

STOP COUNTERFEITING IN MANUFACTURED GOODS ACT

MAY 3, 2005.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SENSENBRENNER, from the Committee on the Judiciary,
 submitted the following

R E P O R T

[To accompany H.R. 32]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 32) to amend title 18, United States Code, to provide criminal penalties for trafficking in counterfeit marks, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

	Page
The Amendment	1
Purpose and Summary	3
Background and Need for the Legislation	3
Hearings	5
Committee Consideration	5
Vote of the Committee	5
Committee Oversight Findings	5
New Budget Authority and Tax Expenditures	5
Congressional Budget Office Cost Estimate	5
Performance Goals and Objectives	6
Constitutional Authority Statement	7
Section-by-Section Analysis and Discussion	7
Changes in Existing Law Made by the Bill, as Reported	9
Markup Transcript	11

THE AMENDMENT

The amendment is as follows:
 Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; FINDINGS.

(a) **SHORT TITLE.**—This Act may be cited as the “Stop Counterfeiting in Manufactured Goods Act”.

(b) **FINDINGS.**—The Congress finds that—

(1) the United States economy is losing millions of dollars in tax revenue and tens of thousands of jobs because of the manufacture, distribution, and sale of counterfeit goods;

(2) the Bureau of Customs and Border Protection estimates that counterfeiting costs the United States \$200 billion annually;

(3) counterfeit automobile parts, including brake pads, cost the auto industry alone billions of dollars in lost sales each year;

(4) counterfeit products have invaded numerous industries including those producing auto parts, electrical appliances, medicines, tools, toys, office equipment, clothing, and many other products;

(5) ties have been established between counterfeiting and terrorist organizations that use the sale of counterfeit goods to raise and launder money;

(6) ongoing counterfeiting of manufactured goods poses a widespread threat to public health and safety; and

(7) strong domestic criminal remedies against counterfeiting will permit the United States to seek stronger anticounterfeiting provisions in bilateral and international agreements with trading partners.

SEC. 2. TRAFFICKING IN COUNTERFEIT MARKS.

Section 2320 of title 18, United States Code, is amended as follows:

(1) Subsection (a) is amended by inserting after “such goods or services” the following: “, or intentionally traffics or attempts to traffic in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive,”.

(2) Subsection (b) is amended to read as follows:

“(b)(1) Upon a determination by a preponderance of the evidence that any article in the possession of a defendant in a prosecution under this section bears or consists of a counterfeit mark, the court shall order the forfeiture and destruction of such article, regardless of whether the defendant is convicted of an offense under this section.

“(2) The court, in imposing a sentence upon a person convicted of a violation of this section, or upon a person who pleads guilty or nolo contendere to a violation of this section, shall order, in addition to any other sentence imposed, that the person forfeit to the United States—

“(A) any property constituting or derived from any proceeds the person obtained, directly or indirectly, as the result of such violation, and

“(B) any of the person’s property used, or intended to be used, in any manner or part, to commit, facilitate, aid, or abet the commission of such violation, if the court in its discretion so determines, taking into account the nature, scope, and proportionality of the use of the property in the offense.

“(3) When a person is convicted of an offense under this section, or pleads guilty or nolo contendere to an offense under this section, the court, pursuant to sections 3556, 3663A, and 3664, shall order the person to pay restitution to the owner of the mark and any other victim of the offense as an offense against property referred to in section 3663A(c)(1)(A)(ii).

“(4) The term ‘victim’, as used in paragraph (3), has the meaning given that term in section 3663A(a)(2).”.

(3) Subsection (e)(1) is amended—

(A) by striking subparagraph (A) and inserting the following:

“(A) a spurious mark—

“(i) that is used in connection with trafficking in any goods, services, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature;

“(ii) that is identical with, or substantially indistinguishable from, a mark registered on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered;

“(iii) that is applied to or used in connection with the goods or services for which the mark is registered with the United States Patent and Trademark Office, or is applied to or consists of a label, patch, sticker, wrapper, badge, emblem, medallion, charm, box, container, can, case, hangtag, documentation, or packaging of any type or nature that is ca-

pable of being applied to or used in connection with the goods or services for which the mark is registered in the United States Patent and Trademark Office; and

“(iv) the use of which is likely to cause confusion, to cause mistake, or to deceive; or”; and

(B) in the matter following subparagraph (B), by striking “used in connection with goods or services” and inserting “that is applied to goods, or used in connection with services.”

(4) Section 2320 is further amended—

(A) by redesignating subsection (f) as subsection (g); and

(B) by inserting after subsection (e) the following:

“(f) Nothing in this section shall entitle the United States to bring a criminal cause of action under this section for the repackaging of genuine goods or services not intended to deceive or confuse.”

PURPOSE AND SUMMARY

H.R. 32, the “Stop Counterfeiting in Manufactured Goods Act” would enhance criminal penalties for those who traffic in counterfeit products. Under this legislation, 18 U.S.C. § 2320 would be expanded to include penalties for those who traffic in counterfeit labels, symbols, or packaging of any type with knowledge that a counterfeit mark has been utilized. Additionally, this legislation would require the forfeiture of any property derived, directly or indirectly, from the proceeds of the violation as well as any property used, or intended to be used in relation to the offense. This legislation also requires that restitution be paid to the owner of the mark that was counterfeited.

An amendment in the nature of a substitute to H.R. 32 was adopted by the full Committee to include specific language clarifying that repackaging activities conducted without intent to deceive or confuse are not subject to the criminal prosecution established under this legislation.

BACKGROUND AND NEED FOR THE LEGISLATION

The proliferation of counterfeit products in recent years creates not only a threat to legitimate businesses, but also to consumers. Many of the products that are falsely labeled are labeled with brand names or trademarks that consumers know and trust. The mislabeling of genuine products creates a false sense of security for consumers. Additionally, some of the counterfeited products, such as prescription or over-the-counter medications, could have serious health consequences if they are used by an unsuspecting consumer.

