

PIECING IT ALL TOGETHER: THE AMENDMENT TO THE FEDERAL TRADEMARK COUNTERFEITING ACT PREVENTS CIRCUMVENTION THROUGH COMPONENT PARTS

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“Imitation is [not] the sincerest [form] of flattery.”¹

I. INTRODUCTION

A law student strolls through the sidewalk kiosks of New York City’s Canal Street.² She browses through denim jeans, purses, and shoes with designer logos: Louis Vuitton, Prada, Kate Spade, 7 for All Mankind, and Chanel. She finds a Chanel bag that matches her shoes and pays the merchant thirty dollars for a designer bag that would cost twenty times as much at the store on Madison Avenue. Meanwhile, an immigrant is locked in a tiny room for nearly twelve to sixteen hours a day. His job is to glue fake designer labels to generic handbags, shoes, and jeans for sale in New York’s Chinatown and similar markets across the United States, such as Santee Alley in Los Angeles. “Welcome to the 21st-century world of organized crime, where international networks of counterfeiters, traffickers and thugs are rooting their way into the global economy’s foundations.”³

Over the past several years, counterfeiters have gained access to sophisticated technologies that enable them to closely duplicate the labeling of legitimate products.⁴ Counterfeiters have evaded federal law by importing counterfeit labels and other component parts⁵ separate from fully assembled counterfeit products.⁶ The Federal Trademark Counterfeiting Act (TCA) criminalizes trafficking in counterfeit “goods,”⁷ but counterfeiters still

¹ CHARLES CALEB COLTON, *LACON: OR MANY THINGS IN FEW WORDS; ADDRESSED TO THOSE WHO THINK 113* (London, Longman, Orme, Brown, Green & Longmans 1837).

² Hypothetical adapted from Michael T. Burr, *Copycat Wars*, *INSIDECOUNSEL*, Mar. 2006, at 32, available at http://www.insidecounsel.com/issues/insidecounsel/15_182/regulatory/356-1.html.

³ *Id.*

⁴ See U.S. Food and Drug Administration, *New FDA Initiative to Combat Counterfeit Drugs*, <http://www.fda.gov/oc/initiatives/counterfeit/background.html> (last visited Feb. 4, 2007) (referring to prescription drugs).

⁵ Component parts include such things as labels, patches, stickers, badges, emblems, and medallions bearing a counterfeit trademark.

⁶ See, e.g., *United States v. Giles*, 213 F.3d 1247, 1253, 54 U.S.P.Q.2d (BNA) 1919, 1924 (10th Cir. 2000).

⁷ 18 U.S.C. § 2320 (2000), amended by Pub. L. No. 109-181, 120 Stat. 285 (2006).

circumvented the language of the TCA through the “label loophole.”⁸ For some time, courts struggled with the meaning of “goods and services” in the TCA and whether such “goods” included component parts, such as labels and medallions, bearing a trademark but unattached to a host product.⁹

As a result of the ambiguity, some courts held that trafficking counterfeit labels was not a violation of the statute, creating a loophole for counterfeiters.¹⁰ Conversely, other courts found that the trafficking of counterfeit labels was a violation of the statute, because the labels constituted “goods.”¹¹ Because of the loophole, counterfeiters continued to traffic labels separate from their host products to avoid the penalties imposed under the statute, and were no longer deterred by the TCA.¹²

An amendment to the statute was necessary to resolve the disagreement among the courts over the meaning of the term “goods.” The Stop Counterfeiting in Manufactured Goods Act (Amendment) is a recent amendment to the TCA that expands the criminal penalties to include trafficking in component parts such as labels, stickers, and medallions.¹³ The Amendment will moot the debate over the meaning of “goods” and deter trafficking of counterfeit component parts.¹⁴

⁸ See generally *Giles*, 213 F.3d 1247, 54 U.S.P.Q.2d (BNA) 1919; Debra D. Peterson, Comment, *Criminal Counterfeiting and Component Parts: Closing the Perceived “Label Loophole,”* 30 AIPLA Q.J. 457 (2002).

⁹ See, e.g., *Giles*, 213 F.3d at 1251, 54 U.S.P.Q.2d (BNA) at 1923; *United States v. Koehler*, 24 F.3d 867, 871 (6th Cir. 1994).

¹⁰ See, e.g., *Giles*, 213 F.3d at 1251, 54 U.S.P.Q.2d (BNA) at 1923.

¹¹ See, e.g., *Koehler*, 24 F.3d at 871.

¹² See discussion *infra* Part VI.A.

¹³ Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, 120 Stat. 285 (2006) (to be codified at 18 U.S.C. § 2320).

¹⁴ This article focuses on the Amendment to subsection 1(a) of the TCA. The Stop Counterfeiting in Manufactured Goods Act also contained a provision to amend subsection 2(b), which was passed along with the Amendment discussed in this article. This article, however, will not focus on subsection 2(b). Thus, the term “Amendment” in the context of this article is not collective of both provisions.

II. CLEARING UP THE CONFUSION ABOUT COUNTERFEITING: THE BASIC PRINCIPLES OF TRADEMARKS AND COUNTERFEITING

Counterfeiting is a significant problem that hurts the economy and poses a serious health and safety risk to consumers. Because previous legislation was ambiguous as to whether “goods” included component parts,¹⁵ policy objectives supported expanding the definition of “goods” to include component parts to better deter counterfeiters.¹⁶ The expansion of the definition of “goods” in the TCA to include component parts was consistent with policy goals.

“Innovation is America’s competitive advantage and intellectual property (IP) rights are the wellspring of that creativity. They underpin our economy and assure our national security.”¹⁷

Counterfeiting is the economic crime of the twenty-first century.¹⁸ Counterfeiting is defined as “the deliberate use of a false mark that is identical with or substantially indistinguishable from a registered mark.”¹⁹ Consumers rely on trademarks to identify brands they know and trust.²⁰ Falsely labeling a product creates a false sense of security for consumers,²¹ is harmful to the

¹⁵ See, e.g., *Giles*, 213 F.3d at 1251, 54 U.S.P.Q.2d at 1922 (holding that patch sets are not “goods” under purview of TCA).

¹⁶ See Peterson, *supra* note 8, at 491-506.

¹⁷ Pat Choate, Statement Before The U.S.-China Economic and Security Review Commission: High Technology Trade and Investments with China/IPR, (Apr. 21-22, 2005), available at http://www.uscc.gov/hearings/2005hearings/written_testimonies/05_21_22wrts/choate_pat_wrts.htm.

¹⁸ See *id.*; see also U.S. DEP’T OF JUST., OFFICE OF ATT’Y GEN., REP. OF THE DEP’T OF JUST.’S TASK FORCE ON INTELL. PROP., Oct. 2004, at i (“In response to the growing threat of intellectual property crime, on March 31, 2004, the Attorney General of the United States announced the creation of the Department of Justice’s Task Force on Intellectual Property.”).

