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# World Intellectual Property Organization

## WIPO Convention

### Accession

#### SOMALIA

The Government of Somalia deposited, on August 18, 1982, its instrument of accession to the Convention Establishing the World Intellectual Property Organization, signed at Stockholm on July 14, 1967.

Somalia will belong to Class C for the purpose of establishing its contribution towards the budget of the WIPO Conference.

The said Convention will enter into force, with respect to Somalia, on November 18, 1982.

WIPO Notification No. 120, of August 19, 1982.

## WIPO Meetings

### International Patent Cooperation (PCT) Union

#### I

#### PCT Committee for Administrative and Legal Matters

First Session  
(Geneva, September 6 to 10, 1982)

#### NOTE\*

The PCT Committee for Administrative and Legal Matters, of which all States party to the PCT as well as the International Searching Authorities and the International Preliminary Examining Authorities are members, held its first session in Geneva from September 6 to 10, 1982.

The following members of the Committee were represented at the session: (i) the following 19 States, members of the International Patent Cooperation Union (PCT Union): Australia, Austria, Belgium, Brazil, Cameroon, Denmark, Finland, France, Germany (Federal Republic of), Japan, Liechtenstein, Luxem-

bourg, Netherlands, Norway, Soviet Union, Sweden, Switzerland, United Kingdom, United States of America; (ii) the European Patent Office, in its capacity as International Searching and Preliminary Examining Authority.

The following five States, members of the International Union for the Protection of Industrial Property (Paris Union), participated in the session as observers: Ghana, Mexico, Republic of Korea, Spain, Trinidad and Tobago.

The following six international non-governmental organizations were represented by observers: Committee of National Institutes of Patent Agents (CNIPA), European Federation of Agents of Industry in Industrial Property (FEMIP), International Association for the Protection of Industrial Property (IAPIP), International Chamber of Commerce (ICC), International Federation of Industrial Property Attorneys (FICPI), Union of Industries of the European Community (UNICE).

The list of participants follows this Note.

The Assembly of the PCT Union, at its seventh session, held in Geneva from June 29 to July 3, 1981, asked the International Bureau to carry out a study of possible improvements to the Patent Cooperation Treaty, particularly the PCT Regulations (see *Industrial Property*, 1981, p. 224).

The Assembly, at its eighth session, held in Geneva from November 16 to 24, 1981, noted with approval a communication by the Director General of WIPO that

\* Prepared by the International Bureau.

the program would not provide for the convocation of a diplomatic conference. Consequently, no proposal was made for any amendment that would require decision by a revision conference. The study was limited to possible modifications of time limits (fixed in Articles 22(2) and 39(1)(a) of the PCT) which may be effected by the Assembly without a revision conference and to amendments to the Regulations, whose amendment is the Assembly's responsibility.

For preparing the session of the Committee, the International Bureau discussed, in a meeting with representatives from interested non-governmental organizations, held in Geneva on April 1 and 2, 1982, the first results of the study undertaken by it. In making its proposals to the Committee, the International Bureau took into account proposals received in particular from those organizations.

The most important proposals that were put before the Committee are intended to achieve the following goals:

(i) making the procedure during the international phase under Chapter I of the PCT safer and simpler for the applicant; for example, some proposals are aimed at giving the applicant the means to ensure, in a simpler way than under the existing Rules, that he will not lose his international application because the record copy has not reached the International Bureau in due time; other proposals are aimed at allowing the extension of time limits fixed by the receiving Office and at obliging that Office to excuse trivial errors whose correction it asked for but did not receive; further proposals, dealing with the procedure under which the applicant may amend the claims during the international phase, are aimed at giving him more time to do so, at giving him the possibility to file the amendments through the intermediary of the receiving Office or the International Searching Authority, at giving him the possibility to state more in his explanations of amendments and at permitting him to submit the amendments in the language of publication only; certain other proposals are aimed at making more liberal the rules concerning the rectification of errors and mistakes in documents;

(ii) making the procedure during the international phase under Chapter II of the PCT more attractive for the applicant; for example, some proposals are aimed at giving the applicant more opportunities to present arguments to the International Preliminary Examining Authority and at making longer the time limit for establishing the international preliminary examination report in certain cases;

(iii) simplifying the tasks of the international authorities running the operations under the PCT;

(iv) making it safer and simpler for the applicant to enter the national phase; for example, some proposals are aimed at fixing at 20 months from the priority date the time limit for entering the national phase in designated States where the International Searching Authority declares that no international search report will be

established, and at fixing at 30 months from the priority date the time limit for entering the national phase in elected States; other proposals are aimed at making it clear that certain requirements for entering the national phase are not allowed under the PCT, and that certain other requirements to be complied with during the national phase must be complied with by the applicant only after entering the national phase and only after being invited to comply with them; further proposals are aimed at reducing the scope of the translations that the applicant has to furnish when entering the national phase; still other proposals are aimed at making it clear in which cases Contracting States must excuse delays in meeting time limits;

(v) including certain patent documents published in the Spanish language in the PCT minimum documentation and including the Spanish language among the languages of international publication of international applications;

(vi) simplifying the wording of certain Rules and deleting some obsolete Rules.

