

# THE EFFECTS OF FOREIGN PRODUCT COUNTERFEITING ON U.S. INDUSTRY

Final Report on Investigation  
No. 332-158 Under Section  
332(b) of the Tariff Act 1930



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## PREFACE

On February 25, 1983, on its own motion, the United States International Trade Commission instituted an investigation under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)) on the effects of foreign product counterfeiting on U.S. industry. The objectives of the investigation were (1) to identify those product sectors in which the U.S. industry faces competition from foreign counterfeited products, either in the United States or abroad, (2) to assess the impact such counterfeiting has had on these industries and U.S. exports, (3) to identify the primary country sources of counterfeiting, (4) to inventory the methods U.S. firms are using to counteract counterfeiting and their recommendations for Government action, and (5) to compile an inventory of U.S. and foreign laws and international agreements encompassing counterfeiting, including the avenues of relief available. The Commission's notice of investigation was published in the Federal Register of March 9, 1983 (48 F.R. 9968). <sup>1/</sup> For the purposes of this investigation, the term "counterfeit goods" means any goods bearing an unauthorized representation of a trademark that is legally registered in respect to such goods in the country of importation or sale, but does not include goods produced or marketed under a protected trademark by the owner of the trademark right or with his consent, or to goods bearing an authorized trademark which are imported or sold in contravention of a commercial arrangement.

The information in this report was obtained from fieldwork, the Commission's files, private individuals and organizations and the U.S. and foreign governments. In addition, the Commission staff conducted a thorough search and review of the current literature and legislation on counterfeiting. A public hearing was held by the Commission in connection with this investigation on August 23 and 24, 1983, in Washington, D.C. A list of persons submitting written statements and a list of witnesses testifying at the hearing are given in appendix B. The primary sources of data on the markets for and country sources of counterfeit products, the products counterfeited, and the effects of counterfeiting on domestic and export sales and costs were derived from responses to questionnaires sent to all U.S. producers known or believed to have experienced competition from foreign counterfeits of their products since 1980.

In compiling the list of questionnaire recipients, the staff contacted all possible trade and business associations, anticounterfeiting associations, and major producers for each industry and included all counterfeiting victims identified in this manner as well as those that had been reported or implied by the media to have experienced counterfeiting.

Of 274 responses, 82 firms reported foreign produced counterfeits of their products during 1980-82. The respondents to the Commission's questionnaire accounted for approximately 10 to 20 percent of total production in each major industrial sector. However, due to the nature of the questionnaire selection process, survey coverage of the specific products susceptible to foreign counterfeiting that were actually counterfeited in 1980-82 is estimated to exceed 70 percent of U.S. production. It should be noted, though, that some respondents in each sector, many of which are known to have experienced significant counterfeiting, could not provide specific

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<sup>1/</sup> A copy of the Commission's notice of investigation is reproduced in app. A.

applies to a number of questions, particularly those regarding sales lost solely due to counterfeiting and identification and enforcement costs of counterfeiting. Thus, the questionnaire data must be viewed as representing a minimum for each industry. Data were also collected on gray market sales, trade dress and passing off, patent infringements on similar products, and copyright infringements on similar products for 1982--all practices which are outside the definition of counterfeiting used in this study. These data are intended to provide a picture of the general magnitude of these practices as compared to counterfeiting, but must not be considered an overall indication of the problem because data were not collected from firms experiencing difficulties with products competing under these practices if the firms had not had trouble with counterfeiting.

Industry estimates of the overall impact of foreign counterfeiting on domestic and export sales in 1982 were solicited by the Commission staff. In most cases these estimates were only available for the combination of counterfeiting, passing off, copyright violations on like products, and patent violations on like products, not for counterfeiting alone. The estimates of the impact on U.S. employment, by industries or sectors, are based on these overall loss estimates. In order to provide a supplementary evaluation of the potential impact of counterfeiting on U.S. employment, the report provides an estimate of employment losses which would be expected from each hypothetical output loss of \$10 million in 1982 for each major sector or industry, where applicable (app. C).

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## EXECUTIVE SUMMARY

Product counterfeiting is nothing less than the theft for profit of a firm's reputation and product through the use of deception. For the purposes of this investigation, counterfeiting is defined as the unauthorized use of a registered trademark on a product that is identical or similar to the product for which the trademark is registered and used. It does not include corollary methods of unfair competition such as unauthorized use of a trademark on a nonsimilar product, copyright infringement, patent infringement, passing off (the simulation of a trademark or packaging when the trademark is not identical), or the sale of authorized trademarked goods in contravention of a commercial arrangement. However, it is acknowledged that these excepted practices often have the same effect as trademark counterfeiting, and supplementary data were collected through the use of questionnaires to indicate the relative magnitude of these practices compared to that of trademark counterfeiting.

The highlights of the Commission's investigation on foreign product counterfeiting are as follows.

- o There are currently no international agreements to which the United States is a party that relate primarily to counterfeiting, but a number of agreements do have some bearing on counterfeiting.

Chief among the international agreements relating in some manner to counterfeiting is the Paris Convention on Industrial Property. Trademarks are included in this convention, which contains provisions which are self-executing or have been implemented by the signatory countries in their national laws. Not only do U.S. firms entitled to the benefits of the convention enjoy the same protection and legal remedies against infringements of their trademarks as do nationals of the signatory countries, but beneficiaries also enjoy certain special rights and advantages over the rights enjoyed by nationals under national law.

In addition, the United States has been signatory to a series of inter-American trademark conventions entered into from 1910 through 1929, providing trademark and trade name protection similar to that of the Paris convention. Bolivia, Ecuador, Uruguay, Brazil, the Dominican Republic, Colombia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, and Peru are signatories to these conventions.

The United States has supported the conclusion of an international anticounterfeiting agreement. Its purpose is to discourage international trade in counterfeit goods, and its adoption would result in greater standardization of laws relating to counterfeiting. However, to date there has been little support for this code outside the developed countries.

- o The Lanham Act is the principal U.S. Federal statute relating to counterfeiting, although there are some U.S. Federal laws relating to counterfeiting of specific products.

The Lanham Act establishes a Federal registration system for trademarks and accords registered trademarks certain benefits not available under State

- law. The act provides for civil remedies for trademark infringement and counterfeiting through the Federal court system. There are no criminal penalties.

The current versions of the proposed Trademark Counterfeiting Act of 1983 (S. 875 and H.R. 2447) would amend the Lanham Act to provide criminal penalties for counterfeiting as well as enhance the civil relief available.

The Food, Drug, and Cosmetic Act makes it a crime to counterfeit drugs, foods, or cosmetics with intent to defraud. The Piracy and Counterfeiting Amendments Act of 1982 makes record and tape counterfeiting and piracy a criminal offense. Mail and wire fraud statutes have been used to prosecute counterfeiters using the mail or wires. Section 5 of the Federal Trade Commission Act prohibits unfair trade practices generally, including counterfeiting, but does not create a private right of action.

- o The United States offers two methods of protection and relief from foreign counterfeiting specifically targeted at imports.

Both trademarks and copyrights can be registered with the U.S. Customs Service with the result that Customs will prohibit the importation of infringing articles.

If imported counterfeit goods are injuring or have a tendency to injure or destroy a domestic industry, the United States International Trade Commission can be petitioned to institute an investigation into unfair trade practices under section 337 of the Tariff Act of 1930. Such investigations are useful in addition to or in place of Federal court actions against counterfeiting because section 337 investigations are limited in duration to 1 year (18 months in more complicated cases), and one of the remedies, the exclusion order, can be applied to all infringing imports, not just those from, or by, the named respondents. The Commission may also issue a cease and desist order as a remedy in appropriate circumstances.

- o Foreign laws relating to counterfeiting vary with regard to coverage and penalties and, therefore, with regard to their effectiveness and usefulness to U.S. producers.

The protection and relief available from product counterfeiting in 21 selected U.S. export markets and country sources of counterfeits were compiled for this report (appendix J). All the countries discussed have some provisions for trademark registration and remedies for infringement, including counterfeiting. Australia, Belgium, the Netherlands, Luxembourg, Brazil, Canada, France, Hong Kong, Italy, Japan, the Republic of Korea (Korea), Mexico, Nigeria, the Philippines, Portugal, Macao, Saudi Arabia, Singapore, Taiwan, the United Kingdom, and West Germany offer various remedies and sanctions, both civil and criminal, that pertain to counterfeiting. Twelve of these countries, Australia, Brazil, Canada, France, Japan, the Philippines, Portugal, Macao, Saudi Arabia, the United Kingdom, and West Germany, have varying provisions for the prohibition of infringing imports by customs authorities. It should be noted that there is a wide body of anecdotal evidence suggesting that enforcement of any laws and regulations regarding counterfeiting is often minimal or absent, particularly in many developing countries.

- o The practice of product counterfeiting has spread from the more traditionally counterfeited products--high-visibility, strong-brand-name consumer goods--to a wide variety of consumer and industrial goods.

Traditionally the goods most often targeted by counterfeiters were consumer goods having strong brand-name identification and high price markups based on the brand name, such as fashion apparel, jewelry, watches, and records and tapes. The production of these goods tended to be labor intensive, allowing free and inexpensive entrance to the market. The profit to be attained from counterfeiting, as well as the limited risks associated therewith, has resulted in the spread of counterfeiting into a greater variety of consumer and industrial goods, including capital-intensive goods such as computer hardware and automobile parts.

The following industry sectors and products were reported by respondents to the Commission's questionnaire as having been subject to foreign product counterfeiting during 1980-82. Of a total of 274 responses, 82 were affirmative.

<u>Industry sector</u>	<u>Products counterfeited</u>
Wearing apparel and footwear.	25 product items <sup>1/</sup> --fashion and athletic apparel and footwear.
Chemicals and related products.	33 product items--agricultural chemicals, cosmetics and toiletries, drugs and pharmaceuticals, petroleum products, and miscellaneous rubber and plastic products.
Transportation equipment parts and accessories.	27 product items--a wide variety of automobile parts and accessories, and aircraft parts.
Miscellaneous metal products, machinery, and electrical products.	17 product items--hand tools, machine tool dies, industrial plug valves, video computer hardware, video switchers, speakers, circuit breakers and fuses, battery packs, wire connectors, integrated circuits, and toasters.

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<sup>1/</sup> The term "product item" is used to encompass varying models of a single product by a single respondent. Therefore, a respondent reporting separately on three model numbers of a single product was recorded as reporting on one product item.

Records and tapes-----	8 product items <sup>1/</sup> --recorded video and audio discs and tapes, and blank tapes.
Sporting goods-----	8 product items--tennis and golf equipment, and sports balls.
Miscellaneous manufactures.	33 product items--luggage, handbags, and flat goods; writing instruments; sunglasses; jewelry; toys; computer software; and video, arcade, and other electronic games.

- o Foreign counterfeiting of U.S.-produced food, beverage, and tobacco products was negligible during 1980-82.

The Commission staff recorded a few unconfirmed reports of counterfeiting of food, beverage, and tobacco products during their search of the relevant literature. Although staff contacts with the industry uncovered no verified instances of foreign counterfeiting of U.S. products, 16 questionnaires were sent to major U.S. producers of packaged food products, alcoholic and nonalcoholic beverages, and tobacco products. All 16 responses were negative. There have been reports of U.S. counterfeiting of domestic products (Texas onions sold as onions from Vidalia, Ga.) and foreign counterfeiting of foreign-produced products (soft drinks, whiskey, and cigarettes).

- o The incidence of counterfeiting in each of the affected industry sectors increased during 1980-82.

Wearing apparel and footwear and records and tapes were the only industry sectors subject to counterfeiting that did not show a steady increase in the number of reported incidents of counterfeiting in both domestic and export markets. Counterfeiting in both of these sectors appears to have matured to the point that, for the most part, as the industry eliminates the source of a particular counterfeit product, new counterfeits of the product are introduced from other sources. In the remaining sectors, the types of products for which counterfeits appeared increased during 1980-82.

The number of counterfeit product items reported by respondents in domestic and export markets during 1980-82, by industry sectors, was as follows:

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<sup>1/</sup> The total number of product items reported is misleading in that records of different titles reported by one respondent were listed as one product item. Furthermore, some respondents deferred to a statement submitted by the Recording Industry Association of America, Inc. (RIAA) in connection with this investigation. An example of the size of the counterfeiting problem in this industry is reflected in the RIAA's estimate that 213 titles were counterfeited or pirated in Singapore alone in 1982.

Industry sector	U.S. market			Export markets		
	1980	1981	1982	1980	1981	1982
Wearing apparel and footwear-----	13	13	14	16	19	17
Chemicals and related products-----	0	0	0	14	18	25
Transportation equipment parts and accessories-----	7	8	10	11	11	18
Miscellaneous metal products, machinery, and electrical products-----	2	4	5	8	9	13
Records and tapes-----	4	8	8	5	5	5
Sporting goods-----	2	3	4	4	4	6
Miscellaneous manufactures-----	22	24	26	16	21	22
Total-----	50	60	67	74	87	106

- o Gray market sales 1/ and unfair trade practices similar to counterfeiting, including passing off and patent and copyright infringements on goods similar to the original, occurred in each industry subject to counterfeiting, but were most prevalent for automobile parts and accessories, chemicals and related products, sporting goods, records and tapes, toys, video games, and computer hardware.

Although practices similar to counterfeiting occurred in the apparel and footwear sector, counterfeiting remains the most significant problem for U.S. producers of these products. Conversely, counterfeiting of automobile parts and accessories is far less significant than passing off and patent violations, particularly in the U.S. market. In the chemicals sector, passing off and patent infringement--particularly for drugs and pharmaceuticals, agricultural chemicals, and cosmetics and toiletries--outweigh counterfeiting. Records and tapes, video games, and computer software all suffer from piracy (copyright infringement). Gray market sales, particularly in the U.S. market, are also a significant problem for the record and tape industry. In the sporting goods and toy industries, counterfeiting is far rarer than patent infringement and passing off.

1/ "Gray market sales" (also referred to as diverted goods, parallel sales, and unauthorized sales) refers to goods bearing an authorized trademark that are sold in contravention of a commercial arrangement. This can consist of legal production by a licensee that is sold in markets restricted by the licensing agreement, or deliberate unreported overproduction by a licensee that is sold without the knowledge of the trademark holder.

The following tabulation shows the number of product items (products that also experienced competition from counterfeits and those that did not) reported by 38 respondents to be experiencing competition in the U.S. market or export markets in 1982 from products competing under practices other than counterfeiting:

Industry sector	Gray market sales	Trade dress/passing off	Patent infringement	Copyright infringement
Wearing apparel and footwear-----	6	14	2	5
Chemicals and related products-----	8	18	6	0
Transportation equipment parts and accessories----	3	9	7	4
Miscellaneous metal products, machinery, and electrical products-----	3	15	4	3
Records and tapes-----	5	1	1	6
Sporting goods-----	5	3	3	2
Miscellaneous manufactures-----	6	17	7	9
<b>Total-----</b>	<b>36</b>	<b>76</b>	<b>30</b>	<b>29</b>

- o Sources of counterfeits of U.S. products and products competing through similar trade practices are worldwide, but are most prevalent in the Far East.

Respondents to the Commission's questionnaire cited 43 countries around the world as sources of counterfeits of U.S. products during 1980-82. Thirty countries in the Far East, Europe, Latin America, Oceania, and Africa were cited as sources of products competing under trade practices similar to counterfeiting in 1982. Taiwan was the leading source in both categories, cited for 91 of the 151 counterfeited product items and 65 times for similar unfair trade practices. Hong Kong (32 product items), Indonesia (18), Singapore (17), Korea (14), and the Philippines (13) were the next most often reported sources of counterfeits. Following the Far East (11 countries) as primary counterfeit sources were Latin America (15 countries), Europe (17 countries), the Middle East (9 countries), Africa (9 countries), Australia, Canada, and India (see table 1 in app. D). Ten countries in the Far East were cited as sources of goods falling under similar trade practices, followed by Europe (10 countries), Latin America (6 countries), Oceania (2 countries), and Africa (2 countries) (table 2).

- o The most common retail selling agents for counterfeit products in the U.S. market are different than those in export markets.

In the domestic market, respondents most often cited discount stores (30 product items) as retailers of counterfeit products. Next were street vendors (24 items) and flea markets (23 items). Street vendors were the most commonly

cited retailers of counterfeits in export markets (32 items), followed by small retail business (28 items). Wholesalers were the most commonly identified nonretail selling agents in both the U.S. market (35 items) and export markets (46 items) (table 3).

- o The United States is the largest single market for foreign counterfeits of U.S. products.

Respondents reported that more than 62 percent (94) of the product items reported to be counterfeited during 1980-82 were sold in the United States.

- o U.S. export markets affected by foreign counterfeiting span the globe, but the Far East contains the most affected foreign markets.

Respondents to the Commission's questionnaire listed 66 countries as markets for foreign counterfeits of U.S.-produced goods (table 1). Hong Kong (cited for 40 product items) and Taiwan (39 items) were the markets where the largest number of different counterfeits occurred. A total of ten countries in the Far East were reported as export markets affected by counterfeiting. Following Hong Kong and Taiwan were Singapore (25 items), the Philippines (21 items), Indonesia (17 items), and Thailand (16 items). Latin America was the second most affected region, with 15 market countries reported. Brazil (15 items) and Panama (14 items) were the most often cited Latin American markets, followed by Venezuela (11 items), Chile (10 items), Mexico (9), Colombia (8), and Argentina (7). Italy (18 product items) and the United Kingdom (16 items) were most often cited in Europe (16 countries). In the Middle East (12 countries), the major markets for counterfeits were Israel and Kuwait (12 items each) and Saudi Arabia (9 items). Nine countries in Africa were cited, led by the Republic of South Africa (10 product items) and Nigeria (6 items). India (16 items) and Australia (11 items) were other major export markets affected.

- o Sales lost to foreign product counterfeiting increased from \$37.5 million to \$49.2 million during 1980-82.

The following tabulation shows domestic and export sales reported lost due to counterfeiting during 1980-82. It should be noted that a number of respondents known to be suffering significant losses due to counterfeiting could not quantify these losses and that these figures therefore represent minimum losses.

Industry sector	U.S. market			Export markets		
	1980	1981	1982	1980	1981	1982
	-----1,000 dollars-----					
Wearing apparel and footwear-----	9,790	14,450	19,430	7,700	8,500	7,650
Chemicals and related products-----	-	-	-	5,200	1,470	860
Transportation equipment parts and accessories-----	800	700	800	7,050	7,120	7,200
Miscellaneous metal products, machinery, and electrical products-----	-	-	550	1,170	1,350	2,350
Records and tapes-----	3,570	1,400	360	<u>1/</u>	<u>1/</u>	<u>1/</u>
Sporting goods-----	300	760	1,620	100	210	1,660
Miscellaneous manufactures-----	560	748	869	1,225	2,348	5,882
Total <u>2/</u> -----	15,020	18,060	23,630	22,450	21,000	25,600

1/ Not reported.

2/ Because of rounding, figures may not add to the totals shown.

- o An estimated \$6 billion to \$8 billion of total domestic and export sales were lost by U.S. industry due to foreign product counterfeiting, passing off, and copyright and patent infringement of similar products, in 1982.

Because a number of respondents affected by counterfeiting were unable to estimate the effect counterfeiting had on their sales, the Commission staff solicited estimates of total lost sales due to counterfeiting in 1982 from various firms and associations in the affected industries. However, in most cases estimates could only be provided on the combination of counterfeiting and similar unfair trade practices. It is estimated from industry figures that approximately \$3 billion to \$4 billion in domestic sales and in U.S. export sales was lost by U.S. industry due to foreign counterfeiting and similar practices in 1982. The estimates of these losses in 1982 for the products covered by the Commission's questionnaire were as follows:



Industry sector	U.S. market	Export markets
-----Million dollars-----		
Wearing apparel and footwear---	700	300
Chemicals and related prod- ucts-----	1/	170-240
Transportation equipment parts and accessories-----	2/	2/
Miscellaneous metal products, machinery and electrical products-----	10-15	30-45
Records and tapes-----	400	258
Sporting goods-----	250	350
Miscellaneous manufactures----	over 200	over 100

1/ Negligible.

2/ \$3,000 million worldwide.

- o Counterfeits are generally different physically or operationally from the original product.

According to questionnaire respondents and written and oral testimony, counterfeits are generally inferior in quality to the original product. Counterfeits of wearing apparel and footwear tend to show less precise workmanship in the stitching and sewing, and can be made from inferior materials. Counterfeit cosmetics and toiletries may not be sterile, and perfumes and colognes are often entirely different in composition. Counterfeit agricultural chemicals and drugs may be totally ineffective, being composed of a neutral agent. Counterfeit transportation equipment parts have been reported to be manufactured of inferior raw materials, lacking nonvisible safety features, or made to less-than-precise specifications. Counterfeit electric circuit breakers and various other electrical consumer goods that could not withstand normal or rated electrical loads were found. Counterfeit records and tapes tend to exhibit inferior audio or video reproduction.

However, counterfeits can and do function in a manner similar to that of the original product, especially where the price of the original is more dependent on a fashion name than on an inherent superiority over lower priced goods. Inferior stitching does not prevent a piece of apparel from being worn; it does, however, suggest a shorter product life span. Similarly, a counterfeit watch is often perfectly adequate in keeping time.

Fifty-five respondents reported that counterfeits were operationally or physically different from their product, 17 indicated that they were not, and 10 did not answer this question. Responses by industry indicating that counterfeits differed in quality from their products ranged from 40 percent of the respondents in the sporting goods industry to 100 percent of those in the wearing apparel and footwear sector.

- o The sale of counterfeits very often results in a loss of goodwill for the trademark owner, causing lost sales of both counterfeited products and noncounterfeited products bearing the same trademark.

A counterfeit product which is inferior in quality to the original may through poor performance bias the user's mind against the legitimate product if the consumer is unaware that the product is not genuine. Even if the consumer is aware of the existence of counterfeits, he may not feel competent to distinguish counterfeit from original and may shy away from purchasing the original. Furthermore, the existence of very low-priced counterfeits of high-priced fashion goods, while not deceiving the purchaser, can devalue the trademark simply through use. Of the 55 respondents indicating that counterfeits of their products were different from the original, 45 indicated that they had lost sales to the counterfeits due to loss of good will (in addition to sales lost through substitution), and 23 respondents indicated that this loss of good will extended to their noncounterfeited products.

- o Counterfeiting does not generally result in price suppression of the legitimate product.

Only 12 of 73 respondents indicated that they had reduced prices as a direct result of competition from counterfeiting--6 respondents in the miscellaneous manufactures sector, 3 in the transportation equipment parts and accessories sector, 2 in the miscellaneous metal products, machinery, and electrical products sector, and 1 in the chemicals and related products sector.

Counterfeiting could also result in price suppression if the counterfeiting was unknown to the affected firm and prices were reduced as a competitive move because the reasons for lost sales or market share were misidentified. However, most firms aware of a counterfeiting problem prefer to attack the problem itself, rather than compete with the counterfeits. For firms where the high price contributes to the perceived value of the product and trademark, a reduction in price could be detrimental to sales.

- o Approximately 131,000 U.S. jobs were lost in 1982 due to foreign product counterfeiting and similar unfair trade practices in the five industry sectors most subject to counterfeiting. <sup>1/</sup>

Five industry sectors, wearing apparel and footwear, chemicals and related products, automobile parts and accessories, records and tapes, and sporting goods, estimated lost domestic and export sales due to foreign product counterfeiting and similar trade practices at nearly \$5.5 billion in 1982. <sup>2/</sup> Assuming these lost sales to equal lost output, the Commission estimates that approximately 131,000 U.S. jobs, including 127,000 manufacturing jobs, were lost in these sectors in 1982. <sup>3/</sup> The total employment loss in the wearing apparel and footwear sector was 44,415 jobs, including 42,899 manufacturing jobs. Between 2,292 and 3,236 jobs were lost in the chemicals and related products sector (2,037 to 2,927 manufacturing jobs); 47,462 jobs, including 45,666 manufacturing jobs were lost in the automobile parts and accessories sector, 20,822 jobs (20,198 manufacturing jobs) in the records and tapes sector, and 15,860 jobs (15,330 manufacturing jobs) in the sporting goods sector.

- o U.S. industry efforts to combat foreign counterfeiting increased during 1980-82 from \$4.1 million to \$12.1 million.

Respondents reported that their total costs of identifying, detecting, and combating counterfeiting (through registration and enforcement of trademarks) rose from \$4.1 million in 1980 to \$5.0 million in 1981 and to \$12.1 million in 1982 (table 4). In 1982 an additional \$5.6 million in identification and enforcement costs was expended combating gray market sales and practices similar to counterfeiting.

Identification and enforcement costs reported by respondents in domestic and export markets during 1980-82 were as follows:

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<sup>1/</sup> Commissioner Stern notes that the above figure of 131,000 U.S. jobs lost in 1982 is an estimate based on figures provided by selected industries canvassed by the Commission staff and then further derived from the standard calculations of the labor content of U.S. output, imports, and exports. Such calculations ignore a number of additional factors, such as the reaction of exchange rates and the effects of output changes on labor output ratios. Therefore, a number of caveats are necessary if these labor content estimates are to be interpreted as actual employment effects. For example, a tariff that restricts imports or a subsidy that promotes exports simultaneously affects a number of other economic variables, many of which also affect trade, such as the exchange rate. A review of the academic literature indicates that the magnitude and, indeed, the direction of the employment effects of counterfeit-induced changes in trade has not been definitely determined. Simply stated, an increase in imports does not necessarily cause a reduction in aggregate domestic employment, and a decrease in exports does not necessarily cause a decrease in aggregate domestic employment. These caveats are explained more thoroughly in Commission Report on Investigation No. 332-154, U.S. Trade-Related Employment, USITC Pub. 1445, 1983.

<sup>2/</sup> See page xx for individual sector losses.

<sup>3/</sup> Employment loss is based on the U.S. Department of Labor input/output model.

Industry sector	Domestic market			Export markets		
	1980	1981	1982	1980	1981	1982
	-----1,000 dollars-----					
Wearing apparel and footwear-----	454	602	2,831	505	826	1,373
Chemicals and related products-----	-	-	-	688	888	749
Transportation equipment parts and accessories-----	77	67	60	145	156	159
Miscellaneous metal products, machinery, and electrical products-----	116	142	242	218	358	414
Records and tapes-----	20	20	90	127	160	203
Sporting goods-----	18	36	45	40	36	150
Miscellaneous manufactures-----	1,390	1,419	5,113	309	255	678
Total-----	2,075	2,286	8,381	2,032	2,679	3,726

Forty-six out of 71 respondents indicated that they had registered their trademarks with the U.S. Customs Service. Registration frequency varied among the industry sectors. All 12 of the respondents reporting in the wearing apparel and footwear sector had registered their trademarks, as had 15 of 17 respondents in the miscellaneous manufactures sector; however, only 4 of 11 respondents in the chemicals and related products sector and 2 of 12 in the transportation equipment parts and accessories sector had done so.

Most respondents that had not registered their trademarks had not done so because they had not experienced competition from imported counterfeits in the U.S. market. However, some of the respondents in the transportation sector were unaware of this remedy.

- o There is a step-by-step process that most firms undertake in attempting to find and stop counterfeiters.

The process begins with the detection of the existence of a counterfeit. Detection is followed by investigation into the origins and principals of the counterfeit product and is in turn followed by attempts to prevent further production. The process ends with enforcement action undertaken by the legitimate manufacturer or trademark holder against the counterfeiter. Each step is dependent upon the success of the previous step. Investigators face myriad obstacles in tracing the source of counterfeits and enforcing their trademarks. The typical counterfeiter is reported to be a shrewd and elusive businessman, quick on the move when pursued by a legitimate trademark owner.

Respondents to the Commission's questionnaire listed 10 methods of detection, identification, and prevention of counterfeiting and 6 enforcement methods (table 5). Chief among the former were investigations, by either in-house or outside services, into counterfeit activities at all levels of

production and distribution, cited by 50 respondents. Forty-three respondents reported that they registered trademarks with the U.S. Customs Service as a preventive measure. Other methods included using trained sales forces, distributors, and licensees to monitor counterfeits in the field and at trade shows, using anticounterfeiting devices (usually labeling), registering trademarks in foreign countries, raising consumer awareness of counterfeiting, working with industry associations and coalitions to promote Government action, and maintaining full-time in house legal and investigative staffs. The two most widely reported enforcement methods were initiating civil and criminal actions against counterfeiters and against the sale of counterfeits at all levels of distribution (35 respondents) and sending "cease and desist" warning letters to counterfeiters at all levels (22 respondents). Also mentioned were cooperation with criminal enforcement authorities, search and seizure orders and police raids, temporary restraining orders, and verbal warnings of impending legal action.

- o U.S. Government action to combat sales of counterfeits domestically and abroad is generally considered imperative by firms affected by counterfeiting.

There exists a general view among the U.S. producers surveyed that unless the profit stemming from counterfeiting is eliminated and the risks are increased, no amount of industry action will succeed in eliminating the problem. Fifty firms responded to an open-ended question regarding proposed U.S. Government action to combat counterfeiting (table 6). Sixty percent of these respondents specifically supported passage of S. 875 and H.R. 2447, providing criminal penalties for counterfeiting. Support for these bills was nearly unanimous among U.S. producers that appeared at the Commission's hearing and among those that submitted written statements. Twenty-one respondents favored strengthening U.S. Customs Service surveillance efforts to seize counterfeits at the border. Also suggested was increased aid by U.S. embassies, consulates, and trade offices in assisting U.S. manufacturers in the pursuit of imported counterfeits.

Recommendations on U.S. government action against counterfeiting in foreign markets were more evenly distributed. Eighteen respondents supported the proposed International Anticounterfeiting Code, 16 suggested that the United States impose economic sanctions against countries known to harbor counterfeiters, and 13 proposed that the United States make every effort to encourage these countries to adopt effective anticounterfeiting laws if they have none and to improve and enforce current anticounterfeiting laws.

- o Counterfeiting is not generally perceived as a serious problem by domestic retailers.

The Commission staff conducted telephone interviews with 50 major retailing firms and two retailing and franchising associations. Few of these firms had firsthand experience with counterfeit goods, and counterfeiting was not an area of major concern. Those firms having experience with counterfeits cited clothing, jewelry, and perfume as the most commonly counterfeited items discovered. In most instances, the retailer contacted the legitimate trademark holder or manufacturer and assisted in tracking down the counterfeits. Those retailers actively guarding against the purchase of counterfeits buy merchandise only from reputable vendors and rely on their buyers' training and product knowledge to avoid acquiring fraudulent goods.

Flea markets and street vendors were most often perceived by retailers as the primary distributors of counterfeits.

Franchisers also reported little problem with counterfeit merchandise, primarily because in most franchising operations involving products, the distribution system is closely controlled by the franchiser. Their primary problems in foreign markets are the preregistration of their trademarks by others and the often short-term trademark protection provided to franchisers in some countries.

- o Although unopposed to anticounterfeiting efforts by the U.S. Government, retailers have significant objections to certain provisions of S. 875 and H.R. 2447.

A number of individual retailers and three major retail trade associations, representing 67,500 individual, general merchandise, department, discount, and specialty stores in the United States, expressed serious reservations about the operation of U.S. anticounterfeiting efforts as embodied in the proposed amendments to the Lanham Act. They felt that the legislation is aimed more at the retailers than at the actual counterfeiters, subjects retailers to severe criminal sanctions, could be used by manufacturers for price and supply maintenance, and fails to distinguish between intentional and unintentional possession or sale. Further, they feel that there are inadequate safeguards against, and remedies for, malicious prosecution.

## PRODUCT COUNTERFEITING--AN OVERVIEW

## Definition

There is no one definition of product counterfeiting that is universally accepted. For the purposes of this investigation, product counterfeiting is defined as any goods bearing an unauthorized representation of a legally registered trademark if those goods are similar or identical to the product for which the trademark is registered. This definition does not include the following: (1) unregistered trademarks; (2) copyright infringements; (3) patent infringements; (4) the unauthorized use of a trademark on a substantially nonsimilar product; (5) "passing off"--the use of a similar, but not identical, trademark on a substantially similar product, or the use of similar or identical packaging without the trademark; or (6) "gray market" or parallel sales--the sale of products bearing an authorized trademark in contravention of a marketing agreement.

Although it is acknowledged that certain definitions of counterfeiting encompass some or all of these secondary practices and that all of them can be and are used as a method of wrongfully benefiting from the good name of a legitimate producer, the Commission's definition has been limited for a number of reasons. As a matter of practicality and potential usefulness in international negotiations, the Commission's definition coincides with the definition of counterfeiting in the proposed General Agreement on Tariffs and Trade (GATT) International Anticounterfeiting Code. In addition, there is a problem in clearly defining practices, other than trademark counterfeiting on an identical or similar product, as pure counterfeiting. The intent of counterfeiting is to wrongfully benefit through deceit from the efforts of a firm to establish and maintain a product or corporate image (whether for fashion, reliability, quality, or value) with the consumer or public at large. Ideally such an effort should be undetectable by the average prudent consumer or observer, but, in any case, must be successful in deception to achieve the intent. The exact duplication of a registered trademark on an identical or similar product is inarguably always intended to produce this result, and is most successful in doing so. With regard to copyright and patent infringements, even on similar products, and passing off, there is a gray area for which it is impossible to consistently define the point at which the average observer is deceived or is likely to be deceived, and thus the acquisition of verifiable data on the effects of such practices is impractical. With regard to gray market sales, it is not the product (which bears an authorized trademark), but the particular area or mode of sale that offends. With regard to unregistered trademarks, ownership, and therefore intent, may be in question. <sup>1/</sup>

Deception of the initial purchaser is not always necessary or intended, nor is the counterfeit product always vastly inferior in quality (at least as far as function) to the original, although such is generally the case. Expensive designer watches can be used to demonstrate both exceptions. A counterfeit of a \$2,000 designer watch selling for \$35 on the street corner is

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<sup>1/</sup> The counterfeiting of money, credit cards, and financial instruments is not included in this study because these items are not considered "products" per se.

unlikely to deceive even the most unaware purchaser. However, the purchaser may in full knowledge purchase the counterfeit as a gift or for his own use in lieu of an unaffordable original, and, in both cases, the ultimate consumer or observer may be deceived. Presuming that the price of the original is based primarily on the quality of nonfunctional features or the manufacturer's name, the counterfeit may also function as well as the original as a timepiece. Regardless of the quality of a counterfeit or actual deception of the purchaser, the sale of a counterfeit still represents damage to the manufacturer, if not through a lost sale, then through the devaluation of the brand name.

Although counterfeiting occurs worldwide, the subject of this investigation is foreign product counterfeiting and its effects on U.S. industry. Therefore, the data collection was targeted at products produced in the United States for domestic or export sale that were counterfeited in foreign countries for sale in the country of production, the United States, or third-country markets.

#### International Conventions Relating to Counterfeiting

There are at present no international agreements to which the United States is a party which relate exclusively or primarily to counterfeiting. There are, however, a number of international agreements which do bear on counterfeiting. Foremost among these is the Paris Convention on Industrial Property. The various Inter-American trademark conventions are also important.

#### Paris Convention on Industrial Property

This multilateral agreement on industrial property, including trademarks, was originally entered into on March 20, 1883. It was revised in 1900 (Brussels revision), 1911 (Washington revision), 1925 (The Hague revision), 1934 (London revision), 1958 (Lisbon revision), and 1967 (Stockholm revision). The Stockholm revision entered into force for the United States on September 5, 1970, with the exception of articles 1 through 12, which entered into force for the United States on August 25, 1973. 21 UST 1583; 24 UST 2140; TIAS 6923, 7727. 1/ As of January 1, 1983, nearly 80 countries were signatories to the Stockholm revision. 2/

The convention contains substantive provisions which are variously considered self-executing by the signatory countries, depending on their national law. By virtue of article 2, the national treatment provision, persons entitled to the benefits thereof enjoy in signatory countries the same protection and the same legal remedies against any infringement of their trademarks as nationals of those countries. This is an extremely important

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1/ The text of the Stockholm revision appears in app. E.

2/ A list of these signatory countries appears in app. F. U.S. law also requires that bilateral commercial treaties with countries not signatory to the Paris convention must contain provisions to ensure treatment to U.S. nationals which is no less favorable than that afforded by the Paris convention (19 U.S.C. § 2435(b)(4)).



provision since it insures that U.S. citizens and firms will have access to the courts of other signatory countries and be fully entitled to the benefit of their national laws, including their trademark laws. Beneficiaries also enjoy special rights and advantages defined by the convention over and above the rights and advantages which nationals enjoy under the national law of each country. 1/ Disputes may be negotiated or brought to the International Court of Justice by one of the parties unless jurisdiction has been reserved or renounced by the other party. Other methods of settlement are permissible. 2/

Trademarks are not defined in the Paris convention, and their treatment is left largely to national law, which in most cases provides for registration of trademarks. Every signatory country may and does determine, as it sees fit, the sanctions and remedies against any acts of infringement. 3/ However, the convention has, since its original adoption, provided article 9 for the application of special measures of repression with respect to articles bearing infringing marks when quick and effective action is necessary.

Article 9 provides that goods illegally bearing a trademark shall be (1) seized on importation, (2) prohibited from importation, or (3) subjected to the remedies available in such cases to nationals, in that order, depending on the provisions of national law. Article 9 does not impose an obligation on signatory countries to create or maintain national law permitting such seizure or prohibition. Counterfeiting is certainly encompassed within the provisions of article 9.

The Paris convention also contains provisions relating to commercial or trade names in article 8 over and above the national treatment provision of article 2. This provision has been stated to be self-executing, but may not be as useful as it once was because most signatories have enacted legislation for, or have developed jurisprudence on, the protection of commercial names. Article 8 incorporates the remedies of article 9.

The Paris convention also contains provisions relating to the protection of indications and appellations of origin in article 10 over and above the national treatment clause of article 2; article 10 bis similarly addresses unfair competition. The sanctions stipulated in article 9 are applicable

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1/ These are expressed in the provisions of arts. 1, 4, 4 bis, 4 ter, 4 quater, 5, 5 bis, 5 ter, 5 quater, 6, 6 quater, 6 quinquies, 6 septies, 7, 8, 10, 10 bis, and 10 ter.

2/ These disputes are, of course, resolved at the country level. Generally, an individual or firm has no standing to participate in the dispute resolution procedure. However, an individual or firm who feels that he has been discriminated against or otherwise not accorded the benefits of the convention by a particular country may petition his government to begin dispute resolution procedures. U.S. nationals may be able to take advantage of sec. 301 of the Trade Act of 1974 (19 U.S.C. § 2411).

An extended discussion of the Paris convention may be found in Bodenhausen, Guide to the Application of the Paris Convention for the Protection of Industrial Property, (World Intellectual Property Organization, Geneva, 1968).

3/ Two special cases of infringement are addressed in arts. 6 bis (well-known marks) and 6 septies (unauthorized registration by agent).

against the acts referred to in article 10, but article 10 bis does not specify any sanctions.

A diplomatic conference on further revision of the Paris convention was begun in Geneva in March 1980 and continued in Nairobi in 1981. The third session was convened in October and November 1982, after which the conference adjourned. It is not anticipated that any revision agreed to will affect the trademark provisions of the convention in any substantial manner.

#### Inter-American conventions on trademarks

The United States has been signatory to a series of inter-American trademark conventions entered into from 1910 through 1929. These conventions include provisions similar to those of the Paris convention for the protection of trademarks, trade names, and indications of origin. They have become largely superfluous since most of the states involved are now also signatories to the Paris convention. The United States is a party to three conventions involving different countries, as follows: Buenos Aires Convention, 1910 1/ (Bolivia, Ecuador, and Uruguay); Santiago Convention, 1923 2/ (Brazil and the Dominican Republic); Washington Convention, 1929 3/ (Colombia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, and Peru). Uruguay, Brazil, the Dominican Republic, Cuba, and Haiti are signatories to at least one version of the Paris convention.

#### Possible future international agreements

The United States and several of its trading partners have been working together to develop an agreement to combat trade in counterfeit goods. A draft text of a possible agreement, formally entitled "Agreement on Measures to Discourage the Importation of Counterfeit Goods," 4/ was first developed in 1979 at the end of the Tokyo round of Multilateral Trade Negotiations (MTN). Because negotiations among the GATT members were begun very late in the MTN, most of them preferred to proceed carefully with the proposed agreement, rather than include it in the MTN agreements.

Since 1979, there have been further discussions, particularly among the United States, the European Community, Canada, Japan, and Switzerland, which have led to several revisions of the proposed agreement. In September 1982, informal multilateral discussions in Geneva resulted in a single draft text which was circulated among GATT member countries in preparation for the GATT Ministerial Conference. The result of the GATT Ministerial Conference was to direct the Director General of the GATT to refer the draft agreement to the World Intellectual Property Organization (WIPO) for comment before establishing a working party within the GATT. The Secretary-General of WIPO indicated that the Secretariat would only undertake new activity in the field

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1/ 39 Stat. 1675; TS 626; 1 Bevans 772.

2/ 44 Stat. 2494; TS 751; 2 Bevans 395.

3/ 46 Stat. 2907; TS 833; 2 Bevans; 124 LNTS 357.

4/ The text of the most recent draft of the proposed code is reproduced in app. G.

of counterfeit goods if instructed to do so by the governing bodies of WIPO. The report of the Director-General and the question of a working party are now before the GATT Council.

The draft agreement consists of a preamble, nine articles, and general notes on the articles. As set forth in the preamble, the purpose of the draft agreement is to "discourage international trade in counterfeit goods" and to deprive parties to the importation of counterfeit goods of the economic benefits of such transactions. Article 1 provides that the signatories shall discourage international trade in counterfeit goods by dealing with imported counterfeit goods "in a manner that deprives the persons involved of the economic benefits of the transaction and provides an effective deterrent to international trade in such goods." As part of this effort, the counterfeit goods "should be prevented from reaching the commercial market." Nominal quantities of goods intended for personal use and not for sale may be exempted.

Article 1 defines counterfeit goods as "any goods bearing an unauthorized representation of a trademark that is legally registered in respect of such goods in the country of importation." This definition does not apply to goods which have been produced or marketed under a protected trademark by the owner of the trademark right, or with his consent, or to goods bearing an authorized trademark which are imported in contravention of a commercial arrangement. The definition of "counterfeit goods" is, by note 1, limited to imported goods with trademarks that are identical or substantially identical to the legally protected mark. Further, signatories with registration systems for trademarks may require such registration as a precondition to the application of procedures required by the code. Article 1 provides that the terms "trademark" and "imported goods" shall be defined by the law of the country of importation. The agreement will not be self-executing; article 1 provides that "the intellectual property laws of any party shall not be changed" by adhering to the code.

Article 2 obligates signatory countries to provide owners of trademark rights with the judicial or administrative means necessary to initiate procedures against imported counterfeit goods before they are released by customs authorities. Persons taking advantage of such procedures will be required to establish their rights to protection and to show that counterfeit goods are being, or are about to be, imported. Such persons may be required to provide an indemnity bond. Where the authorities are satisfied that the goods are reasonably suspected of being counterfeit, they are to detain, seize, or maintain jurisdiction over the goods and to prevent the sale or other disposition of the goods pending a final determination as to whether the goods are indeed counterfeit. Alternative procedures will be acceptable, but persons affected by any procedure adopted are to be promptly informed of any actions taken. The criteria for determining whether imported goods are counterfeit are to be no less favorable than those used with respect to domestic goods, and such determinations are to be made fairly and without undue delay. The trademark owner may be permitted to terminate any action taken. Where retention of the goods is based on an interim order of the authorities and a final order is required, the importer may dispose of the goods if the trademark owner does not apply for a final order in a reasonable period of time.

Article 3 provides that once the imported goods are determined to be counterfeit--

they shall be disposed of in such a way so as to deprive the parties to the importation of the counterfeit goods of the economic benefits of the transaction and to provide an effective deterrent to further transactions involving the importation of counterfeit goods.

To the greatest extent possible, counterfeit goods are to be forfeited and disposed of outside commercial channels.

Article 4 provides the importer with a right to judicial review of any final decision of the authorities.

Article 5 requires all implementing laws, regulations, general administrative rulings, and procedures to be published and judicial decisions to be made available to other signatories. The signatories are to cooperate with and assist one another in implementing the agreement.

Article 6 provides that the notes to the articles form part of the agreement and are authoritative.

Article 7 deals with the enforcement of obligations of the signatories. It would establish a "Committee on Measures To Discourage the Importation of Counterfeit Goods," composed of representatives of the signatories, for the purpose of consultation on the operation of the agreement. Consultation and settlement of disputes with respect to any matter affecting the operation of the agreement would be subject to the procedures of articles XXII and XXIII of the GATT and the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance.

Article 8 provides that signatories which are developing countries may delay application of the agreement for up to 2 years on notice to the Director General of the GATT. Developed country signatories are to assist less developed country signatories in the implementation of the agreement.

Article 9 provides for the acceptance of and accession to the agreement, reservations, entry into force, amendments, and withdrawal. It also provides that each signatory must insure, not later than the date of entry into force of the agreement, the conformity of its procedures relating to trade in counterfeit goods with the provisions of the agreement. The committee established by article 7 is to review the implementation and operation of the agreement annually and to report to the signatories. Article 9 specifically contemplates the possibility of expanding the coverage of the agreement to include trade in counterfeit goods involving other intellectual property rights besides trademarks. <sup>1/</sup>

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<sup>1/</sup> Further discussion of the draft code may be found in Walker, "A Program To Combat International Commercial Counterfeiting," 70 Trademark Reporter 117 (1980); Olenick, "Draft International Anticounterfeiting Code, Neo-Realism as a Vehicle for Analyzing the Effect of Nonsignatories' Perceptions on the Development of an Anticounterfeiting Norm," 15 Vanderbilt Journal of Transnational Law 803 (1982); and Walker, "The Evolution and Status of the International Anticounterfeiting Code," 11 Industrial Property 325 (November 1982).

## U.S. LEGISLATION ON COUNTERFEITING

## Federal Statutes Relating to Counterfeiting

The Lanham Act

The Lanham Act (Trademark Act of 1946, as amended; 15 U.S.C. §§ 1051-1127) is the principal statute relating to trademarks in the United States. <sup>1/</sup> It establishes a Federal registration system for trademarks, accords registered trademarks certain benefits not available under state law, and provides remedies for infringement of registered marks. <sup>2/</sup> Although the registration system is two tiered, comprising a Principal Register and a Supplemental Register, benefits accrue largely to the trademarks on the Principal Register.

Infringement; counterfeiting.--Infringement is defined as a simulation of the mark which causes a likelihood of confusion:

Any person who shall, without the consent of the registrant:

- (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
- (b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive shall be liable . . . . [15 U.S.C. § 1114(1).]

Counterfeit marks are, as noted, expressly covered by the foregoing provision. A counterfeit mark is defined as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127. Where a mark has been counterfeited, liability depends on proof of likelihood of confusion. Where the counterfeit mark is used on

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<sup>1/</sup> The text of the Lanham Act is reproduced in app. H.

<sup>2/</sup> In contrast to trademark rights in many countries, those in the United States (e.g., the right to exclusive use of the trademark) are created by use, not registration. Indeed, trademarks cannot be registered under the Lanham Act unless they are already in use in interstate or foreign commerce. However, registration gives the trademark owner significant advantages, e.g., a presumption that his trademark is valid, constructive notice of his exclusive rights, and access to the Federal courts. Although the Lanham Act is primarily directed to registered trademarks, it contains a provision, sec. 43(a), which has been widely interpreted by the courts to protect unregistered trademarks as well.

identical goods, intent to confuse is usually found and likelihood of confusion is generally inferred from such intent. In other words, infringement is generally easy to establish in a trademark counterfeiting case.

Procedure; relief.--The trademark owner commences actions for infringement by filing a complaint in the appropriate U.S. district court, that is, the district court having personal jurisdiction over the defendant. Proceedings in the District Courts are governed by the Federal Rules of Civil Procedure and the Federal Rules of Evidence. Appeal is to the appropriate United States Court of Appeals, that is, the court of appeals for the judicial circuit in which the district court sits. Further review may be had by the United States Supreme Court on certiorari.

The court may enjoin future infringement and make an award for past infringement. 15 U.S.C. §§ 1116-1117. The award may include the defendant's profits, any damages sustained by the plaintiff, and costs of the action. The court may also award attorney fees in exceptional cases. In assessing profits, the plaintiff is only required to prove defendant's sales; the defendant must prove all elements of cost or deduction claimed. An award of both profits and damages is rare, but prevailing trademark owners are normally awarded costs. The court may increase any award of profits and may treble any damages awarded. In addition, the court may order that---

all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark, or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same shall be delivered up and destroyed. [15 U.S.C. § 1118.]

A preliminary injunction may be granted under the usual rules, i.e., that there is a likelihood that the plaintiff will ultimately succeed on the merits and suffer irreparable harm if the preliminary injunction is not granted. Temporary restraining orders (TRO's) may be issued in advance of any preliminary injunction. Such TRO's may be issued ex parte and may include search and seizure orders supervised by U.S. marshals. 1/

Enforcement of injunctions is by contempt proceedings. These may be begun in the district court issuing the injunction or any other district court in whose jurisdiction the defendant may be found. 15 U.S.C. § 1116. Enforcement of an award of profits or damages depends upon the existence of assets of the judgment debtor in the district where the court making the award sits or in the districts in which it is subsequently registered. Assets of a judgment debtor located abroad may be executed abroad by registration or by a separate action on the judgment in the local court. However, whether a judgment will be recognized and enforced abroad depends on the national law of the foreign country involved.

Trademark infringement actions in the district courts are comparatively short, particularly if only injunctive relief is sought. Individual cases are

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1/ See, *Fiamb-Finanziaria Maglificio Biellese Fratelli Fila S.p.A. v. Kitchen*, 219 USPQ 40 (S.D. Fla. 1982), and cases cited therein.

comparatively inexpensive, but there may be numerous infringers who cannot all be joined in one action. Furthermore, enforcement of injunctive or money relief may require subsequent enforcement proceedings, adding to the expense. On the other hand, counterfeiting, because of its inherent willfulness, is a prime candidate for treble damages and the award of attorney fees, as well as the usual court costs.

Customs prohibition of infringing imports.--In addition to an action for trademark infringement, the trademark owner may record his registered trademark with the U.S. Customs Service, which will then prohibit entry of goods bearing infringing marks. Coordinate provisions appear in the Lanham Act, 15 U.S.C. § 1124, and the Tariff Act of 1930, 19 U.S.C. § 1526. The Lanham Act provision simply provides, inter alia, that "no article of imported merchandise . . . which shall copy or simulate a trademark registered in accordance with the provisions of [the Act] . . . shall be admitted to entry at any customhouse of the United States . . . ." The Tariff Act provision declares that--

it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a [registered] trademark owned by a citizen of, or by a corporation or association created or organized within, the United States

and provides for seizure and forfeiture as well as liability for injunctive and monetary relief for infringement under the Lanham Act; it also contains a special provision for the importation of counterfeit goods, 19 U.S.C. 1526(e). Under that special provision, counterfeit goods are treated more severely than other goods bearing infringing marks, since they must be forfeited and disposed of by the Government outside commercial channels even if the counterfeit marks are removed. With respect of other goods bearing infringing marks, they may be imported if the marks are removed or reexported if they are not.

19 U.S.C. § 1526 is limited to protecting U.S. citizens and firms; 15 U.S.C. § 1124 extends to foreign firms as well. The Customs Service embraces both statutes in its implementing regulations. 19 C.F.R. Part 133. <sup>1/</sup> However, the Customs Service provides no protection where the trademark on the foreign goods is owned by the U.S. trademark owner or where the foreign and U.S. trademark owners are subject to common ownership or control. 19 C.F.R. § 133.21(c)(1) and (2). This exception has been criticized as not in conformity with 15 U.S.C. 1124.

The cost of recording is minimal: \$190 for each trademark and class of trademark registration and 1,000 copies of the registration certificate, plus a status copy of the registration certificate. 19 C.F.R. § 133.3.

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<sup>1/</sup> Customs' implementing regulations also cover foreign and domestic commercial names not registered as trademarks, which are protected by 15 U.S.C. § 1124 but not 19 U.S.C. § 1526, but do not refer to false designations of origin, which are mentioned in 15 U.S.C. § 1124 but not 19 U.S.C. § 1526.

Implementation procedures are detailed in the Customs Service Policy and Procedures Manual, Manual Supplement No. II-3500-20, September 1, 1982. 1/

#### Other Federal statutes

There are no other Federal statutes which are directed against counterfeiting of registered trademarks in general. However, there are several which are directed against counterfeiting of specific products or circumstances which would include trademark counterfeiting. The Food, Drug and Cosmetic Act makes it a crime to counterfeit drugs, foods, or cosmetics with intent to defraud. 21 U.S.C. § 301 et seq. The recently enacted Piracy and Counterfeiting Amendments Act of 1982 makes record and tape piracy a criminal offense. 18 U.S.C. § 2318. The mail and wire fraud statutes have been used in certain cases in which the counterfeiters have used the mail or wires. 18 U.S.C. §§ 1341 and 1343. Both section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, prohibit unfair practices generally, which would include counterfeiting. The former does not create a private right of action, however; the latter is discussed later in this report.

#### State statutes

All states have enacted trademark statutes providing for registration of marks and protection of registered marks. These statutes are analogous to the Lanham Act and are based on the model State trademark law drafted by the United States Trademark Association. Unregistered marks may be protected under state unfair competition laws. In addition, many States have enacted their versions of the Uniform Deceptive Trade Practices Act, which also bears on counterfeiting. 2/

#### Relief Available Through the U.S. Customs Service and the U.S. International Trade Commission

Two avenues for protecting intellectual property rights such as patents, trademarks and copyrights are U.S. Customs Service procedures for the recordation of registered trademarks or copyrights and section 337 of the Tariff Act of 1930. Once recorded, Customs will not permit the importation of the recorded item, unless the owner of the registered trademark or copyright authorizes the importation. Section 337 of the Tariff Act of 1930

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1/ A more detailed discussion of this subject is provided in this report in the section on relief available through the U.S. Customs Service and the U.S. International Trade Commission. See also, Kuhn, "Remedies Available at Customs for Infringement of a Registered Trademark," 70 Trademark Reporter 387 (1980), and Orandle, "U.S. Customs Administration of Patent, Trademark, and Copyright Law," (BNA 1983).

