
FASHIONABLY LATE: WHY THE UNITED STATES SHOULD COPY FRANCE AND ITALY TO REDUCE COUNTERFEITING

BY DIANNA MICHELLE MARTÍNEZ*

ABSTRACT	102
INTRODUCTION	102
I. COUNTERFEIT LUXURY GOODS IN THE UNITED STATES	104
A. Overview of U.S. Intellectual Property Laws and their Role in Anti-Counterfeiting Efforts	109
1. U.S. Trademark Law	109
2. U.S. Copyright Law	111
B. Anti-Counterfeiting Efforts in the United States and their Relative Successes	112
C. Shortcomings of U.S. Trademark Law in the Battle Against Counterfeits	113
II. FRENCH AND ITALIAN ANTI-COUNTERFEITING LAWS	115
A. French Anti-Counterfeiting Efforts	115
B. Italy as a Second Model for Anti-Counterfeiting	118
III. ARGUMENTS FOR IMPLEMENTING CONSUMER PENALTIES IN THE UNITED STATES	122
A. The Need to Address the Demand Side of Counterfeits	122
B. The Combination of a New Legal Structure with Awareness Campaigns	125
C. Criticisms of End-Consumer Penalties in the United States	127
IV. CONCLUSION	129

* J.D. Candidate, 2014, Boston University School of Law; B.A. Political Science & French, College of Arts & Sciences, Boston College. Thank you to Professor Alexandra Jane Roberts for her consistent advice and guidance in preparing this Note. I would also like to thank my mom, Dianna Soler, for her constant support and for being a source of immense inspiration, as well as my boyfriend Sean Meehan for his encouragement and willingness to read far more about fashion law than he probably ever imagined.

ABSTRACT

This Note will evaluate the United States' anti-counterfeiting laws in order to determine their shortcomings in successfully battling the sale and proliferation of counterfeited luxury goods. This Note will focus particularly on designer purses and shoes.¹ It will explore how consumer demand is a driving force behind the growth and prevalence of counterfeit goods trafficking,² and how France and Italy's combination of consumer penalties and campaigns to raise awareness as to the risks associated with counterfeits should be a model for the United States' anti-counterfeiting efforts. This Note will thus argue that the United States should look to Italy and France's successes in the battle against counterfeited luxury goods and adopt similar legislation sanctioning consumers in order to address this prevailing problem.

INTRODUCTION

Counterfeited goods,³ ranging from purses to perfumes, can be found almost anywhere in the global market. The sale of counterfeit luxury goods traditionally elicits an image of a Canal Street⁴ vendor in New York City, offering to sell a Rolex watch or a Chanel bag to a tourist. These fake items are unlawful imitations made with the intent to fraudulently pass the articles off as genuine,⁵ while the quality, price, and the circumstances surrounding

¹ In 2012, 14% of counterfeits seized were shoes, making counterfeit footwear the second most prevalent fakes in the United States. *Top 10 Counterfeit Goods*, CNN MONEY (Feb. 9, 2012), <http://money.cnn.com/galleries/2012/pf/1202/gallery.counterfeit-goods/2.html>.

² *About Counterfeiting*, IACC, <https://www.iacc.org/about-counterfeiting/> (last visited Aug. 21, 2013).

³ See BLACK'S LAW DICTIONARY 402-03 (9th ed. 2009) (defining "counterfeiting" as the "unlawful forgery, copying, or imitation of an item . . . or the unauthorized possession of such an item, with the intent to deceive or defraud by claiming or passing the item as genuine"). This Note will largely focus on "counterfeits" more so than "knock-offs," the former of which constitute, for instance, counterfeit Coach bags bearing a Coach label. "Knock-offs," however, constitute "an unauthorized counterfeit and usu[ally] inferior copy of another's product . . . usu[ally] passed off at a substantially lower price than the original" but do not necessarily involve the use of a trademark. BLACK'S LAW DICTIONARY 950 (9th ed. 2009).

⁴ "Canal Street" refers to the popular block in Downtown New York City frequented by tourists looking to find a cheap, "stylish" souvenir. The street has several hundred stalls, storefront businesses, and individuals on sidewalks selling counterfeit items, which has led the area to be known as "the Counterfeit Triangle." See, e.g., Alex Kalman & Lola Sinreich, *New York's Streets of Schemes*, N.Y. TIMES (Jan. 16, 2010), http://www.nytimes.com/2010/01/17/opinion/17kalman.html?_r=0.

⁵ Meaghan H. Kent, *Counterfeits and Infringements: Problems and Solutions*, VENABLE LLP (Mar. 4, 2011), <http://www.venable.com/files/Publication/4166ad52-47e7->

their sale hint at their fakeness.⁶ Counterfeit luxury goods are oftentimes virtually identical to the authentic designer version in terms of their general appearance and labeling,⁷ but the key differences lie in their price and quality.⁸

In recent years, however, the Internet has changed the way counterfeit goods are sold and purchased, making the problem much “more complicated and more pervasive.”⁹ Customers can now find these counterfeit items sold through legitimate online platforms such as eBay and Amazon, or can be led to shady websites that sell counterfeits by means of a Google search for a designer like “Christian Louboutin,”¹⁰ or even through a Twitter account advertising the sale of purportedly “genuine” Louis Vuitton bags.¹¹ All of these imitations – whether it is a purse with a fake

4ac6-9b52-2beafbaed1/Presentation/PublicationAttachment/64d85c1f-a0a8-40e6-82c3-32ee32363b3a/Counterfeits_and_Infringements.pdf (last visited Jan. 13, 2013).

⁶ See, e.g., M. Kelleher, *Faking It: The Controversy over Counterfeit Handbags*, THE SOURCE, Mar. 23, 2006, cited in Amy Frerichs, *Attitudes Toward Counterfeit Fashion Products: A South Dakota State University Case Study* 21 (2008), <http://www.sdstate.edu/jur/2008/upload/AttitudesTowardCounterfeitFashionProductsASouthDakotaStateUniversityCaseStudy.pdf>.

⁷ See, e.g., Sejin Ha & Sharron Lennon, *Purchase Intent for Fashion Counterfeit Products: Ethical Ideologies, Ethical Judgments, and Perceived Risks*, 24 CLOTHING & TEXTILES RES. J. 297 (2006), cited in Amy Frerichs, *Attitudes Toward Counterfeit Fashion Products: A South Dakota State University Case Study* 21 (2008), <http://www.sdstate.edu/jur/2008/upload/AttitudesTowardCounterfeitFashionProductsASouthDakotaStateUniversityCaseStudy.pdf>.

⁸ Kelleher, *supra* note 6.

⁹ Doug Palmer & Melanie Lee, *Special Report: Faked in China: Inside the Pirates' Web*, REUTERS (Oct. 26, 2010), <http://www.reuters.com/article/2010/10/26/us-china-counterfeit-idUSTRE69P1AR20101026> (statement of John Morton, Assistant Secretary of U.S. Immigrations and Customs Enforcement).

¹⁰ When Googling “Christian Louboutin Shoes” several sites purporting to sell Louboutins turn up. GOOGLE, <https://www.google.com/search?q=christian+louboutin+shoes&oq=christian+louboutin+shoes&aqs=chrome.0.57j0l3j62l2.4142&sugexp=chrome,mod=9&sourceid=chrome&ie=UTF-8> (last visited Jan. 13, 2013). One of the listed Google search results, as of January 13, 2013 is “Top Christian Louboutin Online.” This website advertised that one can “buy cheap Christian Louboutin Shoes,” listing prices of \$156.99 for the classic Louboutin red-soled black pump, which retails for \$845. TOP CHRISTIAN LOUBOUTIN ONLINE, <http://www.topchristianlouboutin-online.com/> (last visited Jan. 13, 2013). Compare with SAKS FIFTH AVENUE, http://www.saksfifthavenue.com/main/ProductDetail.jsp?FOLDER%3C%3Efolder_id=2534374306418049&PRODUCT%3C%3Eprd_id=845524446604060&R=452579948335&P_name=Christian+Louboutin&N=4294912355+306418049&bmUID=k2yIcyh (last visited Aug. 21, 2013) (indicating, from an authorized seller, that the retail price for the same Louboutin advertised on the unauthorized website, is \$845).

¹¹ E.g., Louis Vuitton Fans, TWITTER, <http://twitter.com/LouisVuittonFans> (last visited

104 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

Louis Vuitton logo sold on Canal Street or a red-soled shoe¹² sold on eBay – all “intend[] to take advantage of the established value of the infringed product.”¹³

Part I of this Note seeks to present an overview of the scope of counterfeit luxury goods, as well as their impact on the U.S. economy and on legitimate designers’ businesses. Part I will also briefly discuss what steps the U.S. legal system has taken to address the growing issue presented by the sale of counterfeited goods and what legal protection is offered to luxury fashion designers. This part of the Note will discuss the limitations and shortcomings of U.S. laws in curtailing the domestic presence and sale of counterfeit goods.

Part II of this Note will examine the scope of legal protections offered to fashion designers in both France and Italy, and how those countries’ intellectual property laws compare to those of the United States. In assessing these two countries’ anti-counterfeiting laws’ successes and shortcomings, the Author will focus on the end-consumer liability that distinguishes both legal systems from the United States’ current anti-counterfeiting laws.

In Part III, this note will evaluate whether extending liability to consumers of counterfeited luxury goods in the United States would be a successful method to improve the protection of fashion designs domestically and thus regulate the counterfeit market. Such an analysis will consist of considering the possible advantages of adopting a similar system, as well as some of the critiques against end-consumer liability. The conclusion will therefore assess the plausibility of implementing end-consumer penalties and liability in the United States, and the implications of doing so on the counterfeit market and the U.S. economy.

I. COUNTERFEIT LUXURY GOODS IN THE UNITED STATES

The sale of counterfeit luxury goods¹⁴ in the United States leads to

Apr. 1, 2013); *see also* Coach Purses, TWITTER, http://twitter.com/coach_purses (last visited Jan. 13, 2013); Chanel Purse Fans, TWITTER, <http://twitter.com/ChanelPurseFans> (last visited Jan. 13, 2013); Louboutin Shoes, TWITTER, <http://twitter.com/louboutinshoes2> (last visited Apr. 3, 2013). All of these Twitter accounts tweet links to websites purporting to sell genuine versions of these luxury items.

¹² *See* Christian Louboutin v. Yves Saint Laurent, 696 F.3d 206 (2d Cir. 2012) (finding that Louboutin’s signature red lacquered red outsoles, as long as contrasted with the shoe’s “upper component,” merits trademark protection).

¹³ Kent, *supra* note 5, at 1.

