

DRACONIAN OR JUST? ADOPTING THE ITALIAN MODEL OF IMPOSING ADMINISTRATIVE FINES ON THE PURCHASERS OF COUNTERFEIT GOODS

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I. INTRODUCTION

The branding of products as a defining mark of a creator’s work is thought to date back as early as imprinted caps on wine amphoras in ancient Rome.¹ However, almost as soon as there was a desire to mark one’s work, there were those wanting to copy it.² The ancient Romans punished counterfeiting by the loss of a hand.³ Two thousand years later, it is fitting that modern Italy,

¹ Victor V. Cordell et al., *Counterfeit Purchase Intentions: Role of Lawfulness Attitudes and Product Traits as Determinants*, 35 J. BUS. RES. 41, 41 (1996).

² PAUL R. PARADISE, *Preface to TRADEMARK COUNTERFEITING, PRODUCT PIRACY, AND THE BILLION DOLLAR THREAT TO THE U.S. ECONOMY* (1999).

³ CHARLES PHINEAS SHERMAN, 2 *ROMAN LAW IN THE MODERN WORLD* 474 (1922).

home to some of the world's most prominent luxury brands⁴ and most counterfeit trademarks, should have one of the world's most advanced⁵ and harshest⁶ anti-counterfeiting legislative regimes.

Today, over ninety percent of the world's countries⁷ are members of the World Intellectual Property Organization (WIPO), a United Nations agency dedicated to the development of international intellectual property laws and the protection of the public interest.⁸ With the expansion of the global economy, protection of intellectual property rights has become a worldwide issue. The International AntiCounterfeiting Coalition (IACC) estimates that counterfeit goods have grown to be a 600 billion dollar industry worldwide, making up approximately five to seven percent of world trade.⁹ Therefore, it is not surprising that French luxury company Moët Hennessy Louis Vuitton (LVMH) spent sixteen million dollars in one year to combat the counterfeiting of their products¹⁰ in order to protect their brands' value and reputation.¹¹

⁴ ELIZABETH SPONG, *PIRATES' HEAVEN*, TRANSMIT, at 7 (2006), <http://www.dentonwildeappte.com/assets/1/16941Links.pdf>.

⁵ Julie Holden, *Anti-Counterfeiting Commissioner Issues First Report*, WORLD TRADE-MARK REPORT, June 1, 2007, <http://www.worldtrademarkreport.com/Article/?r=6621&k=italy>.

⁶ SPONG, *supra* note 4, at 7.

⁷ WORLD INTELLECTUAL PROPERTY ORGANIZATION, *HOW WIPO WORKS*, http://www.wipo.int/about-wipo/en/how_wipo_works.html (last visited Nov. 10, 2007).

⁸ WORLD INTELLECTUAL PROPERTY ORGANIZATION, *WHAT IS WIPO*, <http://www.wipo.int/about-wipo/en/what> (last visited Feb. 3, 2008).

⁹ IACC, *GET REAL—THE TRUTH ABOUT COUNTERFEITING* (2007), <http://www.iacc.org/counterfeiting/counterfeiting.php>. “[I]f the counterfeiters were to go out and form their own country and sell nothing but fake products, . . . [they would have] one of the largest economies in the world . . .” *Symposium, Panel III: The New Campaign Against Counterfeiting and Piracy*, 14 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 955, 957 (2004).

¹⁰ Frederik Balfour et al., *Fakes!*, *BUSINESSWEEK*, Feb. 7, 2005, *available at* http://www.businessweek.com/magazine/content/05_06/b3919001_mz001.htm. In 2004, Louis Vuitton conducted 6,000 raids and 8,200 legal actions worldwide. Julia Boorstin, *Louis Vuitton Tests a New Way to Fight the Faux*, *FORTUNE*, May 16, 2005, *available at* http://money.cnn.com/magazines/fortune/fortune_archive/2005/05/16/8260140/index.htm.

¹¹ *LVMH Outlines Anti-Counterfeiting Battle*, *MANAGING INTELL. PROP.*, Oct. 10, 2005, *available at* <http://www.managingip.com/Article.aspx?ArticleID=1258137&Title=LVMH%20outlines%20anti-counterfeiting%20battle>. A study shows that the fifth most popular category of counterfeits is clothing and accessories. Glen Gieschen, *Bootleg Brands Consumers Want: Counterfeit & Piracy Report*, *TMCNET*, Oct. 17, 2005, <http://www.tmcnet.com/usubmit/2005/oct/1193382.htm>. Luxury brands make up three of the top ten brands counterfeited in a study of over fifty-five countries. *Id.*

In the United States alone, luxury brands are losing billions of dollars¹² to the producers of knockoff and counterfeit goods.¹³ Without the law's firm protection of a corporation's intellectual property rights there will be less incentive for companies to design and innovate,¹⁴ as the fruits of their labor are misappropriated by the counterfeiting industry. Referred to as "Robin Hood Crimes,"¹⁵ intellectual property infringement has garnished little sympathy from those unconcerned with the financial impact on deep-pocketed corporations. There are, however, greater socio-economic implications to the proliferation of the counterfeit goods industry as it fuels the underground economy of organized crime,¹⁶

¹² Tina Cassidy, *Bagging the Knockoffs*, BOSTON GLOBE, Dec. 26, 2002, at D1. A Kate Spade executive estimates that one fake bag is sold for every real one. *Id.* LVMH estimates that 90% of purported authentic Vuitton handbags offered on eBay are fake. Carol Matlack, *LVMH vs. eBay: A Counterfeit Suit*, BUSINESSWEEK, Sept. 22, 2006, http://www.businessweek.com/globalbiz/content/sep2006/gb20060922_888836.htm?chan=globalbiz_europe_today's+top+story.

¹³ While some use the terms interchangeably, there is a distinction between "counterfeit" and "knockoff" goods. Counterfeit goods bear a mark which is identical or substantially indistinguishable from a registered mark. 18 U.S.C. § 2320(e)(1) (2000). Knockoffs, on the other hand, are imitation goods that are made to be similar to the authentic article but do not necessarily reach the level of identical or substantially indistinguishable in order to be categorized as counterfeit. Sejin Ha & Sharron J. Lennon, *Purchase Intent for Fashion Counterfeit Products: Ethical Ideologies, Ethical Judgments and Perceived Risks*, 24 CLOTHING AND TEXTILES RES. J. 297, 297 (2006). For further discussion on how the difference between a counterfeit and knockoff is relevant in the context of an end-consumer sanction, see discussion *infra* Part IV.C.2.c.

¹⁴ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY: EXECUTIVE SUMMARY 6 (2007), <http://www.oecd.org/dataoecd/13/12/38707619.pdf>.

¹⁵ John Tagliabue, *In Italy's Piracy Culture, Black Market is Thriving*, N.Y. TIMES, July 3, 1997, available at <http://query.nytimes.com/gst/fullpage.html?res=9903E6DB1230F930A35754C0A961958260>.

¹⁶ IACC, FACTS ON FAKES 4, http://www.iacc.org/resources/Facts_on_fakes.pdf.

terrorism,¹⁷ and the use of child labor,¹⁸ not to mention the direct costs to the United States economy.¹⁹

The *end-consumer* or *personal-use purchaser* of counterfeit merchandise plays an important role in driving counterfeiting activity.²⁰ One need not visit New York’s Canal Street, a tourist-filled square in Florence, or a suburban purse party²¹ in the mid-west to see how prevalent the purchase of counterfeit luxury goods is in

¹⁷ *Id.* at 4-9. The European Commission’s Custom Coordination Office confirmed that the terrorist group Al Qaeda has been gaining funds through the trafficking of counterfeit goods after Danish customs discovered over one thousand crates of counterfeit shampoo, creams, cologne, and perfume. *Id.* “In 1996, the FBI confiscated 100,000 counterfeit t-shirts bearing . . . [the] Nike ‘swoosh’ and/or Olympic logos The operation generated millions of dollars and was run by the followers of Sheik Omar Abdel Rahman . . . who was sentenced to 240 years in prison for plotting to bomb New York City landmarks.” *Id.* at 8-9.

¹⁸ “Counterfeiters do not pay their employees fair wages or benefits, have poor working conditions, and often use forced child labor.” IACC, *supra* note 9. “[C]ounterfeiters are hardened criminals, exploiting consumers, businesses both large and small, inventors and artists and children laboring in sweatshops in Third World countries.” *Id.* Near Florence, a Chinese-owned factory, employing illegal immigrants who slept in the factory, was shut down for producing counterfeit luxury bags in 2006. Robert Galbraith, *Made in Italy: Counterfeits That Were Once Mere Imports*, INT’L HERALD TRIB., Oct. 3, 2006, available at <http://www.iht.com/articles/2006/10/03/features/RFAKE.php>.

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¹⁹ Costs to the United States economy include the cost of law enforcement, lost tax revenue to the government as a result of the illegal purchase and sale of counterfeit goods, and the lost revenue and jobs within the distributors and manufacturers of authentic goods. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, *supra* note 14, at 6. “Businesses cannot survive in an environment where black market goods are more available and cheaper than legitimate goods. Small businesses are forced to close and bigger businesses must downsize.” Department of Justice, *Statement of Christopher A. Wray Assistant Att’y Gen. Criminal Div. Before S. Judiciary Comm.*, Mar. 23, 2004, [http://www.usdoj.gov/criminal/cybercrime/Wray Testimony032304.htm](http://www.usdoj.gov/criminal/cybercrime/Wray%20Testimony032304.htm). “Counterfeit merchandise is directly responsible for the loss of more than 750,000 American jobs.” IACC, *supra* note 9. In New York City alone, “replica sales are costing the . . . government more that \$1 billion in lost tax revenue.” Rachel Makabi, *Faux Trafficking Network*, SIPA NEWS, Jan. 2007; http://www.sipa.columbia.edu/about_sipa/sipa_publications/sipa_news/sipanews06.pdf.

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²⁰ According to the IACC, consumer demand is in part fueling the rapid growth of the counterfeiting industry. IACC, *supra* note 9. Furthermore, the large potential market size is one of the driving factors of counterfeit supply. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, *supra* note 14, at 11. Selling fake Cartier watches for the past 10 years, stallholder Huang Xiaoyu says “the more demand there is, the more we sell. We’re not forcing anyone to buy these things.” Louisa Lim, *Chinese Crackdown Fails to Stem Counterfeit Goods*, NPR, Aug. 23, 2006, available at <http://www.npr.org/templates/story/story.php?storyId=5693207>.

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²¹ Cassidy, *supra* note 12. The “purse party” phenomenon involves women gathering at someone’s home to eat, drink and purchase counterfeit luxury goods at very low prices. Caitlin Ingrassia, *Knockoffs Go Suburban*, WALL ST. J., Jan. 16, 2004, at A7. The police have started to crack down, often arresting the hostess of the party because even though the purchase of the bags is legal, the sale by the party hostess is not. *Id.*

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modern day society. In most countries, only those who purchase counterfeit merchandise with the intent to re-sell those goods are targeted.²² France and Italy, however, have taken a different view.²³

While a counterfeit designer handbag purchased in the squares of Italy or on the streets of New York may have been manufactured by the same illegal counterfeiting operation, the legal repercussions of its purchase differ greatly between Italy and the United States. The trademark and anti-counterfeiting laws of the United States provide penalties for the entire counterfeiting supply chain, from the manufacturers and importers, to retailers, and even the landlords of retail markets.²⁴ However, in the United States there are not yet any legal ramifications²⁵ for the end-consumer thought to drive counterfeiting activity.²⁶ “Consumer purchase of a counterfeit is not a criminal act [in the United States], but it does abet the sale which is criminal.”²⁷ By contrast, in 2005, Italy began imposing large fines of up to 10,000 euros on those who knowingly purchase counterfeit goods.²⁸ From the severe punishment in ancient Rome, to the hefty fines of modern day Italy, it is not surprising that a country known for its luxury brands²⁹ has gone beyond what most of the world has been willing to do to curb counterfeiting.

²² SPONG, *supra* note 4, at 7-8.

²³ See discussion *infra* Part II.D (regarding Italian consumer liability); see discussion *infra* Part II.E (regarding French consumer liability).

²⁴ See generally Bradley J. Olsen et al., *The 10 Things Every Practitioner Should Know about Anti-Counterfeiting and Anti-Piracy Protection*, 7 J. HIGH TECH L. 106 (2007); Alessandra Galloni, *Bagging Fakers and Sellers—Makers of Luxury Goods Try New Legal Tactics Against Those Who Aid Counterfeiters*, WALL ST. J., Jan. 31, 2006, at B1; *Symposium*, *supra* note 9, at 965-70.

²⁵ Ingrassia, *supra* note 21.

²⁶ See *supra* note 20.

²⁷ Cordell et al., *supra* note 1, at 42.

²⁸ 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/050801.htm>, translated in *Italy's New Anti-Counterfeiting Measures: Confiscation and Fines for Buyers of Fakes*, SOCIETA ITALIANA BREVETTI'S UPDATES ON INTELLECTUAL AND INDUSTRIAL PROPERTY IN ITALY AND THE EU: TRADEMARKS (Italy), July 2005, at 1, available at http://www.sib.it/engsib/sibprima/issues/SIBPRIMA%2007_05%20trademarks.pdf [hereinafter Italian Decree-Law 80/05].

²⁹ Sam Cocks, Note, *The Hoods Who Move the Goods: An Examination of the Booming International Trade in Counterfeit Luxury Goods and an Assessment of the American Efforts to Curtail its Proliferation*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 501, 548 (2007).

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This Note argues that the United States should impose administrative fines on end-consumers who knew, or should have known,³⁰ they were purchasing counterfeit goods, premised on the Italian model of consumer liability. With tangible costs not only to the American economy, but also to the government, the consumer and society at large,³¹ the United States has a great incentive to do all it can to deter illegal counterfeiting activity including reducing a driving force,³² end-consumer demand.

Part II of this Note recounts the history of Italian trademark law and its development through to the 2005 introduction of large administrative fines on the end-consumer who knowingly purchases counterfeit goods.³³ France, Italy's comrade in more than just luxury high fashion, also provides a model of end-consumer sanctions, which is explored in comparison to the Italian model of consumer liability. Notably falling short of the sanctions on the end-consumer of counterfeit goods possible in Italy and France, United States trademark law will be explored in Part III, considering both current statutory law founded in the Lanham Act of 1946 and the legislative intent surrounding the development of American intellectual property law. After an in-depth examination of both the Italian and French models of consumer liability, Part IV of this Note undertakes to wade through the effect of the plain meaning of the statutory language, and the implications that either the Italian or French statute would have on the American consumer.

Favoring the Italian Model, Part V addresses support and challenges of a sanction on end-consumer purchase in the United States through an examination of current trends in American intellectual property law as well as under the traditional notions of American trademark protection. Finally, Part VI of this Note concludes with a look into what weight the protection of intellectual property rights will or should be given in the future.

³⁰ Whereas "willful purchase" implies an intentional disregard for, and actual knowledge of, an item's counterfeit nature, the term "knowing" for the purposes of this Note with respect to the purchase of counterfeit goods is defined as actual or imputed knowledge, whereby the purchaser knew or should have known the item was counterfeit based on certain defined characteristics. See discussion *infra* Part IV.C.2.