2/ An excellent summary discussion of these laws and indeed the entire counterfeiting problem may be found in Rakoff and Wolff, "Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act," 20 American Criminal Law Review 145 (1982).



(19 U.S.C. § 1337), provides a forum for the resolution, generally within one year, of trade disputes involving not only registered trademarks and copyrights, but also many other intellectual property causes of action such as patent infringement, common law trademark infringement, and theft of trade secrets. When a section 337 violation has been shown, the Commission may direct the Customs Service to exclude infringing products or issue cease and desist orders.

This section of the report addresses infringement of registered trademarks -- the focus of the survey conducted by the Commission. However, the same procedures used to address registered trademark infringement are also used for litigating other unfair competition questions, such as patent infringement, common law trademark infringement, 1/ and copyright infringement. Moreover, there are instances where intentional infringement of the intellectual property rights, other than registered trademarks, raise similar questions regarding the need for a remedy against foreign importations.

#### Recordation of a registered trademark or copyright with the U.S. Customs Service

The owner of a registered trademark 2/ or of a copyright 3/ has an inexpensive, simple procedure for protecting his products from being infringed. However, the procedure is not available for other types of intellectual property such as patents or common law trademarks. It also does not currently apply to "parallel importations," where products manufactured by

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1/ A prerequisite to a showing of common law trademark infringement is the establishment of a common law trademark. A trademark indicates origin or ownership, guarantees quality or constancy, and entitles the owner to advertise goods or services bearing the mark. After establishing that the mark functions as a trademark, i.e., that it indicates the source of the goods or services, the complainant in a common law infringement action must establish that he has an exclusive right to use of the mark and that the unauthorized use of the mark by another causes a "likelihood of confusion." See McCarthy, Trademarks and Unfair Competition, sec. 23.1 (1973).

2/ The requirements for registering a mark on the principal register are as follows: (1) the mark must be used to identify and distinguish goods or services. A trademark is any word, name, symbol, or device which identifies the source of goods or services and distinguishes them from those of others; (2) the mark must be used in interstate commerce prior to the application; (3) the mark must be affixed to the goods or in displays or advertising associated with the goods or services; (4) the application should identify the goods or services on or in connection with which the mark is used; and (5) if the mark is not arbitrary or inherently distinctive, adequate proof that consumers associate the mark and the goods or services with a single source. 15 U.S.C. §§ 1051, 1052, 1127.

3/ A copyright is a right granted by Federal statute to the author or originator of certain literary or artistic productions, whereby he is invested, for a limited period, with the sole and exclusive privilege of multiplying copies of the same and publishing and selling them. Black's Law Dictionary. The Federal Copyright Act, 17 U.S.C. § 1 et seq., preempts all State copyright laws.

the trademark owner or his licensees for sale in other countries are imported into the United States. (19 C.F.R. § 133.22(c)(3)). Recently, two courts have found that parallel importation constituted trademark infringement, 1/ and Customs is reportedly considering changing its regulations to cover parallel importation. 2/

Section 526(a) of the Tariff Act of 1930 (19 U.S.C. § 1526(a)), makes it unlawful except in a few narrowly defined instances to import an item bearing a trademark registered without authorization from the trademark owner if the certificate of registration is filed with the Secretary of the Treasury. Section 526(e) makes such goods subject to seizure by Customs. Similarly, section 603(c) of the Copyright Act of 1976 (17 U.S.C. § 602(b)) makes it unlawful to import copyrighted material without authorization from the copyright owner, and section 101 makes such materials subject to seizure by Customs.

Since the Customs Service's Rules regarding the recordation of trademarks 3/ and copyrights 4/ are generally the same, the following discussion will only treat in detail the rules relating to trademarks. The treatment of trademarks and copyrights differ only by what Customs does after it has seized the products.

Section 133.2 of Customs Service Rules (19 C.F.R. § 133.2) sets forth the information required to be in the "application for recording a trademark." The application must be accompanied by a certified copy of the registration, five copies of the certificate, and a fee of \$190 for each class of goods for which the trademark is registered. (19 C.F.R. § 133.3). 5/

Although all goods bearing either the recorded trademark or a mark likely to be confused with the recorded trademark are subject to seizure 6/ (19 C.F.R. § 133.21(a)) the rules provide for different treatment of "counterfeit"

1/ Model Rectifier Corp. v. Takachiho Int., Inc., \_\_\_ F.2d \_\_\_ (Ca. No. 82-5695 9th Cir. 1983); Bell & Howell: Mamiya v. Masel Supply Co., 548 F.Supp. 1063 (E.D.N.Y. 1982), rev'd on other grounds and vacated and remanded, Dkt. No. 82-7867 (2d Cir. Oct. 4, 1983), (failure to consider the irreparable injury prong of the preliminary injunction test was the basis for the decision, thus the court did not consider whether parallel importation constituted trademark infringement).

2/ BNA Int. Inc., 1 Trade U.S.A. 4 (September 1983).

3/ Tradenames may also be recorded with Customs even though they are not registered with the Patent and Trademark Office. (19 C.F.R. §§ 133.11-133.15).

4/ 19 C.F.R. §§ 133.31-133.46. It should be noted that these rules have not been revised to take into account the "new" Copyright Act of 1976 (17 U.S.C. § 101 et seq.). However, Customs has published proposed regulations which will be in conformance with the new Copyright Act. 48 F.R. 31245-31249, (July 7, 1983).

5/ The rules require 1,000 copies. However, in actual practice Customs only requires five copies.

6/ Goods imported for the importer's personal use are exempt from seizure if the importer imports only one article. (19 C.F.R. §§ 133.21(c)(7), 148.55). This exemption is only available with respect to "trademarked" items. No such exemption exists for copyrighted items.

marks and those which are merely likely to be confused. (19 C.F.R. §§ 133.21(b), (d), 133.23(b)(3)). A "counterfeit" mark is defined as a mark which is identical or substantially identical to the registered trademark. (15 U.S.C. § 1127; 19 C.F.R. § 133.23(a)). If the imported goods bear a counterfeit mark, Customs will notify the trademark owner of the seizure and the owner has 30 days to decide whether to consent to importation of the goods, exportation, entry after obliteration of the mark, or other appropriate disposition. (19 U.S.C. § 1526(e); 19 C.F.R. § 133.23a(c)).

If, however, the mark is not a counterfeit mark, but is likely to be confused with the recorded mark, the goods will be released if the confusing mark is removed or obliterated in such a manner that it is illegible and incapable of being reconstituted into a confusing mark. (19 C.F.R. § 133.21(c)(4)). In determining likelihood of confusion, Customs applies the same tests utilized by the courts. See, e.g., C.S.D. 80-39, 14 Customs Bulletin at 787 (1980); C.S.D. 80-77, 14 Customs Bulletin at 851 (1980). It determines whether an unsophisticated buyer of the product at the retail level would likely be confused into believing the imported product was the recorded mark. Indeed, the Second Circuit in Montres Rolex SA v. Snyder, \_\_\_ F.2d \_\_\_, 26 BNA Patent, Trademarks and Copyright Journal (2d Cir. October 1983), affirmed the granting of a writ of mandamus by the lower court directing Customs to use the ordinary consumer test.

Similarly, Customs applies the test utilized by the courts to determine copyright infringement, i.e., Customs determines whether an ordinary observer would consider the imported product to be the same as the copyrighted material. See, e.g., C.S.D. 80-173, 14 Customs Bulletin 1021 (1980).

If, after the article has been allowed to enter the United States, i.e., released, Customs determines that an article is subject to seizure, it will make a demand for redelivery of the article, and upon redelivery, seize the article. The demand is made on the importer of record, unless an actual owner's declaration and superseding bond 1/ has been filed, in which event the demand is made on the owner. (19 C.F.R. § 141.113(d)). If the article is not redelivered to Customs' custody, Customs will make a claim for liquidated damages. (19 C.F.R. §§ 133.24, 141.113(g)). 2/

Once Customs has seized a trademarked or copyrighted article, it must provide written notice to each party that has an interest in the seized goods. (19 C.F.R. § 162.31(a)). The interested parties then have 60 days from the date of the mailing of the notice within which to appeal the seizure. (19 C.F.R. § 171.12(b)). To appeal, the importer or owner of the trademarked article must file a petition with the district director for the district in which the article was seized. (19 C.F.R. § 171.12). The district director has the authority to mitigate or remit forfeitures if the total amount of liquidated damages for failing to redeliver the goods is less than

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1/ A superseding bond replaces the bond posted by the importer.

2/ Liquidated damages is the forfeiture of the importer's or owner's bond. Often, the liquidated damages is less than the profit that might be made upon a sale by the importer or owner. Thus, the importer will often forfeit the bond. However, once Customs has determined that the articles are subject to restriction, future importations of the same article will be stopped.

\$25,000. (19 C.F.R. § 171.21). If the value is greater than \$25,000, the appeal is filed with Customs' headquarters.

The importer may protest the district director's decision by filing a protest with the district director within 90 days of the date of the decision (19 U.S.C. § 1514(a), 19 C.F.R. § 174.12). The district director must act on the protest within 30 days of receipt unless the importer requests additional time. (19 C.F.R. § 174.21(b)). If the protest is denied, the importer may appeal to the Court of International Trade within 6 months of the mailing of the denial of the protest. (19 U.S.C. § 1514, 19 C.F.R. § 174.31). Appeals from the Court of International Trade are made to the Circuit Court of Appeals for the Federal Circuit. (28 U.S.C. 1295(a)(5)).

If no appeal is filed, or if the appeal fails, Customs will dispose of the seized property, in the following manner: trademarked products, which are likely to confuse consumers will have the mark obliterated and then sold. (19 C.F.R. §§ 133.52(a), 162.46) Counterfeit trademarks will be obliterated, where feasible, and then (i) delivered to any Federal, State, or local government agency; (ii) given to charity; (iii) sold at a public auction one year after the seizure; or (iv) destroyed if the mark cannot be obliterated. Infringing copyrighted products will be destroyed as will infringing counterfeit trademarks whose trademarks cannot be obliterated or are sold at auction, one year after seizure. (19 C.F.R. §§ 133.52(a), 162.46).

A firm planning to import a product can obtain an advance determination, i.e., an advisory opinion, from Customs stating whether or not the goods infringe a recorded trademark or copyright. See, e.g., C.S.D. 80-159, 14 Customs Bulletin 998 (1980). This procedure protects the importer against purchasing goods that Customs would seize if the products were imported.

The major difference between the rules relating to trademarks and copyrights is the rule relating to what occurs after a product is seized by Customs. With a trademarked product, the burden is on the importer to show why the goods should be released; whether the seizure is based on a determination of infringement or merely a suspicion of infringement.

In a copyright situation both the copyright owner and the importer bear the burden of going forward if Customs merely suspects that the imported goods are pirated copies. <sup>1/</sup> However, if Customs is able to make an independent determination of infringement, it will seize the goods and destroy them. C.S.D. 80-173, 14 Customs Bulletin 102 (1980).

Customs follows the following procedure when it merely suspects that the imports infringe a copyright. The importer is notified of the seizure and is given 30 days within which to file a statement denying that the article is piratical. If the importer files such a statement, the copyright owner is provided with a representative sample of the imported goods. The copyright owner has 30 days from receipt of the sample to file a written demand for the exclusion of the article. He must also provide a bond in the form and amount specified by the district director to hold the importer harmless for any loss

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<sup>1/</sup> A piratical copy is an actual or substantial copy of a recorded copyrighted work. 19 C.F.R. § 133.42

or damage during the detention in the event that Customs determines that there is no infringement. If the copyright owner files a demand and bond, the owner and importer will be given a specified time of no more than 30 days to submit briefs and evidence to substantiate their positions. The burden of proof is on the copyright owner. The briefs and evidence are then sent to the Commissioner of Customs. (19 C.F.R. § 133.43(a)-(b), (c)(1)-(c)(2)). If the copyright owner's position is upheld, the goods are forfeited and the bond returned to the copyright owner. If the importer's position is upheld, the goods will be released and the bond given to the importer. (19 C.F.R. § 133.44).

The copyright owner, after receipt of the notice described above, may state that the article is not a piratical copy or he may fail to provide sufficient evidence of infringement. If he does either of the foregoing, the detained shipment will be released to the importer and all future importations of the same article will be released regardless of who is importing the product. In that event, the copyright owner will not receive notice of the importation. (19 C.F.R. § 133.43(c)(2)). However, if the copyright owner fails to file a demand and bond within the requisite time period, only the specific goods detained will be released. Future importations of the same article by the same importer will be detained and the copyright owner notified thereof. (19 C.F.R. § 133.44(c)(3)). Other than the foregoing exceptions, the procedures with respect to trademarks and copyrights are parallel.

In conclusion, recordation of a trademark is a valuable form of protection against counterfeiting because all the registered trademark owner need do is record the trademark with Customs, and Customs enforces these rights.

Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) 1/

Customs recordation procedures only apply to registered trademarks and to copyrights. Therefore, corporations with other types of intellectual property problems such as alleged patent or common law trademark infringement, or alleged theft of trade secrets, have a choice as to whether they will file a section 337 action at the International Trade Commission or a Federal district court action, or both. Corporations frequently choose section 337, which is an avenue of relief in addition to any other provisions of law (19 U.S.C. § 1337(a), because Commission actions are generally decided within 1 year, or within 18 months, in more complicated cases. (19 U.S.C. § 1337(b)(1)). Also, section 337 cases do not raise the jurisdictional problems and enforcement of judgment problems which often exist where foreign entities are involved. If a violation is found, the Commission may issue in rem orders excluding the infringing products from the United States. (19 U.S.C. § 1337(d)). Since in rem orders operate against goods, not parties, such orders are not contingent upon a finding of personal jurisdiction. Similarly, enforcement is not difficult, because Customs enforces exclusion orders. (19 C.F.R. § 1240) Finally, the exclusion order may exclude all infringing products whether or not made by the foreign firms named in the suit.

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1/ Attached as app. I is an outline of pretrial, trial, and post-trial procedures of sec. 337 litigation.

Elements of proving a section 337 violation.--Complainants must show that respondents have engaged in unfair acts and unfair methods of competition in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to substantially injure or destroy an industry, efficiently and economically operated, in the United States. Section 337 has two distinct aspects - the litigation of the unfair act which is similar to such litigation in the Federal courts -- and the other aspects, including the injury determination, which are analagous to other trade statutes.

The first element, "unfair acts and unfair methods of competition", encompasses a wide variety of intellectual property causes of action such as patent infringement, common law and registered trademark infringement, misappropriation of trade dress, misappropriation of trade secrets, false designation of source or origin, false representation, passing off, false advertising, and tortious interference with contractual relations. Section 337 litigation thus has a broader scope than does Customs, which is limited to registered trademarks and copyrights.

The second element is that the unfair acts and unfair methods of competition must involve the "importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either. . ." (19 U.S.C. § 1337(a)). The Commission's jurisdiction is not limited to "proscribing only those acts which occur during the actual physical process of importation." (Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29, at 11 (1979)). The Commission can also consider acts occurring in the sale of the imported article by an owner, importer, consignee, or agent of either. Consideration of acts by such entities is important because they are involved in moving the imported article into the stream of domestic commerce.

The third element is a jurisdictional one--the existence of a domestic industry. If there is no domestic industry, the complainant may not obtain relief even if all the other elements of proving a violation have been satisfied. The phrase "domestic industry" includes those facilities of complainant and its licensees devoted to the exploitation of the intellectual property rights in question such as the trademarked, patented, or copyrighted goods. If the product is manufactured in the United States, the Commission will find a domestic industry present. The Commission decides on a case-by-case basis how much and what types of activity in the United States there must be to support a domestic industry finding. <sup>1/</sup> In addition, complainant must prove that the domestic industry is "efficiently and economically operated." (19 U.S.C. § 1337(a)). <sup>2/</sup> Thus far, the Commission has always found this criterion satisfied.

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<sup>1/</sup> Miniature, Battery-Operated, All Terrain, Wheeled Vehicles, Inv. No. 337-TA-122, (1983); aff'd sub nom. Schaper Manf. Co. et al. v. U.S.I.T.C., Appeal No. 83-713 (Fed. Cir. Sept. 22, 1983); Cube Puzzles, Inv. No. 337-TA-112 (1983); Airtight Cast-Iron Stoves, Inv. No. 337-TA-69, 215 USPQ 963 (1981).

<sup>2/</sup> See, e.g., Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof, Inv. No. 337-TA-82, 217 USPQ 179 (1981); and Certain Automatic Crankpin Grinders, Inv. No. 337-TA-60, 205 USPQ 71 (1979).

The fourth element is the requirement that the imports have either the effect to destroy or substantially injure the domestic industry or have the tendency to destroy or substantially injure the domestic industry. The substantial injury test relates to existing effects whereas the tendency to injure relates to future effects. (19 U.S.C. § 1337(a)).

The indicia considered in determining present substantial injury include:

- (1) effect on complainant's production and inventory;
- (2) effect on complainant's sales;
- (3) effect on complainant's profitability;
- (4) effect on complainant's employment; and
- (5) effect on complainant's prices. 1/

Although the foregoing indicia are also relevant to the issue of tendency to injure, the following are particularly significant:

- (1) Small, but growing share of the market by respondents;
- (2) Lower prices of the imported products; and
- (3) A large foreign manufacturing capacity coupled with an intent of foreign manufacturers to enter the U.S. market. 2/

Initiation of a complaint at the Commission.--Commission complaints tend to be longer than many district court complaints because the Commission rules require that certain information be included in the complaint which is not required by the Federal Rules of Civil Procedure. The Commission rules require a statement be made of the facts constituting the alleged unfair methods of competition and unfair acts. (19 C.F.R. § 210.20(a)(2)). Specific instances of alleged unlawful importations or sales should be described and, when known, the names and addresses of the persons allegedly infringing the product should be stated. (19 C.F.R. § 210.20(a)(3)-(4)). There should be an indication of whether the subject matter of the complaint is or has also been the subject of other litigation. If there is concurrent litigation, a brief summary of the other litigation should be given. (19 C.F.R. § 210.20(a)(5)).

The rules require that the complainant describe the industry in terms of that portion of complainant's facilities devoted to the property right at issue. The description of the business should include the number and type of workers and a description of the facilities involved. (19 C.F.R. § 210.20(a)(6),(8)).

Finally, the rules require a description of the factual basis for the injury allegation such as volume and trend of production, sales, and inventories of the product involved, profit-and-loss information covering the product involved, pricing information with respect to the involved domestic

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1/ See, e.g., Sneakers with Fabric Uppers and Rubber Soles, Inv. No. 337-TA-118 (1983); Drill Point Screws for Drywall Construction, Inv. No. 337-TA-116 (1983); Miniature Plug-In Blade Fuses, Inv. No. 337-TA-114 (1982).

2/ See, e.g., Certain Methods for Extruding Plastic Tubing, Inv. No. 337-TA-110, 218 USPQ 348 (1982); Molded-in Sandwich Panel Inserts and Methods for Their Installation, Inv. No. 337-TA-99, 218 USPQ 832 (1982).

product and, when available, volume and sales of imports. 1/ (19 C.F.R. § 210.20(a)(8)).

The Commission's rules, consistent with the legislative history 2/, provide that within 30 days after receipt of a complaint or, in exceptional circumstances, as soon after the 30-day period as possible, the Commission shall decide whether the complaint is properly filed and, if so, shall vote on institution of an investigation. 19 C.F.R. § 210.12.

Remedy.--The two types of remedies which the Commission can order include exclusion orders and cease and desist orders. There are two types of exclusion orders. A general exclusion order directs the Customs Service to exclude the infringing product made by any firm. The Commission can also issue a limited exclusion order which requires the Customs Service to prohibit entry of the infringing products made by specified firms.

To obtain a general exclusion order, the Commission requires complainant to show "both a widespread pattern of unauthorized use" of the infringing product 3/ and such "business conditions" which would indicate "foreign manufacturers other than respondents to the investigation may enter the market with infringing products." 4/ Limited exclusion orders have been ordered in two cases where it was believed Customs would find it difficult to decide whether a particular product infringed a patent or when a general exclusion order might unduly interfere with foreign trade. 5/

Finally, cease and desist orders can be issued. A prerequisite to a cease and desist order in most situations is personal jurisdiction over the party. 6/ Cease and desist orders have been generally entered only against a domestic respondent's unlawful acts which occur within the United States. Cease and desist orders are enforced by the Commission. Passing off is an example of a situation when a cease and desist order would be appropriate.

Public interest, bonding, and Presidential review.--If the Commission finds a violation, it must consider certain public interest factors in

1/ The Commission permits confidential information to be filed in camera because some of the data required by the rules may contain confidential business information. (19 C.F.R. § 201.6).

2/ S. Rept. No. 1298, 93d Cong., 2d Sess. 194 (1974).

3/ Airless Paint Spray Pumps, Inv. No. 337-TA-90, at 18, 216 USPQ 465 (1981).

4/ Id.

5/ Id. at 17. A limited exclusion order was also used in Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof, Inv. No. 337-TA-82A, 213 USPQ 291 (1981).

6/ Certain Airtight Cast-Iron Stoves, Inv. No. 337-TA-69 (1981). However, in personam jurisdiction is not necessary for the enforcement of a cease and desist order by means of exclusion of articles. Certain Large Video Matrix Display Systems and Components Thereof, Inv. No. 337-TA-75 at 30 n. 10, 213 USPQ 475 (1981), rev'd on other grounds, SSIH Equipment Co. v. U.S.I.T.C., 673 F.2d 1387 (CCPA 1982).



determining whether relief should be granted. 1/ The Commission found that public interest considerations outweighed the need for relief in two investigations. One case involved the need by Ford Motor Co. ("Ford") for a key component in Ford's program to improve the fuel efficiency of its cars to meet the public demand for energy efficient cars. 2/ The other involved the use of basic research equipment in nuclear structure physics. 3/

After a Commission determination of violation, either during the temporary or permanent relief phase, the Commission sets a bond at a level which offsets any competitive advantage resulting from the unlawful act enjoyed by persons benefiting from the importation of the infringing product. Often, this means establishing a bond equal to the difference between complainant's and respondent's prices. The bond stays in effect for 60 days during which the President with the assistance of the United States Trade Representative decides, based upon a review of policy considerations, whether the Commission action should be allowed to stand. (19 U.S.C. 1337(g)(2)).

The limited Presidential review has resulted in three vetoes since the passage of the Trade Act of 1974, when this procedure was created. One investigation involved a jurisdictional dispute as to whether the Commission should consider predatory pricing at the same time that a dumping case was pending. Certain Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29 (1979). The other cases concerned the breadth of the Commission remedy. 4/

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1/ The Senate Committee Report on the 1974 amendments described the public interest considerations in the following manner:

The Committee believes that the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute. Therefore, under the Committee bill, the Commission must examine (in consultation with the other Federal agencies) the effect of issuing an exclusion order or a cease and desist order on the public health and welfare before such order is issued. Should the Commission find that issuing an exclusion order would have a greater adverse impact on the public health and welfare, on competitive conditions in the United States economy, on production of like or directly competitive articles in the United States, or on the United States consumer, than would be gained by protecting the patent holder (within the context of the U.S. patent laws) then the Committee feels that such exclusion order should not be issued. This would be particularly true in cases where there is any evidence of price gouging or monopolistic practices in the domestic industry.

S. Rept. No. 1298, 93d Cong., 2d sess. 197 (1974).

2/ Automatic Crankpin Grinders, Inv. No. 337-TA-60, at 17-21, 205 USPQ 71 (1979). The Commission noted that Congress had mandated that the automakers meet specified fuel economy standards. Id. at 19.

3/ Inclined Field Acceleration Tubes and Components Thereof, Inv. No. 337-TA-67, at 22-31 (1980).

4/ The Presidential disapproval in Pipe and Tube is found at 43 F.R. 17789, April 26, 1978. The Presidential disapproval in Headboxes is found at 46 F.R. 32361, June 22, 1981. The Presidential disapproval in Panel Inserts is found at 47 F.R. 29919, June 28, 1982.

In both of those cases the Commission issued modified orders which did not include the provisions which concerned the President. 1/ The modified orders were not vetoed.

After the 60-day Presidential review period ends or by prior Presidential action, the bond automatically expires and the Commission order goes into effect. (19 U.S.C. § 1337(g)(4)). Review of the Commission determination may then be had at the Court of Appeals for the Federal Circuit. (19 U.S.C. § 1337(h)).

The Commission's exclusion order is enforced by Customs in the same manner that it uses in connection with trademarks or copyrights recorded with it.

Enforcement of section 337 orders.--Customs enforces the Commission's exclusion orders 2/ in the same manner that it enforces the rights to trademarks and copyrights 3/ recorded with it. 4/ The sole difference is the means of initiating enforcement by Customs. In one instance, one need only record his trademark or copyright as previously described. In the other instance, the exclusion order, the Commission's exclusion order decisions are forwarded to Custom's Washington headquarters. Customs then distributes the orders, including a description of the products involved to the various ports of entry. In many instances, samples and pictures of the product provided by complainant are also sent to the various Customs' ports of entry.

The materials are given to the Customs inspector and the import specialist who is responsible for the specific group of products in which the product subject to the exclusion order is classified. The inspector is the one who first receives the customs entry documents and is responsible for determining whether or not a product should be excluded. The customs entry documents usually precede the arrival of the goods. Therefore, the Customs inspector determines whether or not to physically inspect the goods or to release them to the importers. If the goods subject to an exclusion order are in a narrow Tariff Schedule category or are specifically identified, the probability that the goods will be released is negligible. If the goods subject to the exclusion order, or bearing a recorded trademark and/or copyright are in a category containing many dissimilar products, a market-basket category, and are duty free, it is possible that the inspector may release the goods.

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1/ Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof, Inv. No. 337-TA-82A, 213 USPQ 291 (1981) rev'd and remanded on other grounds, Aktiebolaget Karistads Mekaniskawerkstad v. U.S.I.T.C., 705 F. 2d 1565 (Fed. Cir. 1983) is the Commission's revised order; Molded-in Sandwich Panel Inserts and Methods for Their Installation, Inv. No. 337-TA-99, 218 USPQ 832 (1982) (modification proceeding), aff'd sub nom., Young Engineers, Inc. v. U.S.I.T.C., Appeal No. 83-649 (Fed. Cir. Nov. 8, 1983).

2/ About twenty-five exclusion orders are presently in force.

3/ Approximately 6,000 trademarks and copyrights are recorded with Customs.

4/ It should be noted that the inspector is also responsible for collection of duties and exclusion of articles prohibited by other government agencies, as well as seeing to it that imports move rapidly.

If the inspector has any doubt regarding specific shipments, he contacts the appropriate import specialist at the port of entry for instructions. If the goods are released by the inspector to the importer, the Customs entry documents are sent to the import specialist. The import specialist examines the documents and if an examination raises problems, a sample is requested from the importer. If after examination of the sample, it is determined that the goods are subject to an exclusion order or have been recorded, they can be recalled from the importer by a redelivery request. Since the importer's bond remains in effect for a long period of time, import specialists can recall goods many months after release. If the importer is unable to return the goods for any reason, the import specialist can impose liquidated damages equal to the amount of the entry bond. The amount of the bond is generally the sum of the value of the goods and the estimated duty. Although the "value of the goods" has been determined in several ways by Customs, the wholesale value in the exporting country is the most commonly used value.

When imports are held by Customs before release to the importer, Customs has the opportunity to determine whether the goods should be seized. This determination is made by the import specialist who receives a sample of the goods for examination or examines the goods at the port, depending on the goods. In technical matters, such as patent exclusion orders, the import specialist generally relies upon laboratories at the various customs district offices. These laboratories are staffed by technical personnel who will examine the goods and advise the import specialist.

The import specialist can also submit samples of the goods to customs headquarters for a "headquarter decision" of whether or not the goods should be excluded from entry because of an exclusion order, or the recordation of a copyright or trademark. See, e.g., C.S.D. 81-168, 15 Customs Bulletin, 1063 (1981). If the specialist determines that the goods come within the exclusion orders, the goods are excluded from entry or the specialist may permit the importer to re-export the goods. Goods that are left in Customs' hands by importers in such situations may ultimately end up in Customs' warehouses to be sold at auction by Customs. See, e.g., C.S.D. 80-154, 14 Customs Bulletin, 984 (1980).

If the various ports of entry are not uniformly imposing restrictions against the importation of trademarked or copyrighted goods, the domestic owner of the trademark or copyright may request a ruling from customs headquarters regarding the appropriate restriction. The ruling will then be a guide for use by all Customs' ports of entry. See, e.g., C.S.D. 81-197, 15 Customs Bulletin 1120 (1981).

Federal court counterfeiting actions.--Under U.S. law, a foreign party may be sued in any U.S. district court where it can be served validly with notice of the court process. (28 U.S.C. § 1391(d)). The methods by which adequate service of process may be achieved vary in the expenses involved, which must be paid by the plaintiff, and in the time consumed and the effectiveness in providing proof of service satisfactory to the court. A foreign corporation producing a product which infringes a U.S. trademark, and exporting that product to the United States can avoid service of process by mail simply by refusing to accept delivery. Use of other acceptable means of service by the courts can be both expensive and time-consuming.

On the other hand, a trademark owner may commence an infringement action by seeking a temporary restraining order (TRO), pursuant to Rule 65(b) of the Federal Rules of Civil Procedure. A TRO may be granted without notice to the prospective defendant if the plaintiff can show that immediate and substantial harm will result to it before the defendant can be heard in opposition and that attempts have been made to contact the adverse party. The TRO will last a maximum of 10 days which can then be extended for another 10 days. If the TRO is granted without notice to the adverse party, the party who sought the TRO must seek a preliminary injunction; if he does not do so the TRO will be dissolved. The party seeking a TRO or a preliminary injunction must put up security in order for a TRO or preliminary injunction to issue.

A trademark owner may seek a TRO or a preliminary injunction against those over whom personal jurisdiction can be obtained to secure money damages while proceeding at the Commission in order to obtain an exclusion order.

Another remedy which may be sought by a trademark owner at the same time as a TRO is an ex parte seizure order. Those orders result in the seizure of defendant's counterfeit goods by the U.S. Marshal without prior notice to the defendants. It will only be granted if plaintiff can demonstrate irreparable injury will occur unless it is, and the goods are otherwise likely to be transferred to unknown third parties. <sup>1/</sup> Thereafter, as with TROs, the court will hold an expedited hearing on the merits of plaintiff's complaint.

Temporary restraining orders and seizure orders can be an effective method of obtaining immediate relief against counterfeiting. However, it generally cannot prevent overseas manufacturers from finding new U.S. distributors unless the court has jurisdiction over the manufacturers. Often, such jurisdiction is lacking.

The second difficulty involves enforcing judgments against foreign parties. There are two remedies which a trademark owner may obtain in a U.S. district court for infringement of its trademark. A court may grant an injunction to prevent further infringement of an owner's trademark rights and it may award damages for the infringement which has occurred. For either of these remedies, to secure compliance of a foreign party with U.S. trademark laws, the judgment must be enforceable.

Judgment for damages, a remedy which is unavailable from the Commission, can be enforced when the foreign party has assets in the United States which can be attached to settle the claim against it.

Injunctions are enforceable only where the party enjoined is present within a court's jurisdiction. An injunction or a judgment awarding damages must be enforced through an application for enforcement in the courts of the country where the foreign party is located. The cost of the enforcement procedure in the foreign country may be prohibitive for the trademark owner or the foreign country involved may provide that its court will review the issues of the case, thereby permitting a different outcome.

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<sup>1/</sup> See, e.g., *In re Vuitton et Fils S.A.*, 606 F.2d (2d Cir. 1979); *Fiamb-Finanziaria Maglificio Biellese Fratelli Pila S. p.a. v. Kitchen*, 584 F.Supp. 248 (S.D. Fla. 1982).

Thus, unlike situations involving suits for trademark infringement against domestic infringers, the difficulty and expense in achieving adequate service of process and in enforcing a judgment against foreign parties means that such foreign parties may, as a practical matter, be immune from suits based upon trademark infringement brought in U.S. district court.

Unlike in rem proceedings at the Commission, a district court judgment is only applicable to the parties against whom it is directed. Thus, if new firms begin selling infringing products in the United States, the trademark owner must then decide whether he wants to bring new suits. New suits may raise jurisdictional and enforcement of judgment questions.

#### Proposed Federal Legislation

The Trademark Counterfeiting Act of 1983 was originally introduced in the Senate (97th Cong.) as S.2428 in April 1982, by Senator Charles Mathias (R.-Md.), Chairman of the Senate Judiciary Subcommittee on Criminal Law. An identical version, H.R. 6175, was introduced in the House by Judiciary Committee Chairman Peter Rodino (D.-N.J.). Both bills died in committee, but the Senate bill was reintroduced as S.875 in the present (98th) Congress; the House bill was reintroduced as H.R. 2447. The legislation would amend title 18, United States Code, by adding a section 2320 to provide that anyone who knowingly traffics or attempts to traffic in a counterfeit mark in foreign or domestic commerce shall, if an individual, be fined not more than \$250,000 and/or imprisoned for up to 5 years, and, if a firm, be fined not more than \$1 million. It would apply only to marks registered on the Principal Register or otherwise specifically protected by statute. The owner of such a mark may also bring a civil action in the U.S. district court and obtain injunctive relief and recover treble damages or profits, and costs, including attorney fees. Prejudgment interest on actual damages may be awarded in the discretion of the court. In such a civil action, a final judgment or decree rendered in favor of the United States in the criminal proceeding provided for would estop the defendant from denying the essential allegations of the criminal offense. The court may ultimately order destruction of the involved counterfeit materials or, after obliteration of the mark, disposal to the United States, the trademark owner, a charitable institution, or otherwise, except to the defendant. Ex parte search and seizure orders are also authorized for both criminal and civil actions.

#### FOREIGN LAWS RELATING TO COUNTERFEITING

The protection and relief available from product counterfeiting in 21 selected U.S. export markets and country sources of counterfeits are discussed in appendix J. All the countries included have some provisions for trademark registration and remedies for infringement, and, as such, counterfeiting. Australia, Belgium, the Netherlands, Luxembourg, Brazil, Canada, France, Hong Kong, Italy, Japan, Korea, Mexico, Nigeria, the Philippines, Portugal, Macao, Saudi Arabia, Singapore, Taiwan, the United Kingdom, and West Germany offer various remedies and sanctions, both civil and criminal, that pertain to counterfeiting. Twelve of these countries, Australia, Brazil, Canada, France, Japan, the Philippines, Portugal, Macao, Saudi Arabia, the United Kingdom, and West Germany, have varying provisions for the prohibition of infringing

imports by customs authorities, ranging from court ordered seizures prior to or during a civil or criminal action to trademark registration with customs similar to that available in the United States.

It should be noted that there is a wide body of anecdotal evidence suggesting that regardless of the laws and regulations, enforcement with regard to counterfeiting, particularly in many developing countries, is often minimal or absent.

## INDUSTRY SECTOR ANALYSIS

### Current Assessment and Trends

Along with the similar unfair practices of passing off and trade dress infringements and copyright and patent infringements on similar articles, product counterfeiting is a global business that, according to industry estimates, accounted for \$6 billion to \$8 billion in lost U.S. and export sales in 1982. Domestic sales lost to counterfeiting and similar trade practices and lost export sales were each estimated at \$3 billion and \$4 billion. Estimates of losses due solely to counterfeiting are not available. In general, counterfeiting is reported to be more significant in export markets than in the domestic market, where other unfair trade practices prevail. One exception is the U.S. fashion apparel industry, in which counterfeiting accounts for the majority of lost sales, probably because the trademarks are so well known to the U.S. consumer and are so important to the sale that anything other than an exact duplicate will not deceive the purchaser.

Respondents reported that domestic sales lost due to counterfeiting increased 57.3 percent from \$15.0 million in 1980 to \$23.6 million in 1982. These losses represent 0.5 percent and 0.6 percent of the respondent's domestic shipments during 1981 and 1982, respectively. Lost export sales were reported to have increased 14.3 percent from 1980 to 1982, rising from \$22.5 million to \$25.6 million. However, these figures are quite understated because a large number of respondents known to have suffered from significant counterfeiting were unable to estimate lost sales. Sales lost due to practices similar to counterfeiting and gray market sales in 1982 were reported by 38 respondents to amount to \$16.2 million in the domestic market and \$17.9 million in export markets.

The chief targets of counterfeiters were once records and tapes and fashion goods sold on the basis of brand names, such as fashion apparel, watches, leather goods, and jewelry. Since the late 1970's the list has expanded to encompass a wide variety of product categories, and by all indications, the practice is growing. Respondents to the Commission's questionnaire reported a total of 151 product items counterfeited during 1980-82; the number of different counterfeits increased from 50 to 67 in the domestic market and from 74 to 106 in U.S. export markets during the period.

Counterfeit goods are often but not always lower in quality than the original; even when they are, the quality difference is not often immediately obvious to the consumer. The quality difference can be of particular importance in some industries to the health and safety of the consumer, as is

the case for defective auto parts, ineffective or nonsterile drugs and pharmaceuticals, and ineffective agricultural chemicals. A total of 55 respondents indicated that counterfeits of their products were operationally or physically different from their products. Of these, 45 respondents indicated that the sale of counterfeits of differing quality resulted in lost sales of their products because of a loss of good will in addition to sales replaced by counterfeits. Twenty-three respondents reported additional lost sales of noncounterfeited trademarked products due to the loss of good will resulting from the sale of a counterfeit of another product bearing the same trademark.

Once considered an indication of stolen merchandise, prices substantially discounted from the usual are now often an indication of counterfeiting. However, price is not always a determining factor; it is not unusual for a counterfeit to sell at a price quite near the original, and occasionally even at a premium.

In general, the products most subject to counterfeiting are those that command a high unit price but for which production involves relatively low technology. However, the immense profit potential combined with the general lack of risk with regard to criminal sanctions has encouraged counterfeiters to operate in high-technology industries as well.

Among the greatest trends in counterfeiting is the growing awareness on the part of industry and the consuming public of the problem. The discovery and, in some cases, demonstration of the damage that counterfeit sales can do to legitimate sales through both one-to-one lost sales and loss of good will, combined with the spread of counterfeiting into previously untouched product areas, have resulted in vigorous industry efforts to identify and eliminate counterfeiting. Efforts to combat counterfeiting may be divided into three steps--the identification of the counterfeit product, the identification of the counterfeiter, and the prosecution of the counterfeit product and producer. Respondents reported total identification, registration, and enforcement costs dedicated to combating product counterfeiting of \$4.1 million in 1980, \$4.9 million in 1981, and \$12.1 million in 1982. In 1982, identification costs amounted to \$3.5 million for the domestic market and \$1.7 million for export markets; registration costs were \$2.3 million for the domestic market and \$1.5 million in export markets; and other enforcement costs amounted to \$2.5 million domestically and \$494,000 in export markets. Forty-six respondents indicated that they had registered their trademarks with the U.S. Customs Service; 25 respondents had not, usually citing the absence of imports of counterfeits as the reason. Furthermore, another \$5.6 million was spent on identification and enforcement of products competing under other unfair trade practices similar to counterfeiting.

There appears to be a progression among many newly industrialized developing countries, particularly in the Far East, from pure counterfeiting through the areas of consumer deception such as passing off, to the creation of original trademarks. In a developing country the first order of business is to promote domestic production and export sales. This may be accomplished through counterfeiting, because the existing brand names or trademarks already have an established demand, both domestic and abroad, and demand often exceeds the capacity of legitimate licensees. Further, there are often few or no legal impediments to such action, and, in fact, the particular culture may

attach no particular onus to counterfeiting. The initial counterfeiting then appears to give way to the gray areas as trade is increased and the counterfeiting is attacked by the rightful trademark holders. Finally, the industry develops its own trademarks, as well as increases the acquisition of legitimate licenses, and at this point becomes the target of other counterfeiters, both domestic and foreign. Clearly, however, as can be seen in the source countries sections, counterfeiting never completely disappears from a country once it is established.

#### Industry Sectors Subject to Counterfeiting

The two U.S. industries historically most subject to counterfeiting are wearing apparel (primarily fashion and athletic apparel) and records and tapes (including both blank and recorded). Other industries identified as having significant problems with counterfeiting, either in the United States or in export markets, are those producing automobile parts and accessories, cosmetics and toilet articles, drugs and pharmaceuticals, various electrical products, footwear, games (primarily home and arcade video games and software), handbags, luggage, and flat goods, office and computing equipment (including home computers), pesticides and agricultural chemicals, petroleum products, sporting goods, and writing instruments. In addition, instances of counterfeiting have occurred for jewelry, parts for machine tools, sunglasses, toys, and various rubber and plastic consumer goods. It should be noted that watches and jewelry are reported to be significantly affected by counterfeiting, but most of the original products are foreign produced because most of the designer-name and high-unit-value products susceptible to counterfeiting are foreign made. Further, many of these industries, including those producing automobile parts and accessories, drugs and pharmaceuticals, sporting goods, records and tapes, and toys, experience significant problems with similar unfair trade practices such as passing off and copyright and patent infringement.

#### U.S. Export Markets Affected by Counterfeiting

As the largest single market for consumer goods in the world, the United States is the principal target of product counterfeiters. However, counterfeiting is worldwide, and virtually all U.S. export markets are affected to some degree. Respondents to the Commission's questionnaire cited 66 countries as markets for counterfeits of U.S.-produced goods during 1980-82, including 190 product items in the Far East, 93 in Latin America, 78 in Europe, 49 in the Middle East, 25 in Africa, and 15 in Oceania (see table 1, app. D). The European Community, Japan, and Australia were the most affected developed countries. Among the developing countries, Hong Kong, Taiwan, Singapore, the Philippines, Indonesia, India, Thailand, and Brazil and were most often cited as affected markets.

#### Sources of Counterfeits

The sourcing of counterfeit merchandise, like the sale of such merchandise appears to be worldwide. Taiwan is reportedly the single largest source of counterfeit goods in all categories and was cited as the source of more than



60 percent of the number of different counterfeit product items. The following is a list of sources of counterfeits, showing the major type of counterfeit produced and the primary markets for the bogus products as reported by respondents to the Commission's questionnaire (table 1):

1. Argentina--jeans, T-shirts, athletic footwear, industrial plug valves--primarily domestic consumption.
2. Australia--video cartridges, automobile parts--primarily domestic consumption.
3. Bolivia--jeans, T-shirts, recorded tapes--primarily domestic consumption.
4. Brazil--sunglasses, toys, video cartridges, T-shirts, athletic footwear--primarily domestic consumption.
5. Canada--records and tapes, T-shirts, video cartridges, semiconductors--primarily domestic consumption and U.S. market.
6. Chile--jeans, T-shirts, recorded tapes--primarily domestic consumption.
7. China--writing instruments--Middle East, Africa.
8. Colombia--T-shirts, jeans, cosmetics and toiletries--U.S. market and domestic consumption.
9. Cyprus--jeans, T-shirts, sound recordings--Europe, Middle East, Africa.
10. Denmark--sound recordings--domestic consumption and Europe.
11. Egypt--T-shirts, tapes--domestic consumption.
12. France--video cartridges, T-shirts, shirts--Europe.
13. Greece--T-shirts, tapes--domestic consumption and Middle East.
14. Guatemala--knit shirts--U.S. market.
15. Hong Kong--wide variety of products, including electronic and video games, records, recorded and blank audio and video tapes, a variety of fashion apparel, cosmetics and toiletries, luggage, handbags, flat goods, toys, home computer systems and software, writing instruments, battery packs, and toasters--worldwide export.
16. India--sunglasses, writing instruments, automobile parts, cosmetics and toiletries, tapes--primarily domestic consumption.
17. Indonesia--T-shirts, automobile parts, cosmetics and toiletries, tapes, machine tool dies--worldwide export.
18. Italy--sunglasses, fashion apparel, recorded and blank tapes, other sound recordings, handbags--United States and Europe.
19. Japan--electronic games, video games, computer cartridges, golf equipment, sports apparel, writing instruments, handbags--domestic consumption.
20. Kuwait--video cartridges, recorded tapes--domestic consumption and Middle East.
21. Malaysia--video cassettes, audio tapes, jeans, T-shirts--worldwide export.
22. Mexico--athletic and fashion apparel, T-shirts, cosmetics and toiletries, handbags, recorded tapes--domestic consumption and the United States.

23. Netherlands--home computer software, records and tapes, agricultural chemicals--Africa, Europe.
24. Nigeria--automobile parts--domestic consumption.
25. Panama--knit shirts, handbags, recorded audio tapes--domestic consumption and United States.
26. Paraguay--apparel--domestic consumption.
27. Philippines--sports balls, fashion and athletic apparel, athletic footwear, cosmetics and toiletries, records and tapes--United States and domestic consumption.
28. Portugal--records and tapes--Europe.
29. Republic of Korea--sunglasses, video games, golf and tennis equipment, fashion and athletic apparel and footwear, automobile parts, cosmetics and toiletries, leather goods, tapes, and miscellaneous plastic products--worldwide export.
30. Republic of South Africa--video cassettes--domestic consumption.
31. Saudi Arabia--jeans, T-shirts, video cartridges, music cassettes--domestic consumption.
32. Singapore--records and tapes, apparel, home computer software, writing instruments--worldwide export.
33. South Yemen--cosmetics and toiletries, music cassettes--domestic consumption.
34. Spain--video cassettes, leather goods--United States and Europe.
35. Taiwan--wide variety of products, including automobile parts and accessories, apparel and footwear, agricultural chemicals, drugs, cosmetics and toiletries, plastics products, tools, electronic components, fuses, speakers, computer systems and software, records and tapes, luggage, handbags, flat goods, jewelry, sporting goods, games, toys, machine dies, sunglasses, writing instruments--worldwide export.
36. Thailand--jeans, T-shirts, travel bags and leather flat goods, automobile parts, cosmetics and toiletries, sound recordings--worldwide export.
37. Tunisia--cosmetics and toiletries, tapes--Europe, Africa, and Middle East.
38. Turkey--audio and video cassettes--domestic consumption and Middle East.
39. United Kingdom--home computer software, recorded and blank video tapes, cosmetics and toiletries--domestic consumption and Europe.
40. United States--apparel, watches (using imported parts), computers (using imported parts), shampoos, footwear, aircraft parts, electronic components--domestic consumption.
41. Uruguay--jeans, T-shirts--domestic consumption.
42. Venezuela--jeans--United States.
43. West Germany--video cartridges, jeans--Europe.
44. Yugoslavia--apparel--Europe and United States.

With regard to sources of products competing under trade practices similar to counterfeiting, 30 countries in the Far East, Europe, Latin America, Oceania, and Africa were listed. Taiwan and Hong Kong were the largest sources of these products, cited 65 and 22 times, respectively (table 2).

According to questionnaire respondents, wholesalers were the distributors of counterfeits most often identified in both the U.S. and export markets. Discount retailers, street vendors, and flea markets were the next most common selling agents in the United States, and street vendors and small retailers followed wholesalers as the most common distributors in export markets (table 3).

## Wearing Apparel and Footwear

### Overview

Description and trade.--The wearing apparel industry, principally classified under Standard Industrial Classification (SIC) 23, manufactures clothing--primarily coats, suits, trousers, shirts, blouses, dresses, and skirts--as well as clothing accessories such as headwear and gloves. These items are produced from a variety of textile materials (cotton, wool, silk, vegetable fibers (except cotton), and manmade fibers), feathers (down), fur (mink, rabbit, and fox), leather (cowhide and pigskin), and rubber and plastic and may be constructed from woven or knit fabrics or a combination of the two. During 1980-82, there were approximately 15,000 domestic manufacturers producing these items in a total of more than 20,000 establishments, the largest concentration of which is located in the Northeastern section of the United States. Domestic employment in the wearing apparel industry, which ranked sixth compared with other manufacturing sectors, totaled about 1.2 million during 1980-82.

U.S. producers' shipments of wearing apparel increased almost 13 percent, from \$45.8 billion in 1980 to \$51.6 billion in 1982. Domestic consumption increased 16 percent, from \$50.9 billion in 1980 to \$58.8 billion in 1982. The increased value of shipments was primarily due to inflation, as the overall quantity of apparel shipments declined, and the increase in domestic consumption was due in part to inflation and increased apparel imports. U.S. imports of wearing apparel increased from \$6.3 billion in 1980 to \$8.2 billion in 1982. The increase in apparel imports was largely attributed to retailers replenishing inventories which were kept to a minimum during the recession. Additionally, the import increase in the beginning of 1982 from the four principal suppliers--Hong Kong, Taiwan, the Republic of Korea, and China--was a result of suppliers' attempting to maximize the use of 1981 quotas. As a result of the 30-percent increase in imports, the ratio of imports to consumption rose from 12.4 to 13.9 percent during the period. U.S. exports decreased about 17 percent, from \$1.2 billion to almost \$1.0 billion. The decline in exports was due primarily to the strengthened U.S. dollar as well as poor economic conditions overseas. Although Mexico and the Dominican Republic were the leading and the third largest markets, respectively, exports to those markets consisted largely of apparel parts which were assembled and exported back to the United States under Tariff Schedules of the United States (TSUS) item 807.00. The largest market for finished apparel was Canada,

followed by Japan and the United Kingdom. In each year during 1980-82, exports represented less than 3 percent of domestic production. The U.S. trade balance for wearing apparel was in a deficit position which increased from \$5.1 billion in 1980 to \$7.2 billion in 1982, or by about 41 percent.

The footwear industry, listed under SIC 302 and 314, is divided into two major categories--rubber and nonrubber. The rubber footwear industry produces protective footwear (hunting boots, galoshes, and overshoes) and rubber-soled fabric upper footwear (certain athletic footwear, sneakers, and other casual shoes). The nonrubber footwear industry produces a variety of footwear, primarily with leather and vinyl uppers, including dress, certain athletic and work shoes, boots, sandals, clogs, and other casual shoes. Throughout the period, the number of establishments producing footwear decreased steadily; from 677 in 1980 to 636 in 1982. More than 90 percent of these establishments produce nonrubber footwear. Rubber footwear establishments are primarily located in California, Pennsylvania, Florida, and Georgia, whereas nonrubber footwear establishments are concentrated in New York, California, Massachusetts, Maine, Texas, and Missouri. Domestic employment in this industry decreased about 9 percent during the period to 138,000 in 1982. Approximately 88 percent of the total workforce produces nonrubber footwear.

U.S. producers' shipments of footwear declined almost 10 percent, from \$5.2 billion in 1980 to \$4.7 billion in 1982, with over 90 percent of footwear shipments accounted for by nonrubber footwear. Domestic consumption of footwear remained relatively stable at \$8.0 billion during 1980-82. U.S. imports of footwear increased from \$3.0 billion in 1980 to a little over \$3.4 billion in 1982. Footwear imports accounted for about 37 percent of domestic consumption during 1980 and 1981; however, by 1982, imports had increased as a share of consumption to about 43 percent. The leading suppliers throughout the period, accounting for over 80 percent of total footwear imports, were Taiwan, Korea, Italy, Brazil, and Spain. U.S. exports of footwear declined from \$131 million in 1980 to \$120 million in 1982. In each year during 1980-82, exports accounted for less than 3 percent of producers' shipments. The primary export markets for U.S.-produced footwear were Japan and Canada, which together received over one-fourth of total U.S. footwear exports during the period. The footwear trade deficit increased from \$2.8 billion in 1980 to \$3.3 billion in 1982, or by about 18 percent. Nonrubber footwear accounted for a little over 75 percent of the footwear deficit during 1980 and 1981, and by 1982 it had increased its share to almost 90 percent.

Questionnaire response.--The Commission sent questionnaires to 36 domestic producers of apparel and footwear believed to have been affected by counterfeit merchandise. Of the 36 surveyed, 13 indicated that a counterfeit problem did exist, and the remaining 23 replied negatively. It is estimated by the Commission staff that the companies surveyed together represented 12 to 15 percent of total sales for the apparel and footwear industries during 1982.

Counterfeited products.--According to the questionnaire responses, 36 product items were identified as being counterfeited, primarily t-shirts, knit sportshirts, jeans, sportswear (used for tennis, snow skiing, and jogging), sweatshirts, sweaters, shorts, athletic footwear, and accessories such as belts, caps, and ties. Most of these items were ornamented with a brand name or designer label or logo.

Current assessment and trends.--Based upon production and sales data for the apparel and footwear industries and industry assessments of lost profits related to counterfeit merchandise, the Commission staff estimates that the value of lost sales in this sector may have reached nearly \$1.0 billion in 1982. This loss is made up of lost domestic sales of approximately \$700,000 and lost export sales of \$300,000, and represents lost sales from both counterfeiting and other similar unfair trade practices including, passing off and trademark and copyright infringement. A breakdown of estimated lost sales for counterfeited products alone is not available.

The lost sales, valued at \$27 million, for all types of counterfeiting reported by five domestic producers account for 2.7 percent of the total estimate of the overall problem in apparel and footwear for 1982. All the respondents to the Commission questionnaire indicated that the counterfeit version of their product items were operationally and physically different. Ten respondents reported that they lost sales because of damage to their trademark or brand name, commonly referred to as loss of goodwill, and eight respondents lost sales in product items bearing their trademark or brand name which were not counterfeited. Furthermore, 10 of the respondents indicated that of the 35 product items which were counterfeited or duplicated, 22 were affected by other types of unfair trade practices, namely trade dress/passing off, unauthorized sales, and copyright infringement. Three of the companies surveyed stated that 5 product items, other than the 35 referred to earlier, encountered problems resulting from trade dress/passing off, unauthorized sales, and patent and copyright infringement even though the product items were not counterfeited.

The apparent trends of counterfeiting in the apparel and footwear industries, as derived from the Commission questionnaire, show that the number of products counterfeited--about 30--remained relatively stable and that a mature market existed for counterfeits during 1980-82. It appears that most counterfeit apparel and footwear merchandise tends to be concentrated in sportswear, jeans, and athletic footwear, where an ever increasing market for medium-price, brand-name or designer label merchandise exists.

According to 10 of the companies that responded affirmatively to the Commission survey, their commercial shipments of products similar to those known to be counterfeited increased 33 percent, from \$829 million in 1980 to more than \$1.1 billion in 1982, whereas 4 respondents indicated that their export shipments of apparel and footwear similar to those known to be counterfeited decreased from about \$31 million in 1980 to \$21 million in 1982, or by about 33 percent.

