

Union Calendar No. 366

105TH CONGRESS
2D SESSION

H. R. 3891

[Report No. 105–650]

To amend the Trademark Act of 1946 to prohibit the unauthorized destruction, modification, or alteration of product identification codes, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 19, 1998

Mr. GOODLATTE introduced the following bill; which was referred to the Committee on the Judiciary

JULY 28, 1998

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on May 19, 1998]

A BILL

To amend the Trademark Act of 1946 to prohibit the unauthorized destruction, modification, or alteration of product identification codes, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 *This Act may be cited as the “Trademark*
 3 *Anticounterfeiting Act of 1998”.*

4 **SEC. 2. PROHIBITION AGAINST UNAUTHORIZED ALTER-**
 5 **ATION OF PRODUCT IDENTIFICATION CODES.**

6 *(a) IN GENERAL.—Title VIII of the Act entitled “An*
 7 *Act to provide for the registration and protection of trade-*
 8 *marks used in commerce, to carry out the provisions of cer-*
 9 *tain international conventions, and for other purposes.”,*
 10 *approved July 5, 1946 (commonly referred to as the*
 11 *“Lanham Act” and the “Trademark Act of 1946”) is*
 12 *amended by inserting after section 43 (15 U.S.C. 1125) the*
 13 *following:*

14 “UNAUTHORIZED MODIFICATIONS OF PRODUCT
 15 IDENTIFICATION CODES

16 “SEC. 43A. (a) DEFINITIONS.—*In this section—*

17 “(1) the term ‘consumer’—

18 “(A) means—

19 “(i) the ultimate user or purchaser of
 20 a good; or

21 “(ii) any hotel, restaurant, or other
 22 provider of services that must remove or
 23 alter the container, label, or packaging of a
 24 good in order to make the good available to
 25 the ultimate user or purchaser; and

1 “(B) does not include any retailer or other
2 distributor who acquires a good for resale;

3 “(2) the term ‘good’ means any article, product,
4 or commodity that is customarily produced or distrib-
5 uted for sale, rental, or licensing in interstate or for-
6 eign commerce, and any container, packaging, label,
7 or component thereof;

8 “(3) the term ‘manufacturer’ includes the origi-
9 nal manufacturer of a good and a duly appointed
10 agent or representative of that manufacturer acting
11 within the scope of its agency or representation;

12 “(4) the term ‘product identification code’—

13 “(A) includes any number, letter, symbol,
14 marking, date (including an expiration date),
15 code, software, or other technology that is affixed
16 to or embedded in any good, by which the manu-
17 facturer of the good may trace the good back to
18 a particular production lot or batch or date of
19 removal, or otherwise identify the source of the
20 good, the date of manufacture, the date of expira-
21 tion, or other comparable critical data; and

22 “(B) does not include copyright manage-
23 ment information conveyed in connection with
24 copies or phonorecords of a copyrighted work or

1 *any performance or display of a copyrighted*
2 *work;*

3 “(5) the term ‘Universal Product Code’ refers to
4 *the multidigit bar code and number representing*
5 *goods in retail applications; and*

6 “(6) the term ‘value’ means the face, par, or
7 *market value, whichever is the greatest.*

8 “(b) *PROHIBITED ACTS.—Except as otherwise author-*
9 *ized by Federal law, it shall be unlawful for any person,*
10 *other than the consumer or the manufacturer of a good,*
11 *knowingly and without authorization of the manufac-*
12 *turer—*

13 “(1) *to directly or indirectly alter, conceal, re-*
14 *move, obliterate, deface, strip, or peel any product*
15 *identification code affixed to or embedded in that*
16 *good;*

17 “(2) *to directly or indirectly affix or embed a*
18 *product identification code to or in that good which*
19 *is intended by the manufacturer for a different good,*
20 *such that the code no longer accurately identifies the*
21 *source of the good;*

22 “(3) *to directly or indirectly affix to or embed in*
23 *that good any number, letter, symbol, marking, date,*
24 *code, or other technology intended to simulate a prod-*
25 *uct identification code; or*

1 “(4) to import, export, sell, distribute, or broker
2 that good, the product identification code for which
3 has been altered, concealed, removed, obliterated, de-
4 faced, stripped, peeled, affixed, or embedded in viola-
5 tion of paragraph (1) or (2), or that bears an unau-
6 thorized number, letter, symbol, marking, date, or
7 other code in violation of paragraph (3).

