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**FRIEND OR FAUX: THE TRADEMARK COUNTERFEITING
ACT'S INABILITY TO STOP THE SALE OF COUNTERFEIT
SPORTING GOODS**

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I. INTRODUCTION

The market for sporting goods and apparel is on the rise. In 2012, the global market was worth \$135 billion, and is estimated to reach \$178 billion by the year 2019.¹ The growth stems from a variety of factors, including an increasing level of “fitness consciousness, rising income levels in developing countries, the growing popularity of sports apparel for women as well as the trend toward stylish and comfortable sportswear.”²

Unfortunately, however, the increase in demand for sporting apparel is accompanied by an increase in the cost of these items.³ When Reebok manufactured jerseys for the National Football League (NFL), the cheapest adult replica—the “Game Jersey”—cost consumers only \$85.⁴ However, when Nike took over the deal in 2012, the company raised the cost of the cheapest jersey to \$100, asserting that it used different materials in the new Nike jerseys,⁵ and on April 1, 2014, Nike again increased the price of NFL jerseys.⁶ The cost of the cheapest replica remained at \$100, but price of the “Limited Jersey”—which has embroidered numbers and letters—rose from \$135 to \$150.⁷ Moreover, the price of the “Elite Jersey”—which is extremely similar to what the players wear, is water repellent, and has a tighter fit—increased from \$250 to \$295.⁸

The rise in the price of athletic apparel undoubtedly creates a demand for cheaper, affordable alternatives—namely counterfeit goods which will cost consumers only a fraction of the original.⁹ Counterfeiters also take advantage of specialty sporting events, such as

¹ Trefis Team, *Why Nike Will Outpace the Sports Apparel Market's Growth*, FORBES (May 13, 2013, 5:54 PM), <http://www.forbes.com/sites/greatspeculations/2013/05/13/why-nikes-growth-will-outpace-the-sports-apparel-markets/>.

² *Id.*

³ See Kevin Seifert, *Inside Slant: You Aren't Nike's Target Market*, ESPN (Apr. 9, 2014, 3:00 PM), http://espn.go.com/blog/nflnation/post/_/id/123715/inside-slant-you-arent-nikes-target-market.

⁴ Darren Rovell, *Nike Raises NFL Jersey Prices*, ESPN.COM (Apr. 9, 2014, 4:04 PM), http://espn.go.com/nfl/story/_/id/10752520/nike-raises-prices-two-types-nfl-jerseys.

⁵ *Id.*

⁶ *Id.*; see also Seifert, *supra* note 3 (asserting that “Nike isn’t producing these jerseys for . . . the average American consumer. They are for the highest levels of our economic stratosphere[.]”).

⁷ Rovell, *supra* note 4.

⁸ *Id.*

⁹ See Seifert, *supra* note 3 (reporting that many individuals responded to Nike’s increase in jersey cost by pointing “toward the robust counterfeit . . . market as an increasingly attractive alternative.”).

the NFL Super Bowl or National Hockey League (NHL) Winter Classic and Stanley Cup, where “criminal groups try to exploit the enthusiasm of fans” by selling them counterfeit sporting apparel.¹⁰

Consumers who search for discounted sporting goods and apparel fall into one of two different categories: (1) individuals who knowingly search for and purchase counterfeit sporting goods and apparel “in order to save money, to bear the status symbol of an item they could not otherwise afford, or even to wear counterfeit . . . labels[,]”¹¹ or (2) individuals who are searching for a bargain and are fraudulently induced into buying the knockoff believing it to be an authentic sporting good or piece of apparel.¹² Unfortunately, the number of consumers who fall into the first category is quite high in the sporting goods and apparel industry.¹³

The United Nations estimates that “counterfeit goods generate \$250 billion annually for criminal organizations.”¹⁴ As a result, many governmental agencies have increased enforcement against counterfeit goods. For instance, United States Immigration and Customs Enforcement (ICE) has teamed with the Department of Homeland Security (DHS) to combat the issue, leading to a 159% increase in arrests, a 103% increase in convictions, and a 264% increase in

¹⁰ Bill Shea, *Feds Seize More than \$700,000 in Fake NHL Merchandise*, CRAIN’S DETROIT BUSINESS (Jan. 3, 2014), <http://www.craindetroit.com/article/20140102/NEWS/140109978/feds-seize-more-than-700-000-in-fake-nhl-merchandise> (quoting Marlon Miller, Special Agent of Homeland Security Investigations (HSI)).

¹¹ Amanda Silverman, Note, *Draconian or Just? Adopting the Italian Model of Imposing Administrative Fines on the Purchasers of Counterfeit Goods*, 17 CARDOZO J. INT’L & COMP. L. 175, 197 (2009); see Seifert, *supra* note 3 (reporting that the increases in cost of authentic sporting goods are leading consumers to look to counterfeits as alternatives).

¹² See Silverman, *supra* note 11, at 198; Daniel Bukszpan, *Counterfeiting: Many Risks and Many Victims*, CNBC (Jul. 13, 2010), <http://www.cnbc.com/id/38229835> (stating that “many people who purchase counterfeit products do so unknowingly.”).

¹³ Nathan Rott, *Counterfeit Jerseys: Can You Tell the Difference?*, NPR (Feb. 6, 2011), <http://www.npr.org/2011/02/06/133495229/counterfeit-jerseys-can-you-tell-the-difference> (citing research that only twenty percent of consumers purchasing counterfeit jerseys are unaware that the products are counterfeits); see also Silverman, *supra* note 11, at 179 & n.20 (stating that consumer demand drives the counterfeiting industry).

¹⁴ Arelis R. Hernández, *Buying Cheaper Counterfeit Products for Holidays Can Have High Costs*, ORLANDO SENTINEL (Dec. 26, 2012), http://articles.orlandosentinel.com/2012-12-26/news/os-counterfeit-organized-crime-orlando-20121226_1_counterfeit-items-estimates-counterfeit-goods-counterfeit-copies.

indictments.¹⁵ Moreover, Customs and Border Protection (CBP) and ICE have increased seizures of infringing items by 53%.¹⁶

Counterfeit suppliers, however, are finding ways to reach consumers as the demand for replica sporting goods and apparel increases. Critics may argue that the issue is in fact circular: purchasing counterfeit goods costs the United States an estimated \$200-plus billion per year, of which domestic producers absorb about \$60 billion;¹⁷ domestic producers then increase the prices of merchandise to make up for their drastic loss.¹⁸ In simpler terms, consumers are buying counterfeit sporting goods because the current prices are too high, but the prices continue to rise because the domestic producers are losing money to counterfeit producers. The economy has produced a vicious cycle.

To combat the growing issue of counterfeit goods being imported into the United States, which is negatively affecting the domestic market, Congress enacted the Trademark Counterfeiting Act of 1984.¹⁹ The Act provides for criminal and civil penalties for those who intentionally traffic in counterfeit goods and knowingly use an associated counterfeit mark with that good.²⁰ Nevertheless, the Act is insufficient to address all of the current problems that face the counterfeit market today.

Part II of this paper gives background information about the Trademark Counterfeiting Act of 1984 and the reasons behind why Congress found it necessary to enact such a law. Part III discusses the creation of the National Intellectual Property Rights Coordination Center (IPR Center) and the IPR Center's recent enforcement operations aimed at stopping the importation and sale of counterfeit sporting goods. Part IV of this paper argues that the Trademark Counterfeiting Act of 1984 is outdated and leads to insufficient efforts by the government to combat the issues surrounding counterfeit goods. Part V identifies the present social consequences of an ineffective law that fails to adequately halt the production and sale of counterfeit

¹⁵ OFFICE OF MGMT. & BUDGET, OFFICE OF THE U.S. INTELLECTUAL PROP. ENFORCEMENT COORDINATOR, 2013 JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT 43, 43 (2013) [hereinafter *2013 Plan on IP Enforcement*], available at <http://www.whitehouse.gov/sites/default/files/omb/IPEC/2013-joint-strategic-plan-on-intellectual-property-enforcement.pdf>.

¹⁶ *Id.* at 45.

¹⁷ See Maxim H Waldbaum & Xuan-Thao N. Nguyen, *Using Creativity to Fight A \$60 Billion Consumer Problem—Counterfeit Goods*, 10 LOY. CONSUMER L. REV. 88, 88 (1998).

¹⁸ See *id.*

¹⁹ See 18 U.S.C. § 2320 (2012).

