation-related disadvantages should be even more significant in the criminal context.

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97. Yao v. State, 975 N.E.2d 1273, 1275 n.1 (Ind. 2012).

98. *Id.* at 1278. The Indiana statute is IND. CODE § 35-43-5-2.

99. *Yao,* 975 N.E.2d at 1277. 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."

100. *See* TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 32 (2001) ("In general terms a product feature is functional, and cannot serve as a trademark, if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." (internal quotation marks omitted)).

Some recent cases in the Customs context highlight the concern. In a series of enforcement actions, Customs has seized imported replacement automobile parts on the ground that the parts (usually front grilles) are counterfeits because they copy registered marks in the grille designs.[101] The problem is that the grille designs are often necessary in the context of a replacement part—in the sense that car owners want parts that restore their cars to their original design, and sometimes even in the sense that the parts must have a particular design in order to fit the vehicle. Those concerns ordinarily would be voiced in functionality terms in the civil litigation context.

In that context, the functionality argument would be straightforward. Whatever the status of the grille designs when used for vehicles as a whole, or even for toys designed to mimic the design of real vehicles,[102] the designs reflected in the registrations identified in the seizure orders are functional in the context of aftermarket automobile parts because the constraints are significantly greater there. Owners of particular models seek replacement parts that will return their vehicles to their original designs. Only replacement parts with the original design can fulfill that purpose. Moreover, auto body shops and repair shops are the primary purchasers of replacement parts, and those shops typically purchase the parts at the behest of insurance companies, which are typically required by the terms of their contracts with their insureds to purchase parts of "like kind and quality" to the OEM parts. Indeed, a number of jurisdictions legally obligate insurers to base their estimates on replacement parts that equal or exceed comparable OEM replacement parts in terms of fit, form, finish, quality, and performance.[103] Given these constraints, designs that match OEM parts are clearly essential to the use or purpose of the replacement parts. No other design will do.

Exclusive use of the designs would also put aftermarket producers at a significant non-reputation-related disadvantage. Indeed, inability to use

101. *See, e.g.*, U.S. CUSTOMS AND BORDER PROTECTION, Notice of Seizure, Case No. 2017-1703-000147-01 (June 6, 2017) (on file with author). The Tariff Act prohibits importation of goods bearing a counterfeit trademark that is registered with the Patent and Trademark Office and registered with Customs and Border Patrol. 19 U.S.C. § 1526(e) (2012). The Act defines "counterfeit trademark" by reference to the Lanham Act counterfeiting provision, which defines a "counterfeit" mark as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127.

102. *See* General Motors Corp. v. Lanard Toys, Inc., 468 F.3d 405, 415 (6th Cir. 2006) (finding nonfunctional "the exterior appearance and styling of the [Hummer] vehicle design which includes the grille, slanted and raised hood, split windshield, rectangular doors, [and] squared edges" when trade dress was asserted against a toy vehicle designed to mimic the Hummer).

103. *See, e.g.*, N.Y. COMP. CODES R. & REGS. tit. 11, § 216.7(b)(5) (2016) ("Standards for prompt, fair and equitable settlement of motor vehicle physical damage claims.").

precisely these designs would effectively eliminate competition in the market for replacement parts. Thus, the grille designs are also aesthetically functional.[104] The markets for replacement parts are extremely narrow because they are defined by the car models to which particular part numbers correspond. The parts are generally not interchangeable across multiple vehicle models, and alternative grille designs are not remotely adequate substitutes. Owners of particular models seek replacement parts that will return their vehicles to their original designs, so giving OEMs exclusive rights to produce grilles of a particular design would put aftermarket part producers like LKQ at a significant—indeed decisive—competitive disadvantage.

Those arguments should cut even more powerfully against treating the grille designs as counterfeits, regardless of the context. And they might well prevail. But the point is that there is virtually no law dealing with functionality in any counterfeiting context, because courts have not addressed counterfeiting of product configuration, even if cases like *Lam* are beginning to blur the lines here.