Federal Bureau of Investigation (“FBI”), Customs, and Immigration Customs Enforcement Agents (“ICE”) estimate that sales of counterfeit goods are enriching criminal organizations by up to \$500 billion in sales per year. By midyear for fiscal 2003, the Department of Homeland Security (“DHS”) had reported 3,117 seizures of counterfeit branded goods including cigarettes, books, apparel, handbags, toys and electronic games with an estimated street value of about \$38 million—up 42 percent from 2002.

The fiscal 2003 midyear report the top five offending countries of origin are the People’s Republic of China (\$26.7 million), Hong Kong (\$1.9 million), Mexico (\$1.6 million), South Korea, (\$1.4 million) and Malaysia (\$1 million). The International AntiCounterfeiting Coalition, (“IACC”) estimates that counterfeiting results in more than \$200 billion a year in lost jobs, taxes and sales. Fortune

500 companies spend an average of between \$2 million and \$4 million a year each to fight counterfeiters.

In addition to counterfeiting general retail products, many counterfeiters are engaged in the sales of products which may present substantial threats to the health and safety of consumers. The Food and Drug Administration (“FDA”) estimates that although the prevalence of counterfeit pharmaceuticals is hard to determine, estimates suggest that upwards of 10 percent of drugs worldwide are counterfeit, and in some countries more than 50 percent of the drug supply is made up of counterfeit drugs. Counterfeit drugs may include products without the active ingredient, with an insufficient quantity of the active ingredient, with the wrong active ingredient, or with fake packaging. The FDA website indicates that counterfeit drugs can have serious consequences for consumers. According to the FDA, patients who receive counterfeit medications may experience unexpected side effects, allergic reactions, or a worsening of their medical condition. Additionally, the FDA has found that a number of counterfeits do not contain any active ingredients, and instead contain inert substances, which do not provide the patient any treatment benefit.

The Automobile Manufacturers Association indicates that counterfeit auto parts comprise a \$12 billion global problem—\$3 billion in the U.S. alone. In terms of lost jobs, the Department of Commerce estimates that the U.S. auto industry could hire over 200,000 more workers if the counterfeit auto parts trade disappeared. In addition to the economic losses and loss of jobs for American workers, consumer safety is also at risk by counterfeit automobile parts. The U.S. automobile industry has reported a number of instances of brake failure caused by brake pads manufactured from wood chips.

According to the FBI’s Financial Institution Fraud Unit, counterfeit products cheat the U.S. of tax revenues, add to the national trade deficit, subject consumers to health and safety risks, and leave consumers without any legal recourse when they are financially or physically injured by counterfeit products. The FBI has identified counterfeit products not only in pharmaceuticals and automobile parts, but also in such products as airplane parts, baby formulas and children’s toys. In addition to misrepresenting products and services, counterfeiters have also misrepresented product testing and certification organizations.

At the Subcommittee on Crime, Terrorism, and Homeland Security hearing on combating trafficking in counterfeit products, the Subcommittee received testimony indicating that commerce in counterfeit labels, tags, containers, and documentation bearing the registered trademarks of manufacturers of genuine goods often occurs separately from illegal commerce in counterfeit goods themselves. As a result, packaging, labels, or tags bearing the registered mark are often matched with the goods downstream and applied to products or services that are not manufactured by the owner of the mark.

The products and services to which these counterfeit labels, tags, documents, containers, and packaging are applied often do not meet the product qualities or the safety or performance requirements of the manufacturer of the genuine product or the product

testing and certification organization. As a result, these products can be unsafe to users and consumers who are deceived.

HEARINGS

The Committee's Subcommittee on Crime, Terrorism, and Homeland Security held a hearing on counterfeit products and retail theft on March 17, 2005. Testimony was received from four witnesses: Chris Swecker, Assistant Director, Criminal Investigative Division, Federal Bureau of Investigation; Paul Fox, Director, Gillette Corporation; Chris Nelson, Director, Target Corporation; and Lauren V. Perez, Vice President, Sandler, Travis, and Rosenberg, with additional material submitted by other concerned individuals and organizations.

COMMITTEE CONSIDERATION

On March 17, 2005, the Subcommittee on Crime, Terrorism, and Homeland Security met in open session and ordered favorably reported the bill H.R. 32, by a voice vote, a quorum being present. On April 13, 2005, the Committee met in open session and ordered favorably reported the bill H.R. 32, with an amendment in the nature of a substitute by voice vote, a quorum being present.

VOTE OF THE COMMITTEE

In compliance with clause 3(b) of Rule XIII of the Rules of the House of Representatives, the Committee notes that there were no recorded votes during the Committee consideration of H.R. 32.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of Rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of Rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of Rule XIII of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of Rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. 32, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 15, 2005.

Hon. F. JAMES SENSENBRENNER, Jr., *Chairman,*
Committee on the Judiciary,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 32, the "Stop Counterfeiting in Manufactured Goods Act."

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Gregory Waring, who can be reached at 226-2860.

Sincerely,

DOUGLAS HOLTZ-EAKIN.

Enclosure

cc: Honorable John Conyers, Jr.
Ranking Member

H.R. 32—Stop Counterfeiting in Manufactured Goods Act.

CBO estimates that implementing H.R. 32 would have no significant cost to the Federal Government. Enacting the bill could affect direct spending and revenues, but CBO estimates that any such effects would not be significant. H.R. 32 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of State, local, or tribal governments.

H.R. 32 would expand the Federal crime against trafficking in counterfeit goods or services by including penalties for those who traffic in counterfeit labels, patches, symbols, packaging, or other types of marks. Thus, the government would be able to pursue cases that it otherwise may not be able to prosecute. However, we expect that H.R. 32 would apply to a relatively small number of additional offenders, so any increase in costs for law enforcement, court proceedings, or prison operations would not be significant and would be subject to the availability of appropriated funds.