²⁰ See *id.*

goods. Part VI recommends that private organizations which are directly affected by the production and sale of counterfeit goods must take steps to prevent the production of counterfeit goods. Moreover, Congress must amend the Trademark Counterfeiting Act of 1984 so it is still relevant in today's economy. In order to do so, the Act must criminalize the act of knowingly purchasing counterfeit goods, as well as selling counterfeit goods. Finally, Part VII concludes that the government's actions are currently ineffective in preventing black market profit from counterfeit goods, and the Trademark Counterfeiting Act will remain ineffective unless Congress amends the statute.

II. THE TRADEMARK COUNTERFEITING ACT OF 1984²¹

A. Background

“Commercial counterfeiting is the practice of placing a false trademark on a product, often of inferior quality, and thereby making the product superficially indistinguishable from the genuine article.”²² The Trademark Counterfeiting Act of 1984 was introduced to deal with the “growing problem of commercial counterfeiting” which resulted in “legitimate businesses suffer[ing] the losses of billions of dollars every year to counterfeiters.”²³ The legislation aimed to “put product counterfeiters out of business and to protect the trademark owner and the general public.”²⁴

Prior to 1984, there were “virtually no criminal penalties for the sale of goods and services through the use of false trademarks.”²⁵ The Lanham Act,²⁶ enacted in 1946, in part, to protect “trade-marks used in commerce,”²⁷ was the only statute at the time that provided sanctions

²¹ *Id.*

²² *A Bill to Amend Title 18 of the United States Code to Strengthen the Laws Against the Counterfeiting of Trademarks, and for Other Purposes: Hearing on S. 2428 Before the S. Comm. on the Judiciary, 97th Cong. 34-35 (1982) [hereinafter Senate Hearing 1982]* (statement of Peter T. Jones, Senior Vice President, Legal and External Affairs, Levi Strauss & Co, and Chairman, International Anti-Counterfeiting Coalition).

²³ *Id.* at 1; *see generally* S. REP. NO. 98-526, pt. I, at 1 (1984) (stating the overall purpose of the bill).

²⁴ *Senate Hearing 1982, supra* note 22, at 44 (statement of Vernon F. Venne, Ashland Oil, Inc., Valvoline Motor Oil Division).

²⁵ S. REP. NO. 98-526, pt. I, at 1.

²⁶ Lanham Act, 15 U.S.C. §§ 1051–1127 (2012).

²⁷ H.R. REP. NO. 2322, at 1 (1946) (Conf. Rep.). The Lanham Act defines counterfeit as “a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.” 15 U.S.C. § 1127 (2012).

for trademark infringement. However, the penalties imposed were “too small, and too infrequently imposed, to deter counterfeiting significantly.”²⁸

In response, the Senate introduced Senate Bill 2428, later amended as Senate Bill 875,²⁹ which imposed “stiff criminal penalties” to deter the “‘epidemic’ of commercial counterfeiting.”³⁰ The final draft of the bill, before enactment, established “criminal penalties of up to 5 years imprisonment and up to \$250,000 in fines for individuals and up to \$1,000,000 in fines for corporations and similar legal entities that intentionally traffic in goods or services knowing them to be counterfeit.”³¹ The bill also authorized civil lawsuits where the owner of a registered trademark could “bring a civil suit for treble damages against those who violate” the bill.³²

House Report 997 also proposed an amendment to the Lanham Act, in conjunction with the Trademark Counterfeiting Act of 1984.³³ The amendment permits *ex parte* seizures of counterfeit goods, and thus a trademark owner could seize the counterfeit goods without notifying the other counterfeiting party.³⁴ To prevent abuse of *ex parte* seizures, the non-infringing party must make a pre-seizure showing that:

- (1) no adequate alternative remedy is available; (2) the trademark owner has not publicized the requested seizure; (3) the trademark owner is likely to succeed in showing that the alleged counterfeiter used a counterfeit mark; (4) immediate and irreparable injury will result if the court denies the seizure; (6) the harm to the trademark owner outweighs the harm to the alleged counterfeiter; and (7) the alleged counterfeiter would destroy, move, hide, or otherwise make the alleged counterfeit goods inaccessible if the trademark

²⁸ S. REP. NO. 98-526, pt. III, at 5. Today, the Lanham Act permits the use of treble damages at the court’s discretion, under 15 U.S.C. § 1117(b), for those who “intentionally use a mark or designation, knowing such mark or designation is a counterfeit mark . . . in connection with the sale, offering for sale, . . . or distribution of goods or services.” Waldbaum & Nguyen, *supra* note 17, at 90 (citing 15 U.S.C. 1117(b) (2012)).

²⁹ S. 2428, 97th Cong. (1982); S. 875, 98th Cong. (1984).

³⁰ S. REP. NO. 98-526, pt. III, at 5 (1984) (citing *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 528 (2d Cir. 1983)).

³¹ S. REP. NO. 98-526, pt. I, at 1 (1984).

³² *Id.*

³³ See H.R. REP. NO. 98-997, at 2-4 (1984).

³⁴ *Id.* at 2.

owners provide notice.³⁵

In his opening remarks, Senator Mathias asserted that “[t]he bill’s greatest virtue may be the deterrent effect it will have.”³⁶ Many also supported the primary objectives of the bill, asserting the importance of “trademark registrants to effectively enforce their rights in court.”³⁷ However, the senator’s optimism was met with skepticism; critics questioned, among other things, whether it was realistic to assume that this bill would invoke Federal criminal law enforcement.³⁸ Instead, the Department of Justice suggested that the preferred method for recovery was to create “effective private remedies and [to facilitate] self-help remedies to the extent” possible.³⁹

The New York City Department of Consumer Affairs testified at the Senate hearing about the importance of attacking counterfeiting of brand-name apparel, focusing on the victimized consumer.⁴⁰ The Commissioner stated that a trademark is “an implied warranty to the

³⁵ Waldbaum & Nguyen, *supra* note 17, at 90.

³⁶ *A Bill to Amend Title 18 of the United States Code to Strengthen the Laws Against the Counterfeiting of Trademarks, and for Other Purposes: Hearing on S. 2428 Before the S. Comm. on the Judiciary, 97th Cong. 2 (1982); S. 2428, 97th Cong., at 22 (1982) (stating that “because of its stringent civil and criminal penalties, it will establish a significant disincentive for those who might engage in counterfeiting.”).*

³⁷ *Id.* The Senate heard testimony from many individuals, including representatives from Bausch & Lomb, producers of Ray Ban Sunglasses, and from Levi Strauss & Co., producers of Levi jeans. *See generally id.*

³⁸ *See id.* at 9; *see also A Bill to Amend Title 18 of the United States Code to Strengthen the Laws Against the Counterfeiting Trademarks, and for Other Purposes: Hearing on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the S. Comm. on the Judiciary, 98th Cong. 20 (1983) (statement of Edward T. Borda, President, Association of General Merchandise Chains)(stating that “We are concerned that this bill would impose substantial and inequitable burdens on retailers who would be subject to severe criminal sanctions and to civil remedies with enormous consequences on their businesses.”).*

³⁹ *A Bill to Amend Title 18 of the United States Code to Strengthen the Laws Against the Counterfeiting of Trademarks, and for Other Purposes: Hearing on S. 2428 Before the S. Comm. on the Judiciary, 97th Cong. 9, 22 (1982) (“[T]his is a problem that can best be addressed by private enterprise.”). *But see A Bill to Amend Title 18 of the United States Code to Strengthen the Laws Against the Counterfeiting Trademarks, and for Other Purposes: Hearing on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the S. Comm. on the Judiciary, 98th Cong. 21 (1983) (identifying that the bill “would encourage trademark holders to concentrate private enforcement actions not against counterfeit producers but rather against established retailers.”).**

⁴⁰ *A Bill to Amend Title 18 of the United States Code to Strengthen the Laws Against the Counterfeiting Trademarks, and for Other Purposes: Hearing on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the S. Comm. on the Judiciary, 98th Cong. 58-59 (1983).*

purchaser that the product is of a certain quality” and that a “consumer who is sold counterfeit merchandise instead of the genuine article has been victimized by a fraudulent trade practice. . . .”⁴¹

Congress ultimately enacted the law with the intention of providing “increased sanctions for the counterfeiting of certain registered trademarks[,]” thus creating a federal criminal cause of action where the Lanham act only created a civil cause of action.⁴²

B. The Law

Sections (a)(1)-(2) of the Trademark Counterfeiting Act of 1984⁴³ criminalize anyone who intentionally “traffics in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services” and anyone who intentionally “traffics in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive.”⁴⁴

The act also punishes anyone who intentionally:

traffics in goods or services knowing that such good or service is a counterfeit military good or service the use, malfunction, or failure of which is likely to cause serious bodily injury or death, the disclosure of classified information, impairment of combat operations, or other significant harm to a combat operation, a member of the Armed Forces, or to national security.⁴⁵

Finally, the act criminalizes anyone who intentionally “traffics in a counterfeit drug”⁴⁶ and anyone who “attempts or conspires to violate” any of the prohibitions listed above.⁴⁷ The term “traffic” is defined as

⁴¹ *A Bill to Amend Title 18 of the United States Code to Strengthen the Laws Against the Counterfeiting of Trademarks, and for Other Purposes: Hearing on S. 2428 Before the S. Comm. on the Judiciary, 97th Cong. 20 (1982); also S. REP. NO. 98-526, pt. III, at 4 (1984) (asserting that counterfeit goods defraud consumers “who pay for brand-name quality and take home only a fake.”).*

⁴² H.R. REP. NO. 98-997, at 4-5 (1984).