³¹ See *supra* note 19.

³² See *supra* note 20.

³³ See Italian Decree-Law 80/05, *supra* note 28.

II. THE EVOLUTION OF INTELLECTUAL PROPERTY PROTECTIONS IN ITALY

A. *The Need to Strengthen Italian Law*

Fashion is one of the defining industries of Italy, driving tourism and the economy.³⁴ Once just one of the world's destinations for counterfeit goods, Italy is now a key manufacturer.³⁵ As a country of small skilled artisans, Italian manufacturers are able to fabricate counterfeits indistinguishable from the genuine product.³⁶ Moreover, high quality counterfeits are easily produced via non-commissioned factory overruns, where the excess goods are sent directly to the Italian markets.³⁷

Italy also observes a large amount of counterfeit sale and purchase activity in its street markets,³⁸ making the push and pull of illegal counterfeiting activity an interesting case study. In 2002, "Italy rank[ed] third in the world in the manufacture of counterfeit products and first in Europe in both the manufacture and purchase of counterfeits."³⁹ INDICAM, Italy's anti-counterfeiting agency, "estimated that sales of counterfeit goods in Italy in 2005 ranged from €3.5 billion . . . to €7 billion. Of that . . . about 60 percent was thought to be clothing, accessories and 'luxury goods.'"⁴⁰ Purchasing counterfeit goods is also a way of life in Italy; a survey reports that "61% of Italians were happy to buy fake designer labels."⁴¹ As a result, ten percent of all clothes purchased in Italy are knockoffs.⁴²

The above-referenced pervasiveness of counterfeiting in Italy combined with lax enforcement,⁴³ criticism from the world commu-

³⁴ Cocks, *supra* note 29, at 548.

³⁵ See Galbraith, *supra* note 18. However, imported fakes from Asia still make up over 70% of the counterfeit products sold in Italy. Vivian Chen, *Italy's Fashion Houses Wake Up to the Impact of Counterfeit Goods*, LAW.COM, Aug. 22, 2006, <http://www.law.com/jsp/law/LawArticleFriendly.jsp?id=1156164650031>.

³⁶ Tagliabue, *supra* note 15.

³⁷ TIM PHILLIPS, *KNOCKOFF: THE DEADLY TRADE IN COUNTERFEIT GOODS: THE TRUE STORY OF THE WORLD'S FASTEST GROWING CRIME WAVE* 69-70 (2005).

³⁸ *Id.* at 69.

³⁹ Pier Luigi Roncaglia, *Handling of Counterfeit Goods: A Hands-on Problem for the Italian Criminal System*, 92 TRADEMARK REP. 1393, 1393 (2002).

⁴⁰ Galbraith, *supra* note 18.

⁴¹ Melbourne IT Corporate Digital Brand Services, *Italy Clamps Down on Counterfeiting*, Mar. 3, 2005, <http://www.melbourneitcbs.com/news.php?article=20&title=Italy%20clamps%20down%20on%20counterfeiting&year=2005&month=03>.

⁴² PHILLIPS, *supra* note 37, at 68.

⁴³ See Roncaglia, *supra* note 39.

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nity,⁴⁴ and the country's prominent fashion industry,⁴⁵ are all possible contributors to the impetus behind Italy's recent change in its anti-counterfeiting regime.

B. *Brief Historical Review*

Italy's history as several separate city-states, which formed a republic in 1946,⁴⁶ has contributed to the country's complex hierarchy of courts and legislation.⁴⁷ A civil law state, Italy draws its legal history from many sources, including Roman law and the Napoleonic Code. However, around the time of its unification, Italy developed its own civil and criminal codes.⁴⁸ Italian trademark law is governed by many sources, including a Trademark Act established in 1942⁴⁹ and specific provisions of the Italian Civil Code and Penal Code.⁵⁰ Italy has since amended its Trademark Act to adopt several international conventions and treaties and to coincide with European initiatives seeking to harmonize intellectual property law among the European nations.⁵¹ Despite these initia-

⁴⁴ COMITÉ COLBERT, THE ROLE OF THE COMITÉ COLBERT IN COMBATING COUNTERFEITING 30 (2006) http://www.comitecolbert.com/internet/images/stories//Synthese%20Etude/The_role_of_the_Comite_Colbert_in_combating_counterfeiting_2006.pdf; OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, WATCH LIST 4 (2007), available at http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_Special_301_Review/asset_upload_file60_11126.pdf (discussing Italy as a member of the Watch List of the Office of the United States Trade Representative). See also Tagliabue, *supra* note 15 (reporting that in 1997 the Office of the United States Trade Representative urged Italy to stiffen penalties which were "among the lowest in Europe" or face possible economic sanctions).

⁴⁵ Cocks, *supra* note 29, at 548.

⁴⁶ Thomas H. Reynolds & Arturo A. Flores, "Italy," in [2002] IIA FOREIGN L. (Hein) 1-2.

⁴⁷ See *id.* at 8-9 (2002). Italian law is provided for in many forms with a hierarchy among them. ANGELO GRISOLI, GUIDE TO FOREIGN LEGAL MATERIALS: ITALIAN 13-14 (1965). The most authoritative is the constitution and the constitutional laws, followed by the next level of law (*legge*), the decree-law (*decreto-legge*), and the legislative decree (*decreto-legislativo*) all of which are equal in authority. *Id.* Regulations, bylaws, and custom are the last sources of law, each of which is subordinate to the former. *Id.*

⁴⁸ GRISOLI, *supra* note 47, at 6-10.

⁴⁹ Royal Decree No. 929 of June 21, 1942. SWEET & MAXWELL'S EUROPEAN TRADE MARK LITIGATION HANDBOOK 397 (Isabel M. Davis ed., 1998).

⁵⁰ SWEET & MAXWELL'S EUROPEAN TRADE MARK LITIGATION HANDBOOK, *supra* note 49, at 397 and 409.

⁵¹ See, e.g., INTELLECTUAL PROPERTY LAWS OF EUROPE 281 (George Metaxas-Maranghidis ed., 1995) (discussing the amendment of Italian trademark law, in 1992, to implement the First Trade Mark Directive of 21 December 1988 (Dir 89/104/EEC)); SWEET & MAXWELL'S EUROPEAN TRADE MARK LITIGATION HANDBOOK, *supra* note 49, at 397 (discussing the amendment of the Italian trademark act in 1996 to adopt the Agreement on

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tives, there were still large differences in the enforcement of the harmonized law.⁵² With Italy remaining a hotbed of counterfeiting activity, there was criticism that its laws were not being enforced.⁵³

Pier Luigi Roncaglia discusses the weaknesses in Italian trademark enforcement: the overburdened Prosecutor's office, the restrictive five-year statute of limitations, and the lenient sentences imposed by the courts.⁵⁴ A judgment rendered in 2000 by the Fifth Division of the Court of Cassation (the highest court of appeal in Italy) provides an example of the Italian courts' reluctance to interpret relevant statutes in a way that recognizes individual acts of counterfeiting as causing harm to the trademark holder.⁵⁵ In both the court of first instance and in appellate proceedings, a street vendor was found guilty under Article 474 of the Italian Criminal Code⁵⁶ for selling counterfeit goods trademarked as "Louis Vuitton," "Cartier," and "Timberland."⁵⁷ The Court of Cassation reversed, acquitting the defendant street vendor on the ground that under Article 474, it is not a crime to sell to a consumer who should have been aware of the illegal origin of the product due to its exceptionally low price or obviously poor quality.⁵⁸

Trade Related Aspects of Intellectual Property Rights (TRIPs)); WIPO, INFORMATION BY COUNTRY: ITALY, <http://www.wipo.int/about-ip/en/ipworldwide/pdf/it.pdf> (last visited Mar. 1, 2008).

⁵² *Commission Proposal for European Parliament and Council Directive: On Criminal Measures Aimed at Ensuring the Enforcement of Intellectual Property Rights*, at 2, COM (2005) 276 final (Jul. 12, 2005). *Commission Proposal for a Directive of the European Parliament and of the Council on Measures and Procedures to Ensure the Enforcement of Intellectual Property Rights* at 1, COM (2003) 46 final (Jan. 1, 2003).

⁵³ See Roncaglia, *supra* note 39.

⁵⁴ *Id.* at 1399-1402.

⁵⁵ *Id.* at 1401-05 (discussing Court of Cassation, Feb. 23, 2000, in *Il Dir. Ind.*, n. 2/2000, p. 109 et seq.).

⁵⁶ Article 474 of the Italian Criminal Code provides:

Introduction into the State and trading of goods bearing false trademarks—Except for cases of concurrence with the crimes provided for in the preceding article, anyone introducing in the State territory or holding possession to resell, or otherwise circulating any literary, dramatic, musical and artistic works or industrial goods, bearing counterfeit or altered marks, whether national or foreign, is punished with imprisonment for up to two years and with a fine of up to four million Lira [i.e., 2,065.82 Euros].

Codice Penale [C.P.] art. 474 (Italy), *translated in* Roncaglia, *supra* note 39, at 1395 n.5.

⁵⁷ See Roncaglia, *supra* note 39, at 1401-05 (discussing Court of Cassation, 23 Feb. 23, 2000, in *Il Dir. Ind.*, n. 2/2000, p. 109 et seq.).

⁵⁸ The Court of Cassation provided,

[A] counterfeit trademark can be misleading, and therefore, if the goods are sold, it can establish criminal responsibility for the crime regulated by article 474 However, if other features of the product, such as its obvious poor

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The Fifth Division of the Court of Cassation has since reversed its position, holding that the selling of counterfeit goods is “detrimental to the public faith . . . and therefore a crime also when the quality and price of the goods are such as to allow the purchasers to recognize them as fakes.”⁵⁹ However, its foregoing position was followed by many lower courts,⁶⁰ and the interim legality of the sale of counterfeit goods to knowing consumers further reinforced the established social norms surrounding the counterfeit industry in Italy.

C. *The Building Blocks of Italy’s End-Consumer Sanction*

Until the Italian intellectual property law developments of 2005, it was unclear and debated⁶¹ whether Italian law allowed for criminal sanctions or civil suits against an end-consumer who purchased counterfeit goods.⁶² While the end-consumer had hardly ever been charged under Italian law prior to 2005,⁶³ there were two provisions of the Italian Criminal Code which provided grounds for potential liability.

1. *Crime of Handling*

Article 648 of the Italian Criminal Code, “the crime of handling,”⁶⁴ provides:

Except for cases of concurrence of crimes, anyone who, with the purpose of procuring a profit for oneself or for others, purchases, receives or conceals money or *objects originating*

quality or its exceptionally low price, constitute an indication for the average buyer that the product cannot in any way originate from the company whose trademark it bears, then the counterfeiting ceases to have any influence on the consumer’s free determination to purchase the product and as a consequence such disputed fact does not constitute a crime.

Roncaglia, *supra* note 39, at 1402 (quoting the Court of Cassation, Feb. 23, 2000, in II Dir. Ind., n. 2/2000, p. 109 et seq.).

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⁵⁹ *Selling Fakes, No Matter How Rough, is a Crime*, SOCIETA ITALIANA BREVETTI’S UPDATES ON INTELLECTUAL AND INDUSTRIAL PROPERTY IN ITALY AND THE EU (Italy), Dec. 2006, at 1, available at [http://www.sib.it/engsib/sibprima/issues/SIB12_06%20trade marks.pdf](http://www.sib.it/engsib/sibprima/issues/SIB12_06%20trade%20marks.pdf).

⁶⁰ Roncaglia, *supra* note 39, at 1402.

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⁶¹ *Id.* at 1406.

⁶² See *id.* for a discussion of whether Article 648 of the Italian Criminal Code applied to the purchaser of counterfeit goods and to what extent Article 712 of the same was being enforced.

⁶³ Roncaglia, *supra* note 39, at 1405 (citing Court of Cassation, July 27, 1990, in Cass. pen. 1992, at 79).

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⁶⁴ C.P. art. 648 (Italy), translated in Roncaglia, *supra* note 39, at 1397-98 n.14.

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from any crime, or intercedes so as to facilitate their purchasing, receiving or concealing, is punished with imprisonment from two to eight years and with fines from [516.45 to 10,329.13 Euros]. If the case at issue is of minor importance, imprisonment is up to six years and a fine is up to [516.45 Euros].⁶⁵

On June 7, 2001, the Court of Cassation interpreted “objects originating from any crime”⁶⁶ under Article 648 broadly to include counterfeit goods.⁶⁷ Additionally, in distinguishing this crime of “handling”⁶⁸ from the crime of “dealing,”⁶⁹ the Court stated that, unlike dealing, the crime of handling could take place when the purchaser does not proceed to participate in the further sale of the product.⁷⁰ This judicial interpretation opened the door for fines and possible imprisonment for the end-consumer purchaser of counterfeit goods.⁷¹ The greater challenge in the application of this statute to the end-consumer was the requirement that the goods be purchased “with the purpose of procuring a profit.”⁷² In 2000, an Italian court held that

[I]n keeping with the strict meaning of words, the term ‘profit,’ . . . means gain or compensation . . . [and] cannot be construed to signify a mere interest, a simple spiritual or aesthetic pleasure, a feeling or love or passion felt for certain things, or even plain and simple curiosity.⁷³

This definition of “for profit” was unlikely to encompass a personal-use purchase of a counterfeit luxury watch, for example. Contrasting case law considered a broader interpretation of “for profit,”⁷⁴ whereby profit is equated with the lower purchase price of the counterfeit goods as compared to the authentic good. Under this latter interpretation of “for profit,” criminal sanctions could

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ Roncaglia, *supra* note 39, at 1413.

⁶⁸ C.P. art. 648 (Italy), *translated in* Roncaglia, *supra* note 39, at 1397-98 n.14.

⁶⁹ C.P. art. 474 (Italy), *translated in* Roncaglia, *supra* note 39, at 1395 n.5.

⁷⁰ Roncaglia, *supra* note 39, at 1405, citing Court of Cassation, July 27, 1990, in Cass. pen. 1992, at 79.

⁷¹ As applied to a minor offense, such as an end-consumer purchase, it is hypothesized that any potential term of imprisonment, under Article 648 of the Italian Criminal Code, would be replaced with a pecuniary fine. *Id.* at 1413-14. It is in the court’s discretion to adjust the sentence relative to the severity of the offense. *Id.*

⁷² C.P. art. 648 (Italy), *translated in* Roncaglia, *supra* note 39, at 1397-98 n.14.

⁷³ Roncaglia, *supra* note 39, at 1406.

⁷⁴ *Id.* at 1407.

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have been extended to the end-consumer purchase of counterfeit goods.⁷⁵

2. *Misdemeanor of Purchase of Property of Suspect Origin*

Italian criminal law also provides for the misdemeanor of purchasing goods of suspicious origin under Article 712 of the Italian Criminal Code:

Anyone who, without previously ascertaining their legitimate origin, purchases or receives, by any title goods that, due to their quality, the personal condition of the seller or their price can reasonably be suspected to originate from a crime, is punished with imprisonment for up to six months or with a fine not inferior to [10.32 Euros].⁷⁶

Beyond the crime of handling, which is limited to the knowing purchase of counterfeit goods, Article 712 provides that anyone who is negligent in failing to ascertain the origin of a good “reasonably suspected to originate from a crime,” could be subject to a minimal fine or jail time.⁷⁷ It is unclear whether the Italian Legislature intended the sanctions to extend beyond a purchaser higher in the supply chain with an intent to re-sell the goods. However, the statute provides the breadth to be applied to an end-consumer purchaser. Further, this language appears to form the basis of Italy’s more recent intellectual property legislation, which provides a clear sanction on the end-consumer of counterfeit goods.