8 “(c) *APPLICABILITY.*—The prohibitions set forth in
9 subsection (b) shall apply to product identification codes
10 (or simulated product identification codes in a case to
11 which subsection (b)(3) applies) affixed to, or embedded in,
12 any good held for sale or distribution in interstate or for-
13 eign commerce or after shipment therein.

14 “(d) *EXCLUSION.*—

15 “(1) *UPC CODES.*—Nothing in this section pro-
16 hibits a retailer from affixing a Universal Product
17 Code or other electronic pricing code to a good if that
18 code does not (or can be removed so as not to) perma-
19 nently alter, conceal, remove, obliterate, deface, strip,
20 or peel any product identification code.

21 “(2) *REPACKAGING FOR RESALE.*—(A) Nothing
22 in this section prohibits a distributor from removing
23 an article, product, or commodity of retail sale from
24 a shipping container and placing such article, prod-
25 uct, or commodity in another shipping container for

1 *purpose of resale in a quantity different from the*
2 *quantity originally provided by the manufacturer or*
3 *from replacing a damaged shipping container, if, ex-*
4 *cept as provided in paragraph (1), such article, prod-*
5 *uct, or commodity of retail sale retains its original*
6 *product identification code, without any obstruction*
7 *or alteration, and if—*

8 *“(i) such distributor is registered with all*
9 *applicable Federal and State agencies;*

10 *“(ii) such distributor repackages the article,*
11 *product, or commodity in full compliance with*
12 *all applicable State and Federal laws and regu-*
13 *lations; and*

14 *“(iii) the act of repackaging does not result*
15 *in a prohibited act under section 301 of the Fed-*
16 *eral Food, Drug, and Cosmetic Act or violate*
17 *any other applicable State or Federal law or reg-*
18 *ulation.*

19 *“(B) As used in this paragraph, the term ‘ship-*
20 *ping container’ means—*

21 *“(i) a container or wrapping used for the*
22 *transportation of any article, product, or com-*
23 *modity in bulk or in quantity to manufacturers,*
24 *packers, or processors, or to wholesale or retail*
25 *distributors thereof; and*

1 “(ii) containers or wrappings used by re-
2 tailers to ship or deliver any article, product, or
3 commodity to retail customers, if such containers
4 and wrappings bear no printed matter pertain-
5 ing to any particular article, product, or com-
6 modity.

7 “(e) *CRIMINAL PENALTIES*.—Any person who willfully
8 violates this section shall be punished as provided in section
9 1365A of title 18.

10 “(f) *CIVIL REMEDIES*.—

11 “(1) *IN GENERAL*.—Any person who is injured
12 by a violation of this section, or threatened with such
13 injury, may bring a civil action in an appropriate
14 United States district court against the alleged viola-
15 tor.

16 “(2) *INJUNCTIONS AND IMPOUNDING AND DIS-*
17 *POSITION OF GOODS*.—In any action under para-
18 graph (1), the court may—

19 “(A) grant 1 or more temporary, prelimi-
20 nary, or permanent injunctions on such terms as
21 the court determines to be reasonable to prevent
22 or restrain the violation;

23 “(B) at any time while the action is pend-
24 ing, order the impounding, on such terms as the
25 court determines to be reasonable, of any good

1 *that is in the custody or control of the alleged vi-*
2 *olator and that the court has reasonable cause to*
3 *believe was involved in the violation; and*

4 “(C) as part of a final judgment or de-
5 *cree—*

6 “(i) order the destruction of any good
7 *involved in the violation that is in the cus-*
8 *tody or control of the violator or that has*
9 *been impounded under subparagraph (B);*
10 *or*