¹⁹ International Trademark Association, Anti-Counterfeiting, http://www.inta.org/index.php?option=com_content&task=view&id=134&Itemid=142&Itemid=0&getcontent=1 (last visited Feb. 4, 2007).

²⁰ E.g., *Giles*, 213 F.3d at 1252, 54 U.S.P.Q.2d (BNA) at 1924 (“A trademark is meant to identify goods so that a customer will not be confused as to their source.”).

²¹ See SIEGRUN D. KANE, TRADEMARK LAW: A PRACTITIONER’S GUIDE, 1-9, 1-11 (4th ed. 2004).

economy, and poses a serious health and safety risk to consumers.²² Furthermore, counterfeiting is a means to funding other criminal entities, such as terrorist groups.²³

A. Counterfeiting Undermines the Protection Afforded By Trademark Laws

A company's trademark is one of its most valuable assets.²⁴ A trademark is any distinct word, phrase, symbol, picture, or combinations thereof, which identifies and sets apart the goods of a specific business.²⁵ Trademarks function to identify the source of a specific product and to embody the goodwill of the respective craftsman in the product.²⁶ Accordingly, trademark law "protects the public's interest in purchasing certain goods, as well as the goodwill developed through the diligence of the manufacturer."²⁷

A company infringes a trademark when it uses the trademark without authorization or uses a confusingly similar mark on goods or services.²⁸ The Lanham Act offers civil penalties for infringement of a trademark.²⁹ Further, the TCA criminalizes trafficking counterfeit goods.³⁰

Counterfeiting undermines the protection afforded by the trademark laws because it involves stealing the identity of trademark owners and divesting

²² See *Counterfeiting and Theft of Tangible Intellectual Property: Challenges and Solutions: Hearing Before the Senate Comm. on the Judiciary*, 108th Cong. 196-200 (2004) (statement of Richard K. Willard, Senior Vice President and General Counsel, The Gillette Company) [hereinafter Statement of Richard K. Willard].

²³ See *id.* at 198.

²⁴ See Stephen Bennett, *The IP Asset Class: Protecting and Unlocking Inherent Value*, 5 J. MARSHALL REV. INTELL. PROP. L. 401, 402 (2006).

²⁵ See 15 U.S.C. § 1127 (2000) (defining trademark).

²⁶ See Brian J. Kearney, Note, *The Trademark Counterfeiting Act of 1984: A Sensible Legislative Response to the Ills of Commercial Counterfeiting*, 14 FORDHAM URB. L.J. 115, 116 (1985-86).

²⁷ *Id.*

²⁸ See 15 U.S.C. § 1114(1) (2000) (defining infringement).

²⁹ *Id.*

³⁰ 18 U.S.C. § 2320 (2000), amended by Pub. L. No. 109-181, 120 Stat. 285 (2006).

the consumers of such benefits as comfort, reliability, and personal safety.³¹ Trademark counterfeiting is *not* a victimless crime.³² To the contrary, counterfeiting places taxpaying businesses at a competitive disadvantage and deprives citizens of revenue essential for government services.³³ As a result, the egregious impact of counterfeit goods on trademark owners, consumers, and national economies should not be underestimated.³⁴

The level of intellectual property counterfeiting is astronomical.³⁵ A leading expert in the field declares that “[c]ounterfeiting is the new drugs.”³⁶ According to one commentator, “[c]ounterfeiting has become a colossal world industry representing over 5% of all world trade.”³⁷ The Bureau of Customs and Border Protection estimates that counterfeiting costs the United States \$200 billion annually.³⁸ New York City represents 8% of the nation’s annual trade in

³¹ See Michele Forzley, *Counterfeit Goods and the Public’s Health and Safety*, INT’L INTELLECTUAL PROP. INST., July 2003, at 1-3, available at http://www.iipi.org/reports/Counterfeit_Goods.pdf (presenting scientific study of counterfeit goods as “disease mechanism” injurious to public welfare).

³² *Id.*

³³ WILLIAM C. THOMPSON, JR., CITY OF NEW YORK OFFICE OF THE COMPTROLLER, *BOOTLEG BILLIONS: THE IMPACT OF THE COUNTERFEIT GOODS TRADE ON NEW YORK CITY 10* (Nov. 2004), <http://www.comptroller.nyc.gov/bureaus/bud/04reports/Bootleg-Billions.pdf>.

³⁴ See generally *id.*

³⁵ See U.S. Customs and Border Protection, *Seizure Statistics for Intellectual Property Rights*, http://www.cbp.gov/xp/cgov/import/commercial_enforcement/ipr/seizure/seizure_stats.xml (last visited Feb. 4, 2007) (displaying total number and value of seizures for last five years); see also Department of Homeland Security, *FY 2006 Top IPR Commodities Seized* (Nov. 7, 2006), http://www.cbp.gov/linkhandler/cgov/import/commercial_enforcement/ipr/seizure/trading/fy06_ipr_stat.ctt/fy06_ipr_stat.pdf.

³⁶ Patricia Hurtado, *Louis Vuitton, Coach Fight \$23 Bln Flood of Fakes in New York*, BLOOMBERG, Jan. 26, 2006, available at http://www.bloomberg.com/apps/news?pid=10000103&sid=aaTetDaRc_fQ&refer=us (quoting Barbara Kolsun, General Counsel for 7 for All Mankind, LLC and former chairwoman of The International AntiCounterfeiting Coalition).

³⁷ John Laurenson, *France Awash with Fashion Fakes*, BBC NEWS PARIS, Mar. 24, 2005, <http://news.bbc.co.uk/2/hi/europe/4378537.stm> (quoting Marc-Antoine Jamet, head of anti-fakes pressure group, Manufacturers’ Union).

³⁸ H.R. 32, 109th Cong. § 1(b)(2) (2005).

counterfeit goods.³⁹ It is estimated that in 2003, \$23 billion was spent on counterfeit goods, depriving the city and its residents of approximately \$1 billion in tax revenue.⁴⁰ One commentator notes that the Federal Bureau of Investigation (FBI) estimates that pirating and counterfeiting costs U.S. companies up to \$250 billion per year and the European Union estimates such theft costs its economy more than \$400 billion annually.⁴¹

The International Trademark Association (INTA) recognizes that “[t]he high levels of trademark counterfeiting in particular reflect consumers’ increased desire for brand name products, the ability of counterfeiters to adapt to trends in the public appetite and the enormous profits that can be made from the sale of counterfeit goods.”⁴² Commentators have stressed that both domestically and internationally, counterfeiting adversely affects “all businesses with successful brands—from automakers to pharmaceutical companies.”⁴³

B. Counterfeiting Poses Detrimental Effects to Consumers

Although well-known corporations that sell brand name products are the obvious and direct victims of counterfeiting, this illicit activity also poses a genuine threat to the livelihoods and lives of workers and consumers, though many may not be aware of it.⁴⁴ One commentator explains “[w]hen the average American thinks about counterfeit goods, he or she may think of phony Rolex watches, fake high-fashion handbags, or cheap knock-offs of designer T-shirts.”⁴⁵ Consumers know that these products are not authentic, so they “readily conclude that buying a fake is no big deal, no harm done.”⁴⁶

Consumers do not realize, however, that counterfeiting is far more dangerous than street vendors selling fake luxury items.⁴⁷ One commentator

³⁹ THOMPSON, *supra* note 33, at 7.