¹⁴ There is no clear-cut definition of what constitutes “luxury products and brands,” since the consensus remains “blurry.” *See* Klaus Heine, *The Concept of Luxury Brands, LUXURY BRAND MGMT.* (2012), *available at* http://www.conceptofluxurybrands.com/content/20121107_Heine_The-Concept-of-Luxury-

significant financial losses every year. Illegal counterfeiting has contributed to the loss of over \$200 billion in potential sales by U.S. businesses alone, and has led to an estimated loss of 750,000 domestic jobs.¹⁵ In 2011, Customs and Border Protection (CBP) seized over \$178.3 million infringing items at the border.¹⁶ These 2011 seizures represented a 24% increase in the amount of seizures from 2010 and a 325% increase over the past decade.¹⁷ Fourteen percent of these seized items constitute counterfeit footwear, while 8% represent “wearing apparel.”¹⁸ Global counterfeit sales are estimated to total approximately \$200 to \$600 billion a year, which constitutes approximately 2.5-7% of all world trade.¹⁹

Besides the domestic economic implications of the sale of counterfeit goods, counterfeits negatively affect the original designers of the imitated good. Many well-established designers, and even designers who are seeking to make it in the cutthroat fashion design world, run into “imitators and counterfeiters that eat into [their] profits, infringe on [their] rights, and expose [them] to liability.”²⁰ Counterfeits considerably “erode a luxury

Brands.pdf. As Heine notes, the problem with defining luxury goods is rooted in the vague nature of the terms, whereby a user’s subjective perspective is key in determining the actual meaning. *Id.* at 16. For purposes of this Note, luxury goods are defined as those items that elicit associations in the mind of consumers regarding “high level of price, quality, aesthetics, rarity [and] extraordinariness . . .” *Id.* at 60. Furthermore, luxury items are usually categorized into three groups. These are the groups of absolute luxury, accessible luxury, and aspirational luxury, depending on the price and distribution of the item. *Market Vision Luxury*, PWC, <http://www.pwc.com/it/it/publications/assets/docs/marketvision-luxury-2012.pdf> (last accessed Mar. 1, 2013). Brands such as Coach and Ralph Lauren (labeled as “accessible” luxury brands), Gucci and Louis Vuitton (considered “aspirational” luxury brands), and Hermès (identified as a “absolute” luxury brand) dominate the luxury goods market, whose products consist of items such as jewelry, apparel, accessories, and fragrances. Press Release, Bain, Worldwide Luxury Goods Market Growth Projected to Slow Substantially by End of Year and Head into Recession in 2009 (Oct. 29, 2008), <http://www.bain.com/about/press/press-releases/worldwide-luxury-goods-market-growth-projected-to.aspx>.

¹⁵ Dana Thomas, *The Fight Against Fakes*, HARPER’S BAZAAR (Jan. 9, 2010), http://www.harpersbazaar.com/culture/features/the-fight-against-fakes-0109_.

¹⁶ U.S. CUSTOMS AND BORDER PROTECTION, INTELLECTUAL PROPERTY RIGHTS: FISCAL YEAR 2011 SEIZURE STATISTICS *available at* <http://www.ice.gov/doclib/iprcenter/pdf/ipr-fy-2011-seizure-report.pdf> [hereinafter SEIZURE STATISTICS]. The estimated retail value for these seized goods totaled \$1.1 billion. *Id.* (noting that the estimate for the amount of which merchandise is sold at retail to the consumer is calculated by the price at which the goods would have been sold at retail had they been genuine).

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ Kent, *supra* note 5.

²⁰ Kent, *supra* note 5.

brand's expensively established and marketed core values.”²¹

These subpar products damage the reputation of the brand by making these end-users associate the lesser quality and design flaws with the fashion house they believe to be the item's designer. Even if the customer knows that he or she owns a fake, the designer's reputation could be further damaged because of passersby or third parties who confuse the counterfeit item with a genuine design.²² Furthermore, when individuals purchase counterfeit items such as purses, the original designer incurs the loss of a potential purchase²³ since a prospective customer is instead making a purchase from an individual who is in no way associated with the fashion industry.²⁴ Lastly, the exclusivity that is commonly associated with these luxury brands is often considerably diluted due to the prevalence of counterfeit goods, since those potential purchasers interested in an “authentic status good” might lose interest when they realize it has become a “much less rare commodity” whose value has been tarnished.²⁵

In addition to the harms that counterfeits pose to luxury brands and to the economy, there are also considerable societal costs involved in the

²¹ Haig Simonian, *Counterfeiting: Silence of the Brands Hides Fight against Fakes*, FINANCIAL TIMES (June 6, 2011), <http://www.ft.com/cms/s/0/89366414-8dad-11e0-a0c4-00144feab49a.html#axzz2LaQHT9gN>.

²² Luxury brand owners frequently invoke the “post-sale confusion” doctrine in order to satisfy the “likelihood of confusion” standard. See Jeremy N. Sheff, *Veblen Brands*, 96 MINN. L. REV. 769, 772 (2012). Under the theory of “bystander confusion,” trademark owners argue that even if a consumer knowingly purchases counterfeits, observers who see the purchaser with the inferior product might draw negative conclusions that “influence their future purchasing decisions.” *Id.* at 773, 778. An alternative theory put forth by trademark owners is that of “status confusion.” *Id.* at 774. This theory operates on the premise that counterfeit purchasers attempt to buy into “the social status that is accorded” by wearing the brand, and therefore observers become confused about the counterfeit consumers and “who is entitled to the high social status that the brand” imparts. *Id.* at 792.

²³ See, e.g., *People v. Rosenthal*, No. 2002NY075570, 2003 WL 23962174 at *2 (N.Y. City Crim. Ct. Mar. 4, 2003) (noting how counterfeits result in the loss of revenues for the companies whose trademark is being misused).

²⁴ According to several studies, when an individual purchases a counterfeit good, he or she is indirectly funding illicit activities such as drug trafficking, child labor and sweatshops, organized crime, and terrorism. See, e.g., Nicole Giambarresse, *The Look for Less: A Survey of Intellectual Property Protections in the Fashion Industry*, 26 TOURO L. REV. 243, 278 (2010); Jennifer Lee, *That Fake Gucci: Does it Have Links to Terrorists?*, N.Y. TIMES (May 17, 2008), <http://www.nytimes.com/2008/05/17/nyregion/17counterfeit.html>; Jenny T. Slocum, *Counterfeit Goods: How Did We Get Here and Where Will We Go Next? Analyzing Current Enforcement Trends against Trademark Counterfeiting*, COLLEN IP 11 (Feb. 15, 2010), [available at http://storage.globalcitizen.net/data/topic/knowledge/uploads/20110129194058533.pdf](http://storage.globalcitizen.net/data/topic/knowledge/uploads/20110129194058533.pdf).

²⁵ ROBERT P. MERGES ET AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 23 (6th ed. 2012).

counterfeiting industry.²⁶ Among the main concerns about counterfeits is the possible link that exists between counterfeit operations and terrorist organizations.²⁷ Many experts have noted how profits from the sale of counterfeit goods in the past have gone to groups associated with Hezbollah, the FARC, and other similar terrorist organizations.²⁸ Meanwhile, others have noted that sales of counterfeit T-shirts helped finance the 1993 bombing of the World Trade Center.²⁹ Besides concerns related to terrorism, counterfeits are also frequently linked to child labor,³⁰ human trafficking,³¹ and organized crime.³²

Originally, counterfeited luxury goods were sold solely in physical locations such as Canal Street³³ in New York City, a location frequented by tourists looking to obtain a stylish yet affordable souvenir from their New York City trip. Now, however, with the proliferation of online shopping, auction sites, and even social media and search engines, counterfeits have become more accessible, and selling and buying them has become easier.³⁴

²⁶ See *supra* note 24.

²⁷ See, e.g., Giambarresse, *supra* note 24 at 280-81.

²⁸ Dana Thomas, *Terror's Purse Strings*, N.Y. TIMES (Aug. 30, 2007) <http://www.nytimes.com/2007/08/30/opinion/30thomas.html> (noting how “. . . counterfeiting rackets are run by crime syndicates that also deal in narcotics, weapons, child prostitution, human trafficking and terrorism” and that the “. . . sale of counterfeit goods have gone to groups associated with Hezbollah, the Shiite terrorist group, paramilitary organizations in Northern Ireland and FARC, the Revolutionary Armed Forces of Colombia.”).

²⁹ *Id.*; see also PAUL R. PARADISE, TRADEMARK COUNTERFEITING, PRODUCT PIRACY, AND THE BILLION DOLLAR THREAT TO THE U.S. ECONOMY 22 (1999) (“After the 1993 bombing of the World Trade Center in New York, the FBI began to investigate whether the sale of counterfeit tee shirts and sports apparel was used to finance the bombing.”).

³⁰ See *supra* note 28 (describing child sweatshop labor conditions in a Chinese factory where they produced counterfeit luxury goods, and noting how luxury brands must make efforts to teach consumers about these conditions).

³¹ See, e.g., Kate Briquet, *Tourists Beware: Councilwoman Wants to Make It a Crime to Buy Knockoff Handbags*, N.Y. POST (Apr. 7, 2013), http://www.nypost.com/p/news/local/manhattan/knock_it_off_shoppers_S0C161DwzGrvsCxsLwujwM/1 (statement of Joseph Gioconda).

³² UNDOC, *Criminals Rake in \$250 Billion per Year in Counterfeit Goods that Pose Health and Safety Risks to Unsuspecting Public* (July 26, 2012), <http://www.unodc.org/unodc/en/frontpage/2012/July/criminals-rake-in-250-billion-per-year-in-counterfeit-goods-that-pose-health-security-risks-to-unsuspecting-public.html> (indicating how the connection between organized crime and counterfeits is often “. . . overlooked or underestimated.”).

³³ See *supra* note 9. New York City, which has considerable importance in the fashion industry and is a “significant market for counterfeiters,” is currently attempting to criminalize the purchase of counterfeit goods. See *infra* p. 32 for a discussion of the proposed law.

³⁴ See *supra* note 9 and accompanying text.

108 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

These “cyberspace” mediums to sell and purchase counterfeit goods provide counterfeit operations “simplified means and additional channels . . . to promote and sell counterfeit products to consumers.”³⁵ While Canal Street vendors are limited to the perhaps thousands of persons who walk by their establishments on a daily basis, online vendors have the opportunity to expose their product to millions of customers who wish to purchase imitation goods at a much lower price.³⁶

Counterfeit operations now frequently set up numerous websites that appear very similar to those of the authentic designer,³⁷ such as Christian Louboutin.³⁸ These cyber-squatters use several different domain names, meant to resemble the name of the designer being copied.³⁹ When a potential buyer accesses that site, he or she can quickly realize⁴⁰ that the prices are not at all comparable to what one would pay for a genuine designer shoe, even if all the shoes listed bear Louboutin’s signature red sole.⁴¹ A simple Google search for a luxury good item can lead an internet-user to these deceptive websites. Despite the several hundred Digital Millennium Copyright Act notices,⁴² designers such as Louboutin have

³⁵ International Trademark Association, “Addressing the Sale of Counterfeits on the Internet,” INTA (Sept. 2009), <http://www.inta.org/Advocacy/Documents/INTA%20Best%20Practices%20for%20Addressing%20the%20Sale%20of%20Counterfeits%20on%20the%20Internet.pdf> (discussing how online sales of counterfeits pose “challenging and complex” issues and noting the importance of educating consumers and the public about trademark counterfeiting.).