⁴³ 18 U.S.C. § 2320 (2012).

⁴⁴ 18 U.S.C. § 2320(a)(1)-(2).

⁴⁵ 18 U.S.C. § 2320(a)(3).

⁴⁶ 18 U.S.C. § 2320(a)(4).

⁴⁷ 18 U.S.C. § 2320(a).

“transport, transfer, or otherwise dispose of, to another, for purposes of commercial advantage or private financial gain”⁴⁸

Violating the Act comes with harsh penalties. Any individual who violates the Act as a first offense will be fined a maximum of \$2 million, imprisoned for a maximum of ten years, or both.⁴⁹ Any person other than an individual will be fined a maximum of \$5 million.⁵⁰ After one’s first offense, an individual will be fined a maximum of \$5 million, imprisoned for a maximum of twenty years, or both; and a subsequent offense for anyone other than an individual will be fined a maximum of \$15 million.⁵¹

The Act imposes further punishment on “[w]hoever knowingly or recklessly causes or attempts to cause serious bodily injury from conduct in violation of subsection (a)”⁵² An individual causing serious bodily injury will be fined up to \$5 million or imprisoned for no more than twenty years, or both.⁵³ On the other hand, if it is anyone other than an individual, the maximum fine increases to \$15 million.⁵⁴

Finally, the act recognizes an increased fine for one who “knowingly or recklessly causes or attempts to cause death from conduct in violation of subsection (a).”⁵⁵ If an individual causes death, he will be fined a maximum of \$5 million or imprisoned “for any term of years or for life, or both,” and if anyone other than an individual causes death in relation to counterfeit marks, the maximum fine increases to \$15 million.⁵⁶

The scope of this paper is limited to the offenses in 18 U.S.C. § 2320(a)(1)-(2), creating an offense for anyone involved in using counterfeit marks on goods or services, and will not examine counterfeit drugs and military goods, except for use by comparison.⁵⁷

⁴⁸ 18 U.S.C. § 2320(f)(5).

⁴⁹ 18 U.S.C. § 2320(b)(1)(A).

⁵⁰ *Id.*

⁵¹ 18 U.S.C. § 2320(b)(1)(B).

⁵² 18 U.S.C. § 2320(b)(2)(A).

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ 18 U.S.C. § 2320(b)(2)(B).

⁵⁶ *Id.*

⁵⁷ The Trademark Counterfeiting Act addresses counterfeit military goods or services and counterfeit drugs in 18 U.S.C. § 2320(b)(3), however that is outside the scope of this paper.

C. Judicial System's Interpretation

The judicial system has not departed from Congress's intent when it initially drafted the Trademark Counterfeiting Act of 1984. Rather, courts have taken advantage of the opportunity to interpret the Act in a broader scope than what Congress explicitly stated—specifically considering the social consequences of counterfeit goods in the marketplace. Where Congress considered consequences of counterfeit goods from the perspective of the victimized consumer, the courts considered the consequences of circumstances under which a buyer would knowingly purchase counterfeit goods.

To illustrate, some circuit courts within the United States Court of Appeals have held that the Trademark Counterfeiting Act of 1984 “is designed to prevent post-sale confusion by the general public when seeing counterfeit goods bearing a logo.”⁵⁸ The United States Court of Appeals for the Second Circuit expressed its concern in *Hermes Int'l v. Lederer de Paris Fifth Avenue, Inc.*⁵⁹ In *Hermes Int'l*, the court asserted that the general public is harmed by the sale of counterfeit goods when the public “believe[s] that the knockoff is actually the genuine article.”⁶⁰ The court reasoned that the individual purchasing the knockoff “confus[es] the viewing public and achiev[es] the status of owning the genuine article at a knockoff price.”⁶¹ Thus, post-sale confusion was enough to prove that there was in fact harm to the public.⁶²

In addition, the United States Court of Appeals for the Tenth Circuit, in *United States v. Foote*,⁶³ also adopted the view that the “likely to cause confusion, to cause mistake, or to deceive” test is “whether the defendant’s use of the mark was likely to cause confusion, mistake, or deception in the public in general.”⁶⁴ Moreover, in *United States v. Torkington*,⁶⁵ the court held that the “likely to confuse” test may be 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.”⁶⁶

⁵⁸ Daniel E. Newman, *Portraying A Branded World*, 2008 U. ILL. J.L. TECH. & POL'Y 357, 371 (2008).

⁵⁹ 219 F.3d 104 (2d Cir. 2000).

⁶⁰ *Id.* at 108–09.

⁶¹ *Id.* at 109.

⁶² *See id.*

⁶³ 413 F.3d 1240 (10th Cir. 2005).

⁶⁴ *Id.* at 1246.

⁶⁵ 812 F.2d 1347 (11th Cir. 1987).

⁶⁶ *Id.* at 1352.

Overall, the Trademark Counterfeiting Act of 1984 was enacted to protect the general public as well as the product manufacturers from harm resulting from counterfeit goods entering the marketplace.⁶⁷

III. ENFORCEMENT MECHANISMS

The United States government has taken many steps to protect consumers from intellectual property theft and infringement. This section will introduce those government enforcement agencies which are leading the fight against counterfeit goods, and will then give examples of the efforts to investigate and seize counterfeit sporting goods and apparel.

A. Enforcement Agencies

1. *National Intellectual Property Rights Coordination Center*

The U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) has taken the lead on investigating and seizing counterfeit sporting goods. ICE HSI currently leads the National Intellectual Property Coordination Center, with assistance from the United States Customs and Border Protection.⁶⁸ The IPR Center was created “to ensure national security by protecting the public’s health and safety, the U.S. economy, and our war fighters, and to stop predatory and unfair trade practices that threaten the global economy.”⁶⁹ The IPR Center is made up of over twenty government agencies⁷⁰ and employs a multi-layered approach to combatting intellectual property theft.⁷¹ Specifically, the IPR Center’s approach includes investigation, interdiction, and outreach and training.⁷²

Investigation includes “[i]dentifying, disrupting, prosecuting, and dismantling criminal organizations involved in the manufacture and distribution of counterfeit products.”⁷³ Interdiction involves “[u]sing focused targeting and inspections to keep counterfeit and pirated goods out of U.S. supply chains, markets, and streets.”⁷⁴ Finally,

⁶⁷ United States v. Torkington, 812 F.2d 1347, 1352–53 (11th Cir. 1987).

⁶⁸ *About the IPR Center*, NAT’L INTELLECTUAL PROP. RIGHTS COORDINATION CTR., <http://www.iprcenter.gov/about-us> (last visited Oct. 23, 2014).

⁶⁹ *Id.*

⁷⁰ *See generally id.* (To understand each agency’s role in the National Intellectual Property Rights Coordination Center (IPR Center)).