⁴⁰ *Id.* at 1.

⁴¹ *See* Choate, *supra* note 17, at 3.

⁴² International Trademark Association, *supra* note 19.

⁴³ Statement of Richard K. Willard, *supra* note 22, at 196; *see also* Laurenson, *supra* note 37.

⁴⁴ Statement of Richard K. Willard, *supra* note 22, at 196.

⁴⁵ *Id.*

⁴⁶ *Id.* at 197.

⁴⁷ *Id.*

stresses “only a *minute* portion of counterfeit goods are luxury items; most product counterfeiting has a far more immediate, and sometimes devastating, impact.”⁴⁸ Counterfeit products exist in every industry, from pharmaceuticals to clothing to food products,⁴⁹ and can be extremely harmful to consumers. Beyond the risks posed by inferior quality, counterfeit products can be dangerous to consumers because of the poor conditions in which the products are produced,⁵⁰ and therefore pose a serious health and safety risk to the public.⁵¹

In 2004, the United States Department of Justice’s Intellectual Property Task Force issued a report of its findings that illustrates the extent of counterfeiting in the United States.⁵² For example, in 2002, one man was sentenced for selling thousands of cases of counterfeit infant formula to wholesale grocers.⁵³ In 2004, two men were prosecuted for manufacturing and attempting to sell 700,000 fake Viagra tablets valued at \$5.6 million.⁵⁴ Additionally, a man was imprisoned for selling counterfeit pesticides to city governments and private businesses, which used the pesticides to try to control mosquitoes harboring the deadly West Nile Virus in a number of southern and mid-western states.⁵⁵

The Department of Justice stated that “[i]t is clear that intellectual property crime can pose a serious health and safety risk to the public, from batteries with dangerously high levels of mercury that can find their way into children’s toys, to fake medicines and pesticides that can harm unsuspecting consumers.”⁵⁶ The report illustrates the detrimental effects on consumer safety through the story of a teenage boy who underwent a successful liver transplant, but suffered severe complications after taking medicine prescribed to treat his potentially life-threatening anemia.⁵⁷ The doctors were bewildered at the

⁴⁸ *Id.* (emphasis added).

⁴⁹ *See id.* at 196.

⁵⁰ *See id.* at 198.

⁵¹ *Id.*; see U.S. DEP’T OF JUST., OFFICE OF ATT’Y GEN., *supra* note 18, at 8-9.

⁵² *See generally* U.S. DEP’T OF JUST., OFFICE OF ATT’Y GEN., *supra* note 18.

⁵³ *Id.* at 15.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.* at 27.

⁵⁷ *Id.* at iii.

unusual complications caused by the medicine.⁵⁸ The boy experienced severe pain for weeks before he and his doctors discovered that the “medicine injected into the boy’s body was counterfeit and did not contain the necessary dosage to treat his condition.”⁵⁹ As such, his anemia was essentially left untreated for several weeks after his surgery.⁶⁰

The Department of Justice report also revealed the dangerous consequences counterfeit products can pose to our routine tasks.⁶¹ A teenager placed his cell phone in its desk cradle to charge overnight while he slept, only to awake hours later to an explosion in his room.⁶² Fortunately, he managed to escape the flame-engulfed room.⁶³ After further investigation, authorities discovered that a counterfeit cell phone battery caused the explosion.⁶⁴

These examples illustrate the potential hazards counterfeit products pose.⁶⁵ The World Health Organization believes that “counterfeit drugs account for eight to ten percent of all pharmaceuticals worldwide.”⁶⁶ In the U.S., “[t]he Consumer Product Safety Commission reports counterfeit cell phone batteries caused fires and injuries . . . and that more than 50,000 batteries were recalled.”⁶⁷ As such, counterfeit products have real-world consequences and must not be dismissed as solely a luxury brand problem.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *See id.*

⁶¹ *See id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *See id.*

⁶⁶ *Id.*

⁶⁷ *Id.*

C. *Counterfeiting Threatens the Economy*

The U.S. Customs Service estimates that counterfeiting activity has resulted in the loss of 750,000 jobs and cut-backs in potential employment.⁶⁸ One commentator stresses that the loss “to law-abiding, hard-working American citizens and companies winds up lining the pockets of criminals.”⁶⁹

D. *The Link Between Counterfeiting and Criminal Organizations*

Profits obtained through the sale of counterfeit items have been linked to funding various criminal organizations such as terrorist groups and street gangs.⁷⁰ Criminal groups use the sale of counterfeit goods to raise money for illegal activities and violence.⁷¹ One commentator reports that “[s]eized Al Qaeda training manuals recommend the sale of fake goods as a financing source for its terrorism.”⁷² The FBI and “Customs, and Immigration Customs Enforcement Agents (ICE) estimate that sales of counterfeit goods are enriching criminal organizations by up to \$500 billion in sales per year.”⁷³ Counterfeiting thus creates a means to further other crimes.

⁶⁸ Statement of Richard K. Willard, *supra* note 22, at 197 (“Recently, the FTC stated that eradicating counterfeit auto parts could create 200,000 new jobs in the U.S. auto industry alone”). Further, “[t]he International Chamber of Commerce estimates that counterfeiting drains more than \$350 billion each year from the world’s economy—this is 7 to 9 percent of *total* world trade.” *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.* at 197-98.

⁷¹ *Id.*

⁷² *Id.* at 198. The commentator further states:

The Basque separatist group, ETA, has been linked to the sale of counterfeit clothing and handbags. Paramilitary groups in Northern Ireland have funded terrorist activities through the sale of pirated products, including copies of Disney’s *The Lion King*. Protection rackets in Italy no longer demand just money from retailers; instead, they want shelf space to sell counterfeit goods.

Id.

⁷³ H.R. REP. NO. 109-68 (2005) (Conf. Rep.).

