



5-12-2021

## Baby, Bye, Bye, Bye: How the United States, Italy, & France Use Trademark Anti-Counterfeiting Mechanisms to Combat the Proliferation of Fake Goods in China

J. Francesca Gross  
francescagross6@gmail.com

Follow this and additional works at: <https://scholarship.law.tamu.edu/journal-of-property-law>



Part of the [Property Law and Real Estate Commons](#)

### Recommended Citation

J. Francesca Gross, *Baby, Bye, Bye, Bye: How the United States, Italy, & France Use Trademark Anti-Counterfeiting Mechanisms to Combat the Proliferation of Fake Goods in China*, 7 Tex. A&M J. Prop. L. 539 (2021).

Available at: <https://doi.org/10.37419/JPL.V7.I4.1>

This Student Article is brought to you for free and open access by Texas A&M Law Scholarship. It has been accepted for inclusion in Texas A&M Journal of Property Law by an authorized editor of Texas A&M Law Scholarship. For more information, please contact [aretteen@law.tamu.edu](mailto:aretteen@law.tamu.edu).

---

---

**BABY, BYE, BYE, BYE: HOW THE UNITED STATES, ITALY, &  
FRANCE USE TRADEMARK ANTI-COUNTERFEITING MECHANISMS  
TO COMBAT THE PROLIFERATION OF FAKE GOODS IN CHINA**

*J. Francesca Gross<sup>†</sup>*

*Abstract*

*Christian Louboutin. Manchester United. Agent Provocateur. In a world where trademarks have become more than brand identifiers, counterfeit versions of brands should be easily identifiable. Yet counterfeiting regimes from Asian countries continue to funnel counterfeit goods through the United States and European Union borders. Both regions continue to impose stricter anti-counterfeiting laws and regulations. Nevertheless, companies in the United States, Italy, and France are drastically affected by counterfeiting, losing billions per year in revenue. The International Chamber of Commerce's ("ICC") Business Action to Stop Counterfeiting and Piracy ("BASCAP") and the International Trademark Association ("INTA") estimate that the value of international and domestic trade in counterfeit and pirated goods in 2013 ranged from \$710–\$917 billion. BASCAP and INTA predict that by 2022, the value of business in counterfeit and pirated goods could reach \$991 billion.*

*Asian countries produce more than 70% of all counterfeit goods with the People's Republic of China ("PRC") and Hong Kong as the leading provenance economies for counterfeiting. China's proliferation of counterfeit goods stems from economic, social, and political forces that influence China's socialist market economy. On average, 20% of consumer products in the Chinese market are counterfeit goods. The counterfeiting industry continues to cripple*

---

DOI: <https://doi.org/10.37419/JPL.V7.I4.1>

<sup>†</sup>J. Francesca Gross is a class of 2020 graduate of American University Washington College of Law. Currently, she serves as a Law Clerk in the Circuit Court of Montgomery County for the Honorable Karla N. Smith. Previously, she served as a Law Clerk for the National Collegiate Athletic Association (NCAA) and CMG Worldwide. She also served as a Legal Intern for the U.S. Patent and Trademark Office. Prior to law school, Francesca served at the U.S. Department of Agriculture, National Archives and Records Administration, Commodities Future Trading Commission, and Internal Revenue Service. She would like to Professor Christine Farley for advising her on this paper and offering wisdom and guidance throughout the entire process.

*various countries including the United States, Italy, and France, costing corporations billions in revenue and placing consumers in significant financial and health risk. The substantial impact of counterfeiting on the global economy has spurred the United States, Italy, and France to impose strict anti-counterfeiting laws and regulations. The United States anti-counterfeiting arsenal to protect trademark owners includes civil enforcement under the Lanham Act 15 U.S.C. § 1051 and criminal enforcement under 18 U.S.C. § 2320. Italy and France impose similar laws and regulations but also take their anti-counterfeiting mechanism further by seeking stricter criminal penalties for manufacturers, distributors, and consumers. This Article explains the regulatory and legal anti-counterfeiting mechanisms adopted by the United States and the European Union, specifically Italy and France, to illustrate the international legal and regulatory tools used to reduce the economic hardships of counterfeiting.*

|  |     |
|--|-----|
| I. INTRODUCTION.....   | 541 |
| II. COUNTERFEITING IN THE PRC & HONG KONG .....  | 544 |
| A. <i>Local Protectionism Affecting Governance</i><br>& <i>Enforcement</i> .....                             | 544 |
| B. <i>Free Trade Zones</i> .....   | 546 |
| C. <i>Relationships Between Trademark Owners and the</i><br><i>PRC and Hong Kong</i> .....                   | 548 |
| III. THE UNITED STATES LEGAL & REGULATORY ANTI-<br>COUNTERFEITING ARSENAL .....                              | 549 |
| A. <i>The Lanham Act &amp; Trademark Counterfeiting Act</i><br><i>of 1984</i> .....                          | 550 |
| B. <i>United States International Trade Commission 19</i><br><i>U.S.C. § 1337</i> .....                      | 553 |
| C. <i>Criminal Laws Restricting Trademark Counterfeiting</i> ....  | 554 |
| IV. BACKGROUND ON THE EUROPEAN UNION'S RESPONSE TO THE<br>GROWING COUNTERFEITING PROBLEM .....               | 555 |
| V. ANTI-COUNTERFEITING MEASURES OF ITALY & FRANCE.....   | 557 |
| A. <i>Italy's Anti-Counterfeiting Regime</i> .....   | 558 |
| B. <i>France's Anti-Counterfeiting Model</i> .....   | 561 |
| VI. THE UNITED STATES V. ITALY & FRANCE .....  | 563 |
| VII. COMMENTARY ON PROPOSED ANTI-COUNTERFEITING<br>LEGISLATION.....  | 564 |
| A. <i>Multi-National Intellectual Property Education</i><br><i>Partnerships</i> .....                        | 564 |
| B. <i>Reconsideration &amp; Implementation of the Anti-<br/>        Counterfeiting Trade Agreement</i> ..... | 565 |

## I. INTRODUCTION

Trademarks continue to possess significant value in our lives. Despite the high influx of trademark counterfeiting, trademarks have become more than just brand identifiers. Trademarks are a method of communicating status, wealth, education, and interest as well as a source of employment in a capitalistic society. In the United States, trademark-intensive companies are on the United States Patent and Trademark Office's ("USPTO") top fifty registered companies list for those domestically or internationally registered and randomly selected for the study.<sup>1</sup> Trademark-intensive companies directly account for roughly 23.7 million jobs and 85% of all IP-intensive employment.<sup>2</sup> In the EU, trademark-intensive industries account for 65.4 million direct or indirect jobs or roughly 30.3% of all employment.<sup>3</sup> Trademark-intensive sectors account for 35.9% of the EU's global domestic product.<sup>4</sup>

Counterfeiting continues to see growth as a multi-billion-dollar, global industry that flourishes and causes economic harm to trademark owners, consumers, and company beneficiaries. According to the Organization for Economic Co-operation and Development (OECD) and the European Union Intellectual Property Office's (EUIPO) 2016 Report on the Economic Impacts of Counterfeiting and Piracy ("OECD/EUIPO Report"), trade in counterfeit and pirated goods accounted for as much as 2.5% of the value of international trade, or \$461 billion, in 2013.<sup>5</sup> Notably, this figure represents an increase of

---

1. See U.S. PAT. AND TRADEMARK OFF., INTELLECTUAL PROPERTY AND THE UNITED STATES ECONOMY: 2016 UPDATE 8 (2016), <https://www.uspto.gov/sites/default/files/documents/IPandtheUSEconomySept2016.pdf> [<https://perma.cc/E9W7-3P65>].

2. *Id.* at 10.

3. *Intellectual Property Rights Intensive Industries and Economic Performance in the European Union*, at 8, EUIPO (Oct. 2016), [https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/observatory/documents/IPContributionStudy/performance\\_in\\_the\\_European\\_Union/performance\\_in\\_the\\_European\\_Union\\_full.pdf](https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/IPContributionStudy/performance_in_the_European_Union/performance_in_the_European_Union_full.pdf) [<https://perma.cc/C46H-G7HF>].

4. *Id.*

5. *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, OECD/EUIPO, at 11 (2016), <http://dx.doi.org/10.1787/9789264252653-en> [<https://perma.cc/KDB3-N3U2>] (hereinafter "OECD/EUIPO Trade in Counterfeit Report").

more than 80% of the findings in the OECD's 2008.<sup>6</sup> In 2013, domestic and international trade in counterfeit and pirated goods reached between \$710–\$917 billion.<sup>7</sup> The most significant number of seized counterfeit merchandise hails from the PRC and Hong Kong.