⁷¹ *See id.*

⁷² *See id.*

⁷³ *Id.*

⁷⁴ *Id.*

outreach and training entails “[p]roviding training for domestic and international law enforcement to build stronger enforcement capabilities worldwide.”⁷⁵

2. *U.S. Intellectual Property Enforcement Coordinator*

As part of the Office of Management and Budget, the Office of the Intellectual Property Enforcement Coordinator is dedicated to protecting the intellectual property rights of entrepreneurs, business owners, and the general public.⁷⁶ The Intellectual Property Enforcement Coordinator “coordinate[s] the work of the Federal government in order to stop illegal and damaging intellectual property theft.”⁷⁷ The Office works with different entities, such as “relevant Federal agencies, law enforcement organizations, foreign governments, private companies, public interest groups, and others” to ensure that the United States economy is not vulnerable to infringing intellectual property.⁷⁸

In 2010, the United States Intellectual Property Enforcement Coordinator released the first Joint Strategic Plan on Intellectual Property Enforcement (2010 Plan).⁷⁹ The 2010 Plan stated:

Between January and March 2010, ICE and CBP teamed with the NFL, NBA, NCAA, industry and local law enforcement to conduct operations targeting counterfeit sports merchandise sold during the Super Bowl, NBA All-Star Game, and the NCAA Final Four and Frozen Four tournaments. These operations resulted in seizures of over 14,000 items valued at more than \$760,000.⁸⁰

The United States Customs and Border Protection Intellectual Property Rights Seizure Statistics indicated that China remains the primary source of counterfeit goods, representing 68% of all seizures

⁷⁵ *Id.*

⁷⁶ Office of Mgmt. and Budget, *About IPEC*, WHITEHOUSE, <http://www.whitehouse.gov/omb/intellectualproperty/ipeec> (last visited Nov. 4, 2014) (describing the mission of the Intellectual Property Enforcement Coordinator).

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ OFFICE OF MGMT. & BUDGET, EXEC. OFFICE OF THE PRESIDENT, 2010 JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT 1 (2010) [hereinafter *2010 Plan on IP Enforcement*], available at http://www.whitehouse.gov/sites/default/files/omb/assets/intellectualproperty/intellectualproperty_strategic_plan.pdf.

⁸⁰ *Id.* at 40.

in fiscal year 2013, totaling over \$1.1 billion.⁸¹ China is followed by Hong Kong, which is responsible for 25% of all seizures, totaling over \$437 million.⁸² The statistics also identified that the number of seizures for sporting goods decreased from 496 in fiscal year 2012, which was 2% of the total number of seizures; to 266 in fiscal year 2013, which was less than 1% of the total number of seizures.⁸³

This past year, the U.S. Intellectual Property Enforcement Coordinator released the 2013 Joint Strategic Plan on Intellectual Property Enforcement (2013 Plan).⁸⁴ The 2013 Plan detailed ICE HSI's involvement in investigating and confiscating numerous sporting goods and apparel containing infringing trademarks.⁸⁵ While ICE has been involved in numerous anti-counterfeit operations, this paper will only give examples of some of the recent operations.

B. Operations for Seizure of Counterfeit Goods

1. Project Fake Sweep

Project Fake Sweep concerned a joint effort with multiple law enforcement agencies to “identify vendors selling counterfeit NFL trademarked merchandise.”⁸⁶ Between October 1, 2011 and February 6, 2012, Project Fake Sweep seized approximately 50,703 counterfeit NFL merchandise items and 22,570 “non-NFL sport affiliated items”⁸⁷ In total, law enforcement agencies estimate the manufacturer's suggested retail price for these items to be \$6.69 million.⁸⁸ Project Fake Sweep also seized over 22,000 items infringing the trademarks of Major League Baseball (MLB), the National Basketball Association (NBA), and the National Hockey League (NHL).⁸⁹ In addition to seizing tangible goods, Project Fake Sweep “executed warrants to

⁸¹ See U.S. CUSTOMS & BORDER PROT., DEP'T OF HOMELAND SEC., INTELLECTUAL PROPERTY RIGHTS SEIZURES STATISTICS: FISCAL YEAR 2013, at 3, 10 (2013) [hereinafter *IP Seizure Statistics*], available at <http://www.cbp.gov/sites/default/files/documents/2013%20IPR%20Stats.pdf>.

⁸² *Id.* at 10.

⁸³ *Id.* at 6–7.

⁸⁴ See OFFICE OF MGMT. & BUDGET, EXEC. OFFICE OF THE PRESIDENT, 2013 JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT 63–64 (2013) [hereinafter *2013 Plan on IP Enforcement*], available at http://www.whitehouse.gov/sites/default/files/omb/assets/intellectualproperty/intellectualproperty_strategic_plan.pdf.

⁸⁵ See *supra* notes 83–84 and accompanying text; see also *infra* notes 86–87.

⁸⁶ *2013 Plan on IP Enforcement*, *supra* note 15, at 65.

⁸⁷ *Id.*

⁸⁸ See *id.*

⁸⁹ *Id.*

seize over 300 websites engaged in selling counterfeit merchandise and distributing pirated works, such as copyrighted telecasts of these sports leagues.”⁹⁰

2. *Operation Red Zone*

More recently, the NFL cooperated with ICE’s Homeland Security Investigations, United States Customs and Border Protection, and the United States Postal Inspection Service throughout the 2012 football season to combat the sale of counterfeit goods in a joint effort called Operation Red Zone.⁹¹ Before the Super Bowl in 2013, the NFL announced that it had seized “\$13.6 million worth of counterfeit NFL merchandise” throughout the season, which included 160,000 pieces of Super Bowl memorabilia and a 226-box shipment containing 4016 counterfeit jerseys.⁹²

3. *Operation Team Player*

Operation Team Player is a continuing investigation that partners with the NFL and other sports leagues to target counterfeit sports apparel from all of the different sports leagues.⁹³ In its recent wave of seizures led by the National Intellectual Property Coordination Center, the team of government agencies seized 397,140 “fake jerseys, [tickets,] ball caps, T-shirts, jackets and other souvenirs,” with a manufacturer’s suggested retail price of over \$37.8 million.⁹⁴ In addition, the operation led the government to arrest seventy-six people in connection with the counterfeit goods.⁹⁵ As a result, the NFL was also able to execute its own civil seizure orders for more than 5000 websites.⁹⁶

⁹⁰ *Id.*

⁹¹ See Darren Rovell, *NFL Cracks Down on Fake Jerseys*, ESPN (Feb. 3, 2013), http://espn.go.com/espn/otl/story/_/id/8900519/nfl-us-government-score-record-bust-fake-jerseys.

⁹² *Id.*

⁹³ See Press Release, U.S. Immigration and Customs Enforcement, ‘Operation Team Player’ Nets more than \$37 Million in Fake Merchandise (Feb. 13, 2014), available at <http://www.ice.gov/news/releases/1402/140213washingtondc.htm>.

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ See Press Release, U.S. Immigration and Customs Enforcement, Federal Agencies Seize More Than \$21.6 Million in Fake NFL Merchandise During ‘Operation Team Player’ (Jan. 30, 2014), available at <https://www.ice.gov/news/releases/1401/140130newyork.htm>.

C. Online Operations

1. *Project Sustained Effort*

Moreover, the Department of Justice has also contributed to combating intellectual property infringement. In an ongoing investigation, “Project Sustained Effort,” the Asset Forfeiture and Money Laundering Section (AFMLS) has been working with other governmental departments to seize “over \$2.4 million in proceeds from the distribution of counterfeit sports apparel and jerseys as the result of investigations into the sale of counterfeit goods on commercial websites.”⁹⁷ In addition, the government seized “10 domain names associated with websites engaged in the sale of counterfeit goods. The funds were seized from correspondent bank accounts in China as well as PayPal accounts.”⁹⁸

2. *Operation In Our Sites*

Operation In Our Sites “specifically targets websites and their operators that distribute counterfeit and pirated items over the Internet, including counterfeit pharmaceuticals and pirated movies, television shows, music, software, electronics, and other merchandise as well as products that threaten public health and safety.”⁹⁹ In 2011, the government had seized 150 domain names linked to websites that were selling counterfeit merchandise,¹⁰⁰ representing an 83% increase from the previous year.¹⁰¹ Since the operation’s inception in 2010, the National Intellectual Property Coordination Center seized 350 domain names, after which the sites still “received more than 77 million individual views.”¹⁰²

⁹⁷ 2013 Plan on IP Enforcement, *supra* note 15, at 70.

⁹⁸ *Id.*

⁹⁹ *Operation in Our Sites*, NAT’L INTELLECTUAL PROP. RIGHTS COORDINATION CTR., <http://www.iprcenter.gov/reports/fact-sheets/operation-in-our-sites> (last visited Apr. 20, 2014).