Because those prosecuted and convicted under H.R. 32 could be subject to criminal fines, the Federal Government might collect additional fines if the legislation is enacted. Collections of such fines are recorded in the budget as revenues, which are deposited in the Crime Victims Fund and later spent. CBO expects that any additional revenues and direct spending would not be significant because of the small number of cases involved.

The CBO staff contact for this estimate is Gregory Waring, who can be reached at 226-2860. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

PERFORMANCE GOALS AND OBJECTIVES

The Committee states that pursuant to clause 3(c)(4) of Rule XIII of the Rules of the House of Representatives, H.R. 32, will give law enforcement additional tools to prevent counterfeit products from being introduced into the consumer marketplace in the United States.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of Rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in article I, section 8, clause 8 of the Constitution.

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

The following discussion describes the bill as reported by the Committee.

SECTION 1. SHORT TITLE. FINDINGS

This section makes findings with regard to the prevalence of counterfeit products in the United States and the threat to public safety.

SECTION 2. TRAFFICKING IN COUNTERFEIT MARKS

Under this section, section 2320 of title 18 would be expanded to include penalties for those who traffic in counterfeit labels, symbols, or packaging of any type knowing a counterfeit mark has been applied.

18 U.S.C. § 2320(a) would be modified, under this section, to allow a criminal cause of action for intentionally trafficking or attempting to traffic in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive.

This modification is intended to overrule the holding in the case *United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000), where the court of appeals overturned a conviction under 18 U.S.C. § 2320, holding that, based on the current language of the statute, no criminal liability could attach to trafficking in labels, patches, medallions, boxes, containers, cases, documentation, packaging and the like bearing registered marks, where the item bearing the registered marks were not attached to the goods.

This section would amend current law to require the forfeiture of any property derived, directly or indirectly, from the proceeds of the violation as well as any property used, or intended to be used in relation to the offense. This is intended to provide forfeiture and destruction provisions similar to those already enjoyed by copyright and trade secret holders. The current trademark counterfeiting law only provides for the discretionary destruction of the counterfeit goods themselves. This section will change current law to require both the destruction of the counterfeit goods and the forfeiture of any assets traceable to illegal counterfeiting activities.

This section will also permit the forfeiture and destruction of any property/equipment used to aid in the commission of the violation. The current language is simply inadequate for domestic enforcement purposes and, more importantly, prevents U.S. free trade negotiators from seeking stronger anti-counterfeiting enforcement provisions in bilateral or multilateral agreements with U.S. trading partners. Because the majority of counterfeit goods are produced overseas, it is imperative that other countries provide for forfeiture and destruction remedies similar to those called for in domestic

law. Under this section, a victim of the offense is entitled to recover restitution from the defendant.

The definition contained in 18 U.S.C. §2320(e) are amended by this section to reflect the criminal cause of action that was created in 2320(a). Accordingly, the definition of a counterfeit mark now also includes marks applied to labels, patches, stickers, wrappers, badges, emblems, medallions, boxes, containers, hangtags, documentation, or packaging of any kind or nature.

The final subsection of this legislation includes language to ensure that a criminal cause of action will not be brought against an individual or business that repackages genuine goods or services without deception. The language of this section was modified by an amendment in the nature of the substitute to further clarify that this section was not intended to allow criminal actions against persons who repackage genuine goods or services with no intent to deceive or cause confusion as to the authenticity of the products therein.¹

The phrase “the use of which is likely to cause confusion, to cause mistake, or to deceive” is not intended to create a new element for this cause of action, but it reiterates what is already reflected in the definition of “counterfeit mark” in Section 2320(e)(1), that the application of the counterfeit mark to a label, patch, tag, container, document, packaging and the like must have the effect of being likely to cause confusion, mistake or deception. *See United States v. Hon*, 904, F.2d 803, 806 (2nd Cir. 1990).²

Because the bill amends the definition of a counterfeit trademark to include packaging and labeling formats, which can be used lawfully by a variety of businesses, this language is intended to clarify that repackaging activities such as combining single genuine products into gift sets, separating combination sets of genuine goods into individual items for resale, inserting coupons into original packaging or repackaged items, affixing labels to track or otherwise identify genuine products, removing genuine goods from original packaging for customized retail displays are not intended to be prosecuted as counterfeiting activities under the amended title 18 U.S.C. §2320.

In making a determination as to whether to bring a cause of action under the new section 2320 in cases involving the repackaging of genuine goods, it is expected that the Government will consider evidence tending to show an intent to deceive or confuse such as altering, concealing or obliterating expiration dates, or information important to the consumer use of the product such as safety and health information about the quality, performance, or use of the product or service; statements or other markings that a used, discarded, or refurbished product is new; or statements or other markings that the product meets testing and certification requirements.

¹This savings clause is consistent with the court of appeals decision in *United States v. Hanafy*, 302 F.3d 485 (5th Cir. 2002)(unadulterated and unexpired genuine baby formula, repackaged with manufacturer’s trademark in trays in manner so that purchaser could see expiration dates does not give rise to criminal liability under 18 U.S.C. §2320).

²*See United States v. Hon*, 904, F.2d 803, 806 (2nd Cir. 1990)(rejecting narrow construction of confusion requirement stating “Congress was concerned not only that “trademark counterfeiting . . . defrauds purchasers, who pay for brand-name quality and take home only a fake,” but also that “counterfeiters [can earn] enormous profits . . . by capitalizing on the reputations, development costs, and advertising efforts of honest manufacturers at little expense to themselves.” S.Rep. No. 98–526, supra, at 4–5, reprinted in 1984 U.S. Code Cong. & Admin. News at 3630–31.)