D. *The Introduction of a Purchaser Fine*

In recent years Italy has made many changes to its intellectual property laws. In 2003, Italy set up specialized courts to hear only intellectual property disputes⁷⁸ in order to promote the specialization of judges in this complex area, and to ensure consistency in the courts.⁷⁹ In 2005, Italy established a new Industrial Property Code,

⁷⁵ *Criminal and Administrative Sanctions in Italy for the Purchaser of Counterfeit Products—Receiving, Purchase of Property of Suspect Origin and Decree No. 35/05*, RAPISARDI IP NEWS, Nov. 2006, at 8-9, [http://www.rapisardi.com/web/website.nsf/0/1FD56106E9D6C231C12572DC004EAF13/\\$file/Rapisardi-IPNews-2-06.pdf](http://www.rapisardi.com/web/website.nsf/0/1FD56106E9D6C231C12572DC004EAF13/$file/Rapisardi-IPNews-2-06.pdf).

⁷⁶ C.P. art. 712 (Italy), *translated in* Roncaglia, *supra* note 39, at 1398-99 n.18.

⁷⁷ *Id.*

⁷⁸ Pietro Pouche, *Italy Sets Up Specialized IP Courts*, WORLD TRADEMARK REPORT, Sep. 2, 2003, <http://www.worldtrademarkreport.com/Article/?r=618&k=Italy>.

⁷⁹ Julia Holden, *Specialized Court Divisions to Take Charge of IP Disputes*, WORLD TRADEMARK REPORT, Mar. 4, 2003, <http://www.worldtrademarkreport.com/Article/?r=239&k=Italy>.

replacing the country's more than 40 national industrial property laws.⁸⁰ The new Code amended both substantive and procedural law in Italy.⁸¹

Around the same time that the new Industrial Property Code took effect, Italy implemented Law No. 80 of 14 May 2005.⁸² Italian Decree-Law 80/05 is the focus of this Note as a model of one of the first laws⁸³ specifically enacted to sanction the end-consumer of counterfeit goods. Article 1(7) of Decree-Law 80/05 provides:

Unless the act amounts to an offence, the purchase or acceptance without previously ascertaining their legitimate origin, for any reason of objects which, because of their quality or because of the condition of the person offering them or because of the price, lead to believe [sic] that laws on the origin and source of the good and on intellectual property have been infringed, is punished with a fine up to 10,000 euro⁸⁴

The fines collected pursuant to this provision are to be put toward the fight against counterfeiting;⁸⁵ in addition to the fines, the goods will be confiscated in all cases.⁸⁶

Enactment of this novel statute raises questions regarding the extent to which the statute is enforced in Italy and the success of such enforcement. Reports have been documented in newspapers and travel advisory websites of tourists and Italian residents alike receiving the hefty fines.⁸⁷ Italy's High Commissioner for the Fight

⁸⁰ Isabella Betti & Ester Van Weert, *New Industrial Property Code Set to Come into Force*, WORLD TRADEMARK REPORT, Feb. 11, 2005, <http://www.worldtrademarkreport.com/Article/?r=5114&k=Italy>.

⁸¹ Francesca Rolla & Iris Tsou Vamvaka, *New Industrial Property Code Now in Force*, WORLD TRADEMARK REPORT, Mar. 22, 2005, <http://www.worldtrademarkreport.com/Article/?r=5197&k=Italy>.

⁸² Decree-Law No. 80/05 of May 14, 2005 is a conversion of Decree-Law No. 35/05 of March 14, 2005. Margherita Barié & Pietro Pouchè, *New Law Hits Purchasers of Counterfeit Goods*, WORLD TRADEMARK REPORT, June 30, 2005, <http://www.worldtrademarkreport.com/Article/?r=5398&k=Italy>.

⁸³ See further discussion *infra* Part II.E on the French Model of counterfeit consumer liability, which was already in existence at the time Italy enacted Decree-Law 80/05.

⁸⁴ Italian Decree-Law 80/05, *supra* note 28.

⁸⁵ *Id.* at art. 1(8). Sanctions may be reduced to one third of the maximum if paid within sixty days. Decree Law No. 689/81, art. 16 (1981) (Italy). See also International Intellectual Property Alliance, 2007 Special 301 Report: Italy 299 (2007), <http://www.iipa.com/rbc/2007/2007SPEC301ITALY.pdf>.

⁸⁶ Barié & Pouchè, *supra* note 82.

⁸⁷ The European Consumer Centre in Italy reports receiving numerous requests from other European centers seeking information for consumers who have been surprised by the large fines unfamiliar to most countries. Ing Svata Zdenek, *Fake Products: Foreign Tourists Fined 10.000 _ for the Purchase of Goods of Dubious Origin*, EUROPEAN CON-

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against Counterfeiting⁸⁸ released his first report in the summer of 2007, pursuant to his role in monitoring counterfeiting and the effectiveness of government anti-counterfeiting policies.⁸⁹ The report reveals that there were 11,728 administrative fines and 12,283 administrative seizures in the first half of 2006 alone.⁹⁰ The effectiveness of the fines, however, is unclear. It has been reported that the use of fines “discourages the demand, thus depleting the supply and therefore the illegal production.”⁹¹ Others report that awareness of intellectual property is still not high among Italian consumers.⁹² While there has been a small change in consumer habits, there remains “a problem of attitude, because people consider it to be illegal—but not *that* illegal.”⁹³ What is clear is that Italy’s anti-counterfeiting laws are considered some of the most advanced in

SUMER CENTRE PRAGUE, July 31, 2006, <http://www.mpo.cz/zprava20307>, http://www.konsumenteuropa.se/Documents/Engelska/fake_products.pdf. “Italian law is particularly severe with consumers and in the cases reported to us the fines inflicted corresponded most of the times [sic] to the maximum amount.” *Id.*

See also Adam L. Freeman & Sara Gay Forden, *In Italy, ‘Buying a Fake Bag isn’t a Joke’—It’s a Crime*, INT’L HERALD TRIB., Jan. 14, 2006, available at <http://www.ihf.com/articles/2006/01/13/business/fake.php> (woman living in Florence was fined €3,333 for buying fake sunglasses for €1); James Martin, *Travel Warning: Venice Makes Fake Bags More Costly than the Real Thing*, July 26, 2005, <http://goeurope.about.com/b/a/188712.htm> (French tourist in Venice is given a €3,200 fine for purchasing a fake bag); Shasta Darlington, *Getting Dolled Up in Italy can make you Accessory to Crime*, USA TODAY, Aug. 19, 2005, available at http://www.usatoday.com/money/world/2005-08-19-italy-fakes_x.htm (Dutch couple is slapped with \$4,058 fine for purchasing a \$36 Prada handbag from a street vendor in Venice); Larry Habegger, *Italy: Heat Wave & Counterfeit Fashion*, June 28, 2005, <http://www.worldtravelwatch.com/05/06/italy-heat-wave-counterfeit-fashion.html> (Danish tourist fined €10,000 for purchasing counterfeit sunglasses in Ventimiglia on the Italian Riviera has fine reduced by two thirds provided she pays within two months); *Buyers of Fakes are Fined*, June 27, 2005, <http://www.fashionunited.co.uk/news/counterfeit.htm> (Danish woman fined for buying fake Dior sunglasses as was a French woman who bought a phony Louis Vuitton handbag at a seaside resort in Italy).

⁸⁸ *Italy’s New Anti-Counterfeiting Measures: Confiscation and Fines for Buyers of Fakes*, *supra* note 28, at 1. In September 2008, the Italian government decided to abolish the High Commissioner position. Margherita Bariè & Pietro Pouchè, *Position of High Commissioner to Combat Counterfeiting Abolished*, WORLD TRADEMARK REPORT, Sept. 22, 2008, <http://www.worldtrademarkreport.com/Article/Default.aspx?r=7455&c=1450152>. With seventeen independent institutions with jurisdiction over counterfeiting in Italy, the decision to abolish the high commissioner position was made to cut costs. *Id.*

⁸⁹ Holden, *supra* note 5.

⁹⁰ *Id.* The fines and seizures cited are not limited to those imposed on the end-consumer. *Id.*

⁹¹ Zdenek, *supra* note 87.

⁹² Paola Frassi, *Supplement—Italy IP Focus 2008 3rd Edition The Academic’s View*, MANAGING INTELL. PROP., Dec. 1, 2007, <http://www.managingip.com/Article.aspx?ArticleID=1788388>.

⁹³ *Id.* (emphasis added).

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Europe.⁹⁴ Notably, however, Italian law has not gone as far as French law, which encompasses not the purchase but the possession of counterfeit goods by private citizens.⁹⁵

E. *French Counterfeiting Laws by Contrast – Going Further to Stop Consumer Demand*

French anti-counterfeiting law is considered the most stringent in Europe,⁹⁶ and perhaps the world.⁹⁷ The French luxury goods industry argues that Loi Longuit,⁹⁸ a 1994 amendment to the French Intellectual Property Code, contains some of the most comprehensive and effective anti-counterfeiting provisions in the world.⁹⁹ Under French law at its maximum enforcement, a consumer could be fined or imprisoned for the “bad faith”¹⁰⁰ possession¹⁰¹ of counterfeit goods. Article L716-10 of the French Intellectual Property Code provides for a fine of 300,000 euros and imprisonment of three years for a person who:

- a) holds without legitimate reason, imports under all customs procedures or exports goods presented under a [sic] infringing mark.¹⁰²

Under Article L716-9, when offences are committed “for the purpose of selling, supplying, offering for sale or lending goods under an infringing mark,” the penalties increase to four years imprison-

⁹⁴ Holden, *supra* note 5.

⁹⁵ PHILLIPS, *supra* note 37, at 9.

⁹⁶ COMITÉ COLBERT, *supra* note 44, at 1.

⁹⁷ SPONG, *supra* note 4, at 7-8.

⁹⁸ Law No. 94-102 of 5 February 1994, Journal Officiel de la République Française [J.O.] [Official Gazette of France], Feb. 8, 1994, at 2151 (Fr.), available at <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000000364284&dateTexte>.

⁹⁹ The French Luxury Goods Industry, *Combating Intellectual Property Rights Infringement in the Hong Kong Special Administrative Region: Possible Additional Legal Tools*, July 5, 1999, <http://www.legco.gov.hk/yr98-99/english/panels/ti/papers/ti05076a.htm>.

¹⁰⁰ “The ‘bad faith’ requirement means that the prosecution has to establish the consumer’s knowledge of the counterfeit nature of the product in question.” *Id.*

¹⁰¹ Code de la propriété intellectuelle, art. 716-10 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>; see also COMITÉ COLBERT, *supra* note 44, at 4.

¹⁰² Code de la propriété intellectuelle, art. 716-10 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>. The remainder of Article L716-10 provides for a fine of 300,000 euros and imprisonment of three years for a person who:

- b) offers for sale or sells goods presented under an infringing mark;
- c) reproduces, imitates, uses, affixes, removes, modifies a mark, a collective mark or a collective mark of certification in violation of the rights conferred by its registration and of prohibitions which rise from this;
- d) delivers knowingly a product or provides a service other than that which is required of him under a registered mark. *Id.*

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ment and a fine of 400,000 euros.¹⁰³ Under the harshest of the laws, when the offenses under either L716-9 or L716-10 have been committed by an organized criminal group,¹⁰⁴ the penalties are increased to five years imprisonment and a fine of 500,000 euros.¹⁰⁵

Under French customs law, customs officials may search any individual anywhere in French territory, not just at the border.¹⁰⁶ While the potential for a large fine or jail time exists, French law is enforced in proportion to the severity of the infringing act. “Any individual in possession of a counterfeit product is liable to [sic] a fine equivalent to twice the value of the genuine article.”¹⁰⁷ Therefore, in practical terms, French fines could be, on average, much lower than the 10,000 euro maximum fine often imposed in Italy,¹⁰⁸ even when the Italian fine is reduced by one-third to 3,333 euros as a result of being paid within sixty days.¹⁰⁹

While L716-10 is clearly broad enough to encompass personal possession of counterfeit goods, the degree to which it is being enforced at this level is uncertain. However, what is clear is that ad campaigns and marketing materials put out by French Customs¹¹⁰ and the French luxury brands¹¹¹ seek to deter the possession of counterfeit goods through the threat of enforcement of those sanctions. In October 2007,¹¹² France adopted European Union Directive 2004/48/EC,¹¹³ which seeks to harmonize the enforcement of

¹⁰³ Code de la propriété intellectuelle, art. 716-9 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>.

¹⁰⁴ “An organized gang within the meaning of the law is any group formed or association established with a view to the preparation of one or more criminal offences, preparation marked by one or more material actions.” Code Penale, art. 132-71 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=33&r=3881>.

¹⁰⁵ Code de la propriété intellectuelle, art. 716-10 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>; Code de la propriété intellectuelle, art. 716-9 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>.

¹⁰⁶ Comité Colbert, *What Penalties Can be Imposed by the Court?* http://www.comitecolbert.com/internet/index.php?option=com_content&task=view&id=249&Itemid=235 (last visited Jan. 13, 2008).

¹⁰⁷ *Id.*

¹⁰⁸ Zdenek, *supra* note 87.

¹⁰⁹ INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE, *supra* note 85.

¹¹⁰ French Customs, *French Customs on the Move to Fight the Scourge of Counterfeiting*, April 2007, <http://www.douane.gouv.fr/data/file/1251.pdf>.

¹¹¹ Comité Colbert, Apr. 2007, http://www.comitecolbert.com/internet/index.php?option=com_content&task=view&id=236&Itemid=221.

¹¹² *France (II): New Anti-Counterfeiting Legislation*, WIPO IP ENFORCEMENT NEWS: OCTOBER–DECEMBER 2007, http://www.wipo.int/enforcement/en/news/2007/enforcement_10_12.html.

¹¹³ Council Directive 2004/48, art. 3, 2004 O.J. (L 157) 45 (EC).

intellectual property rights across the European Union.¹¹⁴ It is noteworthy that France elected to exclude the section of 2004/48/EC that limits the Directive's reach to acts carried out "on a commercial scale."¹¹⁵ This reaffirms France's stance on consumer liability for the possession, import, or export of infringing goods.¹¹⁶

Currently, it appears that France and Italy stand alone in their approach to the deterrence of counterfeit goods purchases.¹¹⁷ One can hypothesize that the French and Italian anti-counterfeiting laws are attributable to the importance of luxury fashion to their societies and economies.¹¹⁸ With intellectual property representing anywhere between 45-75% of the value of America's Fortune 500

¹¹⁴ Council Directive 2004/48, ¶¶ 8-9, 2004 O.J. (L 157) 45 (EC). Directive 2004/48/EC was to have been incorporated by member nations by April 2006, however many countries did not meet this deadline. SIMONS & SIMONS, SUMMARY OF THE IMPLEMENTATION OF DIRECTIVE 2004/48 ON THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS (THE "DIRECTIVE") IN EU MEMBER STATES AS PER OCTOBER 2006, http://www.ipeg.com/_UPLOAD%20BLOG/Summary%20Implementation%20Enforcement%20Directive%20EU_IEPG_security.pdf.