¹⁰⁰ See Press Release, Operation in Our Sites Protects Am. Online Shoppers, Cracks Down on Counterfeiters, U.S. Immigration & Customs Enforcement (Nov. 28, 2011), available at <https://www.ice.gov/news/releases/1111/111128.washingtondc.htm>.

¹⁰¹ See *id.*

¹⁰² *Id.*

IV. THE TRADEMARK COUNTERFEITING ACT OF 1984 IS OUTDATED AND INEFFECTIVE

The government's enforcement of the Trademark Counterfeiting Act is in line with the purpose indicated by the congressional record. However, the drafters of the Trademark Counterfeiting Act failed to take into consideration certain circumstances beyond the scope of what the Act currently covers. Through this legislation, the government cannot effectively stop counterfeiters "because there is not enough manpower or strength in legislation to threaten the operation of large counterfeiting empires."¹⁰³ As discussed below, the seller of counterfeit goods, the "middleman," has been eliminated and replaced by direct-to-consumer sales over the Internet. Moreover, there is increased demand for counterfeit goods as the prices of authentic sporting goods continue to rise. Unfortunately, the Trademark Counterfeiting Act of 1984 does not adequately address these issues.

A. The Middleman has been Eliminated

Although the government has made substantial improvements in trying to combat intellectual property theft, its efforts are still not sufficient. One of the biggest challenges in combating counterfeit goods is that the products originate in foreign countries where criminal penalties imposed by U.S. statute will not apply.¹⁰⁴ The government has prosecuted individuals in the United States who act as a middleman between foreign producers and domestic consumers,¹⁰⁵ however the position of the middleman is slowly being eliminated. Instead, foreign countries rely on direct internet sales to export their counterfeit sporting goods to not only the United States market, but the worldwide market.¹⁰⁶ In fact, in most cases of website seizure, "the [counterfeit] goods were shipped directly into the United States from suppliers in other countries."¹⁰⁷

¹⁰³ Mikouya Sargizian, *Counterfeit Chic: Society's Friend or Foe?*, 17 INTELL. PROP. L. BULL. 111, 120 (2013).

¹⁰⁴ See Arelis R. Hernández, *Buying Cheaper Counterfeit Products for the Holidays can have High Costs*, ORLANDO SENTINEL Dec. 26, 2012, http://articles.orlandosentinel.com/2012-12-26/news/os-counterfeit-organized-crime-orlando-20121226_1_counterfeit-items-estimates-counterfeit-goods-counterfeit-copies (noting that counterfeiting has "exploded globally in the past few years").

¹⁰⁵ See *IP Seizure Statistics*, *supra* note 81 (stating that the interagency collaboration led to 465 convictions of intellectual property crime in fiscal year 2013).

¹⁰⁶ See Sargizian, *supra* note 103, at 120.

¹⁰⁷ Press Release, *supra* note 100.

With improvements in technology, consumers searching to buy sporting goods and apparel are purchasing their goods online.¹⁰⁸ Some consumers go directly to the source, such as NFL.com or Nike.com, and know that they are getting authentic goods. On the other hand, “websites that advertise counterfeit jerseys generate about [fifty-six] million page visits a year”¹⁰⁹ and many consumers do not know that they are purchasing a counterfeit product.¹¹⁰ The Chief Marketing Officer of MarkMonitor, a brand protection company, “estimates [that] 800,000 counterfeit jerseys are sold online each year.”¹¹¹

Without the middleman physically selling the counterfeit sporting goods and apparel in the United States, the Trademark Counterfeiting Act of 1984, as applied to counterfeit sporting goods and apparel, is essentially useless. Currently, the Act penalizes “whoever intentionally traffics in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services”¹¹² As stated, the Act only criminalizes the sale of counterfeit goods within the United States and does not allow for recourse when the sale is conducted online directly by a foreign producer or manufacturer.

Moreover, the ease of creating websites on the Internet has proven to be a hurdle for government investigators. Counterfeiting companies usually create multiple websites.¹¹³ For each site that the government shuts down, many more pop up with a slightly altered domain name—oftentimes this alteration is accomplished by adding a couple of letters

¹⁰⁸ See, e.g., PRICEWATERHOUSECOOPERS, UNDERSTANDING HOW US ONLINE SHOPPERS ARE RESHAPING THE RETAIL EXPERIENCE 6 (2012), http://www.pwc.com/en_us/us/retail-consumer/publications/assets/pwc-us-multichannel-shopping-survey.pdf.

¹⁰⁹ Nathan Rott, *Counterfeit Jerseys: Can You Tell the Difference?*, NPR.ORG (Feb. 6, 2011, 6:28 AM), <http://www.npr.org/2011/02/06/133495229/counterfeit-jerseys-can-you-tell-the-difference>.

¹¹⁰ See *id.* (finding that “20 percent of the people who buy counterfeit jerseys don’t know they’re getting an illegitimate product”); Daniel Bukszpan, *Counterfeiting: Many Risks and Many Victims*, CNBC.COM (July 13, 2010, 5:00 PM), <http://www.cnbc.com/id/38229835> (asserting that shoppers who never would have bought counterfeit goods on the streets of New York can easily be fooled into purchasing counterfeit goods on the internet).

¹¹¹ Rott, *supra* note 109; see also Bukszpan, *supra* note 110 (“[T]he Internet has made the sale of counterfeit goods more widespread than ever, as consumers using this retail channel can’t verify the authenticity of the product they’re buying.”).

¹¹² 18 U.S.C. § 2320 (2012).

¹¹³ See Rott, *supra* note 109 (reporting on an investigation which “found more than 1,300 merchant websites selling questionable gear” and that “[o]ne counterfeiting company can create multiple websites”).

or numbers—making these sites harder for the government to detect.¹¹⁴

B. Increased Consumer Demand

As the cost of authentic jerseys and other sporting goods and apparel continues to rise,¹¹⁵ consumer demand for an affordable alternative—including counterfeit jerseys and other league-related merchandise—will also rise. Consumers who knowingly purchase counterfeit sporting goods and apparel do so “in order to save money, [or] to bear the status symbol of an item they could not otherwise afford.”¹¹⁶ Surprisingly, there is no incentive to stop an individual residing in the United States from purchasing a counterfeit jersey or other sporting good item, either online or in person.

The legislative history behind the Trademark Counterfeiting Act of 1984 failed to address whether there would ultimately be consumer demand for counterfeit goods, and instead viewed the consumer as the innocent and unknowing victim.¹¹⁷ However, the brand protection company, MarkMonitor, found that only “20 percent of the people who buy counterfeit jerseys don’t know they’re getting an illegitimate product.”¹¹⁸ Therefore, the remaining eighty percent of consumers are knowingly and willingly purchasing counterfeit sporting items, such as jerseys and other logo-embedded apparel, or they “just don’t care” because the jerseys and other items are offered at an extremely discounted price.¹¹⁹

Currently, the Trademark Counterfeiting Act does not penalize the consumer for knowingly purchasing a counterfeit good online or in person.¹²⁰ Therefore, the Trademark Counterfeiting Act does not adequately address the issues within the realm of counterfeit sporting goods and apparel.

V. CONSEQUENCES OF AN INEFFECTIVE LAW

The United States government has recognized the importance of protecting the intellectual property rights of innovators and of

¹¹⁴ *See id.*

¹¹⁵ *See, e.g., supra* p. 1 (discussing the recent increase in cost of Nike NFL jerseys).

¹¹⁶ Silverman, *supra* note 11, at 198.

¹¹⁷ *See Hearing, supra* note 41 and accompanying text.

¹¹⁸ Rott, *supra* note 109.

¹¹⁹ *See id.*

¹²⁰ Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320 (2012).

enhancing the U.S. economy by eliminating the sale of counterfeit goods. However, permitting the government to rely on a law that inadequately addresses the evolving issues of counterfeiting has its consequences.

