

## **Proceeds of Counterfeiting**

March 18, 2021

**SPONSORING COMMITTEE:** The Anticounterfeiting Committee (ACC)

### **RESOLUTION:**

**WHEREAS**, strong anticounterfeiting enforcement mechanisms that protect consumers from being misled or deceived by counterfeit products are in the best interest of consumer health and safety;

**WHEREAS**, strong anticounterfeiting enforcement also benefits local economies by ensuring against loss of tax revenue due to counterfeiting;

**WHEREAS**, strong anticounterfeiting mechanisms are also in the best interest of brand owners to protect their trademarks from potential infringement, counterfeiting, and fraud, and ensuring consumer trust in their product;

**WHEREAS**, as discussed by the United Nations' article titled "Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime," organized criminals, including those connected to terrorist activities, are involved in counterfeiting as a means of money laundering;

**WHEREAS**, it has become abundantly clear that one of the most important tools in reducing and addressing unlawful counterfeiting is instituting a legal framework or mechanisms to allow law enforcement and brand owners to seize or otherwise deprive counterfeiters of the proceeds of unlawful counterfeiting;

**WHEREAS**, for purposes of this Resolution, the term "counterfeiting" is defined to be consistent with the INTA Model Trademark Guidelines and means: 1) any goods or services bearing without authorization a trademark which is identical to or which cannot be distinguished in its essential aspect from, the trademark or validly registered trademark in respect of such goods or services, and which thereby infringes the rights of the owner of the trademark in question; 2) any labels or packaging, or trafficking in any labels or packaging, bearing without authorization a trademark which is identical to or which cannot be distinguished in its essential aspects from the trademark validly registered in respect of such goods or services for which the labels or packaging are to be used or affixed, and which thereby infringes the rights of the owner of the trademark in question, and; 3) any goods or materials for use in the preparation for manufacturing, sale, or distribution, or trafficking in such counterfeit goods including the fake/unauthorized labels, invoices, counterfeit service marks, the transportation and storage of counterfeit goods, and the organization and financing of counterfeit activity.

**BE IT RESOLVED THAT**, the International Trademark Association supports the implementation of the following key statutory provisions and best practices to deprive

counterfeiters of the necessary financial resources in order to continue their illegal and harmful conduct:

- I. Adopt effective asset tracing, freezing, seizure, and confiscation provisions and proceedings, including the following broad principles, which details will require further refining:
  - a) Provide courts on an interim basis and subject to appropriate evidentiary requirements of the jurisdiction, with a basis to confiscate/seize assets which appear to be proceeds of counterfeiting prior to securing a conviction, and compel defendants to prove that the source of a particular asset, transfer, or expenditure is legitimate, or risk forfeiting the assets in question;
  - b) Strengthen tracing and investigation powers of relevant local law enforcement bodies and courts to allow obtaining useful and relevant information gathered from rights holders and financial institutions to be shared expeditiously with local/ international law enforcement authorities;
  - c) Enact “third-party confiscation” provisions that empower courts to order the confiscation of apparent assets or proceeds of counterfeiting when counterfeiters transfer assets to third parties for the purpose of evading confiscation orders on an interim or perpetual basis;
  - d) Empower law enforcement agencies and courts to prohibit on an interim basis and subject to appropriate evidentiary requirements of the jurisdiction the transfer of property alleged to be proceeds of counterfeiting to third parties pending a determination by a court;
  - e) Enact comprehensive procedures for the efficient management and protection of frozen/seized goods, and the adequate disposal and transfer of confiscated goods to the appropriate entity upon a finding that the defendant is guilty of counterfeiting, in order to strengthen the effectiveness of confiscation.
  - f) Allow reciprocal freezing and seizure orders, to preserve assets or proceeds of counterfeiting liable to confiscation located in another country.
  - g) Establish adequate provisions for the safe return of confiscated assets seized when defendants are found not guilty of counterfeiting or are cleared of charges.
- II. Adopt best practices for appropriate institutional frameworks to administer proceeds of counterfeiting legislation effectively, including:
  - a) Promote and improve cooperation between brand owners, police, customs, tax authorities, and other relevant enforcement bodies by providing training on best practices in seizure practices and procedures, identifying counterfeit goods, criminal prosecution of counterfeiting, and enhanced information sharing between brand owners.