³⁶ Kate Goldwasser, *Knock It Off: An Analysis of Trademark Counterfeit Goods Regulation in the United States, France, and Belgium*, 18 *CARDOZO J. INT’L & COMP. L.* 207, 209 (2010).

³⁷ Mike M. Alhers, *U.S., Europe Crack Down on Websites Selling Counterfeit Goods*, CNN (Nov. 27, 2012), <http://www.cnn.com/2012/11/26/world/europe/cyber-monday-website-seizures/index.html> (discussing how websites selling counterfeit items such as Tiffany jewelry “are becoming more sophisticated, mimicking or even duplicating legitimate websites”).

³⁸ See, e.g., TOP CHRISTIAN LOUBOUTIN ONLINE, <http://www.topchristianlouboutin-online.com> (last visited Jan. 14, 2013) (as of Jan. 20, 2014, this website has been shut down).

³⁹ See, e.g., *Chanel, Others Win Cybersquatting Cases*, ABC NEWS (Oct. 4, 2000), <http://abcnews.go.com/Technology/story?id=99390&page=1#.UV81pb88gVs> (discussing how cybersquatters use websites that were “confusingly similar” to the Chanel trademark, such as chanelstore.com and chanelfashion.com).

⁴⁰ See discussion *infra* p.30 and note 167, on the circumstances that should make a potential consumer aware about the counterfeit nature of the item.

⁴¹ See, e.g., *supra* note 38.

⁴² Congress enacted the Digital Millennium Copyright Act (the “DMCA”) in order to address copyright infringement issues relating to the Internet and to digitally recorded works. The DMCA created a process to help copyright owners ensure the rapid removal of infringing material from the Internet, thus balancing copyright law’s protection of information and affording access to information. See, e.g., American Library Association,

served Copyright Act notices on Google demanding that it remove any and all search results featuring websites that sell counterfeits.⁴³ To this day a Google search for “Buy cheap” and a designer name still yields several sites selling counterfeit items.⁴⁴

A. Overview of U.S. Intellectual Property Laws and their Role in Anti-Counterfeiting Efforts

1. U.S. Trademark Law

Trademark law is particularly important for the United States’ fashion industry, given the relative absence of copyright or patent protections for most fashion products.⁴⁵ In the United States, fashion designers can affirmatively seek the protection of their designs under United States trademark law, but frequently encounter numerous obstacles in obtaining relief.⁴⁶ United States trademark law under the Lanham Act provides protection to “any word, name, symbol, or device” that is distinctive to the designer and “distinguish[es] his or her goods.”⁴⁷ Trademark law can therefore function to protect some aspects of fashion designs⁴⁸ that

DMCA: *The Digital Millennium Copyright Act*, <http://www.ala.org/advocacy/copyright/dmca> (last accessed on Mar. 1, 2013).

⁴³ See, e.g., Marcella Ballard et al., *Sole Ownership? Louboutin Loses Appeal in French Court in Trademark Dispute with Zara Over Signature Soles on Shoes*, VENABLE LLP (July 2012), available at <http://www.jdsupra.com/legalnews/jdsupra-14337/>. When conducting a Google search for “cheap Christian Louboutin,” Google notes that “[i]n response to a complaint we received under the US Digital Millennium Copyright Act, we have removed 4 result(s) from this page. If you wish, you may read the DMCA complaint that caused the removal(s) at ChillingEffects.org.” See <https://www.google.com/webhp?tab=ww&ei=PJ7cUpT0KfGysATu0IDYDg&ved=0CBQQ1S4#q=cheap+Christian+Louboutin&start=10>.

⁴⁴ See, e.g., RED CHRISTIAN LOUBOUTIN OUTLET, <http://www.redchristianlouboutinoutlet.com> (last visited Oct. 17, 2013); CHEAP GUCCI GUCCISUPPLY.COM, <http://www.guccisupply.net> (last visited Oct. 17, 2013); BURBERRY OUTLETS, <http://www.ykcheapburberry.com> (last visited Oct. 17, 2013); CHEAP CHRISTIAN LOUBOUTIN STORES, <http://louboutinsredbottomheels.webs.com> (last visited Apr. 1, 2013) (as of Jan. 20, 2014, this website has been “frozen”). These links, however, are merely a sample of approximately 8,000,000 different search results that a Google search for “Buy Louboutin shoes cheap,” “Buy discount Gucci” and “Buy cheap Burberry” yielded.

⁴⁵ See generally Charles E. Colman, *An Overview of Intellectual Property Issues Relevant to the Fashion Industry*, in NAVIGATING FASHION LAW: LEADING LAWYERS ON EXPLORING THE TRENDS, CASES, AND STRATEGIES OF FASHION LAW (2012).

⁴⁶ Tedmond Wong, Comment, *To Copy or Not to Copy, That Is The Question: The Game Theory Approach to Protecting Fashion Designs*, 160 U. PA. L. REV. 1139, 1142 (2012).

⁴⁷ 15 U.S.C. § 1127 (2006).

⁴⁸ United States trademark law protects aspects of a fashion design such as the logos or

110 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

copyright law would otherwise deem to be “public domain.”⁴⁹

While trademark law offers protection to some elements of a design, such as the designer’s logo, it does not extend protection to the entire fashion design itself.⁵⁰ This protection tends to encourage designers to have their logos featured prominently on their designs, in an effort to ensure that their design will be afforded greater trademark protection.⁵¹ Trademark law has allowed some designers to “achieve some modest level of design protection,” by circumventing the requirements and shortcomings of copyright law.⁵² Ultimately, however, trademark law is not useful to emerging fashion designers, since their logos and brand are not yet recognizable to the vast majority of consumers.⁵³

Trademark counterfeiting is considered to be essentially the “most serious form of trademark infringement.”⁵⁴ Under the Lanham Act, owners of a registered mark could recover monetary damages against those who infringe on the mark by counterfeiting.⁵⁵ Liability under the Lanham Act is

brand names, but not an item’s overall design. Emma Yao Xiao, *The New Trend: Protecting American Fashion Designs Through National Copyright Measures*, 28 *CARDOZO ARTS & ENT. L.J.* 417, 430 (2010). While trade dress can serve to protect the overall appearance and packaging of an item, the functionality of most fashion designs limits the extent of trade dress protection for these designs. 15 U.S.C. § 1125(a).

⁴⁹ Kevin V. Tu, *Counterfeit Fashion: The Interplay Between Copyright and Trademark Law in Original Fashion Designs and Designer Knock-offs*, 18 *TEX. INTELL. PROP. L.J.* 419, 423 (2009-2010). A particular work is considered to be in the public domain when it no longer has copyright protection or if it did not meet the requirements for copyright protection. See United States Copyright Office, *Definitions*, <http://www.copyright.gov/help/faq/faq-definitions.html> (last accessed on Jan. 14, 2014).

⁵⁰ See, e.g., Eveline van Keymeulen & Louise Nash, *Fashionably Late*, *INTELLECTUAL PROPERTY MAGAZINE* 54 (Dec. 2011/Jan. 2012), available at <http://www.cov.com/files/Publication/8fc11e54-27e2-4da3-9323-0663dd0a5746/Presentation/PublicationAttachment/45a27275-df92-475b-9e11-11154b0c1061/Fashionably%20Late.pdf>.

⁵¹ Wong, *supra* note 46, at 1143. As Wong explains in his Comment, under U.S. trademark law, a copy of a Louis Vuitton bag slapped with “LV” logos all over would be protected, whereas a “uniquely tailored item of clothing without such identifiers” would not be protected under trademark law. *Id.* In the absence of logos, it is therefore very difficult for designers to avail themselves of trademark law protection in the United States.

⁵² Tu, *supra* note 49, at 420; see *infra*, Part 2 for a discussion on copyright law’s shortcomings.

⁵³ See, e.g., *id.* at 430 (noting how a very minimal amount of fashion designers can “find successful redress under trademark law” given the requirements of distinctiveness and likelihood of confusion, the latter of which is difficult to prove when the designer is relatively unknown).

⁵⁴ Colman, *supra* note 45, at 46.

⁵⁵ 15 U.S.C. § 1117 (listing the remedies available to mark owners); see also, Colman, *supra* note 45, at 46 (noting how “[w]hile all trademark counterfeiting will qualify as

limited to those who sell, offer for sale, or distribute counterfeit goods, and does not extend to the individual purchasing the counterfeit item.⁵⁶ Damages can include the counterfeiter's profits and damage caused to the mark owner, as well as litigation costs.⁵⁷ Ultimately, limiting liability to the distributor and seller of the counterfeited items constrains the effectiveness of deterring trademark counterfeiting, since it does nothing to curtail the popular demand for counterfeits.⁵⁸ Due to the prevalence of counterfeit goods being sold online and on streets nationwide, along with the absence of penalties for consumers, purchasers in the United States have no incentive to stop buying counterfeit luxury goods and thus continue to play a substantial role in driving counterfeit supply.⁵⁹ As this Note will discuss in greater detail in Part II below, we can look to France and Italy's approach to consider how targeting the demand side of counterfeited goods helps to effectively tackle the problem of counterfeit luxury goods.⁶⁰

2. U.S. Copyright Law

While the U.S. Copyright Act creates legal rights over creative works such as literary works, music, pictures, sculpture, and motion pictures, it does not extend protection to fashion designs as one of the protected creative mediums.⁶¹ Apparel and luxury items such as purses and shoes are generally considered to be "useful article[s]" and thus are excluded from any and all copyright protection.⁶² U.S. fashion designers have long

infringement, not all infringement will constitute counterfeiting").

⁵⁶ 15 U.S.C. § 1114(1). In order to prove counterfeiting, a mark owner must simply prove that the defendant used "a spurious mark which is identical with, or substantially indistinguishable" from the plaintiff's registered mark. *See id.* § 1127.

⁵⁷ *Id.* §§ 1114; 1117.

⁵⁸ Lisa Lyne Cunningham, *Trademark Counterfeiting and Individual Purchaser Liability*, NAT'L L. REV. (Winter 2011), <http://www.natlawreview.com/article/trademark-counterfeiting-and-individual-purchaser-liability> (discussing how "[h]olding individual consumers civilly liable for both purchasing counterfeit goods and aiding and abetting in the production and manufacturing of such goods may be the best way to stop the supply and demand cycle through deterrence"); *see also About Counterfeiting, supra* note 2 (noting how consumer demand is a driving force behind the growth of the counterfeit market).

⁵⁹ *See About Counterfeiting, supra* note 2 (warning consumers that "when you purchase a fake, you become part of the cycle of counterfeiting . . .").

⁶⁰ *See, infra*, Part II.

⁶¹ *See* 17 U.S.C. §§ 101; 102(a) (2010).