Source countries.--Respondents to the Commission's questionnaire listed 28 countries as sources of counterfeit products in the apparel and footwear sector. Countries reported as a source of more than one counterfeit product item and the number of product items obtained from each country are shown below.

<u>Source</u>	<u>Number of counterfeit product items</u>
Taiwan-----	13
Hong Kong-----	10
Philippines-----	6
Mexico-----	5
Argentina-----	4
Brazil-----	3
Colombia-----	3
Cyprus-----	3
Italy-----	3
Malaysia-----	3
Thailand-----	3
Bolivia-----	2
Chile-----	2
France-----	2
Republic of Korea-----	2
Saudi Arabia-----	2
Singapore-----	2
Uruguay-----	2

Canada, Egypt, Greece, Guatemala, Japan, Macao, Panama, Paraguay, Venezuela, and Yugoslavia were each reported to be the source of one counterfeit product item. According to the responses, there is a direct correlation between the major import sources for genuine products and those products that are counterfeited.

Respondents also reported 11 countries as sources of products falling under other unfair trade practices similar to counterfeiting, as shown in the following tabulation:

<u>Source</u>	<u>Number of product items</u>
Hong Kong-----	3
Italy-----	3
Republic of Korea-----	3
Taiwan-----	3
United Kingdom-----	3
France-----	2
Mexico-----	2

The Netherland Antilles, Spain, Thailand, and Venezuela were each listed as the source of one product item in this category.

#### Impact of counterfeiting on the industry

Impact on the U.S. market.—Domestic sales lost to counterfeit merchandise increased from \$9.8 million in 1980 (3 respondents) to \$14.5 million in 1981 (4 respondents) and \$19.4 million in 1982 (5 respondents), representing about 2 percent of total respondents' sales of apparel and footwear subject to

counterfeiting. This figure should be considered to represent a minimum loss, because eight respondents, three of which are known to have suffered significant lost domestic sales during 1980-82, could not provide estimates of sales lost. Although some producers indicated that in some instances counterfeit goods sell at comparable prices, all 13 respondents reported that there has been no need to reduce the price of their products in order to be price competitive with counterfeit merchandise.

As an interesting sidelight, one apparel manufacturer reported that prior to 1980, it had been suffering from strong competition from counterfeit goods, but when it repositioned its product from the high-end fashion market to the middle price range, the counterfeiting disappeared. It was hypothesized that reducing the selling price made the potential profit in counterfeiting the product far less attractive than that in counterfeiting the high-value fashion goods made by the firm's competitors, and the counterfeiters switched targets. However, the repositioning was not made in response to the counterfeiting, and such a solution to counterfeiting is generally not feasible for firms wishing to maintain the high-fashion aspect of their products.

Impact on U.S. exports.--Nine respondents indicated that counterfeits were sold in 32 countries during 1980-82. These markets and the number of counterfeit product items reported in each market are as shown in the following tabulation:

<u>Market</u>	<u>Number of counterfeit product items</u>
Taiwan-----	9
Panama-----	8
Hong Kong-----	7
Venezuela-----	6
Brazil-----	5
Chile-----	5
Philippines-----	5
Singapore-----	5
Colombia-----	4
Mexico-----	4
Thailand-----	4
Uruguay-----	4
Argentina-----	3
Malaysia-----	3
Peru-----	3
Republic of Korea----	3

Bolivia, Cyprus, France, Israel, Japan, Lebanon, the Netherland Antilles, Paraguay, Saudi Arabia, and West Germany were each listed as markets for two product items. Costa Rica, Greece, Kenya, the Republic of South Africa, and the United Kingdom were reported as markets for one counterfeit product item each. The product items counterfeited in export markets were primarily sportswear, jeans, and athletic footwear adorned with trademarks, brand names, or designer labels or logos.

Eight respondents reported a total of 16 counterfeit product items sold in export markets in 1980, 19 product items in 1981, and 17 product items in 1982. Lost export sales were quantified by only three respondents and increased from \$7.7 million in 1980 to \$8.5 million in 1981, before returning to \$7.7 million in 1982. Lost sales as a share of respondents' exports of counterfeited products increased annually, from 25.2 percent in 1980 to 36.8 percent in 1982; clearly, counterfeiting affected these respondents' potential exports. Part of the decrease in lost sales in export markets is attributed to companies hiring detective services and enlisting the aid of counterfeit detection devices. As in the case of domestic sales, export sales were not affected by price suppression.

Impact on U.S. employment.—The loss of employment resulting from a loss of \$1 billion in combined export and domestic sales in the wearing apparel and footwear sector due to counterfeiting and similar unfair trade practices in 1982 (assuming that \$1 of lost export sales equals \$1 of lost domestic production and \$1 of lost production equals \$1 of lost output), by affected industry sector, is shown in the following tabulation: <sup>1/</sup>

<u>Industry sector</u>	<u>Employment loss</u>
Agriculture, fisheries, and forestry products-----	1,048
Mining-----	252
Maintenance and repair-----	216
Manufacturing-----	42,899
Apparel-----	20,824
Hosiery and knit goods---	7,341
Fabric, yarn, and thread mills-----	6,287
Leather products, including footwear-----	2,934
Synthetic fibers-----	1,041
Industrial chemicals-----	511
Total-----	44,415

Other effects on profitability.—Identification, registration, and enforcement costs by respondents increased from almost \$1.0 million in 1980 to \$4.8 million in 1982 in both the United States and export markets. The bulk of the increase in the U.S. market occurred in detection costs for items such as optical light scanners, whereas most of the increase in the export markets appeared to be in registration of trademarks and brand names. Identification and enforcement costs for other types of unfair trade practices, primarily trade dress/passing off, were reported by five domestic producers at \$1.3 million in 1982 for goods that were also counterfeited. Additionally, three producers indicated that they had allocated \$2.0 million in 1982 for identification and enforcement costs for noncounterfeited merchandise the sales of which were affected by unfair trade practices other than duplication.

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<sup>1/</sup> Employment loss is based on the U.S. Department of Labor input/output model; the loss of employment resulting from a hypothetical loss of \$10 million in output due to counterfeiting of wearing apparel and footwear is shown in app. C.



The producers surveyed indicated that the identification, registration, and enforcement costs incurred in detecting counterfeit apparel and footwear increased from \$463,000 in 1980 to \$2.8 million in 1982 in export markets. Throughout the period, these detection expenses accounted for less than 1 percent of commercial shipments that were reported in the Commission questionnaire. The number of respondents registering their trademarks with the Customs service also increased from six, with registration costs totaling \$108,000 in 1980, to nine companies, with registration costs totaling \$943,000 in 1982. An increase was also apparent in the registration costs in export markets which were reported by only 2 respondents in 1980 and by 6 respondents (\$1.1 million) in 1982. As is evident with the increasing enforcement costs, many companies are taking an increasing number of precautionary measures in order to combat the counterfeit problem.

### Chemicals and Related Products

#### Overview

Description and trade.--The sector for chemicals and related products encompasses industries producing the following products: industrial inorganic chemicals; drugs and pharmaceuticals; soaps, detergents, cosmetics, and toilet preparations; industrial organic chemicals; agricultural chemicals, including pesticides and fertilizers; petroleum products; miscellaneous chemical products; and miscellaneous rubber and plastic products (excluding tires and rubber footwear). Of primary importance to the subject of this investigation are pesticides and other agricultural chemicals, cosmetics and toilet articles, and drugs and pharmaceuticals.

U.S. production of chemicals and related products increased from \$409.6 billion in 1980 to \$469.8 billion in 1981, and then declined to \$426.1 billion in 1982. Apparent U.S. consumption followed a similar pattern, rising from \$474.1 billion in 1980 to \$535.9 billion in 1981, then declining to \$475.7 billion in 1982. Imports increased from \$90.9 billion to \$93.9 billion from 1980 to 1981, and then declined to \$78.1 billion in 1982. Exports of these products increased annually from \$26.4 billion in 1980 to \$28.6 billion in 1982.

Questionnaire response.--There were 34 respondents to the Commission's questionnaire in the sector for chemicals and related products. Of these, 13 respondents indicated counterfeiting of one or more of their products, and 22 responded negatively. The respondents accounted for approximately 10 percent of production in the entire sector in 1982; however, it should be noted that within this sector, a significant share of production is accounted for by products that are not susceptible to counterfeiting, such as basic industrial organic and inorganic chemicals and petroleum refining. Coverage of the most significant industry sectors was higher; questionnaire responses covered an estimated 15 percent for the agricultural chemicals industry, 40 percent for the drug and pharmaceutical industry, and 50 percent for the cosmetic and toilet articles industry.

Counterfeited products.--The respondents reported 33 product items subject to counterfeiting during 1980-82. The largest number of counterfeits (23) were reported for cosmetics and toilet articles, including perfumes and

colognes (14) and permanents and other hair preparations (3). Shampoo, deodorant, hair spray, hair tonic, and cosmetics, including lipstick and makeup, were all reported once. Counterfeiting in the agricultural chemicals industry included a fungicide, herbicide, insecticide, and a plant growth regulator. Both antibiotics and vitamins were counterfeited in the drug and pharmaceutical sector. In addition, counterfeiting of motor oil, automotive additives, plastic food containers, and cleaning pad products was reported.

Current assessment and trends.--Competition between legitimate products and counterfeits in this sector appears to be confined entirely to foreign markets. None of the respondents to the questionnaire indicated the presence of foreign counterfeits in the U.S. market. In addition to counterfeits, respondents also reported gray market sales for seven products, trade dress and passing off for 27 products, and patent infringement for 12 products. More than 99 percent of the lost sales due to these other unfair trade practices occurred in export markets. Although an estimate of total lost sales due solely to counterfeiting in the chemicals and related products sector is unavailable, industry sources estimate that lost sales resulting from both counterfeiting and similar practices ranged between \$170 million and \$240 million in 1982, and that virtually all of these losses occurred in export markets. It has been hypothesized that the close Governmental regulation of a significant percentage of these products, particularly drugs, agricultural chemicals, and cosmetics, retards any great import and sale of foreign counterfeits in the United States.

Counterfeiting and similar trade practices are growing and are of particular concern in this industry because of the widespread health and safety implications. The items most traditionally counterfeited in this sector are cosmetics and perfumes--these products, which rely most heavily on brand name identification, remain the most widely counterfeited. Counterfeiting has also spread into similar consumer goods, such as hair sprays, deodorants, and soaps. A trend of growing concern is the increasing incidence of counterfeiting of drugs and agricultural chemicals. Drug counterfeits that are ineffective or inimical pose a direct threat to the health and safety of the user. Ineffective agricultural chemicals, in addition to posing a potential hazard to the user, can also result in devastating crop losses.

Source countries.--Of the 13 affirmative questionnaire responses, 12 respondents identified 16 source countries of counterfeit products in this sector. Countries that were reported as a source of more than one counterfeit product item and the number of product items obtained from each country are shown in the following tabulation:

<u>Source</u>	<u>Number of counterfeited product items</u>
Indonesia-----	13
Taiwan-----	9
Turkey-----	6
Thailand-----	3
Singapore-----	3
Philippines-----	3
Republic of Korea----	2
Hong Kong-----	2
India-----	2

Columbia, Mexico, the Netherlands, Nigeria, South Yemen, Tunisia, and the United Kingdom were each listed as the source of one counterfeited product item.

Respondents also reported 21 countries as sources of products falling under other unfair trade practice categories similar to counterfeiting, as shown in the following tabulation:

<u>Source</u>	<u>Number of product items</u>
Taiwan-----	12
Indonesia-----	3
Philippines-----	3
Spain-----	3
Thailand-----	3
Republic of Korea-----	2
Malaysia-----	2
Switzerland-----	2
Turkey-----	2
United Kingdom-----	2

Australia, Argentina, Brazil, France, Guatemala, Greece, Japan, New Zealand, Nigeria, Peru, and West Germany were each listed as the source of one product item in this category.

#### Impact of counterfeiting on the industry

Impact on the U.S. market.--As indicated previously, the respondents reported no occurrences of foreign counterfeits in the U.S. market during 1980-82. Furthermore, according to industry sources, sales of foreign-produced counterfeits in the United States are negligible for this sector.

Impact on U.S. exports.--All sales of counterfeits in the chemicals and related products sector reported by questionnaire respondents were in export markets. Twelve respondents indicated that counterfeits occurred in a total of 32 countries during 1980-82. These markets and the number of counterfeited product items reported in these markets are, as shown in the following tabulation:

<u>Market</u>	<u>Number of counterfeited product items</u>
Indonesia-----	9
Taiwan-----	7
Nigeria-----	5
Thailand-----	5
Turkey-----	5
Saudi Arabia-----	4
Hong Kong-----	3
India-----	3
Kuwait-----	3
Malaysia-----	3
Philippines-----	3
Abu Dhabi-----	2
Dubai-----	2
Netherlands-----	2
Republic of Korea-----	2

The following countries were reported as the market for one product item each: Australia, Belgium, Costa Rica, Cyprus, Ethiopia, France, Ivory Coast, Mexico, Panama, Qatar, South Africa, South Yemen, Tanzania, Tunisia, the United Kingdom, West Germany, and Zimbabwe.

In comparing the export markets with the source countries, it is evident that in many cases the counterfeits are produced for local consumption. Columbia and Singapore were the only sources that were not reported as markets. Furthermore, counterfeits were exported from a number of source countries, particularly Indonesia and Taiwan, to third-country markets. Market countries Abu Dhabi, Australia, Belgium, Costa Rica, Cyprus, Dubai, Ethiopia, France, Ivory Coast, Kuwait, Malaysia, Panama, the Republic of South Africa, Tanzania, West Germany, and Zimbabwe were not reported as sources of counterfeits.

A total of 33 items were reported by 13 respondents as having been counterfeited in U.S. export markets during 1980-82; there were 14 products were reported by 8 respondents in 1980, 18 products (8 respondents) in 1981, and 25 products (11 respondents) in 1982. Eight respondents indicated that the counterfeits were physically or operationally different from the original (in makeup or function), and five of these reported a loss of goodwill or damage to the trade name stemming from the sale of such counterfeits, including two respondents that lost sales of noncounterfeited product items due to damage to their trademark. Only one respondent reported lowering prices in response to the sale of counterfeits (further details are omitted due to reasons of confidentiality). Only three respondents could quantify their lost export sales in 1980 and 1981, with five providing such data in 1982. Export sales lost to counterfeits were estimated at \$5.2 million in 1980, \$1.5 million in 1981, and \$857,000 in 1982, representing 10 percent, 2.2 percent, and 1.5 percent, respectively, of respondents' exports sales of the affected products in those years. In addition, four respondents reported a total of \$15.6 million (28 percent of exports) of sales lost in 1982 due to unfair trade practices similar to counterfeiting.

Although total industry estimates of exports lost solely due to counterfeiting are not available for this sector, industry sources estimate

that total export sales lost in 1982 due to counterfeiting and similar unfair trade practices ranged between \$170 million and \$240 million. Lost sales in the agricultural chemicals industry were estimated to range from \$50 million to \$100 million annually, and losses in the cosmetics and toilet articles industry were approximately \$20 million. Firms in the drug and pharmaceutical industry were estimated to have lost \$40 million to \$50 million annually to all counterfeiting and similar unfair trade practices and \$2 million to counterfeiting alone. Estimated export sales lost through both counterfeiting and similar practices in the petroleum products and rubber and plastic products industries was \$50 million, with \$5 million in sales lost to counterfeiting alone in 1982.

Impact on U.S. employment.--The number of jobs lost with a loss of \$170 million and \$240 million in export sales in 1982 (assuming that \$1 in lost export sales equals \$1 in reduced production equals \$1 in lost output) is shown in the following tabulation: 1/

<u>Industry sector</u>	<u>Loss of \$170 million</u>	<u>Loss of \$240 million</u>
Agricultural, forestry, and fisheries-----	48.6	68.6
Mining-----	118.3	167.0
Maintenance and repair--	52.1	73.6
Manufacturing-----	2,073.0	2,926.6
Plastic products-----	464.8	656.2
Industrial chemicals--	272.1	384.1
Drugs-----	198.2	279.8
Rubber products-----	142.6	201.3
Cleaning and toilet preparations-----	137.5	194.1
Miscellaneous chemi- cals products-----	90.9	128.3
Agricultural chemi- cals-----	66.2	93.4
Paints and allied pro- ducts-----	57.2	80.8
Plastic materials and synthetic rubber----	48.1	67.9
Petroleum products----	44.0	62.1
Total-----	2,292.0	3,235.8

Other effects on profitability.--Identification and detection costs of counterfeit goods in export markets of \$589,000 were reported by five respondents for 1980; in 1981, five respondents reported costs of \$611,000, and seven respondents reported costs of \$545,000 in 1982. Identification and detection costs averaged 1 percent of respondents' export sales annually.

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1/ Employment loss was computed from the U.S. Department of Labor input/output model; the loss of employment resulting from a hypothetical loss of \$10 million in output due to counterfeiting in the chemicals and related product sector is shown in app. C.

Four respondents reported registering their trademarks with the U.S. Customs Service; however, concomitant with the lack of counterfeit sales domestically, no enforcement cost relating to counterfeiting in the U.S. market were reported during 1980-82. In foreign markets, two respondents reported registration costs, and three reported other enforcement costs in combatting counterfeiting in 1980, totaling \$98,000. Total enforcement costs of \$273,000 were reported in 1981. In 1982, a total of \$204,000 was spent on enforcement--\$58,000 on foreign registrations (3 respondents) and \$146,000 in other enforcement expenses (9 respondents). In addition, four respondents reported identification and enforcement costs stemming from similar trade practices of \$777,000 in 1982.

### Transportation Equipment Parts and Accessories

#### Overview

Description and trade.--This sector includes motor-vehicle parts and accessories and aircraft parts. It is estimated that there are more than 20,000 firms in the United States that manufacture these products, employing an estimated 900,000 workers. Included in this sector are original-equipment parts (used in the assembly of new motor vehicles and aircraft) and replacement parts used in the aftermarket. Production of motor-vehicle parts is concentrated in the East North Central States (Ohio, Indiana, Wisconsin, Illinois, and Michigan), and production facilities for aircraft parts are located throughout the United States. In 1982, less than 100 firms together accounted for about 75 percent of the total production of the products included in this sector.

U.S. producers' shipments of these articles decreased from an estimated \$44.4 billion in 1980 to \$40.0 billion in 1982, or by 10 percent. The decline in shipments was due to the U.S. and worldwide recession during most of 1980-82, which caused a decrease in demand for both original-equipment and replacement parts. U.S. exports of automotive and aircraft parts increased from \$12.2 billion in 1980 to \$14.6 billion in 1981, and then declined to \$14.3 billion in 1982. U.S. imports increased from \$8.0 billion in 1980 to \$9.9 billion in 1982, or by 24 percent.

Questionnaire responses.--Ninety-three questionnaires were received from motor-vehicle and aircraft parts manufacturers. There were 15 affirmative responses and 78 negative responses. The respondents together are estimated to have accounted for more than 50 percent of production in this sector and more than 90 percent of the counterfeited products during 1980-82. Data for certain sections of the questionnaire, particularly lost sales, is less complete, because several respondents known to be experiencing significant counterfeiting of their products were unable to provide estimates of lost sales.

Counterfeited products.--On the basis of questionnaire responses, the hearing held by the Commission, telephone conversations with the industry, and information gathered from magazine and newspaper articles, the following products were identified as having been counterfeited or subject to other unfair trade practices:

## A. Automotive parts:

1. Oil, air, and gas filters
2. Spark plugs
3. Radiator and gas caps
4. Signal/hazard flashers
5. Clearance, marker, and auxiliary lights
6. Mirrors
7. Engine belts
8. Brake cylinders and linings
9. Body stampings (fenders, doors, etc.)
10. Cooling fans
11. Tapered roller bearings
12. Suspension and steering parts (ball joints, tie rod ends, idler arms)
13. Ignition parts (points, caps and condensers)

## B. Aircraft parts:

1. Mast nuts
2. Trunnion assemblies
3. Tail rotor grips, sliders, and driveshafts
4. Clutch drums
5. Fan drive gear sets
6. Transmission center cases
7. Belts

Current assessment and trends.--The aircraft parts industry has not made an estimate of the loss of sales due to counterfeiting, but it is estimated to be small in relation to the total production of aircraft parts manufactured by U.S.-owned firms. In addition, a significant portion of the publicly reported counterfeiting of aircraft parts appears to be domestic in origin. One major U.S. automotive parts and accessories association estimated that all counterfeiting and other forms of unfair trade practices (both foreign and domestic), such as passing off, resulted in lost sales of \$12 billion annually, with \$3 billion of this sold within the United States. Another large association estimated the annual loss to be about \$3 billion worldwide. No estimate, however, has been made concerning the loss attributed solely to counterfeiting. In 1982, worldwide production of aircraft parts by U.S.-owned firms is estimated to total about \$12 billion to \$15 billion, and worldwide production of automotive parts and accessories by U.S.-owned firms is estimated at \$40 billion to \$50 billion.

According to questionnaire responses, U.S. aircraft and motor-vehicle parts' producers lost about \$8.0 million in sales worldwide during each of the last 3 years due to counterfeiting. Approximately \$1.0 million of the total consisted of losses to domestic markets, and the remaining \$7.0 million, to export markets. According to industry sources, however, domestic sales lost due to counterfeiting were far less significant than sales lost due to other unfair trade practices such as passing off and patent and copyright infringements.

Although no association or industry representative was able to make an accurate assessment of the magnitude of counterfeiting, all parties believed that counterfeiting and other unfair trade practices were becoming more

widespread, especially in third world countries. According to the respondents, lost sales due to counterfeiting remained relatively constant during 1980-82, ranging from \$7.8 million in 1980 to \$8.0 million in 1982.

Source countries.--Respondents indicated that the primary country responsible for counterfeit parts and accessories was Taiwan (16 product items). In addition, India and Singapore were reported as sources for three product items each, Thailand was reported for two items, and Australia and Korea were reported for one item each. Two major associations also indicated during the Commission's hearing on counterfeiting that Taiwan and South Korea were the principal sources of not only counterfeit goods, but goods competing under other unfair trade practices as well. Respondents reported Australia, New Zealand, and Spain as other sources of products in this category.

#### Impact of counterfeiting on the industry

Impact on the U.S. market.--Data compiled from the questionnaire responses indicate that domestic sales lost due to counterfeiting amounted to less than \$3.0 million during 1980-82. U.S. shipments by these respondents increased from \$61.0 million in 1980 to \$84.7 million in 1982, or by 39 percent. Domestic lost sales due to counterfeiting in 1982 were reported by the respondents to be less than \$1.0 million; thus, the counterfeiting losses represented less than 1 percent of total domestic sales in 1982. The U.S. industry was unable to estimate domestic loss of sales due to counterfeiting, but one association did estimate total worldwide lost sales due to all unfair trade practices at \$3 billion.

Impact on U.S. exports.--According to questionnaire respondents, the principal U.S. export markets affected by counterfeiting were Kuwait (five products items reported), Taiwan (three reported), and New Zealand, Canada, Brazil, Saudi Arabia, Singapore, and Thailand (two product items reported in each). Australia, Philippines, Mexico, France, Italy, West Germany, Argentina, and the United Kingdom were each listed as a market for one product item each. Lost sales to all of the above-named countries amounted to approximately \$7.1 million each year during 1980-82, according to the respondents. Industry sources were unable to estimate the total amount of lost export sales due only to counterfeiting.

Impact on U.S. employment.--The loss of employment resulting from a loss of \$3 billion in combined export and domestic sales in the automobile parts and accessories sector due to counterfeiting and similar trade practices in 1982 (assuming that \$1 of lost export sales equals \$1 of lost production and \$1 of lost domestic production equals \$1 of lost output), by affected industry sectors, is as follows: 1/

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1/ Employment loss is based on the U.S. Department of Labor input/output model; the loss of employment resulting from a hypothetical loss of \$10 million in output due to counterfeiting of automobile parts and accessories is shown in app. C.



<u>Industry sector</u>	<u>Employment loss</u>
Agriculture, fisheries, and forestry products-----	372
Mining-----	857
Maintenance and repair-----	567
Manufacturing-----	45,666
Automobile parts and accessories-----	21,985
Metal stampings-----	2,583
Blast furnaces and basic steel products-----	2,571
Iron and steel foundries and forgings-----	<u>2,083</u>
Total-----	47,462

Other effects on profitability.--The cost to the industries covered in this sector of identifying counterfeited aircraft and motor-vehicle parts in the U.S. market was estimated to range from \$66,000 to \$58,000 during 1980-82, and identification and detection costs in U.S. export markets averaged about \$140,000 annually during 1980-82. It should be noted, however, that fewer than 10 firms responded to this section of the questionnaire, and the total cost reported is presumably understated.

#### Miscellaneous Metal Products, Machinery, and Electrical Products

##### Overview

Description and trade.--The products included in this sector are those covered in parts 3, 4, 5, and 6, schedule 6, of the Tariff Schedules of the United States (TSUS). These products are categorized, generally, as metal products, machinery and mechanical equipment, electrical machinery and equipment, and transportation equipment (except parts of transportation equipment). Metal products include such articles as containers, cordage and screen, fasteners, nonpowered hand tools, and cutlery. Machinery and mechanical equipment encompasses general-purpose machinery, earth-moving and mining machinery, agricultural, pulp and paper, and textile machinery, office machines, and machine tools. Electrical machinery and equipment contains consumer appliances, telephone and telegraph equipment, radiotelephonic and radiotelegraphic apparatus (including consumer electronic products), and electronic components. Included in transportation equipment (except parts) are rail locomotives and rolling stock, motor vehicles, aircraft, and watercraft.

Total U.S. shipments of the products included in this sector increased from \$463.7 billion in 1980 to \$498.3 billion in 1981, and then declined to \$483.1 billion in 1982. Total employment increased from 7.7 million workers in 1980 to 8.0 million in 1981, and then declined to 7.6 million in 1982.

The total value of U.S. exports of the products included in this sector amounted to \$82.6 billion in 1980, \$91.8 billion in 1981, and \$83.1 billion in 1982.

Questionnaire response.--For the products covered in this sector, 31 firms responded to the Commission's questionnaire; 12 reported instances of counterfeiting, and 19 reported that they experienced no problems with counterfeited goods. The questionnaires were mailed to firms which together account for an estimated 10 to 20 percent of the value of shipments of these products.

Counterfeited products.--In the responses to the questionnaire, firms reported 17 products were being counterfeited. These include vises, dies, planers, joiners, toasters, video computer systems hardware, industrial plug valves, fuses, battery packs, piezoelectric speakers, circuit breakers, wire connectors, integrated circuit devices, and video switches.

Current assessment and trends.--Respondents reported that sales lost as a result of counterfeiting increased from \$1.2 million in 1980 to \$2.8 million in 1982. When similar unfair trade practices are considered, lost sales for 1982 increased to \$7.9 million. Although an overall estimate of sales of the products in this sector lost solely due to counterfeiting is unavailable, industry sources estimate that total domestic and export sales ranging between \$40 million and \$60 million were lost due to counterfeiting and similar trade practices in 1982.

There are no discernible trends in the kinds of products counterfeited; both consumer and industrial products were reported as being counterfeited. The number of instances of product counterfeiting has increased from 10 in 1980 to 18 in 1982 according to questionnaire responses. Counterfeiting in U.S. export markets is more prevalent than in the domestic market; respondents reported 13 instances of counterfeiting in foreign markets in 1982 and 5 instances in the domestic market.

Source countries.--According to questionnaire responses, Taiwan was the principal source of counterfeit products, being cited in 12 instances of counterfeiting. Canada, Hong Kong, Argentina, the Philippines, and Indonesia were each cited as source countries in at least one instance. In addition, five respondents indicated that products that were counterfeited also experienced competition from products falling under the following practices--gray market (three items), trade dress and passing off (five items), patent infringement (two items), and copyright infringement (one item). Four respondents report trade dress and passing off of 10 products, patent infringement of 2 products, and copyright violations of 1 product, none of which were also counterfeited. In total, Taiwan was listed 15 times as a source of products falling in these categories; Hong Kong, twice; and Argentina, China, Japan, and the Philippines, once each.

#### Impact of counterfeiting on the industry

Impact on the U.S. market.--The value of U.S. shipments of these products as reported in questionnaire responses totaled \$128.8 million in 1980, \$159.2 million in 1981, and \$132.2 million in 1982. Total employment reported by the questionnaire respondents was 15,391 in 1980, 21,149 in 1981, and 17,800 in 1982. Sales lost as a result of counterfeiting reported by these respondents amounted to \$1.2 million in 1980, \$1.4 million in 1981, and \$2.9 million in 1982. Respondents to the survey estimated that sales lost to

all forms of unfair trade practices, such as passing off, patent infringement, copyright infringement, and unauthorized sale, amounted to \$7.9 million in 1982. Although domestic sales lost solely due to counterfeiting for the sector are not available, it is estimated that total domestic sales lost due to counterfeiting and similar practices ranged between \$10 million and \$15 million in 1982. Two firms reported that they reduced the prices of their affected product lines as a result of counterfeiting. Additionally, seven firms reported that the counterfeited products had caused them to lose sales due to loss of goodwill.

Impact on U.S. exports.--The principal U.S. export markets affected by counterfeit products have been the Philippines (six reported instances of counterfeiting), Canada (four), and Taiwan (three). Italy, Hong Kong, Singapore, Venezuela, and Japan were reported as having two instances each, and one occurrence each was cited for Australia, Argentina, Austria, Brazil, Indonesia, Mexico, the Netherlands, New Zealand, Nigeria, Spain, Sweden, the United Kingdom, and West Germany. Venezuela and Canada were reported as having the largest figures for lost sales; however, response on lost sales, by markets, was spotty and, therefore, not indicative of the overall picture. The value of exports reported by questionnaire respondents was \$19.2 million in 1980, \$20.6 million in 1981, and \$15.9 million in 1982. Sales lost in U.S. export markets are reported to have totaled \$1.2 million in 1980 (6.3 percent of exports), \$1.4 million in 1981 (6.8 percent), and \$2.4 million in 1982 (15.1 percent). Although estimates of export sales lost solely due to counterfeiting are not available for the sector as a whole, it is estimated that \$30 million to \$45 million in export sales were lost due to counterfeiting and similar practices in 1982. No respondents reported reducing prices as a result of counterfeit sales in export markets.

Impact on U.S. employment.--The diverse nature of the products in this sector renders the calculation of any employment loss based on lost output purely speculative. However, the employment loss resulting from a hypothetical loss of \$10 million in output due to counterfeiting in the computer equipment industry, the household appliance industry, and the electronic components industry in 1982 is shown in appendix C.

Other effects on profitability.--The costs of detection of counterfeit products have increased in both the domestic and U.S. export markets. Domestic market detection costs increased from \$3,000 in 1980 to \$12,000 in 1981 and \$175,000 in 1982, and export market detection costs increased from \$198,000 in 1980 to \$200,000 in 1981 and \$378,000 in 1982. During 1980-82, the costs of detection, as a share of the value of sales, were less than 1 percent in the domestic market and 2 percent in export markets.

The costs of trademark enforcement also increased over the period but were highest in 1981. As reported by questionnaire respondents, enforcement costs in the domestic market were \$43,000 in 1980, \$102,000 in 1981, and \$69,000 in 1982. Enforcement costs in the export market were \$20,000 in 1980, \$148,000 in 1981, and \$36,000 in 1982. Eight firms reported that they had registered their trademarks of goods affected by counterfeiting with the U.S. Customs Service, and two reported they had not.

## Records and Tapes

Overview

Description and trade.--For the purpose of this section, the record and tape industry includes phonograph records and recorded tapes; master records and tapes; and blank audio and video magnetic tape. Records and recorded audio tape are used by commercial radio stations and millions of people who own record- and tape-playing equipment. Recorded video tape is used in pay television and network television to store and broadcast certain programming. Motion-picture firms may license recording companies to record film on video cassettes for eventual use with consumer video playback equipment.

U.S. shipments of records and tapes rose from \$1.8 billion in 1980 to \$2.3 billion in 1982. This increase may be attributable in part to higher unit prices of records and tapes and growing consumer demand for blank tapes. The quantity of records and recorded tape shipments has declined in recent years. The advent of electronic video games is estimated to be siphoning off as much as \$1 billion annually in potential record and tape sales. Another \$1 billion annually in retail sales may be lost to home taping.

There are 15 major producers of recorded audio, 15 major producers of recorded video and 10 major tape producers in the United States. Together, they account for 85 to 90 percent of U.S. production. During 1980-82, estimated employment of production workers in the industry fell from 16,700 to 11,600. The United States is the world's largest consumer of phonograph records. Estimated apparent consumption of records and tapes rose from \$1.7 billion in 1980 to \$2.2 billion in 1982. The ratio of imports to consumption fluctuated between 15 and 20 percent during this period. U.S. imports increased from \$264 million in 1980 to \$406.1 million in 1982. The United Kingdom, Canada, and West Germany were the top suppliers of phonograph records to the United States. Canada and the United Kingdom were also the leading suppliers of sound recordings on magnetic tape. Principal suppliers of blank tapes included Japan, Mexico, and Hong Kong. U.S. exports increased from \$356.2 million in 1980 to \$506.8 million in 1982. Major market outlets for U.S. exports of phonograph records include Japan, the United Kingdom, and Canada; for blank tapes, they include the United Kingdom, West Germany and Canada. The U.S. balance of trade for records and tapes showed a surplus of \$91.8 million in 1980 and \$100.7 million in 1982. The bulk of this surplus was accounted for by the large international demand for U.S. production of phonograph records, audio tape recordings and nonsound magnetic recordings.

Questionnaire response.--There were 16 respondents to the Commission's questionnaire, of which eight reported in the affirmative and eight in the negative. Records, tapes and video recorded cassettes were reported to be the chief items counterfeited (or pirated), although two instances of counterfeit blank tapes were reported. Together, the respondents constitute over 50 percent of the U.S. record and tape industry. The Recording Industry Association of America (RIAA) submitted a written statement to the Commission on behalf of its membership. As a consequence, most respondents to the Commission's questionnaire that are RIAA members deferred their responses to the RIAA's written collective statement, although respondents did provide some information directly to the Commission. The record and tape industry's problem with counterfeiting focuses on both counterfeit and pirate products

manufactured abroad. Overseas sales of domestically created and foreign-produced sound recordings are displaced by foreign-produced counterfeit discs and prerecorded tapes. Since prerecorded discs and tapes are usually not shipped in export, the manufacture for export of the discs and tape embodying the U.S. sound recordings generally does not take place in the United States according to the RIAA. Given the atypical counterfeit problem facing this industry, including the fact that pirates may constitute the majority of this problem, this section includes data compiled both from the reporting firms and the RIAA. The RIAA data and estimates cover products which have been counterfeited and pirated but excludes data on blank tapes and cassettes. The reporting firms and the RIAA could not provide separate data and estimates for counterfeit and pirate products. The purpose of the RIAA written statement was to provide the Commission with an industrywide overview of the impact of foreign product counterfeiting and pirating on U.S. industry and to recommend steps for U.S. Government action. The RIAA's membership includes recording companies which create and market over 85 percent of authorized prerecorded records and tapes manufactured and sold in the United States. The RIAA has its own active anticounterfeiting/antipiracy task force to which many of the member respondents contributed financially.

Current assessment and trends.--Counterfeiting is a chronic problem in the record and tape industry, although some progress was made during 1980-82 to combat it. As many as one in four records and tapes may be bogus in U.S. retail stores. One major industry group claimed that of 500 record stores surveyed, 90 percent carried at least some counterfeit stock. In addition to counterfeits, two other methods by which illicit records and tapes are manufactured and sold include (1) piracy--the copying and sale of recorded material without duplicating the packaging and without any compensation paid to and authorization given by the copyright holder; and (2) bootlegging--the unauthorized taping and sale of live music. Most industry sources indicate that piracy is the largest problem facing U.S. manufacturers both at home and abroad.

Data provided by the respondents, RIAA and the International Federation of Phonogram and Videogram Producers (IFPI) indicate that the Far East is the largest source of counterfeit and pirate records, tapes, and cassettes in the world today. The following table lists the source countries, estimated number of bogus units produced and the estimated value of lost U.S. export sales in 1982.

Source countries.--Leading the list in 1982 was Singapore where an estimated 90 percent of sound recordings manufactured or sold in the country were counterfeit or pirate. IFPI reported that pirate and counterfeit manufacturers and exporters in Singapore have now retained their own special counsel to defend every counterfeiting and piracy prosecution brought by the Singapore Government. In India, 95 percent of the country's legitimate sound recording market was undermined by counterfeit and pirate products in 1982. The RIAA and the IFPI estimate that 95 percent of the music cassettes manufactured and sold were counterfeits or pirates in 1982 in the Middle Eastern countries of Bahrain, Kuwait, Saudi Arabia, Syria, and the United Arab Emirates. In other Middle Eastern countries such as Lebanon, Morocco, Tunisia and Turkey an estimated 90 percent of the market is undermined by counterfeit and pirate tapes. In Nigeria, where no legitimate music cassettes were manufactured or sold in 1982, sales of counterfeits and pirates in excess of

Records and tapes: Production of counterfeit and pirated products and estimated value of lost U.S. export sales, by major markets, 1982

Region	Source	Item	Estimated production of counterfeit and pirated products 1,000 units	Estimated lost U.S. export sales 1,000 dollars
Far East	Singapore	All sound recordings.	85,000	10,400
		Unrecorded tapes	650	1/
		Subtotal	85,650	10,400
	Indonesia	Recorded tapes	40,000	38,000
	India	Recorded tapes	30,000	39,000
	Taiwan	Recorded tapes	3,600	1,400
		Recorded discs	1,620	600
		Subtotal	5,220	2,000
	Malaysia	Recorded tapes	2,700	1,700
	Philippines	Recorded tapes	2,500	2,800
Republic of Korea	All tapes	1,750	700	
Thailand	All sound recordings.	900	600	
	Total	168,720	95,200	
Latin America	Mexico	Recorded tapes	11,000	15,000
		Total	11,000	15,000
Europe	Italy	Recorded tapes	5,500	1/
		All other sound recordings.	680	1/
		Subtotal	6,180	11,000
	Portugal	Recorded tapes	4,200	1/
		Unrecorded tapes	25	1/
		Subtotal	4,225	1/
Greece	All tapes	1/	9,500	
	Total			
Africa	Egypt	Recorded tapes	70	1/
	Nigeria	Recorded tapes	1/	11,000
	Total	70	11,000	
	Grand total	190,195	141,700	

1/ Not available.

Source: Compiled from data submitted by the Recording Industry Association of America and from data submitted in response to questionnaires of the U.S. International Trade Commission.

\$22 million were monitored by the IFPI. Local industry reported that counterfeit and pirate products together accounted for nearly 100 percent of the cassette market and a large proportion of the disc market. In addition, respondents reported that Canada, the United Kingdom, the Netherlands, Panama, the Republic of South Africa, and Spain were the main suppliers of counterfeit or pirate prerecorded video cassettes, blank audio tapes, and recorded audio discs and tapes to the United States.

#### Impact of counterfeiting on the industry

Impact on the U.S. market.--Counterfeit and pirate records and tapes resulted in \$525 million in estimated lost domestic U.S. sales in 1980 and \$400 million during 1982, as reported by the respondents and the RIAA. The decrease in value of lost domestic sales to counterfeits and pirates may be attributed in part to (1) decrease in records and recorded tape shipments due to home taping and the advent of electronic video games; (2) increasing industry and manufacturers' efforts to detect, deter, seize, and otherwise combat bogus products; and (3) the deterring effect of the May 1982 enactment of the Piracy and Counterfeiting Amendments Act, which provided stricter criminal penalties for record, tape, and motion picture piracy and counterfeiting. Before 1982, a first offense for piracy and counterfeiting was considered a misdemeanor with a conviction under the Copyright Act carrying a maximum fine of \$50,000 and 2 years in jail for repeat offenders. The Piracy and Counterfeiting Amendments Act of 1982 makes piracy and counterfeiting of records and tapes a felony for a first offender and raises the maximum fine to \$250,000 and 5 years in jail for convicted parties. The industry is hopeful that this legislation will deter piracy and counterfeiting; it may have already. A majority of the respondents reported having registered their trademarks with U.S. Customs, which underscores their concern with halting imports of bogus products at the country's ports of entry. None of the respondents reported reducing their prices of any of the products with which they have experienced counterfeiting or pirating. In the domestic market, the respondents reported that street vendors, flea markets, discount stores, and wholesalers to be the major selling agents of counterfeit and pirate products.

Impact on U.S. exports.--Counterfeits and pirates resulted in \$287 million in lost export sales in 1980 and \$258 million in 1982 as reported to the Commission by the respondents and the RIAA. The decline in lost export sales as a result of counterfeits and pirates during this period may reflect the same circumstances which led to reduced lost domestic sales for legitimate U.S. manufacturers.

Respondents listed the Far East, South Asia, South America, and Europe as those areas where their legitimate products most often compete with counterfeits and pirates. In export markets, the respondents reported that trading companies, wholesalers, and small retail stores to be the major selling agents of counterfeits and pirates.

Impact on U.S. employment.--The loss of employment resulting from a loss of \$658 million in combined export and domestic sales in the record and tapes industry due to counterfeiting and piracy in 1982 (assuming that \$1 of lost

export sales equals \$1 of lost domestic production and \$1 of lost production equals \$1 of lost output), by affected industry sector is as follows: <sup>1/</sup>

<u>Industry sector</u>	<u>Employment loss</u>
Agriculture, fisheries, and forestry products-----	201
Mining-----	192
Maintenance and repair-----	231
Manufacturing-----	20,198
Records and tapes-----	10,644
Electronic components-----	2,685
Printing and publishing, n.e.c.-----	642
Plastic products-----	<u>356</u>
Total-----	20,822

Other effects on profitability.--The industry is faced with the difficult task of prevention, detection and identification of counterfeits and pirates. For instance, demand for cheap cassettes from the United States, Middle East, Europe, and Latin America spurs production of bogus products. Identification and detection costs expended by the respondents and the RIAA during 1980-82 remained steady at an estimated \$3.5 million annually in both domestic and export markets. In 1982, of the \$3.5 million expended, \$1.5 million was spent domestically, and \$2.0 million was spent in export markets to combat counterfeits and pirates. Registration and litigation costs are estimated to amount to another \$500,000 annually. Confiscation of counterfeit and pirate records and tapes by U.S. law enforcement agencies yielded an increasing number of bogus units during 1980-82. Assisted by the RIAA's Anti-Piracy Unit, FBI, State, and local law enforcement agencies seized an estimated \$65 million in bogus sound and video recordings and related equipment in 1982. The RIAA reports that this figure represents the estimated value of record-counterfeiting and audio/video-tape-duplicating equipment; masters and raw materials; counterfeit, pirate, and bootleg LP's, singles, 8-tracks, and cassettes; and bootleg video cassettes seized in raids across the United States in 1982. Similar confiscations amounted to over \$55 million in 1980 and again in 1981. Sources of these seized illegal products were both domestic and foreign.

### Sporting Goods

#### Overview

Description and trade.--Sporting good products are used in athletic competition, tests of physical skill, physical fitness training, and recreation. U.S. shipments remained relatively unchanged during 1980-82, ranging from \$3.1 billion in 1980 to \$3.4 billion in 1982. The industry comprises about 1,750 firms operating 1,850 establishments concentrated

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<sup>1/</sup> Employment loss is based on the U.S. Department of Labor input/output model; the loss of employment resulting from a hypothetical loss of \$10 million in output due to counterfeiting of records and tapes is shown in app. C.



largely in California, New York, Texas, and Michigan. Total employment fell from 56,600 in 1980 to 51,600 in 1982. The United States is the world's largest single-country market for sporting goods. However, during 1980-82, apparent consumption remained relatively unchanged at about \$3.4 billion annually. Imports in 1982 amounted to \$665 million, up slightly from \$662.5 million in 1980. Taiwan, Korea, and Japan were the top three major suppliers to the United States during the period. U.S. exports increased from \$338 million in 1980 to \$373 million in 1982. Japan, Canada, and the United Kingdom were the three top export markets. The industry suffered a negative balance of trade during this period, from a \$510.3 million deficit in 1980 to a \$555.5 million deficit in 1982.

Questionnaire response.--There were 10 respondents to the Commission's questionnaire, of which five reported in the affirmative and five in the negative. Golf and tennis equipment were listed by the respondents as the chief target of foreign counterfeiters. Those respondents, taken together, constitute about 50 percent of the total tennis equipment and golf equipment industries in the United States. Respondents listed eight product items as having encountered counterfeiting during 1980-82.

Current assessment and trends.--Respondents reported the occurrence of six counterfeit product items in exports markets and four in the domestic market during 1982. In 1980, two product items were discovered as counterfeits in the domestic market, as were four in the export markets. Commercial shipments of products that have been counterfeited rose substantially during the period. Respondents' domestic shipments jumped from \$30.8 million in 1980 to \$96.1 million in 1982. Respondents' export shipments rose from \$6.8 million in 1980 to \$32.0 million in 1982. The number of workers who are employed in manufacturing products which have been counterfeited remained between 818 and 847. During the period, over one-half of the respondents' total work forces were involved in the manufacturing of products which have experienced counterfeiting. Although lost sales due solely to counterfeiting are not available, industry sources estimate that total lost export and domestic sales of sporting goods due to counterfeiting and similar practices amounted to \$600 million in 1982.

Source countries.--Respondents listed five countries as the sources of counterfeit sporting goods, including Taiwan (5 product items), Japan and Korea (2 product items each), and the Philippines (1 product item). In addition, Taiwan was reported as the source of three product items falling into trade practices similar to counterfeiting, and Italy and Portugal were each reported for one such product item.

#### Impact of counterfeiting on the industry

Impact on the U.S. market.--Counterfeits resulted in \$1.6 million in lost domestic sales as reported by the respondents. This represented 1.7 percent of domestic commercial shipments in 1982 of those products for which the respondents encountered competition from counterfeits. When similar unfair trade practices are considered, total lost domestic sales increased to \$1.75 million in 1982. Total lost domestic sales amounted to \$400,000 in 1980 and \$1,000,000 in 1981. Estimates by one major trade association of industrywide domestic lost sales as a consequence of all types of product

counterfeiting amounted to \$250 million annually for all sporting goods equipment excluding wearing apparel. None of the respondents reported reducing their prices of any of the products with which they have experienced counterfeiting. This may suggest that the prices of counterfeits were in close proximity to those of the authentic products. In the domestic market, respondents reported that discount stores and retail sports shops were the most frequent selling agents of counterfeit goods.

Impact on U.S. exports.---Four respondents identified a total of 14 market countries in which their exports were facing competition from counterfeits during 1980-82. Australia led the list with four reported instances; Japan and Singapore were each listed for three product items, and South Africa was listed for two. Argentina, Canada, Chile, Hong Kong, Italy, the Philippines, the Republic of Korea, Taiwan, the United Kingdom, and West Germany were each reported markets of one product item. Counterfeits resulted in 1.7 million dollars' worth of lost export sales in 1982 as reported by the respondents. This represented 5.3 percent of total export commercial shipments in 1982 of those products for which the respondents encountered competition from counterfeits. When similar unfair trade practices are considered, total lost export sales increased to \$2.5 million in 1982. Estimates by one major trade association of industrywide lost export sales as a consequence of product counterfeiting and similar practices amounted to \$350 million annually for all sporting goods equipment excluding wearing apparel. Department stores and retail sports shops were reported as the most frequent selling agents of counterfeits in export markets.

Impact on U.S. employment.---The loss of employment resulting from a loss of \$600 million in combined export and domestic sales in the sporting goods industry due to counterfeiting and similar practices in 1982 (assuming that \$1 of lost export sales equals \$1 of lost domestic production and \$1 of production equals \$1 of output), by affected industry sectors, is as follows: <sup>1/</sup>

<u>Industry sector</u>	<u>Employment loss</u>
Agriculture, fisheries, and forestry products-----	208
Mining-----	171
Maintenance and repair-----	151
Manufacturing-----	15,330
Sporting goods-----	9,289
Plastic products-----	857
Fabric, yarn, and thread mills-----	311
Total-----	15,860

Other effects on profitability.---Identification and detection costs expended by the respondents during 1980-82 remained miniscule, amounting to \$65,000 for the entire period in both the domestic and export markets.

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<sup>1/</sup> Employment loss is based on the U.S. Department of Labor input/output model; the loss of employment resulting from a hypothetical loss of \$10 million in output due to counterfeiting of sporting goods is shown in app. C.

Registration and other enforcement costs during the period increased from \$17,000 to \$44,000 in the domestic market and from \$36,000 to \$96,000 in the export markets. Two respondents registered their trademarks with the U.S. Customs Service on those products for which they probably encountered counterfeiting from foreign sources. When identification and enforcement costs on products experiencing other unfair trade practices as reported by the respondents are considered, total 1982 anticounterfeiting expenses amounted to \$225,000. One industry group estimates that the industrywide cost of identification and enforcement on counterfeiting and similar trade practices amounted to between \$4.0 million and \$6.0 million in 1982.

### Miscellaneous Manufactures

#### Overview

Counterfeiting occurs in a wide variety of product areas which stretch across several U.S. manufacturing industries in addition to the industries already discussed. Since this section comprises a wide variety of products, it may be viewed as a barometer of the nation's counterfeit problem at large. The section shows how counterfeiting has spread through the U.S. manufacturing economy. There were 36 respondents to the Commission's questionnaire which were categorized into this section, because their diverse and individualized counterfeit problems do not fit into any of the industry sectors already discussed in this report. Of the 36 respondents, 17 reported in the affirmative, and 19 reported in the negative. Respondents reported 33 product items which were counterfeited during 1980-82, including writing instruments, flat goods, handbags, leather products, jewelry, watches, clocks, sunglasses, computer software and related equipment, video games, and toys. Questionnaire coverage was an estimated 10 percent for the various miscellaneous products subject to counterfeiting. Respondents reported increasing occurrences of counterfeits in both the domestic and export markets. In the domestic market, there were 22 counterfeit product items uncovered in 1980, 24 in 1981, and 26 in 1982. In export markets, there were 16 counterfeit product items uncovered in 1980, 21 in 1981, and 22 in 1982. Respondents' domestic shipments rose from \$641.3 million in 1980 to \$1.4 billion in 1982. Respondents' export shipments rose from \$97.2 million in 1980 to \$316.4 million in 1982. The number of workers who were employed in manufacturing product which have been counterfeited grew from 5,750 in 1980 to 6,880 in 1982. During this period, approximately 30 percent of the respondents' total work forces were involved in the manufacture of legitimate products which have been counterfeited by foreign manufacturers.

Taiwan was the most frequently reported source of counterfeit goods by the respondents (26 product items). Hong Kong was reported as the source of 10 items; Korea, for 6 items; Japan, for 4 items; and Brazil, for 3 items. India and Singapore were each cited for two product items, and Australia, China, France, Italy, Kuwait, Mexico, Panama, Saudi Arabia, Thailand, the United Kingdom, and West Germany, for one product item each. In the domestic market, respondents reported that street vendors, wholesalers, discount stores, department stores, and flea markets were the most frequent selling agents of counterfeit goods; in export markets, street vendors, wholesalers and retail stores were reported.

### Impact of counterfeiting on the industry

Impact on the U.S. market.--In 1982, counterfeits resulted in lost domestic sales of \$1.0 million as reported by the respondents. When similar unfair trade practices are considered, total lost domestic sales increased to \$10.0 million in 1982. This represented 1 percent of domestic commercial shipments in 1982 of those products for which the respondents encountered competition from counterfeits. Total lost domestic sales amounted to \$600,000 in 1980 and \$800,000 in 1981. Although an estimate of total lost domestic sales of all miscellaneous products is not available, sales lost due to counterfeiting and similar practices are estimated in excess of \$200 million in 1982, the bulk of this loss being due to practices other than counterfeiting. Only six respondents reported reducing their prices of any of the products with which they have experienced counterfeiting.

Impact on U.S. exports.--In 1982, counterfeits resulted in \$6.0 million in lost exports sales for the reported firms. When similar unfair trade practices are considered, total lost export sales increased to \$21.0 million. This represented 6.6 percent of total export commercial shipments in 1982 of those products for which the respondents encountered competition from counterfeits. Total export sales lost due to counterfeiting and similar practices were estimated to be in excess of \$100 million in 1982. Respondents listed, in order of highest frequency, Taiwan, Hong Kong, Korea, the United Kingdom, France, Singapore, Japan, Trinidad, Thailand, Panama, and Canada as those export markets where legitimate products most often compete with counterfeits. Forty-four countries were reported as export markets affected by counterfeits in this sector.

Impact on U.S. employment.--The diverse nature of the products covered in this sector renders any attempt at estimating employment lost due to counterfeiting and similar practices through the use of the Department of Labor's Input/output model purely speculative. However, employment losses resulting from the hypothetical loss of \$10 million in output due to counterfeit, in the luggage, handbag and flat-goods, game, and toy industries are shown in appendix C.

Other effects on profitability.--Domestic and foreign identification costs for the reporting firms rose to \$2.6 million in 1982 from \$1.3 million in 1981 and \$1.1 million in 1980. Domestic and foreign registration and other enforcement costs also increased during this period, from \$215,000 in 1980 to \$500,000 in 1981, and jumped to \$3.1 million in 1982. Fifteen respondents registered their trademarks with the U.S. Customs Service. When other costs to combat all unfair trade practices are considered, domestic and foreign identification, detection, and registration costs rose to \$9.0 million in 1982. This figure represented 0.5 percent of total commercial shipments for the respondents in 1982.

### DETECTION, IDENTIFICATION, PREVENTION, AND ENFORCEMENT METHODS

As an open-ended question, the Commission asked respondents to report on methods they have used to combat product counterfeiting and the effectiveness of such methods. Responses were categorized by Commission staff into 10 methods for detection, identification, and prevention and six methods for

enforcement. Those responding to this section constituted 76 percent of the total affirmative responses for the Commission questionnaire. Table 5 provides the frequencies by which the reporting firms employed these methods.

Taken together, the respondents revealed that there is indeed a step-by-step process by which they attempt, with mixed results, to find and stop counterfeiters. The process begins with the detection of the existence of the counterfeit. Detection is followed by an investigation into the origins and principals of the counterfeit product, which is in turn followed by attempts to prevent further production. The process ends with enforcement action undertaken by the legitimate manufacturer of the trademark holder against the counterfeiter through the court system. Each step in the process is dependent on whether the previous step has been carried out. For instance, enforcement action cannot be undertaken if the source or distributor of the counterfeit cannot be proven. Responding firms were burdened by the many obstacles they faced in tracing the source of counterfeits and enforcing their trademark rights.