III. PREVIOUS LAW CREATES AMBIGUITY

In interpreting the pre-amendment definition of “goods” in the TCA, the circuit courts split over whether labels constituted “goods.”⁷⁴ The Tenth Circuit held that labels were not “goods” within the meaning of the statute, while the Sixth Circuit held that labels did fall under the purview of § 2320.⁷⁵ Other circuit courts recognized the ambiguity as to the meaning of goods in § 2320(a), but did not weigh in on the issue.⁷⁶

A. *Creating the Loophole: United States v. Giles*

In *United States v. Giles*, the Tenth Circuit confirmed the existence of the label loophole.⁷⁷ In its narrow interpretation of the statutory language of § 2320(a), the court rejected the argument that labels are “goods” within the meaning of the statute.⁷⁸ In *Giles*, the defendant was the owner of a business that specialized in the sale of designer look-alikes and occasionally sold wholesale items in bulk.⁷⁹ The items at issue were wholesale “patch sets” bearing a designer logo, which could be sewn or glued on a generic purse or piece of luggage resulting in a bag that appeared to have been made by the designer.⁸⁰ The defendant was indicted on one count of trafficking in counterfeit goods in violation of 18 U.S.C. § 2320, after he made a bulk shipment of patch sets to a

⁷⁴ See, e.g., *United States v. Giles*, 213 F.3d 1247, 1249-51, 54 U.S.P.Q.2d (BNA) 1919, 1921-24 (10th Cir. 2000); *United States v. Koehler*, 24 F.3d 867, 871 (6th Cir. 1994).

⁷⁵ Compare *Giles*, 213 F.3d at 1251, 54 U.S.P.Q.2d (BNA) at 1924, with *Koehler*, 24 F.3d at 871.

⁷⁶ See, e.g., *United States v. Guerra*, 293 F.3d 1279, 1286-87 (11th Cir. 2002). The Eleventh Circuit noted a conflict over whether § 2320(a) requires that the defendant actually traffic in goods separate from the labels themselves, but did not address the issue. *Id.* (addressing both sides of debate).

⁷⁷ See generally 213 F.3d 1247, 54 U.S.P.Q.2d (BNA) 1919 (10th Cir. 2000).

⁷⁸ See *id.* at 1248, 54 U.S.P.Q.2d (BNA) at 1920 (concluding that an individual who traffics in trademarks that are not attached to any goods or services does not violate 18 U.S.C. § 2320).

⁷⁹ *Id.*

⁸⁰ *Id.* (defining patch sets as consisting of “a leather patch and a gold medallion, which both bear the Dooney & Bourke logo, and a leather strap which is used to attach the medallion to a purse or piece of luggage”).

confidential informant working undercover for the FBI.⁸¹ The district court concluded that the defendant's actions fell under the ambit of § 2320(a), even though the patch sets were unattached to any goods.⁸²

The Tenth Circuit, however, refused to extend trademark protection to the patch sets.⁸³ The court noted the ambiguity of the statute, reasoning that it "should not derive criminal outlawry from some ambiguous implication," and instead noted that Congress "should have spoken in language that is clear and definite."⁸⁴ Courts are obliged to construe criminal statutes narrowly because of the grave penalties of criminal law and the effect that punishment has on the constitutional rights of a defendant.⁸⁵ Furthermore, the court found persuasive the argument that "if Congress had intended to outlaw trafficking in labels for other goods, it would have done so in this or another provision of the criminal code."⁸⁶

Moreover, the Tenth Circuit found the district court's reliance on *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Manufacturing, Inc.*⁸⁷ misplaced

⁸¹ *Id.* at 1248, 54 U.S.P.Q.2d (BNA) at 1920-21.

⁸² *Id.* at 1248-49, 54 U.S.P.Q.2d (BNA) at 1921.

⁸³ *Id.* at 1253, 54 U.S.P.Q.2d (BNA) at 1924.

⁸⁴ *Id.* at 1249, 54 U.S.P.Q.2d (BNA) at 1921 (quoting *United States v. Universal C.I.T. Credit Corp.*, 344 U.S. 218, 222 (1952)). The court also noted that when a statute is ambiguous, the court should apply "a policy of lenity and construe the statute in favor of the criminal defendant." *Id.* (citing *Ladner v. United States*, 358 U.S. 169, 177 (1958); *United States v. Wilson*, 10 F.3d 734, 736 (10th Cir. 1993)).

⁸⁵ *See United States v. Wiltberger*, 18 U.S. 76, 90 (1820) (explaining strict construction of criminal statutes). The Court opined:

The rule that penal laws are to be construed strictly, is perhaps not much less old than construction itself. It is founded on the tenderness of the law for the rights of individuals; and on the plain principle that the power of punishment is vested in the legislative, not in the judicial department. It is the legislature, not the Court, which is to define a crime, and ordain its punishment.

Id. at 95.

⁸⁶ *Giles*, 213 F.3d at 1251, 54 U.S.P.Q.2d (BNA) at 1923.

⁸⁷ 510 F.2d 1004 (5th Cir. 1975).

because that case dealt with civil liability and the Fifth Circuit in that case specifically limited its holding to sports emblems.⁸⁸ The Tenth Circuit stated:

[T]he [district] court relied upon a novel and overly broad conception of the rights that a trademark entails. In deciding that the emblems should be protected goods despite the fact that the plaintiffs had not registered their marks for use on patches, the court essentially gave the plaintiffs a monopoly over use of the trademark in commercial merchandising.⁸⁹

The court held that “Mr. Giles’ conduct did not confuse any consumer about the origin of goods because there were no goods involved in the transaction.”⁹⁰ The court stressed that Mr. Giles’ innocence or guilt depended on the definition of “goods,”⁹¹ and held that “[s]ection 2320 does not clearly penalize trafficking in counterfeit labels which are unattached to any goods. The statute’s language, in fact, indicates otherwise.”⁹² The court found the “legislative history on the topic . . . unavailing.”⁹³ “We cannot say with confidence that Mr. Giles was adequately informed that the conduct in which he engaged could be a federal crime, or that section 2320 was intended to cover his conduct. In any event, we must give him the benefit of the doubt.”⁹⁴ Accordingly, the Tenth Circuit found the patch sets outside the purview of § 2320(a).⁹⁵

B. *Anti-Circumvention of the TCA: United States v. Koehler*

By comparison, the Sixth Circuit disregarded the label loophole and thus prevented circumvention of the TCA in *United States v. Koehler*.⁹⁶ Specifically, the Sixth Circuit construed the scope of “goods” in § 2320(a) to include counterfeit labels and containers.⁹⁷ In *Koehler*, the defendant was convicted of trafficking in

⁸⁸ See *Giles*, 213 F.3d at 1251, 54 U.S.P.Q.2d (BNA) at 1922.

⁸⁹ *Id.* at 1250, 54 U.S.P.Q.2d (BNA) at 1922.

⁹⁰ *Id.* at 1252-53, 54 U.S.P.Q.2d (BNA) at 1924.

⁹¹ See *id.* at 1249, 54 U.S.P.Q.2d (BNA) at 1921.

⁹² *Id.* at 1253, 54 U.S.P.Q.2d (BNA) at 1924.

