

CLIENT ADVISORY



The Stop Counterfeiting Act

The Stop Counterfeiting in Manufactured Goods Act (the “Act”), effective March 16, 2006, significantly broadens the protection afforded to trademark owners against counterfeit goods. From purses and other accessories to jewelry, fashion, toiletries, and sporting goods, the Act potentially applies to a wide variety of industries. By amending 18 U.S.C. § 2320, the Act provides the following increased protections:

- The Act includes an **expanded definition of “counterfeit mark,”** which now extends to goods and services as well as labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging that is either applied to or used in connection with counterfeit goods. This additional language thus provides protection to packaging material, even if it is not actually attached to goods. Because this definition will protect trademark owners against the use of their packaging materials alone, it will prevent counterfeiters from selling famous packaging (including branded boxes such as candy boxes, wrappers, etc.) to dress up unrelated goods. This development is especially helpful in the modern era of online auctioning, where counterfeit packaging materials are readily available.
- The Act requires the **mandatory destruction** of counterfeit goods and the mandatory forfeiture of assets linked to counterfeiting. This requirement represents a stiffer penalty than prior law, which allowed for discretionary destruction of counterfeit goods.
- The Act also **heightens the protection against the proliferation of counterfeit goods in the case of criminal convictions.** Pursuant to the Act, a maker of counterfeit goods who is convicted of a criminal offense must forfeit any property (1) constituting or derived from any proceeds the person obtained from the counterfeit goods, (2) used or intended to be used to commit or aid the creation of the counterfeit goods, and (3) bearing or consisting of the counterfeit mark. **Such forfeiture is now mandatory.** Additionally, a criminal conviction will also require **mandatory restitution** to the mark owner.

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- Finally, the Act has amended the statutory terms “traffic” and “financial gain.” These terms have been redefined to provide protection against any distribution (including exporting and importing), or intent to distribute, counterfeit goods for purposes of commercial advantage or private financial gain. Additionally, the Act now applies to the actual *and* expected receipt of anything of value in exchange for counterfeit goods.

The Act should help trademark owners in their fight against counterfeit goods, arming trademark owners with new remedies and an expanded scope of protection.

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