Also relevant to a decision to bring a criminal action under this section would be a meaningful variance from product testing and certification requirements, placing seals on product containers that have been opened and the original manufacturer's seal has been broken, or altering or otherwise adulterating the genuine product.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 2320 OF TITLE 18, UNITED STATES CODE

§ 2320. Trafficking in counterfeit goods or services

(a) Whoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services, *or intentionally traffics or attempts to traffic in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive*, shall, if an individual, be fined not more than \$2,000,000 or imprisoned not more than 10 years, or both, and, if a person other than an individual, be fined not more than \$5,000,000. In the case of an offense by a person under this section that occurs after that person is convicted of another offense under this section, the person convicted, if an individual, shall be fined not more than \$5,000,000 or imprisoned not more than 20 years, or both, and if other than an individual, shall be fined not more than \$15,000,000.

[(b) Upon a determination by a preponderance of the evidence that any articles in the possession of a defendant in a prosecution under this section bear counterfeit marks, the United States may obtain an order for the destruction of such articles.]

(b)(1) Upon a determination by a preponderance of the evidence that any article in the possession of a defendant in a prosecution under this section bears or consists of a counterfeit mark, the court shall order the forfeiture and destruction of such article, regardless of whether the defendant is convicted of an offense under this section.

(2) The court, in imposing a sentence upon a person convicted of a violation of this section, or upon a person who pleads guilty or nolo contendere to a violation of this section, shall order, in addition to any other sentence imposed, that the person forfeit to the United States—

(A) any property constituting or derived from any proceeds the person obtained, directly or indirectly, as the result of such violation, and

(B) any of the person's property used, or intended to be used, in any manner or part, to commit, facilitate, aid, or abet the commission of such violation, if the court in its discretion

so determines, taking into account the nature, scope, and proportionality of the use of the property in the offense.

(3) When a person is convicted of an offense under this section, or pleads guilty or nolo contendere to an offense under this section, the court, pursuant to sections 3556, 3663A, and 3664, shall order the person to pay restitution to the owner of the mark and any other victim of the offense as an offense against property referred to in section 3663A(c)(1)(A)(ii).

(4) The term “victim”, as used in paragraph (3), has the meaning given that term in section 3663A(a)(2).

* * * * *

(e) For the purposes of this section—

(1) the term “counterfeit mark” means—

【(A) a spurious mark—

【(i) that is used in connection with trafficking in goods or services;

【(ii) that is identical with, or substantially indistinguishable from, a mark registered for those goods or services on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered; and

【(iii) the use of which is likely to cause confusion, to cause mistake, or to deceive; or】

(A) a spurious mark—

(i) that is used in connection with trafficking in any goods, services, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature;

(ii) that is identical with, or substantially indistinguishable from, a mark registered on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered;

(iii) that is applied to or used in connection with the goods or services for which the mark is registered with the United States Patent and Trademark Office, or is applied to or consists of a label, patch, sticker, wrapper, badge, emblem, medallion, charm, box, container, can, case, hangtag, documentation, or packaging of any type or nature that is capable of being applied to or used in connection with the goods or services for which the mark is registered in the United States Patent and Trademark Office; and

(iv) the use of which is likely to cause confusion, to cause mistake, or to deceive; or

(B) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of the Lanham Act are made available by reason of section 220506 of title 36

but such term does not include any mark or designation [used in connection with goods or services] *that is applied to goods, or used in connection with services*, of which the manufacturer or producer was, at the time of the manufacture or production

in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation;

* * * * *

(f) Nothing in this section shall entitle the United States to bring a criminal cause of action under this section for the repackaging of genuine goods or services not intended to deceive or confuse.

[(f)] (g)(1) * * *

* * * * *

MARKUP TRANSCRIPT
BUSINESS MEETING
WEDNESDAY, APRIL 13, 2005

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Committee met, pursuant to notice, at 10:03 a.m., in Room 2141, Rayburn House Office Building, Hon. F. James Sensenbrenner, Jr. [Chairman of the Committee] presiding.

[Intervening business.]

AFTERNOON SESSION [2:34 p.m.]

Chairman SENSENBRENNER. The next item on the agenda is the adoption of H.R. 32, the "Stop Counterfeiting in Manufactured Goods Act." The Chair recognizes the gentleman from North Carolina, Mr. Coble, the Chairman of the Subcommittee on Crime, Terrorism, and Homeland Security, for a motion.

Mr. COBLE. Mr. Chairman, the Subcommittee on Crime, Terrorism, and Homeland Security reports favorably the bill H.R. 32 and moves its favorable recommendation to the full House.

Chairman SENSENBRENNER. Without objection, the bill will be considered as read and open for amendment at any point.

[The bill, H.R. 32, follows:]

109TH CONGRESS
1ST SESSION

H. R. 32

To amend title 18, United States Code, to provide criminal penalties for trafficking in counterfeit marks.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 2005

Mr. KNOLLENBERG (for himself, Mr. GREEN of Wisconsin, Mr. EHLERS, Mr. SIMMONS, Mr. GILLMOR, Mr. SMITH of Texas, Mr. COBLE, Mr. McCOTTER, Mr. CAMP, Mr. UPTON, Mr. ROGERS of Michigan, Mr. WEXLER, Mr. LEVIN, Mr. ROHRABACHER, Mr. GOODLATTE, Mr. WELDON of Pennsylvania, Mrs. MILLER of Michigan, Mr. HOEKSTRA, Mr. CHABOT, Ms. KAPTUR, Mr. MCGOVERN, and Mr. TERRY) introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend title 18, United States Code, to provide criminal penalties for trafficking in counterfeit marks.

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

3 **SECTION 1. SHORT TITLE; FINDINGS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Stop Counterfeiting in Manufactured Goods Act”.