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ See *id.*

⁹⁶ See generally 24 F.3d 867 (6th Cir. 1994).

⁹⁷ See *id.* at 871.

stolen and counterfeit automobile parts, labels, and containers.⁹⁸ The defendant argued that the labels and containers were insufficient evidence for a conviction under § 2320.⁹⁹ Without comment, the court affirmed the unpublished opinion of the lower court and concluded that the labels were sufficient evidence of trafficking in counterfeit goods under the statute.¹⁰⁰ Thus, the Sixth Circuit declined to recognize the label loophole.¹⁰¹

The ambiguity in the TCA divided the circuit courts over the meaning of “goods.” The level of trafficking of component parts rose as a result of the judicial split. In order to resolve the debate, it was imperative that the TCA be amended to include a definition of “goods.”

IV. THE AMENDMENT

The legislation amending the TCA subsection (a) reads as follows:

Subsection (a) is amended by inserting after “such goods or services” the following: “, or intentionally traffics or attempts to traffic in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive.”¹⁰²

The Amendment to the TCA clarifies the situation involving trafficking in component parts of infringing products, which alone may otherwise be considered non-infringing.¹⁰³ By specifically including component parts, the amendment resolves the debate over whether component parts need to be used in connection with goods to be afforded protection under the statute.¹⁰⁴

⁹⁸ See *id.* at 868-69.

⁹⁹ *Id.* at 870.

¹⁰⁰ See *id.* at 871.

¹⁰¹ See *id.*

¹⁰² See H.R. 32, 109th Cong. § 2 (2005).

¹⁰³ See *id.*

¹⁰⁴ See *id.*; see also *United States v. Giles*, 213 F.3d 1247, 1249, 54 U.S.P.Q.2d (BNA) 1919, 1921 (10th Cir. 2000) (holding, *inter alia*, that counterfeit labels are not goods under the statute).

Likewise, it resolves the debate as to what constitutes “goods” under the statute.¹⁰⁵ Thus, counterfeiters are not able to circumvent the statute by trafficking in unassembled parts of a counterfeit item.¹⁰⁶

V. CONGRESSIONAL RESPONSE TO THE AMBIGUITY: LEGISLATIVE BACKGROUND ON THE AMENDMENT

A. *Time is Running Out for Counterfeiters: Timeline of Amendment Passage*

Congressman Joe Knollenberg of Michigan’s Ninth District introduced the Amendment in the 108th Congress on May 13, 2004 in response to the rapidly growing problem of counterfeiting component parts.¹⁰⁷ Subsequently, he reintroduced the Amendment in the 109th Congress on January 4, 2005.¹⁰⁸ At the outset, the Amendment had fifty-nine co-sponsors.¹⁰⁹ After the Amendment was passed by the House of Representatives (House), it was referred to the Senate Committee on May 24, 2005.¹¹⁰ Senator Arlen Specter introduced the companion bill of the Amendment to the Senate and it was reported in the Senate on September 14, 2005.¹¹¹ The companion bill also was introduced with Senators Leahy, Alexander, Bayh, Brownback, Coburn, Cornyn, DeWine, Durbin, Feingold, Feinstein, Hatch, Kyl, Levin Reed, Stabenow, and Voinovich.¹¹² The

¹⁰⁵ See *Giles*, 213 F.3d at 1249, 54 U.S.P.Q.2d (BNA) at 1921 (stating that “[n]either section 2320 nor the Lanham Act, 15 U.S.C. §§ 1051 *et seq.* (the section’s civil counterpart), defines the term ‘goods.’”).

¹⁰⁶ See H.R. 32, 109th Cong. (2005).

¹⁰⁷ See H.R. 4358, 108th Cong. (2004); see also Congressman Joe Knollenberg Website, Stop Counterfeiting in Manufactured Goods Act, <http://www.house.gov/knollenberg/issues/manufacturinginitiative/counterfeitingbill.htm> (last visited Feb. 4, 2007).

¹⁰⁸ See H.R. 32, 109th Cong. (2005).

¹⁰⁹ See Congressman Joe Knollenberg Website, *supra* note 107 (listing names of co-sponsors).

¹¹⁰ See H.R. 32, 109th Cong. (2005).

¹¹¹ See S. 1699, 109th Cong. (2005).

¹¹² See *id.*

Amendment was passed by unanimous consent in the Senate on February 15, 2006.¹¹³ The President signed the Amendment into law on March 16, 2006.¹¹⁴

At the signing, President George W. Bush commented that “[i]n order to keep this economy innovative and entrepreneurial, it’s important for us to enforce law, and if the laws are weak, pass new laws, to make sure that the problem of counterfeiting, which has been growing rapidly, is arrested, is held in check.”¹¹⁵ Consequently, the government is now “armed with much-needed tools to dismantle portions of the \$500 billion global trade in fake products.”¹¹⁶

¹¹³ See H.R. 32, 109th Cong. (2006).

¹¹⁴ See Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, 120 Stat. 285 (2006) (to be codified at 18 U.S.C. § 2320); see also The White House, President Signs ‘Stop Counterfeiting in Manufactured Goods’ Act, <http://www.whitehouse.gov/news/releases/2006/03/20060316-7.html> (last visited Feb. 4, 2007) [hereinafter President Signs ‘Stop Counterfeiting in Manufactured Goods’ Act].

¹¹⁵ See President Signs ‘Stop Counterfeiting in Manufactured Goods’ Act, *supra* note 114.

¹¹⁶ See Woodwork Institute, Stop Counterfeiting in Manufactured Goods Act (H.R. 32) Becomes Law (Mar. 20, 2006), <http://www.wicnet.org/news/story.asp?id=100>.

B. *Dearth of Debate: The Amendment Meets No Opposition in the Congressional Record*

Unsurprisingly, the Amendment was met with no opposition in the congressional debates.¹¹⁷ Because the Amendment clearly seeks to prevent criminal activity, it was met with overwhelming support. As such, the Congressional Record contains only testimony in favor of passing the Amendment.¹¹⁸ Additionally, the record reiterates the goals of the legislation.¹¹⁹

1. Congressional Debates in the House

Representative Knollenberg commenced the debate by describing the plight of manufacturers in the counterfeit war and the necessity of the Amendment to strengthen existing law.¹²⁰ Further, Representative Knollenberg predicted that the legislation would have an effect on America's global trading partners.¹²¹ In a later congressional debate, Representative Knollenberg stated

¹¹⁷ Cf. 151 CONG. REC. H3699-H3703 (daily ed. May 23, 2005) (statement of Rep. Conyers). Although not the focus of this article, it is interesting to note that there was significant congressional debate over the original language of subsection 2(b) of the Stop Counterfeiting in Manufactured Goods Act. Representative Conyers focused his discussion on this language, which was changed to ensure there was no negative impact on the secondary discount marketplace. See *id.* Initially the language could have been construed to include penalizing discount marketplaces for "combining single genuine products into gift sets, separating combination set of genuine goods into individual items for resale, inserting coupons . . . , affixing labels to track . . . genuine products and removing genuine goods from original packaging for customized retail displays." *Id.* at H3702. Fortunately, the language was amended and the Amendment now ensures adequate protection for lawful American businesses. See *id.* Representative Conyers concluded, "[a]s a result of these good faith negotiations, we now have a bill that protects manufacturers, targets illegitimate actors, and leaves a legitimate industry unscathed." *Id.*

¹¹⁸ See, e.g., *id.* at H3700-H3701 (statement of Rep. Sensenbrenner); 150 CONG. REC. E854, E854 (daily ed. May 14, 2004) (statement of Rep. Knollenberg); 151 CONG. REC. S10039, S10044 (daily ed. Sept. 14, 2005) (statement of Sen. Specter).