Relatedly, courts in civil product configuration cases have gone to great lengths to require claimants to describe their trade dress with some particularity.[105] They have done so in order to guard against ad hoc and opportunistic trade dress claiming and to prevent parties from asserting rights in unprotectable elements.[106] That trend does not seem to have reached counterfeiting cases, probably because opportunistic claiming should be less of an issue in that context in light of the TCA's requirement that the alleged counterfeiter use a registered mark. Any registration of a configuration would necessarily depict and describe the claimed configuration.[107] But courts undermine certainty about the features of the

104. *See TrafFix*, 532 U.S. at 33 ("It is proper to inquire into a 'significant non-reputation-related disadvantage' in cases of esthetic [sic] functionality . . . ." (internal citations omitted)).

105. *See, e.g.*, *General Motors*, 468 F.3d at 415 ("In requiring a list of discrete elements, we are looking to avoid vague and indeterminate references to the overall appearance or look of plaintiff's packaging."); Tumblebus Inc. v. Cranmer, 399 F.3d 754, 768 (6th Cir. 2005) ("To recover for trade-dress infringement under . . . the Lanham Act, a party must first identify what particular elements or attributes comprise the protectable trade dress.").

106. The requirement of a written description is not just applicable to product configuration cases, *see Star Indus. v. Bacardi & Co.*, 412 F. 3d 373 (2d Cir. 2005), but courts have been more insistent on descriptions in those cases. *See* Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc., 280 F.3d 619, 634 (6th Cir. 2002) ("[W]hatever may be claimed as the combination of elements making up the product or its packaging and presentation, [i]t will not do to solely identify in litigation a combination as 'the trade dress.' Rather, the discrete elements which make up that combination should be separated out and identified in a list." (quoting 1 MCCARTHY, *supra* note 40, § 8:3)).

107. Of course, the Trademark Office only inconsistently applies its rules regarding verbal description of the mark. *See* Jeanne C. Fromer & Mark P. McKenna, *Claiming Design*, 167 U. PENN. L. REV. (forthcoming 2018).

claimed mark to the extent they allow dissection and comparison of particular elements of the marks, making articulation of the elements more important.

Dissection also increases the risk that the similarity assessment will be dominated by unprotectable elements. Where courts strictly interpret the requirement that the allegedly counterfeit mark be identical with, or substantially indistinguishable from the registered mark, and when that comparison must take into account *all* of the features of the registered mark, there is less reason for concern about the protectability of individual features. When courts allow dissection without accounting for individually protectable features, they run the risk of expanding the scope of the registered mark, which should be of particular concern in the counterfeiting context.[108]

2. Errors in Likelihood of Confusion

In addition to the various ways courts have undermined particular statutory limits in the TCA, they have sometimes assessed likelihood of confusion inappropriately. Specifically, courts have compared products side-by-side, devoid of any context, and sometimes even have credited expert testimony or given weight to defense witnesses' inability to distinguish counterfeit and genuine items.[109] These errors in evaluating likelihood of confusion reflect courts' conflation of the similarity question (whether the defendant's mark is identical with, or substantially indistinguishable from the genuine mark) and the separate likelihood of confusion question. Side-by-side comparison is appropriate for assessing similarity, but importantly, the statute clearly requires comparison of the defendant's *mark* and the registered mark of which it is allegedly a counterfeit. Side-by-side comparison of *products* 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, comparing products side-by-side in a trademark case is analogous to comparing the defendant's product to the commercial embodiment of the plaintiff's design in a design patent case, rather than comparing the accused design to the patent drawings, as is required.[110]

108. As Mark Lemley and I demonstrated, this is a pervasive problem in trademark infringement litigation. Mark A. Lemley & Mark P. McKenna, *Scope*, 57 WM. & MARY L. REV. 2197, 2243-59 (2016).

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

110. *See* Sun Hill Indus., Inc. v. Easter Unlimited, Inc., 48 F.3d 1193, 1197 (Fed. Cir. 1995) (noting that comparing the accused device to the plaintiff's commercial embodiment is improper

Finally, even if the statute allowed courts to compare products rather than marks, side-by-side comparison would still be problematic at the likelihood of confusion stage of counterfeiting cases because consumers typically do not encounter counterfeit products alongside genuine goods in the marketplace. As the Second Circuit said in *Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.*, "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."[111] And for that reason, "[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."[112]

IV. OTHER DOCTRINAL EXPANSIONS

It might be possible to write off these developments in criminal trademark law if they were isolated examples. After all, courts do sometimes hold the line on counterfeiting liability and refuse to impose criminal sanctions in cases in which the defendant's conduct clearly meets the civil infringement standard.