As counterfeiting has evolved to become a more sophisticated venture, countries are rallying together to combat the exponentially growing threat to international trade. The International Anti-Counterfeiting Coalition Inc. (“IACC”) is a District of Columbia nonprofit organization devoted solely to combating counterfeiting and piracy. Formed in 1979 with a handful of companies seeking intellectual property protection, the IACC has grown to a membership base of over 250 companies from more than forty countries worldwide. IACC's membership includes a cross-section of businesses and industries, including companies from automotive, apparel, luxury goods, pharmaceuticals, food, software, and entertainment.<sup>8</sup>

IACC works to combat counterfeiting, a threat that is the result of criminal enterprises in Asia, centralized to China's southern provinces.<sup>9</sup> In 2013, counterfeiting and piracy in Asia accounted for \$310 billion.<sup>10</sup> China continues to account for the largest share of the global counterfeiting total at \$143 billion, or 46%.<sup>11</sup> Cities like Guangdong, China, produce most of the counterfeit goods funneled into the United States and the European Union, particularly Italy and France.<sup>12</sup> China's proliferation of counterfeit goods stems from societal and economic issues within the country, including local governments aiding the creation of distribution channels needed for

---

6. *Id.*

7. Frontier Economics, *The Economic Impacts of Counterfeiting and Piracy*, INT'L CHAMBER OF COM., (Feb. 2, 2017), <https://www.iccwbo.be/wp-content/uploads/2017/02/ICC-BASCAP-INTA-2016-report.pdf> [<https://perma.cc/9RZA-8JEF>].

8. *History & Mission*, INT'L ANTI-COUNTERFEITING COAL. INC., <https://www.iacc.org/about/history-mission> [<https://perma.cc/A6KZ-VYVU>].

9. See Tina Cassidy, *Bagging the Knockoffs: There's Nothing Like the Real Thing*, BOSTON GLOBE (Dec. 26, 2002) (noting Nancy Kratzer, Assistant Director for Fraud Investigations, United States Customs, and Director of the National Intellectual Property Rights Coordination Center statement).

10. Frontier Economics, *The Economic Impacts of Counterfeiting and Piracy*, INT'L CHAMBER OF COM., (Feb. 2, 2017), <https://www.iccwbo.be/wp-content/uploads/2017/02/ICC-BASCAP-INTA-2016-report.pdf> [<https://perma.cc/9RZA-8JEF>].

11. *Id.*

12. Andrew Yeh, *The Complex Trade in Luxury Fakes*, FIN. TIMES OF ASIA (London), Apr. 19, 2006, at 10.

the manufacturing and distribution of counterfeit goods, local protectionism, and economic trade of counterfeit goods supporting local economies.<sup>13</sup> Hong Kong's growth and salience as a transport point for counterfeiters increases as transport points are misused and as small parcels of counterfeit cargo go unnoticed and unseized.<sup>14</sup>

Due to the increase in counterfeiting, law enforcement agencies increased their raids of counterfeiting shops where police found labels and patches bearing the counterfeit trademarks already affixed.<sup>15</sup> Additionally, members of the counterfeiting syndicates have attached labels and patches bearing counterfeit trademarks to previously non-branded items once the merchandise passes through customs in the respective countries.<sup>16</sup> The United States, Italy, and France implemented stricter laws to combat the growing number of counterfeit goods entering their borders and restrict counterfeit syndicates' cross border trade of goods.

This Comment formulaically analyzes the dilemma of trademark counterfeiting while outlining the United States' and European Union's legal and regulatory arsenals and proposing potential solutions to this problem, which affects large and small corporations globally. Part I discusses the proliferation of trademark counterfeiting regimes in the PRC and Hong Kong while explaining the economic and societal effects counterfeiting has on the world. Part II outlines the United States' laws and regulations to reduce trademark counterfeiting. Part III provides a brief overview of the European Union's efforts to combat counterfeiting and lays the foundation for the legal and regulatory framework that Italy and France utilize, while imposing stricter, countrywide regulations as discussed in Part IV. Part IV spotlights the Italian and French legal and regulatory regimes. Part V compares the legal and regulatory arsenals of the United States, Italy, and France to identify which of the three nations has stricter laws to help trademark owners and curb the increasing rate of counterfeit goods. Part V argues that the legal and regulatory arsenals of the United States, Italy, and France provide minimal assistance to stall counterfeit production in the PRC and Hong Kong. This Part also

---

13. See Daniel C.K. Chow, *Counterfeiting in The People's Republic of China*, 78 WASH. U. L. Q. 1, 3-7 (2000).

14. *Id.*

15. George James, *Agents Raid Production Line in Queens for Fake Labels*, N.Y. TIMES, at B3, (Sept. 28, 1995), <https://www.nytimes.com/1995/09/28/nyregion/agents-raid-production-lines-in-queens-for-fake-labels.html> [https://perma.cc/D4F5-KDK7].

16. *Id.*

presents potential solutions, requiring international diplomacy, to curb the adverse effects of counterfeiting. This Comment concludes with an optimistic perspective about the future of anti-counterfeiting.

## II. COUNTERFEITING IN THE PRC & HONG KONG

The PRC and Hong Kong remain the most extensive, mass producers of counterfeit goods because of economic and local protectionism, which protects counterfeiters more than trademark owners.<sup>17</sup> The PRC and Hong Kong transitioned from a centrally planned economic system to a more market-based economy known as the socialist market economy (“SME”).<sup>18</sup> SME is a system grounded in the superiority of public ownership and state-owned enterprises within a market economy.<sup>19</sup> SME enables counterfeiters to thrive because the economy relies on the state-owned ownership of production and people.<sup>20</sup> Although many factors aid the PRC’s and Hong Kong’s counterfeiting economic marketplace, the most salient factors are local protectionism affecting governance and enforcement, free trade zones, and brand owner’s relationship with the PRC and Hong Kong.

### A. Local Protectionism Affecting Governance & Enforcement

Local protectionism of counterfeiting marketplaces affects governance, civil, and criminal enforcement in the PRC and Hong Kong. Local and national governance issues throughout the PRC and Hong Kong fuel the counterfeiting industry’s growth because a centralized system does not exist to monitor, regulate, and eradicate counterfeit syndicates throughout both areas. Local governments have little interest in regulating counterfeiting because it has become immensely profitable for the government to collect revenue from distribution, manufacturing, shipping, and trademark owners.<sup>21</sup>

---

17. Yeh, *supra* note 12.

18. *The World Factbook*, CENT. INTELLIGENCE AGENCY, <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html> [<https://perma.cc/D35C-YH9M>].

19. Xiaoqin Ding, *The Socialist Market Economy: China and the World*, Vol. 73, No. 2 SCI. & SOC’Y 235, 237–38 (2009) (explaining that the socialist economic system at its primary stage is explicitly stipulated in Article 6 of the PRC Constitution. The basis of such economy is socialist public ownership of the means of production, namely, ownership of the whole people and collective ownership by the working people.).

20. *Id.*

21. See Joyce Chang, *Trademark Counterfeiting In China: The Real Price Of*

Through the administrative agencies, local governments often collect fees from trademark owners to pursue counterfeiters while simultaneously raiding counterfeiting syndicates only to charge an additional fee for the counterfeits to receive their merchandise.<sup>22</sup> Without counterfeiting and fee collection, many employed citizens would struggle to find work, increasing poverty and homelessness in the PRC and Hong Kong.<sup>23</sup> Local governments seek to benefit from the very enterprise they are tasked with regulating, presenting a striking conflict of interest that hinders trademark owner's ability to protect their marks in the PRC and Hong Kong.<sup>24</sup> The financial benefits for local governments outweigh the harm of counterfeiting costs; therefore, the Chinese do not have an incentive to restrict counterfeiting trade because of the direct, yet varied, revenue each province receives.<sup>25</sup>

Also, the local government's control mechanisms make it exceptionally difficult for insurgent officials in the government to reduce counterfeiting.<sup>26</sup> Incumbent government officials who support counterfeiting are often involved in the local election systems, which works for counterfeiter's benefit.<sup>27</sup> The incumbent officials are routinely involved in the nomination and selection process of the province's judges, police officers, and administrative enforcement officials.<sup>28</sup> The election of administrative enforcement officials remains salient because the Administration of Industry and Commerce ("AIC") and the Technical Supervision Bureau ("TSB") oversee much of the trademark counterfeiting enforcement process.<sup>29</sup> The AIC's enforcement authority is based on its jurisdiction over all aspects of trademarks.<sup>30</sup> The TSB has authority over product quality and consumer protection issues, including the authority to bring enforcement actions against counterfeit products of inferior quality

---

*Knock-Offs*, 54 SANTA CLARA L. REV. 765, 781 (2014) (citing Daniel C.K. Chow, *Anti-Counterfeiting Strategies of Multi-National Companies in China: How a Flawed Approach is Making Counterfeiting Worse*, 41 GEO. J. INT'L L. 749, 756 (2010)).