⁶² Registrability of Costume Designs, 56 Fed. Reg. 56, 530-02 (Nov. 5, 1991) (noting that copyright law is clear in stating that "[g]arments are useful articles, and the designs of such garments are generally outside of the copyright law"); *see also* Katherine B. Felice, *Fashioning a Solution for Design Piracy: Considering Intellectual Property Law in the Global Context of Fast Fashion*, 39 SYRACUSE J. INT'L. L. & COM. 219, 237 (2011). As a general matter, copyright protection does not extend to "useful article[s]" such as clothing,

112 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

advocated for copyright protection for their designs, but “fashion design piracy remains legal in the United States,” with very few, narrow exceptions.⁶³ According to Professor Susan Scafidi, while the United States has deliberately denied copyright protection to the fashion industry over the past century, other nations such as France have integrated fashion into their intellectual property systems, which results in “more mature and influential design industries.”⁶⁴

B. Anti-Counterfeiting Efforts in the United States and their Relative Successes

Anti-counterfeiting laws in the United States indicate that any manufacturer or distributor who uses a counterfeit mark “in connection with the sale . . . or distribution of goods” is subject to civil or criminal sanctions.⁶⁵ Criminal sanctions include fines of up to \$2,000,000 and ten years in prison, while repeat offenders could face up to a \$5,000,000 fine and twenty years in prison.⁶⁶ None of the anti-counterfeiting laws currently in place in the United States extend any liability, either civil or criminal, to the individuals purchasing the counterfeited goods. The absence of such fines or sanctions does nothing to provide individuals with a legal disincentive against making similar purchases and perpetuates the prevalent idea that the sale and purchase of counterfeits is largely “a victimless crime.”⁶⁷

but “pictorial, graphic, or sculptural features” of fashion that can be separable from the item’s functional aspects may be protected. *See* 17 U.S.C. § 101 (2010) (noting that “the design of a useful article . . . shall be considered a pictorial, graphic, or sculptural work only if . . . such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article”); 17 U.S.C. § 102(a) (2010). This exclusion of fashion items from U.S. copyright law protections reflects the notion that luxury goods such as designer accessories are not “wearable art” but rather simply functional items.

⁶³ Felice, *supra* note 62. As Felice notes, some of these exceptions include the availability of trade dress protection for non-functional designs that have acquired secondary meaning. *Id.*

⁶⁴ Susan Scafidi. Written Statement to the H. Subcomm. on Courts, the Internet, and Intellectual Property: Hearing on H.R. 5055, The Design Piracy Prohibition Act, 109th Cong. (2006), *available* at <http://www.counterfeitchic.com/Images/Scafidi%20testimony%20and%20exec%20summary.pdf>.

⁶⁵ 15 U.S.C.A. § 1117(b).

⁶⁶ 18 U.S.C.A. § 2320(e)(1)(A).

⁶⁷ *See* Jana Nicole Checa Chong, *Sentencing Luxury: The Valuation Debate in Sentencing Traffickers of Counterfeit Luxury Goods*, 77 *FORDHAM L. REV.* 1147, 1158 (2008); *see also* Pier Luigi Roncaglia, *Handling of Counterfeit Goods: A Hands-On Problem for the Italian Criminal System*, 92 *TRADEMARK REP.* 1393, 1393-94 (2002) (noting the

Most of the well-known, recent “legal victories” against counterfeiters in the United States have largely been limited to addressing the infringement of well-known trademarks by counterfeit item sellers.⁶⁸ Most recently, Coach obtained a \$257 million court ruling against online counterfeiters, sending a clear warning to those who sell counterfeit versions of the popular purses.⁶⁹ The judgment also awarded Coach ownership of several hundred Internet domain names.⁷⁰ Other designers have also been successful in obtaining damages and injunctions against retail and online sellers of counterfeit items.⁷¹

C. Shortcomings of U.S. Trademark Law in the Battle Against Counterfeits

Despite some of the luxury brands’ legal victories against counterfeiters, the United States’ current anti-counterfeiting laws are largely regarded to be ineffective and insufficient.⁷² The problem is of such magnitude in the United States that executives at Kate Spade even believe that the ratio of

importance of educating consumers as to the damages caused by counterfeiting in order to deter consumers’ financial support of the industry).

⁶⁸ Meanwhile, there have been very few legal successes when it comes to the imitation of overall fashion designs and styles due to the lack of adequate legal protection for the design elements in the absence of a trademark. *See, e.g., Felice, supra* note 62.

⁶⁹ Sophia Pearson, *Coach Wins \$257 Million Court Ruling Against Counterfeiters*, BLOOMBERG (Nov. 2, 2012), <http://www.bloomberg.com/news/2012-11-02/coach-wins-257-million-court-ruling-against-counterfeiters-1-.html>. Coach is one of the most active luxury goods companies in the battle against counterfeits. Since Coach started its counterfeit operation, “Operation Turnlock,” in 2009, Coach has obtained significant monetary damages against manufacturers, wholesalers, and flea market operators. Ellen Rosen, *Universal Music, Counterfeit Coach: Intellectual Property*, BLOOMBERG (Nov. 5, 2012), <http://www.bloomberg.com/news/2012-11-05/universal-music-counterfeit-coach-intellectual-property.html>.

⁷⁰ *Coach Inc. v. Does*, 1-573, 12-cv-01514, (N.D. Ill. 2012), *cited in* Rosen, *supra* note 69.

⁷¹ *See, e.g., Tory Burch v. Does* 1-100, No. 12 C 7163, 2012 WL 4581409, (N.D. Ill. Oct. 2, 2012) (granting a preliminary injunction against individuals selling counterfeit Tory Burch products online); *Coach v. Sassy Couture*, No. SA-10-CV-601-XR, 2012 WL 162366 (W.D. Tex. Jan. 19, 2012) (finding that the Defendants sold counterfeit Coach merchandise on their website, the Court awarded Coach \$60,000 and permanently enjoined the Defendants from selling any other counterfeit Coach merchandise); *Louis Vuitton Malletier S.A. v. LY USA, Inc.*, 676 F.3d 83 (2d Cir. 2012) (finding that the Defendants sold counterfeit Louis Vuitton items at retail locations and online, and upholding the grant of \$3,000,000 in damages and more than \$500,000 in attorney’s fees).

⁷² Cunningham, *supra* note 58, at 3; *see also*, Karmal Preet, *Why America Needs a European Fashion Police*, 3 J. OF INTELL. PROP. L. & PRAC. 386, 387 (2008) (explaining how “current trade mark concepts” in the United States are “inadequate for protection of fashion designs”).

114 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

“real bags to knockoffs is one-to-one.”⁷³ The “blatant copying of another’s designs”⁷⁴ absent the use of a trademark is presently not illegal in the United States, thus making it much harder to stop counterfeiters from using a design that does not involve a logo or mark, and providing designers with very limited ability to protect their designs from being copied and sold by others.

The substantial differences that exist between American and foreign protections for fashion designs and the weaknesses of the American framework for combatting counterfeiting are often cited as the primary reason for the necessity of urgent reform in United States anti-counterfeiting laws.⁷⁵ Most notably, the Lanham Act places liability for counterfeited goods only upon individuals who manufacture, distribute, or sell the goods. Without civil liability provisions for end-purchasers, the Lanham Act is only marginally effective in addressing counterfeiting in the United States.⁷⁶ The United States does not penalize anyone on the demand side of the supply and demand chain. In fact, U.S. Customs even allow each traveler entering the United States to bring one counterfeit good per category.⁷⁷ In contrast, France and Italy, whose policies and laws will be taken up in detail in Part III of this Note, impose liability for purchasers and possessors of counterfeit goods.

Furthermore, trademark counterfeiters have become increasingly adept at gaming the system. In order to clear U.S. customs, counterfeit sellers either hide the fake items inside cartons filled with legitimate items⁷⁸ or engage in the practice of “finishing in the U.S.”⁷⁹ Under this practice, counterfeit sellers now bring fake items into the United States without any logos, and

⁷³ Tina Cassidy, *Bagging the Knockoffs: There’s Nothing Like the Real Thing*, BOSTON GLOBE, Dec. 26, 2002, at D1 (citing Nancy Kratzer, Assistant Director for Fraud Investigations, U.S. Customs Office, and Director, National Intellectual Property Rights Coordination Center), *cited in* Lauren D. Amendolara, *Knocking Out Knock-Offs: Effectuating the Criminalization of Trafficking in Counterfeit Goods*, 15 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 789, 809 (2005).

⁷⁴ Irene Tan, *Knock It Off, Forever 21! The Fashion Industry’s Battle Against Design Piracy*, 18 J. L. & POL’Y 893, 894 (2010), *quoting* Stop Fashion Piracy, <http://www.stopfashionpiracy.com>.

⁷⁵ Wong, *supra* note 46, at 1149.

⁷⁶ See 15 U.S.C.A. § 1117(b); *see also* Cunningham, *supra*, note 58.

⁷⁷ U.S. Customs and Border Protection Directive 2310-011A, Personal Use Exemption: Unauthorized Trademarks (Cust. 2000); Jennifer Saranow Schultz, *The Legality of Buying Knock-Offs*, N.Y. TIMES (Oct. 28, 2010), <http://bucks.blogs.nytimes.com/2010/10/28/the-legality-of-buying-knockoffs/>.

⁷⁸ Briquet, *supra* note 31 (“To evade US customs, counterfeiting rings hide the bags inside cartons of lingerie and other legitimate goods. They also falsely mark the goods on paperwork as ‘totes’ or ‘stuffed animals.’”).

⁷⁹ Thomas, *supra* note 15.

2014]

FASHIONABLY LATE

115

then add the labels afterwards to avoid seizures at border checks.⁸⁰ Given the absence of copyright protections for fashion designs in the United States, counterfeiters can easily bring in a design that is substantially similar to that of the genuine product of a fashion designer, as long as it doesn't have a label – such as a “Prada” tag – on it.⁸¹ Once the counterfeiter and his “generic” counterfeit stock clear customs, the individuals involved in the counterfeit operation subsequently “stamp, embroider, or attach the logo or identifying details.”⁸² Street-sellers in locations like Canal Street also frequently “finish” the items as they are sold, sometimes gluing “the ‘Prada’ label to order” or even giving consumers the option of having the bag with a Michael Kors or a Coach logo.⁸³

II. FRENCH AND ITALIAN ANTI-COUNTERFEITING LAWS

A. French Anti-Counterfeiting Efforts

France is regarded in the fashion and legal community as offering the most comprehensive and strongest legal protections to fashion designers over their work product.⁸⁴ Luxury brands are extremely prominent in France, with French luxury brands representing one quarter of the global luxury industry.⁸⁵ This is nearly 2.5 times the size of the U.S. luxury brand sector.⁸⁶ As noted by the Comité Colbert, an organization comprised of key members of the French luxury industry, the luxury goods business is “of strategic important to France.”⁸⁷ Largely because of the considerable size,

⁸⁰ *Id.*; see also, Briquet, *supra* note 31 (“For knockoff Louis Vuittons, the smugglers cover the signature fabric with a peel-off coating” in order to clear U.S. Customs).

⁸¹ See Thomas, *supra* note 15.

⁸² *Id.* (statement by Heather McDonald, noting how “anything that can be brought in blank is being brought in blank” and they can later attach a “Prada tag or interlocking GG on demand”).