One theme which ran throughout the responses and echoed the frustration felt by most of the respondents dealt with the scantiness of the combat methods available to U.S. firms and industries relative to the enormity of the counterfeit problem. Most respondents felt that their anticounterfeiting methods and techniques alone will not displace counterfeits altogether; they may stem the tide and make it more difficult for counterfeiters to succeed. However, so long as the economic rewards remain high and the penalties low, so long as sources of counterfeit production remain very difficult to identify and thus prosecute, and so long as counterfeiters will continue to find ways to skirt existing laws and industry combat methods, counterfeiters will remain in business.

#### Step One: Detection

The message which may be drawn from the respondents is that although it is prudent and useful to employ a variety of detection methods, some counterfeits will still go undetected. Equally problematic is the manufacturer's fear that a detected counterfeit, once publicized, will hurt its reputation and sales. Many counterfeit products go undetected because they are so closely identical to the authentic and since many manufacturers do not bother to be watchful. Some U.S. manufacturers may not be aware that their products are being counterfeited and sold in this country or abroad. Of those counterfeits actually found, respondents reported that their detection was most frequently left to private investigators or trademark watch services and alert wholesale and retail sales persons, buyers, distributors and field personnel. Forty-three respondents reported that they registered their trademark with the U.S. Customs Service. An alert sales force with watchful buyers, local employees, licensees and distributors in this country and abroad trained to be on the lookout for counterfeit goods was cited by 23 respondents as a major detection method relied upon. Through sample purchases, particularly at retail outlets and in geographic regions outside the manufacturer's regular distribution channels, counterfeits may be detected by company representatives and agents. Counterfeits may also be detected at trade shows in which both the legitimate manufacturer and counterfeiter have been known to display their wares or advertise them in catalogs. Only two

respondents reported customer complaints as a method of detecting counterfeit products. Most of the respondents both to the Commission's questionnaire and to its telephone survey of major U.S. retailers (see distribution section) reported that they run a tight distribution system and maintain tight inventory control. Only established, reputable middlemen are employed. Such measures may reduce the frequency with which unsuspecting consumers at established major retail stores encounter counterfeits. There are other telltale signs of counterfeit products which could lead to their detection by consumers and retailers which were not mentioned by the respondents. For example, consumer prices advertised for name-brand products well below their true market value and sales of fast-moving, high-demand parts or products which do not reach, or fall below, anticipated levels could signal the existence of counterfeit merchandise.

According to the United States Trademark Association (USTA), many, if not all, of the detection methods by which counterfeit merchandise is uncovered have inherent limitations. Sales representatives do not always report to management their suspicions that a major customer may be dealing in some counterfeit business for fear of losing future sales. Markups, and therefore profit margins, are higher on counterfeit goods, so even reputable retailers may not always closely question their suppliers. In addition, unaccountable product failures do not always result in customer returns or complaints; purchasers may decide against buying the product again. Public detection and acceptance of the existence of counterfeits is problematic from the viewpoint of some manufacturers or trademark owners that may be reluctant to admit the extent or even the existence of such a problem. Their fear is that if customers become aware that their product is being or has been counterfeited, they will cease purchasing that product. Finally, with regard to trademark registration with the U.S. Customs Service, most of the respondents found such registration to be effective in "stemming the tide" of incoming counterfeits by the many seizures at U.S. ports of entry. However, they were also resigned to the "inevitability" that bogus products will continue to filter into the country undetected due to the magnitude of worldwide counterfeit production and sales, physical and operational closeness of counterfeits to the real product, and the implausibility of Customs inspectors to uncover all imported counterfeits. Recordation of a trademark with Customs is not a requirement of law. In fact, many U.S. trademark holders may be unaware of this service until after they have been victimized, which may be too late according to USTA, which claims that even if a mark is so recorded, enforcement may be difficult because of mixed shipments; the multitude of potential ports of entry; importation of parts for assembly in the U.S. or of unmarked goods to which counterfeit marks may be applied after importation; and even outright smuggling. This, according to the USTA, is to say nothing of the difficulty inherent in detecting and determining what may be a counterfeit from among the many recorded marks. In addition, trademarks may be recorded only if they are Federally registered. Since it currently takes over 1 year to acquire a Federal registration, trademark recordation with Customs is not helpful in product areas where there is overnight sensation and high-technology fields where new products are created and their bogus counterparts appear almost overnight.

### Step Two: Identification

After a counterfeit is detected, the difficult task of identifying its source of production and distribution is undertaken. Before any enforcement action may be taken against a counterfeiter or agent thereof, the location of the counterfeit production and its key principals must be proven. Fifty respondents called upon in-house and/or outside legal counsel to undertake formal investigations on a worldwide basis into known or suspected activities of counterfeiters and their agents to identify the source country, manufacturer, owner, distributor, and so forth. Twenty-four respondents hired private investigators or trademark watch services to monitor and scan retail establishments and other vendors, such as flea markets, in search of counterfeits through sample purchases and to track down their sources. The majority of respondents felt that identification of the source of counterfeit is the biggest problem facing their combat efforts to date. Costly investigative efforts are often stymied, because the market in which a counterfeit is detected is not always the same as the market in which it was manufactured. As a result, respondents have been hard pressed to collect evidence against counterfeiters even though they may know their identity. The foreign product counterfeiter is reported to be a shrewd and elusive businessman who is quick on the move when and if the legitimate manufacturer is hot on his trail.

### Step Three: Prevention

In terms of preventing counterfeiters' success in reaching the customer, 18 respondents employed or considered use of numerous anticounterfeiting devices. These devices are designed to do one or more of the following services: (1) make copying more difficult for counterfeiters; (2) trace where and when a counterfeit product was made and in what market it was purchased by the consumer; (3) detect and prove if the product is authentic or counterfeit either on the spot or through overnight laboratory tests; and (4) allow the consumer to return a card on the package of a product for verification of authenticity. Some of the respondents employed anticounterfeiting devices not just as a method of prevention, but as liability protection in case of product failure. Since these devices are new to the market and as of yet untested, it is still too early to judge their effectiveness. Some anticounterfeit devices have been counterfeited as well. Several respondents reported that use of anticounterfeiting devices was thought to have resulted in substantially reduced counterfeit sales of their products. Fifteen respondents cited trademark registration with foreign customs as an important prevention method. Many of these respondents registered their trademark with foreign customs as a means of keeping a future counterfeiter from doing likewise. If a foreign counterfeiter has already preregistered a trademark of a legitimate U.S. owner, the latter will have an uphill battle to prove true ownership of the mark to foreign authorities or may accept the fait accompli and attempt to sign on the infringer as a licensee of the firm to produce in that market. Furthermore, some shrewd foreign businessman who may not desire to manufacture any product may still register a U.S. firm's trademark with a foreign customs office, in the event it is not already registered, and extract concessions from the real owner once the act is detected. Some companies will register their trademark with foreign customs in countries where there is a reasonable chance of them pursuing future sales. However, this can be an expensive preventitive measure. The effectiveness of trademark registration with

foreign customs was not commented on by the respondents. However, the method may not always be reliable. If the foreign government involved has a stake in fostering the country's counterfeit export trade as a matter of economic development, and since many countries keep a much less watchful eye on what leaves than what enters their frontiers, trademark registration with foreign customs is not likely to be relied upon by the respondents as their only method of prevention available. Twelve respondents reported that public awareness campaigns were an important method of prevention. By informing the consuming public, distributors, buyers, and retailers through the media, press conferences, and published materials about known or suspected counterfeits, how to identify them, what their dangers are, and the court cases which have put counterfeiters out of business, these respondents felt heightened public consciousness of the problem as it exists will help put a substantial dent in counterfeit sales. Its effectiveness to date was not reported by these 12 respondents. Ten respondents reported that they joined and have worked with coalitions, task forces, and/or industry groups in combatting product counterfeiting through seminars, press releases and conferences, lobbying efforts aimed at Congress and the Executive branch, public awareness programs, and have participated in congressional and other Government hearings among other undertakings. Among such groups mentioned by the respondents included the International Anticounterfeiting Coalition, the U.S. Trademark Association, and the Recording Industry Association of America. The fact that membership in the International Anticounterfeiting Coalition has doubled in the past few years may reflect the growing awareness among U.S. firms of the problem and their direct experiences with it.

#### Step Four: Enforcement

Respondents reported two major enforcement methods: employment of in-house and/or outside legal counsel to file criminal/civil suits against counterfeiters on a worldwide basis (35 respondents) and sending "cease and desist" warning letters to known counterfeiters (22 respondents). After detecting and identifying counterfeits and their sources, most respondents either proceeded to take legal action against the counterfeiters or its agent or threatened such action. For 22 respondents, the first line of defense was sending "cease and desist" warning letters or, according to five respondents, verbally approaching and warning known counterfeiters that legal action will be forthcoming if production is not stopped. Most of these respondents reported this to be a generally effective method of getting counterfeiters to cease production of the product in dispute. However, these respondents reported the method to be successful only in the short run. Most found that, after warning a counterfeiter that operations must cease immediately unless legal action be taken, the method resulted in a written promise to do so. Upon investigating later to determine if the terms of the agreement were met, the respondents reported that the counterfeiter either resumed earlier operations or entered into counterfeit production of other products, or both. The majority of respondents employed in-house or outside legal counsel that eventually filed criminal or civil suits against counterfeiters at various points of manufacture and/or distribution. When such actions were taken in countries where anticounterfeiting laws were either weak, vague, unenforceable, ignored, nonexistent, or too lenient, many of the respondents reported that their legal efforts were exceedingly costly and their results meaningless. Often the guilty party received either a suspended jail sentence



or paid a small fine and was soon back in the business of producing counterfeits. Most of the respondents emphasized the costliness of foreign litigation and the uncertain knowledge of whether or not justice will prevail in the long term. Many smaller reporting firms could not afford to bring legal action against all counterfeiters and their agents. Many respondents reported that in some cases they may know of counterfeiters infringing their trademark rights but will not take action because it is either too costly or the company does not export to the market affected. In the latter case, the firm may strike a deal with the counterfeiter to become the firm's legal licensee to manufacture in that market. Other enforcement methods reported include eight respondents that cooperated with criminal enforcement authorities, eight that obtained search and seizure court orders, or police raids, and eight respondents that filed for temporary restraining orders. Finally, two respondents offered cash rewards for information leading to the arrest and conviction of people involved with counterfeiting their products. The effectiveness of the above methods was not reported to the Commission by the respondents.

#### Comparison of Major Selected Anticounterfeiting Detection Techniques

During the course of the investigation, eight anticounterfeiting techniques, most of which have been recently introduced, were identified. In combatting product counterfeiting, U.S. manufacturers are considering or actually employing one or more of the following techniques: glass particles; microscopic identifying particles; light-beam-marked label; product authentication card; plastic sealing film; scrambled indicia; printing intaglio image engraving; and hologram. The above techniques all aim at the same goals: (1) to increase the cost of doing business to counterfeiters and thus reduce or eliminate their profit margins; (2) to trace the source of production and/or distribution of counterfeiters to the responsible individuals or manufacturer; and (3) to raise consumer consciousness to exercise caution before making a purchase. These techniques may also be used as product liability protection in the event a bogus product malfunctions and the manufacturer of the genuine product is held responsible.

For all the techniques discussed in this section, their real usefulness to U.S. manufacturers' anticounterfeiting programs is their cost and time effectiveness. If the cure is more costly than the disease, such as detection costs exceeding the value of lost sales due to counterfeiting, the technique will not be cost effective. If the technique cannot be used to readily verify the true identity of a product, it may not be considered time effective, since producers and sellers of counterfeit products are often quick on their feet in avoiding detection. The techniques listed here may be applied to nearly all products reported by the respondents to have been counterfeited by using labels, tags, stickers, inserted post cards, and, in one case, to the actual physical makeup of the product itself.

#### Glass particles

This technique involves a thin, plastic transparent film containing tiny glass particles which form an invisible image which lights up when seen through a special retroreflective viewer. The technique may be applied to the

face or packaging of a product. Tampering with it destroys its effects, thus preventing a counterfeiter from reapplying the stickers to a bogus product. Duplication would be costly if not impossible for the counterfeiter.

#### Microscopic identifying particles

In the case of this technique, the product is secretly labeled with microscopic identifying particles, each a "sandwich" of colored layers that constitute a code which identifies its location, batch number, and date of production. The potential color combinations of this technique are claimed to run into millions to create an unlimited number of separate and elusive identifiers. The particles may be mixed with a bulk product or attached to solid objects with paint or other coating. An insert layer of magnetic-sensitive materials allows separation of particles from free-flowing products for quick field identification. An investigator could read color coded particles in the field; decoding the particles is accomplished with a magnet and a microscope.

#### Light-beam-marked label

This technique uses a computer-generated high-intensity beam of light which is passed through part of a product's label, tag, or sticker. The computer takes a picture of the unique fiber pattern of the label, tag, or sticker, which, like a human fingerprint, is one of a kind. The computer reads the picture and then translates the pattern into a digital code which, in turn, is printed on the label, tag, or sticker and recorded by the computer for future reference. The manufacturer dispatches buyers to make sample purchases of coded products. Once the product is selected and received from the manufacturer, the detection company passes the high-intensity computer-generated beam of light through the product label, tag, or stickers and compares the image with that on record to check authenticity. The manufacturer may identify where and when the product was made and where it was sold. Unauthorized duplication is impossible.

#### Product authentication card

As a variation of the above process, a return post card is placed inside the package of a product by the manufacturer; the customer is notified of this procedure by instructions which are provided on the product's packaging. The detection company uses a computer-generated high-intensity light beam to record the unique fiber pattern of each card, which is then stamped with a digital code. Each card requests the sender's name and address and urges the purchaser to return it to determine authenticity. Discounts and fan club paraphernalia may be used by the manufacturer for inducements. Absence of the inserted card may signal the existence of a counterfeit. The detection company compares the digital code with the recorded pattern. If it does not match, the computer identifies the label as bogus. Federal law enforcement authorities may be called upon to track down the identity of the merchant of the counterfeit, assuming the customer included his name and address and could provide such information. If the product is proven genuine, the consumer receives a certificate of authenticity.

### Plastic sealing film

This technique uses a transparent polyester film which incorporates special optical effects adopted for use as adhesive for product labels, tags or stickers. When the product is sealed and viewed in normal light, the film produces a rapidly changing array of unusual optical effects of form and color. The company's trademark or logo is incorporated into the material. Tampering with the label, tag, or sticker destroys the optical effect and signals foul play. Absence of a label, tag, or sticker should also be viewed with suspicion.

### Scrambled indicia

In this method, a camera with a slit lens is used to scramble or distort an image, such as a trademark or logo placed on a product's label, tag, or sticker, which can be subsequently decoded through a special viewer. Such printing is undecipherable without a special viewer. To the naked eye, incoherent pattern of lines appear, but when viewed through the decoder lens, the original image is clearly reconstructed. Attempts to copy the printed scrambled images result in the destruction of clarity when viewed through the decoder. Attempts to alter the label, tag, or sticker are similarly apparent. Without access to the original negative, reproduction is claimed to be impossible.

### Intaglio image engraving

This technique involves a concealed intaglio image imprinted to a product's label, tag, or sticker which can be made to appear by viewing the product to which it is affixed at a prescribed angle. The intaglio microprinting creates a fine-line structure which is readable only under magnification. Fluorescent, erasure-sensitive inks expose attempts at alteration. The word "void" appears in xerographic copies of the original tag, label, or sticker affixed to a product in which the word is invisible.

### Hologram

The hologram consists of three-dimensional images created by lasers and other sophisticated technology and appended to a product's packaging. Absence of the hologram or damage to one would be a signal of tampering.

## RECOMMENDATIONS FOR U.S. GOVERNMENT ACTIONS TO COMBAT PRODUCT COUNTERFEITING

In an open-ended question, the Commission asked respondents to recommend actions to be taken by the U.S. Government, both domestically and in international negotiations, on the question of product counterfeiting. Responses were categorized by the Commission staff into three recommendations each for domestic and international action. Those responding to this section constituted 62 percent of the total affirmative response rate for the Commission questionnaire. Table 6 provides the frequencies by which reporting firms made these recommendations.

Taken together, the respondents revealed that since U.S. industries and firms cannot single handedly combat foreign product counterfeiting due to the reasons outlined in the previous section, they looked to Congress to enact tougher anticounterfeiting legislation and to the President to strengthen the U.S. Customs Service's efforts to identify counterfeit imports and to seek remedies abroad through bilateral and multilateral efforts.

Recommendations for U.S. Government actions at the domestic level centered around new legislation and the U.S. Customs Service. Thirty respondents supported passage of S. 875 and H.R. 2447, which would make counterfeiting a criminal offense punishable by fines and jail sentences. Most respondents felt that current laws are inadequate in terms of deterring the activities of counterfeiters. Most felt that toughened legislation would serve as a stronger deterrent to counterfeiters. Although the current pending legislation is not applicable to the actual foreign counterfeiters that are outside U.S. jurisdiction, it will penalize their U.S. agents, such as importers, distributors, and retailers that knowingly deal with counterfeit products. Twenty-one respondents called on Customs to strengthen its efforts to stop counterfeits at the border. Although most felt that Customs was effective in stemming the tide of incoming counterfeits as earlier mentioned, much more remained to be done. Other recommendations centered around closer Customs surveillance of unauthorized imports, closer and more direct communications between registered and recorded trademark owners and Customs on imported counterfeits and their agents so that Customs may alert inspectors, and assurances that Customs send notices it receives from affected manufacturers or trademark owners to each port of entry identifying products which are being counterfeited. Several respondents suggested that Customs require each incoming shipment to have a cosignee who will verify the product's authenticity. Four respondents called on the U.S. Government to increase the role of U.S. embassies, consulates, and trade offices in assisting affected U.S. manufacturers in the pursuit of counterfeiters.

Recommendations for the U.S. Government at the international level included 18 respondents supporting the anticounterfeiting code being negotiated through the GATT; 16 respondents favoring imposition of economic sanctions against foreign governments that harbor or tolerate known counterfeiters; and 13 respondents favoring application of unequivocal U.S. Government bilateral pressure on foreign governments to take action against counterfeiters and adopt new laws, or strengthen and enforce existing laws to deter such activity.

## COUNTERFEITING AND THE DISTRIBUTION SYSTEM

### Retailing

Counterfeit products do not appear to be a major area of concern among retailers, according to discussions by the Commission staff with 50 major companies. Although occasional media reports have made people aware of product counterfeiting, few of the firms contacted reported first-hand experiences with counterfeit goods.

Specific counterfeiting instances cited generally involved clothing, jewelry, and perfume. In most instances, the trademark holder notified the

retailer about the counterfeit, or the customer returned the product to the retailer upon realizing it was counterfeit. In almost all cases, the retailer accepted the return of the bogus product from the customer and contacted the manufacturer. Retailers assisted in tracking down the counterfeits, which were as frequently domestic as foreign.

No special programs or systems for identifying and eliminating counterfeits existed among the firms contacted. Almost all firms stated that their primary means of keeping counterfeits out of their product lines was to buy merchandise from reputable vendors. Retailers relied heavily on the training and product knowledge of their buyers to avoid acquiring fraudulent goods. Some firms explained that as part of their training program, they educate their buyers about trademarks and instruct them to obtain trademark releases when making purchases. Some retailers claimed they carefully researched any new vendors from whom they intend to purchase products to determine the vendor's general reputation. Other retailers send out "competitive shoppers" to purchase products they themselves carry, usually apparel items, from area competitors, often discounters, who may sell the same product but at a much lower retail price. In some cases, the competitors' low-priced product is a counterfeit, and the investigating retailer of the genuine item will contact the manufacturer for verification. Viewed this way, some retailers are affected by counterfeiting through sales lost as a result of discount bogus products sold at prices far below their real counterparts by neighboring merchants.

Most retailers did not feel that counterfeiting had affected their business. Several said that they believed flea markets and street vendors were the primary distributors of the counterfeits of high-end name-brand merchandise that constitute the major portion of counterfeit products. Discount and bargain shoppers who purchase from these vendors may not be interested in buying a legitimate item at its true price.

Some retailers had suggestions for how the Federal Government could combat counterfeiting. One idea was to create a "hotline" telephone number that retailers could call to report counterfeits or suspected counterfeits. Other recommendations focused on the port of entry as the place to stop foreign counterfeits from entering the U.S. market. One retailer suggested that legislation be enacted to regulate the activities of street vendors and flea markets. In written statements to the Commission, three major retail trade associations that represent all types and sizes of retail establishments across the United States, expressed their reservations about the Senate and House versions of the proposed Trademark Counterfeiting Act of 1983. Together, the three trade groups represent 67,500 individual general merchandise, department, discount and specialty stores in the U.S. All three groups expressed their opposition to counterfeiting but disagreed supporters of the proposed anticounterfeiting legislation on the grounds that existing laws were adequate in deterring and punishing counterfeiters. Differences between the supporters of and opponents to S. 875 and H.R. 2447 are less over the disease than its cure, although several representatives from retail establishments question the estimates of lost sales due to counterfeiting put forth by the legislation's supporters. The retail trade groups felt that the pending anticounterfeiting legislation in Congress, if enacted, would--

1. aim at established retailers when the real culprits toward whom the proposed legislation should be directed are counterfeit producers;
2. impose "inequitable and substantial" burdens on retailers, which would be subject to "severe criminal sanctions;"
3. link manufacturers' control of price and supply maintenance to trademark counterfeiting and thus be used as a "subterfuge" to injure competition in the retail industry;
4. include counterfeiting, if broadly interpreted, to include package simulation, passing off, and "gray market" or diverted goods. Imported brand-name products produced overseas may be regarded as counterfeit if brought into the United States by any importer other than under the manufacturer's or trademark holder's control. The fear here is that foreign licenses may violate production agreements, that is, overproduce or otherwise divert products to buyers that in turn may sell these unauthorized goods to U.S. retailers. Under the proposed legislation, such retailers would be held responsible should they be detected;
5. allow arbitrary seizure and lengthy pretrail impoundment of suspected illegal goods which would deny due process of the law and damage to the reputation of the accused if found innocent;
6. enable individuals and competitors and/or trademark holders, for whatever reasons, to harm a legitimate retailer's public reputation by conducting a raid on the basis of an allegation;
7. provide inadequate safeguards to require evidence that the goods to be seized are in fact counterfeit; and
8. fail to distinguish between intentional or unintentional possession or sale of counterfeit merchandise, resulting in a retailer that has unknowingly received counterfeit merchandise risking being doubly victimized by the supplier and manufacturer or trademark holder. A retailer acting in good faith but fooled by a product's real identity would be held responsible under the purview of the proposed legislation.

## Franchising

According to industry sources, sales by franchisors and franchisees are generally not affected by product counterfeiting due to the nature of the U.S. franchising industry. In the majority of cases, the franchisor is marketing a service, such as a business format, rather than a specific product. Franchisors are essentially retailers; many are in service industries such as restaurants, hotels, and fast-food establishments. Since trademarks are usually a franchisor's most valuable asset, use by the franchisee is generally tightly controlled, and ownership of the trademark is maintained by the franchisor. Franchising may offer some protection against trademark infringement in foreign markets. The risk of expropriation is diminished by franchising, since foreign outlets are generally owned and staffed by foreign nationals.

It is difficult for counterfeiters to introduce their products into the franchise distribution system, because they are generally tightly controlled. Franchisees must meet certain standards set by the franchisors. Franchisors or other approved vendors directly supply their dealers with services and products. The dealers, in turn, know their products and thus would not be easily fooled by bogus products. Further, due to the small scope of U.S. franchising operations in foreign markets (compared with that for domestic franchise operations), name recognition of U.S. franchisors' products and services is not widely known. As a result, the opportunity for product counterfeiters is somewhat limited. However, product counterfeiting of U.S. franchisors' goods and services in foreign markets may increase. Government and industry sources indicate that several U.S. franchising firms intend to enter foreign markets or expand existing foreign operations during the next several years.

What most affects the U.S. franchising industry in foreign markets are those unscrupulous individuals who successfully register a U.S. franchisor's trademark before the legitimate U.S. owner gets a chance to do so. Many U.S. franchising firms who do operate abroad complain about inadequate trademark protection due either to the absence of laws or to ineffective enforcement. A related problem is one of governmental limitations on franchise agreements. If a short-term contract between a U.S. franchisor and a foreign franchisee is mandated and there is inadequate trademark protection, competition may increase due to imitation or counterfeiting. In many cases, the individual abroad who beats the legitimate trademark owner to registration has no plans to produce the product for which the trademark has been registered, but simply seeks to strike some kind of deal with the legitimate owner once the latter discovers the fact. This practice has spurred many major U.S. franchising firms to register their trademarks abroad not only in countries of current operations but those where future expansion is contemplated. Although the chief method of prevention is trademark registration, it is not feasible for all franchising firms, especially smaller ones, to register in all foreign markets.





**APPENDIX A**  
**NOTICE OF INVESTIGATION**

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

(332-158)

The Effects of Foreign Product Counterfeiting on U.S. Industry

AGENCY: United States International Trade Commission

ACTION: In accordance with the provisions of section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the Commission has instituted investigation No. 332-158 for the purpose of assessing the impact of foreign product counterfeiting on U.S. industry, considering both domestic and export markets. The objectives of the investigation are: (1) to identify those product sectors in which the U.S. industry faces competition from foreign counterfeited products, either in the United States or abroad, (2) to assess the impact such counterfeiting has had on these industries and U.S. exports, (3) to identify the primary country sources of counterfeiting, (4) to inventory the methods U.S. firms are using to counteract counterfeiting and their recommendations for government action, and (5) to compile an inventory of U.S. and foreign laws and international agreements encompassing counterfeiting, including the avenues of relief available.

EFFECTIVE DATE: February 25, 1983

FOR FURTHER INFORMATION CONTACT: Mr. Mark Estes, General Manufactures Division, Office of Industries (202-724-0977)

SUPPLEMENTARY INFORMATION: For the purposes of this investigation the term "counterfeit goods" means any goods bearing an unauthorized representation of a trademark that is legally registered in respect to such goods in the country of importation or sale, but does not include goods produced or marketed under a protected trademark by the owner of the trademark right or with his consent, or to goods bearing an authorized trademark which are imported or sold in contravention of a commercial arrangement.

Public hearing.—A public hearing in connection with the investigation will be held in the Commission Hearing Room, 701 E Street NW., Washington, D.C. 20436, beginning at 10:00 a.m., e.d.t., on August 23, 1983, to be continued on August 24, 1983 if required. All persons shall have the right to appear by counsel or in person, to present information, and to be heard. Requests to appear at the public hearing should be filed with the Secretary, United States International Trade Commission, 701 E Street NW., Washington, D.C. 20436, not later than noon, August 17, 1983.

Written submissions.—In lieu of or in addition to appearances at the public hearing, interested persons are invited to submit written statements concerning the investigation. Commercial or financial information which a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment

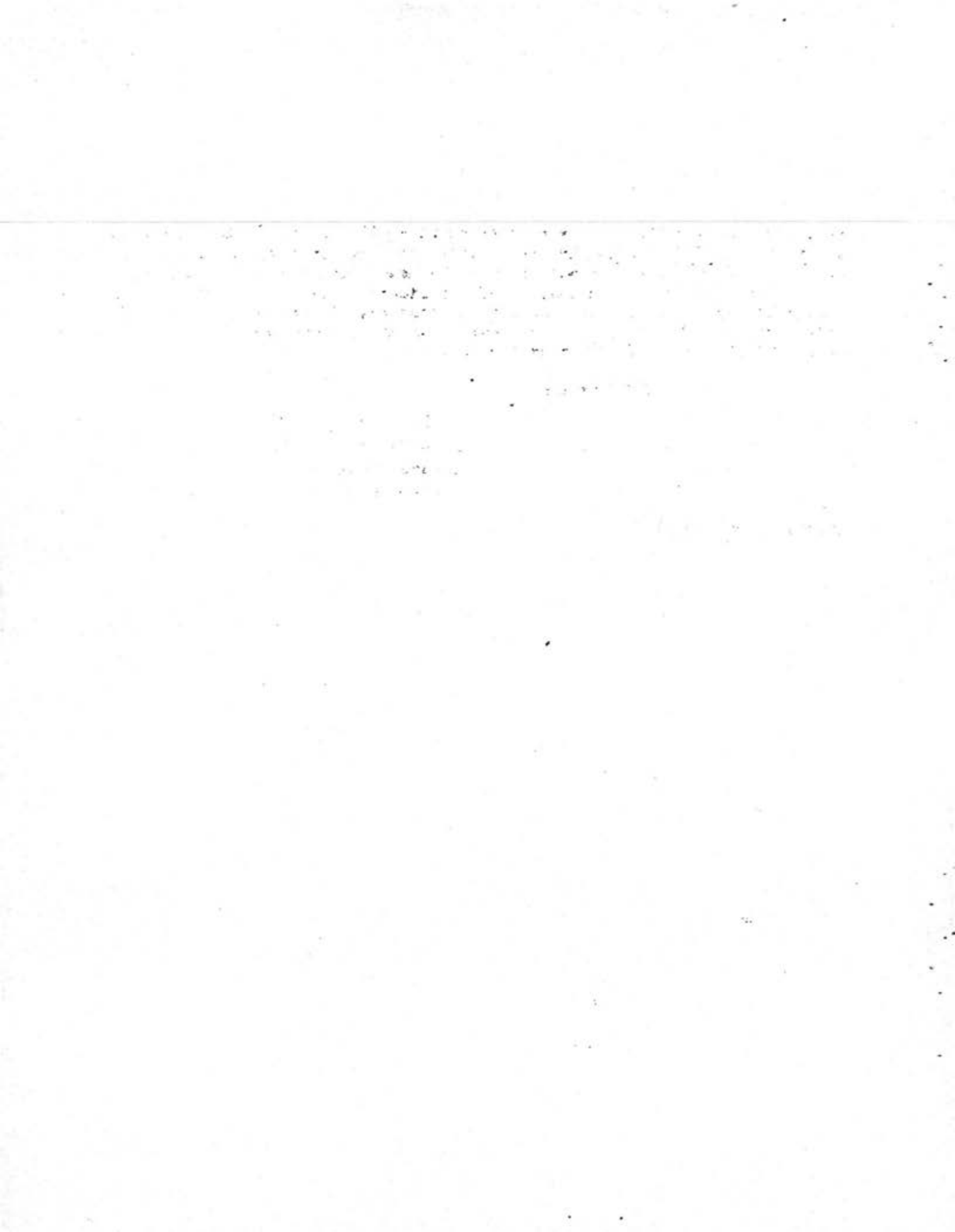
must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons. To be ensured of consideration by the Commission, written statements should be received at the earliest practicable date, but no later than September 19, 1983. All submissions should be addressed to the Secretary at the Commission's office in Washington, D.C.

By order of the Commission.



Kenneth R. Mason  
Secretary

Issued: March 4, 1983



**APPENDIX B**

**LIST OF WITNESSES AT THE COMMISSION HEARING AND PERSONS  
SUBMITTING POSTHEARING BRIEFS**

## CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : The Effects of Foreign Product  
Counterfeiting on U.S. Industry

Inv. No. : 332-158

Date and time: August 23, 1983 - 10:00 a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

Government appearance:

Honorable Gerald J. Mossinghoff, Commissioner of Patents and Trademarks,  
United States Department of Commerce

Trade Associations--Firms

Howrey & Simon--Counsel  
Washington, D.C.  
on behalf of

K Mart Corporation

James C. Tuttle, Esq.

Robert W. Steele--OF COUNSEL

Arent, Fox, Kintner, Plotkin and Kahn--Counsel  
Washington, D.C.  
on behalf of

Motor and Equipment Manufacturers Association,  
Washington, D.C.

PANEL:

William A. Raftery, MEMA President

Robert R. Miller, Vice-President, Parker-Hannifin  
Corporation, and Chairman of the MEMA Task Force

Arent, Fox, Kintner, Plotkin and Kahn--Counsel

Motor and Equipment Manufacturers Association - Continued

Jack F. Friedman, National Sales Manager, Automotive  
Aftermarket, Littelfuse, Inc.

John Riess, Vice President, Automotive Sales Division,  
Gates Rubber Company

Charles L. Turner, Engineering Manager, E. Edelman & Company

Ken W. Myers, Product and Marketing Manager, Ford Parts  
and Service Division, Ford Motor Company

Lawrence F. Henneberger--OF COUNSEL

Mudge, Rose, Guthrie, Alexander & Ferdon--Counsel  
Washington, D.C.  
on behalf of

The International Anticounterfeiting Coalition ("IACC")

James L. Bikoff, President of the IACC

Donald W. Peterson, Esq., Associate General Patent  
Counsel, Monsanto Company, St. Louis, Missouri

Ms. Maria Dennison, Director, Washington Operations,  
Sporting Goods Manufacturers Association, Washington, D.C.

Ms. Linda Hoffman, Director of Public Affairs and Inter-  
national Trade, Automotive Parts and Accessories  
Association, Lanham, Maryland

Robert A. Spiegelman, Esq., General Counsel, Jordache  
Enterprises

Thomas J. Battenberg, President, Video Commander, Inc.,  
Santa Ana, California

Francis S. L. Wang, Lee & Li, San Francisco, California

David I. Greenberg, Legislative Director, Consumer  
Federation of America

Mudge, Rose, Guthrie, Alexander & Ferdon--Counsel

The International Anticounterfeiting Coalition (IACC) - Continued

Frank Andorka, Esq., Baker & Hostedler, United  
Features, Inc.

Larry Buchwalter, Esq., Counsel for David Crystal  
Division of General Mills

Ms. Joan Dillon, Associate General Counsel for Levi  
Strauss & Company

William N. Walker )--OF COUNSEL  
Robert D. Bannerman)

National Marine Manufacturers Association, Washington, D.C.

Ron Stone, Director, Government Relations

Westinghouse Electric Corporation, Patent Department, Pittsburgh,  
Pennsylvania

Michael S. Yatsko, Patent Attorney

Italo H. Ablondi, P.C.--Counsel  
Washington, D.C.  
on behalf of

The Board of Foreign Trade, Republic of China on Taiwan

Benjamin Lu, Director, Economic Division, Coordination  
for North American Affairs

Italo H. Ablondi--OF COUNSEL



## POSTHEARING SUBMISSIONS

1. Gerald J. Mossinghoff  
Commissioner of Patents and Trademarks  
U.S. Department of Commerce
2. Benjamin Lu, Director, Economic Division  
Coordination Council for North American Affairs  
Board of Foreign Trade, Taiwan
3. Judy Folkmanis, Vice President  
Folkmanis, Inc.
4. James D. Palmquist, Senior Attorney  
Office of General Counsel  
Minnesota Mining and Manufacturing Company
5. Jack Valenti, President  
Motion Picture Association of America
6. Ron Stone, Director of Government Relations  
National Marine Manufacturers Association
7. Daniel G. Wendin, Associate Counsel  
Apple Computer, Inc.
8. Francis S.L. Wang  
Lee and Li, San Francisco
9. Frank Andorka, of Counsel  
United Features Syndicate
10. Donald W. Peterson, Associate General Patent Counsel  
Mansanto Company
11. Robert A. Spiegelman, Counsel  
Jordache Enterprises, Inc.
12. Verrick O. French, Senior Vice President  
Governmental Affairs  
National Retail Merchants Association
13. James C. Tuttle, Antitrust and International Counsel  
K Mart Corporation
14. Edward T. Borda, President  
Association of General Merchandise Chains, Inc.
15. R.M. Chapis, Director of Legal Services  
The Timken Company
16. Richard B. Kelley, of Counsel  
National Association of Catalog Showroom Merchandisers

17. Joel M. Schoenfeld, of Counsel  
Recording Industry Association of America, Inc.
18. Howery and Simon, Counsel  
The National Geographic Society
19. Mudge, Rose, Guthrie, Alexander, and Ferdon, Counsel  
International Anticounterfeiting Coalition
20. Bernard Sorkin  
Warner Communications, Inc.
21. Pelavin, Norberg, Harlick, and Beck, Counsel  
File Sports, Inc.
22. Robin A. Rolfe, Executive Director  
United States Trademark Association
23. William H. Patterson, Director, Government Affairs  
Menswear Retailers of America

**APPENDIX C**

**EMPLOYMENT LOSS RESULTING FROM A HYPOTHETICAL LOSS OF \$10 MILLION IN OUTPUT  
DUE TO COUNTERFEITING, BY INDUSTRY SECTORS, 1982**

The U.S. Department of Labor input/output model can be used to calculate the change in U.S. industry employment resulting from any given hypothetical change in U.S. industry output. The model is based on input/output relations existing in the U.S. economy in 1977, and 1981 productivity factors. It should be noted that to the extent that the input/output relationships have changed since 1977, the model results will not reflect the current situation.

The following table shows the expected loss in employment resulting from the hypothetical loss of \$10 million  $\frac{1}{2}$  in output due to foreign product counterfeiting, for the following industry sectors: Wearing apparel and footwear; chemicals and related products; automobile parts and accessories; computers and peripheral equipment; household appliances; electronic components; records and tapes; sporting goods; games; toys; and luggage, handbags, and flat goods. Industry sectors that encompassed more than one input/output sector (wearing apparel and footwear, chemicals and related products) were derived through weighted averages on the basis of the production affected by counterfeiting for each individual sector.

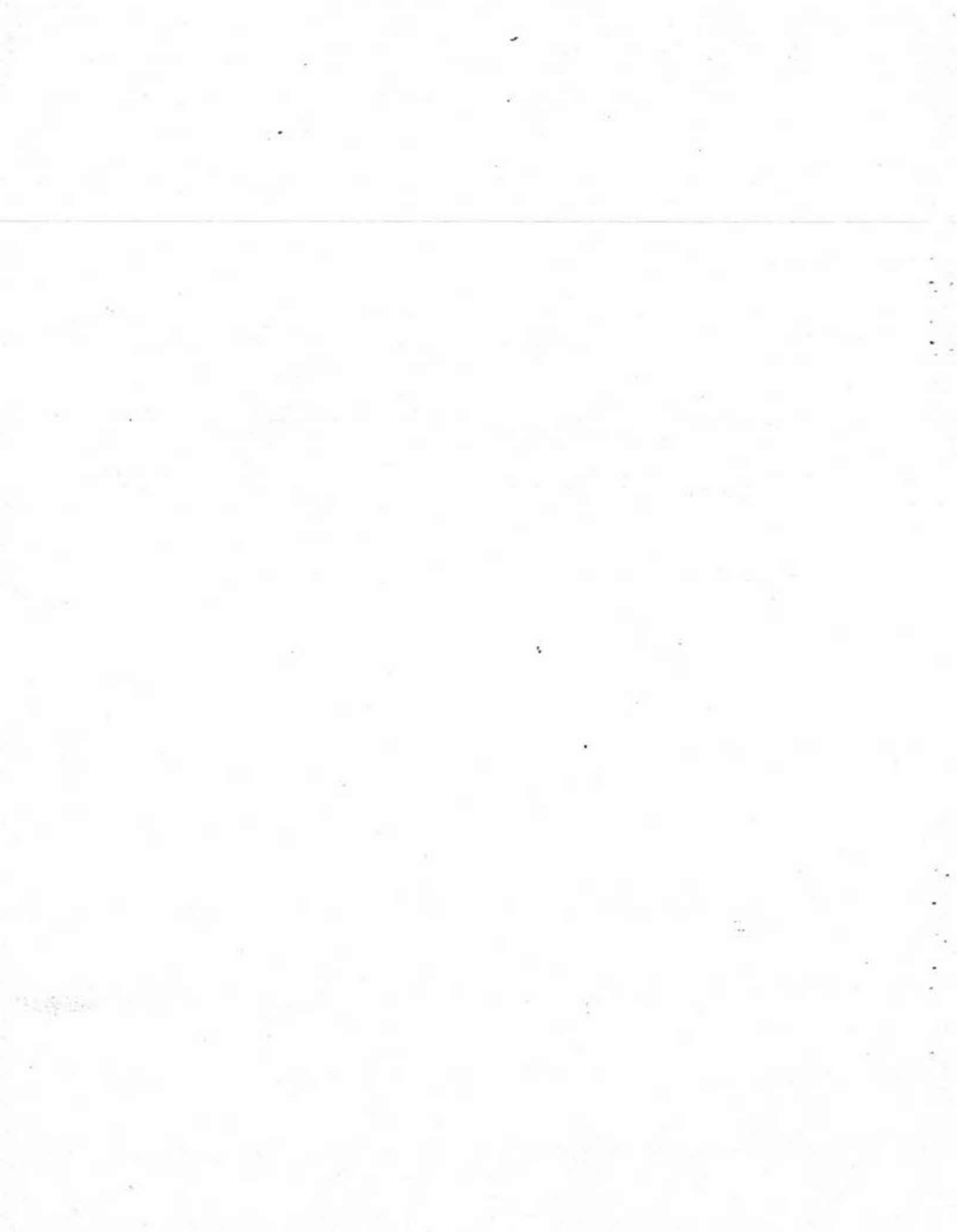
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$\frac{1}{2}$  1982 dollars. In using the input/output model, this \$10 million was deflated, by industry sectors, to constant 1972 dollars.

Foreign product counterfeiting: Employment loss resulting from a hypothetical loss of \$10 million in output due to counterfeiting, by industry sectors, 1982

Sector losing output	Sector losing employment	Number of jobs lost	Sector losing output	Sector losing employment	Number of jobs lost
Wearing apparel and footwear.	Agriculture, fisheries, and forestry	10.5	Automobile parts and accessories.	Agriculture, fisheries, and forestry	1.2
	Mining	2.5		Mining	2.9
	Maintenance and repair	2.2		Maintenance and repair	1.9
	Manufacturing	429.0		Manufacturing	152.2
	Apparel	208.2		Motor vehicles	73.3
	Hosiery and knit goods	73.4		Metal stampings	8.6
	Fabric, yarn, and thread mills	62.9		Blast furnaces and basic steel	8.6
	Leather products, including footwear	29.3		Iron and steel foundries and forging	6.9
	Synthetic fibers	10.4		Total	158.2
	Industrial chemicals	5.1		Computers and peripheral equipment.	Agriculture, fisheries, and forestry
Total	444.2	Mining	3.4		
Chemicals and related products.	Agriculture, fisheries, and forestry	2.9	Maintenance and repair		3.1
	Mining	7.0	Manufacturing		310.4
	Maintenance and repair	3.1	Computers		175.3
	Manufacturing	121.9	Electronic components		49.9
	Plastic products	27.3	Electrical industrial apparatus		8.5
	Industrial chemicals	16.0	Scientific and controlling instruments		5.1
	Drugs	11.7	Total		319.5
	Rubber products	8.4	Household appliances.		Agriculture, fisheries, and forestry
	Cleaning and toilet preparations	8.1		Mining	4.3
	Miscellaneous chemical products	5.3		Maintenance and repair	2.4
Agricultural chemicals	3.9	Manufacturing		215.9	
Paints and allied products	3.4	Household appliances		112.2	
Plastic materials and synthetic rubber	2.8	Blast furnaces and basic steel		11.4	
Petroleum products	2.6	Electrical industrial apparatus		6.8	
Total	134.8	Fabricated metal products, n.e.c.		5.6	
Electronic components.	Agriculture, fisheries, and forestry	2.0		Total	224.2
	Mining	3.3		Luggage, handbags, and flat goods.	Agriculture, fisheries, and forestry
	Maintenance and repair	2.3	Mining		2.3
	Manufacturing	270.6	Maintenance and repair		2.0
	Electronic components	193.3	Manufacturing		401.2
	Plastic products	7.4	Leather products		291.8
	Glass	4.0	Leather tanning and industrial leather		28.6
	Radio and communication equipment	3.6	Plastic products		11.4
	Total	278.1	Fabric, yarn, and thread mills		10.6
	Records and tapes.	Agriculture, fisheries, and forestry	3.1		Total
Mining		2.9	Sporting goods, Games, or Toys.		Agriculture, fisheries, and forestry
Maintenance and repair		3.5		Mining	2.8
Manufacturing		307.0		Maintenance and repair	2.5
Records and tapes		161.8		Manufacturing	255.5
Electronic components		40.8		Sporting goods, Games, or Toys	154.8
Printing and publishing		9.7		Plastic products	14.3
Plastic products		5.4		Fabric, yarn, and thread mills	5.2
Total		316.4		Electronic components	5.0
					Total

Source: Compiled from the U.S. Department of Labor, Bureau of Labor Statistics input/output model.



APPENDIX D  
STATISTICAL TABLES

Region	Country	As source	As market	Region	Country	As source	As market
Far East	Taiwan	91	39	Europe continued	Denmark	1	1
	Hong Kong	32	40		Portugal	1	1
	Indonesia	18	17		Yugoslavia	1	-
	Singapore	15	25		Belgium	-	3
	Republic of Korea	14	11		Sweden	-	3
	Philippines	13	21		Austria	-	2
	Japan	11	11		Ireland	-	1
	Thailand	9	16		Norway	-	1
	Malaysia	5	9		Switzerland	-	1
	China	1	-		Total	23	78
	Brunel	-	1		Middle East	Turkey	8
Total	209	190	Saudi Arabia	4		9	
Latin America	Brazil	8	15	Kuwait		1	12
	Mexico	8	9	South Yemen		1	1
	Argentina	7	7	Israel		-	12
	Colombia	4	8	Abu Dhabi		-	2
	Panama	3	14	Dubai		-	2
	Venezuela	2	11	Qatar		-	2
	Chile	2	10	Bahrain		-	1
	Bolivia	2	6	Jordan		-	1
	Uruguay	2	4	Lebanon		-	1
	Paraguay	1	2	Oman	-	1	
	Guatemala	1	1	Total	14	49	
Trinidad	-	3	Africa	Nigeria	2	6	
Netherland Antilles	-	2		Republic of South Africa	1	10	
Costa Rica	-	1		Egypt	1	2	
Honduras	-	1		Tunisia	1	1	
Total	41	93		Kenya	-	2	
Europe	Italy	7		18	Ethiopia	-	1
	United Kingdom	3		16	Ivory Coast	-	1
	France	3		8	Tanzania	-	1
	Cyprus	3		2	Zimbabwe	-	1
	Netherlands	1		9	Total	5	25
	West Germany	1		6	Oceania	Australia	3
	Spain	1	4	New Zealand		-	4
	Greece	1	2	Total	3	14	
				All other	Canada	11	4
					India	11	16
					Total	22	20

1/ The total of 151 counterfeit product items were obtained from 43 countries and sold in 63 markets.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission sent to U.S. producers.



Table 2.--Unfair trade practices similar to counterfeiting: Source countries of products, by regions, 1982

Region	Source	Number of product items
Far East	Taiwan-----	65
	Hong Kong-----	22
	Republic of Korea-----	7
	Japan-----	6
	Indonesia-----	4
	Philippines-----	3
	Thailand-----	3
	China-----	1
	Malaysia-----	1
	Singapore-----	1
	<b>Total-----</b>	<b>113</b>
Europe	Italy-----	7
	United Kingdom-----	7
	Spain-----	5
	France-----	2
	Portugal-----	2
	Switzerland-----	2
	Turkey-----	2
	Belgium-----	1
	Sweden-----	1
	West Germany-----	1
	<b>Total-----</b>	<b>30</b>
Latin America	Brazil-----	4
	Argentina-----	3
	Venezuela-----	2
	Guatemala-----	1
	Mexico-----	1
	Netherland Antilles-----	1
	<b>Total-----</b>	<b>12</b>
Oceania	Australia-----	1
	New Zealand-----	1
	<b>Total-----</b>	<b>2</b>
Africa	Nigeria-----	1
	Republic of South Africa-----	1
	<b>Total-----</b>	<b>2</b>

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission sent to U.S. producers. It should be noted that these data were supplied only by firms that also suffered from counterfeiting, and as such, is not an accurate indicator of the overall problem with these other trade practices.

Table 3.--Product counterfeiting: Distribution of counterfeit goods in domestic and export markets, by selling agent, during the period 1980-82

Selling agent	Number of counterfeit product items reported in--	
	Domestic market	Export markets
Wholesaler-----:	35 :	46
Discount store-----:	30 :	17
Street vendor-----:	24 :	32
Flea market-----:	23 :	13
Department store-----:	17 :	2
Small business-----:	13 :	28
Distributor/dealer-----:	11 :	17
Importer-----:	6 :	0
All other-----:	4 :	12

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission sent to U.S. producers.

Table 4.--Product counterfeiting: Identification, detection, and enforcement costs in domestic and export markets, 1980-82

(In millions of dollars)

Item	1980	1981	1982
Identification and detection costs:			
U.S. market-----	1.5	1.3	3.5
Export market-----	1.4	1.3	1.7
Total-----	2.9	2.6	5.2
Registration costs:			
U.S. market-----	.2	.4	2.3
Export market-----	.3	.5	1.6
Total-----	.5	.9	3.9
Other enforcement costs:			
U.S. market-----	.4	.5	2.5
Export market-----	.4	.9	.5
Total-----	.8	1.4	3.0
Grand total-----	4.2	5.0	1/ 12.1

1/ An additional \$5.6 million in identification and enforcement costs were reported in combatting unfair trade practices similar to counterfeiting in 1982.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission sent to U.S. producers.

Detection, identification, and prevention methods	Number of respondents	Enforcement	Number of respondents
1. Investigations undertaken by in-house and/or outside legal counsel into counterfeit activities at all levels of production, sales, and distribution.	50	1. Employ in-house and/or outside legal counsel to file criminal/civil suits against counterfeiters at various levels of production and distribution.	35
2. Register trademark with U.S. Customs Service to enable investigators to seize counterfeits at U.S. ports of entry.	43	2. Send "cease and desist" warning letters to counterfeiters at known levels of production, sales, and distribution.	22
3. Employ private investigators/trademark watch services to scan/monitor retail establishments and other vendors in search for counterfeits and to track down their sources.	24	3. Cooperate with criminal enforcement authorities.	8
4. Alert and trained sales force, field personnel, distributors, licensees and manufacturers that monitor existence of counterfeits found in stocks, through sample purchases, and/or at trade shows.	23	4. Seek search and seizure court orders and police raids.	8
5. Employ anticounterfeiting techniques or consider them by trial use.	18	5. File temporary restraining orders.	8
6. Register trademark with foreign customs.	15	6. Verbally approach and warn counterfeits that legal action will be taken if counterfeiting is not stopped.	5
7. Undertake consumer awareness campaigns to educate the public about known or suspected counterfeits and court cases won by manufacturers against counterfeiters.	12		
8. Join and work with anticounterfeiting coalitions, task forces, and industry groups to lobby Government for more effective action against counterfeiters.	11		
9. Customer complaints that item purchased was not authentic.	2		
10. Maintain full-time, in-house, anti-counterfeiting legal/investigative staffs.	2		

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission sent to U.S. producers.

Table 6.--Product counterfeiting: Industry recommendations for U.S. Government actions to combat product counterfeiting

Recommendations	Number of respondents per recommendation
<u>Domestic</u>	
1. Support passage of S. 875 and H.R. 2447 which make product counterfeiting a criminal offense punishable by fines and jail sentences for convicted parties.	30
2. Strengthen U.S. Customs Service in its surveillance efforts to seize counterfeits at the borders.	21
3. Increase the role of U.S. Embassies, Consulates and foreign trade offices in assisting affected U.S. manufacturers in the pursuit of counterfeiters.	4
<u>Foreign</u>	
1. Support the U.S. Government in its efforts to seek passage of an international anti-counterfeiting code under the auspices of the General Agreement on Tariffs and Trade.	18
2. Impose U.S. economic sanctions against governments of countries that harbor known counterfeiters, such as revoking Generalized System of Preferences and Most-Favored-Nation treatment, withholding foreign aid, and/or imposing retaliatory duties/quotas.	16
3. Urge the U.S. government to apply strong pressure on foreign governments to strengthen and enforce anticounterfeiting laws, and where they do not exist, adopt them.	13

Source: Compiled from data in response to questionnaires of the U.S. International Trade Commission sent to U.S. producers.



## Paris Convention for the Protection of Industrial Property

of March 20, 1883,

as revised

at BRUSSELS on December 14, 1900, at WASHINGTON on June 2, 1911,

at THE HAGUE on November 6, 1925, at LONDON on June 2, 1934,

at LISBON on October 31, 1958,

and at STOCKHOLM on July 14, 1967

### Article 1

[Establishment of the Union; Scope of Industrial Property]<sup>1)</sup>

(1) The countries to which this Convention applies constitute a Union for the protection of industrial property.

(2) The protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition.

(3) Industrial property shall be understood in the broadest sense and shall apply not only to industry and commerce proper, but likewise to agricultural and extractive industries and to all manufactured or natural products, for example, wines, grain, tobacco leaf, fruit, cattle, minerals, mineral waters, beer, flowers, and flour.

(4) Patents shall include the various kinds of industrial patents recognized by the laws of the countries of the Union, such as patents of importation, patents of improvement, patents and certificates of addition, etc.

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<sup>1)</sup> Articles have been given titles to facilitate their identification. There are no titles in the signed (French) text.

[Footnote added by BIRPL]

**APPENDIX E**

**PARIS CONVENTION ON INDUSTRIAL PROPERTY**



**Article 2**

[National Treatment for Nationals of Countries of the Union]

(1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

(2) However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.

(3) The provisions of the laws of each of the countries of the Union relating to judicial and administrative procedure and to jurisdiction, and to the designation of an address for service or the appointment of an agent, which may be required by the laws on industrial property are expressly reserved.

**Article 3**

[Same Treatment for Certain Categories of Persons as for Nationals of Countries of the Union]

Nationals of countries outside the Union who are domiciled or who have real and effective industrial or commercial establishments in the territory of one of the countries of the Union shall be treated in the same manner as nationals of the countries of the Union.

**Article 4**

[A to I. Patents, Utility Models, Industrial Designs, Marks, Inventors' Certificates: Right of Priority. — G. Patents: Division of the Application]

A. — (1) Any person who has duly filed an application for a patent, or for the registration of a utility model, or of

an industrial design, or of a trademark, in one of the countries of the Union, or his successor in title, shall enjoy, for the purpose of filing in the other countries, a right of priority during the periods hereinafter fixed.