¹¹⁹ See 151 CONG. REC. at H3700-H3701 (statement of Rep. Sensenbrenner).

¹²⁰ See 150 CONG. REC. at E854 (statement of Rep. Knollenberg).

¹²¹ See *id.*

that “the Department of Justice’s Task Force on Intellectual Property cites this bill as a measure that would increase the effectiveness of intellectual property enforcement.”¹²² At the conclusion of his debate, Representative Knollenberg introduced a letter written by various manufacturers in support of his position.¹²³ The letter addressed the imperative need to bolster existing law.¹²⁴

In contrast, Representative Sensenbrenner focused his debate on the effects counterfeit products have on consumers and the economy.¹²⁵ He stated “[s]ome of these products are such poor imitations of the original that they have caused physical harm to consumers.”¹²⁶ Many products, including pharmaceuticals, automobile parts, airport parts, baby formulas, and children’s toys have been identified as counterfeit.¹²⁷ Further, Representative Sensenbrenner pointed to specific instances of consumer harm: “The U.S. automobile industry has reported a number of instances of brake failure caused by counterfeit brake pads manufactured from wooden chips.”¹²⁸ In his concluding remarks, Representative Sensenbrenner acknowledged the broad bipartisan support for the legislation and urged support for the Amendment.¹²⁹

2. Congressional Debates in the Senate

Many of the concerns that were addressed in the House were also discussed in the congressional debates in the Senate. Senator Specter introduced

¹²² 151 CONG. REC. E19, E19-E20 (daily ed. Jan. 4, 2005) (statement of Rep. Knollenberg); *see also* 151 CONG. REC. at H3700-H3701 (statement of Rep. Sensenbrenner). “This legislation will facilitate efforts by the Department of Justice to prosecute those who exploit the good names of companies by attaching counterfeit marks to substandard products.” *Id.* at H3700.

¹²³ *See id.*

¹²⁴ *See id.* (recognizing possibility of effect on global partners).

¹²⁵ *See* 151 CONG. REC. at H3700-H3701 (statement of Rep. Sensenbrenner).

¹²⁶ *Id.* at H3700.

¹²⁷ *Id.*

¹²⁸ *Id.* Representative Sensenbrenner also stated that counterfeit over-the-counter medications and counterfeit prescriptions may have serious health consequences to an unsuspecting consumer. *Id.*

¹²⁹ *See id.* at H3701.

the Amendment to the Senate by discussing the ambiguity in the courts.¹³⁰ Senator Leahy offered the Amendment as a “short and straightforward” solution that would be “profound and far-reaching.”¹³¹ Letters in support of the Amendment were also introduced in the Senate debates.¹³²

Prior to the President signing the Amendment into law, Senator Cornyn addressed the Senate to express his thanks. He stated:

[t]he legislation we passed today will help us do just that [stop the illegal activity]. It is not complicated—nor is it long, but its global impact will be significant. The legislation is designed to provide law enforcement with additional tools to curb the flow of these illegitimate goods and it is perhaps even more critical for businesses, large and small, throughout America and for ensuring the safety of consumers around the globe.¹³³

C. *Testimony*

Because the Amendment was passed by an overwhelming majority of the House and unanimously by the Senate, the testimony surrounding the Amendment was limited. All of the testimony presented was strongly in support of the Amendment. Discussions focused on the effects counterfeiting has on businesses, consumers, the economy, and larger criminal networks. They urged the passage of the Amendment to close the label loophole and deter counterfeit activity.

¹³⁰ See 151 CONG. REC. S10039, S10044 (daily ed. Sept. 14, 2005) (statement of Sen. Specter).

¹³¹ *Id.*

¹³² See 151 CONG. REC. S12714, S12716-S12718 (daily ed. Nov. 10, 2005) (statement of Sen. Leahy).

¹³³ 152 CONG. REC. S1829, S1830 (daily ed. Mar. 7, 2006) (statement of Sen. Cornyn).

Much attention also was directed to the effect the potential legislation would have on the international front.¹³⁴ Counterfeiting is a devastating global problem, not just a problem affecting the United States.¹³⁵ The testimony addressed concerns that deficiencies in domestic law would be codified in many free trade agreements.¹³⁶ Testifiers urged legislators to “seize the opportunity represented by new trade agreements to obtain stronger enforcement obligations from our trading partners against counterfeiting.”¹³⁷

Additionally, testimony stressed the link between organized crime and counterfeiting, which is “frequently . . . part of a larger criminal enterprise.”¹³⁸ Legitimate stolen goods sometimes get mixed with counterfeit goods to “sanitize” the stolen property and move it back into the supply chain.¹³⁹ Further, the proceeds from the sale of counterfeit goods fund other criminal activity, such as terrorist groups.¹⁴⁰

D. *Versions of the Amendment*

The Congressional Record does not indicate that multiple versions of the Amendment were presented to the House or the Senate.¹⁴¹ All of the

¹³⁴ See *Combating Organized Piracy: Hearing Before the Subcomm. on the Oversight of Government Management, the Federal Workforce, and the District of Columbia of the S. Comm. on Homeland Security and Governmental Affairs*, 109th Cong. (2005) (statement of Brad Huther, Director, Counterfeiting and Piracy Initiative, U.S. Chamber of Commerce) [hereinafter Statement of Brad Huther].

¹³⁵ See *Impact of Fakes on Jobs and Safety: Hearing Before the Subcomm. on Commerce, Trade and Consumer Protection of the H. Comm. on Energy and Commerce*, 109th Cong. (2005) (statement of Steve Arthur, Vice President, Government Affairs, Grocery Manufacturers Association) [hereinafter Statement of Steve Arthur].

¹³⁶ See Statement of Brad Huther, *supra* note 134.

¹³⁷ See *id.*

¹³⁸ See Statement of Steve Arthur, *supra* note 135.

