

“Remarking” as Criminal Counterfeiting

March 18, 2021

SPONSORING COMMITTEE: The Anticounterfeiting Committee (ACC)

RESOLUTION:

WHEREAS, “**Remarking**” means reaffixing or retaining an original trademark on goods that have been materially altered and are likely to deceive consumers concerning the nature, quality and/or source of the altered goods. **Remarking** includes, but is not limited to, deceptive practices like changing or removing product information, affixing fraudulent product information, modifying product identifiers, model numbers or names, serial numbers, or product codes, and modifying a product’s software all to make the product appear to be a different authentic branded product (typically a newer more expensive one), filling genuine branded packaging or casing with non-genuine or modified contents, changing or modifying internal hardware components, modifying goods to bypass the product’s authentication technology, modifying goods to appear to be covered by warranties or other guarantees by the original manufacturer, and other similar material alterations to branded products without removing the original branding or by reaffixing original branding, and then passing these goods off as genuine goods of the trademark owner.

WHEREAS, the act of Remarking results in goods that are not authorized for sale by the trademark owner (“**Remarked Goods**”), and consumers cannot distinguish materially altered and deceptive **Remarked Goods** from genuine goods;

WHEREAS, Remarking and then selling **Remarked Goods** as genuine, unaltered products causes confusion and may create consumer health and safety risks and other consumer harm;

WHEREAS, there is inconsistency across jurisdictions concerning whether Remarking constitutes counterfeiting and is subject to criminal sanctions;

WHEREAS, counterfeiters should not escape criminal liability by manufacturing and selling **Remarked Goods**; and

WHEREAS, this Resolution does not include aftermarket enhancements or repair services that do not otherwise use remarked goods;

BE IT RESOLVED that the International Trademark Association takes the position that Remarking is likely to cause consumer confusion and harm, and should, like other forms of counterfeiting, constitute a crime of trademark counterfeiting.¹

¹ This Resolution focuses on criminal counterfeiting but could also apply to administrative actions like customs seizures and civil causes of action.

BE IT FURTHER RESOLVED that the definition of a “counterfeit” good contained within the INTA Model Law Guidelines and the INTA Model State Anticounterfeiting Bill, be amended to include “Remarked Goods.”

BACKGROUND:

This proposed resolution is intended to close the gap on criminal liability in counterfeiting cases that involve the practice of altering a genuine product without the trademark holder’s consent either where the original trademark was reattached to the altered product or where the original trademark remains affixed to the altered product as it was affixed at the time of its original manufacture, and then injecting the altered product into the stream of commerce in a manner that is intended to cause confusion and deceive consumers. This issue was originally raised by members of the United States Subcommittee of the Anticounterfeiting Committee. As the issue of selling remarked products without the brand owner’s authorization in a manner that is intended to deceive consumers is a global issue in the counterfeit trade, the Anticounterfeiting Policy Project Team of the Anticounterfeiting Committee was tasked with surveying jurisdictions to understand remarking legislation globally.

For certain products, third parties will take used, scrapped, cheaper, obsolete, or older parts that are available on the market, and paint (i.e. blacktop) or otherwise remove original product markings, including the trademark and serial numbers, and then re-affix the trademark along with identifications that are false and represent the product as being something that it is not – whether an entirely different product, a new product, or a more advanced model which can then be sold at a higher price than the original. In other words, the product is misrepresented by the remarking in order to deceive, mislead, or otherwise cause confusion. The trademark is remarked so that the fonts, artwork, serial numbers and other markings are all consistent and the product is made to appear as the genuine branded product.

In some instances, the trademark of the brand owner may itself be blacktopped and reattached by the remarker. In other instances, however, the remarker may leave the trademark as affixed by the rights holder and only modify the other product markings, physically alter the product itself, or modify the product’s packaging thereby altering the branded product and what was originally put into the stream of commerce for the purpose of misleading the consumer. As such, even remarked products where the trademark has not been altered or reattached, are intended to cause mistake, to deceive, or otherwise cause confusion. Under either scenario, the consumer may further be deceived as to any warranties that may apply.

In 1997, the Ninth Circuit Court of Appeals in the United States of America, in the case of *United States v. Petrosian*, 126 F.3d 1232 (9th Cir. 1997), held that genuine Coca-Cola bottles bearing genuine Coca-Cola marks became “spurious” when the Defendant filled them with counterfeit cola because the mark falsely indicated that Coca-Cola was the source of the beverage in the bottles and falsely identified the beverage in the bottles as Coca-Cola. 16 years later, the Fourth Circuit Court of Appeals, in its decision in *United States v. Cone*, 714 F.3d 197 (4th Cir. 2013), held that products made by the brand owner but remarked by the defendants to appear as a different branded product from the same brand owner were not criminal violations, under 18 U.S.C. § 2320, because the trademark as affixed by the brand owner had not itself been remarked or otherwise altered. In doing so, the court rejected the government’s “material alteration” theory and held that the defendant’s conduct was not criminal counterfeiting. This decision, referred to

as the “Cone loophole,” created a split in the Circuit Courts of the United States because it conflicts with the *Petrosian* decision.