(2) Any filing that is equivalent to a regular national filing under the domestic legislation of any country of the Union or under bilateral or multilateral treaties concluded between countries of the Union shall be recognized as giving rise to the right of priority.

(3) By a regular national filing is meant any filing that is adequate to establish the date on which the application was filed in the country concerned, whatever may be the subsequent fate of the application.

B. — Consequently, any subsequent filing in any of the other countries of the Union before the expiration of the periods referred to above shall not be invalidated by reason of any acts accomplished in the interval, in particular, another filing, the publication or exploitation of the invention, the putting on sale of copies of the design, or the use of the mark, and such acts cannot give rise to any third-party right or any right of personal possession. Rights acquired by third parties before the date of the first application that serves as the basis for the right of priority are reserved in accordance with the domestic legislation of each country of the Union.

C. — (1) The periods of priority referred to above shall be twelve months for patents and utility models, and six months for industrial designs and trademarks.

(2) These periods shall start from the date of filing of the first application; the day of filing shall not be included in the period.

(3) If the last day of the period is an official holiday, or a day when the Office is not open for the filing of applications in the country where protection is claimed, the period shall be extended until the first following working day.

(4) A subsequent application concerning the same subject as a previous first application within the meaning of paragraph (2), above, filed in the same country of the Union, shall be considered as the first application, of which the filing date shall be the starting point of the period of priority, if, at the time of filing the subsequent application, the said previous application has been withdrawn, abandoned, or refused, without having been laid open to public inspection and without leaving any rights outstanding, and if it has not yet served as a basis for claiming a right of priority. The previous application may not thereafter serve as a basis for claiming a right of priority.

D. — (1) Any person desiring to take advantage of the priority of a previous filing shall be required to make a declaration indicating the date of such filing and the country in which it was made. Each country shall determine the latest date on which such declaration must be made.

(2) These particulars shall be mentioned in the publications issued by the competent authority, and in particular in the patents and the specifications relating thereto.

(3) The countries of the Union may require any person making a declaration of priority to produce a copy of the application (description, drawings, etc.) previously filed. The copy, certified as correct by the authority which received such application, shall not require any authentication, and may in any case be filed, without fee, at any time within three months of the filing of the subsequent application. They may require it to be accompanied by a certificate from the same authority showing the date of filing, and by a translation.

(4) No other formalities may be required for the declaration of priority at the time of filing the application. Each country of the Union shall determine the consequences of failure to comply with the formalities prescribed by this

Article, but such consequences shall in no case go beyond the loss of the right of priority.

(5) Subsequently, further proof may be required.

Any person who avails himself of the priority of a previous application shall be required to specify the number of that application; this number shall be published as provided for by paragraph (2), above.

E. — (1) Where an industrial design is filed in a country by virtue of a right of priority based on the filing of a utility model, the period of priority shall be the same as that fixed for industrial designs.

(2) Furthermore, it is permissible to file a utility model in a country by virtue of a right of priority based on the filing of a patent application, and vice versa.

F. — No country of the Union may refuse a priority or a patent application on the ground that the applicant claims multiple priorities, even if they originate in different countries, or on the ground that an application claiming one or more priorities contains one or more elements that were not included in the application or applications whose priority is claimed, provided that, in both cases, there is unity of invention within the meaning of the law of the country.

With respect to the elements not included in the application or applications whose priority is claimed, the filing of the subsequent application shall give rise to a right of priority under ordinary conditions.

G. — (1) If the examination reveals that an application for a patent contains more than one invention, the applicant may divide the application into a certain number of divisional applications and preserve as the date of each the date of the initial application and the benefit of the right of priority, if any.

(2) The applicant may also, on his own initiative, divide a patent application and preserve as the date of each di-

visional application the date of the initial application and the benefit of the right of priority, if any. Each country of the Union shall have the right to determine the conditions under which such division shall be authorized.

H. — Priority may not be refused on the ground that certain elements of the invention for which priority is claimed do not appear among the claims formulated in the application in the country of origin, provided that the application documents as a whole specifically disclose such elements.

I. — (1) Applications for inventors' certificates filed in a country in which applicants have the right to apply at their own option either for a patent or for an inventor's certificate shall give rise to the right of priority provided for by this Article, under the same conditions and with the same effects as applications for patents.

(2) In a country in which applicants have the right to apply at their own option either for a patent or for an inventor's certificate, an applicant for an inventor's certificate shall, in accordance with the provisions of this Article relating to patent applications, enjoy a right of priority based on an application for a patent, a utility model, or an inventor's certificate.

#### Article 4<sup>bis</sup>

*[Patents: Independence of Patents Obtained for the Same Invention in Different Countries]*

(1) Patents applied for in the various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not.

(2) The foregoing provision is to be understood in an unrestricted sense, in particular, in the sense that patents applied for during the period of priority are independent, both as regards the grounds for nullity and forfeiture, and as regards their normal duration.

(3) The provision shall apply to all patents existing at the time when it comes into effect.

(4) Similarly, it shall apply, in the case of the accession of new countries, to patents in existence on either side at the time of accession.

(5) Patents obtained with the benefit of priority shall, in the various countries of the Union, have a duration equal to that which they would have, had they been applied for or granted without the benefit of priority.

#### Article 4<sup>ter</sup>

*[Patents: Mention of the Inventor in the Patent]*

The inventor shall have the right to be mentioned as such in the patent.

#### Article 4<sup>quater</sup>

*[Patents: Patentability in Case of Restrictions of Sale by Law]*

The grant of a patent shall not be refused and a patent shall not be invalidated on the ground that the sale of the patented product or of a product obtained by means of a patented process is subject to restrictions or limitations resulting from the domestic law.

#### Article 5

*[A. Patents: Importation of Articles; Failure to Work or Insufficient Working; Compulsory Licenses. — B. Industrial Designs: Failure to Work; Importation of Articles. — C. Marks: Failure to Use; Different Forms; Use by Co-proprietors. — D. Patents, Utility Models, Marks, Industrial Designs: Marking]*

A. — (1) Importation by the patentee into the country where the patent has been granted of articles manufactured in any of the countries of the Union shall not entail forfeiture of the patent.

(2) Each country of the Union shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result

from the exercise of the exclusive rights conferred by the patent, for example, failure to work.

(3) Forfeiture of the patent shall not be provided for except in cases where the grant of compulsory licenses would not have been sufficient to prevent the said abuses. No proceedings for the forfeiture or revocation of a patent may be instituted before the expiration of two years from the grant of the first compulsory license.

(4) A compulsory license may not be applied for on the ground of failure to work or insufficient working before the expiration of a period of four years from the date of filing of the patent application or three years from the date of the grant of the patent, whichever period expires last; it shall be refused if the patentee justifies his inaction by legitimate reasons. Such a compulsory license shall be non-exclusive and shall not be transferable, even in the form of the grant of a sub-license, except with that part of the enterprise or goodwill which exploits such license.

(5) The foregoing provisions shall be applicable, *mutatis mutandis*, to utility models.

B. — The protection of industrial designs shall not, under any circumstance, be subject to any forfeiture, either by reason of failure to work or by reason of the importation of articles corresponding to those which are protected.

C. — (1) If, in any country, use of the registered mark is compulsory, the registration may be cancelled only after a reasonable period, and then only if the person concerned does not justify his inaction.

(2) Use of a trademark by the proprietor in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered in one of the countries of the Union shall not entail invalidation of the registration and shall not diminish the protection granted to the mark.

(3) Concurrent use of the same mark on identical or similar goods by industrial or commercial establishments considered as co-proprietors of the mark according to the provisions of the domestic law of the country where protection is claimed shall not prevent registration or diminish in any way the protection granted to the said mark in any country of the Union, provided that such use does not result in misleading the public and is not contrary to the public interest.

D. — No indication or mention of the patent, of the utility model, of the registration of the trademark, or of the deposit of the industrial design, shall be required upon the goods as a condition of recognition of the right to protection.

#### Article 5<sup>bis</sup>

*[All Industrial Property Rights: Period of Grace for the Payment of Fees for the Maintenance of Rights; Patents: Restoration]*

(1) A period of grace of not less than six months shall be allowed for the payment of the fees prescribed for the maintenance of industrial property rights, subject, if the domestic legislation so provides, to the payment of a surcharge.

(2) The countries of the Union shall have the right to provide for the restoration of patents which have lapsed by reason of non-payment of fees.

#### Article 5<sup>ter</sup>

*[Patents: Patented Devices Forming Part of Vessels, Aircraft, or Land Vehicles]*

In any country of the Union the following shall not be considered as infringements of the rights of a patentee:

1. the use on board vessels of other countries of the Union of devices forming the subject of his patent in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of the said country, provided that such devices are used there exclusively for the needs of the vessel;



2. the use of devices forming the subject of the patent in the construction or operation of aircraft or land vehicles of other countries of the Union, or of accessories of such aircraft or land vehicles, when those aircraft or land vehicles temporarily or accidentally enter the said country.

#### Article 5<sup>quater</sup>

[*Patents: Importation of Products Manufactured by a Process Patented in the Importing Country*]

When a product is imported into a country of the Union where there exists a patent protecting a process of manufacture of the said product, the patentee shall have all the rights, with regard to the imported product, that are accorded to him by the legislation of the country of importation, on the basis of the process patent, with respect to products manufactured in that country.

#### Article 5<sup>quinquies</sup>

[*Industrial Designs*]

Industrial designs shall be protected in all the countries of the Union.

#### Article 6

[*Marks: Conditions of Registration; Independence of Protection of Same Mark in Different Countries*]

(1) The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.

(2) However, an application for the registration of a mark filed by a national of a country of the Union in any country of the Union may not be refused, nor may a registration be invalidated, on the ground that filing, registration, or renewal, has not been effected in the country of origin.

(3) A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.

Article 6<sup>bis</sup>

[Marks: Well-Known Marks]

(1) The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

Article 6<sup>ter</sup>

[Marks: Prohibitions concerning State Emblems, Official Hallmarks, and Emblems of Intergovernmental Organizations]

(1) (a) The countries of the Union agree to refuse or to invalidate the registration, and to prohibit by appropriate measures the use, without authorization by the competent authorities, either as trademarks or as elements of trademarks, of armorial bearings, flags, and other State emblems, of the countries of the Union, official signs and hallmarks indicating control and warranty adopted by them, and any imitation from a heraldic point of view.

(b) The provisions of subparagraph (a), above, shall apply equally to armorial bearings, flags, other emblems, abbreviations, and names, of international intergovernmental organiza-

tions of which one or more countries of the Union are members, with the exception of armorial bearings, flags, other emblems, abbreviations, and names, that are already the subject of international agreements in force, intended to ensure their protection.

(c) No country of the Union shall be required to apply the provisions of subparagraph (b), above, to the prejudice of the owners of rights acquired in good faith before the entry into force, in that country, of this Convention. The countries of the Union shall not be required to apply the said provisions when the use or registration referred to in subparagraph (a), above, is not of such a nature as to suggest to the public that a connection exists between the organization concerned and the armorial bearings, flags, emblems, abbreviations, and names, or if such use or registration is probably not of such a nature as to mislead the public as to the existence of a connection between the user and the organization.

(2) Prohibition of the use of official signs and hallmarks indicating control and warranty shall apply solely in cases where the marks in which they are incorporated are intended to be used on goods of the same or a similar kind.

(3) (a) For the application of these provisions, the countries of the Union agree to communicate reciprocally, through the intermediary of the International Bureau, the list of State emblems, and official signs and hallmarks indicating control and warranty, which they desire, or may hereafter desire, to place wholly or within certain limits under the protection of this Article, and all subsequent modifications of such list. Each country of the Union shall in due course make available to the public the lists so communicated.

Nevertheless such communication is not obligatory in respect of flags of States.

(b) The provisions of subparagraph (b) of paragraph (1) of this Article shall apply only to such armorial bearings, flags, other emblems, abbreviations, and names, of interna-

tional intergovernmental organizations as the latter have communicated to the countries of the Union through the intermediary of the International Bureau.

(4) Any country of the Union may, within a period of twelve months from the receipt of the notification, transmit its objections, if any, through the intermediary of the International Bureau, to the country or international intergovernmental organization concerned.

(5) In the case of State flags, the measures prescribed by paragraph (1), above, shall apply solely to marks registered after November 6, 1925.

(6) In the case of State emblems other than flags, and of official signs and hallmarks of the countries of the Union, and in the case of armorial bearings, flags, other emblems, abbreviations, and names, of international intergovernmental organizations, these provisions shall apply only to marks registered more than two months after receipt of the communication provided for in paragraph (3), above.

(7) In cases of bad faith, the countries shall have the right to cancel even those marks incorporating State emblems, signs, and hallmarks, which were registered before November 6, 1925.

(8) Nationals of any country who are authorized to make use of the State emblems, signs, and hallmarks, of their country may use them even if they are similar to those of another country.

(9) The countries of the Union undertake to prohibit the unauthorized use in trade of the State armorial bearings of the other countries of the Union, when the use is of such a nature as to be misleading as to the origin of the goods.

(10) The above provisions shall not prevent the countries from exercising the right given in paragraph (3) of Article 6<sup>quinquies</sup>, Section B, to refuse or to invalidate the registration of marks incorporating, without authorization, armorial bearings, flags, other State emblems, or official signs and hall-

marks adopted by a country of the Union, as well as the distinctive signs of international intergovernmental organizations referred to in paragraph (1), above.

#### Article 6<sup>quater</sup>

[*Marks: Assignment of Marks*]

(1) When, in accordance with the law of a country of the Union, the assignment of a mark is valid only if it takes place at the same time as the transfer of the business or goodwill to which the mark belongs, it shall suffice for the recognition of such validity that the portion of the business or goodwill located in that country be transferred to the assignee, together with the exclusive right to manufacture in the said country, or to sell therein, the goods bearing the mark assigned.

(2) The foregoing provision does not impose upon the countries of the Union any obligation to regard as valid the assignment of any mark the use of which by the assignee would, in fact, be of such a nature as to mislead the public, particularly as regards the origin, nature, or essential qualities, of the goods to which the mark is applied.

#### Article 6<sup>quinquies</sup>

[*Marks: Protection of Marks Registered in One Country of the Union in the Other Countries of the Union*]

A. — (1) Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate.

(2) Shall be considered the country of origin the country of the Union where the applicant has a real and effective industrial or commercial establishment, or, if he has no such

establishment within the Union, the country of the Union where he has his domicile, or, if he has no domicile within the Union but is a national of a country of the Union, the country of which he is a national.

B. — Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases:

1. when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;
2. when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed;
3. when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order.

This provision is subject, however, to the application of Article 10<sup>bis</sup>.

C. — (1) In determining whether a mark is eligible for protection, all the factual circumstances must be taken into consideration, particularly the length of time the mark has been in use.

(2) No trademark shall be refused in the other countries of the Union for the sole reason that it differs from the mark protected in the country of origin only in respect of elements that do not alter its distinctive character and do not affect

its identity in the form in which it has been registered in the said country of origin.

D. — No person may benefit from the provisions of this Article if the mark for which he claims protection is not registered in the country of origin.

E. — However, in no case shall the renewal of the registration of the mark in the country of origin involve an obligation to renew the registration in the other countries of the Union in which the mark has been registered.

F. — The benefit of priority shall remain unaffected for applications for the registration of marks filed within the period fixed by Article 4, even if registration in the country of origin is effected after the expiration of such period.

#### Article 6<sup>sexies</sup>

[Marks: Service Marks]

The countries of the Union undertake to protect service marks. They shall not be required to provide for the registration of such marks.

#### Article 6<sup>septies</sup>

[Marks: Registration in the Name of the Agent or Representative of the Proprietor Without the Latter's Authorization]

(1) If the agent or representative of the person who is the proprietor of a mark in one of the countries of the Union applies, without such proprietor's authorization, for the registration of the mark in his own name, in one or more countries of the Union, the proprietor shall be entitled to oppose the registration applied for or demand its cancellation or, if the law of the country so allows, the assignment in his favor of the said registration, unless such agent or representative justifies his action.

(2) The proprietor of the mark shall, subject to the provisions of paragraph (1), above, be entitled to oppose the

use of his mark by his agent or representative if he has not authorized such use.

(3) Domestic legislation may provide an equitable time limit within which the proprietor of a mark must exercise the rights provided for in this Article.

#### Article 7

[Marks: Nature of the Goods to which the Mark is Applied]

The nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.

#### Article 7<sup>bis</sup>

[Marks: Collective Marks]

(1) The countries of the Union undertake to accept for filing and to protect collective marks belonging to associations the existence of which is not contrary to the law of the country of origin, even if such associations do not possess an industrial or commercial establishment.

(2) Each country shall be the judge of the particular conditions under which a collective mark shall be protected and may refuse protection if the mark is contrary to the public interest.

(3) Nevertheless, the protection of these marks shall not be refused to any association the existence of which is not contrary to the law of the country of origin, on the ground that such association is not established in the country where protection is sought or is not constituted according to the law of the latter country.

#### Article 8

[Trade Names]

A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark.



**Article 9**

**[Marks, Trade Names: Seizure, on Importation, etc., of Goods Unlawfully Bearing a Mark or Trade Name]**

(1) All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection.

(2) Seizure shall likewise be effected in the country where the unlawful affixation occurred or in the country into which the goods were imported.

(3) Seizure shall take place at the request of the public prosecutor, or any other competent authority, or any interested party, whether a natural person or a legal entity, in conformity with the domestic legislation of each country.

(4) The authorities shall not be bound to effect seizure of goods in transit.

(5) If the legislation of a country does not permit seizure on importation, seizure shall be replaced by prohibition of importation or by seizure inside the country.

(6) If the legislation of a country permits neither seizure on importation nor prohibition of importation nor seizure inside the country, then, until such time as the legislation is modified accordingly, these measures shall be replaced by the actions and remedies available in such cases to nationals under the law of such country.

**Article 10**

**[False Indications: Seizure, on Importation, etc., of Goods Bearing False Indications as to their Source or the Identity of the Producer]**

(1) The provisions of the preceding Article shall apply in cases of direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer, or merchant.

(2) Any producer, manufacturer, or merchant, whether a natural person or a legal entity, engaged in the production

or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used, shall in any case be deemed an interested party.

Article 10<sup>bis</sup>

[*Unfair Competition*]

(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The following in particular shall be prohibited:

1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

Article 10<sup>ter</sup>

[*Marks, Trade Names, False Indications, Unfair Competition: Remedies, Right to Sue*]

(1) The countries of the Union undertake to assure to nationals of the other countries of the Union appropriate legal remedies effectively to repress all the acts referred to in Articles 9, 10, and 10<sup>bis</sup>.

(2) They undertake, further, to provide measures to permit federations and associations representing interested in-

dustrialists, producers, or merchants, provided that the existence of such federations and associations is not contrary to the laws of their countries, to take action in the courts or before the administrative authorities, with a view to the repression of the acts referred to in Articles 9, 10, and 10<sup>bis</sup>, in so far as the law of the country in which protection is claimed allows such action by federations and associations of that country.

#### Article 11

*[Inventions, Utility Models, Industrial Designs, Marks: Temporary Protection at Certain International Exhibitions]*

(1) The countries of the Union shall, in conformity with their domestic legislation, grant temporary protection to patentable inventions, utility models, industrial designs, and trademarks, in respect of goods exhibited at official or officially recognized international exhibitions held in the territory of any of them.

(2) Such temporary protection shall not extend the periods provided by Article 4. If, later, the right of priority is invoked, the authorities of any country may provide that the period shall start from the date of introduction of the goods into the exhibition.

(3) Each country may require, as proof of the identity of the article exhibited and of the date of its introduction, such documentary evidence as it considers necessary.

#### Article 12

*[Special National Industrial Property Services]*

(1) Each country of the Union undertakes to establish a special industrial property service and a central office for the communication to the public of patents, utility models, industrial designs, and trademarks.

(2) This service shall publish an official periodical journal. It shall publish regularly:

- (a) the names of the proprietors of patents granted, with a brief designation of the inventions patented;
- (b) the reproductions of registered trademarks.

### Article 13

#### [Assembly of the Union]

(1) (a) The Union shall have an Assembly consisting of those countries of the Union which are bound by Articles 13 to 17.

(b) The Government of each country shall be represented by one delegate, who may be assisted by alternate delegates, advisors, and experts.

(c) The expenses of each delegation shall be borne by the Government which has appointed it.

(2) (a) The Assembly shall:

- (i) deal with all matters concerning the maintenance and development of the Union and the implementation of this Convention;
- (ii) give directions concerning the preparation for conferences of revision to the International Bureau of Intellectual Property (hereinafter designated as "the International Bureau") referred to in the Convention establishing the World Intellectual Property Organization (hereinafter designated as "the Organization"), due account being taken of any comments made by those countries of the Union which are not bound by Articles 13 to 17;
- (iii) review and approve the reports and activities of the Director General of the Organization concerning the Union, and give him all necessary instructions concerning matters within the competence of the Union;
- (iv) elect the members of the Executive Committee of the Assembly;
- (v) review and approve the reports and activities of its Executive Committee, and give instructions to such Committee;

- (vi) determine the program and adopt the triennial budget of the Union, and approve its final accounts;
- (vii) adopt the financial regulations of the Union;
- (viii) establish such committees of experts and working groups as it deems appropriate to achieve the objectives of the Union;
- (ix) determine which countries not members of the Union and which intergovernmental and international non-governmental organizations shall be admitted to its meetings as observers;
- (x) adopt amendments to Articles 13 to 17;
- (xi) take any other appropriate action designed to further the objectives of the Union;
- (xii) perform such other functions as are appropriate under this Convention;
- (xiii) subject to its acceptance, exercise such rights as are given to it in the Convention establishing the Organization.

(b) With respect to matters which are of interest also to other Unions administered by the Organization, the Assembly shall make its decisions after having heard the advice of the Coordination Committee of the Organization.

(3) (a) Subject to the provisions of subparagraph (b), a delegate may represent one country only.

(b) Countries of the Union grouped under the terms of a special agreement in a common office possessing for each of them the character of a special national service of industrial property as referred to in Article 12 may be jointly represented during discussions by one of their number.

(4) (a) Each country member of the Assembly shall have one vote.

(b) One-half of the countries members of the Assembly shall constitute a quorum.

(c) Notwithstanding the provisions of subparagraph (b), if, in any session, the number of countries represented is less than one-half but equal to or more than one-third of the countries members of the Assembly, the Assembly may make deci-

sions but, with the exception of decisions concerning its own procedure, all such decisions shall take effect only if the conditions set forth hereinafter are fulfilled. The International Bureau shall communicate the said decisions to the countries members of the Assembly which were not represented and shall invite them to express in writing their vote or abstention within a period of three months from the date of the communication. If, at the expiration of this period, the number of countries having thus expressed their vote or abstention attains the number of countries which was lacking for attaining the quorum in the session itself, such decisions shall take effect provided that at the same time the required majority still obtains.

(d) Subject to the provisions of Article 17(2), the decisions of the Assembly shall require two-thirds of the votes cast.

(e) Abstentions shall not be considered as votes.

(5) (a) Subject to the provisions of subparagraph (b), a delegate may vote in the name of one country only.

(b) The countries of the Union referred to in paragraph (3)(b) shall, as a general rule, endeavor to send their own delegations to the sessions of the Assembly. If, however, for exceptional reasons, any such country cannot send its own delegation, it may give to the delegation of another such country the power to vote in its name, provided that each delegation may vote by proxy for one country only. Such power to vote shall be granted in a document signed by the Head of State or the competent Minister.

(6) Countries of the Union not members of the Assembly shall be admitted to the meetings of the latter as observers.

(7) (a) The Assembly shall meet once in every third calendar year in ordinary session upon convocation by the Director General and, in the absence of exceptional circumstances, during the same period and at the same place as the General Assembly of the Organization.

(b) The Assembly shall meet in extraordinary session upon convocation by the Director General, at the request of the

Executive Committee or at the request of one-fourth of the countries members of the Assembly.

(8) The Assembly shall adopt its own rules of procedure.

#### Article 14

##### [Executive Committee]

(1) The Assembly shall have an Executive Committee.

(2) (a) The Executive Committee shall consist of countries elected by the Assembly from among countries members of the Assembly. Furthermore, the country on whose territory the Organization has its headquarters shall, subject to the provisions of Article 16(7)(b), have an *ex officio* seat on the Committee.

(b) The Government of each country member of the Executive Committee shall be represented by one delegate, who may be assisted by alternate delegates, advisors, and experts.

(c) The expenses of each delegation shall be borne by the Government which has appointed it.

(3) The number of countries members of the Executive Committee shall correspond to one-fourth of the number of countries members of the Assembly. In establishing the number of seats to be filled, remainders after division by four shall be disregarded.

(4) In electing the members of the Executive Committee, the Assembly shall have due regard to an equitable geographical distribution and to the need for countries party to the Special Agreements established in relation with the Union to be among the countries constituting the Executive Committee.

(5) (a) Each member of the Executive Committee shall serve from the close of the session of the Assembly which elected it to the close of the next ordinary session of the Assembly.

(b) Members of the Executive Committee may be re-elected, but only up to a maximum of two-thirds of such members.

(c) The Assembly shall establish the details of the rules governing the election and possible re-election of the members of the Executive Committee.

(6) (a) The Executive Committee shall:

- (i) prepare the draft agenda of the Assembly;
- (ii) submit proposals to the Assembly in respect of the draft program and triennial budget of the Union prepared by the Director General;
- (iii) approve, within the limits of the program and the triennial budget, the specific yearly budgets and programs prepared by the Director General;
- (iv) submit, with appropriate comments, to the Assembly the periodical reports of the Director General and the yearly audit reports on the accounts;
- (v) take all necessary measures to ensure the execution of the program of the Union by the Director General, in accordance with the decisions of the Assembly and having regard to circumstances arising between two ordinary sessions of the Assembly;
- (vi) perform such other functions as are allocated to it under this Convention.

(b) With respect to matters which are of interest also to other Unions administered by the Organization, the Executive Committee shall make its decisions after having heard the advice of the Coordination Committee of the Organization.

(7) (a) The Executive Committee shall meet once a year in ordinary session upon convocation by the Director General, preferably during the same period and at the same place as the Coordination Committee of the Organization.

(b) The Executive Committee shall meet in extraordinary session upon convocation by the Director General, either on his own initiative, or at the request of its Chairman or one-fourth of its members.

(8) (a) Each country member of the Executive Committee shall have one vote.



(b) One-half of the members of the Executive Committee shall constitute a quorum.

(c) Decisions shall be made by a simple majority of the votes cast.

(d) Abstentions shall not be considered as votes.

(e) A delegate may represent, and vote in the name of, one country only.

(9) Countries of the Union not members of the Executive Committee shall be admitted to its meetings as observers.

(10) The Executive Committee shall adopt its own rules of procedure.

### Article 15

#### [International Bureau]

(1) (a) Administrative tasks concerning the Union shall be performed by the International Bureau, which is a continuation of the Bureau of the Union united with the Bureau of the Union established by the International Convention for the Protection of Literary and Artistic Works. [1]

(b) In particular, the International Bureau shall provide the secretariat of the various organs of the Union.

(c) The Director General of the Organization shall be the chief executive of the Union and shall represent the Union.

(2) The International Bureau shall assemble and publish information concerning the protection of industrial property. Each country of the Union shall promptly communicate to the International Bureau all new laws and official texts concerning the protection of industrial property. Furthermore, it shall furnish the International Bureau with all the publications of its industrial property service of direct concern to the protection of industrial property which the International Bureau may find useful in its work.

(3) The International Bureau shall publish a monthly periodical.

<sup>1</sup> 331 UNTS 217.

(4) The International Bureau shall, on request, furnish any country of the Union with information on matters concerning the protection of industrial property.

(5) The International Bureau shall conduct studies, and shall provide services, designed to facilitate the protection of industrial property.

(6) The Director General and any staff member designated by him shall participate, without the right to vote, in all meetings of the Assembly, the Executive Committee, and any other committee of experts or working group. The Director General, or a staff member designated by him, shall be *ex officio* secretary of these bodies.

(7) (a) The International Bureau shall, in accordance with the directions of the Assembly and in cooperation with the Executive Committee, make the preparations for the conferences of revision of the provisions of the Convention other than Articles 13 to 17.

(b) The International Bureau may consult with inter-governmental and international non-governmental organizations concerning preparations for conferences of revision.

(c) The Director General and persons designated by him shall take part, without the right to vote, in the discussions at these conferences.

(8) The International Bureau shall carry out any other tasks assigned to it.

#### Article 16

##### [Finances]

(1) (a) The Union shall have a budget.

(b) The budget of the Union shall include the income and expenses proper to the Union, its contribution to the budget of expenses common to the Unions, and, where applicable, the sum made available to the budget of the Conference of the Organization.

(c) Expenses not attributable exclusively to the Union but also to one or more other Unions administered by the Organization shall be considered as expenses common to the Unions. The share of the Union in such common expenses shall be in proportion to the interest the Union has in them.

(2) The budget of the Union shall be established with due regard to the requirements of coordination with the budgets of the other Unions administered by the Organization.

(3) The budget of the Union shall be financed from the following sources:

- (i) contributions of the countries of the Union;
- (ii) fees and charges due for services rendered by the International Bureau in relation to the Union;
- (iii) sale of, or royalties on, the publications of the International Bureau concerning the Union;
- (iv) gifts, bequests, and subventions;
- (v) rents, interests, and other miscellaneous income.

(4) (a) For the purpose of establishing its contribution towards the budget, each country of the Union shall belong to a class, and shall pay its annual contributions on the basis of a number of units fixed as follows:

Class I . . . . .	25
Class II . . . . .	20
Class III . . . . .	15
Class IV . . . . .	10
Class V . . . . .	5
Class VI . . . . .	3
Class VII . . . . .	1

(b) Unless it has already done so, each country shall indicate, concurrently with depositing its instrument of ratification or accession, the class to which it wishes to belong. Any country may change class. If it chooses a lower class, the country must announce such change to the Assembly at one of its ordinary sessions. Any such change shall take effect at the beginning of the calendar year following the said session.

(c) The annual contribution of each country shall be an amount in the same proportion to the total sum to be contributed to the budget of the Union by all countries as the number of its units is to the total of the units of all contributing countries.

(d) Contributions shall become due on the first of January of each year.

(e) A country which is in arrears in the payment of its contributions may not exercise its right to vote in any of the organs of the Union of which it is a member if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. However, any organ of the Union may allow such a country to continue to exercise its right to vote in that organ if, and as long as, it is satisfied that the delay in payment is due to exceptional and unavoidable circumstances.

(f) If the budget is not adopted before the beginning of a new financial period, it shall be at the same level as the budget of the previous year, as provided in the financial regulations.

(5) The amount of the fees and charges due for services rendered by the International Bureau in relation to the Union shall be established, and shall be reported to the Assembly and the Executive Committee, by the Director General.

(6) (a) The Union shall have a working capital fund which shall be constituted by a single payment made by each country of the Union. If the fund becomes insufficient, the Assembly shall decide to increase it.

(b) The amount of the initial payment of each country to the said fund or of its participation in the increase thereof shall be a proportion of the contribution of that country for the year in which the fund is established or the decision to increase it is made.

(c) The proportion and the terms of payment shall be fixed by the Assembly on the proposal of the Director General and after it has heard the advice of the Coordination Committee of the Organization.

(7) (a) In the headquarters agreement concluded with the country on the territory of which the Organization has its headquarters, it shall be provided that, whenever the working capital fund is insufficient, such country shall grant advances. The amount of these advances and the conditions on which they are granted shall be the subject of separate agreements, in each case, between such country and the Organization. As long as it remains under the obligation to grant advances, such country shall have an ex officio seat on the Executive Committee.

(b) The country referred to in subparagraph (a) and the Organization shall each have the right to denounce the obligation to grant advances, by written notification. Denunciation shall take effect three years after the end of the year in which it has been notified.

(8) The auditing of the accounts shall be effected by one or more of the countries of the Union or by external auditors, as provided in the financial regulations. They shall be designated, with their agreement, by the Assembly.

#### Article 17

[Amendment of Articles 13 to 17]

(1) Proposals for the amendment of Articles 13, 14, 15, 16, and the present Article, may be initiated by any country member of the Assembly, by the Executive Committee, or by the Director General. Such proposals shall be communicated by the Director General to the member countries of the Assembly at least six months in advance of their consideration by the Assembly.

(2) Amendments to the Articles referred to in paragraph (1) shall be adopted by the Assembly. Adoption shall require three-fourths of the votes cast, provided that any amendment to Article 13, and to the present paragraph, shall require four-fifths of the votes cast.

(3) Any amendment to the Articles referred to in paragraph (1) shall enter into force one month after written noti-

fications of acceptance, effected in accordance with their respective constitutional processes, have been received by the Director General from three-fourths of the countries members of the Assembly at the time it adopted the amendment. Any amendment to the said Articles thus accepted shall bind all the countries which are members of the Assembly at the time the amendment enters into force, or which become members thereof at a subsequent date, provided that any amendment increasing the financial obligations of countries of the Union shall bind only those countries which have notified their acceptance of such amendment.

#### Article 18

[Revision of Articles 1 to 12 and 18 to 30]

(1) This Convention shall be submitted to revision with a view to the introduction of amendments designed to improve the system of the Union.

(2) For that purpose, conferences shall be held successively in one of the countries of the Union among the delegates of the said countries.

(3) Amendments to Articles 13 to 17 are governed by the provisions of Article 17.

#### Article 19

[Special Agreements]

It is understood that the countries of the Union reserve the right to make separately between themselves special agreements for the protection of industrial property, in so far as these agreements do not contravene the provisions of this Convention.

#### Article 20

[Ratification or Accession by Countries of the Union; Entry Into Force]

(1) (a) Any country of the Union which has signed this Act may ratify it, and, if it has not signed it, may accede to it. Instruments of ratification and accession shall be deposited with the Director General.

(b) Any country of the Union may declare in its instrument of ratification or accession that its ratification or accession shall not apply:

- (i) to Articles 1 to 12, or
- (ii) to Articles 13 to 17.

(c) Any country of the Union which, in accordance with subparagraph (b), has excluded from the effects of its ratification or accession one of the two groups of Articles referred to in that subparagraph may at any later time declare that it extends the effects of its ratification or accession to that group of Articles. Such declaration shall be deposited with the Director General.

(2) (a) Articles 1 to 12 shall enter into force, with respect to the first ten countries of the Union which have deposited instruments of ratification or accession without making the declaration permitted under paragraph (1)(b)(i), three months after the deposit of the tenth such instrument of ratification or accession.

(b) Articles 13 to 17 shall enter into force, with respect to the first ten countries of the Union which have deposited instruments of ratification or accession without making the declaration permitted under paragraph (1)(b)(ii), three months after the deposit of the tenth such instrument of ratification or accession.

(c) Subject to the initial entry into force, pursuant to the provisions of subparagraphs (a) and (b), of each of the two groups of Articles referred to in paragraph (1)(b)(i) and (ii), and subject to the provisions of paragraph (1)(b), Articles 1 to 17 shall, with respect to any country of the Union, other than those referred to in subparagraphs (a) and (b), which deposits an instrument of ratification or accession or any country of the Union which deposits a declaration pursuant to paragraph (1)(c), enter into force three months after the date of notification by the Director General of such deposit, unless a subsequent date has been indicated in the instrument or decla-

ration deposited. In the latter case, this Act shall enter into force with respect to that country on the date thus indicated.

(3) With respect to any country of the Union which deposits an instrument of ratification or accession, Articles 18 to 30 shall enter into force on the earlier of the dates on which any of the groups of Articles referred to in paragraph (1)(b) enters into force with respect to that country pursuant to paragraph (2)(a), (b), or (c).

#### Article 21

[Accession by Countries Outside the Union; Entry Into Force]

(1) Any country outside the Union may accede to this Act and thereby become a member of the Union. Instruments of accession shall be deposited with the Director General.

(2) (a) With respect to any country outside the Union which deposits its instrument of accession one month or more before the date of entry into force of any provisions of the present Act, this Act shall enter into force, unless a subsequent date has been indicated in the instrument of accession, on the date upon which provisions first enter into force pursuant to Article 20(2) (a) or (b); provided that:

- (i) if Articles 1 to 12 do not enter into force on that date, such country shall, during the interim period before the entry into force of such provisions, and in substitution therefor, be bound by Articles 1 to 12 of the Lisbon Act,
- (ii) if Articles 13 to 17 do not enter into force on that date, such country shall, during the interim period before the entry into force of such provisions, and in substitution therefor, be bound by Articles 13 and 14(3), (4), and (5), of the Lisbon Act.

If a country indicates a subsequent date in its instrument of accession, this Act shall enter into force with respect to that country on the date thus indicated.

(b) With respect to any country outside the Union which deposits its instrument of accession on a date which is subsequent to, or precedes by less than one month, the entry into



force of one group of Articles of the present Act, this Act shall, subject to the proviso of subparagraph (a), enter into force three months after the date on which its accession has been notified by the Director General, unless a subsequent date has been indicated in the instrument of accession. In the latter case, this Act shall enter into force with respect to that country on the date thus indicated.

(3) With respect to any country outside the Union which deposits its instrument of accession after the date of entry into force of the present Act in its entirety, or less than one month before such date, this Act shall enter into force three months after the date on which its accession has been notified by the Director General, unless a subsequent date has been indicated in the instrument of accession. In the latter case, this Act shall enter into force with respect to that country on the date thus indicated.

#### Article 22

##### [Consequences of Ratification or Accession]

Subject to the possibilities of exceptions provided for in Articles 20(1)(b) and 28(2), ratification or accession shall automatically entail acceptance of all the clauses and admission to all the advantages of this Act.

#### Article 23

##### [Accession to Earlier Acts]

After the entry into force of this Act in its entirety, a country may not accede to earlier Acts of this Convention.

#### Article 24

##### [Territories]

(1) Any country may declare in its instrument of ratification or accession, or may inform the Director General by written notification any time thereafter, that this Convention shall be applicable to all or part of those territories, designated in the declaration or notification, for the external relations of which it is responsible.

(2) Any country which has made such a declaration or given such a notification may, at any time, notify the Director General that this Convention shall cease to be applicable to all or part of such territories.

(3) (a) Any declaration made under paragraph (1) shall take effect on the same date as the ratification or accession in the instrument of which it was included, and any notification given under such paragraph shall take effect three months after its notification by the Director General.

(b) Any notification given under paragraph (2) shall take effect twelve months after its receipt by the Director General.

#### Article 25

[Implementation of the Convention on the Domestic Level]

(1) Any country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention.

(2) It is understood that, at the time a country deposits its instrument of ratification or accession, it will be in a position under its domestic law to give effect to the provisions of this Convention.

#### Article 26

[Denunciation]

(1) This Convention shall remain in force without limitation as to time.

(2) Any country may denounce this Act by notification addressed to the Director General. Such denunciation shall constitute also denunciation of all earlier Acts and shall affect only the country making it, the Convention remaining in full force and effect as regards the other countries of the Union.

(3) Denunciation shall take effect one year after the day on which the Director General has received the notification.

(4) The right of denunciation provided by this Article shall not be exercised by any country before the expiration of

five years from the date upon which it becomes a member of the Union.

#### Article 27

##### [Application of Earlier Acts]

(1) The present Act shall, as regards the relations between the countries to which it applies, and to the extent that it applies, replace the Convention of Paris of March 20, 1883, and the subsequent Acts of revision.

(2) (a) As regards the countries to which the present Act does not apply, or does not apply in its entirety, but to which the Lisbon Act of October 31, 1958, applies, the latter shall remain in force in its entirety or to the extent that the present Act does not replace it by virtue of paragraph (1).

(b) Similarly, as regards the countries to which neither the present Act, nor portions thereof, nor the Lisbon Act applies, the London Act of June 2, 1934, shall remain in force in its entirety or to the extent that the present Act does not replace it by virtue of paragraph (1).

(c) Similarly, as regards the countries to which neither the present Act, nor portions thereof, nor the Lisbon Act, nor the London Act applies, the Hague Act of November 6, 1925, shall remain in force in its entirety or to the extent that the present Act does not replace it by virtue of paragraph (1).

(3) Countries outside the Union which become party to this Act shall apply it with respect to any country of the Union not party to this Act or which, although party to this Act, has made a declaration pursuant to Article 20(1)(b)(i). Such countries recognize that the said country of the Union may apply, in its relations with them, the provisions of the most recent Act to which it is party.

#### Article 28

##### [Disputes]

(1) Any dispute between two or more countries of the Union concerning the interpretation or application of this

Convention, not settled by negotiation, may, by any one of the countries concerned, be brought before the International Court of Justice by application in conformity with the Statute of the Court, [1] unless the countries concerned agree on some other method of settlement. The country bringing the dispute before the Court shall inform the International Bureau; the International Bureau shall bring the matter to the attention of the other countries of the Union.

(2) Each country may, at the time it signs this Act or deposits its instrument of ratification or accession, declare that it does not consider itself bound by the provisions of paragraph (1). With regard to any dispute between such country and any other country of the Union, the provisions of paragraph (1) shall not apply.

(3) Any country having made a declaration in accordance with the provisions of paragraph (2) may, at any time, withdraw its declaration by notification addressed to the Director General.

#### Article 29

##### [Signature, Languages, Depository Functions]

(1) (a) This Act shall be signed in a single copy in the French language and shall be deposited with the Government of Sweden.

(b) Official texts shall be established by the Director General, after consultation with the interested Governments, in the English, German, Italian, Portuguese, Russian and Spanish languages, and such other languages as the Assembly may designate.

(c) In case of differences of opinion on the interpretation of the various texts, the French text shall prevail.

(2) This Act shall remain open for signature at Stockholm until January 13, 1968.

(3) The Director General shall transmit two copies, certified by the Government of Sweden, of the signed text of this

<sup>1</sup> TS 908; 59 Stat. 1055.

Act to the Governments of all countries of the Union and, on request, to the Government of any other country.

(4) The Director General shall register this Act with the Secretariat of the United Nations.

(5) The Director General shall notify the Governments of all countries of the Union of signatures, deposits of instruments of ratification or accession and any declarations included in such instruments or made pursuant to Article 20(1)(c), entry into force of any provisions of this Act, notifications of denunciation, and notifications pursuant to Article 24.

### Article 30

#### [Transitional Provisions]

(1) Until the first Director General assumes office, references in this Act to the International Bureau of the Organization or to the Director General shall be deemed to be references to the Bureau of the Union or its Director, respectively.

(2) Countries of the Union not bound by Articles 13 to 17 may, until five years after the entry into force of the Convention establishing the Organization, exercise, if they so desire, the rights provided under Articles 13 to 17 of this Act as if they were bound by those Articles. Any country desiring to exercise such rights shall give written notification to that effect to the Director General; such notification shall be effective from the date of its receipt. Such countries shall be deemed to be members of the Assembly until the expiration of the said period.

(3) As long as all the countries of the Union have not become Members of the Organization, the International Bureau of the Organization shall also function as the Bureau of the Union, and the Director General as the Director of the said Bureau.

(4) Once all the countries of the Union have become Members of the Organization, the rights, obligations, and property, of the Bureau of the Union shall devolve on the International Bureau of the Organization.

## MULTILATERAL

### Protection of Industrial Property

*Articles 1 through 12 of the convention done at Stockholm July 14, 1967.*

*Ratification advised by the Senate of the United States of America February 28, 1970;*

*Ratified by the President of the United States of America May 8, 1973;*

*Ratification of the United States of America deposited with the Director General, World Intellectual Property Organization, May 22, 1973;*

*Proclaimed by the President of the United States of America October 13, 1973;*

*Entered into force with respect to the United States of America August 25, 1973.*

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

### A PROCLAMATION

#### CONSIDERING THAT:

The Paris Convention for the Protection of Industrial Property was revised at Stockholm on July 14, 1967;

The Senate of the United States of America by its resolution of February 28, 1970, two-thirds of the Senators present concurring therein, gave its advice and consent to the ratification of the revised Convention;

The entry into force on September 5, 1970 for the United States of America of all provisions of the revised Convention, except Articles 1 through 12, was proclaimed on August 12, 1970, the complete text of the Convention, including Articles 1 through 12, being included in the proclamation document; [<sup>1</sup>]

On May 8, 1973 I ratified Articles 1 through 12 of the revised Convention;

<sup>1</sup> TIAS 6923; 21 UST 1583.

The United States of America deposited its instrument of ratification of Articles 1 through 12 of the revised Convention on May 22, 1973 and notification of such deposit was given on May 25, 1973 by the Director General of the World Intellectual Property Organization, in accordance with the provisions of Article 20(2)(c);

Pursuant to the provisions of Article 20(2)(c) of the revised Convention, the provisions of Articles 1 through 12 of the revised Convention entered into force for the United States of America on August 25, 1973, three months after the date of notification by the Director General of the World Intellectual Property Organization of the deposit of ratification by the United States of America;

Now, THEREFORE, I Richard Nixon, President of the United States of America, proclaim and make public the entry into force of Articles 1 through 12 of the revised Convention, to the end that they shall be observed and fulfilled with good faith on and after August 25, 1973 by the United States of America and by the citizens of the United States of America and all other persons subject to the jurisdiction thereof.

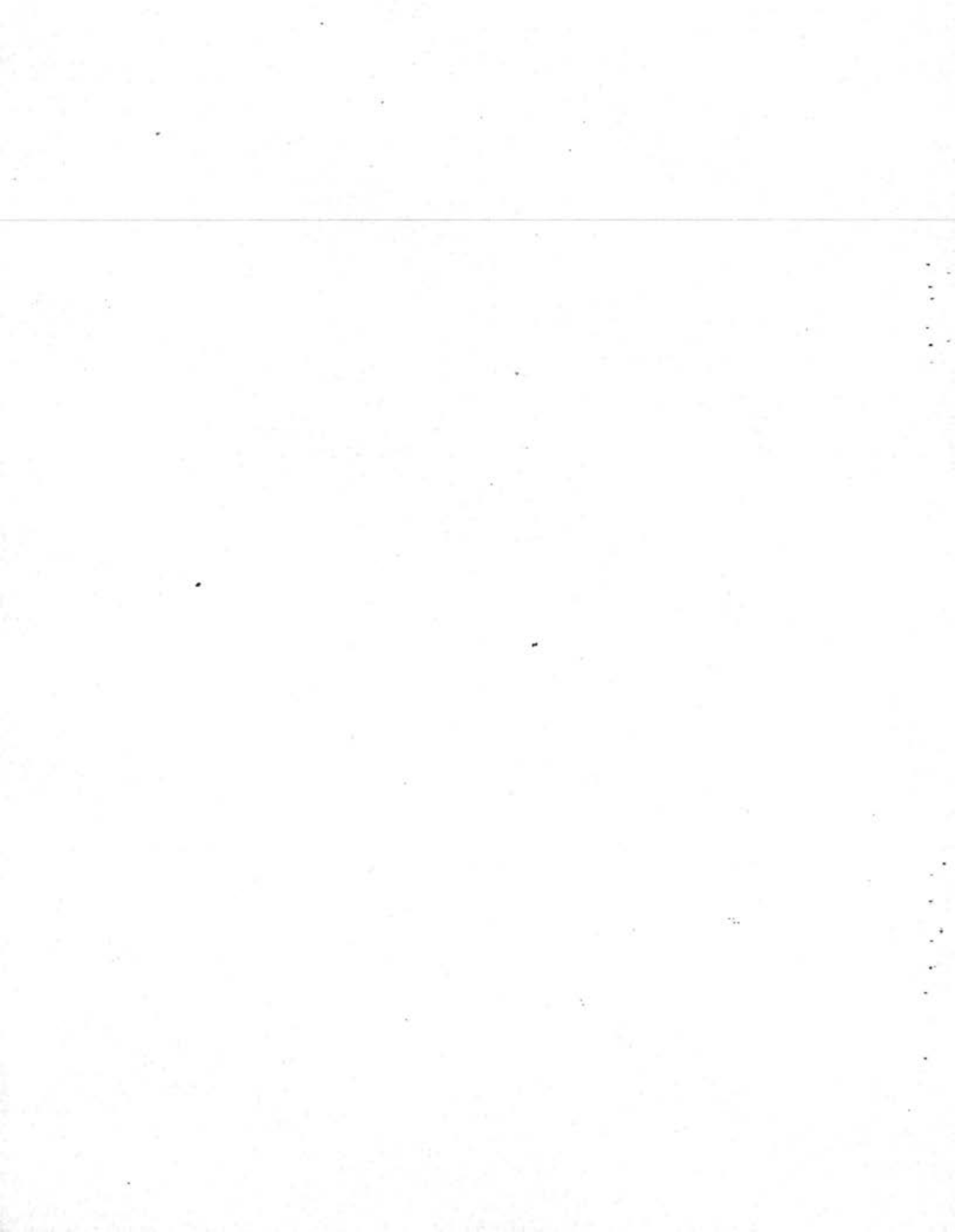
IN TESTIMONY WHEREOF, I have signed this proclamation and caused the Seal of the United States of America to be affixed.

DONE at the city of Washington this thirteenth day of October in the year of our Lord one thousand nine hundred seventy-  
[SEAL] three and of the Independence of the United States of America the one hundred ninety-eighth.

RICHARD NIXON

By the President:

HENRY A. KISSINGER  
*Secretary of State*





**APPENDIX F**

**LIST OF SIGNATORY COUNTRIES TO THE PARIS CONVENTION**

Signatories to the Stockholm Revision of the Paris Convention  
on Industrial Property 1/

Algeria (with reservation)  
Argentina (Articles 1-12 excepted)  
Australia  
Austria  
The Bahamas (Articles 1-12 excepted)  
Belgium  
Benin  
Brazil (with reservation; Articles 1-12 excepted)  
Bulgaria (with reservation)  
Burundi  
Cameroon  
Canada (Articles 1-12 excepted)  
Central African Republic  
Chad  
Congo  
Cuba (with reservation)  
Czechoslovakia (with reservation)  
Denmark (extended to Faroe Islands)  
Egypt (with reservation)  
Finland  
France (including all Overseas Departments and Territories)  
Gabon  
German Democratic Republic  
Federal Republic of Germany (including Land Berlin)  
Ghana  
Greece  
Guinea  
Hungary (with reservation)  
Indonesia (Articles 1-12 excepted)  
Iraq (with reservation)  
Ireland  
Israel  
Italy  
Ivory Coast  
Japan  
Jordan  
Kenya  
Democratic Republic of Korea  
Republic of Korea  
Libya (with reservation)  
Liechtenstein  
Luxembourg  
Madagascar  
Malawi  
Malta (with reservation; Articles 1-12 excepted)  
Mauritania  
Mauritius  
Mexico

Monaco  
Morocco  
Netherlands (extended to Netherlands Antilles)  
Niger  
Norway  
Philippines (Articles 1-12 excepted)  
Poland (with reservation)  
Portugal  
Romania (with reservation)  
Senegal  
South Africa (with reservation)  
Sri Lanka (Articles 1-12 excepted)  
Suriname  
Sweden  
Switzerland  
Syrian Arab Republic  
Togo  
Tunisia (with reservation)  
Turkey (Articles 1-12 excepted)  
Uganda  
U.S.S.R. (with reservation)  
United Kingdom (extended to Hong Kong)  
United States (extended to all the territories and possessions  
of the United States, including Puerto Rico)  
Upper Volta  
Uruguay  
Vatican City  
Viet Nam  
Yugoslavia  
Zaire  
Zambia  
Zimbabwe



APPENDIX G

DRAFT AGREEMENT ON MEASURES TO DISCOURAGE THE IMPORTATION  
OF COUNTERFEIT GOODS

AGREEMENT ON MEASURES TO DISCOURAGE THE  
IMPORTATION OF COUNTERFEIT GOODS

PREAMBLE

The Parties to the Agreement on Measures to Discourage the Importation of Counterfeit Goods (hereinafter referred to as "Parties" and "this Agreement");

Desiring to further the objectives of the General Agreement on Tariffs and Trade (hereinafter referred to as the "General Agreement" or "GATT");

Considering that trade in counterfeit goods prejudices the rights of legitimate traders and deceives consumers;

Desiring to discourage international trade in counterfeit goods by cooperation among Parties to this Agreement and by strengthening measures to combat such trade without inhibiting the free flow of legitimate trade;

Desiring to deprive parties to the importation of counterfeit goods of the economic benefits of such transactions;

Noting that contracting parties are exercising their rights under Article XX of the General Agreement, inter alia, to adopt or enforce laws and regulations relating to the protection of trademarks;

Seeking to provide for international notification, consultation, surveillance and dispute settlement procedures with a view to ensuring fair, prompt and effective application of this Agreement;

Desiring to attain the above objectives through measures to protect the rights of trademark owners; and

Recognizing that differences in legal systems and customs procedures of the Parties may require different methods, consistent with this Agreement, of dealing with counterfeit goods;

Hereby agree as follows:

Article 1 - Objectives, Requirements, and Scope of the Agreement

1.1 The Parties shall discourage international trade in counterfeit goods. To this end they agree that imported counterfeit goods should be dealt with in a manner that deprives the persons involved of the economic benefits of the transaction and provides an effective deterrent to international trade in such goods. They further agree that counterfeit goods should be prevented from reaching the commercial market. However, nominal quantities of goods intended for personal use and not for sale may be excluded from the requirements of the Agreement.

1.2 In this Agreement:

1.2.1 "Counterfeit goods" means any goods bearing an unauthorized representation of a trademark that is legally registered in respect of such goods in the country of importation. This Agreement shall not apply to imported goods which have been produced or marketed under a protected trademark by the owner of the trademark right, or with his consent, or to goods bearing an authorized trademark which



1.2.2 "Trademark" shall be as defined by the law of the country of importation and shall include any certification mark or collective mark registered in the country of importation and entitled to protection as a trademark.

1.2.3 "Imported goods" shall be as defined by the country of importation for the purposes of this Agreement.

1.3 The intellectual property laws of any Party shall not be changed by its acceptance of or accession to this Agreement. Moreover, this Agreement lays down the minimum requirements with regard to measures to discourage the importation of counterfeit goods and shall not be interpreted as preventing any Party from taking further measures.

1.4 The implementation of this Agreement shall not prejudice any rights or obligations under the GATT of any Party with respect to measures taken to deal with counterfeit goods.