⁸³ Willy Staley, *Canal Street Booty*, N.Y. TIMES (Feb. 8, 2013), http://www.nytimes.com/interactive/2013/02/10/magazine/nine-of-a-kind-purses.html?_r=0 (showcasing a “sampling” of counterfeit purses bought on Canal Street, and how many of the bags often don't look anything like the genuine designers' purses).

⁸⁴ See e.g., Wong, *supra* note 46, at 1149; Cunningham, *supra* note 58, at 5.

⁸⁵ *A Strategic Industry, A Politic Influence*, COMITÉ COLBERT 5 (Sept. 10, 2009), http://ec.europa.eu/competition/consultations/2009_vertical_agreements/comitecolbert_en.pdf.

⁸⁶ *Id.* These numbers are particularly noteworthy when one considers the difference in population size between the United States and France. In 2012, the total population in France was 63,605,300, while the United States' population totaled 313,858,000. *United States & International Profiles*, POPULATION REFERENCE BUREAU, <http://www.prb.org/DataFinder/Geography.aspx> (last accessed Apr. 2, 2013).

⁸⁷ COMITÉ COLBERT, *supra* note 85.

116 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

presence, and influence of luxury designers in the country,⁸⁸ French intellectual property law with respect to fashion designs is far “more progressive” than that of the United States.⁸⁹

French intellectual property law reflects the notion of fashion constituting “wearable art” as opposed to purely utilitarian objects.⁹⁰ Given the important role of the fashion industry in France, French copyright law extends protection to fashion designs, whereby the designer’s work is protected from the moment of its creation until 70 years after the author’s death.⁹¹ Le Code de Propriété Intellectuelle de France (the French Intellectual Property Code) defines counterfeits broadly, and identifies all counterfeiting as an offense.⁹² Notably, the French Intellectual Property Code provides for remedies including damages and “infringement seizure.”⁹³ In order to obtain the latter remedy, the designer or creator of the work that has been copied must request that law enforcement authorities or the court seize those copies that constitute an unlawful reproduction of the designer’s work.⁹⁴ The French Intellectual Property Code also provides for sanctions and liability for those individuals who purchase and even possess counterfeit items. Those end-consumers of counterfeit goods could face a fine of up to 300,000 euros (around \$373,140) or three years in jail.⁹⁵

Under the French Customs Code, customs authorities have broad investigative and anti-counterfeiting powers, including the right to seize counterfeit products.⁹⁶ Customs officials thus have the authority to

⁸⁸ Biana Borukhovich, *Fashion Design: The Work of Art that Is Still Unrecognized in the United States*, 9 WAKE FOREST INTELL. PROP. J. 155, 166 (noting how France, “the world’s fashion capital,” has the “world’s strongest protection for fashion designs”).

⁸⁹ Slocum, *supra* note 24, at 23.

⁹⁰ See, e.g., Nisha Balsara, *Redefining Fashion: From Congress to the Runway*, 11 J. TECH. L. 93, 125 (2010). Balsara discusses how French copyright laws provide strong protections to fashion designs because of the notion of fashion as “wearable art.” *Id.*

⁹¹ See CODE DE LA PROPRIÉTÉ INTELLECTUELLE art. 112-2 (Fr.); art. 123-1. Similar to the United States, France shares concerns about the considerable consequences and costs associated with counterfeiting. Not only does counterfeiting affect the financially important fashion industry, but is also a serious threat to society. See, e.g., Thierry Stoll, *L’état du droit Communautaire, L’EFFICACITÉ DES MESURES DE LUTTE CONTRE LA CONTREFAÇON: ÉTUDE COMPARÉE, COLLOQUE DU 9 DÉCEMBRE 2005*, 17 (2006) (citing to the loss of tax revenue and employment caused by the counterfeit industry, and the industry’s links with drug trafficking, weapons trafficking, and money laundering).

⁹² CODE DE LA PROPRIÉTÉ INTELLECTUELLE, art. 335-2 (Fr.).

⁹³ *Id.* art. 332-1 (Fr.).

⁹⁴ *Id.*

⁹⁵ *Id.* art. 716-10 (Fr.); see also, *Tourists Warned over Fake Goods*, BBC UK (Aug. 22, 2009), http://news.bbc.co.uk/2/hi/uk_news/8215519.stm.

⁹⁶ DOUANES & DROITS INDIRECTS, CONTRE LA CONTREFAÇON, LA DOUANE SE MOBILISE <http://www.douane.gouv.fr/page.asp?id=40> (indicating how Customs has wide authority in

seize counterfeit items from individuals at ports of entry and even in French marketplaces.⁹⁷ Any individual who transports products into or through France must therefore possess “documents evidencing the genuine origin of such products,” such as an agreement or an invoice.⁹⁸

French sanctions regarding counterfeit purchasers are not limited to the moment in which a transaction is being carried out, but even extend to the possession of the item long after it has been purchased.⁹⁹ A purchaser could thus possibly face sanctions on two distinct occasions: first when he or she approaches the counterfeit seller and buys the item, and again any time when he or she is discovered with the counterfeited item on his or her person. Therefore, a woman buying a counterfeit Louis Vuitton purse from a random seller on a Parisian street could immediately face sanctions at the moment of purchase, or could be fined when she is walking around wearing the purse near a market, or when travelling back to France from abroad.¹⁰⁰ Even a tourist entering France for the first time with a counterfeit bag could have his or her bag confiscated by customs agents upon entry.¹⁰¹

In 1995, French government officials and private agencies created Le Comité National Anti-Contrefaçon (The National Anti-Counterfeiting Committee) (hereinafter “CNAC”). CNAC, along with the Comité Colbert, focuses on warning consumers about the dangers of counterfeit goods, as well as the possible penalties individuals would face if they purchase or possess any counterfeit goods.¹⁰² CNAC estimates that the counterfeit

France, including the power to seize counterfeit goods, monitor merchants and sanction individuals); *see also*, Caroline Casalonga & Jean-Christophe Guerrini, *France: A Guide to French Anti-Counterfeiting Law*, WORLD TRADEMARK REV. (2008), <http://www.worldtrademarkreview.com/issues/article.ashx?g=fbae88fb-36cc-44a9-8c08-9058e7723f37> (last accessed Apr. 3, 2013) (describing French Customs’ “broad investigative and anti-counterfeiting powers”).

⁹⁷ DOUANES & DROITS INDIRECTS, LA DOUANE CONTRE LE FLÉAU DE LA CONTREFAÇON: CHIFFRES 2009, <http://www.douane.gouv.fr/data/file/1249.pdf> (noting how customs controls over counterfeit items extends to on-site vendors or street markets, and is not limited to inspecting merchandise as it enters or leaves the country) [hereinafter DOUANES].

⁹⁸ *See* Casalonga, *supra* note 96, at 1. This is in stark contrast with U.S. law, since U.S. Customs allows individuals to enter with one counterfeit personal item. U.S. Customs and Border Protection Directive 2310-011A, Personal Use Exemption: Unauthorized Trademarks (Cust. 2000).

⁹⁹ Cunningham, *supra* note 58, at 5.

¹⁰⁰ Under the Lanham Act, if a similar transaction were to take place, for instance, in Canal Street in New York City, the seller of the fake Louis Vuitton bag could possibly face sanctions when making the sale, but the interested purchaser would not face any sanctions either when he or she purchases the bag or when he or she walks away with the item.

¹⁰¹ *See generally*, DOUANES, *supra* note 97 (warning consumers that they risk confiscation by simply possessing or purchasing a counterfeit item in France).

¹⁰² *Missions*, CNAC <http://www.contrefacon->

118 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

industry costs France around 6 billion euro, or \$7.5 billion, in lost revenue each year.¹⁰³ Given the steep penalties individuals face if they are found purchasing or possessing a fake item such as a purse, CNAC and the Comité Colbert have focused on creating campaigns that raise awareness of the potential consequences. One of the more recent campaigns, for instance, warns: “buy a fake Cartier, get a genuine criminal record.”¹⁰⁴ These viral campaigns and extremely prevalent advertisements address one criticism of end-purchaser liability: customers’ alleged lack of knowledge.¹⁰⁵ By informing potential consumers of the consequences of participating in the counterfeit business by means of purchasing these items, and also raising awareness of what are telltale signs of a counterfeit item, such campaigns make it more likely than not that an individual who purchases a counterfeit item does so knowingly.

B. Italy as a Second Model for Anti-Counterfeiting

Similar to France, Italy is a country of significant importance in the creation of designs and fashion.¹⁰⁶ Italy may be the country “most affected by counterfeiting,” but is also responsible for most of the production of counterfeit luxury goods.¹⁰⁷ After years of having a reputation for being the

danger.com/publication/content/ART_17_245.php?archive=0&StartRow=0&order=1 (last accessed Oct. 28, 2013); *Plan d'action*, CNAC http://www.contrefacondanger.com/front/show_rub.php?rub_id=246 (last accessed Oct. 28, 2013) (describing CNAC’s goals of curtailing counterfeits by educating consumers, as well as by promoting anti-counterfeiting legislation and international cooperation).

¹⁰³ DOUANES, *supra* note 97. Compare this amount to the \$200-\$250 billion loss to businesses each year in the U.S. CHAMBER OF COMMERCE, WHAT ARE COUNTERFEITS AND PIRACY COSTING THE AMERICAN ECONOMY (2005) *available at* http://www.fnal.gov/directorate/OQBP/sci/sci_reference_docs/SCI%20Costs%20to%20Economy%20uschamber.pdf.

¹⁰⁴ Thomas Adamson, *New Campaign Fights Counterfeit Fashion*, YAHOO! FINANCE (May 31, 2012), <http://finance.yahoo.com/news/campaign-fights-counterfeit-fashion-144539052—finance.html>. Other prominent campaigns include advertisements that say, “A bet on the wrong horse can be very expensive.” *Id.*

¹⁰⁵ *Les français et les dangers de la contrefaçon*, UNIFAB (2012), http://www.unifab.com/images/etude_ifop_unifab_2012.pdf. In analyzing the results of a survey, this report notes how following the proliferation of information regarding counterfeits in France, most individuals (90%) now realize that counterfeiting carries risks and that they as past-consumers play a key role in the battle against counterfeits. Meanwhile, 85% realize that they would face sanctions if they bought a counterfeit. *Id.*

¹⁰⁶ André Bertrand, LA MODE ET LA LOI 204 (1998).