- b) Provide sufficient resources to customs in order to cooperate in or take on a liaison role to share information and provide support to the authorities who are permitted to confiscate proceeds of their counterfeiting crime, such as the police, prosecutors, or judges.
  - c) Strengthen civil remedies that are available to right owners.
- III. Establish mechanisms for coordination tracing, freezing, seizure and confiscation proceedings at the international level, such as:
- a) Create appropriate procedures to facilitate mutual legal assistance in response to requests by foreign jurisdictions.<sup>1</sup>
  - b) Improve collaboration with foreign counterparts through appropriate international agencies.
  - c) Establish policies and model analyses to assist courts in evaluating whether to issue freezing orders against the assets of defendants who are subject to the courts' jurisdiction and empower courts to order discovery into the counterfeiters' assets and cooperation from banks and other international financial institutions who may be subject to the courts' jurisdiction.

## **BACKGROUND:**

In order to protect consumers from harmful counterfeit goods, it is imperative that the supply of those goods be removed from the market. An effective way to prevent goods from reaching the market is by cutting off the monetary resources of counterfeit sellers by freezing or seizing their assets. Freezing assets of counterfeit producers is an effective method in preventing counterfeiters from producing more counterfeit goods while a case is ongoing as well as after the case is concluded. Brand owners often face many difficulties when prosecuting counterfeiting cases. One of the biggest difficulties is collecting damages once the case has been decided against the counterfeiter. INTA's brand owner membership has reported that assets of the counterfeiter are often no longer accessible for collection after being awarded damages by the court against the counterfeiter. Counterfeiters are adept at hiding assets or transferring assets to third parties, making it difficult for brand owners to collect rightful compensation at the end of a trial as awarded by the court. This is often a point of frustration as litigation is costly and can last for many years.

In an effort to strengthen anticounterfeiting enforcement globally, INTA's Anticounterfeiting Committee (ACC) through its Anticounterfeiting Policy Global Team, drafted this resolution in an effort to advocate for a "follow the money approach" which would address assets and proceeds of counterfeiting and allow the seizure of those assets prior to a criminal conviction.

---

<sup>1</sup>Please also see INTA's Board Resolution "Measures to Combat Trademark Counterfeiting" for INTA's recommendations on collaborate efforts <https://www.inta.org/wp-content/uploads/public-files/advocacy/board-resolutions/Measures-to-Combat-Trademark-Counterfeiting-03.07.2005.pdf>

Additionally, the resolution advocates for the empowerment of courts to mandate that where there is evidence to support seizure of the assets, the counterfeiter shall have the opportunity to prove that the assets are not a proceed of counterfeiting, or otherwise risk the seizure of those assets. This approach would allow brand owners an avenue to dismantle counterfeit rings by going after their assets that would fund their criminal activities.

While drafting this resolution, the Anticounterfeiting Policy Project Team relied on research from a joint report issues by the United National Interregional Crime and Justice Research Institute (UNICRI) and the International Chamber of Commerce-Business Action to Stop Counterfeiting and Piracy (ICC-BASCAP) titled “*Confiscation of the Proceeds of Crime: a Modern Tool for Deterring Counterfeiting and Piracy*”.<sup>2</sup> The team also relied on the United Nations’ article titled “Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime,” which discussed that organized criminals, including those connected to terrorist activities, are involved in counterfeiting as a means of money laundering (see: [https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit\\_focussheet\\_EN\\_HI\\_RES.pdf](https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HI_RES.pdf)). Based on this report and reports released by other non-governmental organizations and intergovernmental organizations on the link between intellectual property crimes and organized crime<sup>34</sup>, the ACC believes this Board resolution will establish INTA policy to bolster its anticounterfeiting advocacy seeking divestiture of financial assets which helps counterfeiters operate their illicit trade.

## **CONCLUSION:**

With the increase in counterfeiting globally and its connection to organized crime, the Anticounterfeiting Committee recommends that the Board of Directors adopt a resolution advocating for national governments to implement a framework that would allow enforcement officials to seize assets of counterfeiters and to grant judicial bodies the power to freeze these assets prior to a criminal conviction.

---

<sup>2</sup> [http://www.unicri.it/news/files/POC\\_Final041713\\_HR.pdf](http://www.unicri.it/news/files/POC_Final041713_HR.pdf)

<sup>3</sup> <https://www.europol.europa.eu/publications-documents/ip-crime-and-its-link-to-other-serious-crimes-focus-poly-criminality>

<sup>4</sup> [https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit\\_focussheet\\_EN\\_HIRES.pdf](https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf)