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## The Crime of Product Counterfeiting: A Legal Analysis of the Usage of State-Level Statutes

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# THE CRIME OF PRODUCT COUNTERFEITING: A LEGAL ANALYSIS OF THE USAGE OF STATE- LEVEL STATUTES

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YOUNG\*\*\*, \*\*\*\*

## Table of Contents

|  |            |
|--|------------|
| <b>EXECUTIVE SUMMARY.....</b>                    | <b>126</b> |
| <b>I.INTRODUCTION .....</b>                      | <b>127</b> |
| <b>II.INCONSISTENCY ACROSS THE STATES.....</b>   | <b>132</b> |
| <b><i>CASE STUDY: STATE OF NEW YORK.....</i></b> | <b>139</b> |
| <b><i>RECOMMENDATIONS .....</i></b>              | <b>141</b> |

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|   |            |
|---|------------|
| <b>III. STATUTE USE AND INTERPRETATION BY COURTS</b> .....      | <b>141</b> |
| <i>CONSTITUTIONALITY OF STATUTE AND TENSION WITH FIRST</i>      |            |
| <i>AMENDMENT</i> .....  | <b>142</b> |
| <i>PREEMPTION OF STATUTE BY FEDERAL LAW</i> .....               | <b>143</b> |
| <i>CRIMINAL SIMULATION AND FORGERY STATUTES FOR PROSECUTION</i> |            |
| <i>OF TRADEMARK COUNTERFEITING</i> .....                        | <b>144</b> |
| <i>RESTITUTION TO BRAND OWNER VICTIMS</i> .....                 | <b>146</b> |
| <i>OTHER ISSUES</i> .....                                       | <b>146</b> |
| <i>RECOMMENDATIONS</i> .....                                    | <b>147</b> |
| <b>IV. EVIDENTIARY ISSUES EMPHASIZE RELATIONSHIP WITH BRAND</b> |            |
| <b>OWNER</b> .....  | <b>147</b> |
| <i>USE OF EXPERT WITNESSES AND BRAND OWNERS</i> .....           | <b>148</b> |
| <i>DEFENDANT'S KNOWLEDGE</i> .....                              | <b>151</b> |
| <i>RECOMMENDATIONS</i> .....                                    | <b>152</b> |
| <i>CONCLUSION</i> .....   | <b>152</b> |

#### EXECUTIVE SUMMARY

This legal analysis of the state-level trademark counterfeiting criminal enforcement framework in the United States (“U.S.”) scrutinizes the use and non-use of state statutes to prosecute and convict trademark counterfeiters.

Relying on state-level appellate court cases and conviction data, we found: (1) states inconsistently use and interpret criminal anti-counterfeiting statutes across the U.S.; and (2) strategies for building evidence in trademark counterfeiting criminal cases are strongest when based on cooperation with the victim (trademark owner).

Based on our findings, to improve state-level anti-counterfeiting efforts, we recommend several best practices:

- Adoption of specific criminal trademark counterfeiting statutes if states do not already have a statute;
- Continued involvement and testimony by brand owners to distinguish between counterfeit and genuine product; and

- Continued and expanded collaboration and educational efforts between law enforcement, prosecutors, private investigators, and brand owners regarding trademark counterfeiting, as well as the potential danger to the health and safety of the public and possible connections to organized crime and terrorism.

## I. INTRODUCTION

The criminal statutory framework prohibiting trademark counterfeiting is important for many reasons, including the protection of intellectual property rights, economic detriment caused by counterfeits, health and safety issues, and potential connections to other criminal enterprises (including organized crime and terrorism).<sup>1</sup> Although U.S. federal enforcement of trademark rights remains one of the primary and most well-known remedies available to brand owners and prosecutors to address trademark counterfeiting,<sup>2</sup> it is fraught with challenges.<sup>3</sup> Federal law enforcement does not always prioritize trademark infringement crimes; investigations are lengthy and complex; penalties are lax (particularly when

1. For our research, we restricted our examination to criminal trademark counterfeiting, which varies definitionally from state to state. The general definition includes the unauthorized reproduction of a trademark or logo for selling a product; from there, the definitions vary. However, we exclude other types of ‘counterfeiting,’ such as monetary, documents, stamps or government seals, and many others. Additionally, we did not include other types of intellectual property involving patents, copyrights, or trade secrets, which can use similar terminology such as ‘knock-offs’ or ‘fakes.’ For in-depth discussions of the importance of intellectual property rights and the detriments of trademark counterfeiting crime, see U.S. Chamber of Commerce, *Measuring the Magnitude of Global Counterfeiting: Creation of a Contemporary Global Measure of Physical Counterfeiting*, GLOBAL INTELL. PROP. CTR. (2016), <http://www.theglobalipcenter.com/measuring-the-magnitude/>; see also Brandon A. Sullivan, et al., *Illicit Trade in Counterfeit Products: An Examination of the Opportunity-Risk Connection*, in HANDBOOK OF RESEARCH ON COUNTERFEITING AND ILLICIT TRADE (Peggy E. Chaudhry ed., Edward Elgar 2017); PEGGY E. CHAUDHRY & ALAN ZIMMERMAN, *THE ECONOMICS OF COUNTERFEIT TRADE: GOVERNMENTS, CONSUMERS, PIRATES AND INTELLECTUAL PROPERTY RIGHTS* (2009).

2. Federal prosecutors can pursue criminal cases either under the Trademark Counterfeiting Act of 1984 or the Anticounterfeiting Consumer Protection Act of 1996. Multiple defendants can also be prosecuted for trafficking in counterfeit goods under conspiracy 18 U.S.C. § 371.93 (1994).

3. 18 U.S.C. § 2320(a) (2016). Federal anti-counterfeiting statutes require intent and knowledge on the part of a defendant. U.S. Dep’t of Justice, U.S. Attorneys’ Manual § 9-27.230, <https://www.justice.gov/jm/jm-9-27000-principles-federal-prosecution> Federal prosecutors’ must account for several factors when deciding to pursue a trademark counterfeiting case, including (1) [current] federal law enforcement priorities; (2) the nature and seriousness of the offense; (3) the deterrent effect of prosecution; (4) the person’s culpability in connection with the offense; (5) the person’s history with respect to criminal activity; (6) The person’s willingness to cooperate in the investigation or prosecution of others; and (7) The probable sentence or other consequences if the person is convicted.

compared to other crime types); and prosecution rates do not necessarily keep pace with increasing seizures and criminal investigations of intellectual property violations.<sup>4</sup> Federal prosecutors must also consider whether other jurisdictions are able to pursue the same case, as states have concurrent jurisdiction with federal courts for criminal trademark offenses and state charges are permissible in addition to or in place of federal charges.<sup>5</sup> These challenges at the federal level substantiate the need for brand owners to consider utilizing state statutes to enforce their trademark rights. Each state has established a statutory framework with some type of criminal statute that allows for the prosecution of trademark counterfeiting.<sup>6</sup>

In this analysis, we examine the use of state criminal trademark counterfeiting statutes, which we argue are a vital yet largely untapped resource for brand protection. Brand owners can capitalize on understanding the complexities of the state-level legal framework governing trademark rights. The provisions of state statutes may differ both from federal statutes and from similar laws in other states.<sup>7</sup> Furthermore, the enforcement of these laws varies widely across the states, although existing knowledge of the extent of these differences is limited.

4. See generally Sullivan et al., *supra* note 1 (discussing the factors facilitating criminal opportunities for product counterfeiting, including the challenges of investigating these crimes); U.S. Gov't Accountability Off. GAO-08-157 INTELLECTUAL PROPERTY: FEDERAL ENFORCEMENT HAS GENERALLY INCREASED, BUT ASSESSING PERFORMANCE COULD STRENGTHEN LAW ENFORCEMENT EFFORTS (2008), <http://www.gao.gov/new.items/d08157.pdf> (providing an overview of federal intellectual property crime enforcement efforts and priorities). See, e.g., U.S. Dep't of Justice, FY 2012 Performance and Accountability Report (2012). (In fiscal years 2011 and 2012, investigations increased to 330 and 314, respectively, compared to 243 investigations in the fiscal year 2009. However, prosecutions were roughly the same, with 150 in the fiscal year 2009 and 152 in the fiscal year 2012.)

5. U.S. Dep't of Justice, U.S. Attorneys' Manual § 9-27.220, <https://www.justice.gov/jm/jm-9-27000-principles-federal-prosecution> (last updated Feb. 2018). Federal prosecutors can decline a case if another jurisdiction has enough evidence to prosecute, with the alternative jurisdiction most likely being state or local authorities. *Id.*

6. See Jeremy M. Wilson, et al., *Product Counterfeiting Legislation in the United States: A Review and Assessment of Characteristics, Remedies, and Penalties*, 106 J. OF CRIM. L. & CRIMINOLOGY 521, 527-33 (2016) (providing an overview of federal and state trademark counterfeiting legislation). Note that New Mexico does not have a dedicated general criminal statute, although it does have statutes dealing specifically with pharmaceuticals, medical devices, and cosmetics. See N.M. STAT. ANN. § 26-1-6 (1972). It may be possible to bring counterfeit claims under forgery statutes, although this is not specifically outlined in the statute.

7. Wilson, et al., *supra* note 6, at 534. Generally, state trademarks are only protected within the state of registration or by the state's common law, while a federally registered trademark is protected throughout the U.S. Some states also permit the enforcement of federally registered trademarks.

To provide a better understanding of this variation in state-level enforcement, we analyzed available data on the enforcement of such statutes throughout the criminal adjudication process. This includes the process from the commission of a trademark counterfeiting crime to charges issued under existing anti-counterfeiting statutes, to a verdict and imposition of sentencing, and through any appeals and final convictions (Figure 1).