But courts' expansions of counterfeiting liability are of a piece with a number of other developments in intellectual property law and other adjacent areas of law. In each of these areas, Congress has provided for substantially increased civil remedies or criminal penalties and has justified those sanctions on the ground they would apply only in cases of egregious misconduct. Yet those supposedly narrowly-targeted sanctions have routinely been applied far outside the contexts used to justify them. As a result, in some cases courts have imposed criminal penalties on

except when there is "no significant distinction in design . . . between the patent drawing and its physical embodiment").

111. 426 F.3d 532, 538 (2d Cir. 2005).

112. *Id.*; *see also* AM General Corp. v. Daimler Chrysler Corp., 311 F.3d 796, 825 (7th Cir. 2002) ("Limiting the focus to the grille and ignoring all that surrounds the grille seems to blink the general rule that courts evaluate similarity in light of what happens in the marketplace, rather than just by making a side-by-side comparison."); Fun–Damental Too, Ltd. v. Gemmy Indus. Corp., 111 F.3d 993, 1004 (2d Cir. 1997) ("[T]he test of confusion [under the Lanham Act] is not whether the products can be differentiated when [they] are subject to a side-by-side comparison. Instead, we must ask whether they create the same general overall impression such that a consumer who has seen [plaintiff's] trade dress would, upon later seeing [defendant's] trade dress alone, be confused."); American Home Prods. Corp. v. Johnson Chem. Co., 589 F.2d 103, 107 (2d Cir. 1978) ("The test [for likelihood of confusion] is not whether the consumer will know the difference if he sees the competing products on the same shelf."); 4 MCCARTHY, *supra* note 40, § 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.").

conduct that does not even clearly constitute civil infringement under standard interpretations of 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 (ICE) has seized hundreds of domain names, at least.[113] 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.[114]

Sometimes the government has eventually gotten around to instituting actions under civil forfeiture laws, even if well after seizing the domain names. But in a number of cases, ICE has simply held the domain names without filing charges.[115] Many of those seizures, it now seems clear, were 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."[116]

Private parties also have been able to persuade courts to issue injunctions (frequently on an ex parte basis) that include orders to non-party registries, registrars, and/or search engines to prevent domain names from connecting to corresponding websites or to cease facilitating access to any websites through which defendants conduct business.[117] It is

113. Tamlin H. Bason, *ICE, DOJ Seize 150 Domain Names In Advance of Cyber Monday Shopping*, BLOOMBERG BNA (Nov. 29, 2011), http://www.bna.com/ice-doj-seize-n12884904587/ [https://perma.cc/4D6D-NR7J].

114. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. 110-403, § 206, 122 Stat. 4262 (2008).

115. 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 Property, 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 [https://perma.cc/VXX8-K5K5].

116. John Eggerton, *ICE Seizes Domains, Assets of Alleged TV, Movie Pirates*, BROADCASTING & CABLE (June 30, 2010), https://www.broadcastingcable.com/news/technology/ice-seizes-domains-assets-alleged-tv-movie-pirates/47602 [https://perma.cc/BYP5-TPFM].

117. 411 Mania.com, LLC v. Doe, 1:17-CV-00469 (LMB/IDD), 2017 WL 4052374, at *2 (E.D. Va. Sept. 12, 2017) (ordering a non-party domain name register to "immediately transfer the Infringing Domain Name to plaintiff"); Gucci Am., Inc. v. Aaabagswear.com, 17-CV-61147, 2017

entirely unclear how courts have the authority to order nonparties to take these steps, but that does not seem to have given any of these courts pause.