A. The Anti-Counterfeiting Trade Agreement (ACTA) is Good in Theory, Bad in Practice

The Anti-Counterfeiting Trade Agreement (ACTA), which was signed on October 1, 2011, is an initiative to “strengthen the international legal framework for effectively combating global proliferation of commercial-scale counterfeiting and piracy.”¹²¹ Participants include Australia, Canada, Japan, Korea, Morocco, New Zealand, Singapore, and the United States.¹²² The Act addresses “(1) enhanced international cooperation; (2) promotion of sound enforcement practices; and (3) a strengthened legal framework for [intellectual property rights] enforcement in the areas of criminal enforcement, enforcement at the border, civil and administrative actions, and distribution of copyrighted material on the Internet.”¹²³

The idea behind the ACTA is novel and admirable; however, the ACTA’s extreme weakness is that it does not require the United States to take any additional legal steps. For instance, Article 2 declares that “[a] Party may implement in its law more extensive enforcement of intellectual property rights than is requirement by this Agreement Each Party shall be free to determine the appropriate method of implementing the provisions of this Agreement within its own legal system and practice.”¹²⁴

Therefore, the ACTA gives the United States the discretion to decide whether or not it believes that its laws are effective in supporting the anti-counterfeiting initiative. Not surprisingly, the Office of the United States Trade Representative assures consumers that the United States’ laws are in fact sufficient. The Office of the United States Trade Representative stressed that “the ACTA is consistent with existing U.S. law, and does not require any change to U.S. law for its implementation in the United States. In particular, the

¹²¹ *Anti-Counterfeiting Trade Agreement (ACTA)*, OFFICE OF THE U.S. TRADE REPRESENTATIVE, <http://www.ustr.gov/acta> (last visited Oct. 29, 2014).

¹²² *Id.*

¹²³ *ACTA: Meeting U.S. Objectives*, OFFICE OF THE U.S. TRADE REPRESENTATIVE, <http://www.ustr.gov/about-us/press-office/fact-sheets/2011/september/acta-meeting-us-objectives> (last visited Oct. 29, 2014).

¹²⁴ *See Text of the Anti-Counterfeiting Trade Agreement (ACTA)*, OFFICE OF THE U.S. TRADE REPRESENTATIVE, http://www.mofa.go.jp/policy/economy/i_property/pdfs/acta1105_en.pdf (last visited Oct. 29, 2014).

ACTA is consistent with U.S. copyright, patent, and trademark laws.”¹²⁵

As previously discussed, the Trademark Counterfeiting Act of 1984 has slowly become ineffective as counterfeiters are finding new ways to reach consumers without the use of middlemen inside the United States. Moreover, the Trademark Counterfeiting Act of 1984 does not adequately address the increased demand in counterfeit products. Consequently, the Office of the United States Trade Representative is incorrect in stating that the currently enacted intellectual property protections are sufficient to meet the demands of the ACTA.

B. Social Consequences of Counterfeiting

Furthermore, there are extreme social consequences of counterfeiting. Counterfeiting is not a victimless crime. Ultimately counterfeiting is linked to social problems such as “child labor; public health and safety; innovation; intellectual property rights; the basis of our functioning economy; and, importantly . . . the area of national security.”¹²⁶

Reports of raids of foreign factories have led to the discovery of extreme circumstances of child labor in the manufacturing of counterfeit goods. In Thailand, for instance, investigators found young children, under the age of ten years old, producing counterfeit handbags.¹²⁷ The owners of the factory broke the children’s legs “and tied the lower leg to the thigh so the bones wouldn’t mend” because the children “wanted to go outside and play.”¹²⁸

Similarly, consumers are putting their own health and safety at risk by purchasing counterfeit products. Many counterfeit products are not produced in controlled environments which would protect from “dangerous chemicals like lead and mercury.”¹²⁹ Reports have indicated that some counterfeit items, like perfumes, include “things

¹²⁵ *ACTA: Meeting U.S. Objectives*, *supra* note 123. *But see INTA Best Practices for Addressing the Sale of Counterfeits on the Internet*, INT’L TRADEMARK ASS’N (Sept. 2009) [hereinafter *INTA Best Practices*], <http://www.inta.org/Advocacy/Documents/INTA%20Best%20Practices%20for%20Addressing%20the%20Sale%20of%20Counterfeits%20on%20the%20Internet.pdf> (stating that the Anti-Counterfeiting Trade Agreement (ACTA) was created “with the objective of raising standards in combating counterfeiting and piracy”).

¹²⁶ Sargizian, *supra* note 103, at 116.

¹²⁷ *See* Bukszpan, *supra* note 110.

¹²⁸ *Id.* at 118.

¹²⁹ *Id.* at 117.

like urine, bacteria, and antifreeze.”¹³⁰ In New York, where many of these items are sold, “it is common for the shoppers to be locked into . . . showrooms until they make a purchase.”¹³¹ Although the “shoppers in these buildings know that they’re getting bogus goods,”¹³² they are not always aware of the health and safety risks associated with purchasing counterfeit goods.

Finally, the sale of counterfeit items has been linked to organized crime. The Federal Bureau of Investigation (FBI) discovered that “the sale of counterfeit tee-shirts and sports apparel were used to fund the 1993 bombing of the World Trade Center.”¹³³ Moreover, a gang leader in New York essentially created and controlled the counterfeit market on Canal Street making it “a worldwide tourist visit location for bootlegged items.”¹³⁴ Although the gang leader only sold counterfeit watches, he made over \$13 million.¹³⁵

VI. RECOMMENDATIONS

The United States government must make changes to the Trademark Counterfeiting Act of 1984 in order to properly enforce the laws against emerging issues. First, Congress should require private companies that have knowledge of counterfeits to first take their own anti-counterfeiting efforts before utilizing government assistance. Second, Congress should reduce demand for counterfeit sporting goods and apparel by criminalizing the act of knowingly purchasing counterfeit goods.

A. Require Private Companies to Exhaust Their Own Anti-Counterfeiting Efforts Before Involving Government Resources

The operations discussed above indicate that the government took actions to seize the counterfeit sporting goods and apparel at the border or after they were already imported into the United States.¹³⁶ Merely seizing these items is not enough to deter counterfeiters from continuing to import counterfeit goods. Therefore, the government

¹³⁰ *Id.* at 116 (citing Elisabeth Leamy & Vanessa Weber, *Fake Fragrances: What Is Really in Them?*, ABC NEWS (Jan. 27, 2010), <http://abcnews.go.com/GMA/ConsumerNews/counterfeit-perfumes/story?id=9670448>).

¹³¹ Bukszpan, *supra* note 110.

¹³² *Id.*

¹³³ Sargizian, *supra* note 103, at 117.

¹³⁴ *Id.* at 118.

¹³⁵ *Id.*

¹³⁶ *See supra* Part III (discussing governmental enforcement operations).

would be better aided by private efforts to stop the production of counterfeit goods rather than only stop the sale of imported counterfeit goods.

1. Private Companies Must Utilize Their Resources to Prevent the Production of Counterfeit Sporting Goods and Apparel

The Trademark Counterfeiting Act of 1984 should be amended to require private companies to first take their own preventative measures to combat the production of counterfeit goods before utilizing government resources. The government's enforcement efforts are funded by public tax dollars that are ultimately "protect[ing] the private property rights of . . . multi-billion dollar empires"¹³⁷ However, the government has only limited resources which are too often ineffective in protecting borders, deterring criminal activity, and prosecuting these criminals.¹³⁸ Instead of using taxpayer dollars to protect the unknowing consumer, private companies should be tasked with taking anti-counterfeiting measures once it learns that a counterfeit of its own product has been circulated throughout the U.S. market.

Private companies in the past have taken action against foreign entities that are engaged in producing counterfeit goods. For instance, Glaxo Wellcome took voluntary action against counterfeiters to protect the consumers of their product.¹³⁹ In the 1980s, Glaxo Wellcome became aware of counterfeit Zantac that was circulating throughout the consumer market in the United Kingdom.¹⁴⁰ In response, Glaxo Wellcome "replaced the product's simplistic packaging, which ensured that the counterfeits would be easy to make and difficult to detect, with more sophisticated packaging bearing a security hologram."¹⁴¹ By changing something as simple as the packaging, Glaxo Wellcome unilaterally halted counterfeit drug production and made it easier for a consumer to spot a counterfeit

¹³⁷ Sargizian, *supra* note 103, at 130.

¹³⁸ See *The Anti-Counterfeiting Trade Agreement*, INT'L TRADEMARK ASS'N, https://www.eff.org/files/filenode/EFF_PK_v_USTR/foia-ustr-acta-response1-doc3.pdf (last visited Oct. 27, 2014).

¹³⁹ See Lewis Kotnik, *Preventing Counterfeiting: Obligation and Opportunity*, CURRENTS: INT'L TRADE L.J., Summer 1999, at 25 (citing examples of voluntary efforts to stop counterfeiting).

