A BILL

To amend title 18 of the United States Code to strengthen the laws against counterfeiting trademarks, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

That this Act may be cited as the "Trademark Counterfeiting Act of 1984".

TITLE 18 AMENDMENT

SEC. 2.(a) Chapter 113 of title 18 of the United States Code is amended by adding at the end the following:

''§ 2320. Use of counterfeit marks

"(a) Whoever engages or attempts to engage conduct for which section 32(1)(a) of the Lanham Act *(15 U.S.C. 1114*(1)(a)) or section 110 of the Olympic Charter Act *(36 U.S.C. 380)* provides a civil remedy, by intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark, in connection with the sale, offering for sale, or distribution of goods or services shall, if an individual, be fined not more than $250,000 or imprisoned not more than five years, or both, and, if a person other than an individual, be fined not more than $1,000,000. In case of an offense by a person under this section which occurs after that person is convicted of another offense under this section, the person convicted, if an individual, shall be fined not more than $1,000,000 or imprisoned not more than fifteen years, or both, and if other than an individual, shall be fined not more than $5,000,000.

"(b) Any documents seized and held by an agency or other entity of the Federal Government in connection with a prosecution under this section are exempt from disclosure under section 552 of title 5 of the United States Code (commonly referred to as the "Freedom of Information Act").

"(c) Upon a showing that any articles in the possession of a defendant in a prosecution under these section bear counterfeit marks or designation, the United States may obtain an order for the destruction of such articles.

"(d) For the purposes of this section----;

"(1) the term 'counterfeit mark' means--

"(A) a spurious mark which is used in connection with the sale, offering for sale, or distribution of goods or services and which is identical with, or substantially indistinguishable from, a mark registered for that type of goods or services on the principal register in the United States Patent and Trademark Office, or

"(B) a spurious designation which is identical with, or substantially indistinguishable from, a designation as to which the remedies of the Lanham Act are made available by reason of section 110 of the Olympic Charter Act;

but such term does not include any mark or designation used in connection with goods or services of which the manufacturer or producer was, at the time of the manufacture or production in question or a reasonable time before such manufacture or production, in a contractual or other relationship, permitting the use of the mark or designation for the type of goods or services so manufactured or produced, with the holder of the right to use such mark or designation, unless the user his knowledge of the termination of the relationship; and

"(2) the term 'Lanham Act' means the Act entitled 'An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international

conventions, and for other purposes', approved July 5, 1946 (15 U.S.C. 1051 et seq.); and

"(3) the term 'Olympic Charter Act' means the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 *(36 U.S.C. 371* et seq.)".

(b) The table of sections at the beginning of chapter 113 of title 18 of the United States Code is amended by adding at the end the following new item:

"2320. Use of counterfeit marks".

LANHAM ACT AMENDMENT

SEC. 3. The Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 *(15 U.S.C. 1051* et seq.) is amended--

(1) in section 34 *(15 U.S.C. 1116)*

(A) by designating the first paragraph as subsection (a);
(B) by designating the second paragraph as subsection (b);
(c) by designating the third paragraph as subsection (c); and
(D) by adding at the end the following:

"(d)(1)(A) In the case of civil action arising under section 32(1)(a) of this Act *(15 U.S.C. 1114)* or section 110 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36U.S.C. 380) with respect to a violation which consists of using a mark or designation in connection with the sale, offering for sale, or distribution of goods or services, if the user knew or should have known that such mark or designation is a counterfeit mark the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection.

"(B) Such order may provide for the seizure of goods and marks and designations involved in such violation and the means of making such marks and designations, and documents relating to the manufacture, sale, or receipt of things involved in such violation.

"(C) As used in this subsection the term 'counterfeit mark' means--

"(i) a counterfeit of a mark registered for such goods or services sold, offered for sale, or distributed on the
principal register in the United States Patent and Trademark Office; or

"(ii) a spurious designation which is identical with, or substantially indistinguishable from, a designation as to which the remedies of this Act are made available by reason of section 110 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 *(35 U.S.C. 380);*

but such term does not include any mark or designation used in connection with goods or services of which the manufacturer or producer was, at the time of the manufacture or production in question or a reasonable time before such manufacturer or production, in a contractual or other relationship, permitting the use of the mark or designation for the type of goods or services so manufactured or produced, with the holder of the right to use such mark or designation, unless the user has knowledge of the termination of the relationship.

"(2) The court shall not receive an application under this subsection unless the applicant has given timely notice of the application to the United States attorney for the judicial district in which such order is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States.