This data provides insights on three overarching issues: (1) how states have inconsistently used anti-counterfeiting statutes; (2) how state courts have interpreted their respective statutes; and (3) evidentiary issues produced by the brand owner to obtain convictions.

To qualify, this information does not yield a complete picture of product counterfeiting in the states. First, the “dark figure” of trademark counterfeiting crime is largely unknown due to the illicit nature of the crime, the lack of prioritization from law enforcement, inconsistent record keeping, and the challenges of obtaining accurate measurements.<sup>8</sup> Second, not all arrests result in criminal charges (as indicated in Figure 1). Some states collect this data according to their criminal statutes, while others do not. Third, in several states where data broken down by statute is collected, appellate court records indicate there was a conviction, while the available state conviction data does not.<sup>9</sup> Hence, our analyses focus on conviction and, particularly, appellate court data, and their insights on the challenges and strategies of the prosecutors, law enforcement, and defense.

To obtain data on convictions, we contacted state corrections offices, court administrative offices, and statistical centers for aggregate counts of those convicted under trademark counterfeiting statutes from 2006 to 2015.<sup>10</sup> States varied widely in their availability and willingness to share

8. See Jeremy M. Wilson, et al., *Measuring the “Unmeasurable”: Approaches to Assessing the Nature and Extent of Product Counterfeiting*, 26 INT’L CRIM. JUST. REV. 259, 265 (2016).

9. See the case of North Carolina. For example, in *State v. Lynch*, the appellate court notes the year and county of the defendant’s prior convictions. *State v. Lynch*, 217 N.C. App. 455, 458 (2011). In the data that the state of North Carolina sent to us, no convictions for counterfeit trademarks can be found in those years and in those counties. However, there are some entries that were not coded that could account for this anomaly.

10. Information on counterfeiting convictions could not be collected on states that only allow trademark counterfeiting cases to be brought under other statutes, such as criminal simulation or forgery. These state’s include Alaska, Alabama, Arkansas, Indiana, Maine, Nebraska, and Utah. Furthermore, New Mexico does not have a criminal trademark statute. The conviction results are based on the 42 remaining states where conviction data should be available For 27 states we could only obtain at least partial data.

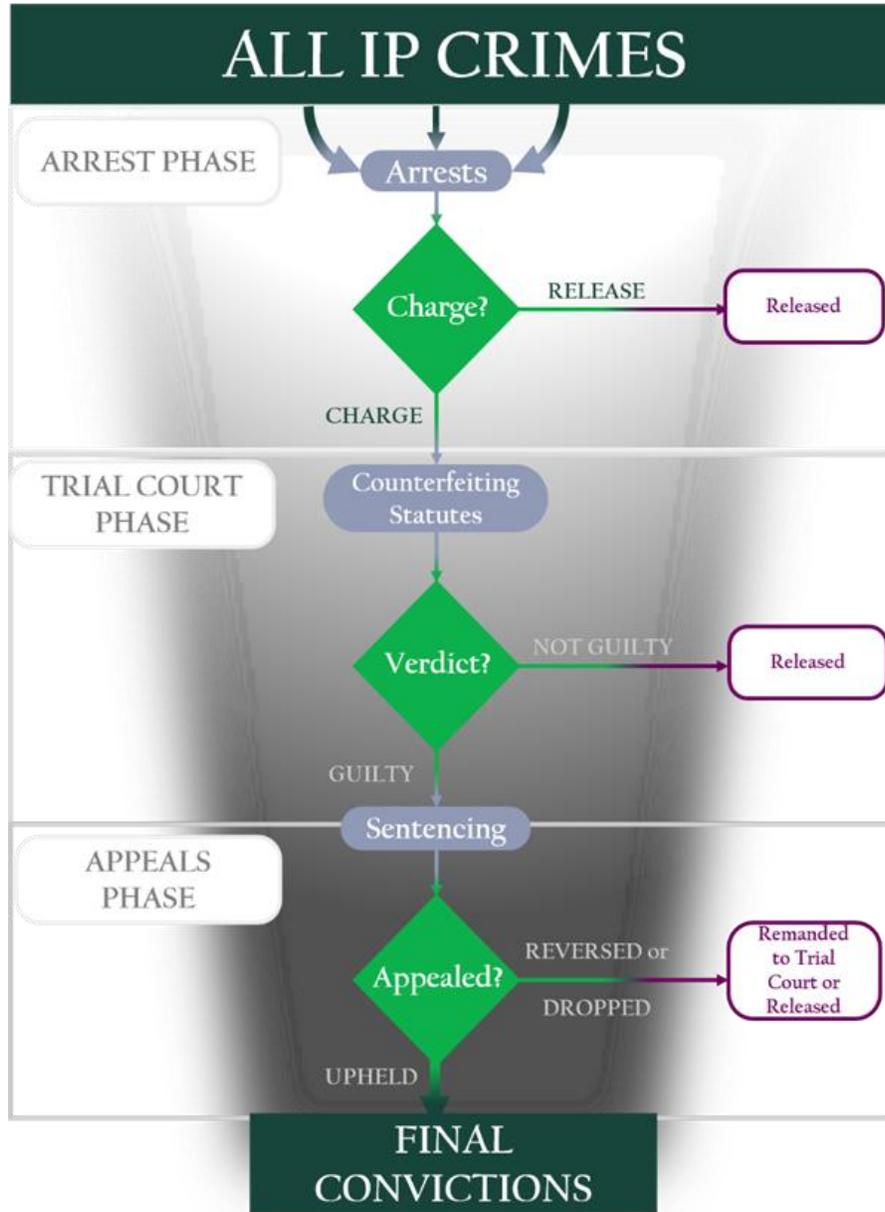
this information.<sup>11</sup> This limited our ability to draw accurate conclusions and implications based on state convictions, although we made several recommendations from the data available.

In contrast, because of the established system for archiving all state appellate cases in state or regional reporters, we located and examined all state appellate trademark counterfeiting cases.<sup>12</sup>

11. As a result, we were unable to obtain any conviction data from fifteen states (California, Louisiana, Minnesota, Mississippi, Montana, Nevada, Oklahoma, Ohio, South Carolina, South Dakota, Texas, Virginia, Wisconsin, Wyoming, and West Virginia). Six states (Arizona, North Carolina, New Hampshire, Kansas, Florida, South Carolina, and Massachusetts) could only provide partial data or data for a limited number of years.

12. For appellate court cases, we searched both Westlaw and LexisNexis databases for appellate court cases at the state appellate and supreme court levels. We searched over 7,000 cases that mentioned 'counterfeit' and used several different methods to ensure we were capturing all relevant cases. Most cases were accessed by looking up the state trademark counterfeiting statute and then seeing what cases were brought under the statute. Other cases were found by using headnotes in Westlaw and LexisNexis.

Figure 1. Trademark Counterfeiting Crime Adjudication Process



## II. INCONSISTENCY ACROSS THE STATES

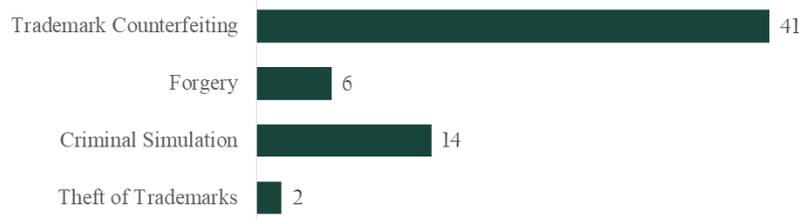
Through our examination of appellate court cases and conviction data, we found that most states do not have an established record of criminal trademark counterfeiting cases. Many states have pursued some cases, but these are minimal. Both the conviction data and appellate court cases show that the clear majority occurred in the State of New York. Court interpretations varied among states that have successfully prosecuted trademark counterfeiting cases.

We were most interested in whether states use their existing criminal trademark counterfeiting laws to prosecute and convict perpetrators of trademark counterfeiting crime. Our previous study of each state's legal framework found 49<sup>13</sup> of 50 states have general legislation available for