¹⁴⁰ See *id.*

¹⁴¹ *Id.* (internal quotations omitted).

product on the shelves.¹⁴² There were no known attempts to counterfeit the drug after the new packaging was introduced.¹⁴³

Moreover, Edward Brown, the manager of international special services at A. T. Cross Export Co., testified at a Senate Hearing in 1982 that “very cooperative work with [their] international representatives” coupled with “daily investigative services . . . are the best defense against what is going on.”¹⁴⁴ Specifically, Brown stated that the company previously raided a factory in Taiwan that was copying their products.¹⁴⁵ Although the factory was back in business at the time of the hearing, A. T. Cross Export Co. contracted with an individual in Taiwan to work in the factory and inform the company “if [their] product becomes something of interest to [the factory] again.”¹⁴⁶

The NHL has recently taken similar steps to prevent foreign countries from importing counterfeit hockey jerseys. The NHL and Reebok contracted with a Chinese investigative firm to assist the Chinese Bureau of Quality and Technical Supervision and law enforcement with a raid on “a factory in Foshan City China manufacturing counterfeit NHL jerseys.”¹⁴⁷ After raiding the factory in March 2013, the enforcement officers found and seized 601 finished counterfeit jerseys and 296 counterfeit jerseys that were still in progress.¹⁴⁸ Moreover, “[o]fficials also seized more than 500 ‘Made in Canada’ tags which are sewn into the neckline of counterfeit NHL jerseys to lend an air of authenticity.”¹⁴⁹ As the NHL is taking effective steps to prevent the production of counterfeit jerseys, other sporting leagues should follow along.

Some sports leagues and sporting merchandise retailers currently inform consumers about how to tell the difference between real and fake jerseys.¹⁵⁰ However, this information is not enough to protect

¹⁴² *See id.*

¹⁴³ *See id.*

¹⁴⁴ *Senate Hearing 1982, supra* note 22, at 69 (statement of Edward M. Brown, manager of international special services at A.T. Cross Export Co.).

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ NHL Retail, *Counterfeit Enforcement Report: April 2013* (Apr. 29, 2013), <http://retail.nhl.com/blog/category/counterfeit>.

¹⁴⁸ *Id.*

¹⁴⁹ *Id.*

¹⁵⁰ For discussions on spotting fake sports jerseys, *see generally, Are You Wearing an Officially Licensed NBA Jersey? How to Spot a Fake NBA Jersey*, FOOTBALLFANATICS.COM, http://www.footballfanatics.com/NBA_Jerseys (last visited Apr. 20, 2014) (giving tips on how to spot fake National Basketball Association jerseys); *Differences Between Authentic and Cheap NFL Jerseys*,

both consumers and the original producers and retailers. For NFL jerseys, “fake NFL holograms can be very similar to the official ones.”¹⁵¹ Therefore, the NFL could take an action such as completely altering the hologram sticker—as was done with Zantac—to prevent foreign companies from easily copying their product.

The government does not have the appropriate resources to contract with an individual to monitor the production of counterfeit sporting goods, and therefore the interested private party, such as a national sports league, would be the better entity in charge of deterrence. If the private entity’s anti-counterfeiting efforts are not sufficient, then the government should take similar steps to investigate the source of the problem rather than solely seize the imported goods at the border. It is almost impossible for ICE and HSI to identify and seize every single package of counterfeit sporting goods that is imported to the country. Therefore, the government would be using its resources effectively if it attempted to stop foreign entities from producing these items rather than just from selling the items.

2. *Follow Best Practices for Combating the Sale of Counterfeit Goods on the Internet*

In 2008, the International Trademark Association (INTA) formed task forces to examine and compile the best ways for “trademark owners, online marketplaces, search websites, and payment service providers (PSPs) to address the sale of counterfeits over the Internet.”¹⁵² Although the standards are voluntary best practice standards, Congress should amend the Trademark Counterfeiting Act of 1984 to require private companies to take exhaustive internal measures and follow anti-counterfeiting best practices before instituting a civil lawsuit under the Act.

FOOTBALLFANATICS.COM, http://www.footballfanatics.com/pages/Cheap_NFL_Jerseys (last visited Apr. 20, 2014) (identifying the differences between authentic and counterfeit NFL jerseys); *Fight the Fake*, VANCOUVER CANUCKS, <http://canucks.nhl.com/club/page.htm?id=66864> (last visited Oct. 31, 2014) (informing consumers on how to spot fake National Hockey League jerseys).

¹⁵¹ *Differences Between Authentic and Cheap NFL Jerseys*, FOOTBALLFANATICS.COM, http://www.footballfanatics.com/pages/Cheap_NFL_Jerseys (last visited Apr. 20, 2014).

¹⁵² INTA Best Practices, *supra* note 125.

a. Best Practices for Trademark Owners Relating to Search, Online Marketplace, and Shopping Sites

The INTA best practices report asserts that “[t]rademark owners should take steps on an ongoing basis to educate the public as to their trademarks.”¹⁵³ The Vancouver Canucks, an NHL team, explicitly and conspicuously posts information about counterfeit jerseys on its team website.¹⁵⁴ For example, the site contains tips for buying an authentic jersey, such as “[i]f someone, or a website, is selling a Canucks jersey with a sewn player name and number kit for \$50-\$100, it’s a fake.”¹⁵⁵ The team site also discusses shipping locations, warns against purchasing jerseys outside the arena on a game night or at a flea market, and shows images of an authentic jersey compared to a counterfeit jersey.¹⁵⁶ Surprisingly, however, most of the other NHL teams do not have this helpful information on their team sites.

Professional sports leagues should be required to have similar identifying information available to consumers on their websites so the consumers are aware of the differences between authentic and counterfeit jerseys. In addition, leagues should have these warnings on their sites so they can prevent the sale of counterfeit jerseys at the outset, rather than taking measures after the transaction has been completed.

b. Best Practices for Trademark Owners Relating to Payment Service Providers

The INTA best practices report suggests that trademark owners should provide the following information to payment service providers:

- (a) A detailed description of the transactions alleged to be illegal;
- (b) Information identifying the website where the alleged transactions occurred;
- (c) Evidence that the alleged counterfeit item was purchased using the [payment service provider’s] services;
- (d) Proof of ownership of a registered trademark in one or more of the applicable jurisdictions;
- (e) A representation that the sale of the counterfeit goods at issue will cause damage to the trademark owner; and
- (f) A description

¹⁵³ *Id.*

¹⁵⁴ *See Fight the Fake*, VANCOUVER CANUCKS, <http://canucks.nhl.com/club/page.htm?id=66864> (last visited Oct. 31, 2014).

¹⁵⁵ *Id.*

¹⁵⁶ *See id.*

of the trademark owner's good faith efforts to resolve the issue directly with the seller of the alleged counterfeit goods (or an explanation as to why such efforts have not been made).¹⁵⁷

The report further states that trademark owners should indemnify payment service providers "against all liability for monetary damages, costs and attorneys' fees awarded to sellers of alleged counterfeit goods for unlawful termination of the [payment service provider's] services resulting from the trademark owner's complaint."¹⁵⁸

Requiring private companies to follow best practices before they can take action against one who is infringing upon their trademark will give the judicial system a standard by which judges can determine whether private companies have done enough to prevent the sale of counterfeit goods. The companies should be held responsible for exhausting their own efforts to stop the production and sale of counterfeit goods before they can resort to the U.S. legal system.

B. Penalize the Buyer

Currently, it is not illegal for an individual to purchase counterfeit goods, and is in fact "socially acceptable."¹⁵⁹ Legislative history of the Trademark Counterfeiting Act of 1984 explicitly discusses a concern with a victimized consumer,¹⁶⁰ but nothing addresses the consequences of an individual knowingly and purposefully purchasing a counterfeit good.

Italy and France currently penalize an individual for purchasing counterfeit goods as their own anti-counterfeit measure, and the United States government should enact a law that is similarly enforced. Italy's law currently fines a person up to 10,000 euros when that individual purchases an item believing that the "laws on the origin and source of the good and on intellectual property have been infringed."¹⁶¹ Therefore, the intent of the purchaser is extremely relevant to determine whether the individual has in fact violated the law. Similarly, France imposes upon "any individual in possession of

¹⁵⁷ *INTA Best Practices*, *supra* note 125.

¹⁵⁸ *Id.*

¹⁵⁹ Silverman, *supra* note 11, at 196.

¹⁶⁰ See *Senate Hearing 1982*, *supra* note 22, at 20.

