



# First Draft of Report #44 – Trademark Counterfeiting

SUBMITTED FOR ADVISORY GROUP REVIEW  
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This Draft Report contains recommended reforms to District of Columbia criminal statutes for review by the D.C. Criminal Code Reform Commission's statutorily designated Advisory Group. A copy of this document and a list of the current Advisory Group members may be viewed on the website of the D.C. Criminal Code Reform Commission at [www.ccrdc.dc.gov](http://www.ccrdc.dc.gov).

This Draft Report has two parts: (1) draft statutory text for a new Title 22E of the D.C. Code; and (2) commentary on the draft statutory text. The commentary explains the meaning of each provision and considers whether existing District law would be changed by the provision (and if so, why this change is being recommended).

Any Advisory Group member may submit written comments on any aspect of this Draft Report to the D.C. Criminal Code Reform Commission. The Commission will consider all written comments that are timely received from Advisory Group members. Additional versions of this Draft Report may be issued for Advisory Group review, depending on the nature and extent of the Advisory Group's written comments. The D.C. Criminal Code Reform Commission's final recommendations to the Council and Mayor for comprehensive criminal code reform will be based on the Advisory Group's timely written comments and approved by a majority of the Advisory Group's voting members.

The deadline for the Advisory Group's written comments on this First Draft of Report #44 – Trademark Counterfeiting is Wednesday, January 15, 2020. Oral comments and written comments received after this date may not be reflected in the next draft or final recommendations. All written comments received from Advisory Group members will be made publicly available and provided to the Council on an annual basis.

**Trademark Counterfeiting. RCC § 22E-2210.**

- (a) *First Degree.* A person commits first degree trademark counterfeiting when that person:
  - (1) Knowingly manufactures for commercial sale, possesses with intent to sell, or offers to sell, property bearing or identified by a counterfeit mark; and
  - (2) In fact, the property consists of 100 or more items, or the property, in fact, has a total retail value of \$5,000 or more.
- (b) *Second Degree.* A person commits second degree trademark counterfeiting when that person:
  - (1) Knowingly manufactures for commercial sale, possesses with intent to sell, or offers to sell, property bearing or identified by a counterfeit mark; and
  - (2) In fact, the property has any value.
- (c) *Exclusion from Liability.* Nothing in this section shall be construed to prohibit uses of trademarks that are legal under civil law.
- (d) *Seizure and Disposal of Seized Items Bearing a Counterfeit Mark.*
  - (1) Any items bearing a counterfeit mark shall be seized, and all personal property, including, but not limited to, any items, objects, tools, machines, equipment, instrumentalities, or vehicles of any kind, employed or used in connection with a violation of this chapter may be seized, by any law enforcement officer, including any designated civilian employee of the Metropolitan Police Department, in accordance with the procedures established by § 48-905.02.
  - (2) All seized personal property shall be subject to forfeiture pursuant to the standards and procedures set forth in D.C. Law 20-278.
  - (3) Upon the request of the owner of the trademark, service mark, trade name, label, term, picture, seal, word, or advertisement, all seized items bearing a counterfeit mark shall be released to the owner of the trademark, service mark, trade name, label, term, picture, seal, word, or advertisement for destruction or disposition.
  - (4) If the owner of the trademark, service mark, trade name, label, term, picture, seal, word, or advertisement does not request release of seized items bearing a counterfeit mark, such items shall be destroyed unless the owner of the of the trademark, service mark, trade name, label, term, picture, seal, word, or advertisement consents to another disposition.
- (e) *Evidence of State or Federal Registration.* Any state or federal certificate of registration of any trademark, service mark, trade name, label, term, picture, seal, word, or advertisement shall be prima facie evidence of the facts stated therein.
- (f) *Penalties.*
  - (1) First degree trademark counterfeiting is a Class [X] crime, subject to a maximum term of imprisonment of [X], a maximum fine of [X], or both.
  - (2) Second degree trademark counterfeiting is a Class [X] crime, subject to a maximum term of imprisonment of [X], a maximum fine of [X], or both.
- (g) *Definitions.*
  - (1) The term “counterfeit mark” as used in this section means: any trademark, service mark, trade name, label, term, picture, seal, word, or advertisement or any combination of these adopted or used by a person to identify such person’s goods or services and which is lawfully filed for record in the Office of the Secretary of State of any state or which the exclusive right to reproduce is guaranteed under