¹³⁹ See *id.*

¹⁴⁰ See *id.*

¹⁴¹ See BILL TRACKING REP. H.R. 32, 109th Cong. (2005), <http://www.thomas.gov/cgi-bin/bdquery/z?d109:HR00032:@@L&summ2=m&> (last visited Feb. 4, 2007). Note that there were several versions of subsection 2(b) of the Amendment, but that is not the focus of this article.

Representatives and Senators were in agreement about the language of subsection 1(a) of the Amendment.¹⁴²

E. *It's Final: The Law as Passed*

The Amendment was passed on February 15, 2006. The House passed the Amendment by an overwhelming majority. The Senate passed it by unanimous vote. Subsection 1 (a) of the TCA now states:

Whoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services, or intentionally traffics or attempts to traffic in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive, shall, if an individual, be fined not more than \$2,000,000 or imprisoned not more than 10 years, or both, and, if a person other than an individual, be fined not more than \$5,000,000. In the case of an offense by a person under this section that occurs after that person is convicted of another offense under this section, the person convicted, if an individual, shall be fined not more than \$5,000,000 or imprisoned not more than 20 years, or both, and if other than an individual, shall be fined not more than \$15,000,000.¹⁴³

Thus, the TCA now penalizes trafficking in both "goods" and their counterfeit components.

VI. COMMENTARY

The Amendment to the TCA was necessary to resolve the ambiguity among the circuit courts and close the "label loophole." The Amendment resolves the debate over the meaning of "goods" by specifically including component parts such as labels, stickers, and medallions.¹⁴⁴ Thus, by amending

¹⁴² See *id.*

¹⁴³ Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, 120 Stat. 285 (2006) (to be codified at 18 U.S.C. § 2320).

¹⁴⁴ See *id.*

the TCA, the law immobilizes the trafficking of counterfeit component parts and ultimately deters the overall trafficking of counterfeit goods.

One criticism of the Amendment is that it will grant trademark owners a trademark monopoly. Expanding the definition of “goods,” however, will not grant a monopoly to trademark owners, but will protect the rights the trademark law already guarantees.¹⁴⁵

A. *Counterfeiters Can No Longer Circumvent the Statute Through the Label Loophole*

Failure to expand the definition of “goods” to include component parts would have resulted in an increase in trafficking of component parts.¹⁴⁶ The U.S. Customs Service documents intellectual property rights (IPR) seizure statistics annually and semiannually. These statistics list the top ten commodities seized as well as the source country linked to the commodities.¹⁴⁷ Customs list component parts as “identifying elements.”¹⁴⁸

Prior to 1999, component parts were not ranked on the top ten commodities list or on the top ten commodities list seized from each particular source country.¹⁴⁹ One commentator explains “[s]eizures of labels, patches, and other component items would not normally show up on these ‘top ten’ seizure lists due to their relatively low domestic value.”¹⁵⁰ In 2002, component parts were one of the top ten items seized from Hong Kong, Pakistan and Korea.¹⁵¹ In the 2004 mid-year IPR seizure report, component parts were 1% of the *overall* top

¹⁴⁵ See Peterson, *supra* note 8 (explaining statistics).

¹⁴⁶ *Id.* at 495.

¹⁴⁷ See, e.g., Department of Homeland Security, FY 2003 Top IPR Commodities Seized (Dec. 2, 2003), http://www.customs.gov/linkhandler/cgov/import/commercial_enforcement/ipr/seizure/trading/IPR_Stats.ctt/iprstats.pdf (listing statistics by fiscal year) [hereinafter 2002-03 Seizure Statistics].

¹⁴⁸ *Id.*

¹⁴⁹ Peterson, *supra* note 8, at 494-95 (explaining statistics).

¹⁵⁰ *Id.* at 495.

¹⁵¹ See 2002-03 Seizure Statistics, *supra* note 147, at 6-8 (listing statistics by fiscal year). Identifying elements totaled 6% of the overall commodities seized from Korea. *Id.* at 7. In Pakistan, identifying elements totaled 2% of the seized commodities. *Id.* at 8. In Hong Kong, the total seized identifying elements were 1% of the total seized commodities. *Id.* at 6.

ten seized commodities.¹⁵² This statistic represents the top ten commodities from all of the source countries while in 2002 the statistics represented the amounts from each of the three individual sources.¹⁵³ Thus, by mid-year 2004, component parts were *one of the top ten commodities* seized by Customs.¹⁵⁴

As counterfeiters learned of the judicial refusal to penalize for trafficking in component parts, the statistics would be sure to rise. This is evidenced by the drastic increase in importing component parts since the first wave of cases declining to extend protection to component parts.¹⁵⁵ In 2000, the Tenth Circuit in *United States v. Giles* decided that trafficking in component parts was not a violation of the TCA.¹⁵⁶ Arguably, the timing of this case and the subsequent appearance of component parts on the Customs top ten seized commodities list is not purely coincidental. Counterfeiters are aware of case law and act in accordance with it. The Department of Justice comments that “[t]he nature of intellectual property crime is constantly changing. Counterfeiters quickly change their methods to conceal their illicit activity.”¹⁵⁷ Counterfeiting is a lucrative business.¹⁵⁸ As such, counterfeiters understand that ignorance is *not* bliss when it comes to the law.¹⁵⁹ Moreover, courts will no longer face the task of deciphering the meaning of “goods” within the statute.

Although counterfeiters will surely attempt to devise clever ways around the amended statute, the language of the statute specifically includes many variations of items that could be affixed to a counterfeit product. The

¹⁵² See Department of Homeland Security, FY 2004 Top IPR Commodities Seized (Oct. 22, 2004), http://www.cbp.gov/linkhandler/cgov/import/commercial_enforcement/ipr/seizure/trading/top_seizures_04.ctt/top_seizures_04.pdf.

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ See, e.g., *United States v. Giles*, 213 F.3d 1247, 1251, 54 U.S.P.Q.2d (BNA) 1919, 1923 (10th Cir. 2000).

¹⁵⁶ See *id.*

¹⁵⁷ U.S. DEP’T OF JUST., OFFICE OF ATT’Y GEN., *supra* note 18, at 26.

¹⁵⁸ See *id.* at 9.

¹⁵⁹ In 1742, the phrase “ignorance is bliss” was coined by the English poet Thomas Gray: “Where ignorance is bliss, / ‘Tis folly to be wise.” THOMAS GRAY, ODE ON A DISTANT PROSPECT OF ETON COLLEGE, *available at* <http://www.thomasgray.org/cgi-bin/display.cgi?text=odec> (emphasis added).

amendment specifically includes “labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature.”¹⁶⁰ Although this list is not exhaustive, courts will be more apt to extend protection to an item that has similar characteristics to one in the statute (for example, a hologram that has adhesive properties similar to a sticker). Accordingly, there should be very little litigation over the interpretation of “goods” within the statute.

Thus, by passing the Amendment, Congress is inevitably achieving its goal of deterring counterfeiting—especially of component parts.