¹⁰⁷ Prandin Donatella & Verducci Galletti Simone, *Policing Very Much in Fashion in Italy*, WORLD TRADEMARK REV. (Apr./May 2010), *available at* http://www.bugnion.eu/marchi_det.php?id=277 (noting the prominent role that the counterfeit goods trade plays in Italian organized crime, as well as counterfeiting’s negative

center of the counterfeit industry and for its failures in battling the issue, Italy has become increasingly determined to fight against counterfeits.¹⁰⁸ Along with France, Italy is now regarded as having one of the most rigorous anti-counterfeiting laws and also extends liability to counterfeit goods' purchasers.¹⁰⁹ While France has several prominent fashion houses driving the movement to curtail the counterfeit industry, Italy's distinction as the "cradle of arts and fashion"¹¹⁰ and its fame for its "Made in Italy" products constitute key driving forces behind its anti-counterfeiting movement.¹¹¹

Because of the considerable impact the counterfeit industry has on the Italian economy, both economic and public order concerns, including organized crime, drive Italian anti-counterfeiting efforts.¹¹² Italian law penalizes both consumers and sellers of counterfeit luxury goods precisely due to the fact that fashion is a signature industry of Italy and occupies a significant portion of the Italian economy.¹¹³ Italian law thus extends substantial protection to fashion designs, recognizing them as copyrightable art.¹¹⁴ Notably, the Italian Criminal Code indirectly addresses the issue of liability for engaging in the purchase or sale of counterfeited items.¹¹⁵

impact on Italian luxury brands).

¹⁰⁸ Phillippe Kearney, *Le rôle des douanes, L'EFFICACITÉ DES MESURES DE LUTTE CONTRE LA CONTREFAÇON: ÉTUDE COMPARÉE*, COLLOQUE DU 9 DÉCEMBRE 2005, 58 (2006).

¹⁰⁹ Decreto Legge 14 maggio 2005, n. 80/05, art. 1(7), in G.U. 2005, n. 111 (It.), available at <http://www.camera.it/parlam/leggi/050801.htm>.

¹¹⁰ Studio Legale Jacobacci & Associati, *Anti-Counterfeiting in Italy Shows Signs of Improvement*, WORLD TRADEMARK REV. 64 (Mar./Apr. 2008), available at <http://www.worldtrademarkreview.com/issues/article.ashx?g=4dfefea5-2f44-43ef-b9de-2fd1067fadbf>.

¹¹¹ See, e.g., *Made in Italy*, ITPI, http://www.madeinitaly.org/index_en.php (last visited Oct. 30, 2013) (describing the world renowned nature of the "Made in Italy" label, as well as the rigorous certification process that is required in order to have a "Made in Italy" certification issued).

¹¹² See, e.g., Donatella & Galletti Simone, *supra* note 107 (discussing how Italian anti-counterfeiting media campaigns seek to raise awareness of the economic harms associated with counterfeits, as well as "the social and personal risks involved." These include, for instance, the prominent role of organized crime in the counterfeit goods trade).

¹¹³ Sam Cocks, Note, *The Hoods Who Move the Goods: An Examination of the Booming International Trade in Counterfeit Luxury Goods and an Assessment of the American Efforts to Curtail its Proliferation*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 501, 548 (2007).

¹¹⁴ Legge 22 aprile 1941, n. 633, in G.U. 1941, n. 166 (It.), available at http://www.interlex.it/testi/141_633.htm#102-bis (fashion designs are protected as designs of "creative character" or inherent artistic value).

¹¹⁵ Codice Penale [C.p.] art. 474 (It.), available at <http://www.altalex.com/index.php?idnot=36768>; see also, Codice Penale [C.p.] art. 517 (It.), available at <http://www.altalex.com/index.php?idnot=36769> (establishing possible

120 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

Article 474 of the Italian Criminal Code provides that anyone who introduces counterfeit goods into Italy shall be punished with imprisonment for one to four years, and face a fine ranging from 3,500 to 35,000 euro.¹¹⁶

Furthermore, the Criminal Code imposes liability for the “crime of handling” for anyone who receives or conceals money or objects originating from any crime, with the purpose of procuring a profit for oneself or another.¹¹⁷ This section of the Italian Criminal Code has been interpreted “to include the handling of counterfeit goods” given the substantial links between criminal activity and counterfeit items.¹¹⁸ As it relates to the handling of counterfeit items, Article 648’s “for profit” standard is met due to the substantial difference that exists between the value of the genuine item and the counterfeit version.¹¹⁹

After implementing a new Industrial Property Code, which replaced Italy’s several industrial property laws,¹²⁰ Italy took additional steps against counterfeiting by enacting Decree-Law No. 80 of 14 May 2005.¹²¹ This law provides for the sanctioning of end-consumers of counterfeit goods. The Decree-Law’s Article 1(7) indicates that one who “purchases or receives” an item without previously ascertaining its legitimate origin, when the price or other circumstances leads the customer to believe that the good infringes on intellectual property rights, shall be fined up to 10,000 euro.¹²² This statute therefore directly addressed the issue of purchasers of counterfeit goods by fining purchasers up to 10,000 Euro and providing for the

imprisonment of up to two years and a fine of up to twenty thousand euro for anyone who sells or puts into circulation trademarked items, with the aim of misleading the buyer about the origin, source or quality of the work).

¹¹⁶ Codice Penale [C.p.] art. 474 (It.), *available at* <http://www.altalex.com/index.php?idnot=36768>.

¹¹⁷ *Id.* art. 648 (Italy), *available at* <http://www.altalex.com/index.php?idnot=36775>. Article 648 of the Italian Penal Code provides for imprisonment for two to eight years, as well as a fine of 516 to 10,329 euro. *Id.* Before the implementation of Decree-Law No. 80 of 14 May 2005, it was unclear whether the Penal Code allowed for sanctions against counterfeit items’ end-consumers. *See* Roncaglia, *supra* note 67 at 1393 (describing how as of 2002 the then-current Italian criminal system did “not punish end consumers who purchase” counterfeits, but foreseeing the possible extension of liability to knowing counterfeit purchasers); Cunningham, *supra* note 58, at 5 (noting that in 2005 Italy implemented a statute targeting counterfeit purchasers).

¹¹⁸ Cunningham, *supra* note 58.

¹¹⁹ *Id.*

¹²⁰ Amanda Silverman, *Draconian or Just? Adopting the Italian Model of Imposing Administrative Fines on the Purchasers of Counterfeit Goods*, 17 *CARDOZO J. INT’L & COMP. L.* 175, 188 (2009).

¹²¹ Decreto Legge 14 maggio 2005, n. 80/05, art. 1(7), in G.U. 2005, n. 111 (It.), *available at* <http://www.camera.it/parlam/leggi/050801.htm>.

¹²² *Id.*

confiscation of the counterfeit item.¹²³

These penalties are actually enforced against customers. For instance, in 2010 a tourist who purchased a fake Louis Vuitton for 7 Euro in Italy was fined 1,000 Euro.¹²⁴ Many of the consumer fines that have resulted have made international news,¹²⁵ mostly due to the fact that the fines far surpass the retail amount of many of the items bought had they been genuine. Under these laws, an individual purchasing a fake Louis Vuitton for \$60, which would retail for around \$800 if genuine, would face a fine that is considerably higher than both what they spent for the fake and what they would have had to spend for the genuine item.

Similar to France, Italy has taken several steps to raise awareness about these possible fines, including media campaigns to inform individuals about the damage caused by counterfeit goods and the social and personal ramifications of the decision to purchase counterfeits.¹²⁶ The *Instituto di Centromarca per la lotta alla contraffazione* (INDICAM), Italy's anti-counterfeiting agency, identifies counterfeiting as a "menace" to Italy.¹²⁷ In addition to the press releases and advertising campaigns carried out by INDICAM,¹²⁸ France's Comité Colbert has launched its high-impact poster campaigns in Italy as well.¹²⁹ As mentioned above, these poster campaigns notify individuals about the unlawful nature of purchasing counterfeits while also raising awareness about the social harms supported by

¹²³ *Id.* As Cunningham explains, by enacting a specific statute that focuses merely on end-purchasers, the Italian government is sending a clear message that "anti-counterfeiting rules are serious and will be enforced." Cunningham, *supra* note 58.

¹²⁴ Tom Kington, *Fake Vuitton Purse Costs Tourist in Italy €1,000 – in fine*, THE GUARDIAN (June 7, 2010), <http://www.guardian.co.uk/world/2010/jun/07/fake-vuitton-purse-italy-fine>.

¹²⁵ See, e.g., *id.*; Adam L. Freeman & Sara G. Forden, *In Italy, 'Buying a Fake Bag Isn't a Joke' – It's a Crime*, N.Y. TIMES (Jan. 13, 2006), http://www.nytimes.com/2006/01/13/business/worldbusiness/13iht-fake.html?_r=0.

¹²⁶ Donatella & Galletti Simone, *supra* note 107.

¹²⁷ INDICAM, <http://www.indicam.it> (last visited Mar. 2, 2013) (noting how counterfeits' link to the criminal underworld, including drugs, prostitution and child labor exploitation is often "underestimated by public opinion").

¹²⁸ See, e.g., *Un Prodotto Falso È Un Reato Vero*, INDICAM <http://www.indicam.it/pdf/8-Campagna%20Pubblicitaria.pdf> (last visited Apr. 3, 2013).

¹²⁹ COMITÉ COLBERT, *Italy Adopts Colbert Anti-Counterfeiting Campaign*, THE COMITÉ COLBERT IN 2011, 15 (2011), <http://www.comitecolbert.com/assets/files/activites/pdf/ccactivityreport2011.pdf> (Statement of the Comité Colbert President, indicating that "[t]he scale of our joint anti-counterfeiting campaign with Italy reflects our common determination to protect consumers as well as luxury businesses, which generate jobs and drive growth in Europe.") While the French advertisements showcased French luxury good brands like Louis Vuitton, the advertisements found in Italy highlight Italian brands. *Id.*

consumers of counterfeits.

III. ARGUMENTS FOR IMPLEMENTING CONSUMER PENALTIES IN THE UNITED STATES

A. The Need to Address the Demand Side of Counterfeits

Contrary to the United States, France and Italy have distinguished themselves by targeting both the supply and demand side of the counterfeit market in an effort to destroy the industry altogether. It has become increasingly clear that “focus[] on the supply side” of the counterfeit market does not suffice, and “must be complemented by an equally aggressive attempt to control the demand-side.”¹³⁰ As discussed previously in Part II, both France and Italy have directly targeted the demand side of counterfeits by establishing strict consumer penalties against those who purchase counterfeit items and implementing meaningful consumer-awareness campaigns to deter the public from making future purchases. The United States must similarly harmonize both the consumer and demand side of the transaction,¹³¹ if it is to also successfully address the problem of counterfeit luxury goods.¹³² In order to achieve this balance, the United States should enact a law that imposes a substantial monetary fine on those who purchase counterfeit goods when he or she knows, or should know, that the product is counterfeit.

While critics of this penalty system would argue that the fines will penalize unsuspecting buyers, more often than not, consumers “knowingly engage in the purchasing of counterfeit goods” and are key in perpetuating the counterfeiting cycle.¹³³ A survey examining counterfeit consumers’

¹³⁰ ICC BASCAP, *Business Association to Stop Counterfeiting and Piracy, Research Report on Consumer Attitudes and Perceptions on Counterfeiting and Piracy*, ICC WBO 5 (Nov. 2009), <http://www.iccwbo.org/Data/Documents/Bascap/Consumer-Perceptions/Consumer-Research-Report/> [hereinafter *Research Report*]; see also Briquetelet, *supra* note 31 (quoting Joseph Gioconda, whose law firm represents several luxury brands, and his proposition that “[t]o take counterfeiting seriously, you have to treat it the same way you would stolen property. If you’re caught purchasing it, you’re punished”).