It would be one thing if these seizures or the injunctions entered by courts in cases of private enforcement really were limited to the most egregious cases—those involving only "rogue" sites "dedicated to theft of U.S. Property."[118] But often they have not been. In one case involving the domain name Dajaz1.com, for example, the government seized the domain name and held if for over a year, well beyond the time period in which it should have had to return the domain name or file a forfeiture proceeding. Documents later unsealed revealed that the government had 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 Recording Industry Association of America (RIAA)—to investigate.[119] Apparently the investigation turned up nothing illegal, and the domain name was returned to its owners without any charges being filed.[120] To summarize, the

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WL 6949255, at *4 (S.D. Fla. June 21, 2017) (ordering non-party domain name registers to assist in changing the registrar of record for the infringing domain name to a holding account with a registrar of the plaintiff's choosing); Belstaff Group SA v. Doe, 15-CV-2242(PKC)(MHD), 2015 WL 10852520, at *3 (S.D.N.Y. June 18, 2015) (permanently enjoining any third party vendor that received actual notice of the order—including domain name registers, search engines, and payment processors—from providing services used in connection with the defendant's infringing domain names); Temporary Restraining Order, at 8-9, Richemont Int'l v. Montesol OU, No. 11-CV-9322 (JGK)(HBP), 2014 WL 3732887 (S.D.N.Y. May 13, 2014) ("[A]ny websites, online search engines, online shopping price comparison services, or any other business or publication that advertises Defendants' websites associated with the Subject Domain names . . . temporarily restrained and enjoined from advertising, promoting, or marketing Defendants' Counterfeit Products or Defendants' Websites . . . [and] from supporting or hosting Defendants' Websites."); Deckers Outdoor Corp. v. Liyanghua, No. 11-CV-7970, 2011 WL 7095800 (N.D. Ill. Dec. 15, 2011) (preliminary injunction against defendant includes order requiring the registries to change the registrar of record for the domain names to a registrar of plaintiff's choosing); Chanel, Inc. v. P'nships & Unincorporated Ass'ns Identified on Schedule "A", No. 2:11-CV-01508-KJD-PAL, 2011 U.S. Dist. LEXIS 131456, at *10-11 (D. Nev. Nov. 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).

118. *See* Stop Online Piracy Act, H.R. 3261, 112th Cong. § 103 (2011); Protect IP Act, S. 968, 112th Cong. § 103 (2011); *see also* S. REP. NO. 112-39, at 3-4 (2011).

119. *See* Ex Parte Application for Order Extending for Sixty Days the Deadline for Filing Complaint for Forfeiture, No. 11-00110 (Sept. 8, 2011), https://www.wired.com/images_blogs/threatlevel/2012/05/riaadeclaration.pdf [https://perma.cc/HX86-T8RW].

120. In fact, it seems that the songs ICE alleged in its affidavit filed when it seized the domain name were sent by representatives of the copyright holder for the purpose of publicizing the works. *See* Mike Masnick, *More & Bigger Mistakes Discovered in Homeland Security's Domain Seizures*, TECHDIRT (Dec. 22, 2010), http://www.techdirt.com/articles/20101222/02112912376/more-bigger-mistakes-discovered-homeland-securitys-domain-seizures.shtml [https://perma.cc/BHR4-WD37].

government seized a domain name on an ex parte basis, held it for a year by seeking ex parte extensions of time to file the forfeiture action it was required by statute to file in a timely fashion, and then essentially admitted there was no basis for the case.

Even when 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.[121] Even in the civil context, courts generally have not considered mere linking to constitute direct copyright infringement.[122] Under certain circumstances, linking could give rise to secondary liability.[123] 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."[124]

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,[125] without any apparent sensitivity to the fact that trademark law actually permits resale of branded goods in most circumstances.[126] Here, too, ICE has worked a significant expansion of

121. *New York Investigators Seize 10 Websites that Illegally Streamed Copyrighted Sporting and Pay-Per-View Events,* ICE NEWSROOM: U.S. IMMIGRATION AND CUSTOMS ENF'T (Feb. 2, 2011), http://www.ice.gov/news/releases/1102/110202newyork.htm [https://perma.cc/87Y9-3ECP].

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

123. *See, e.g.*, Flava Works, Inc. v. Gunter, 689 F.3d 754, 758 (7th Cir. 2012) (suggesting that the defendant would be liable for contributory infringement if there was evidence that it invited users to link infringing videos on its website); Jane C. Ginsburg & Luke Ali Budiardjo, *Liability for Providing Hyperlinks to Copyright-Infringing Content: International and Comparative Law Perspectives*, 41 COLUM. J.L. & ARTS 153, 196 (2018) ("Under the contributory liability doctrine, even the provision of a simple link could constitute an act of secondary infringement if that link encourages or assists an ultimate act of infringement." (internal quotation marks omitted)).