11 “(ii) if the court determines that any
12 *good impounded under subparagraph (B) is*
13 *not unsafe or a hazard to health, dispose of*
14 *the good by delivery to such Federal, State,*
15 *or local government agencies as, in the*
16 *opinion of the court, have a need for such*
17 *good, or by gift to such charitable or non-*
18 *profit institutions as, in the opinion of the*
19 *court, have a need for such good, if such dis-*
20 *position would not otherwise be in violation*
21 *of law, and if the manufacturer consents to*
22 *such disposition and is given the oppor-*
23 *tunity to reapply a product identification*
24 *code to the good.*

25 “(3) *DAMAGES.—*

1 “(A) *IN GENERAL.*—Subject to subpara-
2 graph (B), in any action under paragraph (1),
3 the plaintiff shall be entitled to recover the actual
4 damages suffered by the plaintiff as a result of
5 the violation, and any profits of the violator that
6 are attributable to the violation and are not
7 taken into account in computing the actual dam-
8 ages. In establishing the violator’s profits, the
9 plaintiff shall be required to present proof only
10 of the violator’s sales, and the violator shall be
11 required to prove all elements of cost or deduc-
12 tion claimed.

13 “(B) *STATUTORY DAMAGES.*—In any action
14 under paragraph (1), the plaintiff may elect, at
15 any time before final judgment is rendered, to re-
16 cover, instead of actual damages and profits de-
17 scribed in subparagraph (A), an award of statu-
18 tory damages for any violation under this sec-
19 tion in an amount equal to—

20 “(i) not less than \$500 and not more
21 than \$100,000, with respect to each type of
22 goods involved in the violation; and

23 “(ii) if the violation threatens the
24 health and safety of the public, as deter-
25 mined by the court, not less than \$5,000

1 *and not more than \$1,000,000, with respect*
2 *to each type of goods involved in the viola-*
3 *tion.*

4 “(4) *COSTS AND ATTORNEY’S FEES.—In any ac-*
5 *tion under paragraph (1)—*

6 “(A) *in addition to any damages recovered*
7 *under paragraph (3), a prevailing plaintiff may*
8 *recover the full costs of the action; and*

9 “(B) *the court, in its discretion, may also*
10 *award reasonable attorney fees to the prevailing*
11 *party.*

12 “(5) *REPEAT VIOLATIONS.—*

13 “(A) *TREBLE DAMAGES.—In any case in*
14 *which a person violates this section within 3*
15 *years after the date on which a final judgment*
16 *was entered against that person for a previous*
17 *violation of this section, the court, in an action*
18 *brought under this subsection, may increase the*
19 *award of damages for the later violation to not*
20 *more than 3 times the amount that would other-*
21 *wise be awarded under paragraph (3), as the*
22 *court considers appropriate.*

23 “(B) *BURDEN OF PROOF.—A plaintiff that*
24 *seeks damages as described in subparagraph (A)*

1 *shall bear the burden of proving the existence of*
2 *the earlier violation.*

3 “(6) *LIMITATIONS ON ACTIONS.*—*No civil action*
4 *may be commenced under this section later than 3*
5 *years after the date on which the claimant discovers*
6 *the violation.*

7 “(7) *INNOCENT VIOLATIONS.*—*In any action*
8 *under paragraph (1), the court in its discretion may*
9 *reduce or remit the total award of damages in any*
10 *case in which the violator sustains the burden of*
11 *proving, and the court finds, that the violator was not*
12 *aware and had no reason to believe that the acts of*
13 *the violator constituted a violation.*

14 “(g) *ENFORCEMENT.*—*The Attorney General shall en-*
15 *force this section.”.*

16 “(b) *CONFORMING AMENDMENT.*—*The heading for title*
17 *VIII of the Act of July 5, 1946, is amended by striking*
18 *“AND DILUTION” and inserting “DILUTION, AND*
19 *ADULTERATION OF PRODUCT CODES”.*

20 **SEC. 3. CRIMINAL PENALTIES.**

21 “(a) *IN GENERAL.*—*Chapter 65 of title 18, United*
22 *States Code, is amended by inserting after section 1365 the*
23 *following:*