¹³¹ Jenny T. Slocum & Jess M. Collen, *The Evolving Threat and Enforcement of Replica Goods*, 33 W. NEW ENG. L. REV. 789, 812 (“Imposing liability could certainly be effective in diminishing the aura of respectability to replicas.”).

¹³² See, e.g., Phillip A. Rosenberg, *A Legislative Response to Tiffany v. eBay: In Search of an Online Commerce Certification Act (OCCA)*, 36 RUTGERS COMPUTER & TECH. L. J. 99, 116 (2009) (advocating for the U.S. government to consider implementing criminal penalties, such as fines, for the knowing purchases of counterfeited products online, in order to deter counterfeit purchasers).

¹³³ Amendolara, *supra* note 73 at 825.

motives in making said purchases¹³⁴ noted that most consumers partake in the counterfeit industry because they consider counterfeiting to be a “victimless crime.”¹³⁵ The International Chamber of Commerce’s Business Action to Stop Counterfeiting and Piracy Report (“ICC BASCAP Report”)¹³⁶ concludes that in countries that lack a strong legal environment accompanied by consumer penalties, the rate of counterfeiting tends to be higher.¹³⁷ Due to this correlation between lack of consumer penalties and the prevalence of counterfeiting, the United States should follow the Italian and French model and hold consumers “liable for . . . aiding and abetting . . . the counterfeit trademark trade.”¹³⁸

The ICC BASCAP Report showed that three main motivations drive consumers to purchase counterfeit items. These motivations include the low price and increasingly better quality of the items; the sense of social acceptability generated by the availability and low price; and most important for the purposes of this Note, the impression that low risks of penalty provide individuals with a license to buy.¹³⁹ In the United States, as well as some other countries, the lack of rules “limited government efforts to educate consumers on legal regimes, and low level of penalties” have strengthened “the complicit nature of choosing fake products over genuine goods.”¹⁴⁰ The United States must therefore craft an effective combination of awareness and penalty enforcement in order to effectively fight back against the growing counterfeit industry.¹⁴¹

¹³⁴ *Research Report, supra* note 130. In this Report, the International Chamber of Commerce’s Business Action to Stop Counterfeiting and Piracy (“ICC BASCAP”) published the results of a survey of individuals from several backgrounds and 42 different countries, including the United States. This Report noted the “hear no evil, see no evil, speak no evil” mentality that prevails when it comes to public attitudes regarding counterfeiting and piracy. *Id.*

¹³⁵ *Id.* at 17. The Report concludes that consumers “genuinely . . . [do] not understand[] why counterfeiting . . . is a plague beyond the mere ethical principal,” and desire concrete evidence about the harms posed by counterfeiting as well as “what’s in it for them” if they stop purchasing the items. *Id.* at 18.

¹³⁶ The ICC BASCAP Research Report analyzed 176 existing studies on consumer perceptions and 202 awareness campaigns from over 40 countries, and surveyed consumers from different genders, age-groups, and income levels. *Research Report, supra* note 130, at 5, 29.

¹³⁷ *Id.* at 35.

¹³⁸ Cunningham, *supra* note 58.

¹³⁹ *Research Report, supra* note 130, at 8. Counterfeit consumers identify weak government commitment to addressing the problem of counterfeiting as one of “their motives – or excuses – to look the other way.” *Id.* at 5.

¹⁴⁰ *Id.* at 35-36.

¹⁴¹ *Id.* at 89. These include raising awareness about both whatever penalties are enacted, as well as about the dangers associated with counterfeiting.

Enacting penalties on those who purchase items illegally is not by any means unprecedented in U.S. law.¹⁴² The U.S. government has established similar consumer penalties in the realm of illegal music downloading.¹⁴³ Initially, record companies targeted the proprietors of the peer-to-peer networks that facilitated the illegal copyright infringement.¹⁴⁴ These efforts, however, proved to be futile in discouraging illegal conduct, since individual infringers continued to engage in the illegal download of songs.¹⁴⁵ This led record companies to identify and pursue legal actions against individual infringers in order to deter future infringers and send a clear message to the public that such activity would not be tolerated.¹⁴⁶

The successes in implementing end-consumer liability in the realm of music downloading are reflected in the changing perspectives of consumers. The ICC BASCAP's Research Report indicates that most consumers reported perceiving a "greater risk of prosecution when engaging in piracy" by illegally downloading music than when purchasing a counterfeit, because sanctions against "pirates" have resulted in "greater consumer awareness" which in turn leave a remarkable impression.¹⁴⁷ If similarly substantial consumer penalties for counterfeit purchasers are enacted, consumers will begin to understand the illegality of counterfeit purchases and the serious dangers posed by the counterfeit industry.

The music industry even puts forth arguments justifying consumer liability that are comparable to those espoused by fashion labels. For example, downloading copyrighted materials without the copyright owner's authorization causes considerable reductions in revenue, significant loss of

¹⁴² See, e.g., Amendolara, *supra* note 73, at 825 (comparing the possible criminal penalties for counterfeit purchasers with the criminal liability imposed on those purchasing certain illegal substances under the Uniform Controlled Substances Act).

¹⁴³ See, e.g., Sony BMG Music Entertainment v. Tenenbaum, 660 F.3d 487 (1st Cir. 2011) (entering judgment against the individual downloader as to his liability for downloading copyrighted music without authorization). In this case, the Court found that the Copyright Act has "no provision that could be interpreted as precluding a copyright owner from bringing an action against an infringer solely because the infringer was a consumer of the infringed products or acted with a so-called noncommercial purpose" *Id.* at 498. U.S. trademark law should incorporate similar language, whereby liability is extended to "anyone who violates" the trademark owner's rights by purchasing counterfeit items.

¹⁴⁴ *Id.* at 492.

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ *Research Report, supra* note 130, at 11. Consumers indicated that they have realized that music companies "fight back," but noted no perception as to similar fight exists on behalf of other companies such as fashion designers. The surveyed individuals noted that they felt a greater risk of getting in trouble for possessing illegal music than they would for owning counterfeit goods. *Id.*

industry jobs, and a diminished capacity to pursue, develop, and market new artists.¹⁴⁸ The same economic concerns of the music industry are shared by the fashion houses in fighting counterfeit goods, in addition to concerns of terrorist funding and subpar labor conditions.¹⁴⁹ Given these additional, and significant, issues in the counterfeit industry, there should be an even greater concern within the United States as to the negative impacts of counterfeit luxury goods.

U.S. copyright law has recognized the importance of targeting consumer actions via penalties as a means to deter illegal acts such as downloading. U.S. trademark law should follow the aggressive approach taken by U.S. copyright law and target the demand side of counterfeit items by means of consumer penalties and fines. The imposition of consumer liability would address one of the main factors driving interest in purchasing counterfeits,¹⁵⁰ and would thus significantly curtail the demand side of the counterfeit market.¹⁵¹ It is imperative that Congress respond with updated consumer penalties that serve to dissuade such conduct to gradually decrease the prevalence of the counterfeit industry.

B. The Combination of a New Legal Structure with Awareness Campaigns

The ICC BASCAP Report further indicated that most consumers would be considerably less likely to purchase counterfeit goods if buying counterfeits were illegal and they were “actively targeted” by law enforcement.¹⁵² Given the prevailing perspective among consumers that purchasing counterfeit goods is largely a “victimless” activity, it is very unlikely that customers will stop purchasing these cheaper fakes, absent a moral and/or legal deterrent of their own.¹⁵³

Warnings to potential consumers would be necessary to comprehend the possible repercussions of purchasing counterfeit items.¹⁵⁴ Raising public awareness about the dangers and illegality of counterfeiting needs to go beyond the limited actions currently taking place in the United States, and

¹⁴⁸ See, e.g., *Tenenbaum*, 660 F.3d at 492.

¹⁴⁹ See *supra* note 24.

¹⁵⁰ *Research Report*, *supra* note 130 at 8 (noting this main factor being consumers’ perception that no consequences would result from purchasing a counterfeit item).

¹⁵¹ *Id.* at 16.

¹⁵² *Id.* at 36, 37.

¹⁵³ See, e.g., *Cunningham*, *supra* note 58.

¹⁵⁴ See, e.g., *Research Report*, *supra* note 130, at 16 (describing how consumer education would be a key component in reducing counterfeiting); see also, *Slocum*, *supra* note 24, at 33 (noting how “one way to discourage counterfeit purchases” would be by increasing public awareness about the illegality of these acts, as well as the consequences of purchasing counterfeits, including the possible support of criminal activity).

126 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

must include “tactics more aggressive than education.”¹⁵⁵ Governments¹⁵⁶ and the media¹⁵⁷ must communicate to the public that counterfeiting is not a victimless crime by elaborating on the harms posed by this market to individuals, the economy, and the community as a whole, as well as noting the possibility of supporting organized crime and terrorism.¹⁵⁸ Furthermore, by communicating this policy to the public, one can avoid possible allegations of a lack of consumer awareness about the repercussions of counterfeit purchases and the penalties’ alleged unfairness.

In the last decade, the movie industry has developed movie piracy public education campaigns that address the legal issues involved in movie piracy and its impact on jobs and the economy.¹⁵⁹ One of these anti-piracy ads, which was shown in movie theaters and featured on DVDs, brings up prompts like “you wouldn’t steal a car” and “you wouldn’t steal a handbag” before concluding with the message “downloading pirated films is stealing. Stealing is against the law. Piracy. It’s a crime.”¹⁶⁰ A more recent advertisement produced by U.S. Immigrations and Customs Enforcement directly addresses how “digital piracy and product counterfeiting are not victimless crimes” by portraying the “huge” financial repercussions of these acts.¹⁶¹ In this video, a man offers individuals “free DVDs” while informing them that if they accept the free offer, the woman standing next to him will lose her job.¹⁶² The United States government or interested organizations should develop similar public-awareness campaigns about

¹⁵⁵ Amendolara, *supra* note 73, at 821.

¹⁵⁶ *Research Report*, *supra* note 130, at 16 (arguing that governments should play a key role in informing consumers about the perils of counterfeiting and carrying out policy initiatives to cease the demand for counterfeits).

¹⁵⁷ *Id.* at 33 (indicating the importance of media involvement is crucial in improving public awareness as to “the need for IP protection”). The Report does not specify which country it refers to, but notes that countries with “strong IP enforcement regimes” tend to be accompanied by an active media that plays a crucial role in increasing public awareness. *Id.*

¹⁵⁸ Gallup Consulting & U.S. Chamber of Commerce, *Counterfeiting in the United States: Consumer Behaviors and Attitudes*, THE GLOBAL IP CENTER 6 (Aug. 2007), <http://www.theglobalipcenter.com/sites/default/files/reports/documents/uschambergallupconsumerperceptions.pdf>. According to the results of Gallup’s survey, the most effective deterrent for preventing individuals’ purchase of counterfeit items is making known the likelihood of funding a terrorist act. Ninety-five percent of surveyed individuals noted that such information would lead them to stop purchasing counterfeits. *Id.* at 20.