- the laws of the United States or the District of Columbia, that is used without the permission of the owner of the trademark, service mark, trade name, label, term, picture, seal, word, or advertisement.
- (2) The term “retail value” means the actor’s regular selling price for the item or service bearing or identified by the counterfeit mark. In the case of items bearing a counterfeit mark which are components of a finished product, the retail value shall be the actor’s regular selling price of the finished product on or in which the component would be utilized.
  - (3) The terms “intent” and “knowingly” have the meanings specified in RCC § 22E-206; the term “in fact” has the meaning specified in RCC § 22E-207; the terms “possesses,” “property,” and “counterfeit mark” has the meaning specified in RCC § 22E-701.

***Explanatory Note.** The section establishes the trademark counterfeiting offense for the Revised Criminal Code (RCC). The offense criminalizes manufacturing, possessing with intent to sell, or offering for sale property bearing or identified by a counterfeit mark. The term “counterfeit mark” is defined in the statute. The revised trademark counterfeiting statute replaces the trademark counterfeiting statute,<sup>1</sup> definitions for the trademark counterfeiting statute<sup>2</sup>, and forging or imitating brands or packaging of goods<sup>3</sup> statute in the current D.C. Code.*

Subsection (a) specifies the elements of first degree trademark counterfeiting. Paragraph (a)(1) specifies that first degree trademark counterfeiting requires that the accused knowingly manufactures for commercial sale, possesses with intent to sell, or offers for sale, property. “Knowingly” is a defined term<sup>4</sup> and applied here means that the person must be practically certain that he or she is manufacturing, possessing with intent to sell, or offering for sale. The term “property” is defined in RCC § 22E-701, to mean “anything of value” and can include tangible or intangible property, and services. Paragraph (a)(1) also requires that the property bears, or is identified by, a counterfeit mark. The term “counterfeit mark” is defined in subsection (e) of the statute. It is not necessary that the counterfeit mark is on the property, as long as the property is identified by the counterfeit mark.<sup>5</sup> Per the rules of interpretation in RCC § 22E-207, a person must know—that is be practically certain—that what is being manufactured, sold, etc. is something of value and that it bears a counterfeit mark.

Paragraph (a)(2) requires that the property consists of 100 or more items, or has a total retail value of \$5,000 or more. The term “retail value” is defined in subsection (e) of the statute. “In fact,” a defined term in RCC § 22E-207, is used to indicate that there is no culpable mental state requirement as to the number of items or value of the property involved in the offense.

Subsection (b) specifies the elements of second degree trademark counterfeiting. The elements of second degree trademark counterfeiting are identical to the elements of first degree trademark counterfeiting, except that there is no quantity or value requirement as to the property involved in the offense.

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<sup>1</sup> D.C. Code § 22-902.

<sup>2</sup> D.C. Code § 22-901.

<sup>3</sup> D.C. Code § 22-1502.

<sup>4</sup> “Knowingly” is defined in RCC § 22E-206.

<sup>5</sup> For example, if a person places a counterfeit mark on a storefront and sells goods within that do not bear the counterfeit mark, the person may still be guilty of trademark counterfeiting if the goods are identified by the counterfeit mark on the storefront.

Subsection (c) provides an exclusion to liability under this section if the use of the counterfeit mark would be legal under civil law.<sup>6</sup> There are numerous uses of valid trademarks without the permission of the owner of the trademark, service mark, trade name, label, term, picture, seal, word, or advertisement that meet the definition of a “counterfeit mark” but do not constitute trademark infringement.<sup>7</sup> Any use of a valid trademark that does not constitute trademark infringement is not criminalized under this section.

Subsection (d) specifies rules for seizure and disposal of items seized that bear counterfeit marks, and property used in conjunction with violation of this section. Under this provision, items that bear counterfeit marks must be seized, and must be released to the owner of the trademark upon request. If the trademark owner does not request that the items be destroyed, the items must be destroyed or disposed of in a manner requested by the owner. Seizure of other items employed or used in conjunction with violation of this section is discretionary. These items may be seized in accordance with the rules set forth in D.C. Code § 48-905.02.