B. *The Amendment Will Not Promote Trademark Monopolization*

Critics of expanding the definition of “goods” to include component parts have a misplaced fear that extending trademark protection to component parts will create exclusive monopolies for trademark owners.¹⁶¹ In *Giles*, the Tenth Circuit declined trademark protection to the patch sets because it did not want to create a commercial monopoly for the company.¹⁶² The reasoning of the court is based on the rights conferred by a trademark registration.¹⁶³

A trademark registration is obtained by filing an application with the United States Patent and Trademark Office and using the trademark in commerce (or intending to use it in commerce) in connection with *specified* goods or services.¹⁶⁴ Once registration is obtained, the trademark owner may exclusively use the trademark in commerce in connection with the *specified* goods or services.¹⁶⁵ Specifically, a trademark registration does *not* confer exclusive rights to use the trademark on *any* products; it only prevents use of a similar mark on such goods as would be likely to cause confusion.¹⁶⁶ Thus, critics argue that expanding trademark protection to component parts now creates a

¹⁶⁰ See Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, 120 Stat. 285 (2006) (to be codified at 18 U.S.C. § 2320).

¹⁶¹ See *United States v. Giles*, 213 F.3d 1247, 1250-51, 54 U.S.P.Q.2d (BNA) 1919, 1922 (10th Cir. 2000).

¹⁶² See *id.*

¹⁶³ See *id.* at 1252, 54 U.S.P.Q.2d (BNA) at 1924.

¹⁶⁴ See KANE, *supra* note 21, at 6-5.

¹⁶⁵ See *id.* at 6-3.

¹⁶⁶ See *id.* at 1-12, 1-13.

monopoly for trademark owners beyond the goods specified in the trademark registration.¹⁶⁷

Component parts, however, are intended for use on goods that will likely cause confusion.¹⁶⁸ Although a remote possibility exists that those trafficking in counterfeit component parts will attach the parts to something other than the intended complete counterfeit good, it is much more probable that the component parts will end up attached to the counterfeit product.¹⁶⁹ One commentator argues that “[c]ounterfeiters know that their prospective customers are more likely to purchase counterfeit products when those products resemble genuine items already available in the marketplace.”¹⁷⁰

Realistically, companies cannot be expected to obtain registration for labels, patch sets, and other component parts because items of this nature are not used “in commerce.”¹⁷¹ In order to obtain registration for a trademark, the particular item bearing the trademark must be used in commerce.¹⁷² Trademark owners are not permitted to merely reserve rights in their trademarks without actually engaging in commercial activity.¹⁷³

For example, a handbag designer cannot obtain a trademark registration for the emblem bearing the trademark logo affixed to the handbag.¹⁷⁴ The handbag is what is used in commerce, not the emblem.¹⁷⁵ In order for the

¹⁶⁷ See *Giles*, 213 F.3d at 1250, 54 U.S.P.Q.2d (BNA) at 1922.

¹⁶⁸ See *Peterson*, *supra* note 8, at 485-86.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.* at 486. “Because it is easier for counterfeiters to sell something that is clearly recognized, and because the whole purpose of counterfeiting is to make easy money, counterfeiters are not likely to branch into completely unrelated product lines.” *Id.*

¹⁷¹ See *KANE*, *supra* note 21, at 6-5, 6-6. Use in commerce is bona fide use of the mark in the ordinary course of trade. *Id.*

¹⁷² See *id.* (defining intent to use applications).

¹⁷³ See *id.*

¹⁷⁴ See *id.* (defining use in commerce).

¹⁷⁵ See *id.*

trademark owner to obtain registration for the emblem, the emblem would need to be sold separately from the handbag.¹⁷⁶

In *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Manufacturing, Inc.*, the Fifth Circuit treated the definition of goods under the TCA as identical to the definition of goods under the Lanham Act.¹⁷⁷ The court noted that its decision to consider component parts “goods” within the meaning of the Lanham Act “may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs.”¹⁷⁸ The court, however, recognized that the patches were intended to be sold on products that would confuse the public as to the source.¹⁷⁹ One of the primary goals of trademark law is to protect the public from the exact confusion that would result if the labels were not considered goods within the meaning of the statute.¹⁸⁰ Although the labels in *Boston Professional Hockey Ass'n* were sold directly to the public, labels sold in furtherance of counterfeiting goods ultimately confuse the public.¹⁸¹

Expanding the definition of goods to include component parts prevents trafficking in component parts, which are intended for use in the furtherance of counterfeiting goods.¹⁸² This change will not grant a monopoly to trademark owners, but will protect the rights that trademark law already guarantees.

C. *Concluding Remarks on the Effectiveness of the Amendment*

The Amendment will deter counterfeiting of component parts, because it closes the loophole in the law. Now counterfeiters who traffic component parts will be prosecuted as counterfeiters trafficking the entire counterfeit item. Because the legislation was just recently passed, there are no current cases

¹⁷⁶ See generally *id.*

¹⁷⁷ 510 F.2d 1004, 1013, 185 U.S.P.Q. (BNA) 364, 370 (5th Cir. 1975).

¹⁷⁸ *Id.* at 1011, 185 U.S.P.Q. (BNA) at 368. The court further elaborated that “the two become so intermeshed when viewed against the backdrop of the common law of unfair competition that both the public and plaintiffs are better served by granting the relief sought by plaintiffs.” *Id.*

¹⁷⁹ See *id.* at 1009, 185 U.S.P.Q. (BNA) at 366-67, 369.

¹⁸⁰ See generally KANE, *supra* note 21, at 1-9 (describing protection of trademark law).

¹⁸¹ See *id.* at 1-11, 1-13.

¹⁸² See H.R. 32, 109th Cong. (2005).

illustrating its effects. Likewise, it will be interesting to see the effect the legislation has on the future Customs statistics. It is just a matter of time before counterfeiters learn of the new law and statistics show a decrease in trafficking in counterfeit component parts. By passing this legislation, Congress has sent a strong message that counterfeiting will not be tolerated in any form:

This legislation helps protect the rights of America's consumers, workers, and entrepreneurs by strengthening our laws against counterfeit labels and packaging; by strengthening penalties for counterfeiters; and by giving prosecutors new tools to stop those who defraud American consumers. . . . [O]ur free enterprise system [is] threatened by those who try to take shortcuts to success by copying existing products to deceive consumers and unfairly profit from someone else's work. The [Amendment] protects the work of American innovators, strengthens the rule of law, and helps keep American families safe America is productive, innovative, and entrepreneurial—and the [Amendment] will help keep it that way.¹⁸³

¹⁸³ The White House, Fact Sheet: President Signs Stop Counterfeiting in Manufactured Goods Act, <http://www.whitehouse.gov/news/releases/2006/03/20060316-6.html> (last visited Feb. 4, 2007).