6 (b) FINDINGS.—The Congress finds that—

7 (1) the United States economy is losing millions
8 of dollars in tax revenue and tens of thousands of

1 jobs because of the manufacture, distribution, and
2 sale of counterfeit goods;

3 (2) the U.S. Customs Service and Border Pro-
4 tection estimates that counterfeiting costs the U.S.
5 \$200 billion annually;

6 (3) counterfeit automobile parts, including
7 brake pads, cost the auto industry alone billions of
8 dollars in lost sales each year;

9 (4) counterfeit products have invaded numerous
10 industries including those producing auto parts, elec-
11 trical appliances, medicines, tools, toys, office equip-
12 ment, clothing, and many other products;

13 (5) ties have been established between counter-
14 feiting and terrorist organizations that use the sale
15 of counterfeit goods to raise and launder money;

16 (6) ongoing counterfeiting of manufactured
17 goods poses a widespread threat to public health and
18 safety; and

19 (7) strong domestic criminal remedies against
20 counterfeiting will permit the United States to seek
21 stronger anticounterfeiting provisions in bilateral
22 and international agreements with trading partners.

23 **SEC. 2. TRAFFICKING IN COUNTERFEIT MARKS.**

24 Section 2320 of title 18, United States Code, is
25 amended as follows:

1 (1) Subsection (a) is amended by inserting after
2 “such goods or services” the following: “, or inten-
3 tionally traffics or attempts to traffic in labels,
4 patches, stickers, wrappers, badges, emblems, medal-
5 lions, charms, boxes, containers, cans, cases,
6 hangtags, documentation, or packaging of any type
7 or nature to which a counterfeit mark is knowingly
8 applied,”.

9 (2) Subsection (b) is amended to read as fol-
10 lows:

11 “(b)(1) Upon a determination by a preponderance of
12 the evidence that any article in the possession of a defend-
13 ant in a prosecution under this section bears or consists
14 of a counterfeit mark, the court shall order the forfeiture
15 and destruction of such article, regardless of whether the
16 defendant is convicted of an offense under this section.

17 “(2) The court, in imposing a sentence upon a person
18 convicted of a violation of this section, or upon a person
19 who pleads guilty or nolo contendere to a violation of this
20 section, shall order, in addition to any other sentence im-
21 posed, that the person forfeit to the United States—

22 “(A) any property constituting or derived from
23 any proceeds the person obtained, directly or indi-
24 rectly, as the result of such violation, and

1 “(B) any of the person’s property used, or in-
2 tended to be used, in any manner or part, to com-
3 mit, facilitate, aid, or abet the commission of such
4 violation,
5 if the court in its discretion so determines, taking into ac-
6 count the nature, scope, and proportionality of the use of
7 the property in the offense.

8 “(3) When a person is convicted of an offense under
9 this section, or pleads guilty or nolo contendere to an of-
10 fense under this section, the court, pursuant to sections
11 3556, 3663A, and 3664, shall order the person to pay res-
12 titution to the owner of the mark and any other victim
13 of the offense as an offense against property referred to
14 in section 3663A(c)(1)(A)(ii).

15 “(4) The term ‘victim’, as used in paragraph (3), has
16 the meaning given that term in section 3663A(a)(2).”.

17 (3) Subsection (e)(1) is amended—

18 (A) by striking subparagraph (A) and in-
19 serting the following:

20 “(A) a spurious mark—

21 “(i) that is used in connection with
22 trafficking in any goods, services, labels,
23 patches, stickers, wrappers, badges, em-
24 blems, medallions, charms, boxes, con-

1 tainers, cans, cases, hangtags, documenta-
2 tion, or packaging of any type or nature;

3 “(ii) that is identical with, or substan-
4 tially indistinguishable from, a mark reg-
5 istered on the principal register in the
6 United States Patent and Trademark Of-
7 fice and in use, whether or not the defend-
8 ant knew such mark was so registered;

9 “(iii) that is applied to or used in con-
10 nection with the goods or services for
11 which the mark is registered with the
12 United States Patent and Trademark Of-
13 fice, or is applied to or consists of a label,
14 patch, sticker, wrapper, badge, emblem,
15 medallion, charm, box, container, can,
16 case, hangtag, documentation, or pack-
17 aging of any type or nature that is capable
18 of being applied to or used in connection
19 with the goods or services for which the
20 mark is registered in the United States
21 Patent and Trademark Office; and

22 “(iv) the use of which is likely to
23 cause confusion, to cause mistake, or to
24 deceive; or”; and

1 (B) in the matter following subparagraph
2 (B), by striking “used in connection with goods
3 or services” and inserting “that is applied to
4 goods, or used in connection with services,”.

5 (4) Section 2320 is further amended—

6 (A) by redesignating subsection (f) as sub-
7 section (g); and

8 (B) by inserting after subsection (e) the
9 following:

10 “(f) Nothing in this section shall entitle the United
11 States to bring a criminal cause of action for the repack-
12 aging, without deception, of genuine goods or services.”.

○

Chairman SENSENBRENNER. The Chair recognizes the gentleman from North Carolina, Mr. Coble, to strike the last word.

Mr. COBLE. Thank you, Mr. Chairman.

I told the Chairman I would be terse, and he said the terser, the better, so I will make it terse. We had disagreements but they have all been resolved now, and I come to you with a clean bill.

Last month, Mr. Chairman, the Subcommittee on Crime, Terrorism, and Homeland Security conducted a hearing to examine the harm being caused to consumers, manufacturers, and retailers by counterfeit products. I'm happy to say that the hearing was a success and gave us much needed insight into the ever growing—this ever growing problem. The trafficking of counterfeit goods creates problems not only for businesses and the economy, but also creates a real threat to consumers who may unknowingly receive these products. I am pleased that the Federal Government is taking action to address this crime, but more needs to be done.

H.R. 32, the "Stop Counterfeiting in Manufactured Goods Act," is vital to continue to combat the counterfeiting of manufactured goods. Finally, Mr. Chairman, I intend to offer an amendment in the nature of a substitute which makes technical changes to the bill to ensure that the changes to the criminal code address true counterfeiters and do not allow charges to be brought against any person who is operating without deception in the sale or repackaging of goods.