22. See Chow, *supra* note 14, at 30–31.

23. Daniel C.K. Chow, *Anti-Counterfeiting Strategies of Multi-National Companies in China: How a Flawed Approach is Making Counterfeiting Worse*, 41 GEO. J. INT'L L. 749, 755 (2010); see also Ding, *supra* note 18, at 239–41.

24. *Id.*

25. See *id.*

26. Chang, *supra* note 21, 750–757.

27. Chang, *supra* note 20, at 781.

28. *Id.*

29. Chow, *supra* note 14, at 22.

30. *Id.*



and products that defraud or harm consumers.<sup>31</sup> If these individuals choose to act contrary to the local government's objectives, they risk retaliatory action such as job termination, demotion, or reduced income.<sup>32</sup> The pressure of enforcement officials relinquishing anti-counterfeiting measures to local leaders outweighs the enforcement official's motivation to enforce laws against counterfeiters, thereby making enforcement unsustainable.<sup>33</sup>

Local and national government control makes it difficult for law enforcement officials and the judicial system to prosecute counterfeiters.<sup>34</sup> With the local government selecting administrative enforcement officials, such officials rarely transfer counterfeiting cases from the respective agency to the judicial system.<sup>35</sup> The lack of transfer means that the cases do not get prosecuted. The next hurdles are collecting evidence and overcoming the Chinese court's evidentiary standards, even if administrative enforcement moves cases to the judicial system.<sup>36</sup> In the PRC and Hong Kong, it is not easy to gather evidence because counterfeiters engage in complex, often undocumented trade routes.<sup>37</sup> The complexity of trade routes leaves little to no physical evidence to present in judicial proceedings.<sup>38</sup> Additionally, trademark owners cannot satisfy the strict evidentiary standards because Chinese courts require physical evidence of prior sales in the form of account books, sales orders, sales receipts, tax receipts, or any other form of direct physical evidence.<sup>39</sup> Counterfeit goods seized on the premises, counterfeit packaging, or the equipment used in the manufacture of counterfeit goods are not considered sales.<sup>40</sup> The prerequisite of direct physical evidence creates a substantial obstacle to establishing criminal liability.<sup>41</sup>

### B. Free Trade Zones

In addition to local protectionism, free trade zones ("FTZs") enable counterfeiter's continued mission of expanding their fake-goods

---

31. *Id.* at 21.

32. Chang, *supra* note 20, at 781.

33. *Id.*

34. Chow, *supra* note 14, at 33.

35. *Id.*

36. *Id.*

37. Chow, *supra* note 14, at 35.

38. *Id.*

39. *Id.* at 34.

40. *Id.*

41. *Id.* at 34–35.

empires while infringing trademarks. FTZs are areas “within which goods may be landed, handled, manufactured, or reconfigured and reexported without the intervention of the customs authorities.”<sup>42</sup> Such areas become subject to the prevailing customs duties only when the goods are moved to consumers within the country in which the zones are located.<sup>43</sup> FTZs are systematized based on seaports, international airports, and national frontiers, all of which have many geographic advantages for trade.<sup>44</sup> In their least appealing manifestation, FTZs represent no more than ringfenced enclaves that provide multinational organizations tax relief while employees, many of whom are women, slave in sweatshops and garment factories.<sup>45</sup>

There are an estimated 3,500 FTZs in more than 130 economies, employing 66 million people and generating more than \$500 billion in direct-rate-related-value added to the global economy.<sup>46</sup> Nevertheless, FTZs provide an opening for counterfeiters to transport shipments of cargo using the established supply chain lines, which have little to no oversight.<sup>47</sup> Although FTZs are considered great opportunities for business activity advancement and tax incentives, these zones, combined with weak governance structures, are a breeding ground for counterfeiters to continue shipping goods.<sup>48</sup> FTZs have much of what a counterfeiter could hope for: a low-cost foothold in a host territory; concentrated industrial facilities equipped for transformation, relabeling, and repackaging; low labor costs; and a withdrawn oversight philosophy with the ability to assimilate with legitimate businesses.<sup>49</sup> Without stricter customs and border patrol measures to inspect FTZs, counterfeiters continue to benefit from the lack of enforcement at trademark owners expense.<sup>50</sup>

---

42. *Free-trade zone*, ENCYCLOPEDIA BRITANNICA (Feb. 26, 2016), <https://www.britannica.com/topic/free-trade-zone> [<https://perma.cc/ZP39-X3ZL>].

43. *Id.*

44. *Id.*

45. Piotr Strykowski & Bill Below, *Free Trade Zones: A Free Ride for Counterfeiters?*, OECD ON THE LEVEL (Mar. 23, 2018), <https://oecdonthellevel.com/2018/03/14/free-trade-zones-a-free-ride-for-counterfeiters/> [<https://perma.cc/V3HF-XV39>].

46. OECD/EUIPO, *Trade in Counterfeit Goods and Free Trade Zones: Evidence from Recent Trends*, OECD iLIBRARY 16 (Mar. 15, 2018) <https://www.oecd-ilibrary.org/docserver/9789264289550-en.pdf?expires=1614899055&id=id&accname=ocid177419&checksum=77045C436C19B801EC051AD642E0EAA9> [<https://perma.cc/94LA-GNZT>] (hereinafter “OECD/EUIPO *Free Trade Zones*”).

47. Strykowski & Below, *supra* note 41, at 13.

48. *Id.*

49. *Id.*

50. *Id.*

A link exists between the largest FTZ and the countries with the largest counterfeit industries.<sup>51</sup> In the PRC and Hong Kong, the ties between local governance and little FTZ oversight exacerbates the growing presence of counterfeit organizations. It is no wonder that the PRC and Hong Kong remain breeding grounds for counterfeit syndicates when you combine the local governance and enforcement issues with low FTZ oversight, lack of available evidence, and financial and employment incentives that governments and citizens receive.<sup>52</sup>

*C. Relationships Between Trademark Owners and the PRC and Hong Kong*

Trademark owners have a unique yet dysfunctional relationship with the PRC and Hong Kong.<sup>53</sup> The PRC and Hong Kong are the leading locations for manufacturing and exporting.<sup>54</sup> China became a member of the World Trade Organization (“WTO”),<sup>55</sup> and it has free trade agreements with several nations including the Association of Southeast Asian Nations (“ASEAN”), Australia, New Zealand, Pakistan, South Korea, and Switzerland.<sup>56</sup> With a labor force of 807.75 million people<sup>57</sup> and being the headquarters to 119 Fortune 500 companies,<sup>58</sup> one would think that China would be more friendly towards trademark owners. But the PRC and Hong Kong remain two of the largest intellectual property rights infringers because such rights do not align with the Chinese values, and the regions have financially benefited from counterfeiting so much that reducing counterfeiting would cripple provinces.<sup>59</sup> Yet trademark owners continue to pour

---

51. OECD/EUIPO *Free Trade Zones*, *supra* note 42, at 47.

52. *Id.*

53. Chow, *supra* note 14, at 25.

54. Chris Devonshire-Ellis, *Understanding China's Free Trade Agreements*, China Briefing (Feb. 10, 2014), <https://www.china-briefing.com/news/understanding-chinas-free-trade-agreements/> [https://perma.cc/CK5F-AUTD].

55. *China and the WTO*, WORLD TRADE ORG. (Sept. 26, 2020, 9:32 AM), [https://www.wto.org/english/thewto\\_e/countries\\_e/china\\_e.htm](https://www.wto.org/english/thewto_e/countries_e/china_e.htm) [https://perma.cc/WM46-3RW2].

56. *Id.*

57. *Labor Force in China from 2008 to 2018*, STATISTA (May 27, 2020), <https://www.statista.com/statistics/282134/china-labor-force/> [https://perma.cc/TM5Y-9X3L].

58. *Global 500 List*, FORTUNE MAGAZINE, <https://fortune.com/global500/2019/search/?hqcountry=China> [https://perma.cc/8QQ6-S5P3].

59. Chow, *supra* note 14, at 18.

billions of dollars into the PRC and Hong Kong without demanding drastic structural changes to support a reduction in counterfeiting.<sup>60</sup> Businesses pour billions of dollars into the PRC and Hong Kong but businesses only use a small percentage of the money in advertising and merchandise to combat counterfeiting.<sup>61</sup> Trademark owners also continue to seek manufacturing and distribution services for their goods in the region.<sup>62</sup> However, trademark owners do not alienate the PRC and Hong Kong because executives fear retaliation by the Chinese government, which could damage businesses and national economies for decades.<sup>63</sup> Nevertheless, foreign trademark owners often lobby their governments to impose stricter legal and regulatory measures to prevent Chinese counterfeit merchandise from entering and flowing throughout their respective countries.

