



## 4th Circuit Upholds Convictions of Trademark Infringers for Combining Two Separate "Burberry" Marks on Bogus Luxury Goods

04.23.2012

Can a would-be trademark-infringer evade the trademark laws by superimposing facsimiles of two different trademarks of the same company into a single combined image, and maintaining that the combined image is legally distinguishable from the true ones? The answer, thankfully, is no.

In *United States v. Lam*, No. 11-4056 (4th Cir. Apr. 16, 2012), the Fourth Circuit upheld the criminal convictions of two owners, Lam and Chan, of multiple New York companies that imported massive numbers of both legitimate and counterfeit luxury handbags and wallets. In three seizures of containers in Norfolk, Virginia, in 2005, U.S. Customs and Border Protection agents found bags bearing what appeared to be marks registered to Burberry and other luxury designers secreted behind layers of legitimate goods.

Three corporations - Burberry Limited, Louis Vuitton North America, and VSE Corporation - entered appearances in the case, tried before Chief Judge James R. Spencer in the Eastern District of Virginia, Richmond Division. The first trial resulted in a hung jury. In the second trial, the defendants were acquitted of counterfeiting Gucci trademarks, and a co-defendant was acquitted on all counts. But the jury convicted Lam and Chan of smuggling, conspiracy, and trafficking in counterfeit Burberry goods.

At the center of the case were two registered trademarks: the Burberry Check mark (depicting Burberry's signature plaid pattern), and the Burberry Equestrian mark, an equestrian knight symbol. The evidence showed that Burberry had successfully sued one of the defendants' companies, Marco, when Marco had attempted to copyright an image (the so-called "Marco mark") that appeared to be the Burberry Check mark with a superimposed equestrian knight somewhat similar (but not identical) to the Burberry Equestrian mark. The wallets and handbags seized in Norfolk displayed the Marco mark, and the convictions rested on the jury's finding that the plaid design found on the seized items was a counterfeit of the Burberry Check mark.

In a pretrial motion, the defendants unsuccessfully attacked the federal counterfeit goods statute, 18 U.S.C. section 2320, as being unconstitutionally vague, on the ground that the phrase "substantially indistinguishable" could not be understood by an average person. The statute criminalizes trafficking in goods or services and using a "counterfeit mark" on or in connection with the goods and services. A "counterfeit mark," in turn, is defined as a "spurious mark" that is identical with, or "substantially indistinguishable" from, a mark in use and registered with the U.S. Patent and Trademark Office, and that is likely to deceive or cause confusion or mistake. The defendants argued that the incomprehensibility of the statutory language encouraged arbitrary

enforcement of the law.

On appeal, the Fourth Circuit joined three other courts of appeals in holding that section 2320 was not impermissibly vague and comported with due process. The Court concluded that the statute "makes clear that a mark punishable as a counterfeit is one that suggests an erroneous origin and is, to a considerable degree, impossible to distinguish from a legitimate mark."

The court also held that the government's evidence sufficiently established the Marco mark's counterfeit nature. The key to the defense was that the allegedly counterfeit Marco mark featured a plaid background *with an equestrian knight overlay*, whereas the true Burberry Check mark did not include an equestrian knight. But the Fourth Circuit rejected the defense, pointing out that Burberry often sells goods displaying the Check mark and the Equestrian mark together. The court observed that an item displaying an allegedly counterfeit trademark must possess "pronounced differences" from a legitimate trademarked good before a conviction can be overturned. In the case before it, because the plaid Marco mark differed only slightly from the Burberry Check mark - and because the superimposed equestrian mark invoked a second mark trademarked by Burberry - the jury was entitled to conclude that the bogus mark was "substantially indistinguishable" from the real one.

Corporate victims of trademark infringement should be aware of and participate actively in criminal prosecutions involving their marks. Organizational victims must be specifically identified in court pleadings under Federal Rule of Criminal Procedure 12.4, and hold the full panoply of rights accorded all victims in federal criminal cases, including the right to "full and timely" restitution (generally based on total lost sales). The statute invites trademark holders and "producers and sellers of legitimate goods or services affected by conduct involved in the offense" to submit a victim impact statement to the sentencing court that identifies the "estimated economic impact" on the company.

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