¹¹⁵ Council Directive 2004/48, ¶ 14, 2004 O.J. (L 157) 45 (EC); Brad Spitz, *The French Senate Voted a Draft Bill to Implement the Directive on Enforcement of IP Rights*, COPYRIGHT AND MEDIA IN FRANCE, Oct. 2, 2007, <http://copyrightfrance.blogspot.com/2007/10/french-senate-voted-draft-bill-to.html>.

¹¹⁶ Code de la propriété intellectuelle, art. 716-10 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>.

¹¹⁷ While France and Italy appear to be unique in the imposition of consumer liability, it has been reported that "Japan is considering prohibiting the private importation and individual possession of counterfeits." OECD, THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY—PART II: EFFORTS TO COMBAT COUNTERFEITING AND PIRACY 6 (2007), <http://www.oecd.org/dataoecd/36/35/39543408.pdf>. The French luxury goods industry has also presented the success of Loi Longuet to other interested governments including Hong Kong in 1998/1999. The French Luxury Goods Industry, *supra* note 99. Consumer liability is argued for in other emerging counterfeit markets. SPONG, *supra* note 4, at 7 (arguing for the adoption of the Italian or French approach in the United Arab Emirates).

¹¹⁸ The French lead the luxury brand world providing for 68 out of 200 global luxury brands and one-third of global luxury business volume. COMITÉ COLBERT 4-5 (Feb. 2007), http://www.comitecolbert.com/internet/images/stories//Qui%20somm-es-nous/Comite_Colbert_Dossier_de_presse_VA.pdf. "Comité Colbert members alone represent one-quarter of the world luxury industry, nearly twice the size of the Italian sector and 2.5 times that of the U.S. sector." *Id.* "As home to a number of the world's leading luxury brands, France has developed a body of law that is specific and somewhat favorable to luxury goods manufacturers." Dimitra Kessenides, *LVMH to eBay: Knock it Off!*, LAW.COM, July 11, 2007, <http://www.law.com/jsp/article.jsp?id=1168471808673>. "French law has united government and private sector anti-counterfeiting efforts through coordinated lobbying, legislative, and advertising campaigns." *Id.*

largest companies,¹¹⁹ the question remains whether the United States should be considering a similar anti-counterfeiting regime.

III. TRADEMARK PROTECTIONS AND ANTI-COUNTERFEITING LAWS IN THE UNITED STATES

A. *Brief Historical Review*

The Lanham Act,¹²⁰ enacted in 1946, forms the basis of modern federal protections afforded to trademarks in the United States.¹²¹ Spurred by the increase in interstate commerce and the need for uniform federal trademark law,¹²² the Lanham Act was enacted with a purpose “to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and goodwill by preventing their diversion from those who have created them to those who have not.”¹²³ While the Act allowed for civil remedies for trademark infringement, it was not designed with counterfeiting in mind,¹²⁴ and counterfeiting activity continued to flourish as civil penalties were simply factored in as “a cost of doing [the] illegal business.”¹²⁵ In response, Congress enacted the Trademark Counterfeiting Act of 1984, which created criminal penalties for the intentional dealing in materials that were known to be counterfeit, and authorized mandatory awards of treble damages in civil counterfeiting cases.¹²⁶

¹¹⁹ PHILLIPS, *supra* note 37, at 11. The Fortune 500 are ranked according to revenue. *List of the Fortune 500*, USA TODAY, July 6, 2005, available at http://www.usatoday.com/money/companies/2004-03-22-fortune-500-list_x.htm.

¹²⁰ The Trademark Act (“Lanham Act”) of 1946, Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§1051-1129 (2000)).

¹²¹ PARADISE, *supra* note 2, at 6-7.

¹²² H. Peter Nesvold & Lisa M. Pollard, *Forward: Half a Century of Federal Trademark Protection: The Lanham Act Turns Fifty*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 49, 50 at n.4 (1996) (citing S. REP. NO. 1333), as reprinted in 1946 U.S.C.C.A.N. 1274, 1277.

¹²³ S. REP. NO. 1333, reprinted in 1946 U.S.C.C.A.N., 1274, 1275.

¹²⁴ 2 ANNE GILSON LALONDE, GILSON ON TRADEMARKS, § 5.19[7] (2007). “Counterfeiting is a subset of trademark infringement. All counterfeits infringe, but not all infringements are counterfeit.” *Id.* § 5.19[2][a]. When an unauthorized copied trademark is identical or so close that an ordinary purchaser would not be able to tell the difference from the real trademark, and the genuine mark is in use and registered for the same goods upon which the copy is used, a court should find a violation of counterfeiting laws. *Id.*

¹²⁵ S. REP. NO. 98-526, at 5 (1984).

¹²⁶ 2 ANNE GILSON LALONDE, GILSON ON TRADEMARKS, § 5.19[7] (2007). See also S. REP. NO. 98-526, at 3-6 (1984).

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Despite the criminal sanctions, counterfeiting continued to see growth,¹²⁷ therefore in 2006, Congress passed the Stop Counterfeiting in Manufactured Goods Act,¹²⁸ which increased criminal penalties for the trafficking of counterfeit marks.¹²⁹ This Act closed a loophole exploited by the traffickers of counterfeit merchandise who imported generic goods without an infringing trademark and later repackaged the goods with the misappropriated mark for the purposes of sale in the United States.¹³⁰ The Act also mandated the destruction of seized counterfeit goods and any assets which could be traced to counterfeiting activity.¹³¹

B. *Consumer Liability Under Current United States Law—
The Limits of the Commercial Use Requirement*

The United States imposes numerous civil remedies and criminal penalties against the manufacturers, traffickers and merchants of counterfeit goods.¹³² However, the law notably falls short of Italy's hefty administrative sanctions for the purchase of counterfeit goods by the end-consumer.¹³³ As discussed previously, even before the introduction of Italian Decree-Law 80/05 in 2005, Italian penal law allowed for possible consumer liability for counterfeit purchases under a broad interpretation of the requirement that the goods be purchased "for profit."¹³⁴ By contrast, it appears that even under the most liberal construction, the laws of the United States do not encompass the end-consumer purchase of counterfeit goods as a sanctionable activity due to a "use in commerce"¹³⁵ requirement.

Not unlike the "for profit" requirement under Italian law, liability under current United States trademark law requires that a defendant use another's mark in a commercial way in order for

¹²⁷ 2 ANNE GILSON LALONDE, *GILSON ON TRADEMARKS*, § 5.19[7] (2008).

¹²⁸ Stop Counterfeiting of Manufactured Goods Act, Pub. L. No. 109-181, 120 Stat 285 (2006).

¹²⁹ 2 ANNE GILSON LALONDE, *GILSON ON TRADEMARKS*, § 5.19[7] (2007).

¹³⁰ *Id.* The loophole was exposed by the Tenth Circuit Court of Appeals in *United States v. Giles*, 213 F.3d 1247 (2000).

¹³¹ Bradley J. Olsen et al., *supra* note 24, at 138-39.

¹³² *See generally Symposium, supra* note 9 (discussing many examples of civil and criminal liability).

¹³³ Cocks, *supra* note 29 at 508 (discussing the lack of criminal consumer liability for the purchase of counterfeit goods in the United States).

¹³⁴ *See* discussion *supra* Part II.C.1.

¹³⁵ 15 U.S.C. § 1114(1)(a) (2000); *see also* 15 U.S.C. § 1125(a)(1) (2000).

such use to be actionable.¹³⁶ The Lanham Act provides for civil liability for:

[U]se in commerce [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . .¹³⁷

While the reach of what is considered “use in commerce” has been expanding into traditionally “non-commercial” areas,¹³⁸ under current United States law, even the broadest definition of “use in commerce” would not include the purchase of a counterfeit good by an end-consumer for personal use.

IV. DEFINING AN EFFECTIVE RESPONSE

A. *The Need for a New Approach in the United States*

There is no penalty under United States federal or state law for the end-consumer purchase or personal-use possession of counterfeit merchandise,¹³⁹ leaving the American consumer solely with the social stigma, if it exists at all, in sporting counterfeit wares. Essential to the development of an effective strategy for change is defining the ideal result. The ultimate aim of imposing consumer liability is to reduce consumer demand, and thus shrink the exponential growth of the supply of counterfeit merchandise into the United States.¹⁴⁰

Fundamental economic theory suggests that consumer demand necessarily drives supply.¹⁴¹ As the United States faces epi-

¹³⁶ 15 U.S.C. § 1114(1)(a) (2000); *see also* 15 U.S.C. § 1125(a)(1) (2000).

¹³⁷ 15 U.S.C. § 1114(1)(a) (2000).

¹³⁸ *See* Patrick D. Curran, *Diluting the Commercial Speech Doctrine: “Noncommercial Use” and the Federal Trademark Dilution Act*, 71 U. CHI. L. REV. 1077, 1084-85 (2004) (discussing *Jews for Jesus v. Brodsky*, 993 F. Supp. 282 (D. N.J. 1998) as evidence of a broadening of the definition of “commercial use” where even “this indirect association with commercial activities was enough to eliminate protection under the [Federal Trademark Dilution Act’s] ‘non commercial use’ exception.”).

¹³⁹ *Cocks*, *supra* note 29, at 508.

¹⁴⁰ *See* discussion *infra* Part V.C regarding the deterrent effect of a penalty on end-consumer purchase which may lead to a reduction in the supply of the goods into the United States.

¹⁴¹ As the financial risk of purchasing a counterfeit good increases through the imposition of an administrative sanction, the perceived risk-adjusted price of the item increases, potentially leading to a decrease in consumer demand and a resultant decrease in supply. *Economics Basic Supply and Demand*, INVESTOPEDIA, <http://www.investopedia.com/university/economics/economics3.asp> (last visited Mar. 8, 2008). *See* discussion *infra* Part

demetic levels of counterfeit activity,¹⁴² “growing 10,000 percent in the past two years,”¹⁴³ organizations such as the International AntiCounterfeiting Coalition (IACC) seek to educate consumers on how the purchase of counterfeit merchandise is helping to drive the illegal industry, contributing to unemployment, terrorism, and child labor, while greatly impacting the United States economy.¹⁴⁴ However, many view the purchase of counterfeit goods as a victimless act and growth levels suggest that consumer demand is as strong as ever.¹⁴⁵ The question is thus presented as whether the Italian or French model of penalizing the end-consumer of counterfeit merchandise would be an effective or desirable means to thwart the counterfeiting supply chain in the United States.

“Consumer purchase of a counterfeit [in the United States] is not a criminal act, but it does abet the sale which is criminal.”¹⁴⁶ End-consumer purchase is not only legal, it is socially acceptable, creating a dichotomy in each sale transaction between the criminal act of the merchant and the legal act of the purchaser. Social norms of behavior based on morality do not necessarily track what is legal or illegal,¹⁴⁷ and we need only look as far as internet piracy to see that these norms are often more difficult to change than the law itself.¹⁴⁸ However, “[p]iracy can only thrive in a culture where citizens view the acquisition of counterfeit goods as acceptable.”¹⁴⁹

V.C.1, reporting on a study demonstrating a decrease in consumer willingness to purchase a good upon an increase in financial risk associated with the good.

¹⁴² 151 CONG. REC 149, S12715 (2005). United States Chamber of Commerce estimates that the global market in counterfeit goods could be worth up to \$2 trillion dollars within the next two decades. *Knock-offs and Counterfeit Goods Becoming Global Problem*, THE INTERNATIONAL COUNCILLOR, Mar. 2006, available at <http://www.cii2.org/pdf/councillor/0306.pdf>.

¹⁴³ IACC, *supra* note 9.

¹⁴⁴ *Id.* See also *supra* note 19.

¹⁴⁵ IACC, *supra* note 9.

¹⁴⁶ Cordell et al., *supra* note 1, at 42.

¹⁴⁷ Tom R. Tyler, *Compliance with Intellectual Property Laws: A Psychological Perspective*, 29 N.Y.U. J. INT'L L. & POL. 219, 226 (1996) (discussing how behavior of people is often guided by their own sense of morality and not by the law itself as written). This is especially important with respect to intellectual property law since there is a general lack of belief that breaking intellectual property law is wrong. *Id.*

¹⁴⁸ Despite the fact that downloading free unauthorized copies of music from peer-to-peer file sharing websites is illegal (RIAA, Piracy Online and on the Street, http://www.riaa.com/physicalpiracy.php?content_selector=piracy_online_the_law (last visited Mar. 8, 2008)), it is not perceived as such. See Diane Smiroldo, *Shoplifting vs. Downloading*, New York Metro Parents, Sept. 26, 2007, <http://www.nymetroparents.com/newarticle.cfm?colid=8984>.

¹⁴⁹ Tony Wong, *Big Stores Watch For Fakes*, THE TORONTO STAR, Oct. 27, 2007, at R4.

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Therefore, the enactment of an administrative fine for the knowing purchase of counterfeit goods is a viable, and arguably necessary, element in the fight against counterfeiting in the United States since it addresses a necessary precondition of the problem, consumer demand.

B. *The Statutory Reach of a Penalty on End-Consumer Counterfeit Purchases*

To achieve a reduction in consumer demand, it is crucial that not all consumers of counterfeit goods be treated alike.¹⁵⁰ The market for counterfeit goods can be divided into two sub-markets.¹⁵¹ The primary market is one in which consumers *unknowingly* purchase counterfeit goods that they believe to be authentic.¹⁵² Examples of the primary market range from the consumer who purchases counterfeit pharmaceuticals to the discount shopper who buys what is believed to be an authentic Fendi handbag marked down to 500 dollars.¹⁵³ Even the street market consumer who unknowingly buys a counterfeit purse for twenty-five dollars could be included here. By contrast, the secondary market¹⁵⁴ includes the consumer who *knowingly* buys counterfeit products in order to save money, to bear the status symbol of an item they could not otherwise afford, or even to wear counterfeit designer labels because they are fashionable.¹⁵⁵

¹⁵⁰ Emma Barraclough, *Five Ways to Cut Demand for Fakes*, MANAGING IP, Nov. 1, 2007, <http://www.managingip.com/Article.aspx?ArticleID=1696456>. Susan Scafidi, law professor and author of the [counterfeitchic.com](http://www.counterfeitchic.com) blog, proposes that people who buy fakes fall into five categories. *Id.* Of these five, one may respond *only* to legal threats. *Id.*

¹⁵¹ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, *supra* note 151, at 5.

¹⁵² *Id.*

¹⁵³ In 2006, Wal-Mart was sued by Mœt Hennessy Louis Vuitton (LVMH) for allegedly selling fake Fendi products for much less than the retail price at its Sam's Club stores. David Glovin, *Wal-Mart, Fendi Settle Lawsuit Over Knockoff Bags*, BLOOMBERG.COM WORLDWIDE, Jan. 6, 2007, http://www.bloomberg.com/apps/news?pid=20601087&sid=aoip.LC2na_w&refer=home. Fendi handbags retailing at over \$900 were priced at Sam's Club for \$525. *Id.* Fendi dismissed the case in exchange for Wal-Mart's agreement to pay an undisclosed amount of money. *Id.* Wal-Mart agreed to refund any customers who bought the counterfeit products. *Id.*

¹⁵⁴ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, *supra* note 14, at 5.