### III. THE UNITED STATES LEGAL & REGULATORY ANTI-COUNTERFEITING ARSENAL

According to the Lanham Act,<sup>64</sup> a counterfeit is a “spurious mark that is identical with, or substantially indistinguishable from, a registered mark.”<sup>65</sup> For the Lanham Act to apply, the counterfeit mark must be used “in connection with services or goods that are nearly identical to the services and goods for which the true trademark or service mark was registered.”<sup>66</sup> If a third party uses the same trademark or service mark on goods and services that are related but not identical, then the trademark owner must resort to trademark infringement as the cause of action.<sup>67</sup>

As a state and federal crime, counterfeiting involves the manufacturing or distribution of goods under someone else’s name without their permission.<sup>68</sup> Counterfeit goods are generally made from lower quality components to sell a cheap imitation of similar goods produced by brands that consumers know and trust.<sup>69</sup> Although

---

60. *Id.* at 47.

61. *Id.* at 47 n.157.

62. *Id.* at 18.

63. *Id.* at 47.

64. 15 U.S.C. § 1127 (2012) (explaining the definition of a counterfeit).

65. *Id.*

66. *Trademark Counterfeiting: Everything You Need to Know*, UPCOUNSEL, <https://www.upcounsel.com/trademark-counterfeiting> [https://perma.cc/A9HW-4JSK].

67. *Id.*

68. *Id.*

69. Tiffani L. McDonough, *Piecing It All Together: The Amendment to the Federal Trademark Counterfeiting Act Prevents Circumvention Through*

trademark counterfeiting is a lucrative crime, companies in the United States lose upwards of \$600 billion per year.<sup>70</sup> This Part covers some of the federal statutes used to reduce trademark counterfeiting. Subsection A discusses the federal laws that impose civil and criminal penalties on counterfeiters. Subsection B analyzes International Trade Commission (“ITC”) 19 U.S.C. § 1337, the use of exclusion orders to combat counterfeiting, and the United States Customs and Border Patrol (“CBP”) enforcement of ITC regulations. Finally, Subsection C analyzes the Racketeer Influenced and Corrupt Organizations (“RICO”) Act<sup>71</sup>—the primary criminal law utilized to protect trademark owners against counterfeiting syndicates.

*A. The Lanham Act & Trademark Counterfeiting Act of 1984*

In 1946, Congress passed the Lanham Act, which provides trademark owners with a plethora of protection against counterfeiting, including forfeiture of profits to the rightful trademark owner and seizure and destruction of all counterfeit merchandise.<sup>72</sup> Also, the Act enables trademark owners to receive compensatory damages to remedy past trademark counterfeiting.<sup>73</sup>

Both the Lanham Act<sup>74</sup> and the Trademark Counterfeiting Act (“TCA”) of 1984<sup>75</sup>—the two federal statutes that create civil and criminal liability for trademark infringement—define the term “counterfeit” vaguely and broadly. However, the designation of a mark as “counterfeit,” rather than merely infringement, significantly increases the civil remedies and criminal penalties available to punish the defendant for misusing a trademark in this manner. The Lanham Act addresses the establishment of trademark rights as well as civil anti-counterfeiting enforcement.<sup>76</sup>

---

*Component Parts*, 35 AIPLA Q.J. 69, 73 (2007).

70. *Id.* at 76.

71. 18 U.S.C. §§ 1961–1968 (2012).

72. Lanham Act of 1946, Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051–1129 (2012)).

73. See PAUL R. PARADISE, TRADEMARK COUNTERFEITING, PRODUCT PIRACY AND THE BILLION DOLLAR THREAT TO THE UNITED STATES ECONOMY, at 8, (1999).

74. 15 U.S.C. § 1116 (2012).

75. 18 U.S.C. § 2320 (2012) (discussing why Congress criminalized trademark counterfeiting, via the TCA, because it found that the “penalties under the Lanham Act have been too small, and too infrequently imposed, to deter counterfeiting significantly.”).

76. Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, Tit. II, § 1502(a), 98 Stat. 2178 (1984); Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, § 3, 110 Stat. 1386 (1996).

United States counterfeiting laws are more trademark-owner friendly, aiding owners in seeking civil and criminal sanctions against counterfeiters. For example, the definition of counterfeit trademark in section 45 of the Lanham Act<sup>77</sup> requires trademark registration to establish a prima facie case for infringement under the law.<sup>78</sup> Liability for counterfeiting requires a greater degree of copying than mere trademark infringement. Counterfeiting requires more than the accused trademark to be “identical or indistinguishable” from another’s registered trademark. Trademark infringement liability requires only:

- a colorable imitation of a registered mark that is likely “to cause confusion, or to cause mistake, or to deceive”; or
- in the case of an unregistered mark, the use of a name, symbol, term, or device that is “likely to cause confusion, or to cause mistake, or to deceive.”<sup>79</sup>

The standard for trademark infringement remains easier to overcome than that for “counterfeit” marks. According to the United States Department of Justice (“DOJ”),<sup>80</sup> the government must show the following to prove that a trademark was counterfeit:

- The mark is spurious. 18 U.S.C. § 2320(d)(1)(a). A mark is “spurious” if it is “not genuine or authentic.”<sup>81</sup>
- The mark was used in connection with trafficking in goods or services.<sup>82</sup>
- The mark is “identical with, or substantially indistinguishable from” the genuine trademark.<sup>83</sup>
- The genuine mark is registered on the principal register in the United States Patent and Trademark Office.<sup>84</sup>

---

77. 15 U.S.C. § 1127 (2012).

78. *Id.*

79. §§ 1114, 1125(a).

80. 1715. *Trademark Counterfeiting—Requirements for a “Counterfeit Mark”*, D.O.J., <https://www.justice.gov/archives/jm/criminal-resource-manual-1715-trademark-counterfeiting-requirements-counterfeit-mark> [https://perma.cc/D5FW-946X].

81. *Id.*

82. 18 U.S.C. § 2320(f)(1)(A)(i) (2012).

83. See § 2320 (f)(1)(A)(ii); see also Department of Justice, *Criminal Resource Manual Section 1715 Trademark Counterfeiting—Requirements for A “Counterfeit Mark,”* (Sept 27, 2020 6:02 PM) <https://www.justice.gov/archives/jm/criminal-resource-manual-1715-trademark-counterfeiting-requirements-counterfeit-mark> [https://perma.cc/D5FW-946X].

84. See § 2320(f)(1)(A)(ii); see also 15 U.S.C. §§ 1051, 1057 (explaining that this element limits the class of trademarks covered by the statute, and establishing the basis for federal jurisdiction under the Commerce Clause, since use in commerce

- The genuine mark is in use. The genuine mark must not only be registered, it must also be in use.<sup>85</sup>
- The goods or services are those for which the genuine mark is registered.<sup>86</sup>
- The use of a counterfeit mark is “likely to cause confusion, to cause the mistake, or to deceive.”<sup>87</sup>

Building upon the Lanham Act, Congress passed the TCA to combat the rise in counterfeiting by criminalizing the intentional trafficking of counterfeit goods or services by counterfeiters who “knowingly” use a counterfeit mark.<sup>88</sup> The knowledge standard requires that the counterfeiter “is aware,” “has a firm belief to the effect,” or is “willfully blind” to the mark being counterfeit.<sup>89</sup> Under the TCA, violations of the Lanham Act’s anti-counterfeiting provisions are a federal, criminal offense. The government must establish that: (1) the defendant trafficked or attempted to traffic in goods or services; (2) the trafficking or attempted trafficking was intentional; (3) the defendant used a counterfeit mark on or in connection with such goods or services; and (4) the defendant knew the mark used was counterfeit.<sup>90</sup> A defendant can be prosecuted for assisting in the trafficking of counterfeit goods regardless of the intent to defraud consumers or trademark owners.<sup>91</sup> The penalties are as follows:

---

is a requirement for registration); § 1057(b) (citing that registration on the principal register is prima facie evidence that the mark has been in interstate commerce prior to registration); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538 (2d Cir. 1956).

85. 18 U.S.C. § 2320 (f)(1)(A)(ii) (2012).

86. *Id.*

87. § 2320(f)(1)(iv).

88. *See* § 2320 (a)(1); *see also* § 2320 (f)(1)(A)(ii) (explaining that regardless of whether a defendant knows that a mark, to which the counterfeit mark is identical or indistinguishable from, is already registered).

89. *See* Lauren D. Amendolara, Note, *Knocking Out Knock-Offs: Effectuating the Criminalization of Trafficking in Counterfeit Goods*, 15 *FORDHAM INTELL. PROP., MEDIA & ENT. L.J.* 789, 800 (2005).