13. **Trademark Counterfeiting:** ARIZ. REV. STAT. ANN. § 44-1453 (West 1998); CAL. PEN CODE § 350 (1872); COLO. REV. STAT. § 18-5-110.5 (2001); CONN. GEN. STAT. ANN. § 53-347a (West 1963); DEL. CODE ANN. tit. 11, § 926 (2005); GA. CODE ANN., § 10-1-454 (1996); HAW. REV. STAT. ANN. § 708-875 (1997); IDAHO CODE ANN. § 18-3614 (1972); IDAHO CODE ANN. § 18-3615 (1972); 410 ILCS 620/3.16 (1985); 765 ILCS 1040/4 (1955); 815 ILCS 425/2 (1986); 815 ILCS 425/3 (1986); IOWA CODE § 714.26 (2004); KAN. STAT. ANN. § 21-5825 (2011); KY. REV. STAT. ANN. § 365.241 (West 2000); LA. STAT. ANN. § 14:229 (1984); MD. CODE ANN., CRIM. LAW § 8-611 (West 2002); MASS. GEN. LAWS. ch. 266, § 147 (LexisNexis1998); MICH. COMP. LAWS § 750.263 (1931); MINN. STAT. ANN. § 333.42 (West 1986); MINN. STAT. ANN. § 609.895 (West 1999); MISS. CODE ANN. § 97-21-53 (2011); MISS. CODE ANN. § 97-21-55 (2011); MISS. CODE ANN. § 97-21-57 (2012); MO. REV. STAT. § 570.103 (1998); MONT. CODE ANN. § 30-13-338 (2009); NEV. REV. STAT. ANN. § 205.205 (West 1911); NEV. REV. STAT. ANN. § 205.210 (West 1911); N.H. REV. STAT. ANN. § 638:6-b (2009); N.J. STAT. ANN. § 2C:21-32 (West 1997); N.Y. PENAL LAW § 165.71-74 (McKinney 1992); N.Y. Arts & Cult. Aff. Law § 33.07 (McKinney 1983); N.Y. ARTS & CULT. AFF. § Law 33.09 (McKinney 1983); N.C. GEN. STAT. § 80-11.1 (1967); N.D. CENT. CODE § 51-07-04 (1975); OHIO REV. CODE ANN. § 2913.34 (West 1996); OKLA. STAT. tit. 21, § 1990.2 (1999); OR. REV. STAT. ANN. § 647.140 (West 1999); OR. REV. STAT. ANN. § 647.145b (West 1999); OR. REV. STAT. ANN. § 647.150 (West 1999); 18 PA. CONS. STAT. ANN. § 4119 (1996); 11 R.I. GEN. LAWS 17-13 (1997); S.C. CODE ANN. § 39-15-1190 (1994); S.D. CODIFIED LAWS § 37-6-2 (1939); S.D. CODIFIED LAWS § 37-6-3 (1939); TENN. CODE ANN. § 39-14-152 (2000); TEX. PENAL CODE § 32.23 (1997); VT. STAT. ANN. Tit. 9, § 2530 (1957); VA. CODE ANN. § 59.1-92.13 (1998); WASH. REV. CODE ANN. § 9.16.020 (West 2011); WASH. REV. CODE ANN. § 9.16.030 (West 1999); WASH. REV. CODE ANN. § 9.16.035 (West 1999); W. VA. CODE § 47-2-14(a)-(d)(1996); WIS. STAT. ANN. § 132.02 (West 1985); WYO. STAT. ANN. § 6-3-610 (1982). **Criminal Simulation:** ALA. CODE § 13A-9-10 (1977); ALASKA STAT. § 11.46.530 (1978); ARK. CODE ANN. § 5-37-213 (1975); COLO. REV. STAT. § 18-5-110 (1987); HAW. REV. STAT. ANN. § 708-855 (West 1972); KY. REV. STAT. ANN. § 516.110 (West 1975); ME. REV. STAT. tit. 17-A, § 705 (1976); NEB. REV. STAT. § 28-606 (1977); OHIO REV. CODE ANN. § 2913.32 (West 1972); OR. REV. STAT. ANN. § 165.037 (West 1971); 18 PA. CONS. STAT. ANN. § 4102 (West 1972); TENN. CODE ANN. § 39-14-115 (1989); TEX. PENAL CODE ANN. § 32.22 (West 1974); UTAH CODE ANN. § 76-6-518 (LexisNexis 1973). **Forgery: Table 4(a)(2):** FLA. STAT. ANN. § 831.032 (West 2008); GA. CODE ANN., § 10-1-454 (1996); IDAHO CODE ANN. § 18-3614 (West 1972); IDAHO CODE ANN. § 18-3615 (West 1972); IND. CODE § 35-43-5-2(d) (1976). **Theft of Trademarks:** ALA. CODE § 13A-8-10.4 (1983); IND. CODE § 35-43-4-1(a) (1976); IND. CODE ANN. § 35-43-4-2(a) (West 1976).

prosecuting trademark counterfeiting crimes (Figure 2).<sup>14</sup> The high percentage of states with an applicable statute provides a solid base to pursue prosecutions of counterfeiters, demonstrating that state legislatures typically saw trademark counterfeiting as an issue important enough to have criminal penalties in addition to civil remedies.

Figure 2. Type of State Statute Applicable to Trademark Counterfeiting Crime<sup>15</sup>



All 49 states with a general statute applicable to trademark counterfeiting have statutes that specify incarceration<sup>16</sup> and fines<sup>17</sup>, and 46 provide

14. Wilson et al., *supra* note 6, at Table 4(a).

15. *Id.*

16. ALA. CODE § 13A-8-10.4 (1984); ALA. CODE § 13A-5-11 (2006); ALASKA STAT § 11.46.530 (2016); ALASKA STAT. § 12.55.035 (2015); ARIZ. REV. STAT. ANN. § 44-1453 (2015); ARIZ. REV. STAT. ANN. § 13-801 (1978); ARK. CODE ANN. § 5-37-213 (1975); ARK. CODE ANN. § 5-37-201 (West 2013); CAL. PEN. CODE § 350 (West 2012); CAL. PEN. CODE § 351a (West 1983); COLO. REV. STAT. § 18-5-110.5 (2001); COLO. REV. STAT. § 18-1.3-501; CONN. GEN. STAT. ANN. § 53-347a (West 2013); DEL. CODE ANN. Tit. 11, § 926 (2005); FLA. STAT. ANN. § 831.032 (West 2008); FLA. STAT. ANN. § 775.083 (West 2010); GA. CODE ANN. § 10-1-454 (2015); HAW. REV. STAT. ANN. § 482-31 (West 2008); HAW. REV. STAT. ANN. § 482-33 (West 2001); HAW. REV. STAT. ANN. § 328-29 (West 1959); IDAHO CODE ANN. § 18-3614 (West 1972); IDAHO CODE ANN. § 18-113 (West 2005); 765 ILCS 1040/8 (2010); 730 ILCS 5/5-4.5-50 (2009); IND. CODE § 35-43-5-2 (a) (2016); IND. CODE § 35-50-2-7 (2013); IOWA CODE § 714.16 (2015); IOWA CODE § 902.9; KAN. STAT. ANN. § 21-5825 (2011); KAN. STAT. ANN. § 81-215 (1999); KY. REV. STAT. ANN. § 365.241 (West 2000); KY. REV. STAT. ANN. § 532.030 (West 1994); LA. STAT. ANN. § 14:229 (2011); ME. REV. STAT. tit. 17-A, § 705 (2015); ME. REV. STAT. tit. 17A, § 1301 (1991); MD. CODE ANN., CRIM. LAW § 8-611 (West 2002); MASS. ANN. LAWS. Ch. 266, § 147 (LexisNexis 1998); MICH. COMP. LAWS. § 750.263 (2003); MINN. STAT. ANN. § 333.42 (West 1986); MINN. STAT. ANN. § 609.02 (West 2016); MINN. STAT. ANN. § 609.895 (West 1995); MISS. CODE ANN. § 97-21-53 (2012); MISS. CODE ANN. § 97-21-57 (2012); MO. REV. STAT. § 570.103 (2017); MO. REV. STAT. § 558.002 (2017); MONT. CODE ANN. § 30-13-338 (2011); NEB. REV. STAT. § 28-606 (1977); NEB. REV. STAT. § 28-106 (1977); NEV. REV. STAT. ANN. § 205.210 (West 1999); NEV. REV. STAT. ANN. § 193.130 (West 1999); N.H. REV. STAT. ANN. § 638:6-b (2010); N.J. STAT. ANN. § 2C:21-32 (West 2000); N.Y. PENAL LAW § 165.73 (McKinney 1995); N.Y. PENAL LAW § 80.00 (McKinney 2014); N.C. GEN. STAT. § 80-11.1 (1995); N.C. GEN. STAT. § 15A-1340.17 (2013); N.D. CENT. CODE § 51-07-04 (1975); N.D. CENT. CODE § 12.1-32-01.1 (1975); N.D. CENT. CODE § 12.1-32-02 (1973); OHIO

restitution<sup>18</sup> to the victim brand owner (Figure 3).<sup>19</sup> In addition, 44 of these 49 states have misdemeanor provisions<sup>20</sup> and 43 have felony provisions<sup>21</sup>,

REV. CODE ANN. § 2913.34 (West 2011); OHIO REV. CODE ANN. 2929.18 (West 2015); OKLA. STAT. tit. 21, § 1990.2 (1999); OR. REV. STAT. ANN. § 647.150 (West 1999); OR. REV. STAT. ANN. § 161.625 (West 1971); 18 PA. CONS. STAT. ANN. § 4119 (2010); 11 R.I. GEN. LAWS § 17-13 (1997); S.C. CODE ANN. § 39-15-1190 (2006); S.D. CODIFIED LAWS § 22-6-2 (2005); S.D. CODIFIED LAWS § 37-6-2 (1977); TENN. CODE ANN. § 40-35-111 (2007); TENN. CODE ANN. § 39-14-105 (1989); TENN. CODE ANN. § 39-14-152 (2005); TEX. PENAL CODE ANN. § 12.32 (West 2009); TEX. PENAL CODE 32.23 (West 2015); VT. STAT. ANN. Tit. 9, § 2531 (1971); VA. CODE ANN. § 59.1-92.13 (2011); VA. CODE ANN. § 18.2-10 (2008); WASH. REV. CODE ANN. § 9.16.035 (West 1999); WASH. REV. CODE ANN. § 9A.20.021 (West 2015); W. VA. CODE § 47-2-14(a)-(d); WIS. STAT. ANN. § 132.20 (West 2002); WIS. STAT. ANN. § 939.50 (West 2001); WYO. STAT. ANN. § 35-7-1033(a) (2009); WYO. STAT. ANN. § 6-3-601 (1982); WYO. STAT. ANN. § 6-3-602 (1982).