¹⁵⁵ It is not just those who can not afford authentic luxury goods who are the purchasers of counterfeits. Some knockoffs sell for as much as \$27,000. *See* *Hermes Intern v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 106 (2d Cir. 2000). Many celebrities have been reported to carry fakes. *See* Bag Bliss, BRITNEY SPEARS LOVES HER REPLICHA CHANEL PURSE, Aug. 7, 2004, <http://www.bagbliss.com/category/the-ugly/>. "Almost two-thirds of

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The desired reach of an end-consumer statute is debatable when one considers the gray area between the unknowing victim of fraud in the primary market and the secondary market consumer as a “willing collaborator”¹⁵⁶ in the counterfeit supply chain. One could argue that only those who knowingly purchase counterfeit goods should be penalized. However, in consideration of all the consumers who will be willfully blind to the counterfeit nature of the purchase, is there a point at which society is prepared to say that the end-consumer should have known that an item is counterfeit?¹⁵⁷ And, at this point, is it desirable to fine even an “unknowing” consumer purchaser?¹⁵⁸ An examination of the statutory language of the French and Italian models, in the context of a series of examples of consumer purchasing behavior, helps to illuminate the impact of such a statute on the American consumer, and to whom the statute should reach within the categories of primary and secondary market consumers.¹⁵⁹

C. *The Statutory Construction of an End-Consumer Sanction*

Italy and France provide two differing models targeting the end-consumer of counterfeit goods. First, as already cited above, Italy’s Decree-Law 80/05 provides that:

Unless the act amounts to an offence, the purchase or acceptance without previously ascertaining their legitimate origin, for any reason of objects which, because of their quality or because of the condition of the person offering them or because of the price, lead to believe [sic] that laws on the origin and source of

UK consumers say they are proud to wear fake luxury clothing” *Britons Proud to Own Fakes*, *MANAGING INTELLECTUAL PROPERTY*, July 25, 2007, <http://www.managingip.com/Article.aspx?ArticleID=1396960>. Luxury fashion company Burberry Limited experienced a drop in sales in the United Kingdom as a result of the Chavs phenomenon, a UK sub-culture who adopted wearing the counterfeit version of the Burberry check. Claire Bothwell, *Burberry Versus The Chavs*, *BBC NEWS*, Oct. 28, 2005, available at <http://news.bbc.co.uk/1/hi/business/4381140.stm>. Chavs were associated with hooligans and as a result, “pubs and clubs across the UK began to ban customers who dressed in the [Burberry] label.” *Id.*

¹⁵⁶ Cordell et al., *supra* note 1, at 41.

¹⁵⁷ It would be very inefficient, if not impossible, to require judicial intervention in deciding whether each consumer fined acted in good faith or had actual knowledge that an item was counterfeit. Cocks, *supra* note 29, at 549.

¹⁵⁸ See discussion *infra* Part IV.C.2, regarding whether the consumer, who unknowingly purchases a counterfeit good, should be penalized and whether the knowledge that the product is counterfeit, under certain circumstances, should be imputed to the consumer.

¹⁵⁹ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, *supra* note 14, at 5.

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the good and on intellectual property have been infringed, is punished with a fine up to 10,000 euros¹⁶⁰

Second, France's Intellectual Property Code provides for a fine of 300,000 euros and imprisonment of three years for a person who "holds without legitimate reason, imports under all customs procedures or exports goods presented under a [sic] infringing mark."¹⁶¹ In addition, "any individual in possession of a counterfeit product is liable to [sic] a fine equivalent to twice the value of the genuine article."¹⁶²

While the ultimate legislative goal in the enactment of the Italian and French statutes may be identical, or at a minimum comparable, the statutes differ greatly in several key respects, namely: (1) in defining the sanctionable activity itself; (2) in the explicit standard for assessing such liability and (3) in the specific remedy imposed. Highlighting these elements will serve to underscore the differing implications of the statutes' conjectural enactment in the United States.

1. *Defining the Sanctionable Activity: Possessing, Purchasing or Importing*

Under the plain letter of the statute, liability under French law may be established by the holding¹⁶³ of goods presenting an infringing mark, whereas Italian law focuses on the act of "purchase or acceptance."¹⁶⁴ Unlike the United States, French customs officials may search any individual within French territory.¹⁶⁵ In addition, imposing fines on the mere possession of counterfeit goods in the United States, to say nothing of the seizure of such goods, has

¹⁶⁰ Italian Decree-Law 80/05, *supra* note 28.

¹⁶¹ Code de la propriété intellectuelle, art. 716-10 (Fr.), *translated in* <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>.

¹⁶² Comité Colbert, *supra* note 106.

¹⁶³ Code de la propriété intellectuelle, art. 716-10 (Fr.), *translated in* <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>.

¹⁶⁴ Italian Decree-Law 80/05, *supra* note 28. While the focus of this Note is on the purchase of counterfeit goods, consider the impact of imposing liability on the acceptance of counterfeit merchandise. The act of acceptance of a counterfeit good seems to fall somewhere in between possession and purchase. While "acceptance" broadens the reach of the statute to encompass a middleman in a supply chain in the commercial arena, it raises similar concerns as possession with respect to an end-consumer. For example, should a donee be sanctioned for accepting a gift of counterfeit merchandise, when the obvious indicators that it is counterfeit, such as price and who is selling the goods, would not be known to the donee?

¹⁶⁵ Comité Colbert, *supra* note 106.

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the potential to raise constitutional or privacy concerns.¹⁶⁶ The affirmative act of a purchase, as compared to acceptance or possession, is a more manageable bright-line standard to enforce.

In addition to possession, French law also imposes liability on consumers for importing counterfeit goods for personal use.¹⁶⁷ United States customs law, by contrast, has a *personal use exemption*, allowing travelers arriving in the United States to import one article of counterfeit merchandise “when such articles are for his personal use and not for sale [and] . . . such person has not been granted an exemption under this subsection within thirty days immediately preceding his arrival.”¹⁶⁸ Imported counterfeit items over and above one article must be seized and are forfeited.¹⁶⁹ Flying in the face of what many organizations are trying to accomplish through the education of the consumer regarding the negative effects of purchasing counterfeit goods,¹⁷⁰ the personal use exemption is indicative of the United States government’s unwillingness to penalize counterfeit purchase by end-consumers and quite antithetically sanctions it. Repealing the personal use exemption¹⁷¹ and allowing the seizure of all counterfeit merchandise at the United States border is a cost-effective way to send a message to the American consumer. Customs officials are presumably already trained to seize counterfeit goods in quantities larger than one. Concurrently with the seizure of counterfeit goods, imposing fines

¹⁶⁶ See *infra* text at note 205.

¹⁶⁷ See, e.g., John Laursen, *France Awash with Fashion Fakes*, BBC NEWS, 24 Mar. 2005, available at <http://news.bbc.co.uk/2/hi/europe/4378537.stm>. French customs officers in a Paris airport seized eleven pairs of counterfeit jeans that men attempted to bring into the country. *Id.* The men were also fined 150 euros. *Id.*

¹⁶⁸ 19 U.S.C. § 1526(d)(1) (2000). See also Commissioner of Customs, *Personal Use Exemption: Unauthorized Trademarks*, CUSTOMS DIRECTIVE, No. 2310-011A, Jan. 24, 2000, available at <http://www.cbp.gov/linkhandler/cgov/toolbox/legal/directives/2310-11a.ctt/2310-11a.pdf>.

¹⁶⁹ 19 C.F.R. § 133.21 (2007).

¹⁷⁰ See IACC, *College Outreach Campaign*, <http://www.iacc.org/college/> (last visited Feb. 16, 2008); The Coalition Against Counterfeiting and Piracy, <http://www.thecacp.com/portal/counterfeiting/default> (last visited Feb. 16, 2008); U.S. Chamber of Commerce, *Middle School Student Outrageously Creative*, <http://www.thetruecosts.org/portal/truecosts/default> (last visited Feb. 16, 2008).

¹⁷¹ COALITION AGAINST COUNTERFEITING AND PIRACY, INTELLECTUAL PROPERTY ENFORCEMENT INITIATIVE: CAMPAIGN TO PROTECT AMERICA 2 (2007), <http://www.thetruecosts.org/NR/rdonlyres/eoszn4zrhlefqdkkeef4xjm4cvjgpye5wlnpzoysnbpdjzngedijprct5u5etrh3rkrpmw76f2tugz4toeanpxpgbjph/CACPCAMPAIGNTOPROTECTAMERICA61107.pdf> (suggesting the repeal of the personal use exemption as a means of intellectual property enforcement reform).

for personal use importation is a logical first step toward a national administrative sanction like that imposed in Italy.¹⁷²

2. *The Standard by Which Liability is Assessed*

An important question in the statutory construction of an end-consumer purchase penalty is who should the statute reach? The examination of a few illustrative case studies below demonstrates that the following elements are desirable in a statute imposing sanctions on the end-consumer: (a) a knowledge element, (b) imputed knowledge criteria and (c) the restriction of the statute to only counterfeit goods, and not all “knockoff”¹⁷³ merchandise. These elements could define the standard by which liability is assessed and thus curtail the statute’s reach.

a. A Knowledge Element

The imposition of liability both under Italian and French law turns on differing concepts of required “knowledge.” The French statute imposes liability for holding an infringing mark “without legitimate reason.”¹⁷⁴ On its face, the possibility of a broad construction of “without legitimate reason” provides great discretion in the imposition of liability.¹⁷⁵ According to French luxury companies, the French prosecution must establish that the consumer acted in bad faith.¹⁷⁶

The ‘bad faith’ requirement means that the prosecution has to establish the consumer’s knowledge of the counterfeit nature of the product in question. In determining whether there has been

¹⁷² Switzerland recently adopted a new law granting customs authorities the right to retain and destroy counterfeit goods brought into the country, even if they are for personal use only. Class 46, *Switzerland: New Provisions on Counterfeit and Pirated Goods*, June 27, 2008, <http://class46.blogspot.com/2008/06/switzerland-new-provisions-on.html>; *Switzerland Trade Mark Law*, FORTY SHADES OF GREEN 04-08, Feb. 1, 2008, at 2, available at <http://www.ecta.org/upload/110-Flash-04-08.pdf>. “These new legal provisions had become necessary in Switzerland due to the fact that Swiss consumers, too, are contributing to the expansion of the international fake goods industry.” Federation of the Swiss Watch Industry, *Buying Counterfeit Products—A “Game” that’s not Worth the Candle!*, July 4, 2008, <http://www.fhs.ch/en/news/news.php?id=628>.

¹⁷³ See *supra* note 13 (discussing the difference between a knockoff and counterfeit good). R

¹⁷⁴ Code de la propriété intellectuelle, art. 716-10 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>.

¹⁷⁵ A “legitimate reason” could be construed as an actual belief that the goods one possesses are authentic. By comparison, it could also be construed as having a reasonable belief that the goods are authentic, thus, liability potentially reaches far more consumers.

¹⁷⁶ The French Luxury Goods Industry, *supra* note 99. R

'bad faith' the enforcement authorities take into account how famous and well known the trade mark in question is in France. The more famous the trade mark, the easier it is to establish 'bad faith.'¹⁷⁷

When purchasers of counterfeit goods are considered on a spectrum of who the statute should reach and who should be exempt, the knowledge requirement sufficiently delineates between cases on opposite ends of the spectrum. For example, liability would not be imposed in the case of a consumer who unknowingly purchases counterfeit pharmaceuticals, whereas someone who admittedly has actual knowledge that they are buying a counterfeit Rolex watch could be sanctioned. A bad faith knowledge requirement alone, however, is ineffective in the gray area between the victim of fraud and the consumer as willing collaborator¹⁷⁸ in the counterfeit supply chain. It would be very inefficient to require judicial intervention in deciding whether each consumer fined acted in good faith, was willfully blind, or had actual knowledge that an item was counterfeit.¹⁷⁹ The Italian model provides more statutory guidance in assessing liability through the use of imputed knowledge criteria.

b. Imputed Knowledge Criteria

Italy's consumer liability statute does not rely on actual knowledge but instead imputes knowledge to consumers when it is deemed that they should have known they were purchasing counterfeit merchandise. It puts the onus on the consumer to "ascertain[] [the] legitimate origin" of the goods and then knowledge is imputed to the consumer based on three objective criteria of price, quality, and the condition of the person offering the goods for sale.¹⁸⁰ This objective framework is more cost-effective, however, it still leaves a gray area in defining a sanctionable purchase. Consider the application of the Italian statute to the following example: eBay has been the defendant in a few recent lawsuits for allegedly allowing merchants to sell counterfeit goods on its online auction

¹⁷⁷ *Id.*

¹⁷⁸ Cordell et al., *supra* note 1, at 41.

¹⁷⁹ If actual knowledge was required in order to impose a fine on the consumer of counterfeit goods, the enforcement costs would be prohibitory to the enactment of the statute; it can be hypothesized that each consumer would be reluctant to admit actual knowledge and thus would be willfully blind to the counterfeit nature of the goods. Cocks, *supra* note 29, at 549.

¹⁸⁰ Italian Decree-Law 80/05, *supra* note 28.

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site.¹⁸¹ Following from these allegations, eBay discussion forums provide reports by consumers who unknowingly purchased counterfeit goods that were advertised by merchants as authentic.¹⁸² When an eBay customer pays 500 dollars for a designer handbag having a 900 dollar retail value, it is reasonable to assume that this rather high price has been paid because the customer believed the item to be authentic. Applying the Italian consumer liability statute to this scenario, should the knowledge that the item is counterfeit be imputed to the consumer based on its price, which is largely discounted from its retail value, or based on the condition of the person offering it, an eBay merchant on a website allegedly full of counterfeit merchandise?¹⁸³ It is not clear that it is desirable to impose liability on a consumer who was also victimized and did not intend to purchase counterfeit goods. However, is there not a point at which society is prepared to say that one should have known the product was counterfeit by its price, quality, and the condition of the merchant? As this eBay scenario demonstrates, the line between what should and should not be sanctionable with respect to counterfeit purchasing is difficult to define. While there is efficiency in applying a bright-line rule that imposes liability on the buyer in all cases, this is not the type of activity in which strict

¹⁸¹ See, e.g., Priyanka Pradhan, *eBay Sued for Selling Counterfeit Products*, Sept. 24, 2006, <http://www.tech2.com/india/news/internet/ebay-sued-for-selling-counterfeit-products/1915/0>; Michael Bobelian, *Tiffany and eBay Clash Over Sales of Fake Goods*, N.Y. L.J., Aug. 18, 2004. It is also interesting to note that when considering the question of whether eBay may be liable for the sale of counterfeit merchandise on its auction website, the courts in France and the United States have recently come to differing conclusions in recent landmark counterfeit sale cases. In the United States, a District Court held that eBay was not liable for the counterfeit Tiffany goods sold on its website. David S. Fleming, *eBay Defeats Tiffany's Counterfeit Sales Suit*, WORLD TRADEMARK REPORT, July 18, 2008, <http://www.worldtrademarkreport.com/Article/?r=7375&k=Tiffany>. However, only weeks earlier in France, French courts ordered eBay to pay €20,000 in damages to Hermes for the sale of four counterfeit bags. Jean-Francois Bretonniere and Virginie Ulmann, *eBay Held to be Jointly Responsible for Sale of Hermes Fakes*, WORLD TRADEMARK REPORT, June 13, 2008, <http://www.worldtrademarkreport.com/Article/?r=7298&k=hermes>. Additionally, eBay was ordered to pay almost €40 million in damages to Louis Vuitton and Dior for allowing the sale of counterfeit goods on its website. Richard Milchior, *eBay Ordered to Pay Almost €40 Million in Damages to LVMH*, WORLD TRADEMARK REPORT, July 10, 2008, <http://www.worldtrademarkreport.com/Article/?r=7351&k=LVMH>.