This was an issue that was raised at the Subcommittee hearing, and we worked with several groups, including the minority, in an attempt to address these concerns. I urge my colleagues to support this legislation and the technical amendments that I have made in the nature of a substitute, Mr. Chairman.

I yield back.

Chairman SENSENBRENNER. The gentleman from Virginia, Mr. Scott?

Mr. SCOTT. Thank you, Mr. Chairman, for convening this markup on H.R. 32, the "Stop Counterfeiting in Manufactured Goods Act." The bill amends existing law in a manner designed to intensive the effort to prevent counterfeiting goods. Counterfeited goods not only victimize the manufacturer, but shortchange purchasers with substandard products, exposes us to risks from unsafe products, and deprives Americans of jobs and other benefits from commerce of authentic goods.

When we began working with the bill on a bipartisan basis at the Subcommittee level and with a general consensus that something needed to be done from the industry, there was concern that, as then drafted, the bill went too far and criminalized currently legitimate, time-honored practices by law-abiding merchants who legally purchased manufactured goods and then repackaged them in various ways to enhance sales of such goods without any deception. Because of that disagreement, additional discussion went on, and I understand that we have now reached an agreement on additional language which will hopefully be added through and amendment by the gentleman from Florida, Mr. Wexler.

With that done, Mr. Chairman, I would support the bill and urge my colleagues to do the same. I yield back the balance of my time.

Mr. CONYERS. Mr. Chairman?

Chairman SENSENBRENNER. The Chair will unilaterally send the balance of the gentleman from Virginia's time back to him so he can yield to the gentleman from Michigan.

Mr. CONYERS. Would the distinguished Ranking Member yield to me?

Mr. SCOTT. I do.

Mr. CONYERS. Thank you. I merely wanted to add, as quickly as I could, with you and the gentleman from Florida, what a wonderful job of working behind the scenes, talking with all the parties, and both sides of the aisle in the Committee, including our Chairman, and having this come to what I think is a highly successful conclusion. I congratulate all of the parties that participated in it, and I return the time to the gentleman from Virginia. Thank you.

Mr. SCOTT. I yield back.

Chairman SENSENBRENNER. The gentleman yields back the balance of his time.

Without objection, all Members may include opening statements in the record at this point.

[The prepared statement of Mr. Conyers follows:]

PREPARED STATEMENT OF THE HONORABLE JOHN CONYERS, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN, AND RANKING MEMBER, COMMITTEE ON THE JUDICIARY

I rise in support of this legislation and thank the Chairman and his staff for working with us to ensure the bill does not overreach.

The bill was designed to target illegitimate actors who trade in counterfeit marks. We all agree that manufacturers have a right to ensure that fake goods are not marketed in their names and that their own goods are not marketed under fake names.

The bill as originally written, however, went further than that. It left as an open question whether someone other than the manufacturer could affix marks to goods that correctly identify the source of the goods. This struck at the very heart of the parallel market, in which third parties lawfully obtain goods and make them available in discount stores. Not only has this practice been upheld by the Supreme Court, but it also saves consumers billions of dollars each year.

I appreciate that the Majority has negotiated in good faith to address this concern, and we now have a bill that protects manufacturers, targets illegitimate actors, and leaves a legitimate industry unscathed.

I urge a "Yes" vote on this legislation.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF THE HONORABLE LAMAR SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS, AND CHAIRMAN, SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

Mr. Chairman, I'm an original cosponsor of H.R. 32 because it ensures that law enforcement has the tools it needs to address counterfeiting.

This bill closes a loophole that has allowed counterfeiters to avoid prosecution.

Current law does not prohibit trafficking in counterfeit labels, so many counterfeiters simply ship fake brand name labels to a warehouse and then affix them to a product to avoid prosecution.

H.R. 32 strengthens the sanctions against those who traffic in counterfeit labels.

Counterfeit products harm consumers and manufacturers. Consumers often buy products because they see a particular brand name.

When the product then turns out to be counterfeit, not only has the consumer bought a product that is not what they thought, but also in the case of goods like brake pads or electrical products, they could be physically harmed.

And manufacturers are disadvantaged because counterfeit products adversely affect their sales and diminish their reputation.

We must update our laws to effectively fight counterfeiting. That's why this is a good bill.

Chairman SENSENBRENNER. Are there amendments? And the Chair recognizes the gentleman from North Carolina, Mr. Coble,

for purposes of offering an amendment in the nature of a substitute.

Mr. COBLE. I thank the Chairman.

Mr. Chairman, in my opening statement I explained the amendment in the nature of a substitute.

Chairman SENSENBRENNER. Does the gentleman have an amendment at the desk?

The CLERK. Yes, he does, sir.

Chairman SENSENBRENNER. The gentleman from North Carolina, do you have an amendment at the desk?

Mr. COBLE. I do have an amendment at the desk.

Chairman SENSENBRENNER. The clerk will report the amendment in the nature of a substitute.

The CLERK. Amendment in the nature of a substitute to H.R. 32, offered by Mr. Coble of North Carolina—

Chairman SENSENBRENNER. Without objection, the amendment in the nature of a substitute is considered as read and open for amendment at any points.

[The amendment in the nature of a substitute follows:]

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 32
OFFERED BY MR. COBLE OF NORTH CAROLINA**

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE; FINDINGS.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Stop Counterfeiting in Manufactured Goods Act”.