17. See *supra*, note 16.

18. ALA. CODE § 15-18-66 (1980); ARIZ. REV. STAT. ANN. § 44-1453 (2015); ARIZ. REV. STAT. ANN. § 13-804 (1978); ARK. CODE ANN. § 5-4-205 (2014); CAL. PEN CODE § 350 (2012); COLO. REV. STAT. § 18-1.3-603 (2002); CONN. GEN. STAT. ANN. § 21a-90 (West 2015); CONN. GEN. STAT. ANN. § 53a-28 (1971); FLA. STAT. ANN. § 831.032 (West 2008); GA. CODE ANN. § 17-14-3 (1980); HAW. REV. STAT. § 706-646 (1972); IDAHO CODE ANN. § 19-5304 (2008); 765 ILLCS 1040/8 (2010); IND. CODE § 35-40-5-7 (1999); IOWA CODE § 915.100 (2003); KAN. STAT. ANN. 81-215 (1999); KAN. STAT. ANN. 21-6604 (2015); KY. REV. STAT. ANN. § 365.241 (2000); LA. CODE CRIM. PRO. 883.2; ME. REV. STAT. tit. 17A-§ 1325; MD. CODE ANN., CRIM. LAW § 11-603; MASS. ANN. LAWS ch. 258B, 3(o); MCL 780.766 (2013); MINN. STAT. ANN. § 333.28 (1959); MINN. STAT. ANN. § 333.29 (1998); MISS CODE ANN. § 99-37-3 (2003); MO. REV. STAT. 559.105(1) (2013); MONT. CODE ANN. § 30-13-338 (2011); NEB. REV. STAT. 29-2280 (1992); NEV. REV. STAT. ANN. 176.033 (1995); N.H. REV. STAT. ANN. 638:6-b (2010); N.J. STAT. ANN 2C:44-2 (1978); N.Y. PENAL LAW § 60.27; N.C. GEN. STAT. § 15A-1340.34 (1998); N.D. CENT. CODE § 51-07-04 (1975); N.D. CENT. CODE 12.1-32-02; OHIO REV. CODE ANN. § 2913.34 (1997); OHIO REV. CODE ANN. § 2929.18 (2015); OKLA. STAT. tit. 21, 1990.2 (1999); OR. REV. STAT. ANN. 647.150 (1999); OR. REV. STAT. ANN. § 161.625 (1971); 18 PA. CONS. STAT. ANN. § 1106 (2004); 12 R.I. GEN. LAWS 28-5.1 (2013); S.C. CODE ANN. 17-25-322 (1996); S.D. CODIFIED LAWS 22-6-2 (2005); S.D. CODIFIED LAWS § 37-6-2 (1977); TENN. CODE ANN. 39-11-118 (1996); TEX. CODE CRIM PROC. ART. 42.037 (1993); UTAH CODE ANN. 77-38a-302 (2016); VT. STAT. ANN. tit. 13 § 5353 (2007); VA. CODE ANN. § 19.2-305.1 (2015); WASH. REV. CODE ANN. § 9.94A.750 (2003); WASH. REV. CODE ANN. § 9A.20.030 (1982); WIS. STAT. ANN. 973.20 (2015); WYO. STAT. ANN. § 7-9-102.

19. Wilson et al., *supra* note 6, at Tables 6(c)-(d).

20. ALA. CODE § 13A-9-10 (1977); ALASKA STAT. § 11.46.530 (2016); ARIZ. REV. STAT. ANN. § 44-1453 (2015); ARK. CODE ANN. § 5-37-213 (1975); CAL. PEN. CODE § 350 (2012); COLO. REV. STAT. § 18-5-110.5 (2001); DEL. CODE ANN. tit. 11, § 926 (2005); FLA. STAT. ANN. § 831.032 (West 2008); GA. CODE ANN. § 10-1-454 (2015); IDAHO CODE ANN. § 18-3615 (1972); 765 ILL. COMP. STAT. 1040/2 (2010); 765 ILL. COMP. STAT. 1040/3 (2010); 765 ILL. COMP. STAT. 1040/4 (1997); 765 ILL. COMP. STAT. 1040/8 (2010); 815 ILL. COMP. STAT. 425/2 (1986); 815 ILL. COMP. STAT. 425/3 (1986); IND. CODE ANN. § 35-43-4-2 (a) (2014); IOWA CODE § 714.26 (2013); KAN. STAT. ANN. § 21-5825 (2011); KY. REV. STAT. ANN. § 365.241 (2000); ME. REV. STAT. ANN. tit. 17-A, § 705 (2015); MD. CODE ANN., CRIM. LAW § 8-611 (2012); MASS. ANN. LAWS ch. 266, § 147 (1998); MICH. COMP. LAWS § 750.263 (2003); MINN. STAT. ANN. § 333.42 (1986); MISS. CODE ANN. § 97-21-53 (2011); Mo. Rev. Stat. § 570.103 (2014); MONT. CODE ANN. § 30-13-338 (2009); NEB. REV. STAT. § 28-606 (1977); NEV. REV. STAT. ANN. § 205.195 (1967); NEV. REV. STAT. ANN. § 205.200 (1967); NEV. REV. STAT. ANN. § 205.205 (1967); NEV. REV. STAT. ANN. § 205.210 (1999); N.H. REV. STAT. ANN. § 638:6(b) (2009); N.Y. PENAL LAW § 165.71 (1992); N.C. GEN. STAT. § 80-11.1 (1995); N.D. CENT. CODE § 51-07-04 (1975); OHIO REV. CODE ANN. § 2913.34 (West 2011); OKLA. STAT. tit. 21, § 1990.2 (1999); OR. REV. STAT. ANN. § 647.140 (1999); 18 PA. CONS. STAT. § 4119 (2010); 11 R.I. GEN. LAWS § 17-

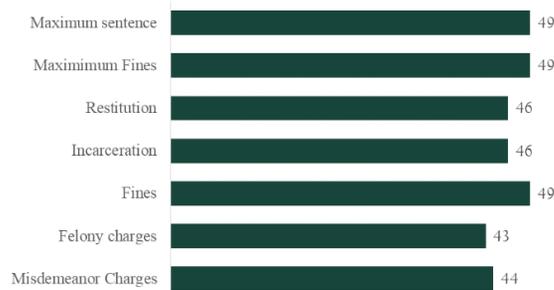
showing that in most states' prosecutors can bring various levels of trademark counterfeiting charges.<sup>22</sup>

13 (1997); S.C. CODE ANN. § 39-15-1190 (2006); S.D. CODIFIED LAWS § 37-6-2 (1977); S.D. CODIFIED LAWS § 37-6-3 (1977); TENN. CODE ANN. § 39-14-152 (2005); TEX. PENAL CODE § 32.23 (2015); UTAH CODE ANN. § 76-6-518 (2010); VT. STAT. ANN. tit. 9, § 2531 (1971); VA. CODE ANN. § 59.1-92.13 (2011); WASH. REV. CODE ANN. § 9.16.035 (1999); W. VA. CODE § 47-2-14(a)-(d) (1996); WYO. STAT. ANN. § 6-3-610 (1983).

21. ALA. CODE § 13A-5-11 (2006); ALA. CODE § 13A-8-10.4 (1984); ALASKA STAT. § 11.46.530 (2016); ALASKA STAT. § 12.55.035 (2015); ARIZ. REV. STAT. ANN. § 44-1453 (2015); ARIZ. REV. STAT. ANN. § 13-801 (1977); ARK. CODE ANN. § 5-37-201 (West 2013); ARK. CODE ANN. § 5-37-213 (1975); CAL. PEN CODE § 350 (2012); CAL. PENAL. CODE § 351a (West 1983); COLO. REV. STAT. § 18-1.3-501 (2002); COLO. REV. STAT. § 18-5-110.5 (2001); CONN. GEN. STAT. ANN. § 53-347a (West 2013); DEL. CODE ANN. tit. 11, § 926 (2005); FLA. STAT. ANN. § 775.083 (West 2010); FLA. STAT. ANN. § 831.032 (West 2008); GA. CODE ANN. § 10-1-454 (2015); HAW. REV. STAT. ANN. § 482-31 (West 2008); HAW. REV. STAT. ANN. § 482-33 (West 2001); HAW. REV. STAT. ANN. §§ 708-875(3) (1997); HAW. REV. STAT. ANN. § 328-29 (West 1959); IDAHO CODE ANN. § 18-113 (West 2005); IDAHO CODE ANN. § 18-3614 (West 1972); 410 ILCS 620/5(a) (2012); 765 ILCS 1040/8 (2010); 730 ILL. COMP. STAT. 5/5-4.5-50 (2009); IND. CODE § 35-43-5-2(a) (2016); IND. CODE § 35-50-2-7 (2013); IOWA CODE § 714.16 (2015); IOWA CODE § 714.26 (2013); IOWA CODE § 902.9 (1978); KAN. STAT. ANN. § 21-5825 (2011); KAN. STAT. ANN. § 81-215 (1999); KY. REV. STAT. ANN. § 365.241 (2000); KY. REV. STAT. ANN. § 532.030 (West 1994); LA. REV. STAT. ANN. 14:229 (2011); LA. REV. STAT. ANN. § 14:2(A)(4); ME. REV. STAT. tit. 17-A, 705 (2015); ME. REV. STAT. ANN. tit. 17-A, § 1301 (1991); MD. CODE ANN., CRIM. LAW § 8-611 (2002); MASS. ANN. LAWS. ch. 266, 147 (LexisNexis 1998); MCL 750.263 (2003); MICH. COM. LAWS § 750.263 (2003); MINN. ANN. § 609.02 (West 2016); MINN. STAT. ANN. 609.895 (1999); MINN. STAT. ANN. § 609.895 (West 1995); MINN. STAT. ANN. § 333.42 (West 1986); MISS. CODE ANN. § 97-21-53 (2012); MISS. CODE ANN. § 97-21-53 (2012); MISS. CODE ANN. § 97-21-53 (2011); MO. REV. STAT. § 570.103 (2017); MO. REV. STAT. § 558.002 (2017); MO. REV. STAT. § 570.103 (2014); MONT. CODE ANN. § 30-13-338 (2011); NEV. REV. STAT. ANN. § 205.210 (1999); NEV. REV. STAT. ANN. § 193.130 (West 1999); NEV. REV. STAT. ANN. § 205.210 (West 1999); NEB. REV. STAT. § 28-606 (1977); NEB. REV. STAT. § 28-106 (1977); N.H. REV. STAT. ANN. § 638:6-b (2010); N.J. STAT. ANN. § 2C:21-32 (2000); N.Y. PENAL LAW 80.00 (McKinney 2014); N.Y. PENAL LAW § 165.73 (1995); N.Y. PENAL LAW § 165.72 (1995); N.C. GEN. STAT. § 15A-1340.17 (2013); N.C. GEN. STAT. § 80-11.1 (1995); N.D. CENT. CODE § 12.1-24-01 (2013); N.D. CENT. CODE § 12.1-32-01.1 (1975); N.D. CENT. CODE § 51-07-04 (1975); N.D. CENT. CODE § 12.1-32-02 (1973); OHIO REV. CODE ANN. § 2929.18 (West 2015); OHIO REV. CODE ANN. § 2913.34 (West 2011); OKLA. STAT. tit. 21, § 1990.2 (1999); OR. REV. STAT. ANN. § 647.145(2) (1999); OR. REV. STAT. ANN. § 647.150 (1999); OR. REV. STAT. ANN. § 161.625 (West 1971); 18 PA. CONS. STAT. ANN. § 4119 (2010); 11 R.I. GEN. LAWS § 11-17-13 (1997); S.C. CODE ANN. § 39-15-1190 (2006); S.D. CODIFIED LAWS § 22-6-2 (2005); S.D. CODIFIED LAWS § 37-6-2 (1977); TENN. CODE ANN. § 40-35-111 (2007); TENN. CODE ANN. § 39-14-152 (2005); TENN. CODE ANN. 39-14-105 (1989); TEX. PENAL CODE § 32.23 (West 2015); TEX. PENAL CODE ANN. § 12.32 (West 2009); UTAH CODE ANN. § 76-6-518(2)(c)-(d) (2010); UTAH CODE ANN. § 76-3-301 (West 1995); VT. STAT. ANN. tit. 9, § 2531 (1971); VA. CODE ANN. § 59.1-92.13 (2011); VA. CODE ANN. § 18.2-10 (2008); WASH. REV. CODE ANN. § 9a.20.021 (West 2015); WASH. REV. CODE ANN. § 9.16.035 (West 1999); W. VA. CODE § 47-2-14(c) (1996); WIS. STAT. ANN. § 132.20 (West 2002); WIS. STAT. ANN. § 939.50 (West 2001); WYO. STAT. ANN. § 35-7-1033(a) (West 2009); WYO. STAT. ANN. § 6-3-610 (1983); WYO. STAT. ANN. § 6-3-601 (West 1982); WYO. STAT. ANN. § 6-3-602 (West 1982).