1 **“§ 1365A. Unauthorized modification of product iden-**
2 **tification codes**

3 “(a) *CRIMINAL PENALTIES.*—Any person who willfully
4 violates section 43A of the Act of July 5, 1946 (commonly
5 referred to as the ‘Trademark Act of 1946’) shall—

6 “(1) be fined under this title, imprisoned not
7 more than 1 year, or both;

8 “(2) if the total retail value of the good or goods
9 involved in the violation is greater than \$5,000, be
10 fined under this title, imprisoned not more than 5
11 years, or both;

12 “(3) if the person acts with reckless disregard for
13 the risk that the health or safety of the public would
14 be threatened and under circumstances manifesting
15 extreme indifference to such risk, and the violation
16 threatens the health or safety of the public, be fined
17 under this title, imprisoned not more than 10 years,
18 or both;

19 “(4) if the person acts with reckless disregard for
20 the risk that another person will be placed in danger
21 of death or bodily injury and under circumstances
22 manifesting extreme indifference to such risk and—

23 “(A) serious bodily injury to any individ-
24 ual results, be fined under this title, imprisoned
25 not more than 20 years, or both; or

1 “(B) death of an individual results, be fined
 2 under this title, imprisoned for any term of
 3 years or for life, or both; and

4 “(5) with respect to any second or subsequent
 5 violation, be subject to twice the maximum term of
 6 imprisonment that would otherwise be imposed under
 7 this subsection, fined under this title, or both.

8 “(b) *INJUNCTIONS AND IMPOUNDING, FORFEITURE,*
 9 *AND DISPOSITION OF GOODS.—*

10 “(1) *INJUNCTIONS AND IMPOUNDING.—*In any
 11 prosecution under this section, upon motion of the
 12 United States, the court may—

13 “(A) grant 1 or more temporary, prelimi-
 14 nary, or permanent injunctions on such terms as
 15 the court determines to be reasonable to prevent
 16 or restrain the alleged violation; and

17 “(B) at any time during the proceedings,
 18 order the impounding, on such terms as the court
 19 determines to be reasonable, of any good that is
 20 in the custody or control of the defendant and
 21 that the court has reasonable cause to believe was
 22 involved in the violation.

23 “(2) *FORFEITURE AND DISPOSITION OF*
 24 *GOODS.—*Upon conviction of any person of a viola-
 25 tion of this section, the court shall—

1 “(A) order the forfeiture of any good in-
 2 volved in the violation that is in the custody or
 3 control of the defendant or that has been im-
 4 pounded under paragraph (1)(B); and

5 “(B) either—

6 “(i) order the destruction of each good
 7 forfeited under subparagraph (A); or

8 “(ii) if the court determines that any
 9 good forfeited under subparagraph (A) is
 10 not unsafe or a hazard to health, dispose of
 11 the good by delivery to such Federal, State,
 12 or local government agencies as, in the
 13 opinion of the court, have a need for such
 14 good, or by gift to such charitable or non-
 15 profit institutions as, in the opinion of the
 16 court, have a need for such good, if such dis-
 17 position would not otherwise be in violation
 18 of law and if the manufacturer consents to
 19 such disposition and is given the oppor-
 20 tunity to reapply a product identification
 21 code to the good.”.

22 (b) CONFORMING AMENDMENT.—The table of sections
 23 for chapter 65 of title 18, United States Code, is amended
 24 by inserting after the item relating to section 1365 the fol-
 25 lowing:

 “1365A. Unauthorized modification of product identification codes.”.

1 **SEC. 4. ATTORNEY GENERAL REPORTING REQUIREMENTS.**

2 *Section 2320(f) of title 18, United States Code, is*
3 *amended—*

4 *(1) by inserting “unauthorized modification of*
5 *product identification codes under section 1365A,”*
6 *after “involve”; and*

7 *(2) in paragraph (4), by inserting “1365A,”*
8 *after “sections”.*

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[Report No. 105-650]

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