¹⁸² See generally eBay Forum: Burberry Scarf, Real or Fake?, <http://forums.ebay.com/db2/thread.jspa?threadID=2000047831&start=40> (last visited Feb. 15, 2008).

¹⁸³ See Matlack, *supra* note 12 (quoting LVMH's estimate that 90% of the 300,000 Dior and 150,000 Vuitton bags offered on eBay during the first six month of 2006, were fakes).

liability should be imposed.¹⁸⁴ Therefore, a workable standard, such as that presented in the Italian model for consumer liability, allows for both the efficiency of imputing knowledge based on objective criteria and flexibility in determining who should be sanctioned, providing some recourse to true victims of fraud who could not be expected to know that their purchase was counterfeit.

c. Limitation to Counterfeit Goods

Liability should not be imposed on the larger and more ambiguous category of “knockoff” goods, but instead should be restricted to the smaller subset of counterfeit goods bearing a clearly infringing trademark. Counterfeit goods bear a counterfeit mark which is identical or substantially indistinguishable from a registered mark.¹⁸⁵ Knockoffs, on the other hand, are imitation goods that are made to be similar to the authentic article but do not necessarily reach the level of identical or substantially indistinguishable in order to be categorized as counterfeit.¹⁸⁶ Imputing knowledge based on price, quality and the condition of the merchant should be limited to goods bearing a counterfeit mark, because whether trademark infringement has occurred, in the case of a knockoff, is often not clear cut.

In *Louis Vuitton Malletier v. Dooney & Bourke*, Louis Vuitton brought suit against Dooney & Bourke for selling handbags that Louis Vuitton alleged were trademark infringing and diluting under the Lanham Act.¹⁸⁷ After applying an eight-factor likelihood of confusion test, the Court held that Dooney & Bourke’s DB monogrammed bag was not infringing on Louis Vuitton’s trademarks.¹⁸⁸ This case is illustrative of the subjective nature of a trademark infringement determination, and thus, a consumer can certainly not be expected to make this assessment prior the purchase of good. Therefore, a statute seeking to penalize the pur-

¹⁸⁴ See Cocks, *supra* note 29, at 549 (discussing the potential harm of “overzealous law enforcement officers arresting, and determined prosecutors convicting, a confused grandmother who purchases counterfeit medicine over the internet . . .”).

¹⁸⁵ Under 18 U.S.C. §2320(e)(1) (2000), the Lanham Act definition of a counterfeit mark as amended by the Stop Counterfeiting in Manufactured Goods Act of 2006 is: “a spurious mark . . . (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.”

¹⁸⁶ Sejin Ha & Sharron J. Lennon, *supra* note 13, at 297.

¹⁸⁷ *Malletier v. Dooney & Bourke, Inc.*, 340 F. Supp.2d 415 (S.D.N.Y. 2004).

¹⁸⁸ *Id.*

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chaser of counterfeit goods should impute knowledge for the reasons stated above, but should only do so in cases where an infringing trademark rises to the level of a counterfeit good, or in other words, the point at which it is acceptable to say that the consumer should have known by the counterfeit mark itself.

3. *The Penalty Imposed*

The deterrent effect of a penalty on the purchase of counterfeit goods is greatly impacted by the type of sanction imposed.¹⁸⁹ There are four possible sanctions which could be utilized, either alone or in combination, in a consumer liability statute: a) an administrative fine, b) seizure of the counterfeit articles, c) criminal penalties, or d) civil remedies.

a. An Administrative Fine

Italy's consumer liability statute provides that "[u]nless the act amounts to an offence," namely a criminal offense that includes only acts "for profit,"¹⁹⁰ an administrative fine is to be imposed on those who purchase or accept counterfeit goods. The hefty administrative fine of up to 10,000 euros¹⁹¹ (or one third of 10,000 euros if the fine is paid within sixty days)¹⁹² has been imposed on foreign travelers and locals alike for a single purchase of a counterfeit item for personal use.¹⁹³ The fine is clearly punitive, generally costing the consumer far more than the genuine article would. French law, by contrast, provides for further discretion, allowing for a fine up to 300,000 euros, although it is also cited that the fine in France for possession of an item bearing an infringing mark, is often equal to double the value of the genuine article.¹⁹⁴ While perhaps more administratively challenging than a flat fine like that imposed in Italy, the French fine is tied to the value of the authentic good, creating a

¹⁸⁹ LEDBURY RESEARCH, COUNTERFEITING LUXURY: EXPOSING THE MYTHS, June 2007, www.davenportlyons.com (reporting differences in counterfeit purchase deterrence between the risk of a prison sentence, an on-the-spot fine of £100, and an on-the-spot criminal caution).

¹⁹⁰ See *Criminal and Administrative Sanctions in Italy for the Purchaser of Counterfeit Products-Receiving, Purchase of Property of Suspect Origin and Decree No. 35/05*, *supra* note 75, at 8-9.

¹⁹¹ Italian Decree-Law 80/05, *supra* note 28.

¹⁹² INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE, *supra* note 85.

¹⁹³ See generally *supra* note 87.

¹⁹⁴ Comité Colbert, *supra* note 106.

psychological connection to the damage being caused by the consumer's act.¹⁹⁵

The size of the fine is also an important consideration. It is revealing that Italy's High Commissioner, appointed to coordinate anti-counterfeiting initiatives,¹⁹⁶ has recently proposed reforms to Decree-Law 80/05 calling for a substantial reduction in the 10,000 euro end-consumer sanction.¹⁹⁷ It has been reported that the Italian police, reluctant to enforce such a large fine, asked for a reduction in its amount.¹⁹⁸ As a result, the High Commission's newly proposed draft legislation has slashed the fine for the purchase of counterfeit goods.¹⁹⁹ The Commission anticipates that the sanction will be more effective as a result of consistent enforcement.²⁰⁰

b. Seizure of Goods

Seizure of the counterfeit articles is a measure employed both in France and Italy in conjunction with a fine.²⁰¹ Seizure of counterfeit goods held for personal use is also employed by United States Customs when individuals enter the country.²⁰² As stated previously, however, under the personal use exemption, individuals are allowed to import one article of counterfeit merchandise, without permission of the trademark holder, every thirty day period.²⁰³ Utilizing the seizure of the goods alone as a method of consumer education would likely not achieve the same deterrent effect as seizure in conjunction with a fine. In addition, from a "post-sale

¹⁹⁵ Query whether the actual damage is approximated by the cost of the genuine article. There is a strong argument that it is in cases where the purchaser is paying a lot for the counterfeit goods and therefore is arguably in the same market as the authentic luxury goods consumer. For example, a consumer willing to purchase a 500 dollar handbag that retails for 900 dollars is arguably within the market of the luxury brand manufacturer. Thus, the damage to the luxury brand company may be equivalent to the lost profits of 900 dollars.

¹⁹⁶ Holden, *supra* note 5.

¹⁹⁷ Julia Holden, *Fighting Counterfeiters in Italy—A Step in the Right Direction*, WORLD TRADEMARK REPORT, Nov. 15, 2007, <http://www.worldtrademarkreport.com>.

¹⁹⁸ Jennifer Clark, *DJ Interview: Italy's Comorra Targeting Designer Knockoff Trade*, DOW JONES NEWSWIRE, Dec. 6, 2007, available at <http://www.aclc.gov.it/documenti/default.aspx?id=260>.

¹⁹⁹ *Id.*

²⁰⁰ *Id.*

²⁰¹ See COMITÉ COLBERT, *supra* note 44, at 4; Barié & Pouchè, *supra* note 82.

²⁰² 19 C.F.R. § 133.21 (2007).

²⁰³ 19 U.S.C. § 1526(d)(1) (2000). See also Commissioner of Customs, *Personal Use Exemption: Unauthorized Trademarks*, CUSTOMS DIRECTIVE, No. 2310-011A, Jan. 24, 2000, <http://www.cbp.gov/linkhandler/cgov/toolbox/legal/directives/2310-11a.ctt/2310-11a.pdf>.

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confusion” standpoint, it is more desirable that the counterfeit goods themselves are forfeited.²⁰⁴ However, while forfeiture of the counterfeit item does create a social stigma around the purchase of counterfeit goods, it also may present certain constitutional complications²⁰⁵ in the United States.

c. Criminal Penalties

While jail time has been legislated in France with respect to the possession, import, or export of counterfeit goods,²⁰⁶ there is no indication to date that it would ever be enforced against someone in possession of counterfeit goods for personal use. Criminal penalties, such as imprisonment, would be disproportionate to the act of purchasing counterfeit goods for personal use.

d. Civil Remedies

In the United States, civil remedies allow trademark holders to obtain injunctions and damages that are not available for criminal liability.²⁰⁷ However, would trademark holders pursue civil remedies, if they were available, against the end-consumer? The answer to this question is uncertain. In other areas of the law there is evidence of industry action against individual consumers.²⁰⁸

²⁰⁴ See discussion *infra* Part V.B.

²⁰⁵ Counterfeit seizures are not exempt from scrutiny under the Fourth Amendment. 2 ANNE GILSON LALONDE, GILSON ON TRADEMARKS, § 5.19[4][b] (2007). See generally U.S. GOVERNMENT PRINTING OFFICE, ANALYSIS AND INTERPRETATION OF THE CONSTITUTION: FOURTH AMENDMENT—SEARCH AND SEIZURE (2002), <http://www.gpoaccess.gov/constitution/pdf/con015.pdf> (discussing the Fourth Amendment of the United States Constitution and the complications of seizure in other contexts).

²⁰⁶ Code de la propriété intellectuelle, art. 716-10 (Fr.), translated in <http://195.83.177.9/code/liste.phtml?lang=uk&c=36&r=2594>.

²⁰⁷ Ross Anderson, *The Second IPR Enforcement Directive—A Threat to Competition and to Liberty*, FOUNDATION FOR INFORMATION POLICY RESEARCH, Sept. 26 2005, <http://www.fipr.org/copyright/ipred2.html>.

²⁰⁸ See *CSC Holdings, Inc. v. Kelly*, 2005 US. Dist. LEXIS 43569 (E.D.N.Y. 2005) (describing a Cable provider’s pursuit of an individual who steals satellite signals where the cable provider recovers minimal damages of \$1,615 as compared to the large attorney’s fees of \$12,317 spent to bring the action). CSC Holding’s decision to pursue this action against a residential user was likely driven by a deterrence motive.

A similar argument could be made for the Recording Industry Association of America’s (RIAA) pre-litigation letters sent out to university students across the country. RIAA, *RIAA Continues College Deterrence Campaign into 2008*, Jan. 10, 2008, <http://riaa.com/newsitem.php?id=36720A8F-FF55-2886-C2A2-EAB629C662BD>. With an average settlement amount of 3,000 dollars for each university student who settles with the RIAA, one wonders whether the RIAA’s effort is worthwhile given that, even in large quantities, the small damage amounts are drops in the bucket compared to music sales. Ken Fisher,

Often the driving force behind these suits is a deterrent or educational function and not the pursuit of minimal damages.²⁰⁹ From the perspective of a trademark holder, however, a government sanctioned fine is much more desirable than a civil remedy, which is apt to create some public backlash much like that observed against the Recording Industry Association of America (RIAA) in their pursuit of civil damages for unauthorized music file-sharing.²¹⁰

While all the considerations of statutory construction above deserve careful evaluation, perhaps the more pressing question is whether an end-consumer sanction would comport with current trends and values in the United States.

V. SUPPORT AND CHALLENGES FOR AN END-CONSUMER SANCTION IN THE UNITED STATES

A. *Support for Consumer Liability from Current Trends and Traditional Notions*

Perhaps the underlying difference between American and Italian or French trademark law turns on a shift from the traditional reasoning behind why trademarks are ever protected.²¹¹ Trademark law in the United States traditionally focuses on marks as source identifiers; trademarks allow for the identification of the origin of a good as a means to inform and protect the consumer.²¹² While a trademark can be classified as a property right,

Students Largely Ignore RIAA Instant Settlement Offers, ARS TECHNICA—THE ART OF TECHNOLOGY, Mar. 26, 2007; <http://arstechnica.com/news.ars/post/20070326-students-largely-ignore-riaa-instant-settlement-offers.html>.

²⁰⁹ The RIAA settlement offers are made “to deter users of file sharing software from sharing copyrighted files.” Albert Sun, *RIAA Sends 17 Pre-Litigation Letters to Penn U. to Forward Letters to Students: Offenders have 20 Days to Settle or Will Face Lawsuit*, available at THE DAILY PENNSYLVANIAN, Apr. 12, 2007, <http://media.www.daily pennsylvanian.com/media/storage/paper882/news/2007/04/12/News/Riaa-Sends.17.PreLitigationLetters.To.Penn-2837405.shtml>.

²¹⁰ See generally BOYCOTT-RIAA, <http://www.boycott-riaa.com/mission> (last visited Mar. 8, 2008); *File Sharing*, ELECTRONIC FRONTIER FOUNDATION, <http://www.eff.org/issues/file-sharing> (last visited Mar. 8, 2008).

²¹¹ See generally Rudolf Rayle, *The Trend Towards Enhancing Trademark Owners' Rights—A Comparative Study of U.S. and German Trademark Law*, 7 J. INTELL. PROP. L. 227, 227-28 (2000).

²¹² *Id.* Similarly, the European Court of Justice’s “definition of the function of a trademark is reflected in the Recitals to both the Directive and Regulation as being ‘in particular to guarantee the trademark as an indication of origin.’” John A. Tessensohn, *May You Live in Interesting Times—European Trademark Law in the Wake of Sabel BV V. Puma*

[T]he “property” parameters of a trademark are defined very differently from any other kind of ‘property’ [A]ny ‘property’ in trademarks is created and defined by the mental state of consumers “The trademark law exists not to ‘protect’ trademarks, but . . . to protect the consuming public from confusion, concomitantly protecting the trademark owner’s right to a non-confused public.”²¹³

On their face, the Italian and French statutes imposing consumer liability would seem to be rooted in the notion that trademarks should be protected, not to inform and protect the consumer, but instead for the protection of the trademark holder’s rights at the expense of the consumer who must pay the fine.²¹⁴ Does this mean, therefore, that a consumer fine for the purchase of counterfeit goods could never comport with United States trademark law? This author argues in the negative for two reasons: 1) the fine is in keeping with an already prevalent trend towards the propertization of trademarks and 2) the fine acts to protect the greater consumer population from source-origin confusion, thus supporting the traditional purpose of trademark protection.