¹⁶¹ Silverman, *supra* note 11, at 198–99 (citing Decree-Law No. 80/05 of May 14, 2005, art. 1(7), *Gazz. Uff. No.111*, (May 14, 2005), available at <http://www.parlamento.it/leggi/05080I.htm>).

a counterfeit product . . . a fine equivalent to twice the value of the genuine article.”¹⁶²

The United States government should act in the market’s best interest and take similar steps to protect the United States economy by penalizing the buyer as well as the seller of counterfeit goods. The United States should follow the Italian model of punishment rather than the France model of punishment. It is highly unlikely that the United States would be able to “impose fines on the mere possession of counterfeit goods” without raising “constitutional or privacy concerns.”¹⁶³

New York Councilwoman Margaret Chin recently proposed a bill “that would make it a Class A misdemeanor to purchase counterfeit merchandise.”¹⁶⁴ If the bill is passed, a purchaser would “face a \$1,000 fine or up to a year in jail if convicted.”¹⁶⁵ As proposed, the bill penalizes a consumer who “should have known such trademark is counterfeit for reasons including, but not limited to, the quality and price of the purchased item, and/or the condition of the seller and the sale location.”¹⁶⁶

The New York bill is also in line with analyses from different circuit courts in the United States Court of Appeals. As previously discussed, many of the circuit courts have interpreted the Trademark Counterfeiting Act of 1984 as protecting “post-sale confusion”—the issue arising when an individual with a counterfeit item deceives the general public into believing that they have the status that comes with purchasing the genuine item.¹⁶⁷ Imposing sanctions on the buyer, who is in fact contributing to the social issue of post-sale confusion, would ensure that the manufacturer is not as harmed by the sale of counterfeit goods—as demand for these items would decline—and that the general public is not being deceived by their own peers. Imposing sanctions on the buyer, who is in fact contributing to the social issue of

¹⁶² *Id.* at 199 (citing *What Penalties Can be Imposed by the Court?*, COMITÉ COLBERT, http://www.comitecolbert.com/internet/index.php?option=com_content&task=view&id=249&Itemid=235 (last visited Jan. 13, 2008)).

¹⁶³ *Id.* at 200; see also Fitzgerald, *infra* note 171 (“Mere possession or acceptance of a counterfeit fashion item is not sufficient to violate the crime.”).

¹⁶⁴ Alfred Ng & Thomas Tracy, *Councilwoman Margaret Chin Wants to Criminalize Purchase of Counterfeit Goods*, NEW YORK DAILY NEWS (June 13, 2013, 4:12 PM), <http://www.nydailynews.com/new-york/councilwoman-criminalize-purchase-counterfeit-goods-article-1.1371895>.

¹⁶⁵ *Id.*

¹⁶⁶ Maurine M. Wall, *Fake Bags, Real Consequences*, A.B.A., http://www.americanbar.org/publications/tyl/topics/criminal-law/fake_bags_real_consequences.html (last visited Apr. 20, 2014).

¹⁶⁷ See Newman, *supra* note 58, at 371 (discussing case law that has developed around “post-sale confusion”).

post-sale confusion, would ensure that the manufacturer is not as harmed by the sale of counterfeit goods—as demand for these items would decline—and that the general public is not being deceived by their own peers.

However, whether an individual *knows* that the goods are counterfeit has always been an issue of concern. The legislative history of the Trademark Counterfeiting Act of 1984 discusses problems with proving that the individual trafficking in goods actually knows that the item is a counterfeit.¹⁶⁸ This concern surrounding the issue of knowledge may also be applied to whether individuals know that they are purchasing counterfeit goods.

A bright-line standard for “knowledge” must be articulated in order to appropriately implement a penalty on individuals for knowingly purchasing a counterfeit item. The legislative history of the Trademark Counterfeiting Act of 1984 indicates that the “price differential that is associated with the product that is being purchased” is taken into consideration “as to whether or not the individual knows whether it is a counterfeit or it is not a counterfeit.”¹⁶⁹ However, it would be unfair to assume that an individual purchasing an item at a discounted price must always know that the item is a counterfeit.¹⁷⁰ The circumstantial evidence explicitly called for in the proposed New York bill against counterfeit goods does not adequately address the issue of knowledge for purchases over the Internet.¹⁷¹

Additional circumstances must be taken into consideration to establish whether individuals have actual knowledge that they are about to purchase a counterfeit item over the Internet. In addition to the price of the item, circumstantial evidence should include the

¹⁶⁸ See *Senate Hearing 1982, supra* note 22, at 70. (statement of Seymour Merrall, Corporate Vice President for Administrative Services, Bausch & Lomb Corp.) (testifying that the problem “of proving that the individual knows that it is a counterfeit” has “always been a concern”).

¹⁶⁹ *Id. But see* Wall, *supra* note 166 (“[I]f you buy a Louis Vuitton bag for \$50 from the back of a van under a bridge, can you really argue that you thought it was authentic?”).

¹⁷⁰ Compare Wall, *supra* note 166 (asserting that a price differential may be enough to satisfy the knowledge requirement), with Rott, *supra* note 109 (noting that twenty percent of people who buy sports jerseys on the internet do not know that they are purchasing counterfeit goods and there is no way to check the authenticity of the item before purchasing).

¹⁷¹ Cf. Erin Fitzgerald, Note, *The Fashion Police: Criminalizing the Knowing Purchase of Trademark Counterfeit Fashion Items*, 47 NEW ENG. L. REV. 127, 146 (2012) (explaining that “the circumstantial evidence that establishes an individual knew or reasonably should have known a trademark is counterfeit includes: (1) the location of the purchase; (2) the price of the good; and (3) the quality of the product”).

method of payment, and the country from which the item is shipped—if that information is available from the merchant.¹⁷² Taking all of these elements into consideration should be sufficient to establish that an individual knowingly purchased a counterfeit sports jersey or other good.

VII. CONCLUSION

The Trademark Counterfeiting Act of 1984 is currently outdated and should be amended to better address the evolving market of counterfeit goods. As it is currently drafted, the Act only criminalizes, in relevant part, the trafficking in goods or services on which the individual knows uses a counterfeit mark.¹⁷³ The United States government, by way of the IPR Center and associated governmental agencies, has undertaken substantial efforts to enforce laws protecting intellectual property rights, including working with other governmental agencies and private companies to investigate and seize counterfeit sports jerseys and other related sporting apparel that have been imported into the United States for sale in the consumer market. The IPR Center's recent and current enforcement operations have successfully seized thousands of counterfeit sporting goods, apparel, and event tickets that are worth billions of dollars in retail market value. However, the government's efforts are insufficient to truly address the continuously evolving problems.

Technological advances and increased consumer demand for counterfeit sports jerseys and other apparel have created new hurdles that the current Trademark Counterfeiting Act of 1984 does not appropriately address. Most transactions of counterfeit sports jerseys and apparel are completed on the Internet. Although consumers searching online for discounted authentic jerseys may unknowingly arrive upon a site that sells counterfeit sports merchandise, a greater proportion of the population oftentimes is aware that they are in fact purchasing a counterfeit jersey.

The only recourse the government has against counterfeiters engaging in the online consumer market is to shut the website down and seize the domain name. Once the government seizes a domain name, it is likely that a new counterfeit website with a slightly different domain name will appear again in a matter of days.

¹⁷² See, e.g., *Fight the Fake—Buying Tips*, VANCOUVER CANUCKS, <http://canucks.nhl.com/club/page.htm?id=66864> (last visited Oct. 30, 2014) (informing consumers where their authentic jerseys are manufactured and from where they are shipped).

¹⁷³ 18 U.S.C. § 2320(a)(1) (2012).

Regardless of whether the consumer knows or does not know that they are purchasing a counterfeit good from a foreign country, the Trademark Counterfeiting Act is completely ineffective at protecting the rights of both the unknowing consumer and the infringed upon retailer.

Therefore, the government should penalize the buyer who knowingly purchases counterfeit goods in order to decrease demand for these low-quality, illegally produced items. In addition, the government should require that the interested private party takes its own anti-counterfeiting measures in order to stop the production of counterfeit goods abroad.

National sports leagues across the country are continuously raising the cost of league apparel and tickets based on demand—as evidenced by the recent increase in price for the high-end Nike NFL jerseys. As the prices rise, consumers will undoubtedly look for cheaper alternatives to support the teams of their choice. Unfortunately, the market for counterfeit sporting goods and apparel will continue to thrive so long as the government does not implement any changes in its current intellectual property legal infrastructure.