## Article 2 - Obligations and Procedures

2.1 The Parties shall afford owners of trademark rights covered by this Agreement or their representatives, the

judicial or administrative means necessary to initiate procedures to protect their rights against imported counterfeit goods before they are released from the jurisdiction of the customs authorities. They shall designate the authorities to which owners of trademark rights may address themselves for this purpose.

2.2 The person initiating the procedures shall be required to establish his right to protection and to produce satisfactory evidence that counterfeit goods are in the process of being, or are likely to be imported, in accordance with the relevant laws of the country of importation. Such person may be required to provide security by bond or deposit of money in an amount sufficient to indemnify the authorities or to hold the importer harmless from loss or damage resulting from such action where goods are subsequently determined not to be counterfeit.

2.3.1 When the competent authorities are satisfied that goods referred to in the procedures initiated in conformity with the provisions of Article 2.2 are reasonably suspected of being counterfeit, they shall take the necessary steps to provide for the detention or seizure of such goods, or the taking of other appropriate measures to retain jurisdiction over, or prevent the sale or other disposition of such goods pending final determination whether the goods are counterfeit.

2.3.2 Notwithstanding the provisions of Article 2.3.1, alternative procedures consistent with the objectives of this Agreement may be established to deal with perishable goods or exceptional circumstances.

2.4 Persons directly affected by procedures initiated in conformity with this Agreement shall be informed promptly of actions taken.

2.5 The criteria by which the authorities determine whether imported goods are counterfeit shall be no less favorable than the criteria used to determine whether domestically produced goods are counterfeit. Determinations concerning counterfeit goods shall be reasoned and made without undue delay in a fair and open manner which avoids the creation of non-tariff barriers to and minimizes interference with legitimate trade.

2.6 Actions in accordance with the provisions of this Article may, where provided for by the law of the country of importation, be terminated at any time upon the request of the owner of the trademark right in question or his representative.

2.7 Where the retention of jurisdiction over alleged counterfeit goods is based upon an interim order of a competent judicial or administrative authority and further proceedings for a final order are required, the importer shall have the right freely to dispose of the goods if such further proceedings are not initiated within such period as may be required by the Party.

### Article 3 - Disposal of Counterfeit Goods

3. Upon determination that the goods in question are counterfeit, they shall be disposed of in such a way so as to deprive the parties to the importation of the counterfeit goods of the economic benefits of the transaction and to provide an effective deterrent to further transactions involving the importation of counterfeit goods. To the greatest extent possible, counterfeit goods shall be subject to forfeiture and shall be disposed of outside the channels of commerce in a manner that minimizes harm to the owner of the trademark right in question. Alternative methods of disposal may be used as long as they constitute an effective deterrent to trade in such goods. However, in individual cases involving exceptional circumstances, other measures may be taken having due regard to the objectives of the Agreement.

Article 4 - Right of Judicial Review

4. The Parties shall provide the importer with a right of judicial review in respect of any final decision taken by any administrative authority in pursuance of this agreement.

Article 5 - Information and Review

5.1 Laws, regulations, administrative rulings of general application, and procedures relating to the implementation of this Agreement, shall be published. Judicial decisions shall be made available on request to any other Party.

5.2 In order to ensure the effective application of this Agreement, the Parties shall cooperate and provide assistance, and where not prohibited by national law, shall exchange information concerning international trade in counterfeit goods which is likely to affect the interests of other Parties or which shows that a new fraudulent practice or technique has been adopted.

5.3 All information which is by nature confidential or which is provided on a confidential basis in pursuance of this Agreement shall be treated as strictly confidential by the authorities concerned, who shall not disclose it without the specific permission of the person or government providing such information.

#### Article 6 - Notes on Articles

6. The notes annexed to this Agreement form an integral part of this Agreement. The articles of this Agreement are to be read and applied in conjunction with their respective notes.

#### Article 7 - Enforcement of Obligations

##### Institutions

7.1 There shall be established under this Agreement a Committee on Measures to Discourage the Importation of Counterfeit Goods (referred to in this Agreement as the "Committee") composed of representatives from each of the

Parties. This Committee shall elect its own chairman and meet as necessary, but not less than once a year, for the purpose of affording Parties the opportunity to consult on any matters relating to the operation of the Agreement or the furtherance of its objectives, and to carry out such other responsibilities as may be assigned to it by the Parties.

### Consultation and Dispute Settlement

7.2 Consultation and settlement of disputes with respect to any matter affecting the operation of this Agreement shall be subject to the procedures of Articles XXII and XXIII of the GATT and the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance.

### Article 8 - Special and Differential Treatment

8.1 Developing country Parties may delay application of its provisions for a period not exceeding two years from the date of entry into force of this Agreement for such countries. Developing country Parties who choose to delay application of this Agreement shall notify the Director-General of the GATT accordingly.

8.2 Developed country Parties shall furnish, on mutually agreed terms, advice and assistance to developing country Parties that so request. This may include, inter alia training of personnel, assistance in preparing implementation measures, advice on the identification and control of imported counterfeit goods, and advice on the application of the provisions of this Agreement.

#### Article 9 - Final Provisions

##### 9.1 Acceptance and Accession

9.1.1 This Agreement shall be open for acceptance by signature or otherwise, by governments contracting parties to the GATT and by the European Economic Community.

9.1.2 Any government contracting party to the GATT not a Party to this Agreement may accede to it on terms to be agreed between that government and the Parties to this Agreement. Accession shall take place by the deposit with the Director-General to the CONTRACTING PARTIES to the GATT of an instrument of accession which states the terms so agreed.



9.1.3 This Agreement shall be open for acceptance by signature or otherwise by governments having provisionally acceded to the GATT, on terms related to the effective application of rights and obligations under this Agreement, which take into account rights and obligations in the instruments providing for their provisional accession.

9.1.4 This Agreement shall be open to accession by any other government on terms, related to the effective application of rights and obligations under this Agreement, to be agreed between that government and the Parties, by the deposit with the Director-General to the CONTRACTING PARTIES to the GATT of an instrument of accession which states the terms so agreed.

9.1.5 In regard to acceptance, the provisions of Article XXVI:5 (a) and (b) of the General Agreement would be applicable.

## 9.2 Reservations

9.2.1 Reservations may not be entered in respect of any of the provisions of this Agreement without the consent of the other Parties.

9.3 Entry into Force

9.3.1 This Agreement shall enter into force on \_\_\_\_\_ for the governments<sup>1</sup> which have accepted or acceded to it by that date. For each other government it shall enter into force on the thirtieth day following the date of its acceptance or accession to this Agreement.

9.4 National Legislation

9.4.1 Each government<sup>2</sup> accepting or acceding to this Agreement shall ensure, not later than the date of entry into force of this Agreement for it, the conformity of its procedures relating to trade in counterfeit goods with the provisions of this Agreement.

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(1) For the purpose of this Agreement, the term "government" is deemed to include the competent authorities of the European Economic Community.

(2) The application of this Agreement by the Member States of the European Economic Community is without prejudice to such further implementing measures as may be introduced in a Community framework.

9.4.2 Each Party shall promptly provide the Committee with a copy of its laws and regulations relevant to this Agreement and amendments thereto.

## 9.5 Review

9.5.1 The Committee shall review annually the implementation and operation of this Agreement taking into account the objectives thereof. The Committee shall annually inform the CONTRACTING PARTIES to the GATT of developments during the period covered by such reviews.

9.5.2 In this connection, the Parties agree to explore the possibility of expanding the coverage of this Agreement to include trade in counterfeit goods involving other intellectual property rights. To this end the Parties agree that discussions and negotiations should be pursued bilaterally or in appropriate international fora on other intellectual property rights such as appellations of origin and indications of source, certification marks, copyrights, models and designs, and that the results of this work should be taken account of in the annual review referred to above.

9.6 Amendments

The Parties may amend this Agreement, having regard, inter alia, to the experience gained in its implementation. Once the Parties have agreed to an amendment, it shall not come into force for any Party until its ratification procedures have been completed.

9.7 Withdrawal

Any Party may withdraw from this Agreement. The withdrawal shall take effect upon the expiration of sixty days from the day on which written notice of withdrawal is received by the Director-General to the CONTRACTING PARTIES of the GATT. Any Party may upon such notification request an immediate meeting of the Committee.

9.8 Non-Application of this Agreement between Particular Parties

9.8.1 This Agreement shall not apply as between any two Parties if either of the Parties, at the time either accepts or accedes to the Agreement, does not consent to such application.

9.9            Secretariat

9.9.1            This Agreement shall be serviced by the GATT Secretariat.

9.10            Deposit

9.10.1            This Agreement shall be deposited with the Director-General to the CONTRACTING PARTIES to the GATT, who shall promptly furnish to each Party and each contracting party to the GATT a certified copy thereof and of each amendment thereto pursuant to Article 9.6 above and a notification of each acceptance thereof or accession thereto pursuant to Article 9.1 above and of each withdrawal therefrom pursuant to Article 9.7 above.

9.11            Registration

9.11.1            This Agreement shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this \_\_\_\_\_ day of \_\_\_\_\_ nineteen  
hundred and eighty-\_\_\_\_ in a single copy, in the English,  
French and Spanish languages, each text being authentic.

General Note

The Agreement does not require any Party to disclose confidential information which would impede law enforcement, conflict with national laws, or otherwise be contrary to the legitimate commercial interests of particular enterprises, public or private.

Nothing in this Agreement shall be construed as impairing the independence of the judiciary.

Note to Article 1

This Agreement applies to international trade in "counterfeit goods." The definition of "counterfeit goods" is intended to limit the scope of the Agreement to cover only imported goods with trademarks that are identical or substantially identical to the legally protected mark. Furthermore, it is intended that countries with registration systems for trademarks may require registration of a trademark as a pre-condition to the application of procedures required by this Agreement.



Note to Article 2

It is envisaged that the Parties will meet the requirements of this Agreement by providing for administrative or judicial procedures or by a combination of the two. Thus some Parties may enable their customs services to act, either directly or on the basis of a decision of an administrative authority designated for this purpose, to detain or seize counterfeit goods, while other Parties may provide the owner of the trademark right with the opportunity to seek a court order preventing the importer from disposing of such goods for a limited period to enable the owner of the trademark to pursue his remedies through a substantive court action. Whatever may be the procedures adopted, it is an objective of this Agreement that imported goods which are reasonably suspected of being counterfeit shall not be cleared by customs until the trademark owner has had the opportunity to challenge, either administratively or judicially, the right of the importer freely to dispose of the goods. The procedures may be initiated by the trademark owner or, where the competent authorities have the necessary powers and are in possession of the necessary information, at the initiative of these authorities themselves. The choice of procedures, consistent with the objectives and requirements of the Agreement, is left to the Parties but the procedures shall avoid creating non-tariff barriers to

The competent authorities may specify the evidence required to be presented by the person owning the trademark right or his representative under the provisions of Article 2.2.

Note to Article 2.2

The phrase "or likely to be imported" is intended to provide a means whereby the owners of the trademark rights may initiate procedures, where the country of importation so provides, in cases where alleged counterfeit goods have not yet come within the jurisdiction of customs.

Note to Article 3

In order to minimize harm to the owner of the trademark right in question, the trademark whose use rendered the goods counterfeit should be obliterated or removed, where feasible, before disposal.

Note to Article 5.3

Parties are aware that in the territory of certain Parties, disclosure pursuant to a narrowly drawn protective order may be required.



APPENDIX H  
THE LANHAM ACT

istration issued under the Trade-Mark Act of Mar. 3, 1881, ch. 138, and act Aug. 5, 1882, ch. 393.

### SUBCHAPTER I—THE PRINCIPAL REGISTER

**FEE.** Registration; application; payment of fees; designation of resident for service of process and notice

The owner of a trade-mark used in commerce may register his trade-mark under this chapter on the principal register established:

(a) By filing in the Patent and Trademark Office—

(1) a written application, in such form as may be prescribed by the Commissioner, verified by the applicant, or by a member of the firm or an officer of the corporation or association applying, specifying applicant's domicile and citizenship, the date of applicant's first use of the mark, the date of applicant's first use of the mark in commerce, the goods in connection with which the mark is used and the mode or manner in which the mark is used in connection with such goods, and including a statement to the effect that the person making the verification believes himself, or the firm, corporation, or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered, that the mark is in use in commerce, and that no other person, firm, corporation, or association, to the best of his knowledge and belief, has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when applied to the goods of such other person, to cause confusion, or to cause mistake, or to deceive: *Provided*, That in the case of every application claiming concurrent use the applicant shall state exceptions to his claim of exclusive use, in which he shall specify, to the extent of his knowledge, any concurrent use by others, the goods in connection with which and the areas in which each concurrent use exists, the periods of each use, and the goods and area for which the applicant desires registration;

(2) a drawing of the mark; and

(3) such number of specimens or facsimiles of the mark as actually used as may be required by the Commissioner.

(b) By paying into the Patent and Trademark Office the filing fee.

(c) By complying with such rules or regulations, not inconsistent with law, as may be prescribed by the Commissioner.

(d) If the applicant is not domiciled in the United States he shall designate by a written document filed in the Patent and Trademark Office the name and address of some person resident in the United States on whom may be served notices or process in proceedings affecting the mark. Such notices or process may be served upon the person so designated by leaving with him or mailing to him a copy thereof at the address specified in the last designation so filed. If the person so designated cannot be found at the address given in the last designation, such notice or process may be served upon the Commissioner.

(July 5, 1946, ch. 540, title I, § 1, 60 Stat. 427; Oct. 9, 1962, Pub. L. 87-772, § 1, 76 Stat. 768; Jan. 2, 1973, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### AMENDMENTS

1975—Subsec. (a). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

Subsec. (b). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

Subsec. (d). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Subsec. (a)(1). Pub. L. 87-772 substituted "to be likely, when applied to the goods of such other person, to cause confusion, or to cause mistake, or to deceive" for "as might be calculated to deceive", and deleted "or services" following "use by others, the goods".

#### EFFECTIVE DATE OF 1973 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1973, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### EFFECTIVE DATE

Section 46(a) of act July 5, 1946, provided in part that this chapter shall be in force and take effect one year from July 5, 1946.

#### REPEAL OF INCONSISTENT PROVISIONS; CERTAIN PROVISIONS NOT AFFECTED

Section 46(a) of act July 5, 1946, provided in part that all acts and parts of acts inconsistent with this chapter are repealed effective one year from July 5, 1946, but that "nothing contained in this Act (this chapter) shall be construed as limiting, restricting, modifying, or repealing any statute in force on the effective date of this Act (July 5, 1947) which does not relate to trade-marks, or as restricting or increasing the authority of any Federal department or regulatory agency except as may be specifically provided in this Act (this chapter)."

Section 48 of act July 5, 1946, provided that section 27 of Title 36, Patriotic Societies and Observances, is not repealed or affected by this chapter.

#### SEPARABILITY OF PROVISIONS

Section 50 of act July 5, 1946, provided "If any provision of this Act (this chapter) or the application of such provision to any person or circumstance is held invalid, the remainder of the Act shall not be affected thereby."

#### SHORT TITLE

Act July 5, 1946, ch. 540, 60 Stat. 427 (this chapter) is popularly known as the Lanham Act, and also as the Trademark Act of 1946.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce to the Secretary of Commerce, with certain exceptions, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PENDING PROCEEDINGS AND EXISTING REGISTRATION AND RIGHTS UNDER PRIOR ACTS

Section 46(a) of act July 5, 1946, provided in part that this chapter, except as otherwise specifically provided therein, shall not affect any suit, proceeding or appeal pending on the effective date of this chapter and that the repeal of all inconsistent acts "shall not affect the validity of registrations granted or applied for under any of said Acts prior to the effective date of this Act (July 5, 1947), or rights or remedies thereunder except as provided in sections 8, 12, 14, 15, and 47 of this Act (sections 1058, 1062, 1064, and 1065 of this title and note under this section)."

Sections 46(b) and 47 of act July 5, 1946, provided:

"(b) Registrations now existing under the Act of March 3, 1881, or the Act of February 20, 1905 [sections 81 to 109 of this title], shall continue in full force and effect for the unexpired terms thereof and may be renewed under the provisions of section 9 of this Act [section 1059 of this title]. Such registrations and the renewals thereof shall be subject to and shall be entitled to the benefits of the provisions of this Act [this chapter] to the same extent and with the same force and effect as though registered on the principal register established by this Act [this chapter] except as limited in sections 8, 12, 14, and 15 of this Act [sections 1058, 1062, 1064, 1065, of this title]. Marks registered under the 'ten-year proviso' of section 5 of the Act of February 20, 1905, as amended [former section 85 of this title], shall be deemed to have become distinctive of the registrant's goods in commerce under paragraph (f) of section 2 of this Act [section 1052 of this title] and may be renewed under section 9 hereof [section 1059 of this title] as marks coming within said paragraph.

"Registrations now existing under the Act of March 19, 1920 [former sections 121 to 128 of this title], shall expire six months after the effective date of this Act [July 5, 1947], or twenty years from the dates of their registrations, whichever date is later. Such registrations shall be subject to and entitled to the benefits of the provisions of this Act [this chapter] relating to marks registered on the supplemental register established by this Act [this chapter], and may not be renewed unless renewal is required to support foreign registrations. In that event renewal may be effected on the supplemental register under the provisions of section 9 of this Act [section 1059 of this title].

"Marks registered under previous Acts may, if eligible, also be registered under this Act [this chapter].

"Sec. 47. (a) All applications for registration pending in the Patent Office at the effective date of this Act [July 5, 1947] may be amended, if practicable, to bring them under the provisions of this Act [this chapter]. The prosecution of such applications so amended and the grant of registrations thereon shall be proceeded with in accordance with the provisions of this Act [this chapter]. If such amendments are not made, the prosecution of said applications shall be proceeded with and registrations thereon granted in accordance with the Acts under which said applications were filed, and said Acts are hereby continued in force to this extent and for this purpose only, notwithstanding the foregoing general repeal thereof.

"(b) In any case in which an appeal is pending before the United States Court of Customs and Patent Appeals or any United States Circuit Court of Appeals or the United States Court of Appeals for the District of Columbia or the United States Supreme Court at the effective date of this Act [July 5, 1947], the court, if it be of the opinion that the provisions of this Act [this chapter] are applicable to the subject matter of the appeal, may apply such provision or may remand the case to the Commissioner or to the district court for the taking of additional evidence or a new trial or for reconsideration of the decision on the record as made, as the appellate court may deem proper."

Section 49 of said act July 5, 1946, provided: "Nothing herein [in this chapter] shall adversely affect the rights or the enforcement of rights in marks acquired in good faith prior to the effective date of this Act [July 5, 1947]."

#### EMERGENCY RELIEF FROM POSTAL SITUATION AFFECTING TRADEMARK CASES

Relief as to filing date of trademark application or registration and excusal of delayed fees or actions affected by postal situation beginning on Mar. 18, 1970, and ending on or about Mar. 30, 1970, see note set out under section 111 of Title 35, Patents.

#### PRIOR PROVISIONS

Subsecs. (a) to (c) are from acts Feb. 20, 1905, ch. 592, § 1, 2, 33 Stat. 724; May 4, 1906, ch. 2081, § 1, 34 Stat. 168; Feb. 18, 1909, ch. 144, 35 Stat. 628; Apr. 11,

1930, ch. 132, § 4, 46 Stat. 155; June 10, 1938, ch. 332, § 1, 52 Stat. 638.

Subsec. (d) is from act Feb. 20, 1905, ch. 592, § 3, 33 Stat. 725.

#### CROSS REFERENCES

##### Emblems, insignia and names—

False advertising or misuse of names to indicate Federal agency, see section 709 of Title 18, Crimes and Criminal Procedure.

Swiss Confederation coat of arms, see section 708 of Title 18.

Red Cross members or agents, false personation, see section 917 of Title 18.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1059, 1060, 1091, 1126 of this title.

§ 1052. Trade-marks registrable on principal register; concurrent registration

No trade-mark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

(a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.

(b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.

(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That when the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (i) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; or (ii) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (iii) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in

commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods in connection with which such mark is registered to the respective persons.

(e) Consists of a mark which, (1) when applied to the goods of the applicant is merely descriptive or deceptively misdescriptive of them, or (2) when applied to the goods of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, or (3) is primarily merely a surname.

(f) Except as expressly excluded in paragraphs (a), (b), (c), and (d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Commissioner may accept as prima facie evidence that the mark has become distinctive, as applied to the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years next preceding the date of the filing of the application for its registration.

(July 5, 1946, ch. 540, title I, § 2, 60 Stat. 428; Oct. 9, 1962, Pub. L. 87-772, § 2, 76 Stat. 769; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### REFERENCES IN TEXT

Acts Mar. 3, 1881, and Feb. 20, 1905, referred to in subsec. (d), are acts Mar. 3, 1881, ch. 138, 21 Stat. 502 and Feb. 20, 1905, ch. 592, 33 Stat. 724, which were repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444. Act Feb. 20, 1905, was classified to sections 81 to 109 of this title.

#### AMENDMENTS

1975—Subsec. (d). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Subsec. (d). Pub. L. 87-772, among other changes, substituted provisions authorizing the issuance of concurrent registrations to persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to the earliest of the filing dates of the applications pending or of any registration issued under this chapter, or July 5, 1947, in the case of registrations previously issued under the act of Mar. 3, 1881, or Feb. 20, 1905, and continuing in full force and effect on that date, or July 5, 1947, in the case of applications under the act of Feb. 20, 1905, and registered after July 5, 1947, for provisions which restricted issuance of concurrent registrations to persons entitled to use such mark as a result of their concurrent lawful use thereof in commerce prior to any of the filing dates of the applications involved, and provisions directing that issuance of the mark be upon such conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, for provisions which required issuance under conditions and limitations as to the mode or place of use of the goods in connection with which such registrations may be granted, and eliminated provisions which limited confusion, mistake, or deception to purchasers, required written notice of applications for concurrent registrations and of hearings thereon, and publication in the Official Gazette upon a decision to grant such a registration and permitted a court to order such a registration under section 4915 of the Revised Statutes.

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce to the Secretary of Commerce, with certain exceptions, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, § 5, 33 Stat. 725; Mar. 2, 1907, ch. 2573, § 1, 34 Stat. 1251; Feb. 18, 1911, ch. 112, 36 Stat. 918; Jan. 8, 1913, ch. 7, 37 Stat. 649; Mar. 12, 1920, ch. 104, § 9, 41 Stat. 535; June 7, 1924, ch. 341, 43 Stat. 647.

#### MARKS REGISTERED UNDER TEN-YEAR PROVISION OF TRADE-MARK ACT OF 1905

Marks registered under the "ten-year proviso" of section 5 of the act of Feb. 20, 1905, as amended, deemed to have become distinctive of the registrant's goods in commerce under par. (f) of this section, see section 46(b) of act July 5, 1946, set out in note under section 1051 of this title.

#### CROSS REFERENCES

Incontestability of marks used for five consecutive years after registration, see section 1063 of this title. Supplemental register, pars. (e) and (f) inapplicable to trade-marks on, see section 1094 of this title.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1064, 1068, 1091, 1094, 1128 of this title.

#### § 1053. Service marks registrable

Subject to the provisions relating to the registration of trade-marks, so far as they are applicable, service marks used in commerce shall be registrable, in the same manner and with the same effect as are trade-marks, and when registered they shall be entitled to the protection provided in this chapter in the case of trade-marks, except when used so as to represent falsely that the owner thereof makes or sells the goods on which such mark is used. The Commissioner may establish a separate register for such service marks. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trade-marks.

(July 5, 1946, ch. 540, title I, § 3, 60 Stat. 429.)

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat.



1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### CROSS REFERENCES

Definition of "service mark", see section 1126 of this title.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1126 of this title.

#### § 1054. Collective marks and certification marks registrable

Subject to the provisions relating to the registration of trade-marks, so far as they are applicable, collective and certification marks, including indications of regional origin used in commerce, shall be registrable under this chapter, in the same manner and with the same effect as are trade-marks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided in this chapter in the case of trade-marks, except when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used. The Commissioner may establish a separate register for such collective marks and certification marks. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trade-marks.

(July 5, 1946, ch. 540, title I, § 4, 60 Stat. 429.)

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, § 1, 33 Stat. 724; May 4, 1906, ch. 2081, § 1, 34 Stat. 168; Feb. 18, 1909, ch. 144, 35 Stat. 628; Apr. 11, 1930, ch. 132, § 4, 46 Stat. 155; June 10, 1938, ch. 332, § 1, 52 Stat. 638.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1052, 1064, 1126 of this title.

#### § 1055. Use by related companies affecting validity and registration

Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public.

(July 5, 1946, ch. 540, title I, § 5, 60 Stat. 429.)

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### § 1056. Disclaimer of unregistrable matter

(a) The Commissioner may require the applicant to disclaim an unregistrable component of a mark otherwise registrable. An applicant may voluntarily disclaim a component of a mark sought to be registered.

(b) No disclaimer, including those made under paragraph (d) of section 1057 of this title, shall prejudice or affect the applicant's or registrant's rights then existing or thereafter arising in the disclaimed matter, or his right of registration on another application if the disclaimed matter be or shall have become distinctive of his goods or services.

(July 5, 1946, ch. 540, title I, § 6, 60 Stat. 429; Oct. 9, 1962, Pub. L. 87-772, § 3, 76 Stat. 769.)

#### AMENDMENTS

1962—Pub. L. 87-772, among other changes, provided that an applicant may voluntarily disclaim a component of a mark sought to be registered.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### § 1057. Certificates of registration

##### (a) Issuance and form

Certificates of registration of marks registered upon the principal register shall be issued in the name of the United States of America, under the seal of the Patent and Trademark Office, and shall be signed by the Commissioner or have his signature placed thereon, and a record thereof shall be kept in the Patent and Trademark Office. The registration shall reproduce the mark, and state that the mark is registered on the principal register under this chapter, the date of the first use of the mark, the date of the first use of the mark in commerce, the particular goods or services for which it is registered, the number and date of the registration, the term thereof, the date on which the application for registration was received in the Patent and Trademark Office, and any conditions and limitations that may be imposed in the registration.

##### (b) Certificate as prima facie evidence

A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate.

subject to any conditions and limitations stated therein.

(c) Issuance to assignee

A certificate of registration of a mark may be issued to the assignee of the applicant, but the assignment must first be recorded in the Patent and Trademark Office. In case of change of ownership the Commissioner shall, at the request of the owner and upon a proper showing and the payment of the fee provided in this chapter, issue to such assignee a new certificate of registration of the said mark in the name of such assignee, and for the unexpired part of the original period.

(d) Surrender, cancellation, or amendment by registrant

Upon application of the registrant the Commissioner may permit any registration to be surrendered for cancellation, and upon cancellation appropriate entry shall be made in the records of the Patent and Trademark Office. Upon application of the registrant and payment of the prescribed fee, the Commissioner for good cause may permit any registration to be amended or to be disclaimed in part: *Provided*, That the amendment or disclaimer does not alter materially the character of the mark. Appropriate entry shall be made in the records of the Patent and Trademark Office and upon the certificate of registration or, if said certificate is lost or destroyed, upon a certified copy thereof.

(e) Copies of Patent and Trademark Office records as evidence

Copies of any records, books, papers, or drawings belonging to the Patent and Trademark Office relating to marks, and copies of registrations, when authenticated by the seal of the Patent and Trademark Office and certified by the Commissioner, or in his name by an employee of the Office duly designated by the Commissioner, shall be evidence in all cases wherein the originals would be evidence; and any person making application therefor and paying the fee required by law shall have such copies.

(f) Correction of Patent and Trademark Office mistake

Whenever a material mistake in a registration, incurred through the fault of the Patent and Trademark Office, is clearly disclosed by the records of the Office a certificate stating the fact and nature of such mistake, shall be issued without charge and recorded and a printed copy thereof shall be attached to each printed copy of the registration certificate and such corrected registration shall thereafter have the same effect as if the same had been originally issued in such corrected form, or in the discretion of the Commissioner a new certificate of registration may be issued without charge. All certificates of correction heretofore issued in accordance with the rules of the Patent and Trademark Office and the registrations to which they are attached shall have the same force and effect as if such certificates and their issue had been specifically authorized by statute.

(g) Correction of applicant's mistake

Whenever a mistake has been made in a registration and a showing has been made that such mistake occurred in good faith through the fault of the applicant, the Commissioner is authorized to issue a certificate of correction or, in his discretion, a new certificate upon the payment of the required fee: *Provided*, That the correction does not involve such changes in the registration as to require republication of the mark.

(July 5, 1946, ch. 540, title I, § 7, 60 Stat. 430; Aug. 17, 1950, ch. 733, 64 Stat. 459; Oct. 9, 1962, Pub. L. 87-772, § 4, 76 Stat. 770; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

AMENDMENTS

1975—Subsec. (a). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office" in three places.

Subsec. (c). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

Subsec. (d). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office" in two places.

Subsec. (e). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office" in two places.

Subsec. (f). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office" in two places.

1962—Subsec. (a). Pub. L. 87-772 substituted "signature placed" for "name printed", and eliminated provisions requiring an attestation by an assistant commissioner or by one of the law examiners designated by the Commissioner, together with printed copies of the drawing and statement of the applicant, to be kept in books for that purpose.

Subsec. (d). Pub. L. 87-772, among other changes, removed the requirement of a fee in connection with the voluntary surrender or cancellation of a registration.

Subsec. (e). Pub. L. 87-772 substituted "an employee of the Office" for "a chief of division", among other changes.

Subsec. (f). Pub. L. 87-772, among other changes, eliminated ", signed by the Commissioner and sealed with the seal of the Patent Office", which followed "nature of such mistake".

1950—Subsec. (a). Act Aug. 17, 1950, made it unnecessary to include in the certificate a statement of the applicant.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

PRIOR PROVISIONS

Subsecs. (a) and (c) are from acts Feb. 20, 1905, ch. 592, § 11, 33 Stat. 727; Mar. 4, 1925, ch. 535, § 3, 43 Stat. 1269.

Subsec. (e) is from act Mar. 19, 1920, ch. 104, § 7, 41 Stat. 535.

Subsec. (f) is from act Mar. 4, 1925, ch. 535, § 1, 43 Stat. 1268.

## CROSS REFERENCES

Copies of records relating to trade-marks as evidence, see section 1744 of Title 28, Judiciary and Judicial Procedure.

Supplemental register, subsec. (b) inapplicable to trade-marks on, see section 1094 of this title.

## FEDERAL RULES OF CIVIL PROCEDURE

Effect of rule 44 on this section, see note by Advisory Committee under rule 44, Title 28, Appendix, Judiciary and Judicial Procedure.

Proof of official record, see rule 44.

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1094 of this title.

## § 1058. Duration of registration

## (a) Affidavit of continuing use

Each certificate of registration shall remain in force for twenty years: *Provided*, That the registration of any mark under the provisions of this chapter shall be canceled by the Commissioner at the end of six years following its date, unless within one year next preceding the expiration of such six years the registrant shall file in the Patent and Trademark Office an affidavit showing that said mark is still in use or showing that its nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark. Special notice of the requirement for such affidavit shall be attached to each certificate of registration.

## (b) Registration published under other provisions of law

Any registration published under the provisions of subsection (c) of section 1062 of this title shall be canceled by the Commissioner at the end of six years after the date of such publication unless within one year next preceding the expiration of such six years the registrant shall file in the Patent and Trademark Office an affidavit showing that said mark is still in use or showing that its nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark.

## (c) Notification of acceptance or refusal of affidavits

The Commissioner shall notify any registrant who files either of the above-prescribed affidavits of his acceptance or refusal thereof and, if a refusal, the reasons therefor.

(July 5, 1946, ch. 540, title I, § 8, 60 Stat. 431; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

## AMENDMENTS

1975—Subsec. (a). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

Subsec. (b). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

## EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

## REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, and saving clause, see notes under section 1051 of this title.

## TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, § 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

## PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, § 12, 33 Stat. 727.

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1113 of this title.

## § 1059. Renewal of registration

## (a) Period of renewal; time for renewal

Each registration may be renewed for periods of twenty years from the end of the expiring period upon payment of the prescribed fee and the filing of a verified application therefor, setting forth those goods or services recited in the registration on or in connection with which the mark is still in use in commerce and having attached thereto, a specimen or facsimile showing current use of the mark, or showing that any nonuse is due to special circumstances which excuse such nonuse and it is not due to any intention to abandon the mark. Such application may be made at any time within six months before the expiration of the period for which the registration was issued or renewed, or it may be made within three months after such expiration on payment of the additional fee herein prescribed.

## (b) Notification of refusal of renewal

If the Commissioner refuses to renew the registration, he shall notify the registrant of his refusal and the reasons therefor.

## (c) Applicant for renewal not domiciled in United States

An applicant for renewal not domiciled in the United States shall be subject to and comply with the provisions of section 1051(d) of this title.

(July 5, 1946, ch. 540, title I, § 9, 60 Stat. 431; Oct. 9, 1962, Pub. L. 87-772, § 5, 76 Stat. 770.)

## AMENDMENTS

1962—Pub. L. 87-772 designated existing provisions as subsec. (a) and (c), added subsec. (b), and among other changes, amended subsec. (a) by substituting provisions requiring a verified application specifying the goods or services recited in the registration on or in connection with which the mark is still in use in commerce and having attached a specimen showing current use of the mark, or showing that any nonuse is due to special circumstances which excuse the nonuse and that it's not due to an intention to abandon the mark, for provisions requiring an affidavit by the registrant stating that the mark is still in use in commerce.

## REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

## RENEWAL UNDER PRIOR ACTS

Renewal of registrations under prior acts, see section 46(b) of act July 5, 1946, set out in note under section 1051 of this title.

**EXTENSION OF TIME FOR RENEWAL BY FOREIGN REGISTRANT**

Act July 17, 1946, ch. 587, 60 Stat. 568, provided for extension of time for renewal by a foreign registrant and expired by its own terms July 17, 1949.

**PRIOR PROVISIONS**

Act Feb. 20, 1905, ch. 592, § 12, 33 Stat. 727.

§ 1060. Assignment of mark; execution; recording; purchaser without notice

A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark, and in any such assignment it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. Assignments shall be by instruments in writing duly executed. Acknowledgment shall be prima facie evidence of the execution of an assignment and when recorded in the Patent and Trademark Office the record shall be prima facie evidence of execution. An assignment shall be void as against any subsequent purchaser for a valuable consideration without notice, unless it is recorded in the Patent and Trademark Office within three months after the date thereof or prior to such subsequent purchase. A separate record of assignments submitted for recording hereunder shall be maintained in the Patent and Trademark Office.

An assignee not domiciled in the United States shall be subject to and comply with the provisions of section 1051(d) of this title.

(July 5, 1946, ch. 540, title I, § 10, 60 Stat. 431; Oct. 9, 1962, Pub. L. 87-772, § 8, 78 Stat. 770; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

**AMENDMENTS**

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office" in three places.

1962—Pub. L. 87-772 substituted provisions which require a separate record of assignments to be kept in the Patent Office, for provisions which required the Commissioner to keep such record, and eliminated provisions permitting the cancellation of any assigned registration at any time if the registered mark is being used by, or with the permission of, the assignee so as to misrepresent the source of the goods or services in connection with which the mark is used.

**EFFECTIVE DATE OF 1975 AMENDMENT**

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

**REPEAL AND EFFECT ON EXISTING RIGHTS**

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

**TRANSFER OF FUNCTIONS**

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat.

1263, set out in the Appendix to Title 5, Government Organization and Employees.

**PRIOR PROVISIONS**

Act Feb. 20, 1905, ch. 592, § 10, 33 Stat. 727.

§ 1061. Execution of acknowledgments and verifications

Acknowledgments and verifications required under this chapter may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States or before any official authorized to administer oaths in the foreign country concerned whose authority shall be proved by a certificate of a diplomatic or consular officer of the United States, and shall be valid if they comply with the laws of the state or country where made.

(July 5, 1946, ch. 540, title I, § 11, 60 Stat. 432.)

**REPEAL AND EFFECT ON EXISTING RIGHTS**

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

**PRIOR PROVISIONS**

Acts Feb. 20, 1905, ch. 592, § 2, 33 Stat. 724; Feb. 18, 1909, ch. 144, 35 Stat. 627.

§ 1062. Publication

(a) Examination and publication

Upon the filing of an application for registration and payment of the fee provided in this chapter, the Commissioner shall refer the application to the examiner in charge of the registration of marks, who shall cause an examination to be made and, if on such examination it shall appear that the applicant is entitled to registration, the Commissioner shall cause the mark to be published in the Official Gazette of the Patent and Trademark Office: *Provided*, That in the case of an applicant claiming concurrent use, or in the case of an application to be placed in an interference as provided for in section 1066 of this title the mark, if otherwise registrable, may be published subject to the determination of the rights of the parties to such proceedings.

(b) Refusal of registration; amendment of application; abandonment

If the applicant is found not entitled to registration, the examiner shall advise the applicant thereof and of the reasons therefor. The applicant shall have a period of six months in which to reply or amend his application, which shall then be reexamined. This procedure may be repeated until (1) the examiner finally refuses registration of the mark or (2) the applicant fails for a period of six months to reply or amend or appeal, whereupon the application shall be deemed to have been abandoned, unless it can be shown to the satisfaction of the Commissioner that the delay in responding was unavoidable, whereupon such time may be extended.

**(c) Republication of marks registered under prior acts**

A registrant of a mark registered under the provisions of the Act of March 3, 1881, or the Act of February 20, 1905, may, at any time prior to the expiration of the registration thereof, upon the payment of the prescribed fee file with the Commissioner an affidavit setting forth those goods stated in the registration on which said mark is in use in commerce and that the registrant claims the benefits of this chapter for said mark. The Commissioner shall publish notice thereof with a reproduction of said mark in the Official Gazette, and notify the registrant of such publication and of the requirement for the affidavit of use or nonuse as provided for in subsection (b) of section 1058 of this title. Marks published under this subsection shall not be subject to the provisions of section 1063 of this title.

(July 5, 1946, ch. 540, title I, § 12, 60 Stat. 432; Oct. 9, 1962, Pub. L. 87-772, § 7, 76 Stat. 771; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

**REFERENCES IN TEXT**

Acts Mar. 3, 1881 and Feb. 20, 1905, referred to in subsec. (c), are acts Mar. 3, 1881, ch. 138, 21 Stat. 502 and Feb. 20, 1905, ch. 592, 33 Stat. 724, which were repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444. Act Feb. 20, 1905, was classified to sections 81 to 109 of this title.

**AMENDMENTS**

1975—Subsec. (a), Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Subsec. (a), Pub. L. 87-772 added the proviso permitting publication of the mark in the case of an applicant claiming concurrent use, or an application to be placed in an interference, if such mark is otherwise registrable, subject to the determination of the rights of the parties.

Subsec. (c), Pub. L. 87-772 inserted "Marks published under" preceding "this subsection shall not be subject".

**EFFECTIVE DATE OF 1975 AMENDMENT**

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

**REPEAL AND EFFECT ON EXISTING RIGHTS**

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

**TRANSFER OF FUNCTIONS**

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

**PRIOR PROVISIONS**

Acts Feb. 20, 1905, ch. 592, § 6, 33 Stat. 726; Mar. 2, 1907, ch. 2573, § 2, 34 Stat. 1252.

**CROSS REFERENCES**

Cancellation of registration, see section 1064 of this title.

Supplemental register, subsec. (a) inapplicable to trade-marks on, see section 1094 of this title.

**SECTION REFERRED TO IN OTHER SECTIONS**

This section is referred to in sections 1058, 1063, 1064, 1065, 1091, 1094, 1113, 1115 of this title.

**§ 1063. Opposition to registration**

Any person who believes that he would be damaged by the registration of a mark upon the principal register may, upon payment of the required fee, file a verified opposition in the Patent and Trademark Office, stating the grounds therefor, within thirty days after the publication under subsection (a) of section 1062 of this title of the mark sought to be registered. Upon written request prior to the expiration of the thirty-day period, the time for filing opposition shall be extended for an additional thirty days, and further extensions of time for filing opposition may be granted by the Commissioner for good cause. The Commissioner shall notify the applicant of each extension of the time for filing opposition. An unverified opposition may be filed by a duly authorized attorney, but such opposition shall be null and void unless verified by the opposer within a reasonable time after such filing to be fixed by the Commissioner. An opposition may be amended under such conditions as may be prescribed by the Commissioner.

(July 5, 1946, ch. 540, title I, § 13, 60 Stat. 433; Oct. 9, 1962, Pub. L. 87-772, § 8, 76 Stat. 771; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949; Jan. 2, 1975, Pub. L. 93-600, § 1, 88 Stat. 1955.)

**AMENDMENTS**

1975—Pub. L. 93-600 substituted provisions relating to extensions of time for filing opposition upon written request prior to the expiration of the thirty-day period for an additional thirty days, and further extensions for good cause, for provisions relating to extensions of the time for filing opposition for good cause shown.

Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Pub. L. 87-772 inserted "An opposition may be amended under such conditions as may be prescribed by the Commissioner", and eliminated "notice of" which followed "file a verified" and "time for filing".

**EFFECTIVE DATE OF 1975 AMENDMENTS**

Section 4 of Pub. L. 93-600 provided that: "This Act [amending this section and sections 1071 and 1117 of this title] shall become effective upon enactment (Jan. 2, 1975), but shall not affect any suit, proceeding, or appeal then pending."

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

**REPEAL AND EFFECT ON EXISTING RIGHTS**

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

**TRANSFER OF FUNCTIONS**

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

**PRIOR PROVISIONS**

Acts Feb. 20, 1905, ch. 592, §§ 6, 7, 33 Stat. 726; Mar. 2, 1907, ch. 2573, § 2, 34 Stat. 1252.

**CROSS REFERENCES**

Supplemental register, section inapplicable to trademarks on, see section 1094 of this title.

**SECTION REFERRED TO IN OTHER SECTIONS**

This section is referred to in section 1094 of this title.

**§ 1064. Cancellation of registration**

A verified petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905—

(a) within five years from the date of the registration of the mark under this chapter; or

(b) within five years from the date of publication under section 1062(c) of this title of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905; or

(c) at any time if the registered mark becomes the common descriptive name of an article or substance, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsections (a), (b), or (c) of section 1052 of this title for a registration hereunder, or contrary to similar prohibitory provisions of said prior Acts for a registration thereunder, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(d) at any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 1062 of this title; or

(e) at any time in the case of a certification mark on the ground that the registrant (1) does not control, or is not able legitimately to exercise control over, the use of such mark, or (2) engages in the production or marketing of any goods or services to which the certification mark is applied, or (3) permits the use of the certification mark for purposes other than to certify, or (4) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies:

*Provided*, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (e) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required.

(July 5, 1946, ch. 540, title I, § 14, 60 Stat. 433; Oct. 9, 1962, Pub. L. 87-772, § 9, 76 Stat. 771.)

**REFERENCES IN TEXT**

Acts Mar. 3, 1881 and Feb. 20, 1905, referred to in opening par. and para. (b) and (d), are acts Mar. 3,

1881, ch. 138, 21 Stat. 502 and Feb. 20, 1905, ch. 592, 33 Stat. 724, which were repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444. Act Feb. 20, 1905, was classified to sections 81 to 109 of this title.

**AMENDMENTS**

1962—Pub. L. 87-772 inserted provisions which require a verified petition to cancel a registration, redesignated former par. (d) as (e), added par. (d) which is composed of provisions formerly part of par. (c), and in said par. (c), substituted "registrant" for "assignee", and eliminated "on which the patent has expired" preceding "or has been abandoned", and "has been assigned and" preceding "is being used by".

**REPEAL AND EFFECT ON EXISTING RIGHTS**

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

**TRANSFER OF FUNCTIONS**

For transfer of the functions of the Federal Trade Commission, with certain exceptions, to the chairman of such commission, see Reorg. Plan No. 8 of 1950, § 1, eff. May 24, 1950, 15 P.R. 3175, 64 Stat. 1264, set out under section 41 of this title.

**PRIOR PROVISIONS**

Act Feb. 20, 1905, ch. 592, § 13, 33 Stat. 728.

**CROSS REFERENCES**

Interference and opposition proceedings, see section 1067 of this title.

Supplemental register, section inapplicable to trademarks on, see section 1094 of this title.

**SECTION REFERRED TO IN OTHER SECTIONS**

This section is referred to in sections 1065, 1094 of this title.

**§ 1065. Incontestability of right to use mark under certain conditions**

Except on a ground for which application to cancel may be filed at any time under subsections (c) and (e) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of the publication under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That—

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has

been in continuous use for such five consecutive years and is still in use in commerce, and other matters specified in subsections (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Commissioner within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

(July 5, 1946, ch. 540, title I, § 15, 60 Stat. 433; Oct. 9, 1962, Pub. L. 87-772, § 10, 76 Stat. 771; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### REFERENCES IN TEXT

Acts Mar. 3, 1881 and Feb. 20, 1905, referred to in text, are acts Mar. 3, 1881, ch. 138, 21 Stat. 502 and Feb. 20, 1905, ch. 592, 33 Stat. 724, which were repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444. Act Feb. 20, 1905, was classified to sections 81 to 109 of this title.

#### AMENDMENTS

1975—Par. (2), Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Pub. L. 87-772 substituted "(c) and (e) of section 1064" for "(c) and (d) of section 1064" in the text preceding par. (1), and eliminated "or trade name" following "in a mark" in par. (4).

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### CROSS REFERENCES

Registration of marks used exclusively and continuously for five years preceding application, see section 1052 of this title.

Supplemental register, section inapplicable to trademarks on, see section 1094 of this title.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1094, 1115 of this title.

#### § 1066. Interference; declaration by Commissioner

Whenever application is made for the registration of a mark which so resembles a mark previously registered by another, or for the registration of which another has previously made application, as to be likely when applied to the goods or when used in connection with the services of the applicant to cause confusion or mistake or to deceive, the Commissioner may declare that an interference exists. No interference shall be declared between an application and the registration of a mark the right to the use of which has become incontestable.

(July 5, 1946, ch. 540, title I, § 16, 60 Stat. 434; Oct. 9, 1962, Pub. L. 87-772, § 11, 76 Stat. 771.)

#### AMENDMENTS

1962—Pub. L. 87-772 deleted "purchasers" which followed "or to deceive".

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, § 7, 33 Stat. 726.

#### CROSS REFERENCES

Cancellation of registration, see section 1064 of this title.

Supplemental register, section inapplicable to trademarks on, see section 1094 of this title.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1062, 1094 of this title.

§ 1067. Interference, opposition, and proceedings for concurrent use registration or for cancellation; notice; Trademark Trial and Appeal Board

In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

The Trademark Trial and Appeal Board shall include the Commissioner, the Assistant Commissioners, and such Patent and Trademark Office employees, designated by the Commissioner and whose qualifications have been approved by the Civil Service Commission as being adequate for appointment to the position of examiner in charge of interferences. Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner.

(July 5, 1946, ch. 540, title I, § 17, 60 Stat. 434; Aug. 8, 1958, Pub. L. 85-609, § 1(a), 72 Stat. 540; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

## AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1958—Pub. L. 85-609 substituted "a Trademark Trial and Appeal Board" for "the examiner in charge of interferences" in first paragraph, and added second paragraph relating to the composition of the Board.

## EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

## EFFECTIVE DATE OF 1958 AMENDMENT; APPLICABILITY

Section 3 of Pub. L. 85-609 provided that: "This Act (amending this section and sections 1070, 1071, 1092 and 1113 of this title) shall take effect on approval (August 8, 1958); it shall apply to ex parte appeals taken to the Commissioner prior to the date of approval which have not been heard but shall not apply to any such appeal which has been heard or decided in which event further proceedings may be had as though this Act had not been passed; it shall apply to inter partes cases instituted prior to the date of approval which have not been heard by an examiner of interferences, but shall not apply to any such case which has been heard or decided by an examiner of interferences in which event further proceedings may be had as though this Act had not passed."

## REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

## TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

## REORGANIZATION PLAN NO. 5 OF 1950

Section 2 of Pub. L. 85-609 provided that: "The provisions of this Act (amending this section and sections 1070, 1071, 1092 and 1113 of this title) shall be subject to Reorganization Plan No. 5 of 1950 (64 Stat. 1263)."

## PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, § 7, 33 Stat. 726.

## CROSS REFERENCES

Supplemental register, section inapplicable to trademarks on, see section 1094 of this title.

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1094 of this title.

§ 1068. Action of Commissioner in interference, opposition, and proceedings for concurrent use registration or for cancellation

In such proceedings the Commissioner may refuse to register the opposed mark, may cancel or restrict the registration of a registered mark, or may refuse to register any or all of several interfering marks, or may register the mark or marks for the person or persons entitled thereto, as the rights of the parties under this chapter may be established in the proceedings: *Provided*, That in the case of the registration of any mark based on concurrent use, the Commissioner shall determine and fix the condi-

tions and limitations provided for in subsection (d) of section 1052 of this title.

(July 5, 1946, ch. 540, title I, § 18, 60 Stat. 435.)

## REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

## TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

## PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, §§ 7, 13, 33 Stat. 726, 728.

## CROSS REFERENCES

Supplemental register, section inapplicable to trademarks on, see section 1094 of this title.

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1094 of this title.

§ 1069. Application of equitable principles in inter partes proceedings

In all inter partes proceedings equitable principles of laches, estoppel, and acquiescence, where applicable may be considered and applied. The provisions of this section shall also govern proceedings heretofore begun in the Patent and Trademark Office and not finally determined.

(July 5, 1946, ch. 540, title I, § 19, 60 Stat. 434; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

## AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

## EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

## REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

## TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

§ 1070. Appeals to Trademark Trial and Appeal Board from decisions of examiners

An appeal may be taken to the Trademark Trial and Appeal Board from any final decision of the examiner in charge of the registration of marks upon the payment of the prescribed fee.

(July 5, 1946, ch. 540, title I, § 20, 60 Stat. 435; Aug. 8, 1958, Pub. L. 85-609, § 1(b), 72 Stat. 540.)



## AMENDMENTS

1958—Pub. L. 85-609 substituted "Trademark Trial and Appeal Board" for "Commissioner in person" and "fee" for "fees", and by striking out "of interferences or" which followed "examiner in charge".

## EFFECTIVE DATE OF 1958 AMENDMENT; APPLICABILITY

For effective date of amendment by Pub. L. 85-609, and its applicability, see section 3 of Pub. L. 85-609, set out as a note under section 1067 of this title.

## REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

## TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

## REORGANIZATION PLAN NO. 5 OF 1950

Amendment of section by Pub. L. 85-609 as subject to Reorganization Plan No. 5 of 1950, see note set out under section 1067 of this title.

## PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, §§ 8, 13, 33 Stat. 726, 728.

## § 1071. Appeal to courts

(a) Persons entitled to appeal; Court of Customs and Patent Appeals; waiver of civil action; election of civil action by adverse party; procedure

(1) An applicant for registration of a mark, party to an interference proceeding, party to an opposition proceeding, party to an application to register as a lawful concurrent user, party to a cancellation proceeding, a registrant who has filed an affidavit as provided in section 1058 of this title, or an applicant for renewal, who is dissatisfied with the decision of the Commissioner or Trademark Trial and Appeal Board, may appeal to the United States Court of Customs and Patent Appeals thereby waiving his right to proceed under subsection (b) of this section: *Provided*, That such appeal shall be dismissed if any adverse party to the proceeding, other than the Commissioner, shall, within twenty days after the appellant has filed notice of appeal according to subsection (a)(2) of this section, files notice with the Commissioner that he elects to have all further proceedings conducted as provided in subsection (b) of this section. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under said subsection (b) of this section, in default of which the decision appealed from shall govern the further proceedings in the case.

(2) Such an appeal to the United States Court of Customs and Patent Appeals shall be taken by filing a notice of appeal with the Commissioner, within sixty days after the date of the decision appealed from or such longer time after said date as the Commissioner appoints. The notice of such appeal shall specify the party or parties taking the appeal, shall designate the decision or part thereof appealed

from, and shall state that the appeal is taken to said court.

(3) The court shall, before hearing such appeal, give notice of the time and place of the hearing to the Commissioner and the parties thereto. The Commissioner shall transmit to the court certified copies of all the necessary original papers and evidence in the case specified by the appellant and any additional papers and evidence specified by the appellee, and in an ex parte case the Commissioner shall furnish the court with a brief explaining the grounds of the decision of the Patent and Trademark Office, touching all the points involved in the appeal.

(4) The court shall decide such appeal on the evidence produced before the Patent and Trademark Office. The court shall return to the Commissioner a certificate of its proceedings and decision, which shall be entered of record in the Patent and Trademark Office and govern further proceedings in the case.

(b) Civil action; persons entitled to; jurisdiction of court; status of Commissioner; procedure

(1) Whenever a person authorized by subsection (a) of this section to appeal to the United States Court of Customs and Patent Appeals is dissatisfied with the decision of the Commissioner or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said Court of Customs and Patent Appeals, have remedy by a civil action if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in subsection (a) of this section. The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear. Such adjudication shall authorize the Commissioner to take any necessary action, upon compliance with the requirements of law.

(2) The Commissioner shall not be made a party to an inter partes proceeding under this subsection, but he shall be notified of the filing of the complaint by the clerk of the court in which it is filed and shall have the right to intervene in the action.

(3) In all cases where there is no adverse party, a copy of the complaint shall be served on the Commissioner, and all the expenses of the proceedings shall be paid by the party bringing them, whether the final decision is in his favor or not. In suits brought hereunder, the record in the Patent and Trademark Office shall be admitted on motion of any party, upon such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of any party to take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office, when admitted, shall have the same effect as if originally taken and produced in the suit.

(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts

not embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

(July 5, 1946, ch. 540, title I, § 21, 60 Stat. 435; July 19, 1952, ch. 950, § 2, 66 Stat. 814; Aug. 8, 1958, Pub. L. 85-609, § 1(c), 72 Stat. 540; Oct. 9, 1962, Pub. L. 87-772, § 12, 76 Stat. 771; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949; Jan. 2, 1975, Pub. L. 93-600, § 2, 88 Stat. 1955.)

#### CODIFICATION

Pub. L. 93-596, which provided for the substitution of "Patent and Trademark Office" for "Patent Office" each time appearing in this chapter, became effective Jan. 2, 1975, as did Pub. L. 93-600, which in the course of amending subsec. (a)(3) and (4) of this section, referred merely to "Patent Office". "Patent and Trademark Office" has been substituted for "Patent Office" in subsec. (a)(3) and (4) on authority of Pub. L. 93-596.