1. *The Trend Towards the Propertization of Intellectual Property Rights*

A fine on the end-consumer is congruent with a recognized trend towards the propertization of trademarks, whereby trademark holders’ rights are being protected as property rights, to prevent the misappropriation of goodwill, even in absence of a tangible benefit to the consumer.²¹⁵ Critics disfavor the judicial trend that deviates from the traditional impetus behind a trade-

AG, 6 J. INTELL. PROP. L. 217, 225 (1999). It has been argued that in Italy this definition is broadening beyond the trademark function as an indicator of origin. *See id.* at 240.

²¹³ 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:14 (4th ed. 2008).

²¹⁴ It is not surprising, given the prominence of the French and Italian luxury brands, that luxury companies would seek the utmost protection in their home countries for their intellectual property rights. *See generally* COMITÉ COLBERT, *supra* note 118, at 1-5 (discussing the Comité Colbert’s lobbying role and economic clout as an organization of sixty-eight French luxury houses).

²¹⁵ See a discussion of an EU Directive and the European Court of Justice’s stance on the function of trademark law in Rayle, *supra* note 211 at 237-38. Others argue that a “judicial desire to give firms property rights in their marks . . . [is not the propertization of trademark law but] instead, the trend can be explained in large part by an awareness of the potentially high enforcement costs of a more limited and refined approach.” Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2153 (2004).

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mark as “a device to inform consumers.”²¹⁶ However, “[t]he expansion [of trademark law since the mid-1950s] has focused on a trademark’s value not merely as a device for conveying otherwise indiscernible information concerning a product (‘deception-based trademark’), but as a valuable product in and of itself (‘property-based trademark’).”²¹⁷ Cited examples as evidence of the perpetuation of trademarks include the doctrines of trade dress protection²¹⁸ and trademark dilution.²¹⁹

An end-consumer fine on its face appears to be in keeping with this trend whereby trademarks are now being protected “not as source identifiers for consumers, but as repositories of goodwill and commercial value for trademark owners.”²²⁰ A deeper evaluation of the impetus behind an end-consumer sanction reveals, however, that perhaps even such a fine against the consumer is consistent with the traditional purpose of trademark protections.

2. *Traditional Notions of Trademark Protection*

As discussed above, the introduction of a sanction against the knowing purchase of counterfeit goods is a further extension of liability in an already present trend toward the greater protection of trademark holders’ rights. In addition, the sanction is consistent with the fundamental purpose of trademark law.

When the consumer is viewed as the engine behind the proverbial counterfeiting train, the goal behind an end-consumer sanction would be to achieve a reduction in consumer purchasing activity.²²¹ As purchases decrease, so does revenue to the general counterfeiting industry: to the manufacturers, importers, and sellers of all counterfeit goods, including those who cause confusion and physi-

²¹⁶ Bone, *supra* note 215, at 2121.

²¹⁷ *Id.*

²¹⁸ Critics argue that the court’s protection of the appearance of a Hummer under the doctrine of trade dress is “actually protecting the features as valuable additions to the product” and not consumers who are likely to be confused, deceived, or harmed by the use of the Hummer design by another manufacturer. *Id.* at 2122.

²¹⁹ Trademark dilution beyond the point of purchase is also argued to be an expansion of trademark law beyond the protection of the consumer. Under trademark dilution protection, courts protect trademarks when there is no risk of consumer confusion. *Id.* at 2120.

²²⁰ *Id.*

²²¹ See discussion *infra* Part V.C (regarding the deterrent effect of an end-consumer sanction).

cal harm to the consumer.²²² While there is a significant difference between counterfeit goods that may cause physical harm, and those which, some have argued, only cause economic harm such as luxury goods, those lines are blurring as consumers who fund one segment may also be supporting the other.²²³ Funds to the illegal counterfeit industry support the importation of counterfeit goods of all kinds into the United States.²²⁴ Statistics on the prevalence of counterfeit products in America cannot help but shake the consumer's ability to trust a trademark as a source of origin. It is in this modern day reality that a fine on the end-consumer can be seen to support the traditional function of trademark law and the protection of the greater consumer population. The end-consumer fine acts "to protect a 'super-individual' right, i.e. the public faith 'in an objective sense' meaning . . . the public's confidence, in the 'consumers' trust in trademarks."²²⁵

B. *Post-Sale Confusion: Thematic Support for the Harm to the General Public by the Purchase of Counterfeit Goods*

As previously discussed, the "use in commerce" requirement likely prevents the inclusion of counterfeit consumer liability under

²²² There is a growing trend in counterfeiting activity whereby the same individuals who traffic in counterfeit luxury and sporting goods are also "trafficking in counterfeit pharmaceuticals, batteries, extension cords and other fakes that can seriously injure or even kill users." Leora Hermann, *Plea Deal in Case of Counterfeit Baseball Caps and Batteries*, Oct. 19, 2006, <http://www.counterfeitlawblog.com/archives/cat-criminal-enforcement.html>. See, e.g., *Exploding Cell Phones Spur Recalls* (CBS News broadcast Nov. 24, 2004) (reporting eighty-three counterfeit cell phone batteries exploding like bombs going off causing burns to face, neck, leg, and hips).

²²³ See *supra* note 222. Also note that there are counterfeit fashion goods that pose health hazards to the consumer. For example, fake Oakley sunglasses have been reported to shatter on contact unlike the authentic version designed to protect the eyes from broken glass and UV rays. *Oakley Sunglasses Fake!*, IACC, http://www.iacc.org/gallery/quiz_sunglasses.php (last visited Feb. 16 2008). Counterfeit sunglasses also pose a risk of eye damage as they may not provide any UV protection from the sun. *The Dangers of Fakes*, THE ANTI-COUNTERFEITING GROUP, (2008), http://www.southampton.gov.uk/Images/Dangers%20of%20Fake_tcm46-198941.pdf. "Imagine a cigarette spark igniting a child's Little Mermaid T-shirt. Although the authentic shirts are non-flammable, the knock-off might ignite like tissue paper." Kathy Mulady, *Experts Say it's Easy to Avoid Counterfeit Products: Shop at Trusted Retailers*, SEATTLE POST INTELLIGENCER REPORTER, Aug. 8, 2000, available at <http://seattlepi.nwsource.com/business/clth08.shtml>.

²²⁴ See *supra* note 222.

²²⁵ *Selling Fakes, No Matter How Rough, is a Crime*, *supra* note 59. This quote is taken from an Italian Supreme Court case, whereby the Court of Cassation confirmed that the sale of goods bearing counterfeit trademarks is a crime regardless of whether they are recognizable by the purchaser as fakes. *Id.*

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the Lanham Act.²²⁶ However, this is not to say that there is no underlying thematic support for a fine in United States trademark law.

One of the factors considered in a trademark infringement claim²²⁷ or a counterfeiting trafficking charge²²⁸ is the likelihood of consumer confusion caused by the unauthorized use of a mark on counterfeit or infringing goods.²²⁹ A 1962 amendment to the Lanham Act eliminated the language that required confusion, mistake, or deception of “purchasers” as to the source of origin of such goods.²³⁰ This amendment was interpreted as a broadening of actionable confusion beyond the point of sale and beyond “purchasers,” to recognize post-sale confusion, which is harm caused when the non-purchasing public is confused about the origin of the goods upon seeing the counterfeit mark.²³¹ “[A]n action for trademark infringement may be based on confusion of consumers other than direct purchasers, including observers of an allegedly infringing product in use by a direct purchaser.”²³²

Post-sale confusion doctrine is significant in a discussion of possible end-consumer sanctions for two reasons. First, it reflects a willingness of the legislature and judiciary to recognize that the act of an end-consumer purchase itself does cause harm.²³³ “[A] loss occurs when a sophisticated buyer purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public”²³⁴ This is judicial recognition of a harm caused directly by counterfeit purchasers themselves when their counterfeit goods are viewed by others.²³⁵ Notably, under current law, it is not the end-consumer actor who is being penalized for this

²²⁶ See discussion *supra* Part III.B.

²²⁷ 15 U.S.C. § 1114(a) (2000); 15 U.S.C. § 1125(a)(1) (2000).

²²⁸ 18 U.S.C. § 2320(a) (2000).

²²⁹ *United States v. Hon*, 904 F.2d 803, 808 (2d Cir. 1990) (stating that the Trademark Counterfeiting Act of 1984 (enacted as 18 U.S.C. § 2320 (2000)) incorporates the same confusion element as the Lanham Act, such that confusion of the non-purchasing public may be considered in determining that a mark is likely to confuse).

²³⁰ 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 23:7 (4th ed. 2008).

²³¹ *Id.*

²³² *Insty*Bit v. Poly-Tech Industries, Inc.*, 95 F.3d 663, 672 (8th Cir. 1996).

²³³ See *Hermes Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 107-09 (2d Cir. 2000) (discussing the harm to the public in the post-sale context caused by the purchase of a knockoff).

²³⁴ *Hermes Int'l*, 219 F.3d at 109.

²³⁵ *Id.*

harm, but rather the merchant who sold the goods ultimately leading to the downstream confusion.²³⁶

Second, post-sale confusion doctrine recognizes that the harm caused by the end-consumer is not only a harm to the trademark holder but also a harm to the “consumer population” in a general sense.²³⁷ Since there is a recognized harm to the consuming public, one could say that a fine on the end-consumer supports the traditional notion of trademark protection as a means to inform the consumer about the origin of goods. Namely, a fine that reduces consumer demand, thereby decreasing the number of counterfeit goods on display in society, serves to reduce the resultant post-sale confusion of the non-purchasing public, and thus helps to protect the trademark as an indicator of source.²³⁸

The harm to the general consumer manifests itself in three ways: 1) “[t]he creation of confusion in the post-sale context can be harmful in that if there are too many knockoffs in the market, sales of the originals may decline because the public is fearful that what they are purchasing may not be an original;”²³⁹ 2) the viewing public or the potential resale market purchaser may be deceived if it requires expertise to distinguish between an original and a counterfeit;²⁴⁰ and 3) the purchaser of a genuine article may be harmed if the luxury good manufacturer decreases its quality in response to decreased financial returns or decreased incentive to innovate.²⁴¹ Therefore, post-sale confusion doctrine addresses the potential idiosyncrasy of imposing a fine on a consumer, to address a greater harm in the general consumer population. While there is no doctrinal support in the United States for consumer liability for the purchase of counterfeit goods,²⁴² it is important to note that there are underlying themes that are consistent with current United States law.

²³⁶ See discussion *supra* Part III.B.

²³⁷ See *Hermes Int'l*, 219 F.3d at 107-09. “Courts are split on whether the likelihood of confusion must be experienced by potential purchasers of the good in order for it to be actionable or if confusion of the general public will suffice.” 2 ANNE GILSON LALONDE, *GILSON ON TRADEMARKS*, § 5.14[3][b] (2007).

²³⁸ See *generally* *Hermes Int'l*, 219 F.3d at 107-09.

²³⁹ *Id.* at 108.

²⁴⁰ *Id.*

²⁴¹ *Hermes Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 663 (2d Cir. 2000) (citing *United States v. Torkington*, 812 F.2d 1347, 1353 n.6 (11th Cir. 1987)).

²⁴² See discussion *supra* Part III.B.

C. *The Deterrent Effect and the Challenges of Compliance*

Any proposed change in law should be examined not only to the extent to which it is consistent with the current trends in the law but also to the extent that there would be an improvement in the state of affairs. The underlying goal in the imposition of a sanction on the end-consumer purchase of counterfeit goods would be to achieve a deterrent effect. Deterrence “implies that the appropriate response to noncompliance problems is to increase the likelihood of being caught and punished for wrong doing, i.e., to affect the perceived certainty or severity of punishment.”²⁴³ Because of the pervasiveness of counterfeit purchases in the United States, the end-consumer sanction, if policed strictly, may have high enforcement costs. Therefore, the effectiveness of such a sanction would depend on its ability to shift societal norms to create a stigma around the purchase of counterfeit goods.²⁴⁴ Strategies to discourage consumer purchase of counterfeit goods could fall into two categories: 1) structural strategies—increasing the investment-risk of the counterfeit purchase and 2) behavioral strategies—eliciting consumer cooperation to cease purchases.²⁴⁵

1. *An Administrative Fine as a Structural Strategy to Discourage Counterfeit Purchase*

In the first half of 2006 alone, Italy imposed 11,728 administrative fines and conducted 12,283 administrative seizures under its anti-counterfeiting legislation.²⁴⁶ While luxury brands herald the effectiveness of consumer liability in decreasing consumer demand for counterfeit goods,²⁴⁷ it is difficult to determine what actual deterrent effect the fines on the consumer have had in Italy or

²⁴³ Tyler, *supra* note 147, at 220.

²⁴⁴ Lauren D. Amendolara, Note, *Knocking Out Knock-Offs: Effectuating the Criminalization of Trafficking in Counterfeit Goods*, 15 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 789, 827 (2005).

²⁴⁵ Cordell et al., *supra* note 1, at 51 (quoting David M. Messick and Marilyn B. Brewer, *Solving Social Dilemmas: A Review*, in *REVIEW OF PERSONALITY AND SOCIAL PSYCHOLOGY* (L. Wheeler & P. Shaver eds., 1983)).

²⁴⁶ Holden, *supra* note 5.

²⁴⁷ Fendi C.E.O. applauds France’s counterfeiting laws which have “had a good impact in deterring tourists” and asks for more “laws with teeth” that would deter consumers from buying fakes. Miles Socha & Sharon Edelson, *Attacking Counterfeits: Wal-Mart Unit Settles with Fendi Over Fakes*, *WOMEN’S WEAR DAILY*, June 7, 2007, at 1, available at http://www.bazaarelite.com/content/pdf/fakes_arresting_wwd2.pdf. See also *The French Luxury Goods Industry*, *supra* note 99 (reporting on the deterrent effect of France’s consumer penalty, which is minimizing demand and eradicating supply to a significant degree).

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France. Furthermore, more research is necessary as to whether the same deterrent effect would prevail in the United States.²⁴⁸ Some studies have provided evidence of a decrease in a consumer’s willingness to purchase counterfeit products as the financial risk of such a purchase increases.²⁴⁹ Others have argued that “reliance upon threats of punishment to enforce intellectual property laws . . . is likely to be ineffective.”²⁵⁰

It is clear that compliance with the law is necessary for it to be effective. As some research points out, a substantial amount of people obey the law even when there are no sanctions because of

²⁴⁸ Some have argued that there would be a deterrent effect. See Amendolara, *supra* note 244, at 826. For a certain type of counterfeit purchaser, law professor and author of the counterfeitchic.com blog, Susan Scaffidi proposes that legal action may be the only way to reduce consumer demand. Barraclough, *supra* note 150. According to a U.K. study, the only factor more likely to deter those surveyed from purchasing counterfeit goods than a court appearance and possible prison sentence (with 71% of all surveyed deterred) was if the buyer knew that the proceeds were going to finance criminal activities (where 79% of all surveyed would be deterred). LEDBURY RESEARCH, *supra* note 189. “If owning a fake resulted in . . . being sued by the brand owner [and] . . . having to pay damages to them” 68% of those surveyed would be deterred and “if owning a fake resulted in an on-the-spot fine of £100,” 67% of those surveyed would be deterred. *Id.*

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Others have argued against a deterrent effect. See Cocks, *supra* note 29, at 548-49. See generally Tyler, *supra* note 147 (discussing the deterrent effect of intellectual property laws in general).