4 (b) **FINDINGS.**—The Congress finds that—

5 (1) the United States economy is losing millions
6 of dollars in tax revenue and tens of thousands of
7 jobs because of the manufacture, distribution, and
8 sale of counterfeit goods;

9 (2) the Bureau of Customs and Border Protec-
10 tion estimates that counterfeiting costs the United
11 States \$200 billion annually;

12 (3) counterfeit automobile parts, including
13 brake pads, cost the auto industry alone billions of
14 dollars in lost sales each year;

15 (4) counterfeit products have invaded numerous
16 industries including those producing auto parts, elec-
17 trical appliances, medicines, tools, toys, office equip-
18 ment, clothing, and many other products;

1 (5) ties have been established between counter-
2 feiting and terrorist organizations that use the sale
3 of counterfeit goods to raise and launder money;

4 (6) ongoing counterfeiting of manufactured
5 goods poses a widespread threat to public health and
6 safety; and

7 (7) strong domestic criminal remedies against
8 counterfeiting will permit the United States to seek
9 stronger anticounterfeiting provisions in bilateral
10 and international agreements with trading partners.

11 **SEC. 2. TRAFFICKING IN COUNTERFEIT MARKS.**

12 Section 2320 of title 18, United States Code, is
13 amended as follows:

14 (1) Subsection (a) is amended by inserting after
15 “such goods or services” the following: “, or inten-
16 tionally traffics or attempts to traffic in labels,
17 patches, stickers, wrappers, badges, emblems, medal-
18 lions, charms, boxes, containers, cans, cases,
19 hangtags, documentation, or packaging of any type
20 or nature, knowing that a counterfeit mark has been
21 applied thereto, the use of which is likely to cause
22 confusion, to cause mistake, or to deceive,”.

23 (2) Subsection (b) is amended to read as fol-
24 lows:

1 “(b)(1) Upon a determination by a preponderance of
2 the evidence that any article in the possession of a defend-
3 ant in a prosecution under this section bears or consists
4 of a counterfeit mark, the court shall order the forfeiture
5 and destruction of such article, regardless of whether the
6 defendant is convicted of an offense under this section.

7 “(2) The court, in imposing a sentence upon a person
8 convicted of a violation of this section, or upon a person
9 who pleads guilty or nolo contendere to a violation of this
10 section, shall order, in addition to any other sentence im-
11 posed, that the person forfeit to the United States—

12 “(A) any property constituting or derived from
13 any proceeds the person obtained, directly or indi-
14 rectly, as the result of such violation, and

15 “(B) any of the person’s property used, or in-
16 tended to be used, in any manner or part, to com-
17 mit, facilitate, aid, or abet the commission of such
18 violation, if the court in its discretion so determines,
19 taking into account the nature, scope, and propor-
20 tionality of the use of the property in the offense.

21 “(3) When a person is convicted of an offense under
22 this section, or pleads guilty or nolo contendere to an of-
23 fense under this section, the court, pursuant to sections
24 3556, 3663A, and 3664, shall order the person to pay res-
25 titution to the owner of the mark and any other victim

1 of the offense as an offense against property referred to
2 in section 3663A(c)(1)(A)(ii).

3 “(4) The term ‘victim’, as used in paragraph (3), has
4 the meaning given that term in section 3663A(a)(2).”.

5 (3) Subsection (e)(1) is amended—

6 (A) by striking subparagraph (A) and in-
7 serting the following:

8 “(A) a spurious mark—

9 “(i) that is used in connection with
10 trafficking in any goods, services, labels,
11 patches, stickers, wrappers, badges, em-
12 blems, medallions, charms, boxes, con-
13 tainers, cans, cases, hangtags, documenta-
14 tion, or packaging of any type or nature;

15 “(ii) that is identical with, or substan-
16 tially indistinguishable from, a mark reg-
17 istered on the principal register in the
18 United States Patent and Trademark Of-
19 fice and in use, whether or not the defend-
20 ant knew such mark was so registered;

21 “(iii) that is applied to or used in con-
22 nection with the goods or services for
23 which the mark is registered with the
24 United States Patent and Trademark Of-
25 fice, or is applied to or consists of a label,

1 patch, sticker, wrapper, badge, emblem,
2 medallion, charm, box, container, can,
3 case, hangtag, documentation, or pack-
4 aging of any type or nature that is capable
5 of being applied to or used in connection
6 with the goods or services for which the
7 mark is registered in the United States
8 Patent and Trademark Office; and

9 “(iv) the use of which is likely to
10 cause confusion, to cause mistake, or to
11 deceive; or”; and

12 (B) in the matter following subparagraph
13 (B), by striking “used in connection with goods
14 or services” and inserting “that is applied to
15 goods, or used in connection with services,”.

16 (4) Section 2320 is further amended—

17 (A) by redesignating subsection (f) as sub-
18 section (g); and

19 (B) by inserting after subsection (e) the
20 following:

21 “(f) Nothing in this section shall entitle the United
22 States to bring a criminal cause of action for the repack-
23 aging or sale, without deception, of genuine goods or serv-
24 ices.”.

Chairman SENSENBRENNER. The Chair recognizes the gentleman from North Carolina for 5 minutes, which he hopes he will yield back.

Mr. COBLE. I do indeed yield back because I explained it earlier, Mr. Chairman.

Chairman SENSENBRENNER. Are there any second degree amendments to the Coble amendment in the nature of a substitute? The gentleman from Florida, Mr. Wexler?

Mr. WEXLER. Yes, Mr. Chairman, I have one.

Chairman SENSENBRENNER. Okay. The clerk will report the amendment.

The CLERK. Amendment to the amendment in the nature of a substitute to H.R. 32, offered by Mr. Wexler. Page 5, strike lines 21 to 30—24, and insert: “(f) Nothing in this section shall entitle the United States to bring a criminal cause of action under this section for the repackaging of genuine goods or services not intended to deceive or confuse.”

[The amendment in the nature of a substitute follows:]

AMENDMENT TO
AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 32

OFFERED BY MR. WEXLER

Page 5, strike lines 21-24 and insert:

“(f) Nothing in this section shall entitle the United States to bring a criminal cause of action under this section for the repackaging of genuine goods or services not intended to deceive or confuse.”