22. Wilson et al., *supra* note 6, at Table 6(a) (misdemeanor); 6(b)(felony).

*Figure 3. Trademark Counterfeiting Criminal Penalties and Charges by State<sup>23</sup>*



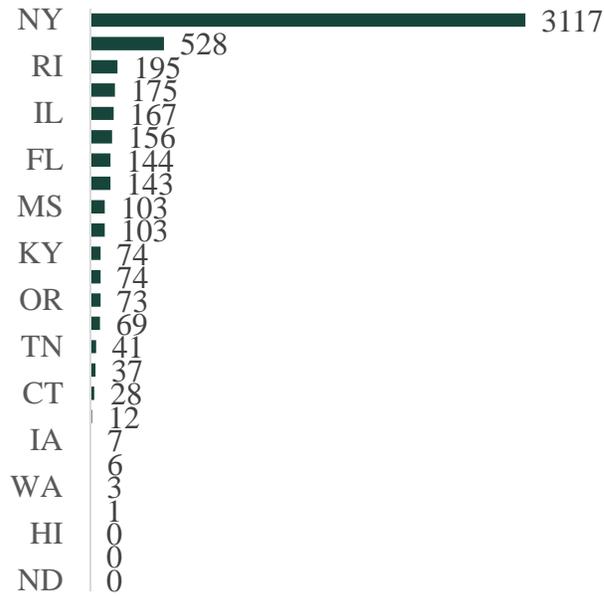
*Limited Use of State Statutes*

Although we identified more than 5,000 total convictions for trademark counterfeiting (Figure 4) from 2006 to 2015 (in the 27 states where at least partial information was available), states have sparingly used their trademark counterfeiting statutes to successfully obtain convictions. New York had by far the highest number with 3,117 total convictions. The average total number of convictions per state (excluding New York as an outlier) was 77, although the conviction numbers of individual states varied widely. Nearly two-thirds of the states ( $n = 17$ , 63 percent) had less than 100 total convictions. Three states (North Dakota, Hawaii, and Vermont) did not have any convictions. Other leading states for convictions were Pennsylvania (528), Rhode Island (195), Massachusetts (175), Illinois (167), Georgia (156), Florida (144), and New Jersey (143).<sup>24</sup>

23. *Id.*

24. Despite not having conviction data available, several states (namely Texas and California) are likely to have high conviction numbers due to a large number of appellate court cases in these states. Further evidence for this is the strong correlation between state convictions and appellate court cases, as the two variables have a Pearson correlation value of 0.99, representing a near perfect positive linear relationship (statistically significant at  $p = 0.00$ ). This, however, is based only on the 25 states for which both conviction and appellate court case data are available and should be cautiously interpreted.

Figure 4. Total Trademark Counterfeiting Convictions by State (2006-2015)



Conviction rates have not been consistent over time and have actually been decreasing in recent years. Figure 5 shows the average annual number of state-level convictions under trademark counterfeiting statutes has decreased in recent years.<sup>25</sup> This trend is concerning given the essential role that states can play in anti-counterfeiting efforts and the reported consistent growth of trademark counterfeiting worldwide.

25. We exclude New York as an outlier given the high number of convictions. Also, we exclude Pennsylvania because its original statute was overturned around 2009 and data was not available for 2006.

*Figure 5. Average Annual State-Level Convictions under Trademark Counterfeiting Statutes (2006-2015)*

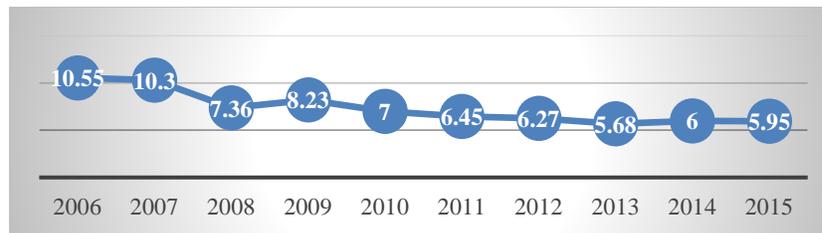


Figure 6 illustrates the number of appellate court cases found across the states (for all years). Five states—New York, Illinois, California, Pennsylvania, and Texas—account for most of these cases. As with convictions, New York has the highest number (11) of appellate cases brought under the current statute.<sup>26</sup> All other states have had a minimal number of cases appealed.<sup>27</sup> Thirty-one states have no appellate court cases brought under trademark counterfeiting statutes (or any other statute under which a counterfeiting case could be brought).<sup>28</sup> In addition, six states with prior appellate court cases<sup>29</sup> did not have any such cases from 2006 to

26. *People v. Brown*, 278 A.D.2d 177, 177 (N.Y.App.Div. 2000) (affirmed); *People v. Wu*, 81 A.D.3d 849, 850 (N.Y. App. Div. 2011); *People v. Johns*, 51 Misc.3d 126(A), \*1 (N.Y. App. Term 2016); *People v. Levy*, 15 N.Y.3d 510, 513 (N.Y. App. Div. 2010); *People v. Ndiaye*, 44 Misc.3d 135(A), \*1 (N.Y. App. Term 2014); *People v. Reyes*, 9 Misc.3d 136(A), \*1 (N.Y. App. Div. 2005); *People v. Sraman*, 27 Misc.3d 144(A), \*1(N.Y. App. Term. 2010); *People v. Velez*, 27 Misc.3d 140(A), \*1 (N.Y. App. Term. 2010); *People v. Wele*, 41 Misc.3d 113(A), \*1 (N.Y. App. Term 2013); *People v. Ouedraogo*, 39 Misc.3d 145(A), \*1 (2013) (N.Y. App. Term 2013); *People v. Seye*, 40 Misc.3d 127(A), \*1 (N.Y. App. Term 2013).

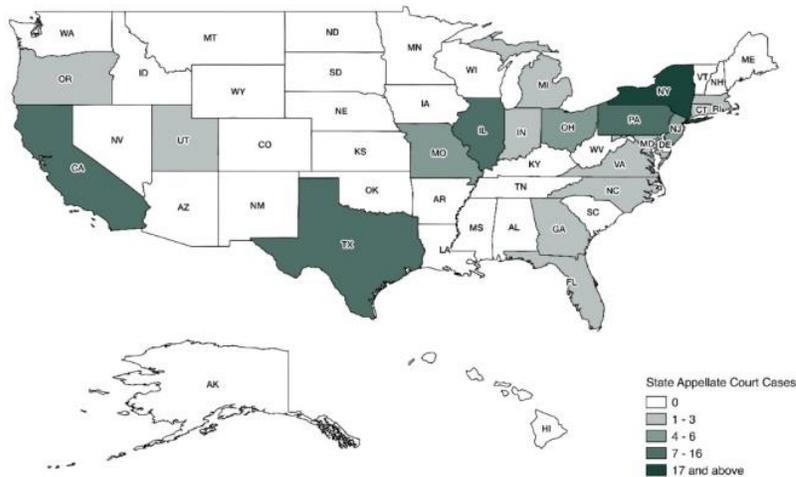
27. California (4), Illinois (4), Indiana (2), Maryland (3), Massachusetts (2), Michigan (1), New Jersey (1), North Carolina (1), Ohio (4), Pennsylvania (3), Texas (2), and Virginia (1).