#### AMENDMENTS

1975—Subsec. (a)(2). Pub. L. 93-600 substituted provisions relating to filing of notice of appeal with the Commissioner and the contents of such notice of appeal, for provisions relating to giving notice of appeal to the Commissioner and requiring filing in the Patent Office reasons for appeal.

Subsec. (a)(3). Pub. L. 93-600 added provision requiring the Commissioner to furnish the court with a brief explaining the grounds of the decision of the Office.

Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

Subsec. (a)(4). Pub. L. 93-600 substituted "decide" for "hear and determine" and struck out "Upon its determination," preceding "the court shall return" and provision requiring the decision to be confined to the points set forth in the reasons of appeal.

Pub. 93-596 substituted "Patent and Trademark Office" for "Patent Office" in two places.

Subsec. (b)(3). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office" in two places.

Subsec. (b)(4). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Pub. L. 87-772 amended the section generally, and among other changes, incorporated with necessary changes in language, the various provisions of Title 35, Patents, relating to the procedure of appeals to the Court of Customs and Patent Appeals and review by civil action in patent cases, which had previously been incorporated by reference only.

1958—Pub. L. 85-609 authorized appeals by persons dissatisfied with the decision of the Trademark Trial and Appeal Board, and substituted "Trademark Trial and Appeal Board" for "Commissioner" in the proviso.

1952—Act July 19, 1952, substituted references to new Title 35 for repealed section of Title 35.

#### EFFECTIVE DATE OF 1975 AMENDMENTS

Amendment by Pub. L. 93-600 effective on Jan. 2, 1975, but not affecting any suit, proceeding, or appeal then pending, see section 4 of Pub. L. 93-600, set out as a note under section 1063 of this title.

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### EFFECTIVE DATE OF 1958 AMENDMENT: APPLICABILITY

Pub. L. 85-609, set out as a note under section 1067 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 3 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### REORGANIZATION PLAN NO. 3 OF 1950

Amendment of section by Pub. L. 85-609 as subject to Reorganization Plan No. 3 of 1950, see note set out under section 1067 of this title.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, §§ 9, 22, 33 Stat. 727, 729; Mar. 2, 1929, ch. 488, § 2(b), 45 Stat. 1478.

#### CROSS REFERENCES

Notice of appeal to be given to the Commissioner of Patents, see section 1116 of this title.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in title 28 section 1542.

§ 1072. Registration as constructive notice of claim of ownership

Registration of a mark on the principal register provided by this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, shall be constructive notice of the registrant's claim of ownership thereof.

(July 5, 1946, ch. 540, title I, § 22, 60 Stat. 435.)

#### REFERENCES IN TEXT

Acts Mar. 3, 1881, and Feb. 20, 1905, referred to in text, are acts Mar. 3, 1881, ch. 138, 21 Stat. 502 and Feb. 20, 1905, ch. 592, 33 Stat. 724, which were repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444. Act Feb. 20, 1905, was classified to sections 81 to 109 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### CROSS REFERENCES

Duty of registrant to give actual notice of registration, see section 1111 of this title.

Supplemental register, section inapplicable to trademarks on, see section 1094 of this title.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1094 of this title.

### SUBCHAPTER II—THE SUPPLEMENTAL REGISTER

#### CROSS REFERENCES

§ 1091. Marks registrable on supplemental register; application and proceedings for registration; nature of mark; mark used in foreign commerce

In addition to the principal register, the Commissioner shall keep a continuation of the register provided in paragraph (b) of section 1 of the Act of March 19, 1920, entitled "An Act to give effect to certain provisions of the convention for the protection of trade-marks and commercial names, made and signed in the city of Buenos Aires, in the Argentine Republic, August 20, 1910, and for other purposes", to be called the supplemental register. All marks capable of distinguishing applicant's goods or services and not registrable on the principal register provided in this chapter, except those declared to be unregistrable under subsections (a), (b), (c), and (d) of section 1052 of this title, which have been in lawful use in commerce by the proprietor thereof, upon or in connection with any goods or services for the year preceding the filing of the application may be registered on the supplemental register upon the payment of the prescribed fee and compliance with the provisions of section 1051 of this title so far as they are applicable.

Upon the filing of an application for registration on the supplemental register and payment of the fee herein provided the Commissioner shall refer the application to the examiner in charge of the registration of marks, who shall cause an examination to be made and if on such examination it shall appear that the applicant is entitled to registration, the registration shall be granted. If the applicant is found not entitled to registration the provisions of subsection (b) of section 1062 of this title shall apply.

For the purposes of registration on the supplemental register, a mark may consist of any trademark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname, geographical name, numeral, or device or any combination of any of the foregoing, but such mark must be capable of distinguishing the applicant's goods or services.

Upon a proper showing by the applicant that he requires domestic registration as a basis for foreign protection of his mark, the Commissioner may waive the requirement of a full year's use and may grant registration forthwith.

(July 5, 1946, ch. 540, title II, § 23, 60 Stat. 435; Oct. 9, 1962, Pub. L. 87-772, § 13, 76 Stat. 773.)

#### REFERENCES IN TEXT

Paragraph (b) of section 1 of the Act of March 19, 1920, referred to in text, is paragraph (b) of section 1 of act Mar. 19, 1920, ch. 104, 41 Stat. 533, which was classified to section 121(b) of this title, and repealed by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444, insofar as inconsistent.

#### AMENDMENTS

1962—Pub. L. 87-772 deleted "has begun the lawful use of his mark in foreign commerce and that he" preceding "requires domestic registration" from the last paragraph.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Acts Mar. 19, 1920, ch. 104, § 1, 41 Stat. 533; Apr. 11, 1930, ch. 132, § 4, 46 Stat. 155; June 10, 1938, ch. 332, § 2, 52 Stat. 638.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1126 of this title.

§ 1092. Publication; not subject to opposition; cancellation

Marks for the supplemental register shall not be published for or be subject to opposition, but shall be published on registration in the Official Gazette of the Patent and Trademark Office. Whenever any person believes that he is or will be damaged by the registration of a mark on this register he may at any time, upon payment of the prescribed fee and the filing of a verified petition stating the ground therefor, apply to the Commissioner to cancel such registration. The Commissioner shall refer such application to the Trademark Trial and Appeal Board which shall give notice thereof to the registrant. If it is found after a hearing before the Board that the registrant was not entitled to register the mark at the time of his application for registration thereof, or that the mark is not used by the registrant or has been abandoned, the registration shall be canceled by the Commissioner.

(July 5, 1946, ch. 540, title II, § 24, 60 Stat. 436; Aug. 8, 1958, Pub. L. 85-609, § 1(d), 72 Stat. 540; Oct. 9, 1962, Pub. L. 87-772, § 14, 76 Stat. 773; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Pub. L. 87-772 provided for payment of the prescribed fee and the filing of a verified petition.

1958—Pub. L. 85-609 substituted provisions requiring the Commissioner to refer applications to the Trademark Trial and Appeal Board for provisions which required referral to the examiner in charge of interferences.

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### EFFECTIVE DATE OF 1958 AMENDMENT; APPLICABILITY

For effective date of amendment by Pub. L. 85-609, and its applicability, see section 3 of Pub. L. 85-609, set out as a note under section 1067 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce,

with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### REORGANIZATION PLAN No. 5 OF 1950

Amendment of section by Pub. L. 85-609 as subject to Reorganization Plan No. 5 of 1950, see note set out under section 1067 of this title.

#### PRIOR PROVISIONS

Act Mar. 19, 1920, ch. 104, § 2, 41 Stat. 534.

§ 1093. Registration certificates for marks on principal and supplemental registers to be different

The certificates of registration for marks registered on the supplemental register shall be conspicuously different from certificates issued for marks registered on the principal register.

(July 5, 1946, ch. 540, title II, § 25, 60 Stat. 436.)

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

§ 1094. Provisions of chapter applicable to registrations on supplemental register

The provisions of this chapter shall govern so far as applicable applications for registration and registrations on the supplemental register as well as those on the principal register, but applications for and registrations on the supplemental register shall not be subject to or receive the advantages of sections 1052(e), 1052(f), 1057(b), 1062(a), 1063 to 1068, inclusive, 1072, 1115 and 1124 of this title.

(July 5, 1946, ch. 540, title II, § 26, 60 Stat. 436.)

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### PRIOR PROVISIONS

Act Mar. 19, 1920, ch. 104, § 6, 41 Stat. 535.

§ 1095. Registration on principal register not precluded.

Registration of a mark on the supplemental register, or under the Act of March 19, 1920, shall not preclude registration by the registrant on the principal register established by this chapter.

(July 5, 1946, ch. 540, title II, § 27, 60 Stat. 436.)

#### REFERENCES IN TEXT

Act of March 19, 1920, referred to in text, is act Mar. 19, 1920, ch. 104, §§ 1 to 9, 41 Stat. 533, which had been generally classified to sections 121 to 128 of this title, and which had been repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

§ 1096. Registration on supplemental register not used to stop importations

Registration on the supplemental register or under the Act of March 19, 1920, shall not be filed in the Department of the Treasury or be used to stop importations.

(July 5, 1946, ch. 540, title II, § 28, 60 Stat. 436.)

#### REFERENCES IN TEXT

Act of March 19, 1920, referred to in text, is act Mar. 19, 1920, ch. 104, §§ 1 to 9, 41 Stat. 533, which had been generally classified to sections 121 to 128 of this title, and which had been repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(b), 60 Stat. 444.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### SUBCHAPTER III—GENERAL PROVISIONS

§ 1111. Notice of registration; display with mark; recovery of profits and damages in infringement suit

Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark as used the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration.

(July 5, 1946, ch. 540, title III, § 29, 60 Stat. 438; Oct. 9, 1962, Pub. L. 87-772, § 15, 76 Stat. 773; Jan. 2, 1975, Pub. L. 93-596, §§ 1, 2, 88 Stat. 1949.)

#### AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark as used the words 'Registered in U.S. Patent and Trademark Office' or 'Reg. U.S. Pat. & Tm. Off.'" for "Patent Office, may give notice that his mark is registered by displaying with the mark as used the words 'Registered in U.S. Patent Office' or 'Reg. U.S. Pat. Off.'"

1962—Pub. L. 87-772 substituted "in the Patent Office, may" for "under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register established by this chapter, shall", and "to give such notice of registration," for "so to mark goods bearing the registered mark, or by a registrant under the Act of March 19, 1920, or by the registrant of a mark on the supplemental register provided by this chapter".

#### EFFECTIVE DATE OF 1975 AMENDMENT

Section 4 of Pub. L. 93-596 provided that: "This Act (amending this section and sections 1051, 1052, 1057, 1058, 1060, 1062, 1063, 1065, 1067, 1069, 1071, 1092, 1112, 1113, 1116 to 1120, 1123, and 1127 of this title, and sections 2 to 4, 6 to 8, 10, 11, 21 to 26, 31 to 33, 41, 104, 119, 121, 122, 135, 142 to 144, 146, 152, 153, 253 to 256, 261, 288, and 293 of Title 35, Patents, and enacting provisions set out as a note under section 1 of title 35) shall become effective upon enactment (Jan. 2

1975]. However, any registrant may continue to give notice of his registration in accordance with section 29 of the Trademark Act of 1946 (60 Stat. 427), as amended Oct. 9, 1962 (76 Stat. 769) [this section], as an alternative to notice in accordance with section 29 of the Trademark Act as amended by section 2 of this Act, regardless of whether his mark was registered before or after the effective date of this Act."

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, § 28, 33 Stat. 730; Mar. 19, 1920, ch. 104, §§ 5, 6, 41 Stat. 534, 535.

#### CROSS REFERENCES

Registration as constructive notice of claim to ownership, see section 1072 of this title.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1117 of this title.

#### § 1112. Classification of goods and services; registration in plurality of classes

The Commissioner may establish a classification of goods and services, for convenience of Patent and Trademark Office administration, but not to limit or extend the applicant's rights. The applicant may file an application to register a mark for any or all of the goods and services upon or in connection with which he is actually using the mark: *Provided*, That when such goods or services fall within a plurality of classes, a fee equaling the sum of the fees for filing an application in each class shall be paid, and the Commissioner may issue a single certificate of registration for such mark.

(July 5, 1946, ch. 540, title IV, § 30, 60 Stat. 436; Oct. 9, 1962, Pub. L. 87-772, § 16, 76 Stat. 773; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Pub. L. 87-772, among other changes, substituted "may" for "shall".

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Act May 4, 1906, ch. 2081, § 2, 34 Stat. 169.

#### § 1113. Fees and charges

##### (a) Specific fees

The following fees shall be paid to the Patent and Trademark Office under this chapter:

1. On filing each original application for registration of a mark in each class, \$35.

2. On filing each application for renewal in each class, \$25; and on filing each application for renewal in each class after expiration of the registration, an additional fee of \$5.

3. On filing an affidavit under section 1058(a) of this title or section 1058(b) of this title for each class, \$10.

4. On filing each petition for the revival of an abandoned application, \$15.

5. On filing opposition or application for cancellation for each class, \$25.

6. On appeal from the examiner in charge of the registration of marks to the Trademark Trial and Appeal Board for each class, \$25.

7. For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, \$15.

8. For certificate of correction of registrant's mistake or amendment after registration, \$15.

9. For certifying in any case, \$1.

10. For filing each disclaimer after registration, \$15.

11. For printed copy of registered mark, 20 cents.

12. For recording every assignment, agreement, or other paper relating to the property in a registration or application, \$20; where the document relates to more than one application or registration, \$3 for each additional item.

13. On filing notice of claim of benefits of this chapter for a mark to be published under section 1062(c) of this title, \$10.

##### (b) Charges for other services

The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent and Trademark Office, not specified above.

##### (c) Refund of sums paid by mistake or in excess

The Commissioner may refund any sum paid by mistake or in excess.

(July 5, 1946, ch. 540, title V, § 31, 60 Stat. 437; Aug. 8, 1958, Pub. L. 85-609, § 1(e), 72 Stat. 540; July 24, 1965, Pub. L. 89-83, § 3, 79 Stat. 260; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### AMENDMENTS

1975—Subsec. (a). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

Subsec. (b). Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1965—Pub. L. 89-83 increased the fees for filing an application for registration of a mark from \$25 to \$35; for issuance of a new certificate of registration following a change of ownership of a mark or correction of a registrant's mistake from \$10 to \$15; for a certificate of correction of registrant's mistake from \$10 to \$15; for filing a disclaimer from \$10 to \$15; and for recording an assignment, agreement, or other paper relating to the property in a registration or application from \$3 for documents not exceeding six pages plus \$1 for each additional two pages or less and 50 cents additional for each additional registration or application included in one writing, to a \$20 fee for every document plus an additional fee of \$3 for each additional item where the document relates to more than one application or reg-

istration; eliminated provisions which established fees for the surrender or cancellation of a registration, for an abstract of title, for a title report required for office use, for certificates that marks have not been registered, and for copies of various specified records and documents; added the fees for filing and affidavit under section 1058(a) or (b) of this title and for filing a petition for the revival of an abandoned application; empowered the Commissioner to establish charges for copies of records, publications or services furnished by the Patent Office; and made the provisions relating to refunds of sums paid by mistake permissive.

1958—Pub. L. 85-609 struck out "to the Commissioner" which followed "on appeal from an examiner in charge of the registration of marks", and provisions which required payment of a \$25 fee on appeals from an examiner in charge of interferences to the Commissioner.

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### EFFECTIVE DATE OF 1965 AMENDMENT

For effective date and applicability of amendment by Pub. L. 89-83, see section 7(a), (d) of Pub. L. 89-83, set out as a note under section 41 of Title 35, Patents.

#### EFFECTIVE DATE OF 1958 AMENDMENT; APPLICABILITY

For effective date of amendment by Pub. L. 85-609, and its applicability, see section 3 of Pub. L. 85-609, set out as a note under section 1067 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### REORGANIZATION PLAN NO. 5 OF 1950

Amendment of section by Pub. L. 85-609 as subject to Reorganization Plan No. 5 of 1950, see note set out under section 1067 of this title.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, §§ 14, 15, 33 Stat. 728; Mar. 19, 1920, ch. 104, § 8, 41 Stat. 535; Apr. 11, 1930, ch. 132, § 4, 46 Stat. 155.

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale,

distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of the right infringed shall be limited as follows: (a) Where an infringer is engaged solely in the business of printing the mark for others and establishes that he was an innocent infringer the owner of the right infringed shall be entitled as against such infringer only to an injunction against future printing; (b) where the infringement complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical the remedies of the owner of the right infringed as against the publisher or distributor of such newspaper, magazine, or other similar periodical shall be confined to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodical: *Provided*, That these limitations shall apply only to innocent infringers; (c) injunction relief shall not be available to the owner of the right infringed in respect of an issue of a newspaper, magazine, or other similar periodical containing infringing matter when restraining the dissemination of such infringing matter in any particular issue of such periodical would delay the delivery of such issue after the regular time therefor, and such delay would be due to the method by which publication and distribution of such periodical is customarily conducted in accordance with sound business practice, and not to any method or device adopted for the evasion of this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter.

(July 5, 1946, ch. 540, title VI, § 32, 60 Stat. 437; Oct. 9, 1962, Pub. L. 87-772, § 17, 76 Stat. 773.)

#### AMENDMENTS

1962—Subsec. (1). Pub. L. 87-772 amended subsection generally, and among other changes, inserted "distribution", and eliminated "purchasers as to the source of origin of such goods or services" following "or to deceive" in par. (a), inserted provisions regarding the likelihood of such use causing confusion, mistake, or deception, in par. (b), and eliminated the limitation on recovery under subsec. (b) of this section, to acts committed with knowledge that such acts would deceive purchasers.

Subsec. (2)(b). Pub. L. 87-772 substituted "publisher" for "published".

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

## PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, § 16, 33 Stat. 728; Mar. 19, 1920, ch. 104, § 4, 41 Stat. 534.

## CROSS REFERENCES

Defenses to action for infringement, see section 1115 of this title.

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1117 of this title.

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or pub-

lication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States.

(July 5, 1946, ch. 540, title VI, § 33, 60 Stat. 438; Oct. 9, 1962, Pub. L. 87-772, § 18, 76 Stat. 774.)

## REFERENCES IN TEXT

Acts Mar. 3, 1881 and Feb. 20, 1905, referred to in subsec. (a), are acts Mar. 3, 1881, ch. 138, 21 Stat. 502 and Feb. 20, 1905, ch. 592, 33 Stat. 724, which were repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444. Act Feb. 20, 1905, was classified to sections 81 to 109 of this title.

The antitrust laws, referred to in subsec. (b)(7), are classified generally to chapter 1 (§ 1 et seq.) of this title.

## AMENDMENTS

1962—Subsec. (a). Pub. L. 87-772 substituted "registration subject to" for "certificate subject to", and deleted "certificate of" preceding "registration issued".

Subsec. (b). Pub. L. 87-772 substituted "registration shall" for "certificate shall", and "affidavit filed under the provisions of said section 1065" for "certificate" in the text preceding par. (1), substituted "registrant or a person in privity with the registrant," for "assignee", and deleted "has been assigned and" following "registered mark" in par. (3), substituted "registration of the mark under this chapter or" for "the", and deleted "(a) or" preceding "(c) of section 1062" in par. (5), inserted "registration under this chapter", substituted "such registration or such" for "the date of", and deleted "(a) or" preceding "(c) of section 1062", "only where the said mark has been published pursuant to subsections (c) of section 1062 of this title and shall apply" following "defect shall apply", and "under subsection (a) or (c) of section 1062 of this title" following "registrant's mark", in par. (6).

## REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

## PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, §§ 16, 21, 33 Stat. 728, 729.

## CROSS REFERENCES

Abandonment of mark, definition of, see section 1127 of this title.

Supplemental register, section inapplicable to trademarks on, see section 1094 of this title.

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1094 of this title.

§ 1116. Injunctions; enforcement; notice to Commissioner.

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office. Any such injunction may include a provision directing the defendant to file with the

court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction had been granted by the district court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a certified copy of all papers on file in his office upon which said injunction was granted.

It shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the provisions of this chapter to give notice thereof in writing to the Commissioner setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Commissioner, and within one month after the decision is rendered, appeal taken or a decree issued the clerk of the court shall give notice thereof to the Commissioner, and it shall be the duty of the Commissioner on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as a part of the contents of said file wrapper.

(July 5, 1946, ch. 540, title VI, § 34, 60 Stat. 439; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Com-

merce, with power to delegate, see Reorg. Plan No. 3 of 1950, § 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, §§ 19, 20, 33 Stat. 729; Mar. 3, 1911, ch. 231, § 291, 36 Stat. 1167; June 25, 1936, ch. 804, 49 Stat. 1921.

#### CROSS REFERENCES

Contempt proceedings, see sections 401, 402, 3285, 3691 and 3771 of Title 13, Crimes and Criminal Procedure.

Innocent infringement by publishers, injunction not to issue in certain cases, see section 1114 of this title.

#### FEDERAL RULES OF CIVIL PROCEDURE

Injunctions, see rule 65, Title 28, Appendix, Judiciary and Judicial Procedure.

Judgment, see rule 54.

#### FEDERAL RULES OF CRIMINAL PROCEDURE

Criminal contempt, see rule 42, Title 18, Appendix, Crimes and Criminal Procedure.

§ 1117. Recovery for violation of rights; profits, damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(July 5, 1946, ch. 540, title VI, § 35, 60 Stat. 439; Oct. 9, 1962, Pub. L. 87-772, § 19, 76 Stat. 774; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949; Jan. 2, 1975, Pub. L. 93-800, § 3, 88 Stat. 1955.)

#### AMENDMENTS

1975—Pub. L. 93-800 added provisions relating to awarding of attorney fees in exceptional cases.

Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

1962—Pub. L. 87-772 substituted "1114" for "1113 (1)(b)".

#### EFFECTIVE DATE OF 1975 AMENDMENTS

Amendment by Pub. L. 93-800 effective on Jan. 2, 1975, but not affecting any suit, proceeding, or appeal then pending, see section 4 of Pub. L. 93-800, set out as a note under section 1063 of this title.



Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, §§ 16, 19, 33 Stat. 728, 729; Mar. 19, 1920, ch. 104, § 4, 41 Stat. 534.

#### CROSS REFERENCES

Damages not recoverable on failure to give notice of registration, see section 1111 of this title.

#### FEDERAL RULES OF CIVIL PROCEDURE

Costs, provision for unaffected by rule 54, see note by Advisory Committee under rule 54, Title 28, Appendix, Judiciary and Judicial Procedure.  
Judgment, see rule 54.

#### § 1118. Destruction of infringing articles

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established, the court may order that all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed.

(July 5, 1946, ch. 540, title VI, § 36, 60 Stat. 440; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, § 20, 33 Stat. 729; Mar. 3, 1911, ch. 231, § 291, 36 Stat. 1167; June 25, 1936, ch. 804, 49 Stat. 1921.

#### FEDERAL RULES OF CRIMINAL PROCEDURE

Application of section under rule 42, see note by Advisory Committee under rule 42, Title 18, Appendix, Crimes and Criminal Procedure.

#### § 1119. Power of court over registration

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

(July 5, 1946, ch. 540, title VI, § 37, 60 Stat. 440; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, § 22, 33 Stat. 729.

#### FEDERAL RULES OF CIVIL PROCEDURE

Judgment, see rule 54, Title 28, Appendix, Judiciary and Judicial Procedure.

#### § 1120. Civil liability for false or fraudulent registration

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

(July 5, 1946, ch. 540, title VI, § 38, 60 Stat. 440; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

**EFFECTIVE DATE OF 1975 AMENDMENT**

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

**REPEAL AND EFFECT ON EXISTING RIGHTS**

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

**TRANSFER OF FUNCTIONS**

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

**PRIOR PROVISIONS**

Act Feb. 20, 1905, ch. 592, § 25, 33 Stat. 730.

**§ 1121. Jurisdiction of Federal courts**

The district and territorial courts of the United States shall have original jurisdiction and the courts of appeal of the United States shall have appellate jurisdiction, of all actions arising under this chapter, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties.

(July 5, 1946, ch. 540, title VI, § 39, 60 Stat. 440; June 25, 1948, ch. 646, §§ 1, 32(a), 62 Stat. 870, 991; May 24, 1949, ch. 139, § 127, 63 Stat. 107.)

**CODIFICATION**

The words "and the United States Court of Appeals for the District of Columbia" following "the Courts of Appeal of the United States" have been deleted as superfluous in view of section 41 of Title 28, Judiciary and Judicial Procedure, which includes the District of Columbia within the eleven judicial circuits of the United States. The word "and" has been inserted preceding "the courts of appeal of the United States" to preserve the conjunctive sense of the sentence.

**CHANGE OF NAME**

Act June 25, 1948, eff. Sept. 1, 1948, as amended by act May 24, 1949, substituted "court of appeals" for "circuit court of appeals".

**REPEAL AND EFFECT ON EXISTING RIGHTS**

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

**PRIOR PROVISIONS**

Acts Feb. 20, 1905, ch. 592, § 17, 33 Stat. 728; Mar. 3, 1911, ch. 231, § 291, 36 Stat. 1167; June 7, 1934, ch. 426, 48 Stat. 928; June 25, 1936, ch. 804, 49 Stat. 1921.

**CROSS REFERENCES**

District courts vested with jurisdiction of—

Civil actions arising under any Act of Congress relating to trade-marks, see section 1338 of Title 28, Judiciary and Judicial Procedure.

Civil actions asserting a claim of unfair competition when joined with a substantial and related claim under the trade-mark laws, see section 1338 of Title 28, Judiciary and Judicial Procedure.

Civil actions for injunction against infringement of registered trade-mark, see section 1116 of this title.

District in which trade-mark infringement action to be brought, see section 1391 of Title 28, Judiciary and Judicial Procedure.

**§ 1122. Repealed. May 24, 1949, ch. 139, § 142, 63 Stat. 109**

Section, act July 5, 1946, ch. 540, title VI, § 40, 60 Stat. 440, related to review of cases by the Supreme Court, and is now covered by section 1254 of Title 28, Judiciary and Judicial Procedure.

**§ 1123. Rules and regulations for conduct of proceedings in Patent and Trademark Office**

The Commissioner shall make rules and regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office under this chapter.

(July 5, 1946, ch. 540, title VI, § 41, 60 Stat. 440; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

**AMENDMENTS**

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office".

**EFFECTIVE DATE OF 1975 AMENDMENT**

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

**REPEAL AND EFFECT ON EXISTING RIGHTS**

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

**TRANSFER OF FUNCTIONS**

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

**PRIOR PROVISIONS**

Act Feb. 20, 1905, ch. 592, § 26, 33 Stat. 730.

**§ 1124. Importation of goods bearing infringing marks or names forbidden**

No article of imported merchandise which shall copy or simulate the name of the any domestic manufacturer, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country, which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trade-mark registered in accordance with the provisions of this chapter or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States; and, in order to aid the officers of the customs in enforcing this prohibition, any domestic manufacturer or trader, and any foreign manufacturer or trader, who is entitled under the provisions of a treaty, convention, declaration, or agreement between the United States and any foreign country to the advantages afforded by law to citizens of the United States in re-

<sup>1</sup> So in original.

spect to trade-marks and commercial names, may require his name and residence, and the name of the locality in which his goods are manufactured, and a copy of the certificate of registration of his trade-mark issued in accordance with the provisions of this chapter, to be recorded in books which shall be kept for this purpose in the Department of the Treasury, under such regulations as the Secretary of the Treasury shall prescribe, and may furnish to the Department facsimiles of his name, the name of the locality in which his goods are manufactured, or of his registered trade-mark, and thereupon the Secretary of the Treasury shall cause one or more copies of the same to be transmitted to each collector or other proper officer of customs.

(July 5, 1946, ch. 540, title VII, § 42, 60 Stat. 440.)

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

All offices of collector of customs, comptroller of customs, surveyor of customs, and appraiser of merchandise of the Bureau of Customs of the Department of the Treasury to which appointments were required to be made by the President with the advice and consent of the Senate were ordered abolished, with such offices to be terminated not later than December 31, 1966, by Reorg. Plan No. 1 of 1965, eff. May 25, 1965, 30 F.R. 7035, 79 Stat. 1317, set out in the Appendix to Title 5, Government Organization and Employees. All functions of the offices eliminated were already vested in the Secretary of the Treasury by Reorg. Plan No. 28 of 1950, eff. July 31, 1950, 15 F.R. 4935, 64 Stat. 1280, set out in the Appendix to title 5.

#### PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, § 27, 33 Stat. 730.

#### CROSS REFERENCES

Importation of foreign goods bearing trade-mark owned and registered in United States prohibited, see section 1526 of Title 19, Customs Duties.

Supplemental register, section inapplicable to trade-marks on, see section 1094 of this title.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1094 of this title; title 48 section 1643.

#### § 1125. False designations of origin and false descriptions forbidden

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who be-

lieves that he is or is likely to be damaged by the use of any such false description or representation.

(b) Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

(July 5, 1946, ch. 540, title VIII, § 43, 60 Stat. 441.)

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### PRIOR PROVISIONS

Act Mar. 19, 1920, ch. 104, § 3, 41 Stat. 534.

#### CROSS REFERENCES

Jurisdiction of protests and appeals under customs law, see sections 1582 and 1583 of Title 28, Judiciary and Judicial Procedure.

Protest against decision of collector of customs, see section 1514 of Title 19, Customs Duties.

#### § 1126. International conventions

(a) Register of marks communicated by international bureaus

The Commissioner shall keep a register of all marks communicated to him by the international bureaus provided for by the conventions for the protection of industrial property, trade-marks, trade and commercial names, and the repression of unfair competition to which the United States is or may become a party, and upon the payment of the fees required by such conventions and the fees herein prescribed may place the marks so communicated upon such register. This register shall show a facsimile of the mark or trade or commercial name; the name, citizenship, and address of the registrant; the number, date, and place of the first registration of the mark, including the dates on which application for such registration was filed and granted and the term of such registration; a list of goods or services to which the mark is applied as shown by the registration in the country of origin, and such other data as may be useful concerning the mark. This register shall be a continuation of the register provided in section 1(a) of the Act of March 19, 1920.

(b) Benefits of section to persons whose country of origin is party to convention or treaty

Any person whose country of origin is a party to any convention or treaty relating to trade-marks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal

law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

(c) Prior registration in country of origin; country of origin defined

No registration of a mark in the United States by a person described in subsection (b) of this section shall be granted until such mark has been registered in the country of origin of the applicant, unless the applicant alleges use in commerce.

For the purposes of this section, the country of origin of the applicant is the country in which he has a bona fide and effective industrial or commercial establishment, or if he has not such an establishment the country in which he is domiciled, or if he has not a domicile in any of the countries described in subsection (b) of this section, the country of which he is a national.

(d) Right of priority

An application for registration of a mark under sections 1051, 1052, 1053, 1054 or 1091 of this title, filed by a person described in subsection (b) of this section who has previously duly filed an application for registration of the same mark in one of the countries described in subsection (b) of this section shall be accorded the same force and effect as would be accorded to the same application if filed in the United States on the same date on which the application was first filed in such foreign country: *Provided, That—*

(1) the application in the United States is filed within six months from the date on which the application was first filed in the foreign country;

(2) the application conforms as nearly as practicable to the requirements of this chapter, but use in commerce need not be alleged;

(3) the rights acquired by third parties before the date of the filing of the first application in the foreign country shall in no way be affected by a registration obtained on an application filed under this subsection;

(4) nothing in this subsection shall entitle the owner of a registration granted under this section to sue for acts committed prior to the date on which his mark was registered in this country unless the registration is based on use in commerce.

In like manner and subject to the same conditions and requirements, the right provided in this section may be based upon a subsequent regularly filed application in the same foreign country, instead of the first filed foreign application: *Provided, That* any foreign application filed prior to such subsequent application has been withdrawn, abandoned, or otherwise disposed of, without having been laid open to public inspection and without leaving any rights outstanding, and has not served, nor thereafter shall serve as a basis for claiming a right of priority.

(e) Registration on principal or supplemental register; copy of foreign registration

A mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible, other-

wise on the supplemental register in this chapter provided. The application therefor shall be accompanied by a certification or a certified copy of the registration in the country of origin of the applicant.

(f) Domestic registration independent of foreign registration

The registration of a mark under the provisions of subsections (c), (d), and (e) of this section by a person described in subsection (b) of this section shall be independent of the registration in the country of origin and the duration, validity, or transfer in the United States of such registration shall be governed by the provisions of this chapter.

(g) Trade or commercial names of foreign nationals protected without registration

Trade names or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks.

(h) Protection of foreign nationals against unfair competition

Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

(i) Citizens or residents of United States entitled to benefits of section

Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in subsection (b) of this section.

(July 5, 1946, ch. 540, title IX, § 44, 60 Stat. 441; Oct. 3, 1961, Pub. L. 87-333, § 2, 75 Stat. 748; Oct. 9, 1962, Pub. L. 87-772, § 20, 76 Stat. 774.)

REFERENCES IN TEXT

Section 1(a) of the Act of March 19, 1920, referred to in subsec. (a), is section 1(a) of act Mar. 19, 1920, ch. 104, 41 Stat. 533, which was classified to section 121(a) of this title, and repealed by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444, insofar as inconsistent with this chapter.

AMENDMENTS

1962—Subsec. (b). Pub. L. 87-772 inserted "or extends reciprocal rights to nationals of the United States by law," and substituted provisions requiring the person's country of origin to be a party to any convention or treaty, for provisions which required such persons to be nationals of, domiciled in, or have a bona fide and effective business or commercial establishment in a foreign country which was a party to the International Convention for the Protection of Industrial Property, or the General Inter-American Convention for Trade Mark and Commercial Protection, or any other convention or treaty relating to trademarks, trade, or commercial names.

Subsec. (e). Pub. L. 87-772 inserted "certification or a" following "accompanied by a" and eliminated "application for or" preceding "registration".

1961—Subsec. (d). Pub. L. 87-333 authorized the right provided by this section to be based upon a subsequent application in the same foreign country, instead of the first application, provided that any foreign application filed prior to such subsequent one was withdrawn, or otherwise disposed of, without having

<sup>1</sup> So in original. Probably should read "foreign".

been open to public inspection and without leaving any rights outstanding, nor any basis for claiming priority.

#### EFFECTIVE DATE OF 1961 AMENDMENT

Section 3 of Pub. L. 87-333 provided that: "This Act [amending this section and section 119 of Title 35, Patents] shall take effect on the date when the Convention of Paris for the Protection of Industrial Property of March 20, 1883, as revised at Lisbon, October 31, 1958, comes into force with respect to the United States and shall apply only to applications thereafter filed in the United States by persons entitled to the benefit of said convention, as revised at the time of such filing."

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, §§ 1, 2, 4, 33 Stat. 724, 725; May 4, 1906, ch. 2081, §§ 1, 3, 34 Stat. 168, 169; Feb. 18, 1909, ch. 144, 35 Stat. 628; Mar. 19, 1920, ch. 104, §§ 1, 6, 41 Stat. 533, 535; Apr. 11, 1930, ch. 132, § 4, 46 Stat. 155; June 20, 1936, ch. 617, 49 Stat. 1539; June 10, 1938, ch. 332, §§ 1, 2, 3, 52 Stat. 638, 639.

§ 1127. Construction and definitions; intent of chapter

In the construction of this chapter, unless the contrary is plainly apparent from the context—

The United States includes and embraces all territory which is under its jurisdiction and control.

The word "commerce" means all commerce which may lawfully be regulated by Congress.

The term "principal register" refers to the register provided for by sections 1051 to 1072 of this title, and the term "supplemental register" refers to the register provided for by sections 1091 to 1096 of this title.

The term "person" and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this chapter includes a juristic person as well as a natural person. The term "juristic person" includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law.

The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The term "Commissioner" means the Commissioner of Patents and Trademarks.

The term "related company" means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

The terms "trade name" and "commercial name" include individual names and surnames,

firm names and trade names used by manufacturers, industrialists, merchants, agriculturists, and others to identify their businesses, vocations, or occupations; the names or titles lawfully adopted and used by persons, firms, associations, corporations, companies, unions, and any manufacturing, industrial, commercial, agricultural, or other organizations engaged in trade or commerce and capable of suing and being sued in a court of law.

The term "trade-mark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.

The term "service mark" means a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The term "certification mark" means a mark used upon or in connection with the products or services of one or more persons other than the owner of the mark to certify regional or other origin, material, mode of manufacture, quality, accuracy or other characteristics of such goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The term "collective mark" means a trade-mark or service mark used by the members of a cooperative, an association or other collective group or organization and includes marks used to indicate membership in a union, an association or other organization.

The term "mark" includes any trade-mark, service mark, collective mark, or certification mark entitled to registration under this chapter whether registered or not.

For the purposes of this chapter a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce and (b) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith.

A mark shall be deemed to be "abandoned"—  
(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

(b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin.

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and

Trademark Office under this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent and Trademark Office" means registered marks.

The term "Act of March 3, 1881", "Act of February 20, 1905", or "Act of March 19, 1920", means the respective Act as amended.

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

Words used in the singular include the plural and vice versa.

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations.

(July 5, 1946, ch. 540, title X, § 45, 60 Stat. 443; Oct. 9, 1962, Pub. L. 87-772, § 21, 76 Stat. 774; Jan. 2, 1975, Pub. L. 93-596, § 1, 88 Stat. 1949.)

#### REFERENCES IN TEXT

Acts March 3, 1881, February 20, 1905, and March 19, 1920, referred to in text, are acts Mar. 3, 1881, ch. 138, 21 Stat. 502; Feb. 20, 1905, ch. 592, 33 Stat. 724; and Mar. 19, 1920, ch. 104, 41 Stat. 533, which were repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, § 46(a), 60 Stat. 444. Act Feb. 20, 1905, was classified to sections 81 to 109 of this title. Act Mar. 19, 1920, had been generally classified to sections 121 to 123 of this title.

#### AMENDMENTS

1975—Pub. L. 93-596 substituted "Patent and Trademark Office" for "Patent Office" in two places and "Commissioner of Patents and Trademarks" for "Commissioner of Patents" in the definition of "Commissioner".

1962—Pub. L. 87-772 substituted, "predecessors," for "and" in the definition of "applicant" and "registrant", "Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor" for "and includes without limitation the marks, names, symbols, titles, designations, slogans, character names, and distinctive features of radio or other advertising used in commerce", in the definition of "service mark", inserted "or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith" in the fifteenth paragraph relating to use in commerce, eliminated "purchasers" following "deceive" in the definition of "colorable imitation", and substituted "commerce" for "commerce" in the last paragraph relating to the intent of the chapter.

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-596 effective Jan. 2, 1975, see section 4 of Pub. L. 93-596, set out as a note under section 1111 of this title.

#### REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes under section 1051 of this title.

#### TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of the Department of Commerce, with certain exceptions, to the Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, § 1, 2, eff. May 24, 1950, 15 P.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

#### PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, § 29, 33 Stat. 731; June 10, 1938, ch. 332, § 5, 52 Stat. 639.

#### CHAPTER 23—DISSEMINATION OF TECHNICAL, SCIENTIFIC AND ENGINEERING INFORMATION

Sec.	
1151.	Purpose of chapter.
1152.	Clearinghouse for technical information; removal of security classification.
1153.	Rules, regulations, and fees.
1153a.	Repealed.
1154.	Reference of data to armed services and other government agencies.
1155.	General standards and limitations; preservation of security classification.
1156.	Use of existing facilities.
1157.	Relation to other provisions.

#### § 1151. Purpose of chapter

The purpose of this chapter is to make the results of technological research and development more readily available to industry and business, and to the general public, by clarifying and defining the functions and responsibilities of the Department of Commerce as a central clearinghouse for technical information which is useful to American industry and business.

(Sept. 9, 1950, ch. 936, § 1, 64 Stat. 823.)

#### § 1152. Clearinghouse for technical information; removal of security classification

The Secretary of Commerce (hereinafter referred to as the "Secretary") is directed to establish and maintain within the Department of Commerce a clearinghouse for the collection and dissemination of scientific, technical, and engineering information, and to this end to take such steps as he may deem necessary and desirable—

(a) to search for, collect, classify, coordinate, integrate, record, and catalog such information from whatever sources, foreign and domestic, that may be available;

(b) To make such information available to industry and business, to State and local governments, to other agencies of the Federal Government, and to the general public, through the preparation of abstracts, digests, translations, bibliographies, indexes, and microfilm and other reproductions, for distribution either directly or by utilization of business, trade, technical, and scientific publications and services;

(c) To effect, within the limits of his authority as now or hereafter defined by law, and with the consent of competent authority, the remov-

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1022 of this title.

## § 1024. Joint Economic Committee

[See main edition for text]

(Feb. 20, 1946, ch. 33, § 11, formerly § 5, 60 Stat. 25; Aug. 2, 1946, ch. 753, title II, § 225, 60 Stat. 838; Feb. 2, 1948, ch. 42, 62 Stat. 16; Oct. 6, 1949, ch. 627, §§ 1, 2, 63 Stat. 721; June 18, 1956, ch. 399, § 2, 70 Stat. 290; Feb. 17, 1959, Pub. L. 86-1, 73 Stat. 3; Oct. 13, 1964, Pub. L. 88-661, 78 Stat. 1093; Jan. 25, 1967, Pub. L. 90-2, 81 Stat. 4; Dec. 27, 1974, Pub. L. 93-554, title I, § 101, 88 Stat. 1776; renumbered Oct. 27, 1978, Pub. L. 95-523, § 104, 92 Stat. 1893.)

## CHAPTER 22—TRADE-MARKS

## CHAPTER REFERRED TO IN OTHER SECTIONS

This chapter is referred to in title 36 section 380; title 48 section 1643.

## SUBCHAPTER I—THE PRINCIPAL REGISTER

## § 1062. Publication

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1058, 1063, 1064, 1065, 1091, 1115 of this title.

## § 1064. Cancellation of registration

## RESTRICTION ON USE OF FUNDS TO CANCEL REGISTRATION OF TRADEMARKS

For provisions restricting the use of funds authorized to be appropriated to carry out section 41 et seq. of this title for fiscal year 1980, 1981, or 1982, for the purpose of taking any action under this section with respect to the cancellation of the registration of any mark on the ground that such mark has become the common descriptive name of an article or substance, see section 18 of Pub. L. 96-252 set out as a note under section 57c of this title.

## § 1067. Interference, opposition, and proceedings for concurrent use registration or for cancellation; notice; Trademark Trial and Appeal Board

[See main edition for text of first undesignated par.]

The Trademark Trial and Appeal Board shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner. Employees of the Patent and Trademark Office and other persons, all of whom shall be competent in trademark law, shall be eligible for appointment as members. Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner.

(As amended Oct. 15, 1980, Pub. L. 96-455, § 1, 94 Stat. 2024.)

## AMENDMENTS

1980—Pub. L. 96-455 added provisions requiring that the Trademark Trial and Appeal Board include the Deputy Commissioner and members appointed by the Commissioner and provisions that employees of the Patent and Trademark Office and other persons, all of

whom shall be competent in trademark law, shall be eligible for appointment as members; and struck out provision that the Board include Patent and Trademark Office employees, designated by the Commissioner and whose qualifications have been approved by the Civil Service Commission as being adequate for appointment to the position of examiner in charge of interferences.

## EFFECTIVE DATE OF 1980 AMENDMENT; BOARD MEMBERSHIP AS OF OCTOBER 15, 1980 UNAFFECTED

Section 2 of Pub. L. 96-455 provided that: "This amendment [amending this section] shall become effective on the date of its enactment [Oct. 15, 1980]. Members of the Trademark Trial and Appeal Board on the date of enactment shall continue to be members under and in accordance with the provisions of section 17 of the Act of July 5, 1946, as amended [this section], in effect immediately preceding the date of enactment."

## SUBCHAPTER III—GENERAL PROVISIONS

## § 1113. Fees

(a) The Commissioner of Patents will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost to the Office of performing the service or furnishing the material. However, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once every three years. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be charged any fee to register Government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.

(As amended Dec. 12, 1980, Pub. L. 96-517, § 5, 94 Stat. 3018.)

## AMENDMENTS

1980—Subsec. (a). Pub. L. 96-517 in revising fee provisions required the Commissioner to establish fees based on recovery of estimated average cost of processing applications, performing services and providing material; authorized triennial adjustments; and prescribed an effective date for fees; deleted prior provisions containing statutory schedule covering fees for filing applications for registration and renewals, affidavits, revival petitions for abandoned applications, opposition or application for cancellation, disclaimers, and notice of benefits for a mark to be published; and fees covering appeals from examiners in charge of registration, certificates of amendment, certifying, printed copies of registered marks, and recordation of

documents and papers relating to property in a registration or application.

Subsec. (b). Pub. L. 96-517 added subsec. (b) and deleted prior subsec. (b) authorizing Commissioner to establish charges for copies of records, publications, or services of Patent and Trademark Office, covered in subsec. (a) of this section.

Subsec. (c). Pub. L. 96-517 in revising fee provisions deleted subsec. (c) authorizing Commissioner to refund any mistaken or excessive payments.

#### CHANGE OF NAME

The Commissioner of Patents, referred to in subsec. (a), was redesignated the Commissioner of Patents and Trademarks by section 3 of Pub. L. 93-596, Jan. 2, 1975, 88 Stat. 1949, set out as a note under section 1 of Title 35, Patents. See also section 1127 of this title.

#### EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by Pub. L. 96-517 effective Dec. 12, 1980, with provision for continuation of fees in effect as of such date until corresponding fees are established under this section, see section 8(a), (d) of Pub. L. 96-517, set out as an Effective Date of 1980 Amendment note under section 41 of Title 35, Patents.

#### § 1124. Importation of goods bearing infringing marks or names forbidden

Except as provided in subsection (d) of section 1526 of title 19, no article of imported merchandise which shall copy or simulate the name of the<sup>1</sup> any domestic manufacture, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country, which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trademark registered in accordance with the provisions of this chapter or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States; and, in order to aid the officers of the customs in enforcing this prohibition, any domestic manufacturer or trader, and any foreign manufacturer or trader, who is entitled under the provisions of a treaty, convention, declaration, or agreement between the United States and any foreign country to the advantages afforded by law to citizens of the United States in respect to trade-marks and commercial names, may require his name and residence, and the name of the locality in which his goods are manufactured, and a copy of the certificate of registration of his trademark issued in accordance with the provisions of this chapter, to be recorded in books which shall be kept for this purpose in the Department of the Treasury, under such regulations as the Secretary of the Treasury shall prescribe, and may furnish to the Department facsimiles of his name, the name of the locality in which his goods are manufactured, or of his registered trade-mark, and thereupon the Secretary of the Treasury shall cause one or more copies of the same to be transmitted to each collector or other proper officer of customs.

(As amended Oct. 3, 1978, Pub. L. 95-410, title II, § 211(b), 92 Stat. 903.)

#### AMENDMENTS

1978—Pub. L. 95-410 substituted "Except as provided in subsection (d) of section 1526 of title 19, no article" for "No article".

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1094 of this title; title 19 section 1526; title 48 section 1643.

#### § 1127. Construction and definitions; intent of chapter

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in title 19 section 1528.

#### CHAPTER 23—DISSEMINATION OF TECHNICAL, SCIENTIFIC, AND ENGINEERING INFORMATION

#### CHAPTER REFERRED TO IN OTHER SECTIONS

This chapter is referred to in title 42 section 7852.

#### CHAPTER 25—FLAMMABLE FABRICS

#### § 1193. Flammability standards or regulations

#### FEDERAL POLICY REGARDING THE EXPORT OF BANNED OR SIGNIFICANTLY RESTRICTED SUBSTANCES

For provisions defining the term "banned or significantly restricted substance" as including certain fabrics and materials under this section, and the Federal policy regarding the export of banned or significantly restricted substances, see Ex. Ord. No. 12264, Jan. 15, 1981, 46 P.R. 4659, set out as a note under section 2403 of Title 50, Appendix, War and National Defense.

#### § 1196. Penalties

Any person who willfully violates section 1192 or 1197(b) of this title, or who fails to comply with section 1202(c) of this title, shall be guilty of a misdemeanor, and upon conviction thereof shall be fined not more than \$5,000 or be imprisoned not more than one year or both in the discretion of the court: *Provided*, That nothing herein shall limit other provisions of this chapter.

(As amended Nov. 10, 1978, Pub. L. 95-631, § 8(b), 92 Stat. 3747.)

#### AMENDMENTS

1978—Pub. L. 95-631 authorized penalties for non-compliance with section 1202(c) of this title.

#### § 1201. Studies and investigation, report to President and Congress; research, development and training

[See main edition for text of (a)]

(b) In cooperation with appropriate public and private agencies, the Secretary of Commerce is authorized to—

- (1) conduct research into the flammability of products, fabrics, and materials;
- (2) conduct feasibility studies on reduction of flammability of products, fabrics, and materials;
- (3) develop flammability test methods and testing devices; and
- (4) offer appropriate training in the use of flammability test methods and testing devices.

<sup>1</sup>So in original.



APPENDIX I

THE CONDUCT OF SECTION 337 ACTIONS BY THE DECISIONMAKER

The Conduct of Section 337 Actions By the Decisionmaker\*

## I. Commencement of Action

## A. Who and How:

1. Complainant (19 U.S.C. § 1337; 19 C.F.R. § 210.10)
2. Commission, on its own initiative

## B. Action by Commission: Notice of Investigation

1. Examine Complaint for sufficiency and compliance with applicable Commission Rules (19 C.F.R. § 210.11) (Commission staff is available to review draft complaints as well).
2. Determine whether the Complaint is properly filed
3. Institute Investigation within 30 days after receipt of complaint, if latter determined to be properly filed. (Dismissal, if negative determination) (19 C.F.R. § 210.12)
  - Investigation instituted by publication of Notice of Investigation in Federal Register defining scope of investigation.

## II. Significance of Notice of Investigation

- A. Date of publication in Federal Register marks beginning of statutory time period for Commission's completion and determination of Investigation (at earliest practicable time, no later than 12 months, or 18 months if designated more complicated) (19 U.S.C. § 1337(b)(1); 19 C.F.R. § 210.12)

\* This outline is based on a speech delivered by Hon. Donald K. Duvall, Chief Administrative Law Judge, U.S. International Trade Commission, at the D.C. Bar Seminar on Techniques of International Trade Case Litigation, May 28, 1981, Mayflower Hotel, Washington, D.C.

III. Assignment of investigation to Chief Administrative Law Judge for Formal Adjudication of the Violation Issue in accordance with Administrative Procedure Act. (19 U.S.C. Chap. 5).