Chairman SENSENBRENNER. The gentleman from Florida is recognized for 5 minutes.

Mr. WEXLER. Thank you, Mr. Chairman.

First, I want to thank you for being as accommodating as you have been and Mr. Coble for being especially easy to work with, and I very much appreciate your efforts.

H.R. 32, the “Stop Counterfeiting in Manufacturing Goods Act,” is a critically important bill which makes it harder for criminals to traffic in counterfeit products, and I’m proud to be an original co-sponsor of the legislation. I’m concerned, however, that in our zeal to stamp out counterfeiting we are unintentionally ensnaring some retail and wholesale industries and needlessly opening legitimate businesses up to costly liability.

It is important that it is clear that the intent of H.R. 32 is to put an end to counterfeit traffic and target falsely labeled products, not honest and legitimate repackaged goods, as part of secondary discount or parallel market trade. This bill is not intended to jeopardize repackaging of genuine goods by parties other than the product manufacturers, third-party repackagers of gift sets, or downstream wholesalers or discount traders who may affix unique tags or labels to original boxes to identify and track consumer goods. And H.R. 32 is not intended to prohibit the use of coupons or other third-party promotional vehicles relied upon to increase retail sales

of discounted branded goods by parties other than the original product manufacturer.

It is important to distinguish between those counterfeiters who are intending to steal the good name of a company to sell their own cheap substitute or related products and those who are intending to sell legitimate trademarked products as a part of a package set or simply in the resale market. What this amendment would do is add the phrase “not intended to deceive or confuse” instead of the language “repackaging without deception.” This way we are establishing an intent standard so that counterfeiters are stopped but legitimate resale marketers are not affected. Without these minor changes, H.R. 32 could be misunderstood to mean that anyone who knowingly repackages genuine goods without the express permission of the trademark owner is a criminal, an interpretation I am sure all of us would oppose.

I’m confident that with these changes this legislation will be 100 percent clear in its intent and focused solely on stopping the counterfeit thieves. I want to thank Mr. Scott and Mr. Conyers and just quickly, Mr. Chairman, just so people understand what it is we’re talking about, this package here, which could be found at any supermarket in America, it’s got a Dove soap bar and a Dove conditioner. And in many places you may buy six cans of tuna fish in a cellophane-wrapped bag or you may buy something like this. And what we’re doing with this amendment is simply to say that if a legitimate business—if Public’s or Giant or Wal-Mart wants to put two of these things together and you go buy it, that Wal-Mart or the supermarket is not going to be subject to criminal liability for doing it, as long as it’s labeled properly and the whole bit.

Thank you very much.

Mr. ISSA. Would the gentleman yield? Would the gentleman yield?

Mr. WEXLER. Yes, of course.

Mr. ISSA. Is the intention of your act also to deal with or to eliminate the trademark owner’s legitimate right to prohibit repackaging? And the example you show is a wonderful one, but what about the example of 100 Bayer aspirin being taken out and repackaged into a new package still containing Bayer? Is that something that you envision that the trademark owner has a right to prohibit? And would you consider modifying your language to say unless specifically prohibited by the packager in writing? So if the package says “may not be”—“not intended for sale separately,” that they could, in fact, prohibit? Because that is one of the areas of concern. It appears as though your amendment which circumvent the legitimate right of somebody to say, look, my Tylenols are sealed and I have a liability if they’re repackaged and I don’t want to have that liability.

Mr. WEXLER. I’m no expert, but my understanding of what it is I’m—what we’re doing in this bill wouldn’t affect any packaging of safety and that. They couldn’t open that. They couldn’t change it.

As to the sale of the product itself, that’s a matter of contract between, I presume, the manufacturer and whoever it is the manufacturer is selling it to, and that’s a function of the capital market and whatever rules govern is what would prevail.

Mr. ISSA. I guess to ask the gentleman one more time, though, your example is a packaging together, and I think no one here

would object to that, but a breaking down of a master pack into subs is, in fact, an area of concern that I'm afraid your amendment might work around.

Mr. WEXLER. I don't believe it—you're talking about like opening the Tylenol box and then putting it again—that would violate all sorts of drug regulations and all sorts of things. That's not what this is intended to do.

Chairman SENSENBRENNER. The time of the gentleman has expired. The question is on the amendment offered by the gentleman from Florida, Mr. Wexler, in the second degree to an amendment offered in the nature of a substitute by the gentleman from North Carolina, Mr. Coble. Those in favor will say aye? Opposed, no?

The ayes appear to have it. The ayes have it, and the Wexler amendment to the Coble substitute is agreed to.

Are there further amendments?

[No response.]

Chairman SENSENBRENNER. If there are no further amendments, the question is on the amendment in the nature of a substitute offered by the gentleman from North Carolina, Mr. Coble, as amended. Those in favor will say aye? Opposed, no?

The ayes appear to have it. The ayes have it. The amendment in the nature of a substitute is agreed to.

A reporting quorum is not present. Therefore, without objection, the previous question is ordered on the motion to report the bill H.R. 32 favorably as amended. And we will vote on that once a reporting quorum appears.

[Intervening business.]

Chairman SENSENBRENNER. A reporting quorum is present. The unfinished business before the Committee is the question occurring on the motion to report the bill, H.R. 32, favorably as amended. All in favor will say aye.

Opposed, no. This is the counterfeiting bill. Opposed, no?

The ayes appear to have it. The ayes have it. The motion to report favorably is adopted.

Without objection the bill will be reported favorably to the House in the form of a single amendment in the nature of a substitute, incorporating the amendments adopted here today.

Without objection the staff is directed to make any technical and conforming changes. And all Members will be given 2 days, as provided by the House rules, in which to submit additional dissenting supplemental or minority views.

[Intervening business.]

Chairman SENSENBRENNER. The Committee stands adjourned.

[Whereupon, at 4:02 p.m., the Committee was adjourned.]