“Remarking” Legislation in Other Jurisdictions

The Anticounterfeiting Committee surveyed some 25 jurisdictions on whether their laws address remarking and also the *Cone* loophole. Several jurisdictions have laws that address the issue, either because any unauthorized use of the trademark is prohibited as an infringement, or because it may be addressed under other regulations, if not under counterfeiting provisions. These include the following:

- Brazil: Unfair Competition and Parasitic use of the Trademark would apply and it would face the same sanctions as counterfeiting.
- Cambodia: Any use of the mark without the consent of the trademark manufacturer constitutes infringement.
- China: Using the identical mark on the same goods without authorization constitutes counterfeiting. The CNIPA has even held that affixing another label bearing another trademark on a bottle, leaving the original embossed trademark visible, is insufficient to avoid confusion. Due to the original trademark's distinctiveness and reputation (Qingdao Beer), consumers could believe that the owner of the new label has some kind of relationship (e.g., investment or license) with the original trademark owner.
- El Salvador: Use without consent of the owner infringes the rights.
- France: The consumer code prohibits the removal, alteration or modification of any names or numbers used to identify goods. For example, the Supreme Court found that selling bottles of champagne with the product codes on the bottle blacked out was a violation of the consumer code.
- Malaysia: Under the Trade Description Act, applying a false trade description is prohibited.
- Myanmar: The Penal Code prohibits marking any product or packaging calculated to cause the consumer to believe it is the manufacturers/brand owner's product where it is not, and where the goods are different from the real nature or quality thereof.
- Panama: The alteration of branded goods is a crime. The law does not define the activity of counterfeiting of a trademark but the word counterfeiting and alteration of a brand are used as conducts that will be punished by the criminal code as a crime.
- Singapore: remarking would not be addressed under counterfeiting but may be an offence under false trade description.
- UK: Counterfeiting is not defined but the Criminal provisions of the UK Trade Marks Act applies to a sign identical to or likely to be mistaken for a registered mark. Where the

condition of the goods has been changed or impaired after being put on the market, the proprietor may have ground to oppose further dealings in the goods.

Jurisdictions where remarking may be addressed but where the *Cone* loophole may not be:

- Australia: Provisions relating to applying or altering the mark once it has been put into the stream of commerce by the rights holder would apply. However, while this may address remarking generally, it does not appear to address where the mark as originally affixed by the brand owner has not been applied or altered after the product's sale.
- Canada: Counterfeiting is not a defined term but is understood to mean use of the mark to willfully deceive the consuming public. Remarking is not specifically addressed but arguably would be covered, the *Cone* loophole is less likely.
- Chile: Though it is a criminal offence to use a registered mark without the right to do so, it is unclear whether it would apply in the *Cone* loophole. Counterfeiting is not defined by the Chilean law.
- Philippines: While consumer protection laws are broad enough to cover remarking generally, it is not clear whether the *Cone* loophole would be covered. It may be covered under unfair competition or fraud claims.

Jurisdictions where counterfeiting is not defined and remarking would not be addressed include Costa Rica, Dominican Republic, Egypt, UAE.

The survey demonstrates that there is inconsistency in whether or not remarking would be addressed, or specifically, whether or not the *Cone* loophole would be addressed as a trademark infringement/counterfeit. Therefore, an INTA Resolution would provide a basis for developing laws to address remarking and close the *Cone* loophole.

To be clear, the resolution is not intended to address product that has been subject to aftermarket enhancements or customizations, such as for vehicles. Those instances do not meet the threshold of remarking a product to falsely misrepresent branded product.

To the extent that trademark law is a form of consumer protection, ensuring that branded product is not falsely remarked or rebranded is a means to protect the consumer from, for example, purchasing a computer chip that does not function because the part is not what it is purported to be or drinking liquid from a coke bottle that is not what it is purported to be.

Effect on INTA's Model Law Guidelines

As part of INTA's advocacy efforts in strengthening IPR enforcement globally, INTA has produced [Model Law Guidelines](#) and a [Model State Anticounterfeiting Bill](#) to aid legislators when drafting new IP laws. The Anticounterfeiting Committee recommends that the definition of a "counterfeit" good contained within the Model Law Guidelines (Section 15) and the Model State Anticounterfeiting Bill (Section 1), be amended to include the practice of "remarking, even where the original trademark of the brand owner on the product has not been altered" in order to be consistent with the INTA position if adopted.

Conclusion:

INTA supports that remarked products should be included in the definition of a counterfeit and that the practice of “rebranding” should constitute a crime, even where the original trademark as affixed by the trademark owner has not been altered. A product that has been remarked, but which displays the trademark as originally affixed by the brand owner, is an unauthorized use of the trademark and is likely to cause confusion and deceive. It is no longer the authentic branded product, is not what it is represented to be, and is not the product originally put into the stream of commerce by the rights holder.

Therefore, the Anticounterfeiting Committee recommends that the Board adopt a resolution taking the position that the practice of “rebranding” should constitute a crime even where the original trademark as affixed by the trademark owner has not been altered and therefore subject to criminal sanctions for the offense of trademark counterfeiting.