Subsection (e) specifies that any state or federal certificate of registration of any trademark, service mark, trade name, label, term, picture, seal, word, or advertisement shall be prima facie evidence of the facts stated therein.

Subsection (f) specifies penalties for each grade of the trademark counterfeiting offense.

Subsection (g) defines the terms “counterfeit mark” and “retail value,” and cross references applicable definitions located elsewhere in the RCC. Invalid trademarks are not intended to be included under the definition of “counterfeit mark,” regardless of whether they are filed for record in the Office of the Secretary of State of any state. The definition of “retail value” is intended to have the same meaning as under current law.

***Relation to Current District Law.*** *The revised trademark counterfeiting law changes current District law in six main ways.*

First, the revised statute only includes two penalty gradations based on whether the property, in fact, has a total retail value of \$5,000 or more. The current D.C. Code statute includes three penalty grades, with each penalty grade applicable depending on the number of items, the aggregate value of the items, and the number of prior convictions for trademark counterfeiting.<sup>8</sup> By contrast, the revised statute only includes two penalty gradations, eliminating the top gradation and making a \$5,000 value the threshold for first degree liability. This change distinguishes between low and high volume conduct and aligns the number of gradations with other current D.C. Code and RCC offenses criminalizing the creation and possession of illicit copies of an item.<sup>9</sup> A \$5,000 threshold is consistent with other RCC

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<sup>6</sup> See generally, 74 Am. Jur. 2d Trademarks and Tradenames § 134; William McGeeveran, *Rethinking Trademark Fair Use*, 94 Iowa L. Rev. 49 (2008).

<sup>7</sup> For example, using a trademark for satirical purposes constitutes fair use. *E.g., Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792, 807 (9th Cir. 2003) (affirming grant of summary judgment denying trademark infringement claim against photographer who produced and sold images of Barbie dolls in absurd positions and situations).

<sup>8</sup> Under the current statute, the lowest penalty grade has no minimum number or value of items or services bearing or identified by a counterfeit mark. The second penalty grade requires that the offense involved at least 100, but fewer than 1,000, items bearing a counterfeit mark; items with a total retail value of more than \$1,000, but less than \$10,000; or that the defendant has one prior conviction for trademark counterfeiting. The highest penalty grade requires that the offense involved at least 1,000 or more items bearing a counterfeit mark; items with a retail value of \$10,000 or more; or that the defendant has two or more prior convictions for trademark counterfeiting.

<sup>9</sup> RCC § 22E-2105, Unlawful Creation or Possession of a Recording; RCC § 22E-220. Unlawful Labeling of a Recording.

property offense gradations. This change improves the clarity, consistency, and proportionality of the revised criminal code.

Second, the revised statute does not codify an evidentiary presumption regarding intent to sell or distribute. The current D.C. Code statute contains a “rebuttable presumption” in subsection (a) that a person having possession, custody, or control of more than fifteen items bearing a counterfeit mark had intent to sell or distribute the items. There is no D.C. Court of Appeals (DCCA) case law on point. By contrast, the RCC omits this statutory inference of intent because it is of questionable constitutionality.<sup>10</sup> However, even with this language omitted, the government may still present evidence of the accused’s intent to sell or distribute where there are more than fifteen items and, depending on the nature of the items at issue and other circumstances, an inference of an intent to sell or distribute may well be warranted. This change improves the clarity and proportionality of the revised statute.

Third, the revised statute eliminates the special recidivist penalty for the offense. The current D.C. Code statute is divided into three penalty grades determined, in part, by the total number of items, or the aggregate value of the property. However, regardless of the number or value of the items, a person may be liable under the second highest penalty grade if the actor has one prior conviction for trademark counterfeiting, and the highest penalty grade if the actor has two or more prior convictions for trademark counterfeiting.<sup>11</sup> By contrast, the revised statute treats repeat offenders in a manner consistent with other offenses. The general repeat offender provisions under RCC § 22E-606 may apply to the revised offense. This change improves the consistency and proportionality of the revised criminal code.

Fourth the revised statute does not specify a minimum fine for this offense. The current D.C. Code statute requires that criminal fines imposed “shall be no less than twice the value of the retail value of the items bearing, or services identified by, a counterfeit mark, unless extenuating circumstances are shown by the defendant.”<sup>12</sup> The meaning of “extenuating circumstances” in this provision is unclear, and there is no DCCA case law on point. By contrast, the revised statute provides for possible fines in a manner consistent with other offenses, using the standard RCC penalty classifications. This change improves the clarity, consistency, and proportionality of the revised criminal code.

Fifth, the revised statute does not include a mandatory seizure and forfeiture provision regarding all personal property used in conjunction with violation of this section. The current

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<sup>10</sup> In *Reid v. United States*, 466 A.2d 433 (D.C. 1983), the DCCA considered whether part of a statute criminalizing obliterating identifying marks on a pistol was constitutional. The statute in part, read “Possession of any pistol, machine gun, or sawed-off shotgun upon which any such mark shall have been changed, altered, removed, or obliterated shall be prima facie evidence that the possessor has changed, altered, removed, or obliterated the same within the District of Columbia[.]” D.C. Code § 22-4512. The DCCA stated that “Statutes, or parts of statutes, authorizing the inference of one fact from the proof of another in criminal cases ‘must be regarded as ‘irrational’ or ‘arbitrary,’ and hence unconstitutional, unless it can at least be said with substantial assurance that the presumed fact is more likely than not to flow from the proved fact on which it is made to depend.’” *Id.* (quoting *Leary v. United States*, 395 U.S. 6, 36 (1969)).

Although the issue has not been litigated before the DCCA, it may be that the portion of the current trademark counterfeiting statute which allows an inference of “intent to sell or distribute” would similarly fail. It is questionable whether it can be said “with substantial assurance” that it is “more likely than not” that a person who possesses more than 15 items had “intent to sell or distribute” them. For example, a person may have a box of more than 15 superhero toy figurines, a set of dinnerware, or t-shirts bearing the counterfeit marking of a brand name for their own personal use.

<sup>11</sup> D.C. Code § 22-902 (b).

<sup>12</sup> D.C. Code §22-902 (d).

D.C. Code statute states that any items bearing a counterfeit mark and all personal property used in connection with a violation of this chapter shall be seized and be subject to forfeiture.<sup>13</sup> There is no DCCA case law on point. By contrast, the revised statute does not mandate that personal property used in connection with violations of this section be seized or subject to forfeiture.<sup>14</sup> However, omitting this language does not preclude such items from being seized or subject to forfeiture. Omitting this language improves the proportionality of the revised criminal code.<sup>15</sup>

Sixth, the revised trademark counterfeiting statute replaces the separate forging or imitating brands or packaging of goods offense under D.C. Code § 22-1502 and, in doing so, eliminates liability for mere use of a counterfeit mark. The forging or imitating brands offense makes it a crime to “forge[], or counterfeit[], or make[] use of any imitation calculated to deceive the public, though with colorable difference or deviation therefrom, of the private brand, wrapper, label, trademark, bottle, or package usually affixed or used by any person to or with the goods, wares, merchandise, preparation, or mixture of such person, with intent to pass off any work, goods, manufacture, compound, preparation, or mixture as the manufacture or production of such person which is not really such[.]”<sup>16</sup> There is no DCCA case law interpreting the current forging or imitating brands or packaging of goods statute. By contrast, under the RCC, conduct constituting forging or imitating brands or packaging is only criminalized if it falls under the revised trademark counterfeiting statute. By contrast, the revised statute clarifies that merely using a counterfeit mark, without intent to sell property bearing or identified by a counterfeit mark, is not criminalized. Omitting this conduct from the revised statute improves the clarity and proportionality of the revised criminal code.

*Beyond these six substantive changes to current District law, five other aspects of the revised trademark counterfeiting statute may be viewed as substantive changes of law.*

First, the revised trademark counterfeiting statute specifies that the actor must “knowingly” manufacture, possess, or offer property for sale. Both the current trademark counterfeiting and forging or imitating brands statutes require that the actor must act “willfully.”<sup>17</sup> The term “willfully” is not defined in either statute, and there is no DCCA case law on point with respect to either statute. To resolve this ambiguity, the revised statute requires

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<sup>13</sup> D.C. Code §22-902 (e) (“Any items bearing a counterfeit mark and all personal property, including, but not limited to, any items, objects, tools, machines, equipment, instrumentalities, or vehicles of any kind, employed or used in connection with a violation of this chapter shall be seized by any law enforcement officer, including any designated civilian employee of the Metropolitan Police Department, in accordance with the procedures established by § 48-905.02. (1) All seized personal property shall be subject to forfeiture pursuant to the standards and procedures set forth in D.C. Law 20-278.”).

<sup>14</sup> In the revised offense items bearing a counterfeit mark still must be seized.

<sup>15</sup> The DCCA has recognized that under the excessive fines clause of the 8<sup>th</sup> Amendment, asset forfeiture must be proportional. *One 1995 Toyota Pick-Up Truck v. District of Columbia*, 718 A.2d 558, 560-561 (D.C. 1998) (citing *United States v. Bajakajian*, 524 U.S. 321 (1998)). The DCCA noted that under the proportionality requires that “the amount of the forfeiture must bear some relationship to the gravity of the offense that it is designed to punish.” *Id.* at 565. Given that many offenses more serious than trademark counterfeiting do not have mandatory forfeiture provisions, it is unnecessary to include one in this statute.

<sup>16</sup> The statute reads in its entirety: “Whoever willfully forges, or counterfeits, or makes use of any imitation calculated to deceive the public, though with colorable difference or deviation therefrom, of the private brand, wrapper, label, trademark, bottle, or package usually affixed or used by any person to or with the goods, wares, merchandise, preparation, or mixture of such person, with intent to pass off any work, goods, manufacture, compound, preparation, or mixture as the manufacture or production of such person which is not really such, shall be fined not more than the amount set forth in § 22-3571.01 or imprisoned not more than 180 days, or both.”

<sup>17</sup> D.C. Code §§ 22-902, 22-1502.

the actor engage in conduct “knowingly,” a defined term in the RCC. Applying a knowledge culpable mental state requirement to statutory elements that distinguish innocent from criminal behavior is a well-established practice in American jurisprudence.<sup>18</sup> This change improves the clarity and consistency of the revised criminal code.

Second, under the revised trademark counterfeiting statute, prosecutions based on manufacturing property bearing or identified with a counterfeit mark require that the property be for commercial sale. The current D.C. Code statutory language clearly covers manufacturing property bearing or identified by a counterfeit mark, but it is unclear whether manufacturing property not for commercial sale constitutes a violation of the statute.<sup>19</sup> There is no relevant DCCA case law. To resolve this ambiguity, the revised statute clarifies that manufacturing that is not for commercial sale is not prohibited. The property loss to the rightful holder of a trademark appears to be extremely low or negligible for an actor’s misuse of the trademark in making property not offered for sale. This change improves the proportionality of the revised criminal code.

Third, the revised trademark counterfeiting statute replaces the separate forging or imitating brands or packaging of goods offense under D.C. Code § 22-1502 and, in doing so, does not specifically include reference to imitations of a “wrapper,” “bottle,” or “package.” The current forging or imitating brands or packaging of goods statute refers to the use of a wrapper, bottle, or package,<sup>20</sup> although it is unclear whether the current forging or imitating brands or packaging of goods covers the use of wrappers, bottles, or packages that do not include any trademarks, trade names, labels, or other information that would constitute a “counterfeit mark.” There is no relevant DCCA case law. To resolve this ambiguity, the definition of “counterfeit mark” does not specifically include wrappers, bottles or packages. Use of wrappers, bottles, or packaging may be covered by the revised statute only if they constitute a “counterfeit mark.”<sup>21</sup> Omitting reference to wrappers, bottles, or packages improves the clarity, consistency, and proportionality of the revised criminal code.

Fourth, the revised trademark counterfeiting statute replaces the separate forging or imitating brands or packaging of goods offense under D.C. Code § 22-1502 and, in doing so, does not specify that it includes counterfeits with “colorable difference or deviation” from the original. The forging or imitating brands or packaging of goods statute specifies that it covers “any imitation calculated to deceive the public, though with colorable difference or deviation therefrom, of the private brand, wrapper, label, trademark, bottle, or package....” It is unclear what constitutes a “colorable difference or deviation,” and whether it is possible that use of a mark that significantly differs from a valid trademark is covered by the forging or imitating brands statute. There is no DCCA case law on point. To resolve this ambiguity, the revised

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<sup>18</sup> See *Elonis v. United States*, 135 S. Ct. 2001, 2009 (2015) (“[O]ur cases have explained that a defendant generally must ‘know the facts that make his conduct fit the definition of the offense,’ even if he does not know that those facts give rise to a crime. (Internal citation omitted)”).

