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OUTSIDE COUNSEL

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'Jobe' Highlights Issues in Anticounterfeiting Statute

A recent decision by a court in New York City dealing with counterfeit items highlights a problem calling for a legislative fix. No, not that decision. Not *Tiffany v. eBay*.¹ *People v. Jobe*, a New York anticounterfeiting prosecution, reported in the New York Law Journal on July 14, 2008.²

Unlike the *Tiffany* case, the issues raised by *Jobe* are much easier to work out. Trademark counterfeiting is a crime in New York as it is under federal law. But New York and federal anticounterfeiting statutes are not parallel. The New York penal statute contains definitional limitations no longer required by the federal regime. As the decision in *People v. Jobe* reveals, it is time for New York state to amend its law to reflect not only federal law but also the realities of anticounterfeiting law enforcement.

By way of background, as most pedestrians in Manhattan could tell you, sales of counterfeit items are rampant in New York. Each year, New York loses an estimated \$1 billion in taxes due to counterfeit sales.³ New York City is a point of entry for counterfeit goods as well as a fashion center. The task of combating counterfeiting falls on the New York Police Department, along with U.S. Customs and Border Protection and other federal law enforcement agencies.

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The 'Jobe' Decision

Jobe involved a prosecution for trademark counterfeiting in the third degree, a misdemeanor offense defined by New York Penal Law §165.71. The accusatory

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instrument was found to be deficient because it did not aver that the purportedly counterfeit goods displayed marks substantially similar to genuine marks and, also, did not assert that the genuine marks copied were registered and in use. These conclusions flowed from the text of Penal Law §165.70, and that's where the legislative tweaking is needed.

Defendant *Jobe* was arrested after he sold an allegedly counterfeit music CD to a detective, which led to the seizure of about 200 allegedly counterfeit music CDs and DVDs by performers including 50 Cent. The complaint signed by an employee of the Kings County District Attorney's Office recited that a representative of the Recording Industry Association of America (RIAA) had advised the district attorney's office that the CDs and DVDs were counterfeit. Backing up the complaint were an affidavit by the officer who purchased the CD and depositions from an RIAA investigator, who explained that he had concluded the items were counterfeit because the jewel cases used differed from authentic ones and the labels and inserts were blurry.

Penal Law §165.70(a) defines "trademark" as:

Any word, name, symbol or device, or any combination thereof adopted and used by a person to identify those goods made by a person and which distinguish them from those manufactured or sold by others which is in use and which is registered, filed or recorded under the laws of this state or of any other state or is registered in the principal register of the United States patent and trademark office.

Penal Law §165.71(2) defines "counterfeit trademark" as:

a spurious trademark or an imitation of a trademark that is (a) used in connection with trafficking in goods; and (b) used in connection with the sale, offering for sale or distribution of goods that are identical with or substantially indistinguishable

from a trademark as defined in subdivision one of this section.

Relying on a series of cases,⁴ the court dismissed the complaint, albeit with leave to file a superseding instrument, because it did not specifically assert: (1) that the seized items bore trademarks; (2) that such trademarks were registered and in use within the meaning of the statute; and (3) that the copying trademarks were substantially similar to or indistinguishable from the registered marks. The court distinguished several cases relied on by the prosecution,⁵ noting that in some instances the bona fide mark was only a name, so little more description was required.

Use, Registration Issues

Without regard to the result for Mr. Jobe, the decision points up two important aspects in which the New York criminal anticounterfeiting statute has fallen out of step with federal law. When the Penal Law originally was adopted in 1992, it tracked the definition laid out in 15 U.S.C. §2320.⁶ While that language can still be found in one provision of the federal statute dealing with injunctive relief,⁷ the current definitional section, 15 U.S.C. §1127, differs significantly from the New York statute as it stands.⁸ Thus, trademark is defined as follows:

The term “trademark” includes any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, (Emphasis supplied.)

Moreover, a registered mark includes any

mark registered under Chapter 22 of Title 15: that takes in both the Principal Register and the Supplemental Register.

In a nutshell, that means federal law would allow a civil claim for counterfeiting a mark for which registration has been sought on the basis of a bona fide intention to use, but which is not yet in use, and also would allow a claim for counterfeiting a mark on the Supplemental Register. In neither instance, however, could a counterfeiting charge be brought under Penal Law §165.70 et seq., no matter how precisely averred. This makes no sense.

Enforcement Issues

By its nature, there is an element of serendipity (in addition to much tough leg work) to the ability of law enforcement agencies to bring counterfeiting prosecutions. The prohibitory statute ought to give them a quiver containing sufficient arrows to hit whatever targets they find. From the point of view of the public policy goals of anticounterfeiting statutes—preservation of rights owners’ property, prevention of injury to the public by purchase of fakes, deprivation of tax revenue to governments—counterfeits involving the Supplemental Register are as bad as counterfeits involving the Principal Register.

As to items in use, there is no particularly compelling reason to require immediately contemporaneous use. There may never be another boarding call for Pan Am, but someone bought its intellectual property rights out of the bankruptcy estate.

By the same token, if one has registered a bona fide intention to use the mark, why should an infringer be allowed to jump the

queue? It might be argued that if there is no actual use going on now, the statute might criminalize innocent infringement, that is, infringement occurring because there was no general awareness of the proprietary interest in the mark.⁹ But this argument is unavailing, because the existing New York statute also has an intent requirement, specifically, that there be “an intent to deceive or defraud some other person or with the intent to evade a lawful restriction on the sale, resale, offering for sale, or distribution of goods. . . .”¹⁰

New York’s law enforcement community, in a time of many demands on its resources, has stepped up its efforts to fight the counterfeiting plague. Here’s an area where the Legislature can give a little help, at no cost at all.



1. 04 Civ. 4607 (RJS) (S.D.N.Y.) (July 14, 2008).

2. 2007KNO69938 (N.Y. City Crim. Ct.) (June 27, 2008) (Hon. Michael Gerstein, Judge).

3. Ben Bamier, “New York Ups Ante in Counterfeit Crackdown,” Feb. 2, 2006, abenews.go.com (viewed July 18, 2008).

4. *People v. Rosenthal*, (N.Y. City Crim. Ct.) NYLJ, March 24, 2003, p. 21, col. 4; *People v. Ensley*, 183 Misc.2d 141, 702 N.Y.S.2d 752 (N.Y. City Crim. Ct. 1999); *People v. Cisse*, 171 Misc.2d 185, 653 N.Y.S.2d 1017 (N.Y. City Crim. Ct. 1996); *People v. Niang*, 160 Misc.2d 500, 609 N.Y.S.2d 1017 (N.Y. City Crim. Ct. 1994).

5. *People v. Lin*, 11 Misc.3d 1091(A), 819 N.Y.S.2d 850 (N.Y. City Crim. Ct. 2006); *People v. Reyes*, 9 Misc.3d 136(A) (N.Y. Sup. App. Term, 1st Dept. 2005).

6. An amendment in 1993 added protection for certain Olympics-related marks.

7. 15 U.S.C. §1116(d)(1)(B).

8. The court cites to this provision, but perhaps meant to cite to 15 U.S.C. §1116(d)(1)(B).

9. The same argument might be made as to Supplemental Register listings, which are not deemed to afford notice.

10. This requirements appears in each of Penal Law §§165.71, 165.72 and 165.73.

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