90. *See* *United States v. Yi*, 460 F.3d 623, 629 (5th Cir. 2006) (quoting *United States v. Hanafy*, 302 F.3d 485, 487 (5th Cir. 2002)); *see also* *United States v. Cone*, 714 F.3d 197, 206–207 (4th Cir. 2013) (reviewing the four elements that the Government is required to prove to obtain a conviction under 18 U.S.C.A. § 2320; however, the term “goods” is not defined in § 2320.).

91. *See* § 2320 (a)(1); *see also* § 2320 (f)(1)(A)(ii) (explaining that regardless of whether a defendant has knowledge that a mark, to which the counterfeit mark is identical or indistinguishable from, is already registered).

(A) if an individual, shall 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, shall be fined not more than \$5,000,000; and (B) for a second or subsequent offense under subsection (A), 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.<sup>92</sup>

Unlike traditional trademark infringement where certain types of emergency relief are not available and sanctions are loose, counterfeiting is subject to higher civil damages and criminal penalties.<sup>93</sup>

*B. United States International Trade Commission 19 U.S.C. § 1337*

Under section 337 of the Tariff Act of 1930,<sup>94</sup> the ITC has the authorization to exclude articles from entry into the United States that have been found to violate United States intellectual property rights or where the respondent has committed other unfair acts relating to imported products. The United States Customs and Border Protection (“CBP”) enforced such exclusion orders through an extensive, detail-oriented investigation. The trademark owner, accused counterfeiter, and an ITC-appointed investigative attorney, who operates as a third party charged with protecting the public interest, all participate in CBP’s investigative processes.<sup>95</sup> CBP has the authority to examine, inspect, and search vessels, vehicles, cargo, baggage, and persons entering the United States for any breach of the law.<sup>96</sup> CBP adopted the Lanham Act’s definition of counterfeiting, which enables CBP to seize goods suspected of trademark counterfeiting.<sup>97</sup> CBP will notify the importer within five days that it has detained the suspected counterfeit goods; then the importer has seven days to provide evidence that the goods are not counterfeit.<sup>98</sup> If the importer fails to respond, or if the importer cannot provide sufficient proof, CBP may

---

92. § 2320(b)(1).

93. *Id.*; *see also* 15 U.S.C. § 1117 (2012).

94. 19 U.S.C. § 1337 (2012).

95. *Id.*

96. 19 USC §§ 1581, 1582 (2019).

97. 19 C.F.R. § 133.21 (2019).

98. § 133.21(a)(2).



notify the trademark owner of the detainment and invite the owner to assist in the examination of the counterfeit goods. This notification may include: (1) the date of import; (2) the port of entry; (3) the country of origin; (4) the identity of the importer and manufacturer; and (5) samples of the goods for authentication.<sup>99</sup>

If CBP determines that the goods bear a counterfeit mark after examination, it will seize the goods, and they will be forfeited. To utilize CBP's detainment and seizure powers, a trademark owner must record its trademark registration with the agency; recording may be done online and costs \$190 per class of goods.<sup>100</sup> Trademark owners are strongly encouraged to provide additional information that would help identify counterfeit goods. Examples of additional information include physical hallmarks of the goods, geographic origins of authentic goods, the names of authorized manufacturers or licensees, and the names of past infringers.<sup>101</sup> At the end of the investigation, the ITC holds an evidentiary hearing to determine whether the importer possessed counterfeit goods.<sup>102</sup> ITC proceeds are like United States federal court trials except that the process occurs on an expedited basis with the ITC determining if the import violates section 337.<sup>103</sup> If an infringer violated section 337, then the ITC may issue an exclusion order barring counterfeit product from entry into the United States.<sup>104</sup>

### C. Criminal Laws Restricting Trademark Counterfeiting

Another mechanism for combating counterfeiting involves criminal laws and high penalties to deter trademark counterfeiting. Congress made use of the Violent Crime Control and Law Enforcement Act of 1994 to quietly ensure that counterfeiting trademarked goods remained a violation of 18 U.S.C. § 2320.<sup>105</sup> Section 2320 contains a

---

99. § 133.21(a)(4).

100. B. Brett Heavner & Yinfei Wu, *Procedures and strategies for anti-counterfeiting: U.S.*, WORLD TRADEMARK REV. (May 24, 2018), <https://www.worldtrademarkreview.com/anti-counterfeiting/procedures-and-strategies-anti-counterfeiting-united-states-0> [<https://perma.cc/9DHN-S3ZZ>].

101. *Id.*

102. *Id.*

103. Mfg. Indus. Advisor, *The Increasingly Popular Section 337*, FOLEY & LADNER LLP (June 21, 2017), <https://www.foley.com/the-increasingly-popular-section-337-06-21-2017/> [<https://perma.cc/N8VL-B7YP>].

104. *Id.*; see also Lisa Lyne Cunningham, *Trademark Counterfeiting and Individual Purchaser Liability*, NAT'L L. REV., (Nov. 11, 2011), <https://www.natlawreview.com/article/trademark-counterfeiting-and-individual-purchaser-liability> [<https://perma.cc/J722-7X8N>].

105. Violent Crime Control and Law Enforcement Act of 1994, Pub. L. No. 103-

long list of specified, unlawful activities that could trigger prosecution under 18 U.S.C. §§ 1956 and 1957—the statutory provisions of the Money Laundering Act.<sup>106</sup> Additionally, Congress enacted the Anti-Counterfeiting Consumer Protection Act of 1996 (“ACPA”) to further increase the civil and criminal penalties for trafficking counterfeit goods.<sup>107</sup> The ACPA also varies the statutory provisions that federal prosecutors and law enforcement authorities utilize to combat individuals and operations involved in this illegal activity.<sup>108</sup>

Federal law also categorizes individuals and operations engaged in the trafficking of counterfeit goods as racketeers. Congress created the RICO Act to “eliminate organized crime infiltration and racketeering into legitimate organizations operating in interstate commerce.”<sup>109</sup> Under the RICO Act, rather than prosecute each crime affecting legitimate businesses, prosecutors may indict individuals or operations based on a pattern of criminal activity.<sup>110</sup> The DOJ and Federal Bureau of Investigations (“FBI”) enforce the RICO Act through robust investigations and prosecutions. The DOJ Criminal Manual sections 9.110.010 to 9.110.901 outline the RICO prosecution process, indictment requirements, and specific RICO activity prosecution review requirements.

#### IV. BACKGROUND ON THE EUROPEAN UNION’S RESPONSE TO THE GROWING COUNTERFEITING PROBLEM

The United States and the EU continue to adopt stricter mechanisms to combat the proliferation of counterfeit goods. As Asian countries continue to manufacture and distribute a vast majority of the counterfeit goods, the European Union member states like Italy and France impose stricter regulations on counterfeiters and consumers.

---

322, 108 Stat. 1796 (codified as amended in scattered sections of 18 U.S.C., 22 U.S.C., 27 U.S.C. and 42 U.S.C.).

106. See Violent Crime Control and Law Enforcement Act § 1956(c)(7)(D) (2012).

107. See Anticounterfeiting Consumer Protection Act, Pub. L. No. 104-153, 110 Stat. 1386 (1996).

108. Sam Cocks, Comment, *The Hoods Who Move the Goods: An Examination of the Booming International Trade in Counterfeit Luxury Goods and an Assessment of the American Efforts to Curtail Its Proliferation*, 17 FORDHAM INTELL. PROP., MEDIA & ENT. L.J. 501, 525–29 (2007).

109. S. REP. NO. 617, at 2 (1969).

110. Michael Coblenz, *Intellectual Property Crimes*, 9 ALB. L.J. SCI. & TECH. 235, 240 (1999) (discussing the legislative history behind the Anticounterfeiting Consumer Protection Act of 1996); see Lauren D. Amendolara, 15 FORDHAM INTELL. PROP., MEDIA & ENT. L.J. 789, 795–99 (2005).

The European Union Trademark Regulation (2015/2424/EU) (“New Regulation”), amending the Community Trademark Regulation (“Old Regulation”), became effective on March 23, 2016.<sup>111</sup> Under the New Regulation, trademark owners can oppose the transit of goods bearing unauthorized EU trademarks or marks that are substantially similar. The opposition can occur even if the goods are not released for free circulation or intended to be sold within the European marketplace.<sup>112</sup> Trademark owners may further contest other circumstances such as warehousing, FTZs, temporary storage, inward processing, or provisional admissions.<sup>113</sup> Customs authorities are entitled to take actions outlined in Regulation No. 608/2013 on the customs enforcement of IP rights, such as detaining shipments suspected to infringe an EU trademark.<sup>114</sup> The owner’s rights to an EU or nationally registered trademark could lapse if, during the proceedings initiated to determine whether the registered trademark has been infringed, the declarant or the holder of the goods provides evidence that the registered trademark owner should not be entitled to prohibit the declarant from placing the goods on the market in the country of final destination.<sup>115</sup>

Aside from the EU’s Trademark Regulation, some experts considered EU Customs Regulation 608/2013 the most robust and cost-efficient mechanism for combating trademark counterfeiting. This regulation, which took effect on January 24, 2014, repealed the long-standing EU Regulation 1383/2003.<sup>116</sup> Regulation 608/2013 extends the existing system to rights in trade names and removes the requirement to commence intellectual property infringement proceedings before suspected counterfeit goods can be destroyed,

---

111. Trademark Regulation 2015/2424 art. 4, 2015 O.J. (L 341) 88 (EN).

112. *Id.* at 23.