¹⁵⁹ *See MPAA Expands Anti-Piracy Campaign*, BILLBOARD (June 21, 2004), <http://www.billboard.com/biz/articles/news/1431307/mpaa-expands-anti-piracy-campaign>.

¹⁶⁰ Haxorcat, *Piracy It’s a Crime*, YOUTUBE (Dec. 4, 2007), <http://www.youtube.com/watch?v=HmZm8vNHBSU>.

¹⁶¹ US ICE, *Antipiracy PSA (update)*, YOUTUBE (June 9, 2011), <http://www.youtube.com/watch?v=6YScoXn31Mg>.

¹⁶² *Id.*

counterfeit luxury goods and ensure their vast distribution in order to ensure that consumers are educated about the consequences of purchasing counterfeit items.

C. Criticisms of End-Consumer Penalties in the United States

Many critics of the adoption of a system similar to France and Italy's in the United States note that a push for consumer penalties would not have the same impact in the United States given that the United States is not as well-known for luxury brands when compared to France and Italy.¹⁶³ Furthermore, critics of adopting consumer penalties in the United States argue that there is an intrinsic unfairness in penalizing individuals who do not know they are purchasing a counterfeit item. If the intent of the seller of a counterfeited item, such as a bag, is "to pass[] it off as genuine,"¹⁶⁴ it would arguably be unfair to penalize an unsuspecting customer who has been led to believe by the similarities between the designs that he or she is in fact purchasing a legitimate and genuine design.

The ICC BASCAP Report, however, indicated that when individuals who bought counterfeits were asked why someone *would* buy a counterfeit, 35% answered that the reason is they "cannot afford the genuine product" and 21% answered that "they think genuine products are overpriced."¹⁶⁵ Only 21% of surveyed individuals responded "they don't know it is not genuine," thus "strengthening the hypothesis that most consumers are aware of the counterfeited nature of their purchase."¹⁶⁶ The circumstances surrounding the purchase should further confirm to the purchaser that they are not buying a genuine item. For instance, a customer should be suspicious if he or she is purchasing what is purported to be a Louis Vuitton bag, for instance, on a street corner or on an auction site and is paying prices that are considerably less than what a genuine Louis Vuitton bag, even if it were used, would retail for. Other circumstances and elements surrounding the purchase would also arguably be sufficient to indicate to the purchaser that he or she is not buying a genuine item.¹⁶⁷ In addition to the considerable

¹⁶³ Cocks, *supra* note 113, at 548-49.

¹⁶⁴ Kent, *supra* note 5.

¹⁶⁵ *Research Report*, *supra* note 130, at 68.

¹⁶⁶ *Id.* This twenty-one percent can arguably be decreased by means of significant public campaigns raising awareness about counterfeits' illegality and providing consumers with guidance as to how one should know if an item is fake. Furthermore, even if this twenty-one percent did not have actual knowledge about the counterfeit nature of the item purchased, in most cases the circumstances surrounding the sale and the nature of the item will lead the consumer to have constructive knowledge as to the counterfeit nature of the article.

¹⁶⁷ See, e.g., Frerichs, *supra* note 6, for a discussion on the several ways a consumer can tell whether an item is real or counterfeit.

128 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

price difference,¹⁶⁸ the environment in which the transaction is occurring should provide the buyer with knowledge as to the non-genuine nature of the good.¹⁶⁹

Online purchases of counterfeits might pose a distinct problem when it comes to imposing penalties on consumers. These sales might pose a trickier situation when it comes to proving knowledge by the consumer, since often times counterfeit sellers use pictures of the genuine item instead of the counterfeit. Given potential purchasers' inability to physically examine the actual item they are purchasing for telltale signs of its fake nature, it is much more plausible for an online consumer to contend that he or she did not know that the item was a counterfeit. This is especially true considering that online marketplaces like eBay do not help consumers differentiate between genuine and counterfeit products,¹⁷⁰ which could cause confusion among some consumers as to whether they are purchasing a genuine or fake item. Furthermore, the fact that the item is being sold on a reputable website such as Amazon or eBay gives an added sense of legitimacy that might not be as prevalent during a sale in a street corner or the back of a store.

Nevertheless, the easiest and most straightforward way for a potential consumer to know whether the item is genuine or not is to consider the price. If, for instance, a "Chanel" purse is being sold for \$70, the immense price difference between this item and a genuine bag¹⁷¹ should alert the

Certificates of authenticity or identification cards are included with every designer product purchase. Authentic designer merchandise will only be sold at authentic dealers for the designer and official retailers such as Nordstrom, Neiman Marcus, Bloomingdales, or Saks Fifth Avenue. . . . The logo will never run into the seams of a bag The zipper pulls will have the name of the designer imprinted on them as well. . . . Designers usually have small color runs of a particular design. Counterfeiters often sell products in more colors than the designer actually makes. The logo is often the most important part of the product; it will never be misspelled, smudged, or misplaced.

Id. at 22; *see also* *People v. Rosenthal*, No. 2002NY075570, 2003 WL 23962174 (N.Y. City Crim. Ct. Mar. 4, 2003) (noting how while there might be an "occasional tourist who actually believes that he is buying a genuine Rolex for \$20 . . . in Battery Park . . ." such "naïveté is the exception rather than the rule").

¹⁶⁸ *See, e.g.,* Frerichs, *supra* note 6, at 22.

¹⁶⁹ *See, e.g.,* Briquet, *supra* note 31 (citing Councilwoman Margaret Chin, who noted how "People are worried that some innocent middle-aged woman might unwittingly purchase a [counterfeit] bag. If you go into a backroom, basement or van, you probably know what you're doing is not legal.").

¹⁷⁰ *See infra* note 172 for a discussion on the limited information eBay provides customers about counterfeits.

¹⁷¹ The price for most genuine Chanel handbags ranges between \$2,200 and \$4,400. *Handbags*, CHANEL, http://www.chanel.com/en_US/fashion/products/handbags.html (last

potential consumer as to the suspect nature of the transaction. Furthermore, if consumer penalties are applied to online counterfeit purchases, websites such as eBay, Craigslist, and Amazon should also place prominent warnings advising customers about the repercussions of buying counterfeit items and suggestions on how to distinguish a fake from a genuine item being re-sold.¹⁷² If the consumer knows or should have known that the item he or she purchased is a counterfeit, consumer penalties would be reasonable for online consumers as well.

IV. CONCLUSION

In Summer 2013, a New York City Councilmember re-proposed a bill that would criminalize the purchase of “counterfeit trademark” goods that the consumer “knows, or should have known” to be a counterfeit.¹⁷³ Under the proposed bill, purchasers of counterfeit items would face imprisonment of up to one year and/or a fine of up to \$1,000 per fake item.¹⁷⁴ While this bill would not be anywhere as harsh as France and Italy’s end-consumer penalties, these fines could be an adequate step in the correct direction

visited Feb. 20, 2014).

¹⁷² See, e.g., *Counterfeit Education*, COACH, http://www.coach.com/online/handbags/genWCM-10551-10051-en-/Coach_US/CustomerService/ReportingCounterfeits/ (last visited Mar. 1, 2013), as an example of wording that should be included in websites where counterfeits are typically sold (warning consumers about counterfeits by indicating that “[i]f it sounds too good to be true, it probably is”). While eBay currently has two links detailing information about counterfeits, they are not easily accessible. Whereas Coach and other luxury designers have the link to the warnings featured prominently on their main websites, in order to access the counterfeit guidelines on eBay, someone would have to click through several sub-menus before reaching the page on the topic. Even so, the website lacks any information on how to evaluate whether an item could be a counterfeit. One of the pages encourages people to report if they purchased a counterfeit, or to report “suspicious goods,” but does not provide any guidance on how one can tell if an item is fake. *eBay against Counterfeits*, EBAY, <http://pages.ebay.com/againstcounterfeits/> (last visited Mar. 1, 2013). Meanwhile, the second page merely focuses on eBay’s policies regarding the sale of fakes. *Replicas, Counterfeit Items, and Unauthorized Copies Policy*, EBAY, <http://pages.ebay.com/help/policies/replica-counterfeit.html> (last visited Mar. 1, 2013). eBay should feature these counterfeit-related links more prominently on their main website, as well as elaborate further on some tips on how to avoid the purchase of counterfeits. Furthermore, eBay and other online auction sites could set up a “red flag” alert system where the customer is alerted to the possibility that the item being sold is counterfeit, either due to the considerable price difference between the item offered and a genuine item, or because of past customer reviews of a particular online seller.

¹⁷³ Int. No. 544 § 10-902 (2013), available at <http://legistar.council.nyc.gov/LegislationDetail.aspx?ID=885894&GUID=926F900B-7A1E-48E8-991D-6A3CFE24EA90&Options=ID|Text|&Search=544>.

¹⁷⁴ *Id.*

130 *BOSTON UNIVERSITY INTERNATIONAL LAW JOURNAL*[Vol 32:nnn

toward curtailing the market for counterfeit goods.¹⁷⁵

The United States' attempts at fighting the counterfeit market over the past few decades by targeting solely the supply side have largely been futile. In order to obtain meaningful change and successfully limit the prevalence of counterfeit luxury goods in the United States, Congress should follow the Italian and French models and adopt end-consumer penalties such as fines, confiscation, and/or incarceration for those situations in which the purchaser knew or should have known that the item was a counterfeit.¹⁷⁶ These aggressive penalties, however, must be accompanied by equally aggressive marketing and awareness campaigns, warning consumers of the risks associated with counterfeits as well as the newly implemented fines.¹⁷⁷ Once consumers are made aware of the dangerous nature of the counterfeit industry and of the penalties they could face if they buy counterfeit items, the United States will likely start to see real changes in the demand for counterfeit items. Only when both new legislation and awareness measures are carried out will the trafficking of counterfeit luxury goods in the United States meaningfully decrease.

¹⁷⁵ Kristoff Grospe, *Proposed Law Targets Purchasers of Counterfeit Goods*, 18 CITY L. 1, (Jan./Feb. 2012) (noting how bill sponsor, City Councilmember Margaret Chin indicated that “[s]ubstantial fines are something people understand” and how the proposed law will “ultimately . . . cut down on the demand for these illegal goods”).

¹⁷⁶ Similar to the proposed Local Law in New York City, evaluating whether or not a person “should have known” that the item was counterfeit can be evaluated based on reasons such as the “quality and price of the purchase item,” especially when compared to that of the authentic item, “and/or the condition of the seller and the sale location.” Int. No. 544 § 10-902(a) (2013).

¹⁷⁷ Roncaglia, *supra* note 67, at 1393 (“The fight against counterfeiting should be a two-fold endeavor: challenging public indifference in order to promote social awareness, but, primarily, preventing end consumers from supporting the growing supply of counterfeit goods.”).