28. States that did not have any trademark counterfeiting cases appealed include: Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Hawaii, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maine, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Hampshire, North Dakota, Oklahoma, Rhode Island, South Carolina, South Dakota, Tennessee, Vermont, Washington, West Virginia, Wisconsin, Wyoming.

29. *State v. Trumbull*, 1 Conn. Cir. Ct. 454 (1962); *Stern v. State*, 833 So. 2d 190 (2002); *State v. Price*, 267 Ga. App. 280 (2004); *State v. Gibbs*, 56 Mo. 133, (1874); *State v. Niesmann*, 74 S.W. 638 (1903); *State v. Berlinsheimer*, 62 Mo. App. 168 (1895); *State v. Bishop*, 128 Mo. 373 (1895); *State v. Dieckhoff*, 1 Mo. App. 83 (1876); *State v. Thierauf*, 167 Mo. 429 (1902); *State v. Ibkeitan*, 115 Or. App. 415 (1992); *State v. Frampton*, 737 P.2d 183 (1987).

2015.<sup>30</sup> While we cannot account for the number of cases first brought at the trial court level, the small number of appellate cases is indicative of the limited use of trademark counterfeiting statutes in these states.

*Figure 6. State Appellate Court Cases under Trademark Counterfeiting Statutes (all cases through 2015)*

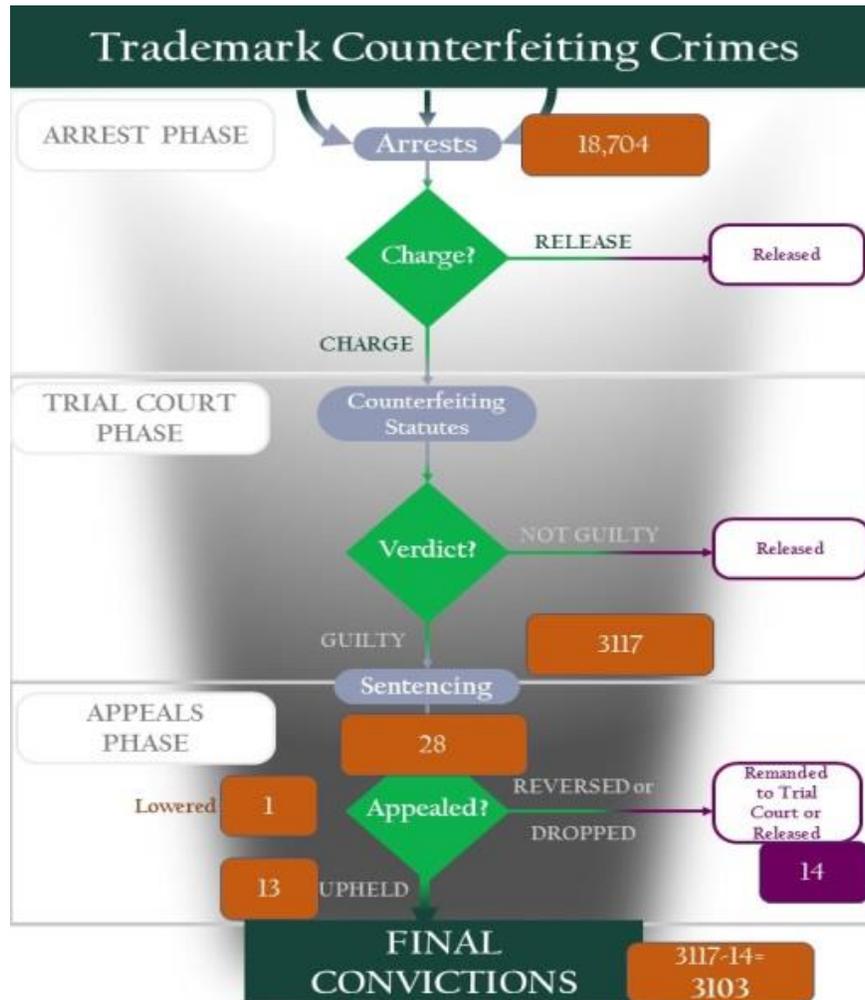


#### *Case Study: State of New York*

Because most convictions and appellate court cases under trademark counterfeiting statutes occurred in the State of New York, we further examined the adjudication process there from arrest to appeal to understand better how trademark counterfeiting convictions fared (Figure 7).

30. Connecticut (last case in 1962); Florida (last case in 2002); Georgia (last case in 2004); Missouri (only cases from the 1800s and early 1900s); Oregon (last case in 1992) and Utah (last case in 1997).

Figure 7. Trademark Counterfeiting Crime Adjudication Process for the State of New York 2006-2015).



The number of trademark counterfeiting convictions has dramatically declined over the last ten years (Figure 8). This mirrors the declines found in the average annual convictions in other states (see Figure 5).

*Figure 8. New York Annual Convictions under Trademark Counterfeit Statutes (2006-2015)*



### *Recommendations*

We recommend that states and brand owners take advantage of and use the available legal frameworks in each state. As indicated through the numbers of convictions and appellate court cases, most states are not taking advantage of their existing anti-counterfeiting legal framework. New York is one example of a state that has used its statutes much more frequently, despite conviction numbers dropping off in the last few years. While we do not expect that all states will use their statutes the same way and as often, due to a variety of factors (e.g., differences in population, crime rates, and funding allocations), room exists for better utilization of these available legal remedies.

### III. STATUTE USE AND INTERPRETATION BY COURTS

After examining the extent to which each state's criminal trademark counterfeiting statutes have been enforced, we next look more in-depth at how prosecutors have used them and interpreted by the courts. Just as statutory language varies by state, state courts' interpretation of these statutes has varied. Several themes emerged from the case law, including (a) constitutionality of the statute; (b) preemption by federal law; (c) use of other statutes (e.g., forgery or criminal simulation) to prosecute trademark counterfeiting; (d) restitution to brand owner victims; and (e) other sentencing issues.

The awareness of law enforcement, prosecutors and brand owners of these issues can help navigate their strategies for prosecution and enforcement. Some of the issues arising in the appellate cases are specific to a jurisdiction or state, while others are questions that arise regarding the subject of trademark counterfeiting and proving elements of the state's case.

### *Constitutionality of Statute and Tension with First Amendment*

Two states—Pennsylvania and Maryland—had appeals that challenged the constitutionality of their trademark statutes. In Pennsylvania at the trial court level, a split on cases brought under the Pennsylvania Trademark Counterfeiting Statute of 1996 led to an appeal to the Supreme Court of Pennsylvania regarding the constitutionality of the statute in *Commonwealth v. Omar*.<sup>31</sup> In particular, the challenge to the statute argued that the language was overly broad and poorly constructed, which had the effect of criminalizing any use or display of a trademark name, including constitutionally protected speech.<sup>32</sup> The Supreme Court of Pennsylvania agreed with the defendants and struck down the statute.<sup>33</sup> Subsequently, the Pennsylvania General Assembly amended the legislation in 2010.<sup>34</sup> Under the current statute, some cases have been brought on appeal for issues such as denial of defendant's motion to suppress evidence<sup>35</sup> and sufficiency of evidence for a conviction.<sup>36</sup> Still, the number of convictions has notably decreased since the legislation was amended (Figure 9). In another case in Maryland, *McCree v. State*, the defendant argued that the trademark counterfeit statute was overly broad and vague, but the court denied the appeal.<sup>37</sup>

31. 18 PA. CONS. STAT. ANN. § 4119 (1996), *invalidated by* *Commonwealth v. Omar*, 981 A.2d 179, 189 (Pa. 2009).

32. *Omar*, 981 A.2d at 186.

33. *Id.* at 189.

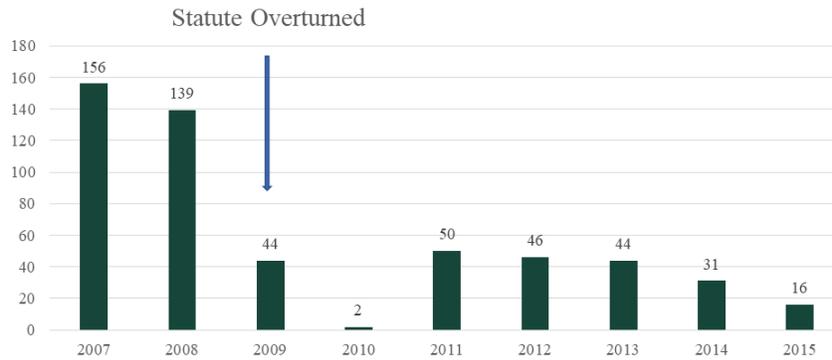
34. *Id.* at 184, *citing* S. 895, Pa. Gen. Assemb., Reg. Sess. (2007-2008).

35. *Com. v. Moore*, 2014 WL 10976181, at \*2 (Pa. Super. Ct. 2014) (denying defendant's appeal); *but see* *Com. v. Chouman*, 2016 WL 1436798, at \*2-4 (Pa. Super. Ct. 2016) (denying Commonwealth's appeal).

36. *Com. v. Smalls*, 2016 WL 1408191, at \*5-6 (Pa. Super. Ct. 2016) (reversing the conviction of trademark counterfeiting).

37. *McCree v. State*, 441 Md. 4, 25 (2014) (discussing MD. CODE ANN., CRIM. LAW § 8-611) (2012).

Figure 9. Pennsylvania Trademark Counterfeiting Convictions (2007-2015)



The disparate treatment of constitutional issues in Pennsylvania and Maryland demonstrates that careful drafting of trademark counterfeiting legislation is vital to ensure that a statute will be upheld against constitutional challenges and that minimal changes in statutory language can result in vastly different interpretations.