124. It's not just ICE here—the government's prosecution of MegaUpload was predicated on this same extension of criminal copyright provisions to conduct that typically would have been evaluated in terms of secondary liability as a civil matter. *See* Indictment, United States v. Dotcom, No. 1:12-3 (E.D. Va. Jan. 5, 2012), http://www.scribd.com/doc/78786408/Mega-Indictment [https://perma.cc/HHW3-KY8E]. In particular, the government's theory relied 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).

125. Jorge Espinosa, *US Government Seizes 130 Domain,* LEXNIMBUS (Nov. 26, 2011), http://lexnimbus.com/?p=196 [https://perma.cc/YHN6-A9TH].

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

the scope of trademark law while pretending only to be enforcing the rules against those easily classified as rogue websites.

Something very similar is going on with the Computer Fraud and Abuse Act (CFAA).[127] Originally designed to target computer hacking that implicates significant government interests of national security, financial records, and government property, Congress has repeatedly amended the statute to expand its reach. As Orin Kerr has documented, the cumulative effect has been to bring within the scope of CFAA the use of essentially any computer for any purpose.[128]

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 violations. That limited purpose justified the draconian remedies these tools allow. Yet in practice it is clear that, like the Patriot Act—which was passed on the ground that it was needed to combat terrorism but has been used overwhelmingly in ordinary drug cases[129]—these tools are being used far beyond the contexts initially 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. Once those tools are available, however, it is too hard for the government to resist using them in a wider range of cases. Indeed, it may well be that doctrinal creep is 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 they will, in fact, be applied narrowly, policymakers ought to be much more reluctant to create the tools at all.

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127. 18 U.S.C. § 1030 (2012).

128. *See* Orin S. Kerr, *Vagueness Challenges to the Computer Fraud and Abuse Act*, 94 MINN. L. REV. 1561 (2010); Orin S. Kerr, *Cybercrime's Scope: Interpreting "Access" and "Authorization" in Computer Misuse Statutes*, 78 N.Y.U. L. REV. 1596 (2003).

129. *See, e.g.*, ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS, REPORT OF THE DIRECTOR OF THE ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS ON APPLICATIONS FOR DELAYED-NOTICE SEARCH WARRANTS AND EXTENSIONS (July 2, 2009), http://big.assets.huffingtonpost.com/SneakAndPeakReport.pdf [https://perma.cc/H3YD-J4QU] (reporting that 65% of uses of such warrants were in drug offense cases).

It is, of course, hardly a new observation that criminal law, and particularly federal criminal law, is vulnerable to doctrinal creep. Indeed, one might suggest that doctrinal creep is the defining feature of federal criminal law.[130] Aside from the standard concerns about overcriminalization and the more specific concern about over-deterring potentially beneficial uses, in the IP context one important consequence of the expansion of criminal liability is that it shifts the burden of enforcement from private parties to the public.[131] To the extent we believe the trademark system in particular is calibrated such that the costs of private enforcement counteract the law's excesses,[132] expansion of criminal liability undermines that calibration. That is a particularly serious problem to the extent criminal trademark law applies in cases of ordinary infringement rather than being limited to the truly egregious cases. Unfortunately, as we have seen, that may be happening more than we'd like to admit.

130. *See, e.g.*, Stephen F. Smith, *Proportionality and Federalization*, 91 VA. L. REV. 879, 884 (2005) ("[F]ederal judges have been all too willing to construe federal crimes expansively . . . . The inevitable result of how courts approach their interpretive tasks is a broader and more punitive federal code.").

131. *Cf.* Yvette Joy Liebesman, *Ex Parte Seizures Under the DTSA and the Shift of IP Rights Enforcement*, 1 BUS. ENTREP. & TAX L. REV. 390, 393 (2017) ("Trademark and copyright owners have been successful in persuading Congress to legislatively expand and shift enforcement duties to governmental bodies and other entities regarding private intellectual property rights beyond customary importation authority.").

132. *See, e.g.*, Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625, 661-63 (2011).