113. *Id.*

114. *Intellectual Property Rights - Facts and figures*, EUR. UNION (Sept. 19, 2019), [https://ec.europa.eu/taxation\\_customs/business/customs-controls/counterfeit-piracy-other-ipr-violations/ipr-infringements-facts-figures\\_en](https://ec.europa.eu/taxation_customs/business/customs-controls/counterfeit-piracy-other-ipr-violations/ipr-infringements-facts-figures_en) [<https://perma.cc/M5RT-MYF8>]; Ana Bruder & Konstantin von Werder, *The Transit of Goods Under the New EU Trademark Regulation*, ALL ABOUT IP BLOG (May 13, 2016), <https://www.allaboutipblog.com/2016/05/the-transit-of-goods-under-the-new-eu-trademark-regulation/> [<https://perma.cc/SFF7-8NXT>].

115. *EUTM Seniority*, MEWBURN ELLIS, <https://www.mewburn.com/law-practice-library/eutm-seniority> [<https://perma.cc/GH93-CN5S>].

116. Paola Andreottola, *European Union: Trademark owners versus counterfeiters: the EU customs regime*, WORLD TRADEMARK REV. (Jan. 1, 2017), <https://www.worldtrademarkreview.com/anti-counterfeiting/european-union-trademark-owners-versus-counterfeiters-eu-customs-regime> [<https://perma.cc/3HTU-JTMS>].

provided that the declarant or holder of the goods agrees to the destruction.<sup>117</sup> The regulation also introduces procedures enabling small consignments of counterfeit goods to be destroyed without the explicit agreement of the rights holder, provided that she makes a general destruction request.<sup>118</sup> The regulation also provides exemptions for travelers' luggage but only if the goods are non-commercial and contained in travelers' luggage.<sup>119</sup> This exemption serves the unhindered passenger traffic but poses an excellent source for the influx of counterfeit goods into the EU.<sup>120</sup>

In 2016, Europol and EUIPO joined forces to create the Intellectual Property Crime Coordinated Coalition ("IPC3"), which operates within Europol. IPC3 strengthens the fight against counterfeiting and piracy online and offline. IPC3 provides operational and technical support to law enforcement agencies and other partners in the EU and beyond by facilitating and coordinating cross-border investigations; monitoring and reporting online crime trends and emerging mod operandi; raising public awareness of this crime; and providing training to law enforcement in how to combat it.<sup>121</sup> The IPC3 produced significant results. At the end of its first year of operation, it supported more than fifty high-priority cases of intellectual property infringement.<sup>122</sup> As the EU expands protections for member states, some members implemented stricter laws to curb counterfeiting and reduce the amount of revenue lost each year.

#### V. ANTI-COUNTERFEITING MEASURES OF ITALY & FRANCE

According to the IACC, the counterfeit goods industry has a global value of more than \$1.7 trillion, making it many times more profitable than the global drug trade.<sup>123</sup> In a report commissioned by the

---

117. *Id.*

118. *Id.*; see also Edward Carrington et al., *Intellectual Property Rights (IPR) Toolkit for Italy*, U.S. Com. Serv. (Sep. 2007), <https://www.stopfakes.gov/servlet/servlet.FileDownload?file=015t00000004q8B> [<https://perma.cc/LQ7C-FCW5>].

119. Regulation 608/2013 art. 1, 2013 O.J. (L. 181) 19 (EN).

120. See Sandra Rinnert, *New European Regulation 608/2013 concerning combating counterfeit goods*, 9 *WORLD CUSTOMS J.* 37, 38 (2013).

121. *Intellectual Property Crime Coordinated Coalition-IPC3*, EUROPOL, <https://www.europol.europa.eu/about-europol/intellectual-property-crime-coordinated-coalition-ipc3> [<https://perma.cc/SQ4M-BD89>].

122. *Id.*

123. Matthew Abbey, *Counterfeiters Will Win the Trade War*, FOREIGN POL'Y (Aug. 10, 2018, 9:02 AM), <https://foreignpolicy.com/2018/08/10/counterfeiters-will-win-the-trade-war/> [<https://perma.cc/85SR-QSTV>].

International Trademark Association and the International Chamber of Commerce, Frontier Economics, a consultancy based in Europe, predicted that the global counterfeit industry will have a value of \$2.3 trillion by 2022.<sup>124</sup> Counterfeit products using marks from the United States, Italy, France, and Switzerland comprise more than 50% of all counterfeit goods.

As a result, France and Italy have implemented strict criminal and civil penalties for counterfeiters and purchasers, which could lead to a drastic reduction in counterfeiting. Italian and French legislators are making fruitful attempts to combat the loss of revenue and jobs their countries experience because of counterfeiting.

#### A. Italy's Anti-Counterfeiting Regime

Italian legislators continue to implement laws and regulations combating counterfeiting. The prevalence of street vendors in Italy and the high influx of imported counterfeit goods continue to be the country's most visible trademark violations.<sup>125</sup> Aside from several treaties that Italy remains a party to, the Code of Industrial Property ("CIP") and EU regulations govern much of Italy's intellectual property law including trademark registrations and infringements.<sup>126</sup> The IPC3 took effect in 2005 via the Decree-Law 30/2005, but legislators subsequently reformed the IPC3 by Legislative Decree 131/2010.

The Italian Patent and Trademark Office maintains a first-to-file system in which unregistered marks enjoy less protection than registered trademarks.<sup>127</sup> To enforce claims for both the registered and unregistered marks, Italy has twenty-one specific sections of civil courts with one court for each Italian region.<sup>128</sup> Where a case includes a foreign enterprise, only eleven of the venues remain available based on rules simplifying the courts.<sup>129</sup>

---

124. *Id.*

125. See Amanda Silverman, Note, *Draconian or Just? Adopting the Italian Model of Imposing Administrative Fines on the Purchasers of Counterfeit Goods*, 17 CARDOZO J. INT'L & COMP. L. 175, 188 (2009).

126. *Id.*

127. See Fabio Angelini & Simone Verducci-Galletti, *Trademark Procedures and Strategies: Italy*, WORLD TRADEMARK REV. (Sept. 12, 2018), <https://www.worldtrademarkreview.com/anti-counterfeiting/trademark-procedures-and-strategies-italy> [<https://perma.cc/964L-KUHK>].

128. *Id.*

129. *Id.*

Unlike the United States, Italy continues to have some of the most stringent anti-counterfeiting laws that extend liability to consumers purchasing counterfeit goods.<sup>130</sup> The Italian Penal Code addresses the issue of liability for engaging in the purchase or sale of counterfeit items. Article 473 of the Italian Penal Code punishes those who counterfeit or alter domestic or foreign brands or distinctive marks of intellectual property or utilize counterfeit or altered brands.<sup>131</sup> Also, the prosecution need only prove that the counterfeiter knew about the existence of the trademark; then the defense must provide evidence of excusable ignorance. In contrast to the TCA and ACPA, which each require some element of specific knowledge that trademark used was counterfeit,<sup>132</sup> article 473 does not impose such a requirement.<sup>133</sup> Instead, article 473 appears to impose a less restrictive prosecutorial standard.

In addition to article 473, article 474 of the Italian Penal Code imposes penalties for introducing counterfeit goods into the Italian marketplace.<sup>134</sup> The penalties include imprisonment for one to four years, fines ranging from €3,500 to €35,000 (\$4,850 to \$48,500), or both.<sup>135</sup> Article 474 provides stricter penalties and separate punishments for the introduction of counterfeit goods into Italy compared to holding the goods for sale and circulation.<sup>136</sup> Article 474 also imposes liability on businesses that import products from foreign countries where the production of counterfeit goods is not strictly regulated.<sup>137</sup> Law 231/2001 illustrates that if an employee purchased counterfeit goods from abroad without the company's knowledge, the company could be liable.<sup>138</sup>

130. Decreto Legge 14 maggio 2005, n. 80/05, art. 1(7), in G.U. May 14, 2005, n. 111 (It.), available at <http://www.camera.it/parlam/leggi/050801.htm> [https://perma.cc/C2CN-63PY].