#### *Preemption of Statute by Federal Law*

The preemption doctrine states federal law is the controlling authority when a conflict occurs between federal and state laws.<sup>38</sup> The doctrine's power stems from the Supremacy Clause of the Constitution and applies to all types of conflicting laws regardless of the laws source.<sup>39</sup> Prosecutors who utilize state trademark counterfeiting laws must ensure the Federal Trademark Counterfeiting Act does not conflict with their state's law. If the federal and state law conflict, counterfeiters may have a valid argument against the court's adherence to the state's statute due to preemption by federal legislation.

38. *Preemption*, BLACK'S LAW DICTIONARY (10<sup>th</sup> ed. 2014).

39. *Id.*

Another challenge in the Illinois case *People v. Ebelechukwu* centered on the argument that the state statute was preempted by federal legislation.<sup>40</sup> The court examined whether (1) the Lanham Act was a congressional effort to preempt the entire field of trademark infringement and exclude state law, and (2) compliance with both the Federal Trademark Counterfeiting Act<sup>41</sup> and the state Counterfeit Trademark Act<sup>42</sup> was a physical impossibility.<sup>43</sup> The Appellate Court of Illinois decided that the federal laws did not preempt the state law and compliance with both was not a physical impossibility.<sup>44</sup> Although precedent only in Illinois, this case confirms the ability to use both federal and state arenas to enforce trademark laws. This is important because it shows that law enforcement at both levels of government can simultaneously work with brand owner victims to pursue criminal cases.

*Criminal Simulation and Forgery Statutes for Prosecution of  
Trademark Counterfeiting*

Because of the variety of types of legislation criminalizing counterfeiting (illustrated above in Figure 2),<sup>45</sup> some states may only have a criminal simulation statute, or both criminal trademark and forgery statutes. These issues have led to appeals with defendants claiming they were charged under the wrong statute. A person who engages in criminal simulation misrepresents something as more valuable with the intent to defraud another person.<sup>46</sup> This conduct can include the creation or altering of something so that it appears to have value because of age, rarity, peculiarity, or its source or “author.”<sup>47</sup> In relation to trademark, a person may use a fake stamp, packaging sticker or cap/cork on an item to pass off as authentic.

40. *People v. Ebelechukwu*, 403 Ill. App. 3d 62, 68 (2010) (rev’d and remanded).

41. Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320(a) (2006).

42. Illinois Counterfeit Trademark Act, 765 ILCS 1040/2 (2006).

43. *Ebelechukwu*, 403 Ill. App. 3d at 65.

44. *Id.* at 67–68. However, on remand, the circuit court found the defendant guilty at a bench trial and sentenced him to 30 months’ probation. Defendant again appealed arguing that the court erred in denying his motion to suppress evidence. This time on appeal the Appellate Court of Illinois agreed and reversed the defendant’s conviction. *See People v. Ebelechukwu*, 2015 IL App (1st) No. 1-31-336-U, 2015 WL 8527521, at ¶¶ 46, 47 (1st Cir. Dec. 10, 2015).

45. *See Wilson et al.*, *supra* note 6, at 556.

46. TENN. CODE ANN. § 39-14-115 (1989).

47. *Id.*

In the Indiana Court of Appeals case, *Jacobs v. State*, the defendant appealed on the grounds that an owner of a federally registered trademark could not prosecute under the Indiana forgery statute.<sup>48</sup> Indiana does not have a criminal trademark statute, but its forgery statute allows for prosecution of trademark counterfeiting.<sup>49</sup> The court denied the appeal.<sup>50</sup> In a subsequent case, the defendant appealed for lack of jurisdiction and challenged whether the facts in his case constituted counterfeiting under the Indiana forgery statute.<sup>51</sup> The court, citing the earlier *Jacobs v. State* case,<sup>52</sup> noted the crime of counterfeiting fell within the legislative intent.<sup>53</sup> These Indiana cases show that, despite the lack of a trademark counterfeiting statute, Indiana courts are willing to uphold convictions for trademark counterfeiting under the forgery statute.

In contrast, while New York has more than one statute (trademark counterfeiting and forgery) under which trademark counterfeiting charges could technically have been brought, the court in *People v. Vu* required that an individual be charged under the trademark counterfeiting statute.<sup>54</sup> In other words, in New York, all charges for trademark counterfeiting can only be brought under the designated trademark counterfeiting statute.<sup>55</sup>

This issue is one of importance for law enforcement and the prosecutors to ensure that the correct charges are being brought against counterfeiters. We did not find further appeals in the same jurisdiction, which indicates that the appellate cases settled these issues. As states that have not yet utilized their statutes begin to do so, law enforcement and prosecutors should pay careful attention to the lessons from other states and apply these lessons to their own jurisdictions. In addition, when states use their statutes for the first time, most of the judiciary will not have had prior exposure to trademark counterfeiting cases, making it essential to build a strong, clear criminal case.

48. *Jacobs v. State*, 640 N.E.2d 61, 64 (Ind. Ct. App. 1994) (discussing IND. CODE § 35-43-5-2 (1977), which was later amended).

49. IND. CODE § 35-43-5-2(a) (2016).

50. *Jacobs*, 640 N.E.2d at 64.

51. *An-Hung Yao v. State*, 975 N.E.2d 1273, 1275 (Ind. 2012) (discussing IND. CODE § 35-43-5-2(a)(1)(2006)).

52. *Jacobs*, 640 N.E.2d at 64.

53. *An-Hung Yao*, 975 N.E.2d at 1279.

54. *People v. Vu, et al.*, 616 N.Y.S.2d 718, 719–20 (N.Y. Sup. Ct. 1994) (dismissing forgery charges for counterfeit goods).

55. *Id.*

### *Restitution to Brand Owner Victims*

Restitution in criminal cases allows victims to receive full or partial compensation for the loss caused by the defendant's crime.<sup>56</sup> A court can order restitution as a component of the defendant's sentence or as a condition of probation.<sup>57</sup> The issue of restitution is one of many factors that brand owners may take into consideration in a state criminal trademark counterfeiting case. Although the amount of restitution may not be large, brand owners may be able to report restitution in their metrics, serve as a deterrent for local and state level criminals, protect the reputation of their brand from poor-performing counterfeits, and help others facing similar problems.

Courts have generally upheld orders that restitution is paid to the brand owner victim (if available under the statute). In the Massachusetts case *Commonwealth v. Xu* questioning the validity of restitution to the trademark owner (or identifying the trademark owner as the victim), the court upheld the defendant's restitution order for \$5,000 to multiple brand owner victims.<sup>58</sup> The trial court found a causal connection between the counterfeiter's offense and the injury to the brand owners because they had to destroy or dispose of the counterfeit marks to preserve the integrity of their brands.<sup>59</sup> In the Maryland case of *Cunningham v. State*, the defendant appealed the restitution order during sentencing despite agreeing to and paying the ordered amount of restitution, but the Maryland court upheld the legality of the restitution order.<sup>60</sup> These cases establish that if a statute clearly identifies the owner of the intellectual property as the victim, courts will generally uphold restitution to the brand owner.

### *Other Issues*

Other issues on appeal were whether civil forfeiture was excessive as a punishment and whether a brand owner's testimony fulfilled statutory requirements for the value of counterfeit goods. For civil forfeiture, the Georgia Court of Appeals, in *State v. Price*, found that the civil forfeiture of the defendant's house after his conviction for counterfeit trademarks was

56. *Restitution*, BLACK'S LAW DICTIONARY (10<sup>th</sup> ed. 2014).

57. *Id.*

58. *Com. v. Xiayan Xu*, No. 11-P-624, 2012 WL 437038, at \*1-2 (Mass. App. Ct. Sept. 26, 2012).

59. *Id.* at \*1-2.

60. *Cunningham v. State*, 919 A.2d 30, 31 (MD. Ct. App. 2007).

constitutionally excessive, but the seizure of the counterfeits was appropriate.<sup>61</sup> Importantly, 31 states allow for criminal forfeiture of counterfeits,<sup>62</sup> which is an important provision when pursuing trademark counterfeiting cases.

For estimating the value of counterfeit goods, in the New York case of *People v. Kim*, the New York supreme court found that the victim trademark owners' testimony regarding the impact on their domestic sales was insufficient because it did not contain information about the specific value of the counterfeit products. Therefore, the trademark owner's testimony was not enough to satisfy the statutory requirement relating to the value of the counterfeit goods.<sup>63</sup> Interestingly, the court sought an estimate for the street value of the counterfeit items, to which the brand owner did not specifically testify. To be sure, estimating the value of counterfeits can be a challenging exercise. However, a method similar to estimating the street value of seized illicit drugs might be explored and analogized going forward.

#### *Recommendations*

We offer two recommendations for addressing the inconsistent use of state anti-counterfeit statutes. First, we recommend the enactment of criminal trademark counterfeiting statutes. New Mexico, which does not currently have a general statute relevant to trademark counterfeiting, should enact one covering all types of trademark counterfeiting. We also recommend that states relying on forgery or criminal simulation to combat trademark counterfeiting adopt specific criminal trademark counterfeiting statutes in their states.

#### IV. EVIDENTIARY ISSUES EMPHASIZE RELATIONSHIP WITH BRAND OWNER

Examination of the appellate court cases also revealed that evidentiary issues emphasized the essential role of the brand owner in obtaining convictions under trademark counterfeiting statutes. This points to the need for collaboration between brand owners and law enforcement in all aspects

61. *State v. Price*, 267 Ga. App. 280, 282 (Ct. App. 2004).

62. *See Wilson et al*, *supra* note 6, at 128.

63. *People v. Kim*, 163 Misc.2d 451, 453–55 (N.Y. Sup. Ct. 1994).

of criminal cases to increase the likelihood of successful prosecutions at the state level. While law enforcement may have different priorities or reasons for pursuing a trademark counterfeiting conviction than brand owners, mutual-cooperation will provide the best environment for a successful criminal case.