A. Purpose and Scope of Delegation to Administrative Law Judge

1. To conduct a formal on-the-record APA hearing and to render an Initial Determination, with written findings of fact and conclusions of law, based thereon. (19 U.S.C. § 1337(c); 19 C.F.R. § 210.41).
2. No evidence or information to be taken or arguments to be heard respecting public interest factors, remedy or bonding, unless otherwise ordered by Commission (19 U.S.C. §§ 1337(b)(2), (d), (e) and (f); 19 C.F.R. § 210.14) However, with regard to settlement by agreement or consent order, the parties may file statements and, in the judge's discretion, present oral argument on issues relating to the public interest. (19 C.F.R. § 210.14(b))
3. Judicial independence of Administrative Law Judge in decision-making assured by separation of functions under APA and ITC Rules (5 U.S.C. § 554(d)(2)
  - a. No ex parte contacts (5 U.S.C. § 554(d)(1); and § 557(d))
  - b. No discussion of merits off the record

B. Assignment of cases by Chief Administrative Law Judge (per Notice of Investigation)

1. In rotation among available Administrative Law Judges (5 U.S.C. § 3105), unless
  - a. Recusal by Administrative Law Judge (Code of Judicial Conduct, Canon 3(c); 5 U.S.C. § 557(d)).
  - b. Scheduling conflict or imbalance

C. Adjudicative objectives of presiding Administrative Law Judge

1. Development of complete record as basis for sufficient and appropriate, and well-supported findings of fact and a just Initial Determination dispositive of all contested issues, including those mooted in the course of the decisional process at the trial level. (Coleco Industries Inc. v. International Trade Commission, 197 U.S.P.Q. 472, 476, n. 5 (C.C.P.A. 1978))
2. Adjudication, including discovery and hearing, conducted with
  - a. Fairness and due process
  - b. Expedition (19 C.F.R. § 210.2, § 210.41(c))
  - c. Orderly Procedure (5 U.S.C. § 556(c); 19 U.S.C. § 1335)

## IV. Protective Order

- A. Issued automatically, or at the request of a party, by Administrative Law Judge (19 C.F.R. § 210.30(c) and (d)) to facilitate early discovery and to protect properly designated confidential business information and trade secrets
- B. Cardinal importance to § 337 proceedings
1. Balancing public interest in enabling parties to secure all relevant information in preparation for hearing, and in protecting fair competition
  2. Implemented by consent agreement signed by counsel for parties
  3. Strictly construed and monitored by parties
- Exception: Exclusion of in-house counsel (generally observed, unless otherwise stipulated to by all parties)  
 Exception: Limited disclosure to corporate officers even for purpose of settlement negotiations

## V. Preliminary Conference, if held (within 2-4 weeks after Notice of Investigation published)

- A. The reality of a §337 Proceeding
1. Statutory and Agency time limits respected
  2. Cooperation and good faith reciprocity of counsel essential
- B. Defining the parties in suit, their representation and proper service
1. Notice of Investigation controls, including timely amendments approved by Commission
  2. Resolution of any jurisdictional or service defects
    - a. Effect of non-service on a foreign party
      - (1) Best efforts by mail
      - (2) Subject matter jurisdiction sufficient, in personam jurisdiction not necessary. Sealed Air Corporation v. International Trade Commission et al., 209 U.S.P.Q. 469 (C.C.P.A. 1981)

- b. Effect of non-appearance of a party
  - (1) Show Cause Order (19 C.F.R. § 210.40)
  - (2) Possible Sanctions
- C. Disposition of Pending Motions
  - 1. Motion for Sanctions for party's failure to respond to Complaint and Notice of Investigation (19 C.F.R. § 210.21(d))
- D. Delineation of Issues
  - 1. Usual major issues: unfair act committed; importation or sale in United States; domestic industry, economically and efficiently operated; injury or tendency to injure
  - 2. All legal and equitable defenses may be presented (19 U.S.C. § 1337(c))
- E. Discovery Plans pursuant to 19 C.F.R. §§ 210.30-210.36
- F. Establish Procedural Schedule
  - 1. Temporary Exclusion Order Request (unless waived)
    - a. Discovery Cut-off (unless discovery continues until trial)
    - b. Pre-Hearing Conference
    - c. Hearing
    - d. Post-Hearing Briefs and Rebuttal Briefs
  - 2. Permanent Exclusion Order Request
    - a. Discovery Cut-off (unless discovery continues until trial)
    - b. Discovery Motions Cut-off (unless discovery continues until trial)
    - c. Exhibits and Witness Statements and Objections thereto
    - d. Pre-Hearing Statements and Pre-Hearing Conference
    - e. Final Hearing
    - f. Post-Hearing Briefs and Rebuttal Briefs
- G. Discussion of Hearing Ground Rules
  - 1. Direct testimony of all witnesses (fact and expert) may be required to be submitted in writing in advance of Hearing; live cross-examination
  - 2. Order of Trial

H. Settlement (19 U.S.C. § 556(c)(6))

1. Best efforts certification required in Pre-Hearing Statements

I. Post-Conference Order (19 C.F.R. § 210.40(d))

VI. Discovery and Motions Practice (1-5 months)

A. Discovery

1. Policy and Procedures

- a. Reasonable and prompt discovery of all relevant information favored, on initiative of counsel
- b. Continuing good faith communication among counsel imperative to complete discovery expeditiously, informally or formally
- c. Non-responsive or no response to discovery requests shall ordinarily be discussed by phone between counsel before filing Motion to Compel Discovery
- d. Role of Presiding Officer is to resolve impasses at request of parties
- e. Sanctions to be invoked only as last resort

2. Subpoena Powers (19 U.S.C. § 1333; 5 U.S.C. § 556(c)(2); 19 C.F.R. § 210.35)

- a. Application
- b. Ex parte ruling
- c. District Court enforcement (19 C.F.R. § 210.36(b)(5); 19 U.S.C. § 1333(b))

3. Methods (19 C.F.R. § 210.30(a)) (The ITC's discovery rules parallel the Federal Rules of Civil Procedure)

- a. Oral and Written Depositions (19 C.F.R. § 210.31; 19 C.F.R. § 201.5)
- b. Interrogatories (19 C.F.R. § 210.32  
Limits sometimes imposed by Presiding Officer at Preliminary Conference (depends on facts of case and how much discovery already initiated)
- c. Requests for Production of Documents or Things (19 C.F.R. 210.33)

- d. Requests for Admissions (19 C.F.R. § 210.34)
- e. Implied Right of Entry onto Land (19 C.F.R. § 210.35; Copper Rod, ITC Inv. No. 337-TA-52; Commission Order, March 23, 1979)

#### 4. Discovery Motions

##### a. Motions for Extensions of Time

- (1) Response to Complaint (19 C.F.R. § 210.21(a))
- (2) Depositions (19 C.F.R. § 210.31(c))
- (3) Interrogatories (19 C.F.R. § 210.32(b))
- (4) Production of Documents (19 C.F.R. § 210.33(b)(2))
- (5) Admissions (19 C.F.R. § 210.34(b))

##### b. Motion to Supplement Response (19 C.F.R. § 210.30(e)(3))

##### c. Motions to Limit Discovery

- (1) Motion to Limit Discovery (19 C.F.R. § 210.30(b) and (c))
- (2) Motion for Protective Order (19 C.F.R. § 210.30(d))
- (3) Motion to Limit or Quash Subpoena (19 C.F.R. § 210.35(d))
- (4) Motion to Delay Interrogatory Answer (19 C.F.R. § 210.32(b) and (e))

##### d. Sanctions for failure to comply with Order Compelling Discovery (19 C.F.R. § 210.36)

##### e. Some common discovery problems:

- (1) Securing expedition when foreign parties are involved, e.g., mail service, translations, traditional business holidays
- (2) Broad standards of relevance under § 337
- (3) Claims of Privilege: Attorney-Client, Work Product

**B. Motions Practice (19 C.F.R. § 210.24)**

**1. Motions requiring Initial Determinations (19 C.F.R. § 210.53(c))**

- a. Motion to Terminate (19 C.F.R. § 210.51)
- b. Motion for Termination based on Default (19 C.F.R. § 210.21(d) or 19 C.F.R. § 210.51(b))

Note: Affirmative case must still be proved by substantial, reliable and probative evidence. (Electric Slow Cookers, ITC Inv. No. 337-TA-42; Certain Attache Cases, ITC Inv. No. 337-TA-49, pp. 9-12; Certain Rotary Scraping Tools, ITC Inv. No. 337-TA-62, p. 11; 5 U.S.C. § 556(d)).

- c. Motion for Summary Determination (19 C.F.R. § 210.50)
  - To be filed at least 30 days before hearing
- d. Motion for Temporary Relief (19 C.F.R. §§ 210.24(e)(1) and (2))

A complaint requesting temporary relief pursuant to 19 C.F.R. § 210.20(a)(10) must be accompanied by a motion which sets forth complainant's request for temporary relief. If the complaint is instituted, the motion will be sent to the Administrative Law Judge. A motion for temporary relief may also be filed after institution of an investigation upon a showing of extraordinary changed circumstances warranting temporary relief when the moving party was not and with due diligence could not have been aware of the extraordinary changed circumstances at the time the complaint was filed. (19 C.F.R. § 210.24(e)(2))

**2. Other Important Motions**

- a. Motion to Intervene (19 C.F.R. § 210.6)
- b. Motion to Amend Complaint and Notice of Investigation (joinder or dismissal of parties or causes of action) (19 C.F.R. § 210.20(d); 19 C.F.R. § 210.22)
- c. Motion for Designation of More Complicated Case (19 C.F.R. § 210.15)
- d. Motion to Suspend Investigation (19 C.F.R. § 210.15)
- e. Motion for Leave to File Interlocutory Appeal (and Stay of Investigation) (19 C.F.R. § 210.60)

**3. Additional Discovery Conference (optional)**

- By telephone or in person (These conferences may or may not be on the record. A reporter may be required.)



## VII. Pre-Hearing Conference (1-15 days before Hearing)

- A. Verify Issues and Stipulations
- B. Verify Witnessess, including qualifications of Expert Witnesses and summary of expected testimony (unless submitted in writing verbatim)
- C. Marking and Exchange of Exhibits, including Lists of Exhibits showing sponsoring witnesses
- D. Rulings on Objections to Exhibits
- E. Ruling on pending Pre-Hearing Motions
- F. Verify Order of Trial
- G. Miscellaneous Procedural Problems, e.g., foreign language translation/interpreter arrangements; hours of hearing, with recesses

## VIII. Hearing

## A. On Request for Temporary Relief

## 1. Deadlines

- a. Hearing to be completed within 3 months (19 C.F.R. § 210.41(e)(2))
- b. Initial Determination to be filed within 4 months from publication of the Notice of Investigation (19 C.F.R. § 210.53(b))

## 2. Burden of Proof

- a. Strong showing by preponderance of evidence that there is reason to believe there is a violation of Section 337 (19 U.S.C. § 1337(e))
- b. Showing that substantial injury will occur before Commission is able to act on Request for Permanent Relief (Copper Rod, ITC Inv. No. 337-TA-89, p. 17)
- c. Balancing factors to be considered (Copper Rod, supra at 5, citing Washington Metropolitan Area Transit Comm. v. Holiday Tours, 559 F.2d 841 (D.C. Cir. 1977))

## B. On Request for Permanent Relief

## 1. Deadlines

- a. Hearing to be completed within 7 months (12 months if more complicated case)(19 C.F.R. § 210.41(e)(1))

- b. Initial Determination to be filed within 9 months from publication of the Notice of Investigation (19 C.F.R. § 210.53(a))
  - c. Hearing or record may be reopened before Initial Determination filed (19 C.F.R. § 210.53(g))
2. Burden of Proof - on complainant to prove all elements of violation by preponderance of evidence (19 C.F.R. § 210.42(a))
3. Procedure
- a. Similar to District court trial, civil case without a jury
  - b. Order of Trial (Subject to Presiding Officer's Discretion (5 U.S.C. § 556(c))
    - (1) Opening Arguments
    - (2) Complainant's Case-in-Chief
      - (a) Cross-examination by Respondents and Commission investigative attorney
      - (b) Redirect examination by Complainant
      - (c) Recross-examination by Respondents and Commission investigative attorney
    - (3) Respondents' Defense Case
      - (a) Cross-examination by Respondents and Commission investigative attorney
    - (4) Commission investigative attorney's case
      - (a) Cross-examination by other parties
    - (5) Complainant's Rebuttal
      - (a) In Presiding Officer's discretion, limited to scope of Respondents' and Commission investigative attorney's case
    - (6) Closing Arguments
  - c. Types of Evidence
    - (1) Fact Witnesses
    - (2) Expert Witnesses (technical and economic)
    - (3) Documentary Exhibits
    - (4) Physical Exhibits

d. Final Record

(1) Exclusive basis for ruling (5 U.S.C. § 556(e))

(2) Comprising:

(a) Complaint and Responses

(b) Notice of Investigation

(c) Motions, Responses, and Orders

(d) Admitted Evidence (19 C.F.R. § 210.42)

(e) Excluded Evidence (19 C.F.R. § 210.42(g))

(f) Transcripts (19 C.F.R. § 210.43(a) and (b))

(g) Initial Determination (5 U.S.C. § 557(c))

(Note: Confidential information of record is treated under Protective Order (19 C.F.R. § 210.30(d)) or in camera Order (19 C.F.R. § 210.44))

(3) Certified to Commission with Initial Determination (19 C.F.R. § 210.43(c))

IX. Post Hearing Briefs and Rebuttal Briefs

A. Post-Hearing Briefs generally due 15 calendar days after close of hearing

B. Rebuttal Briefs generally due 5 calendar days thereafter

X. Initial Determination

A. Responsibility

1. Made in writing by presiding Administrative Law Judge and filed within 9 months after publication of the Notice of Investigation (19 C.F.R. § 210.53(a))

B. Scope

1. All material issues of fact, law or discretion relevant to alleged violation of Section 337 presented on the record (5 U.S.C. § 337(c)(A); 19 C.F.R. § 210.53(d))

C. Content

1. Findings of fact with references to supporting evidence in record

2. Conclusions with reasons and basis therefor (5 U.S.C. § 557(c)(A); 19 C.F.R. § 210.53(d))

D. Typical Table of Contents (Patent Cases)

1. Procedural History
  2. Fact Background/Description of Subject Matter
  3. Findings of Fact
    - a. Jurisdiction
    - b. Parties
    - c. Patents in Issue
    - d. Validity and Enforceability of Patents
    - e. Infringement of Patents
    - f. Domestic Industry
      - (1) Definition
      - (2) Efficient and Economic Operation
      - (3) Injury
  4. Opinion
    - a. Background and Summary of Issues (Organization usually tracks Findings)
  5. Conclusions of Law  
(Adjudicating all elements of Section 337)
  6. Recommendation, Certification to Commission and Order for in camera treatment
  7. Appendices, e.g., Patents-in-issue, Exhibit Lists
  8. Length has varied from 5 to 200 + pages
- E. Public (Non-Confidential) Version of Initial Determination Issued and Errata Filed
- F. Case no longer before Administrative Law Judge when Initial Determination is filed with Commission

## XI. Final Determination by Commission

The Initial Determination of the Administrative Law Judge, filed pursuant to 19 C.F.R. § 210.53(a), becomes the Final Determination of the Commission unless, within 30 days of the filing, the Commission orders review of the Initial Determination on a petition for review, pursuant to 19 C.F.R. § 210.54, or on its own motion, pursuant to 19 C.F.R. § 210.55 (19 C.F.R. § 210.53(h))

### A. Public Hearing to hear oral arguments on:

1. Review (in whole or in part) Administrative Law Judge's Initial Determination (19 C.F.R. § 210.54)
2. Appropriate relief (exclusion of articles from entry into U.S. (unless under bond) or cease and desist order) (19 C.F.R. § 210.55)
3. Effect of relief upon the public interest
4. Proper amount of bond during Presidential review period (60 days following Commission's Final Determination) (19 U.S.C. § 1337(e))

### B. Commission's Determination served upon parties

### C. Petition for Reconsideration (19 C.F.R. §210.58)

1. Filed within 14 calendar days after service of Commission Determination
2. Limited to new questions raised by Determination or action ordered to be taken thereunder and upon which petitioner had no opportunity to submit arguments
3. Opposing answer must be filed within 5 days after service of Petition
4. Does not stay effective date of Determination and action ordered thereunder

### D. Appeals of Commission Determination to the CAFC (19 C.F.R. § 210.61)

1. CAFC has jurisdiction to review final determinations of the Commission
2. The standard of review is the "substantial evidence" test. General Motors v. U.S.I.T.C., 687 F.2d 476, 480 (C.A.F.C. 1982)



APPENDIX J

SELECTED FOREIGN LAWS RELATING TO COUNTERFEITING

## Australia

The Trade Marks Act 1955, as amended, is the principal statute relating to trademarks in Australia. It establishes a two-tier registration system (Parts A and B) and provides remedies for infringement of registered marks. <sup>1/</sup>

Infringement; counterfeiting

Infringement is defined as the unauthorized use of a mark "which is substantially identical with, or deceptively similar to, the trade marks, in the course of trade, in relation to goods or services in respect of which the trade mark is registered." Act, article 62.(1). This is a broader definition than is employed in United States law since likelihood of confusion need not be proven; however, infringement is limited to the class of goods for which the mark is registered. This definition of infringement applies only to marks on part A of the Register, i.e., marks which are distinctive. For marks on part B of the Register, i.e., generally, marks which are not distinctive or capable of becoming distinctive, relief will be denied if the defendant shows "that the use of the mark of which the plaintiff complains is not likely to deceive or cause confusion or to be taken as indicating a connexion in the course of trade between the goods or services in respect of which the trade mark is registered and a person having the right, either as registered proprietor or as registered user, to use the trade mark." Act, article 62.(2) This provision interjects the likelihood of confusion not as an element of infringement to be established by a plaintiff, as in the United States, but as an element of defense to be proven by the defendant.

Counterfeiting would clearly constitute trademark infringement under the Australian law.

Procedure; relief

The relief available includes injunctive relief and, at the option of the plaintiff, either damages or an account of profits. Act, article 65. Actions for infringement may be begun in the Supreme Court of a State or territory but may be transferred as appropriate. Act, articles 67, 113. Appeal is to the Federal Court of Australia. Act, article 114(2). By leave, an appeal may lie to the High Court. Act, article 114 (3).

Counterfeiting of trademarks is specifically contemplated by certain penal provisions of the Act, which provide that a person shall not forge a registered trademark, falsely apply a registered trademark to goods or services, or make disposal of or possess an implement for forging a registered trademark. Act, article 98 (1) The penalty is 3 years imprisonment. There are no similar penal provisions in U.S. law. A defendant may defend himself by establishing no intent to defraud, but the burden of proof is on him. Act, article 98 (2). Furthermore a person who sells goods to which a forgery of a registered trademark has been applied may be fined \$200 (Australian), although

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<sup>1/</sup> There are two other tiers as well: Part C, for certification trade marks and Part D, for defensive trade marks.



he may avoid this penalty by establishing no intent to defraud. Act, article 99. To knowingly import goods bearing a forgery of a registered mark carries a \$200 (Australian) fine. Act, article 100. Furthermore, all the foregoing offenses involving counterfeiting may result in forfeiture of all goods and implements involved. Act, article 101. Finally, a person in Australia who aids and abets any activity outside Australia which would be an offense if committed in Australia may be fined \$200 (Australian). Act, article 102.

#### Prohibition of importation by customs

The registered owner or user of a trademark may notify the Comptroller-General of Customs that he objects to the importation of goods bearing a mark identical or substantially identical to the registered mark. Act, article 103(1). Customs will then prohibit importation and seize infringing goods. However, if no intent or negligence is involved, the goods may be turned over to their owner or importer, on condition that the improper marks are removed or altered or the goods exported. Before taking any action Customs may require the registered owner or user to provide security. If the use of the trademark is ultimately determined to be fraudulent, Customs may require the importer to produce documents relating to the goods and the names of the consignee and transmit this information to the registered owner or user. Act, article 104.

#### Belgium; The Netherlands; Luxembourg

The Unified Benelux Act on Trademarks is the principal statute relating to trademarks in Belgium, the Netherlands, and Luxembourg. It establishes a uniform registration system supplanting the previous national registration systems. It also provides certain rights to the owner of marks; however, the remedies available and procedures to obtain these remedies are governed by national law.

#### Infringement; counterfeiting

Infringement is defined as the unauthorized use of a registered mark or a like symbol for the goods for which the mark has been registered or for similar goods. Law, section 13A.1. Likelihood of confusion is not an element of infringement as it is under U.S. law. Further, the trademark owner may oppose any other commercial use made of the registered mark or a like symbol without valid reason, where prejudice may be caused to the owner of the registered trademark, and he may claim any damage which he may suffer by this use. Law, section 13A.2. In determining whether goods are similar, no account is taken of the administrative classification adopted for the registration of the trademark. Law, section 13B. Translations of the registered trademark into any one of the Benelux languages are similarly protected. Law, section 13C. Counterfeiting is not specifically provided for, but as the epitome of infringement it is clearly actionable under the statute. <sup>1/</sup>

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<sup>1/</sup> The provisions mentioned are for individual marks; similar provisions apply to collective marks. Law, section 26.

Procedure: relief

Under the statute, an action for infringement is brought by the registered owner in the appropriate court of first instance in the Benelux country where the defendant is domiciled. If this is inadequate, then the appropriate court of first instance is that where the plaintiff resides or is domiciled. Law, section 37A. Any national court may refer a question of interpretation to the Benelux Court.

Belgium.--As is typical in civil code countries, pre-trial discovery in the appropriate court of first instance is limited and the trial itself is conducted intermittently until all issues have been fully aired. Decisions are usually rendered in open court and may include costs and interest. Appeal is ultimately to the Belgian Supreme Court.

Injunctive relief and damages may be awarded for infringement. The injunction may require the infringer, under penalty of fine, to report his suppliers and purchasers and to notify his customers of the infringement. On complaint of the trademark owner, counterfeiting or fraudulent use of a registered trademark may result in public prosecution and forfeiture of the goods involved. A preliminary injunction may be granted under the conditions imposed by national law. There are penal sanctions for infringement but no provisions for notifying the customs authorities to prohibit the importation of infringing goods.

The Netherlands.--In the Netherlands, actions for trademark infringement are brought in the appropriate court of first instance which is the District Court. The procedure is similar to that for Belgium, as is the relief granted. However, Dutch law provides for a summary proceeding for injunctive relief which may result in a decision 1 or 2 months after filing. This summary proceeding may be concurrent with a full proceeding in which damages can be awarded. Appeal is to the Court of Appeals and then to the Supreme Court of the Netherlands. There are penal sanctions for infringement but no provisions for barring importation of infringing goods by notifying the customs authorities.

Luxembourg.--In Luxembourg, the procedure is similar to that for Belgium, as is the relief granted. There are no provisions for barring importation of infringing goods by notifying the customs authorities.

## Brazil

The principal statute relating to trademarks in Brazil is title II of the Industrial Property Code, Law No. 5772 of December 21, 1971, including Decree-Law No. 7903 of August 27, 1957 (title IV, arts. 175, 179 to 189).

Infringement: counterfeiting

Persons are liable for infringement if they reproduce, without the necessary authorization, or imitate, in such a manner as to create confusion, industrial marks or trademarks. A person who uses a mark referred to in the preceding sentence or sells or places on sale a product distinguished by such

a mark, or uses a mark which indicates a false origin or sells or places on sale a product distinguished by such a mark is also liable for infringement. Decree-Law, arts. 179, 180-189.

#### Procedure; relief

The relief available includes a civil action for damages, and an injunction is provided for. In addition to an injunction and damages, the trademark owner may request the seizure and destruction of a counterfeit or imitated mark, including the packages or products bearing the mark, if necessary. Decree-Law, article 184. A criminal action is possible and may result in imprisonment from one to six months or a fine from 500 to 5,000 cruzeiros. There is a separate provision for imprisonment from 3 months to 1 year and a fine from 1,000 to 15,000 thousand cruzeiros. Decree-Law, art. 175. Decisions usually take about 2 years in civil cases. Some attorneys fees and costs may be recovered. The unlawful use of a mark reproducing or imitating a well-known mark registered in Brazil constitutes an aggravation of the offense. Law, art. 67.

Both civil and criminal actions may be preceded by court-ordered search and seizure proceedings, which may be *ex parte*. In the case of industrial or commercial establishments legally organized and in public operation, preliminary remedies are restricted to the official investigation, and to the seizure of products or articles, ordered by a court. Decree-Law, art 186. Preliminary injunctive relief is not available.

#### Prohibition of importation by customs

Products bearing forged or imitated marks may be seized *ex officio* by the customs authorities during their inspection as part of the court-ordered search and seizure. Decree-Law, art. 185.

### Canada

The Trademarks Act 1952-1953, as amended, is the principal statute relating to trademarks in Canada. It establishes a registration system for trademarks, accords registered trademarks certain benefits, and provides remedies for infringement of registered marks.

#### Infringement: counterfeiting

Infringement is defined as the unauthorized selling, distributing, or advertising of wares or services in association with a confusing trademark or trade name. Act, section 20. Independently of infringement, however, the statute also provides that "no person shall use a trade mark registered by another person in a manner likely to have the effect of depreciating the value of the goodwill attaching thereto." Act, section 22.

There is no doubt that counterfeiting would come under both provisions.

Procedure: relief

Actions for infringement are brought in the Federal Court from which appeal lies first to the Federal Court of Appeals and then the Supreme Court of Canada. Act, sections 55 and 61. The court may provide relief "by way of injunction and the recovery of damages or profits, and may give directions with respect to the disposition of any offending wares, packages, labels and advertising material and of any dies used in connection therewith." Act, section 53. Specific provision is made for interim orders impounding infringing articles about to be distributed, which may be obtained ex parte. Act, section 52. Security is required.

Prohibition of importation by customs

The interim impoundment orders of section 52 are applicable to imported goods. Furthermore, the court may bar future importations.

## France

Law No. 64-1360 of December 31, 1964, as amended, is the principal statute relating to trademarks in France. It establishes a registration system and provides remedies for infringement of registered marks.

Infringement: counterfeiting

There are two types of infringement: counterfeiting, in which the mark is exactly copied, and imitation, in which the mark is not exactly copied but is so similar that confusion is possible.

Procedure: relief

Actions for infringement are begun in the appropriate district court, the French trial court of general jurisdiction (Tribunaux de Grand Instance). Law, article 24. Before filing the action, the plaintiff may obtain a search and seizure order for inventory and records by one of two methods. In the first method, provided for by article 25 of the Law, the plaintiff may obtain an order from the President of the Court to be executed by him and any experts of his choice, accompanied by the bailiff. Seizure is limited to samples of the infringing goods and is accomplished by a forced sale by the bailiff. The plaintiff must file a civil or criminal action within 15 days after search and seizure, or any inventory and seizure will become void. Law, article 26. Because of this time limitation, most plaintiffs use the second method, the Constat sur Ordonnance, which does not have a limitation of action provision, but does provide that evidence obtained cannot be used after a lapse of 3 years.

Following the search and seizure, the complaint (assignation) is filed in the district court. Plaintiff and defendant then file and exchange documentary evidence and argument for about 6 months after which the case is argued and a decision rendered. Appeal is to the Court of Appeal (Cour d' Appel) and thence to the Supreme Court (Cour de Cassation).

Damages and injunctive relief are provided for generally in the Civil Code. The Penal Code provides a fine of 500 to 15,000 francs or imprisonment from 3 months to 3 years or both for counterfeiting and fraudulent application of the mark of another. Law, article 27. It also provides a fine of 500 to 10,000 francs or imprisonment from 1 month to 1 year or both for fraudulent imitation. Law, article 38. Prison sentences are quite rare, however. The penalties may be doubled for repeat offenders. Law, article 30. Furthermore, offenders may be barred from participating in the election of tribunals and chamber of commerce and industry, chambers of agriculture and conciliation boards for up to 10 years. Law, article 31. The court may also order that its judgment be published in all such newspapers as it designates. Law, article 31. In case of counterfeiting and fraudulent imitation, the court may also order the confiscation of the involved goods and the implements used to counterfeit the marks and order destruction of the counterfeit marks. Law, article 32.

#### Prohibition of importation by customs

Infringing goods may also be seized by customs authorities in pursuance of a search and seizure order, as mentioned above.

#### West Germany

The Trademark Law of January 2, 1968, as amended, is the principal statute relating to trademarks in West Germany. It establishes a registration system and provides remedies for infringement.

#### Infringement: counterfeiting

Infringement is defined as the unlawful use, in the course of trade, of the name, the name of the firm, of another person, or a protected trademark on goods or their packing or wrapping, or in advertisements, price lists, business letters, prospectuses, invoices, or the like, or who puts on the market any goods thus unlawfully marked. Law, article 24. Counterfeiting would clearly come within this provision.

#### Procedure: relief

Actions for trademark infringement are begun in the district court (Landgericht). However, if the validity of the trademark is challenged, this issue must be tried separately in the Federal Patent Court. As is usual in civil law countries, there is little or no discovery, and the trial consists of filings and exchanges of documentary evidence and argument by the parties and terminates with an oral hearing in which the judges, not the lawyers, control the proceedings. Appeal is to the Court of Appeals (Oberlandesgericht) and thence to the Federal Supreme Court (Bundesgerichtshof).

Injunctive relief is granted and, if the infringement is intentional or negligent, civil damages may be awarded, and unlawful markings removed, or the offending articles destroyed. Law, articles 24 and 30. If the infringement

is intentional, imprisonment or a fine may be assessed; the sentence may be published on the instance of the plaintiff. Id. Costs and attorney fees may be awarded. Preliminary injunctions may be granted if the plaintiff can show a clear case of infringement and reasons why a preliminary injunction is necessary.

#### Prohibition of importation by customs

On payment of a security deposit, a trademark owner may have customs officials seize foreign goods unlawfully bearing the name of a German firm and locality or a protected distinguishing sign. Law, article 28. The illegal markings are then ordered to be removed and if they are not, the involved goods will be confiscated.

#### Hong Kong

The Trademarks Ordinance No. 47 of 1954, as amended, is the principal statute relating to trademarks in Hong Kong. It establishes a two-tier registration system (parts A and B) and provides remedies for infringement. To be registrable in part A, the trademark must be distinctive. Ordinance, section 9. To be registrable in Part B, the trademark must have been used in good faith in Hong Kong for not less than 2 years upon or in connection with goods for the purpose of indicating that they are goods of the proprietor of the mark by virtue of manufacture, selection, certification, dealing with or offering for sale. Ordinance, section 10.

#### Infringement; counterfeiting

Infringement is easier to establish for part A registrations than for part B registrations. Part A registrations are infringed--

"by any person who, not being the proprietor of the trade mark or a registered user thereof using by way of the permitted use, uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion, in the course of trade, in relation to any goods in respect of which it is registered, and in such manner as to render the use of the mark likely to be taken either--

- (a) as being use as a trade mark; or
- (b) in a case in which the use is used upon the goods or in physical relation thereto or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person as aforesaid is connected in the course of trade. [Ordinance, section 27.]

Infringement of part B marks is defined similarly, but with the following caveat:

. . . no injunction or other relief shall be granted to the plaintiff if the defendant establishes to the satisfaction of the Court that the use of which the plaintiff complains is not likely to deceive or cause confusion or to be taken as indicating a connexion in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the trade mark. [Ordinance, section 28.]

In both cases infringement must be with respect to the class of goods for which the mark is registered. Counterfeiting as defined in this investigation would clearly come within these infringement provisions.

#### Procedure; relief

Actions for trademark infringement are usually begun in the High Court, from which appeal may be taken to the Court of Appeal in Hong Kong and thence to the Privy Council in Great Britain. An injunction and damages, as well as a forfeiture of infringing items may be decreed. Costs and attorney fees are recoverable. Ordinance, sections 75, 81. A preliminary injunction may be obtained in accordance with British law on the point. Preliminary ex parte search and seizure orders may also be available.

#### Prohibition of importation by customs

There are no specific provisions for prohibition of infringing imports by customs officials.

### Italy

The principal trademark statute is the Trademark Law, Decree No. 929 of June 21, 1942, as amended, which establishes a registration system for trademarks. Trademark rights are created by registration and consist of the exclusive use of the trademark to distinguish the products or the goods manufactured or offered for sale or imported for commercial purposes.

#### Infringement; counterfeiting

The law prohibits the unlawful use of a mark, particularly use which may cause confusion on the market with other marks known as distinctive devices of other products or goods, or which may mislead in the choice of goods or injure the exclusive rights of a third party. Law, article 11. This definition includes counterfeiting. An action for trademark infringement does not require damages. Furthermore, it extends not only to the products designated in the registration, but also to similar goods or those similar in function and in the same channels of distribution.

Procedure: relief

Proceedings relating to trademarks are personal proceedings. Law, article 55. Actions are brought before the court having jurisdiction in the domicile of the defendant, or if he has no domicile, that of the plaintiff. Law, article 56. If neither are domiciled in Italy, the Court of Rome is competent. Id. Actions may also be brought in the district where the acts occurred. Law, article 57.

Both civil and criminal actions are brought before the Magistrate's Court (Pretura) or Civil and Penal Tribunals (Tribunali Civili e Penali), depending on the sums and prison terms involved. Appeal is to the Court of Appeal (Corte d'Appello) and from thence to the Court of Cassation (Corte di Cassazione). Constitutional and serious state questions come before the Constitutional Court (Corte Costituzionale).

The trademark owner may ask the court to order the search and description or seizure of offending articles and the means for obtaining those articles. Law, article 61. The court may issue such an order ex parte but may require appropriate security. Id. The description and seizure are carried out by an officer of the court with, perhaps, one or more experts. Id. The trademark owner may attend the execution of the order and may be accompanied by his own experts. Id. The description and seizure are valid for only 8 days unless a proceeding on the merits has been commenced. Law, article 62. During the proceeding, the court may issue a preliminary injunction. Law, article 63.

The court may order injunctive relief. It may also order that all words, figures, or devices by which the infringement was accomplished, be destroyed, including the articles themselves. Law, article 66. Damages may also be ordered and the judgment may fix a sum to be paid for further infringement and any delay in complying with the other terms of the judgement. Id. Any judgment may be printed in one or more newspapers at the expense of the losing party. Law, article 65.

The Italian Penal Code contains special provisions for trademark counterfeiting. Whoever infringes or alters either Italian or foreign trademarks or otherwise makes use of such infringed or falsified marks may be liable for up to 3 years' imprisonment and a fine of up to 800,000 lira. Penal Code, article 473. In addition, those who introduce into Italian commerce products having infringed or altered Italian or foreign marks are liable for up to 2 years' imprisonment or a fine of up to 800,000 lira. Penal Code, article 474. Convictions may be published. Penal Code, article 475. Any person who offers industrial products in Italy or elsewhere having infringed or altered names, marks, or distinctive devices, which damages the Italian industry is punishable by imprisonment of from 1 to 5 years and a fine of not less than 200,000 lira. Penal Code, article 514. Any person who passes off a substitute article to a purchaser is punishable for up to 2 years or a fine of up to 800,000 lira. Penal Code, article 515. If valuables are involved, the term may be increased to 3 years and the fine must not be less than 40,000 lira. Id. Any person who offers industrial products with Italian or foreign names, marks, or distinctive devices, capable of misleading purchasers as to their origin or quality, may be imprisoned for up to 1 year or fined up to 400,000 lira. Penal Code, article 517.



Prohibition of importation by customs

Italy has no provision for prohibiting entry of infringing articles by customs.

## Japan

The Trademark Law (Law No. 127 of April 13, 1959, as amended to 1970, further amended by Law No. 46 of 1975), is the principal statute relating to trademarks in Japan.

Infringement; counterfeiting

The owner of a trademark right has the exclusive right to use the registered trademark for the designated goods. Article 25. It is infringement for another to use a mark identical or similar to the registered trademark on goods identical or similar to the designated goods. It is also infringement (1) to possess the designated goods or similar goods bearing a mark similar to the registered trademark for the purpose of delivery to another; (2) to possess implements or materials for applying a mark similar to the registered trademark on the designated goods or similar goods; (3) to deliver, or hold for the purpose of assignment or delivery, instruments for applying a mark similar to the registered mark on the designated goods or similar goods; (4) to manufacture or import instruments for applying a mark similar to the registered mark on the designated goods or similar goods; or (5) to manufacture, assign, deliver or import, in the course of trade, articles to be used exclusively for manufacturing instruments for applying a mark similar to the registered trademark.

Procedure; relief

Actions for infringement are begun in the appropriate district court, from which appeal may be had to the High Court and thence to the Supreme Court. The court may enjoin a person who is infringing or is likely to infringe and order the destruction of the articles by which the act of infringement was committed or other measures necessary to prevent further infringement. Article 36. Where the person has intentionally or negligently infringed, compensation for damage caused may be awarded; the profits gained by the infringer through the infringement are presumed to be the amount of damage suffered by the owner. The owner of a trademark right may claim an amount of money which he would normally be entitled to receive for the use of the registered trademark as the amount of damage suffered by him but is not precluded from damages exceeding the amount referred to. Article 38. The court may also order an infringer to take measures for the recovery of the business reputation of the trademark owner, such as a public letter of apology. Article 39.

Any person who has infringed a trademark right or a right of exclusive use is liable to imprisonment with labor or a fine. Article 78.

Summary ex parte proceedings are available for temporary injunctions.

Prohibition of importation by customs

Article 21 of the Law concerning the Establishment of Tariffs (Law No. 54, 1910) prohibits importation of goods which infringe.

Republic of Korea

The principal trademark statute in the Republic of Korea is the Trademark Law, Law No. 71 of November 28, 1949, as amended. The law provides a registration system for trademarks; trademark rights are created by registration and consist of the exclusive right to use the registered trademark with respect to the goods noted in the registration.

Infringement; counterfeiting

Infringement is the use of a trademark identical with or similar to the registered trademark of another on goods identical with or similar to the goods for which the mark is registered. It is also an infringement to deliver, sell, counterfeit, imitate, or possess a trademark identical with or similar to the registered trademark of another, for the purpose of using or causing a third party to use such trademark on goods identical with or similar to the designated goods for which the mark is registered. It is also an infringement to manufacture, deliver, sell, or possess instruments for the purpose of counterfeiting or imitating a registered trademark of another or causing a third party to counterfeit or imitate such trademark. Article 36.

This definition clearly includes counterfeiting.

Procedure; relief

Actions for trademark infringement are brought in the district court. Appeal is to a three judge panel of the district court and thence to the Supreme Court. The court may order damages and injunctive relief as well as ordering destruction of the infringing marks and the means for making and applying them. Damages in an amount equivalent to the profits normally gained through use of such trademark over and above the infringement profit may be claimed. However, the total amount of compensation cannot exceed three times the amount of the damage suffered. Article 37. The court may also order the necessary measures to restore the business reputation of the owner of a trademark right upon the request of the owner, instead of or in addition to the payment of damages by any person who has infringed the trademark right intentionally or negligently and thereby caused prejudice to the business reputation of the owner. Article 39.

Preliminary injunctive relief may also be granted. There are also penal provisions:

Article 60. (Offense of Infringement)

Any person who has infringed a trademark right provided under Article 36 shall be liable to imprisonment for a term not exceeding five years or to a fine not exceeding ten (10) million won.

Criminal proceedings are begun by indictment filed by the public prosecutor in the district court which because of the length of the potential prison term, sits as a three judge panel. Appeal is to the High Court and thence to the Supreme Court.

Prohibition of importation by customs

There are no provisions for prohibition of infringing imports by the customs authorities.

Mexico

The principal trademark statute is the Law on Inventions and Marks of 1976, as amended. The statute creates a registration system for trademarks; the right to exclusive use of a mark is obtained by registration.

Infringement; counterfeiting

Infringement is defined as--

- II. Using a mark which is confusingly similar to another mark which is registered, if such confusion has been declared by the "SEPAFIN" <sup>1/</sup>, to protect the same or similar products or services as those protected by the registered mark.
- III. Using, without the consent of its title holder, a registered mark as an element of a commercial name or a corporate name, provided that such names are related to establishments which operate with the products or services protected by the mark. [Article 210.]

Procedure; relief

The foregoing are deemed "administrative infractions" and are punishable as follows:

Article 225. Administrative infractions to this Law or to the other provisions derived from it shall be sanctioned by:

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<sup>1/</sup> The "SEPAFIN" is the commonly used Spanish acronym for the Secretariat of Patrimony and Industrial Development, an arm of the Federal Executive, which has administrative responsibility under the statute.

- I. A fine of from one hundred to one hundred thousand pesos. In case the infraction persists fines may be imposed for each day which passes without the corresponding mandate being obeyed, provided it does not exceed the corresponding maximum amount.
- II. The temporary closing, up to 60 days.
- III. The definitive closing.
- IV. Administrative arrest, up to 36 hours.

In addition, certain acts, as follows, are crimes:

- IV. To use, without the consent of its title holder, a registered mark to distinguish the same or similar products or services which that one protects.
- V. To offer for sale or place in circulation the products referred to by Sections I, II and IV of this Article or those covered by Section II of Article 210, notwithstanding the declaration of confusion provided for therein, or likewise, products protected by a registered trademark after altering them. Provisions of the present Section will be applicable, where pertinent, in regard to service marks.
- VI. To offer for sale or place in circulation products protected by a registered trademark, after having altered, substituted, or omitted it, partially or totally.  
[Article 211.]

Such crimes are punished as follows:

A sentence of 2 to 6 years in prison and a fine of one thousand to one hundred thousand pesos, or at the discretion of the judge only one of these penalties, will be imposed on the person who commits any of the crimes referred to in the preceding Article.  
[Article 212.]

These administrative and criminal provisions are in addition to civil damages. Law, article 214. Administrative sanctions are conducted before the "SEPAFIN" and may be reviewed by it within 15 working days. Law, title X, chapter V. Actions for injunctions and civil damages are begun in the Federal or State courts, at the option of the plaintiff; criminal actions are brought exclusively in the Federal courts by the Attorney General. Law, article 215. Criminal actions, however, can only be begun if the "SEPAFIN" has declared the existence of the act which is a crime. Law, article 213. The "SEPAFIN" has considerable power to obtain information and to conduct searches of a suspected infringer's premises. Law, title X, chapter II.

There are no provisions in the law for preliminary injunctions.

#### Prohibition of importation by customs

There is no provision for barring infringing imports by the customs authorities.

## Nigeria

The Trade Marks Act 1965 is the principal statute relating to trademarks in Nigeria. It creates a register for trademarks which is in two parts: Part A of the register is for inherently distinctive marks; part B is for marks which are capable of becoming distinctive.

### Infringement; counterfeiting

Registration in part A of the register gives the proprietor the exclusive right to the use of the trademark in relation to the goods for which the mark is registered. The exclusive right is deemed to be infringed by a person who, not being the proprietor of the trademark or a registered user, uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion, in the course of trade, in relation to any goods for which it is registered, and in such manner as to render the use of the mark likely to be taken either as being use as a trademark or where its use is upon the goods or in physical relation thereto or in advertising matter, as importing a reference to some person having the right either as proprietor or as registered user to use the trademark or to goods with which such person is connected in the course of trade. Act, sections 5(1) to (3) and 43(3) to (5).

Registration in part B of the register gives the same exclusive right; however, in the case of such registrations, no relief is granted in infringement proceedings if the court is satisfied that the use complained of is not likely to deceive or cause confusion or to lead to the belief in a connection in the course of trade between the goods and a person entitled to use the trademark. Act, section 6.

### Procedure; relief

Actions for infringement are begun in the appropriate High Court, from which appeal may be taken to the Federal Court of Appeal and thence the Supreme Court. The court may award damages and injunctive relief.

### Prohibition of importation by customs

There is no provision for barring infringing imports by the customs authorities.

## Philippines

The Trade Marks Law (Republic Act No. 166), as amended, is the principal statute relating to trademarks in the Philippines. It creates a registration system for trademarks, comprising a Principal Register and Supplemental Register, similar to the Lanham Act. Act, chapters II-A and IV-A.

Infringement; counterfeiting

A certificate of registration of a mark on the Principal Register is prima facie evidence of the registrant's ownership of the mark and of the exclusive right to use the mark in connection with the goods or services specified in the certificate. Act, section 20.

Infringement is defined as the use without consent, of any reproduction, counterfeit, copy or colorable imitation, of any registered mark on or in connection with the sale or advertising of goods where confusion or deception is likely, or to apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with such goods or services. Act, section 22.

Procedure; relief

Any person entitled to the exclusive use of a registered mark may recover damages for infringement by way of civil action in the appropriate Court of First Instance. Appeal is to the Court of Appeals and thence to the Supreme Court. The measure of the damages is either the reasonable profit which the complaining party would have made, or the profit which the defendant actually made; in the case of difficulty in ascertaining the measure of damages, the court may award a reasonable percentage of defendant's gross sales. Where intention to mislead the public or to defraud the complaining party is shown, the damages may be doubled. The complaining party may also be granted an injunction. Act, section 23.

The court may also order the destruction of labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or any reproduction, counterfeit, copy or colorable imitation, and the implements used to make them. Act, section 24.

In addition it is a criminal offense, punishable by imprisonment and/or fine (1) to substitute the trademark of another manufacturer or dealer or a colorable imitation thereof for the trademark of the real manufacturer or dealer upon any article of commerce and selling the same; (2) sell or offer for sale such articles of commerce, knowing that the trademark has been fraudulently used on such goods; (3) use or substitute, in the sale or advertising of services, another person's servicemark or a colorable imitation thereof; (4) knowingly reproducing a mark or colorable imitation in order to enable another to make the fraudulent use referred to above. Revised Penal Code, article 188, as amended by Republic Act No. 172 of 1947, section 1.

Prohibition of importation by customs

The importation of articles copying or simulating a trademark on the Principal Register is prohibited. To implement this a trademark owner may register his mark with the Bureau of Customs. Act, section 35.

## Portugal and Macao

Macao is a dependency of Portugal to which Portugese metropolitan law has been extended. The principal trademark law of Macao is thus the principal trademark law of Portugal, which is the Industrial Property Code established by Decree No. 30679 of August 24, 1940.

### Infringement; counterfeiting

Any person who adopts a mark to distinguish the products of his economic activity enjoys the ownership and exclusive right of use thereof, provided that he complies with the statutory requirements, particularly as regards registration. Article 74. It is an infringement to imitate the registered mark of another without his consent.

### Procedure; relief

Actions for infringement are begun in the Tribunais de Comarca from which appeal may be taken to the appropriate Tribunal de Relacoes and thence to the Supreme Tribunal de Justica in Lisbon. Damages and injunctive relief may be awarded. In addition, infringement is punishable as a criminal offense by fine and/or imprisonment. Articles 217 and 218:

The public prosecutor or the interested parties may request searches, examinations, inspections, or any other measures for discovering or verifying the offenses provided for by the Code; the seizure of the involved goods; the confiscation and destruction of instruments for commission of the offense; and the confiscation and destruction of the imitated or counterfeit marks.

The goods seized represent the security for payment of the fines, costs of litigation and compensation. They may, therefore, after evaluation, be awarded to the interested party or sold at public auction, the unlawful marks and other signs or indications having been destroyed beforehand. Where the seizure has not been requested by the public prosecutor, the interested parties must first deposit security. The seizure is revoked and the petitioner required to compensate the damage if he does not institute proceedings within 30 days from the time when the measure was taken or if he does not, within the same period, intervene in the proceedings. Article 228.

### Prohibition of importation by customs

The customs authorities seize on exportation or importation all products bearing infringing marks. Seizure is made ex officio as a preventive measure, by the competent customs authorities, who immediately inform the interested party. The latter may have the preventive seizure revoked. Preventive seizure may subsequently be confirmed or redemanded by the competent judicial authority, at the request of the public prosecutor or of the injured party. Article 229.

### Saudi Arabia

The principal trademark statute in Saudi Arabia is High Decree No. 8762 of 28.7 1358 S.H., as amended by Council of Ministers Resolution No. 66 of June 4, 1974 and Royal Decree No. M/24 of 23.6 1394 S.H. 1/ This statute creates a registration system for trademarks.

#### Infringement: counterfeiting

Any person who forges a registered mark or imitates a registered mark or uses a forged or imitated mark with intent to deceive is an infringer. Article 27(a). It is also an infringement to place a mark owned by another on one's goods in order to deceive. Article 27(b). Finally, it is an infringement to knowingly sell or possess articles bearing a forged, imitated or unlawfully placed trademark. Article 27(c). Counterfeiting clearly comes within these provisions.

#### Procedure: relief

All actions for infringements are brought before the Supreme Commercial Council by the public prosecutor before whom any complaint must be filed in the first instance. Articles 29 and 30. The Council may award damages and levy a fine or imprisonment up to a year upon the infringer. Articles 27 and 31. If the articles bearing the infringing mark have been imported and the actual infringer is not in the Kingdom, the importer is liable in his stead. Article 32. Penalties are doubled for repeat offenses. Article 35. The Council may order the seized goods confiscated and the unlawful marks and any instruments used to apply them, to be destroyed. Article 35. 2/

An owner of a registered mark may as a preliminary measure, apply to the police authorities for a search and seizure, but must initiate an action within 8 days thereafter. Article 34.

#### Prohibition of importation by customs

On application, the customs authorities will conduct a search and seizure as a preliminary to litigation. Article 34.

### Singapore

The principal trademark statute in Singapore is the Trademarks Act, which creates a registration system similar to that of the United Kingdom.

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1/ See, Karam, 2 Business Laws of Saudi Arabia (Graham & Trotman Ltd., London, 1982).

2/ A legal action may also be brought for unfair competition under the pertinent laws. Article 39.



Infringement, counterfeiting

Infringement is defined similarly to the United Kingdom statute, infra.

Procedure; relief

Actions for trademark infringement are begun in the High Court from which appeal may be taken to the Singapore Court of Appeal and thence to the Judicial Committee of the Privy Council in London. The Court may award damages and injunctive relief.

Prohibition of importation by customs

There is apparently no provision for barring infringing imports by customs authorities.

## Taiwan

The principal trademark statute is the Trademark Law, as amended, January 26, 1983. The statute provides a registration system for trademarks. The right to exclusive use of the trademark begins on the date of registration.

Infringement; counterfeiting

Trademark infringement is only generally defined but includes counterfeiting.

Procedure; relief

Actions for trademark infringement are begun in the district court from which appeal may be taken to the High Court and then to the Supreme Court. The Executive Yuan is to coordinate with the Judicial Yuan to establish a special patent and trademark court. Indeed, there are already special courts in the Taiwan High Court, Nos. 12 and 13, designated to hear cases relating to industrial property rights. A major stumbling block to access of U.S. firms to Taiwan courts appears to be on its way to removal. Until recently, only companies registered in Taiwan could sue in Taiwan courts, excluding some U.S. companies that were not registered in Taiwan. In March 1983, the Judicial Yuan gave an advisory opinion that the ROC-USPCN treaty prevails over Taiwan domestic law to permit unregistered U.S. firms to sue. This advisory opinion is not binding, and there are those in Taiwan who dispute its correctness.

The relief generally available for trademark infringement is as follows:

o Article 61 (In case of trademark infringement)

The trademark proprietor may, when the right to exclusive use of a trademark has been infringed by another person, request such infringement be removed. If damages are sustained, he may also claim damages.

The person requesting the removal of such infringement referred to in the preceding paragraph may request that the trademark and all relevant papers used in the commission of infringement be destroyed.

The Trademark Law contains a special provision for infringement of a well-known foreign trademark which is not registered in Taiwan.

o Article 62-1 (Foreign trademark infringement case and its punishment)

A person who, with intent to deceive others, uses a trademark which is identical with, or similar to, a well-known foreign trademark not registered with the Trademark Authority in respect of the same goods or goods in the same class may be punished with imprisonment for not more than 3 years or detention; in lieu thereof, or in addition thereto, a fine of not more than 30,000 Yuan (equivalent to NTD90,000).

The punishment stipulated in the preceding paragraph shall be applicable only where the country of the proprietor of the foreign trademark, by virtue of its law, or by conclusion of a treaty or an agreement with Taiwan, provides reciprocal trademark protection. This shall also apply to agreement concluded between groups or institutions from both countries for reciprocal trademark protection approved by the Ministry of Economic Affairs (MOEA) of Taiwan.

This protection is available only where the country of the trademark owner extends similar privileges to citizens of Taiwan. 1/

Other penal provisions are as follows:

o Article 62 (Trademark infringement and its punishment)

A person whose act falls under any of the following circumstances shall be punished with imprisonment for not more than five years or detention; in lieu thereof, or in addition thereto, a fine of not more than 50,000 Yuan (equivalent to NTD150,000):

(1) Using the device of a trademark which is identical with or similar to that of another person's registered trademark on the same goods or goods in the same class;

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1/ The Board of Foreign Trade (BOFT), Ministry of Economic Affairs is to prepare a list of such internationally known trademarks.

(2) Applying the device of a trademark which is identical with or similar to another person's registered trademark to advertisements, labels, descriptions, quotations or any other documents in respect of the same goods or goods in the same class, and displaying or circulating the advertising materials said.

- o Article 62-2 (Trademark infringement intended and its punishment).

A person who knowingly sells, displays, exports or imports goods specified in the two preceding articles shall be punished with imprisonment for not more than one year or detention; in lieu thereof, or in addition thereto, a fine of not more than 10,000 Yuan (equivalent to NTD30,000).

- o Article 63 (Using another person's trademark as trade name and its punishment).

Where a person using the name of another person's trademark malafide as a specific portion of the name of his own company or trade firm and conducting business in connection with the same goods or goods in the same class fails to apply for change of the name on the register despite a request for such change has been made by an interested party, he shall be punished with imprisonment for not more than one year or detention, in lieu thereof a fine of not more than 2,000 Yuan (equivalent to NTD6,000).

In addition to these penal provisions, the trademark infringer may be liable for damages and enjoined from further infringement. Law, article 61. Forfeiture of the articles involved may be imposed for contraventions of these penal provisions. Law, article 62-3. In addition the trademark owner may require him to publish the court's decision in local newspapers at his own expense. Law, article 65. Damages are provided for as follows:

- o Article 64 (Presumption on damages sustained).

The following shall be presumed to be damages sustained due to infringement upon the right to exclusive use of a trademark:

(1) The amount of profits which the infringer has derived from the act of infringement;

(2) The decreased portion due to the infringement in the amount of profits which the trademark proprietor normally derives from the use of his registered trademark.

As of June 1983, the Taiwan Government reported 90 criminal trademark counterfeiting decisions, compared with 178 for all of 1982. In other words, the decision rate remains about the same. However, there is a considerable difference in sentencing. As of June 1983, imprisonment was ordered in 71 of the 90 cases, compared with 94 in all of 1982. Fines were levied in only 16 cases as of June 1983, compared with 79 in all of 1982.

It is apparently possible to have the police authority conduct a raid on a suspected infringer's premises to obtain evidence. This is done by filing a complaint with the police authority which then obtains a search warrant from the district attorney's office.

The Executive Yuan through the Judicial Yuan is to request the judicial authorities to expedite all counterfeiting cases, impose more severe punishment, and impose sentences of longer than 6 months to avoid the possibility of buying out by a nominal fine.

An anticounterfeiting committee has been established by the MOEA. It is composed of MOEA agencies and representatives from the Ministry of Justice and police units. Its function is to collect information on counterfeiting and to facilitate counterfeiting investigations. It has the power to refer cases to the courts or to the Board of Foreign Trade. From January 1982 to June 1983, the Committee referred 72 cases to the courts. In addition, as a prerequisite to obtaining an export permit, regulations require presentation to the Board of Foreign Trade evidence of ownership of any trademark registered in Taiwan if it is applied to the involved articles or the buyer's right to use the trademark if it is registered in a foreign country. In any event, all exports must be marked "made in Taiwan." Intentional violation of these rules may result in this withdrawal of all export privileges. As of August 1983, the Board had considered 34 cases, compared with 45 for all of 1982. A penalty was levied in 32 of these cases, compared with 44 in 1982.

#### Prohibition of importation by customs

There is apparently no provision for prohibition of imports by customs. However, the customs authorities assist in implementing the BOFT export regulations by spot checks, referring cases to the anticounterfeiting committee.

### United Kingdom

The principal trademark law is the Trade Marks Act, 1938, as amended. It provides for a two-tier registration system. The owner of a registration has the exclusive right to use the mark in relation to the goods of the registration.

#### Infringement; counterfeiting

The register is in two parts: Part A (distinctive marks) and Part B (marks capable of distinguishing). Infringement of a Part A mark is defined as the use of a mark identical or so nearly resembling the registered mark on the goods of the registration in a manner likely to be taken as use as a trademark or use in advertising by a person having the right to use the mark on the goods. Act, section 4. The owner of a Part B registration has the same rights as a Part A registration except that there is an affirmative defense that there is no likelihood of confusion because people do not believe there is a connection between the goods and someone having the right to use the mark, i.e., that the Part B registered mark is not a mark at all. Act, section 5.

### Procedure; relief

Actions for trademark infringement are usually begun in the Chancery Division of the High Court by a writ served on the defendant, who must answer. The plaintiff then serves a statement of claim, and the defendant files his defense, after which procedures for discovery and the trial schedule are set out by court order. Discovery is similar, but not nearly as extensive, as discovery in civil litigation in the United States. The trial itself is quite similar to trials in civil actions in the United States. Decision of the High Court are appealable to the Court of Appeals and then to the House of Lords.

Damages and injunctive relief may be awarded, and any infringing products possessed by the defendant may be ordered altered or destroyed. Injunctive relief may also be granted to restrain exportation of infringing goods if deception or confusion abroad is likely. Costs may be awarded on a fixed schedule at the discretion of the court.

A preliminary injunction may be awarded on terms similar to those in the United States. The court may order such relief ex parte and may also issue ex parte search and seizure orders as well as orders intended to freeze defendants' assets.

### Prohibition of importation by customs

A trademark owner may request the Customs and Excise to bar infringing imports.