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²⁴⁹ Cordell et al., *supra* note 2. A study of American business students has shown that the higher the financial risk of purchasing a counterfeit (as measured by price), the less likely the consumer’s willingness to purchase the counterfeit product. *Id.* From this it could be inferred that by imposing an even greater financial risk, i.e., an administrative fine for the knowing purchase of counterfeit goods, the consumer’s willingness to purchase such goods would decrease, thus decreasing overall consumer demand. *Id.*

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²⁵⁰ Tyler, *supra* note 147, at 234. When examining what type of law is likely to be obeyed, there are many examples of difficulties in obtaining compliance in intellectual property law including internet piracy and illegal copying of computer software. *Id.* at 220. Studies have shown that with respect to criminal acts, threats of sanctions may be an ineffective deterrent, since the probability of being caught remains so low. *Id.* at 222. The same may be true for intellectual property law since the “resources devoted to enforcement are moderate and [the] opportunity for cheating high.” *Id.* at 223. However, intellectual property law violations such as internet piracy can be distinguished in a relevant way from other criminal acts as they are often conducted by otherwise law abiding individuals who have been socialized into a culture that can be hostile to observing intellectual property rights. See *supra* note 210.

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While the “[i]nitial publicity flowing from a new law increasing penalties for lawbreaking may lead to exaggerated judgments of the likelihood of being caught and punished and thus to temporary decreases in lawbreaking behavior” (Tyler, *supra* note 147, at 233), Tyler suggests that a decision to obey the law is governed not by the punishment imposed but instead by 1) morality: what is right or wrong and 2) an obligatory feeling to obey the law. *Id.* at 224. Therefore, in order to achieve compliance and the resulting deterrent effect there must be a social norm established, whereby citizens believe in the legitimacy of the law. *Id.* at 233.

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societal norms encouraging adherence to the law.²⁵¹ This argument waivers with respect to intellectual property law compliance. Difficulties in establishing compliance and deterrence in modern day intellectual property law are evident from internet piracy and music file-sharing, areas in which societal norms do not necessarily track the law itself.²⁵² In 2004, research showed that lawsuits brought by the Recording Industry Association of America (RIAA) against individual file sharers in 2003 had a deterrent effect resulting in one third of former music downloaders turning away from internet piracy.²⁵³ Whether or not the RIAA's approach has had any lasting deterrent effect is uncertain and widely debated,²⁵⁴ however it is clear that the number of peer-to-peer users continues to increase.²⁵⁵ Over time, the effectiveness of the RIAA's initiatives to curb internet piracy will become evident.²⁵⁶

2. *Education as a Behavioral Strategy to Discourage Counterfeit Purchase*

It is clear that education is essential to deterring the consumer's legal but participatory role in the counterfeiting industry.²⁵⁷ The question arises however, as to how education of the

²⁵¹ Jean-Robert Tyran & Lars P. Feld, *Why People Obey the Law: Experimental Evidence from the Provision of Public Goods* (Center for Economic Studies & IFO Institute for Economic Research, Working Paper No. 651(2), 2002), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=290231.

²⁵² "An April 2004 survey revealed that 88 percent of children between the ages of 8 and 18 years understood that peer-to-peer music downloading is illegal, but despite this fact, 56 percent of these children admitted to continuing to download music." Nina Mazar & Dan Ariely, *Dishonesty in Everyday Life and Its Policy Implications* (Federal Reserve Bank of Boston, Working Paper No. 06-03,2006), available at <http://www.bos.frb.org/economic/wp/wp2006/wp0603.pdf>.

²⁵³ MARY MADDEN ET AL., PEW INTERNET PROJECT AND COMSCORE MEDIA METRIX DATA MEMO 1 (2004), http://www.pewinternet.org/pdfs/PIP_Filesharing_April_04.pdf. *Contra* ELECTRONIC FRONTIER FOUNDATION, *RIAA v. THE PEOPLE: FOUR YEARS LATER*, 11-13 (2007), http://w2.eff.org/IP/P2P/riaa_at_four.pdf.

²⁵⁴ See ELECTRONIC FRONTIER FOUNDATION, *supra* note 253.

²⁵⁵ *Id.* at 11-13.

²⁵⁶ The RIAA continues its fight against Internet piracy announcing a new "College Deterrence Campaign" in 2007 and sending hundreds of "pre-litigation letters" to file-sharing college students across the country. *RIAA Launches New Initiatives Targeting Campus Music Theft*, RIAA, Feb. 28, 2007, http://riaa.com/newsitem.php?news_year_filter=2007&resultpage=8&id=0BB7A35D-544B-2DD2-F374-4F680D6BAE9B.

²⁵⁷ LEDBURY RESEARCH, *supra* note 189, at 19. A research institute in Brittan reported that seventy-nine percent of people would be deterred from buying counterfeit goods if they knew the proceeds were going to finance criminal activities. *Id.* Reportedly, this education was the only deterrence motive more effective than the risk of a court appearance and possibility of jail time for the purchaser of counterfeit goods. *Id.*

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consumer alone can rise to the level of deterrence when the purchase is legal and the personal rewards high. The introduction of a consumer sanction will serve a prefatory educational role in the establishment of new social norms against the purchase of counterfeit goods.²⁵⁸ Enacting a sanction against the purchase of counterfeit goods may track the RIAA's crackdown against internet piracy, which has "generated a great deal of publicity, leaving little room for any doubt that any individuals still engaged in this practice know their actions to be subject to legal sanctions."²⁵⁹ Granted, enacting a sanction against the purchase of counterfeit goods is not the only educational tool.²⁶⁰ However, up against pervasive consumer norms both in behavior and in societal expectations of intellectual property law, this Note argues that such a sanction is desirable as both a deterrent and educational tool. Desirable may not mean viable however.

D. *Political Unpopularity and the Enactment of Intellectual Property Protections*

Trends in American intellectual property law suggest that a sanction on the end-consumer purchase of counterfeit goods may not be as improbable in the United States as it once was. Some have argued that the political unpopularity of an end-consumer sanction would be prohibitive in introducing it to Congress.²⁶¹ However, considering two recent intellectual property bills, albeit concerning copyright infringement, consumer liability for counterfeit purchase is not particularly radical.

Introduced to the House in mid-2007, the Intellectual Property Rights Enhanced Criminal Enforcement Act of 2007²⁶² seeks to strengthen the protection of intellectual property rights through the establishment of criminal violations and increased penalties for already existing offenses. One aspect of this proposed bill

²⁵⁸ See generally Amendolara, *supra* note 244, at 827 (discussing how "Congressional action often plays a pivotal role in 'norm shifting' within American society.").

²⁵⁹ Matt Hines, *RIAA Drops Amnesty Program*, CNET NEWS, Apr. 20, 2004, available at http://www.news.com/2100-1027_3-5195301.html.

²⁶⁰ See *supra*, note 170.

²⁶¹ Amendolara, *supra* note 244, at 826-27.

²⁶² Intellectual Property Enhanced Criminal Enforcement Act of 2007, H.R. 3155, 110th Cong. (as introduced to the House on July 24, 2007).

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criminalizes “attempted” copyright infringement.²⁶³ Federal law currently criminalizes the unauthorized distribution of copyrighted works such as that which occurs with some peer-to-peer file-sharing²⁶⁴ punishable by fine and/or imprisonment.²⁶⁵ Since “[c]riminal copyright infringement already goes beyond large-scale commercial piracy,”²⁶⁶ the potential reach of criminal sanctions for *attempting* to upload a song on a peer-to-peer file-sharing network remains highly controversial.²⁶⁷

In a more recent bill introduced in November of 2007, the Intellectual Property Enforcement Act of 2007²⁶⁸ allows the Department of Justice to bring civil actions against copyright infringers. Consumer advocacy groups have criticized this proposal, saying “it would turn the federal authorities into private enforcers for the entertainment companies.”²⁶⁹

While it is questionable whether these bills will advance in Congress or be “stopped dead in [their] tracks”²⁷⁰ as hypothesized by some, it is clear that the United States legislature is seeking to enhance intellectual property protections in new and novel ways.

E. *Enforcement Challenges Can Be Overcome*

Any proposed change in law should perhaps be examined not only by the extent to which there would be an improvement in the state of affairs, but also by how large of an impact the new law would have. The effect of a sanction on end-consumer purchases of counterfeit goods is largely dependant on the state’s ability to enforce the sanction. Granted, high enforcement costs are certainly a consideration in the enactment of a statute of this sort, and more research is needed in this area. However, enforcement costs

²⁶³ “[A]ny person who attempts to commit an offense under paragraph (1) shall be subject to the same penalties as those prescribed for the offense, the commission of which was the object of the conspiracy.” H.R. 3155, 110th Cong. § 5 (2007).

²⁶⁴ 17 U.S.C. § 506 (2000).

²⁶⁵ 18 U.S.C. § 2319 (2000).

²⁶⁶ Electronic Frontier Foundation, *Fight the Justice Department’s Copycrime Proposal*, <https://secure.eff.org/site/Advocacy?cmd=display&page=UserAction&id=299> (last visited Mar. 11, 2008).

²⁶⁷ *Id.*

²⁶⁸ Intellectual Property Enforcement Act of 2007, S. 2317, 110th Cong. (as introduced to the Senate on Nov. 7, 2007).

²⁶⁹ David Ingram, *Proposed Piracy Law Targets File Sharers*, <http://longstock.blogspot.com/2007/11/proposed-piracy-law-targets-file.html> (Nov. 14, 2007, 10:58 EST).

²⁷⁰ Derek Slater, *Copycrime Bill Raises its Ugly Head, Again*, ELECTRONIC FRONTIER FOUNDATION, July 26, 2007, <http://www.eff.org/deeplinks/2007/07>.

can be reduced through statutory construction and the use of an administrative on-the-spot fine akin to a parking ticket instead of a criminal penalty.

Italy has streamlined its enforcement by often imposing the maximum amount of the fine,²⁷¹ reducing the discretion in its application. Italy’s statute also avoids some costly judicial intervention by avoiding a fact-specific inquiry with respect to actual knowledge.²⁷² Instead Italy imputes knowledge based on objective criteria providing for a more cost-effective inquiry.²⁷³

While enforcement costs may be limited, they cannot be eliminated. However, relative to the damage caused to the United States economy²⁷⁴ and to trademark holders, enforcement costs may be justified.

VI. THE FUTURE OF COUNTERFEITING

Estimated as a 600 billion dollar world market, counterfeit sales alone could make up one of the largest economies in the world.²⁷⁵ Despite increasing criminal penalties against manufacturers, importers and merchants of counterfeit goods, counterfeiting activity in the United States is reaching epidemic proportions.²⁷⁶ Looking into the future, the development of technology will nearly perfect the counterfeiters’ ability to produce their misappropriated wares²⁷⁷ and the United States will see a further increase, not only in the number of counterfeit products imported, but also in the product categories affected.²⁷⁸ The purchase of counterfeit goods helps to fund counterfeiting activity²⁷⁹ and consumer demand for counterfeits is a key driver of supply into the United States.²⁸⁰ Attempts have been made to educate the consumer about the nega-

²⁷¹ Zdenek, *supra* note 87.

²⁷² See Cocks, *supra* note 29, at 549 (discussing the inefficiencies of imposing a “knowing and intentionally” mens rea requirement as an element of a criminal penalty on the purchase of counterfeit goods).

²⁷³ It may be that imputing knowledge of an item’s counterfeit nature should be based only on price and the condition of the merchant offering the goods for sale, and not on the quality of the goods. See Bone, *supra* note 215, at 2121, discussing the difficulties in making factual determinations on the quality of a good without much costly empirical evidence.

²⁷⁴ See *supra* note 19.

²⁷⁵ Symposium, *supra* note 9, at 957.

²⁷⁶ See *supra* note 142.

²⁷⁷ PARADISE, *supra* note 2, at 24.

²⁷⁸ PHILLIPS, *supra* note 37, at 19-28.

²⁷⁹ See *supra* note 222.

²⁸⁰ See *supra* note 20.

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tive impact of counterfeit purchasing,²⁸¹ however, the ubiquity of counterfeit luxury goods in America indicates that more needs to be done.

The examination of the Italian and French models of consumer liability illuminates some of the pros, cons, and complexities of such a change.²⁸² Akin to the Italian model of consumer liability,²⁸³ an administrative fine on the affirmative act of purchasing counterfeit goods,²⁸⁴ whereby the end-consumer knew²⁸⁵ or should have known²⁸⁶ the item was counterfeit,²⁸⁷ is not only a viable methodology in the fight against counterfeiting but perhaps a necessary approach. While the size of the fine imposed in Italy is proving to be too large for effective enforcement,²⁸⁸ an on-the-spot fine of a smaller denomination will act to educate the consumer and shift societal norms regarding the purchase of counterfeit goods. Further research could enlighten the deterrent effect an administrative fine would have in American society and the role enforcement costs have in defining an effective consumer liability approach. In addition, repealing the personal use exemption and thereby prohibiting all importation of unauthorized counterfeit goods, is a logical first step towards shifting societal norms.²⁸⁹

This proposal will likely face criticism from those who believe that this approach is draconian relative to the seriousness of the act. However, such a contention ignores the consumer's role in supporting and promulgating counterfeiting activity.²⁹⁰

Italy and France had compelling motivation behind the enactment of consumer liability statutes.²⁹¹ This author argues that the United States does as well. Beyond the rights of the trademark

²⁸¹ See discussion *supra* Part V.C.2.

²⁸² See discussion *supra* Part V.

²⁸³ Italian Decree-Law 80/05, *supra* note 28.

²⁸⁴ A fine on the affirmative act of a "purchase" of counterfeit goods is preferable to Italy's sanction for acceptance and France's sanction for possession of counterfeit goods with respect to the American consumer. See discussion *supra* Part IV.C.1.

²⁸⁵ See *supra* note 30.

²⁸⁶ See discussion *supra* Part IV.C.2.b regarding the value of imputed knowledge.

²⁸⁷ The imposition of a fine should be restricted to goods that bear a counterfeit mark as distinguished from those that may be infringing but are not counterfeit. See discussion *supra* Part IV.C.2.c.

²⁸⁸ See *supra* notes 197-198 and accompanying text.

²⁸⁹ See discussion *supra* Part IV.C.

²⁹⁰ See *supra* note 20.

²⁹¹ Cocks, *supra* note 29, at 548. See also *supra* note 118.

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holder, which are worthy of better protection,²⁹² are “super-individual”²⁹³ rights, the rights of the general consumer population to be able to confidently trust in a trademark as an indicator of the origin of goods. Protection of these rights is the purpose behind trademark law in the United States,²⁹⁴ and these rights surpass an individual consumer’s desire to own counterfeit luxury goods. Counterfeiting is not a victimless crime and the resultant harm is substantial enough to warrant change.

²⁹² Trademark holders’ rights and protection against the misappropriation of goodwill are equally deserving of protection but are perhaps not as convincing when viewed under the lens of traditional trademark notions. *See* discussion *supra* Part V.A.

²⁹³ *See* discussion *supra* note 225.

²⁹⁴ *See* discussion *supra* Part V.A.