131. Davide Bresner, *New counterfeiting regulations in Italy*, THOMSON REUTERS: PRAC. LAW, 9 (2009), [https://www.rapisardi.com/rws/home.nsf/0/3A65B311DCF9B7C2C1258451004D6B92/\\$FILE/New%20Counterfeiting%20regulations%20in%20Italy%20-%20DB.002.002.pdf](https://www.rapisardi.com/rws/home.nsf/0/3A65B311DCF9B7C2C1258451004D6B92/$FILE/New%20Counterfeiting%20regulations%20in%20Italy%20-%20DB.002.002.pdf) [https://perma.cc/V4KG-H3M3].

132. 18 U.S.C. § 2320 (a)(1) (2019); *see also* Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, sec.7, § 1117, 110 Stat. 1386, 1388 (codified as amended at 15 U.S.C.A. § 1117(c) (2019)).

133. Bresner, *supra* note 122, at 9.

134. *Id.*

135. *Id.*

136. *Id.*

137. *Id.* at 10.

138. *Id.*

Under Law 99/2009, an update to the Italian Penal Code, prosecutors can use a party's subjective knowledge of a trademark or other intellectual property right as an objective element of the counterfeiting crime.<sup>139</sup> The update also imposes a more realistic penalty against consumers who purchase counterfeit merchandise. The administrative fines range from €100 to €7,000 (\$140 to \$9,700). The consumer penalties are not as drastic as the penalties for violations that involve trafficking counterfeit goods.<sup>140</sup>

Nevertheless, the legislature has eliminated the requirement that a guilty party must have purchased counterfeit goods without having first ascertained its legitimate origin from the definition of the crime. Instead, liability is based on the goods' appearance of illegality, who is selling it, its price, and its quality.<sup>141</sup>

In addition to the Italian Penal Code, Italy recently implemented a new EU trademark directive, strengthening trademark protections to combat counterfeiting. Legislative Decree 15/2019 implemented the Trademarks Directive, which became effective on March 23, 2019.<sup>142</sup> The reinforcement of trademark protection extends to transported goods using cross-border measures thereby countering individual preparatory acts of counterfeiting.<sup>143</sup> The regulation allows for the seizure of counterfeit goods in mere transit within EU member states.<sup>144</sup>

Over the last three decades, Italy has drastically reformed the customs system to curb the increasing influx of counterfeit goods flowing internationally. One mechanism customs utilizes to combat the threat is the multimedia database, the Fully Automated Logical System Against Forgery and Fraud ("FALSTAFF").<sup>145</sup> This database

---

139. *Id.*

140. *Id.*

141. *Id.* at 12.

142. Giulia Beneduci, *Fresh amendments to the Italian Industrial Property Code. "Trademarks Package" and "Unitary Patent Package" implemented*, LEXOLOGY (Apr. 1, 2019), <https://www.lexology.com/library/detail.aspx?g=63d2359e-9294-4bfd-b2fd-5d6e58d1adad>. [<https://perma.cc/L7EP-VCUV>].

143. *Id.*

144. *Id.*

145. Giulia Beneduci, *Fresh amendments to the Italian Industrial Property Code. "Trademarks Package" and "Unitary Patent Package" implemented*, LEXOLOGY (Apr. 1, 2019), <https://www.lexology.com/library/detail.aspx?g=63d2359e-9294-4bfd-b2fd-5d6e58d1adad>. [<https://perma.cc/L7EP-VCUV>].

is updated directly by rights holders that request protection for their goods. Consumers and customs also frequently update the database. Customs utilizes the database to gather together information on how to distinguish counterfeit goods at the borders.<sup>146</sup> The database appears to be an effective mechanism, helping customs enforcement make more transparent determinations and reducing the need for lengthy investigations.<sup>147</sup>

The tax police's Anti-Counterfeiting System ("SIAC") uses a similar and more recent tool, which was co-funded by the European Commission.<sup>148</sup> The Ministry of Internal Affairs described SIAC as "stemm[ing] from the awareness to face a multi-dimensional and transversal, illegal phenomenon such as counterfeiting, all institutional bodies, and players involved in combating the 'counterfeit industry' should join forces."<sup>149</sup> Little data is available on the effectiveness of such databases to combat the influx of counterfeit goods through various borders. Italy continues to roll out the red carpet to protect domestic and international trademark owners against counterfeiting while attempting to curb the financial and employment losses caused by counterfeiting.

#### B. France's Anti-Counterfeiting Model

Like Italy, France continues to implement an extensive legal and regulatory structure to reduce the effects of counterfeiting goods flowing through the country's borders. In France, luxury brands remain prominent, representing over one quarter of the global, luxury industry.<sup>150</sup> France's luxury brand industry is nearly three times the size of the United States luxury brand sector.<sup>151</sup> In 1995, French officials and private agencies created Le Comite National Anti-Contrefacon (The National Anti-Counterfeiting Committee ("CNAC")). The CNAC, along with the Comite Colbert, focuses on informing consumers about the dangers of counterfeit goods as well as the possible penalties individuals would face if they purchase or

146. *Id.*

147. *See id.*

148. *Id.*

149. *Id.*

150. *Global Powers of Luxury Goods 2019: Bridging the gap between the old and the new*, DELOITTE 25 (Apr. 2019), [https://www2.deloitte.com/content/dam/Deloitte/ar/Documents/Consumer\\_and\\_Industrial\\_Products/Global-Powers-of-Luxury-Goods-abril-2019.pdf](https://www2.deloitte.com/content/dam/Deloitte/ar/Documents/Consumer_and_Industrial_Products/Global-Powers-of-Luxury-Goods-abril-2019.pdf) [<https://perma.cc/GZ34-74MV>].

151. *Id.*



possess any counterfeit goods.<sup>152</sup> The Comite Colbert, an organization comprised of key members of the French luxury industry, notes that the luxury goods business remains a strategic imperative to France because of the considerable size, presence, and influence of luxury designers in the country.<sup>153</sup>

The French Intellectual Property Code defines counterfeit broadly and identifies all counterfeiting as an offense.<sup>154</sup> Like the United States, France shares concerns about the considerable consequences and costs associated with counterfeiting. Counterfeiting financially impacts industries like the fashion, jewelry, pharmaceutical, and food industries. Notably, the French Intellectual Property Code imposes sanctions and liability on those purchasing or even possessing counterfeit items.<sup>155</sup> Consumers of counterfeit goods may face a fine of up to €300,000 (roughly \$373,140) or three years imprisonment.<sup>156</sup> French Customs has broad investigative and anti-counterfeiting powers including the right to seize counterfeit products. Officials can seize counterfeit goods at ports of entry and in the French marketplaces.<sup>157</sup> Anyone transporting products into or through France must, therefore, possess documentation evidencing the true origin of such products including, but not limited to, an agreement or an invoice.<sup>158</sup> Also, for the first time, tourists entering France could have their counterfeit goods seized by customs despite the goods being purchased outside of the country.<sup>159</sup> Customs, the CNAC, and the Comite Colbert continue to spread awareness about the new regulations to all entering or living within France and the EU.

---

152. *Sur Internet, unFfaux Produit Est-il Une Vraie Affiare*, CNAC (last visited Sept. 26, 2020), <http://www.cnac-contrefacon.fr/publication/content/ART17245.php?archive=0&StartRow=0&order=1> [<https://perma.cc/GD9K-Z6TV>].

153. *Securing the Leadership of the European High-End and Luxury Industry in the Digital Era*, EU. CULTURAL & CREATIVE INDUS. ALL. (Oct. 22, 2017), [http://www.comitecolbert.com/assets/files/paragraphes/fichiers/20/eccia\\_manifesto\\_bd.pdf](http://www.comitecolbert.com/assets/files/paragraphes/fichiers/20/eccia_manifesto_bd.pdf) [<https://perma.cc/7T2Z-A6KU>].

154. CODE DE LA PROPRIÉTÉ INTELLECTUEL [IPC] [INTELLECTUAL PROPERTY CODE] art. 112-2, 123-1, 335-2 (Fr.).

155. *Id.*

156. Dianna Michelle Martinez, Note, *Fashionably Late: Why the United States Should Copy France And Italy To Reduce Counterfeiting*, 32 B. U. INT'L L. J. 509, 524 (2014).

157. *Id.* at 525.

158. *Id.*

159. *Id.*

## VI. THE UNITED STATES V. ITALY &amp; FRANCE

The United States's attempts to fight counterfeiting markets by targeting the supply side have remained feeble. To obtain meaningful change and successfully limit the prevalence of trademark counterfeiting, the United States should follow the Italian and French models and adopt end-consumer penalties such as fines, confiscation, or incarceration for situations in which the purchaser knew or should have known that the item was a counterfeit.<sup>160</sup> These aggressive penalties must be accompanied by equally aggressive marketing and awareness campaigns to inform consumers about the effects of counterfeiting and the potential penalties for continuing to purchase such goods.<sup>161</sup> However, there are several downsides to implementing end-consumer penalties. End-consumer penalties may criminalize innocent purchasers who either did not know they were purchasing counterfeit goods or knowingly purchased counterfeits to save money.