"(3) The application for an order under this subsection shall--

"(A) based on affidavit establishing facts sufficient to support the findings of fact and conclusion of law required for such order; and

"(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

"(4) The court shall not grant such an application unless the court finds probable cause to believe that--

"(A) an order other than an order issued under this subsection is not adequate to achieve the purposes of
section 32 of this Act *(15 U.S.C. 1114);*

"(B) the applicant has not publicized the requested seizure;

"(C) success on the merits by the applicant is likely;

"(D) an immediate and irreparable injury will occur if such seizure is not ordered;

"(E) the matter to be seized will be located at the place identified in the application;

"(F) the harm to the applicant of denying the application outweighs the harm to the person against whom seizure would be ordered of granting the application;

"(G) the public interest would not be seriously adversely affected by granting the application; and

"(H) the matter subject to such an order will be destroyed, moved, hidden, or otherwise made inaccessible.

"(5) An order under this subsection shall set forth--

"(A) the findings of fact and conclusions of law required for the order;

"(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

"(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

"(D) the amount of security required to be provided under this subsection; and

"(E) a date for the hearing required under paragraph (11) of this subsection.

"(6) The court shall take appropriate action to protect the person against whom an order under this subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order until the end of the hearing required under paragraph (11) of this subsection and may continue such action in the court's discretion after such hearing.

"(7) Documents may be seized under this subsection only if the court enters a protective order forbidding the disclosure of any such documents, or the contents thereof, to any third party and requiring that the documents so seized be treated as confidential and not made available to the parties except under paragraph (12) of this subsection. The protective order shall also provide that all documents so seized, other than any matter disposed of under section 36 of this Act *(15 U.S.C. 1118),* shall be returned to the person from whose custody such documents were seized and no information contained in such documents shall be retained after the order has lapsed or such litigation is concluded. The court may, for good cause shown, provide greater protection for the person from whom such documents were seized.

"(8) A person obtaining an order under this subsection shall provide the security determined adequate by the court for the payment of such damages as any person may recover as a result of a wrongful seizure under this subsection

"(9) An order under this subsection, together with the supporting documents, shall be sealed until the party in possession of the matter seized has an opportunity to contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

"(10) The court shall designate a United States marshal or other law enforcement officer to serve a copy of the order under this subsection and then to carry out the seizure under such order. The court shall issue orders when appropriate to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information kept in the course of business, including an order restricting the access of the applicant (or any agent or employee of the applicant) to such secrets or information. The person carrying out the seizure shall in doing so follow, insofar as practicable, the requirements the Federal Rules of Criminal Procedure impose for the execution and return with inventory of a warrant for search and seizure, as though the seizure ordered under this subsection were pursuant to such a warrant.

"(11)(A) The court shall hold a hearing, unless waived by all the parties, on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the applicant for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet the burden, the seizure order shall be dissolved or modified appropriately.

"(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

"(12) Documents seized under this subsection shall be placed in the custody of the court. The court may make such documents available to the attorneys of record for all parties in the civil action, giving due consideration to the need to protect confidential information, except that the court shall not disclose to such attorneys and such document not determined relevant and material to such civil action unless the court finds that the participation of such attorneys is necessary to make such determination. Insofar as practicable documents to be made available under this paragraph shall be made available early enough to permit the parties to prepare for the hearing required under paragraph (11) of this subsection.

"(13) A person who suffers damage by reason of a wrongful seizure under this subsection may commence a civil action against the applicant for the order under which such seizure was made, and in such civil action shall recover such relief as may be appropriate, including damages for lost profits, cost of materials, unjust enrichment, and loss of good will, and a reasonable attorney's fee.";

(2) in section 35 *(15 U.S.C. 1117),* by inserting before the period at the end of the sentence which begins "In assessing damages" the following:

", and shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 32(1)(a) of this Act *(15 U.S.C. 1114*(1)(a)) or section 110 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 *(36 U.S.C. 380)* which consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 34(d) of this Act *(15 U.S.C. 1116* (d)), in connection with the sale, offering for sale, or distribution of goods or services"; and

(3) in section 36 *(15 U.S.C. 1118),* by adding at the end of such section "The party seeking an order under this section shall give timely notice to the United States attorney for the judicial district in which such order is sought, and such United States attorney may, if such destruction may affect evidence of an offense against the United States, seek a hearing on such destruction or participate in any hearing otherwise to be held with respect to such destruction".

98TH CONGRESS *2d Session*

HOUSE OF REPRESENTATIVES REPORT 98--997

TRADEMARK COUNTERFEITING ACT OF 1984

SEPTEMBER 7, 1984.----Committed to the Committee of the Whole House on the State of the Union

and ordered to be printed

MR. HUGHES, from the Committee on the Judiciary, submitted the following