### *Use of Expert Witnesses and Brand Owners*

Expert witnesses are used in trials to provide well-informed or specialized opinions about evidence.<sup>64</sup> The expert witness can testify at a trial if the witness can provide proof of their “knowledge, skill, experience, training, or education” in the matter their testimony evaluates.<sup>65</sup> Brand owners that utilize expert witnesses add to the credence of its case against infringers.

Private investigators, or investigative firms, specializing in intellectual property issues and those specifically dealing with counterfeit trademarks have been used in multiple cases throughout the U.S. These investigators received specialized training, often from various brand owners in a specific industry, to recognize genuine and counterfeit products. Some brand owners rely on outsourcing of the investigation function of brand protection to these private investigators. Additionally, representatives of the brand owner were sometimes used. Finally, some law enforcement received specialized training or had enough experience to consider themselves experts on the topic.

Despite the wealth of knowledge these investigators or representatives possess, some courts have ruled that their testimony could not be used or did not meet the standard of the statute. The testimony and investigation of the brand owner (or their representative) is, in general, the strongest of the above categories because of their intimate knowledge of their product and often the counterfeits as well, although their expertise was even questioned in some cases. Considering these challenges, laying a proper foundation with the strongest available evidence is necessary.

In two New York cases, the court excluded expert testimony as evidence in court. In *People v. Rivera*, the New York Criminal Court ruled that statements by the representative of the trademark owner were hearsay,

64. *Witness*, BLACK'S LAW DICTIONARY (10<sup>th</sup> ed. 2014).

65. *Id.*

and therefore invalidated the complaint.<sup>66</sup> The court also questioned whether the trademark owner representative could even be considered an expert witness in any similar trademark counterfeiting case.<sup>67</sup> In *People v. Mangane*, the New York Criminal Court granted the defendant's appeal for facial insufficiency of the complaint because it did not identify and distinguish "the characteristics of the genuine and counterfeit trademarks."<sup>68</sup> In charges against the defendant, the complaint must have sufficient factual information for the charge. The complaint relied on a police officer who had worked with a representative of the trademark owner to describe the counterfeits and note that the trademark was registered and in use. The officer, however, did not describe the actual trademark, and the court, therefore, ruled that only hearsay was used in the document.<sup>69</sup> The court specifically noted that it was looking for a "first-party accusatory instrument or corroborating affidavit sworn out by someone who both examined the [products] and who can himself assert that, based on his training and experience, the . . . trademarks are counterfeit."<sup>70</sup> In these New York cases, the court was looking for non-hearsay testimony from someone who could distinguish between the counterfeit and original trademarks.

In an Ohio case, *State v. Troisi*, the court established that knowledge that the brand owner had registered trademarks was not enough, but actual first person viewing and testimony of trademark registrations was necessary for prosecution.<sup>71</sup> In *State v. Troisi*, the Ohio Supreme Court upheld the appellate court's decision to reverse and vacate the defendant's conviction for trademark counterfeiting for insufficient evidence.<sup>72</sup> The court ruled that it was legally insufficient for a trademark expert witness to know about trademark registrations without having viewed the actual

66. *People v. Rivera*, 45 Misc. 3d 386, 390–91 (2014).

67. *Id.* at 392–93.

68. *People v. Mangane*, 958 N.Y.S.2d, 2010 WL 3275743, at \*2–\*3 (N.Y. City Crim. Ct. 2010), (citing *People v. Guan*, No. 02-262, 2003 WL 21169478, at \*1 (App. Term. 1st Dept. May 7, 2003)); *People v. Wu Cheng*, 4 Misc. 3d 377, 379 (N.Y. City Civ. Ct. 2004); *see also* *People v. Shen Chen*, 958 N.Y.S.2d 648, 2011 WL 9259, at \*5 (N.Y. Dist. 2011) (dismissing charge against defendant).

69. *Mangane*, 2010 WL 3275743, at \*1–2.

70. *Rivera*, 45 Misc.3d at 390–91, citing *People v. Kalin*, 906 N.E.2d 381, 385 (N.Y. 2009) (upholding an officer's sworn testimony about heroin, that he was an expert and had examined the drug himself).

71. *State v. Troisi*, 922 N.E. 2d 957, 959 (Ohio App. Ct. 2010).

72. *Id.*

documents.<sup>73</sup> In this case, the expert witness was a Cleveland Police Department sergeant who also investigated intellectual property issues for a private consulting company.<sup>74</sup> The officer testified that he had been trained by several companies to recognize counterfeits and authentic products, but was never shown copies of the actual trademark register.<sup>75</sup> In this Ohio case, the court stressed that the original trademark registration was vital to the case, which is something that the brand owner would have had, but the expert witness did not.

In other states, testimonies from private investigators have been upheld without question as to whether they had seen the original trademark registration. In Illinois, the courts held that the private investigator's testimony was sufficient. In *People v. Hussain*, as well as *People v. Guo*, both in Illinois, the Cook County Sheriff's Office worked with a private investigator, who specialized in counterfeit merchandise to identify the goods as counterfeit on the scene.<sup>76</sup> The investigator testified that he had been trained in brand protection by owners of many well-known brands and was annually updated by the companies of any changes.<sup>77</sup> The court in *Guo* also noted that authentic items did not need to be introduced into court in light of the expert witness' testimony to the appearance and retail value of the authentic items.<sup>78</sup>

Similarly, courts in Virginia and California have deemed investigators' testimonies to be sufficient evidence. In one appellate case in Virginia, the defendant questioned the state fulfilling the knowledge requirement, namely that he knew the product he was selling was counterfeit because of the low price that he charged for them.<sup>79</sup> In this case, the court accepted the testimony and expertise of a private investigator who had received hundreds of hours of training by numerous brand owners and was asked to inspect the suspected counterfeit products that defendant was selling.<sup>80</sup> In *People v. Navarette*, the California Court of Appeals upheld

73. *Id.*

74. *Id.* at 958.

75. *Id.*

76. *People v. Hussain*, No. 1-14-2939, 2016 LEXIS 1056, at \*2 (Ill. App. 2016); *People v. Guo*, No. 2-15-0733, 2016 LEXIS 1054, at \*2 (Ill. App. 2016).

77. *Troisi*, 922 N.E. 2d at 958.

78. *Guo*, 2016 LEXIS 1054, at \*18-19.

79. *Carter v. Commonwealth*, No. 0177-13-1, 2014 Va. App. LEXIS 174, at \*2-3, 5-6 (Ct. App. May 13, 2014) (affirming defendant's conviction).

80. *Id.* at \*1-2.

the use of private investigators' work as evidence to affirm the conviction.<sup>81</sup> Despite these successes, testimony from the brand owner victims remains more durable and less likely to be challenged in court. These cases illustrate the importance of knowing the jurisdictional evidentiary requirements for expert witness testimony by brand owners and private investigators. As the brand owner is the legal victim of trademark counterfeiting, close cooperation between prosecutors and brand owners is essential to success in these cases.

### *Defendant's Knowledge*

The defendant's knowledge can be a challenging element of a crime to prove and some states require that the defendant knew that the goods were counterfeits to obtain a conviction. In an Ohio case brought under the state's trademark counterfeiting statute, the court agreed with the defendant's argument that the state could not prove he knew his goods were counterfeit and therefore reversed his conviction.<sup>82</sup> The court found it material how long that particular product had been sold and noted that the defendant would have had to observe holograms on authentic merchandise before he sold his product in order to know that it was counterfeit.<sup>83</sup> This case seems to set an extraordinarily difficult task for the prosecutor to show whether a seller of counterfeit goods had educated him/herself as to what the genuine product actually looked like in person.

Practically, though, a defendant may know a product is counterfeit based on its price and quality, as well as the location of the supplier and where the product can be sold. In addition, some counterfeits are on the market before the genuine product has even been released due to leaks within a company and overseas manufacturing. Other ways to demonstrate knowledge can include a defendant's confession, or evidence showing that the defendant received cease and desist warnings from the brand owner or had signed agreements not to sell counterfeit products with law enforcement (as is the practice in California).

81. *People v. Navarrete*, No. B210691, 2015 LEXIS 6617, at \*1 (Ct. App. Cal. 2015); *see also* *People v. Sy*, 223 Cal. App. 4th 44, 52 (Ct. App. Cal. 2014).

82. *State v. Christley*, No. 29546, 2009 Ohio App., LEXIS 5557, at \*8 (Ohio App. 2009).

83. *Id.* at ¶¶ 14–15.

### *Recommendations*

We recommend the continued involvement of and testimony by brand owners to distinguish counterfeit from genuine products. The involvement of private investigators who have been trained by brands and law enforcement should be undertaken cautiously and in conjunction with brand owners. At the same time, law enforcement should work concurrently with brand owners to ensure all the evidentiary requirements are covered to increase the likelihood of a successful prosecution.

We recommend continued and expanded collaboration between law enforcement, prosecutors and brand owners to address evidentiary issues. Strategies for building evidence for the indictment and prosecution have proven to be strongest when based on cooperation with the trademark owner.

### CONCLUSION

This study of U.S. state trademark counterfeiting enforcement explored the use and non-use of state statutes to prosecute trademark counterfeiting. Based on our assessment of state convictions and appellate court cases, we found that states inconsistently used trademark counterfeiting statutes, but criminal cases were strongest when law enforcement and brand owners worked together to obtain convictions, penalties, and restitution for the victim(s). Our ability to examine state enforcement was limited however by inconsistent information on trademark counterfeiting convictions recorded and shared by the states. To enhance state-level anti-counterfeiting efforts, we propose several recommendations, including training for prosecutors and law enforcement, collaboration with brand owners, adoption of specific criminal trademark counterfeiting statutes, more consistent data collection and sharing on trademark counterfeiting crimes, and efforts to better understand prosecutorial decision-making. By adopting these recommendations, we will be better positioned to target and mitigate the wide-ranging negative consequences of trademark counterfeiting crime.