<sup>19</sup> For example, if a person makes a handbag or t-shirt with a counterfeit trademark drawn on it, for his or her own personal use, it is unclear if that constitutes a violation of the current statute.

<sup>20</sup> The statute reads in its entirety: “Whoever wilfully forges, or counterfeits, or makes use of any imitation calculated to deceive the public, though with colorable difference or deviation therefrom, of the private brand, wrapper, label, trademark, bottle, or package usually affixed or used by any person to or with the goods, wares, merchandise, preparation, or mixture of such person, with intent to pass off any work, goods, manufacture, compound, preparation, or mixture as the manufacture or production of such person which is not really such, shall be fined not more than the amount set forth in § 22-3571.01 or imprisoned not more than 180 days, or both.”

<sup>21</sup> Many wrappers, bottles or packages have trademarks, trade names, or labels affixed to them. Use of such wrappers, bottles, or packages could constitute trademark counterfeiting.



statute extends liability only for a “counterfeit mark” and does not define “counterfeit mark” as including (or excluding) items with a colorable difference or deviation from the original. Omitting this language improves the clarity and proportionality of the revised criminal code.

Fifth, the revised statute codifies an exclusion from liability if the use of a trademark does not constitute infringement under civil law. The current statute does not include any reference to non-infringing uses of trademarks. However, under current civil law, in certain circumstances a person may copy or use a valid trademark without permission, even for commercial purposes.<sup>22</sup> There is no DCCA case law on point. To resolve this ambiguity, the revised statute clarifies that uses of trademarks that are legal under civil law are not criminalized. This change improves the clarity and proportionality of the revised criminal code.

*The remaining changes to the revised statute are clarificatory in nature and are not intended to change current District law.*

First, under the revised statute, the definition of the term “counterfeit mark” replaces the current definitions for both “counterfeit mark” and “intellectual property.” However, the revised definition is not intended to substantively change current District law. The current definition of “counterfeit mark” includes “any *unauthorized* reproduction or copy of intellectual property” or “intellectual property affixed to any item knowingly sold, offered for sale, manufactured, or distributed, or identifying services offered or rendered *without the authority* of the owner of the intellectual property[.]”<sup>23</sup> In turn, “intellectual property” is defined as “any trademark, service mark, trade name, label, term, picture, seal, word, or advertisement or any combination of these adopted or used by a person to identify such person’s goods or services and which is lawfully filed for record in the Office of the Secretary of State of any state or which the exclusive right to reproduce is guaranteed under the laws of the United States or the District of Columbia.”<sup>24</sup> The revised definition of “counterfeit mark” incorporates the current definition of “intellectual property,” and requires that the mark be used “without the permission of the owner[.]” The term “without the permission” is intended to have the same meaning as “without authority” or “unauthorized.” The revised definition of “counterfeit mark” is not intended to substantively change current District law.

Second, the revised statute does not specify that the value of the items involved in the offense be determined by the aggregate value of the items or services bearing or identified by a counterfeit mark. This change is not intended to change current District law. The general aggregation of value statute<sup>25</sup> will apply to the revised trademark counterfeiting statute.

### ***Relation to National Legal Trends.***

Staff did not comprehensively assess other jurisdiction statutes compared to each of the RCC’s proposed changes in law. The wide variability in other states’ statutory frameworks, definitions, and penalties was prohibitive given agency staffing constraints.

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<sup>22</sup> E.g., *Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792, 807 (9th Cir. 2003) (affirming grant of summary judgment denying trademark infringement claim against photographer who produced and sold images of a Barbie doll in absurd positions and situations).

<sup>23</sup> D.C. Code § 22-901 (emphasis added).

<sup>24</sup> D.C. Code § 22-901.

<sup>25</sup> RCC § 22E-2001.