Additionally, end-consumer penalties are less favorable because the United States has one of the world's highest mass incarceration rates.<sup>162</sup> Incarcerating people for purchasing counterfeit goods goes against the recent wave of reducing incarceration for non-violent crimes. Lastly, end-consumer penalties do not address the influx of counterfeit good production, particularly in the PRC, Hong Kong and other southeast Asian countries. If the United States wishes to combat the drastic proliferation of counterfeit goods produced in the PRC and Hong Kong, then the United States government must implement systems focused on helping businesses return some manufacturing and distribution to the country, empowering unions and low-wage factory workers, and protecting intellectual property rights. As a member of several multinational treaties, the United States should consider a more comprehensive approach that focuses on consumer awareness, advocacy for trademark registration in Asian countries, increased criminalization of counterfeit production and trafficking, and improved customs' seizures.

---

160. Kristoff Grospe, *Proposed Law Targets Purchasers of Counterfeit Goods*, 18 CITY L. 1 (Jan./Feb. 2012) (noting how bill sponsor, City Councilmember Margaret Chin indicated that "substantial fines are something people understand" and how the proposed law will "ultimately ... cut down on the demand for these illegal goods").

161. Martinez, *supra* note 147, at 537–38.

162. *Highest to Lowest Prison Population Total*, WORLD PRISON BRIEF, [https://www.prisonstudies.org/highest-to-lowest/prison-population-total?field\\_region\\_taxonomy\\_tid=All](https://www.prisonstudies.org/highest-to-lowest/prison-population-total?field_region_taxonomy_tid=All) [<http://perma.cc/UZ2C-P5NC>].

---

---

VII. COMMENTARY ON PROPOSED ANTI-COUNTERFEITING  
LEGISLATION

The legal and regulatory arsenals adopted by the United States, European Union, Italy, and France do not address some of the societal and economic issues mentioned in Part I regarding the PRC and Hong Kong's continued proliferation of counterfeit goods. The legal and regulatory mechanisms can be likened to a band-aid on a bullet wound because it only addresses counterfeit goods entering the respective countries. These mechanisms do nothing to aid trademark owners in demanding or assisting the Chinese government.

Fully combatting counterfeiting while improving and not destroying international relations requires the aforementioned comprehensive approach that focuses on consumer awareness, advocacy for trademark registration in Asian countries, increased criminalization of counterfeit production and trafficking, and improved FTZ oversight and enforcement measures. Countries are trying their best to improve the knowledge gap and work with the PRC and Hong Kong (China) to combat counterfeiting. Countries must cooperate to find reasonable solutions to the growing counterfeiting problem that affects more than trademark owners; counterfeiting affects everyone working in factories, storefronts, government, administrative enforcement, and judicial systems alike.

*A. Multi-National Intellectual Property Education Partnerships*

One mechanism for combating counterfeiting is education. Education remains essential because counterfeiting syndicates in the PRC and Hong Kong lack the necessary knowledge of and respect for intellectual property rights.<sup>163</sup> Local protectionism has risen to the forefront with the economic and societal benefits of counterfeiting outweighing the social and economic harm caused to businesses globally.<sup>164</sup> While jobs increase in the PRC and Hong Kong, trademark owners must respond to the increased counterfeiting by cutting jobs in other countries to save the money needed to combat counterfeiting. Educating Asian countries on the importance of intellectual property rights can provide an opening for brand owners and foreign governments to combat counterfeiting at its roots. Education can also provide an opportunity for counterfeiting syndicates to become legitimate manufacturers and distributors for

---

163. Chow, *supra* note 14, at 51.

164. *Id.* at 26–27.

trademark owners in the Far East.<sup>165</sup> This transition would not stop the PRC and Hong Kong from obtaining financial benefits and employing millions.<sup>166</sup> Instead, the transition would open the door for more cooperative and legal relationships between China, trademark owners, and the Chinese society.

*B. Reconsideration & Implementation of the Anti-Counterfeiting Trade Agreement*

The world needs a treaty like the Anti-Counterfeiting Trade Agreement (“ACTA”) now, more than ever before, to battle the highly complex counterfeiting networks straddling multiple countries.<sup>167</sup> Proposed in June 2008, the ACTA would have been one of the first international agreements explicitly designed to combat counterfeiting in a harmonized and coordinated way.<sup>168</sup> Australia, Canada, Japan, Morocco, New Zealand, Singapore, South Korea, and the United States signed the ACTA in October 2011.<sup>169</sup> By 2012, Mexico, the EU, and twenty-two EU member states signed the ACTA.<sup>170</sup> Japan ratified and formally approved the agreement. The ACTA provided a multistep formula for combating counterfeiting through civil and criminal enforcement, border measures, criminal offenses, penalties, enforcement in e-commerce, and international cooperation.<sup>171</sup> According to INTA, ACTA provisions should call for higher standards and stronger cooperation on combating counterfeiting; stronger border

165. *Id.* at 51.

166. *Id.*

167. *Businesses Press for High Standards in Anti-counterfeiting Treaty*, INT’L CHAMBER OF COMM. (Sept. 22, 2008), <https://iccwbo.org/media-wall/news-speeches/businesses-press-for-high-standards-in-anti-counterfeiting-treaty/> [<https://perma.cc/39T4-6J7X>].

168. *Joint Statement on The Anti-Counterfeiting Trade Agreement (ACTA)*, EU. COMM’N (Nov. 15, 2010), [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_10\\_1504](https://ec.europa.eu/commission/presscorner/detail/en/IP_10_1504) [<http://perma.cc/5F4C-7CF2>].

169. *Anti-Counterfeiting Trade Agreement (ACTA)*, OFF. OF THE U. S. TRADE REPRESENTATIVE, <https://ustr.gov/acta#:~:text=The%20United%20States%2C%20Australia%2C%20Canada,trademark%20counterfeiting%20and%20copyright%20piracy> [<http://perma.cc/34SL-4TX8>].

170. Charles Arthur, *Acta protests break out as EU states sign up to treaty*, THE GUARDIAN (Jan. 27, 2012, 4:43 AM), <https://www.theguardian.com/technology/2012/jan/27/acta-protests-eu-states-sign-treaty> [<http://perma.cc/Y2GB-JUM3>].

171. *Anti-Counterfeiting Trade Agreement (ACTA)*, OFF. OF THE U. S. TRADE REPRESENTATIVE, [https://www.mofa.go.jp/policy/economy/i\\_property/pdfs/acta1105\\_en.pdf](https://www.mofa.go.jp/policy/economy/i_property/pdfs/acta1105_en.pdf) [<http://perma.cc/78FD-XRGJ>].

enforcement, especially with relation to goods in transit; more effective criminal penalties; stronger international cooperation between enforcement bodies of the signatory countries; and increased cooperation between government and industry.<sup>172</sup>

Although some countries, including all EU countries, later rejected ACTA,<sup>173</sup> the agreement provided a baseline for global, trademark protection against counterfeiting. Countries should reconsider the ACTA, with minor changes, to protect consumers and trademark owners who lose more than revenue. The agreement requires implementation by most industrialized nations, including the PRC and Hong Kong (China), to effectively combat counterfeiting.

### VIII. CONCLUSION

As globalization continues to flourish, the PRC and Hong Kong remain the largest producers of counterfeit goods in the world because such countries have no financial or social incentive to stop counterfeiting. Mechanisms adopted by the United States, Italy, and France are similar yet vastly different in their effect on curbing counterfeiting. The United States model focuses on robust trademark protections, narrow customs regulations, and criminal laws to reduce trademark counterfeiting. Italy and France utilize detailed and robust regulations and view criminal laws as a strong mechanism to challenging the counterfeiting threat.

Until the world works with the PRC and Hong Kong to reform their economic structure to rely less on counterfeiting and more on legitimate businesses, the mechanism adopted by other countries will continue to provide minimal relief to trademark owners. International treaties, diplomacy, education, and FTZ enforcement are needed now more than ever to improve intellectual property protection. It is optimistic to think that the world will one day come together to resolve this problem so that businesses feel protected as they expand globally, but this optimistic yet compassionate view is necessary to combat one of the fastest-growing global issues.

---

172. *Businesses Press for High Standards in Anti-counterfeiting Treaty*, International Chamber of Commerce (Sept. 22, 2008), <https://iccwbo.org/media-wall/news-speeches/businesses-press-for-high-standards-in-anti-counterfeiting-treaty/> [https://perma.cc/39T4-6J7X].

173. *European Parliament Rejects ACTA*, EUROPEAN PARLIAMENT (Apr. 7, 2012 13:09), <https://www.europarl.europa.eu/news/en/press-room/20120703IPR48247/european-parliament-rejects-acta> [http://perma.cc/H8G8-TFJ8].