Altogether, the proposals put before the Committee affect two Articles of the Treaty and more than 40 Rules of the Regulations.

The Committee considered the proposals and advised the International Bureau on them.

The Committee will be convened for a second session in early 1983 and will receive for that session a revised set of proposals from the International Bureau. The revisions will take into account the recommendations of the participants of the Committee. They will also include proposals concerning the transfer of some Rules or parts of Rules to the Administrative Instructions.

Depending on the results of the second session of the Committee, the Assembly of the PCT Union could probably be convened in late 1983 for a special session to consider the proposals for amendment of the Treaty and the Regulations emanating from the ongoing study.

## LIST OF PARTICIPANTS\*

### I. Members of the Committee

**Australia:** K. Widdows. **Austria:** N. Marterer. **Belgium:** P. Ceuninck. **Brazil:** E. Cordeiro. **Cameroon:** N. Fomekong. **Denmark:** J. Dam. **Finland:** E. Häkli. **France:** G. Rajot. **Germany (Federal Republic of):** U. C. Hallmann. **Japan:** H. Goto; S. Ono. **Liechtenstein:** A. F. de Gerliczy-Burian. **Luxembourg:** F. Schlessler. **Netherlands:** S. de Vries. **Norway:** P. T. Lossius; I. Lillevik. **Soviet Union:** S. N. Afanassiev. **Sweden:** G. Borggård; E. Tersmeden; P. Lindh; B. Sandberg. **Switzerland:** M. Leuthold. **United Kingdom:** A. Sugden; J. Sharrock. **United States of America:** H. D. Hoinkes; L. O. Maassel. **European Patent Office (EPO):** U. Schatz; L. Gruszow.

\* A list containing the titles and functions of the participants may be obtained from the International Bureau.

## II. Observer States

Ghana: A. J. B. McCarthy. Mexico: F. J. Cruz González. Republic of Korea: S. H. Kim. Spain: J. Delicado Montero-Rios; S. Jessel. Trinidad and Tobago: M. Lashley.

## III. International Non-Governmental Organizations

Committee of National Institutes of Patent Agents (CNIPA): R. P. Lloyd. European Federation of Agents of Industry in Industrial Property (FEMIP): F. A. Jenny. International Association for the Protection of Industrial Property (IAPIP): G. R. Clark; G. E. Kirker. International Chamber of Commerce (ICC): J. M. W. Buraas. International Federation of Industrial Property Attorneys (FICPI): H. Bardehle; F. W. Lenz. Union of Industries of the European Community (UNICE): F. Thierri.

## IV. Officers

Chairman: G. Borggård (Sweden). Vice-Chairmen: H. D. Hoinkes (United States of America); S. N. Afanassiev (Soviet Union). Secretary: B. Bartels (WIPO).

## V. International Bureau of WIPO

A. Bogsch (Director General); K. Pfanner (Deputy Director General); F. Curchod (Director, PCT Division); J. Franklin (Deputy Head, PCT Division); B. Bartels (Head, PCT Legal Section); D. Bouchez (Head, PCT Publications Section); N. Scherrer (Head, PCT Fees, Sales and Statistics Section); V. Trousov (Senior Counsellor, PCT Legal Section); T. Hirai (Examination Procedures Officer, PCT Examination Section).

## II

### Assembly

Ninth Session  
(6th Extraordinary)

(Geneva, September 10, 1982)

### NOTE\*

The Assembly of the International Patent Cooperation Union (PCT Union) held its ninth session (6th extraordinary) in Geneva on September 10, 1982.

Nineteen of the 32 Contracting States were represented at the session: Australia, Austria, Belgium, Brazil, Denmark, Finland, France, Germany (Federal Republic of), Japan, Liechtenstein, Luxembourg, Monaco, Netherlands, Norway, Soviet Union, Sweden, Switzerland, United Kingdom, United States of America.

Four other States participated in the session as observers: Ivory Coast, Mexico, Republic of Korea, Trinidad and Tobago.

One intergovernmental organization, the European Patent Organisation (EPO), and the following three

international non-governmental organizations were represented by observers: Committee of National Institutes of Patent Agents (CNIPA), International Association for the Protection of Industrial Property (IAPIP), International Federation of Industrial Property Attorneys (FICPI).

The list of participants follows this Note.

New amounts of the fees set out in the Schedule of Fees annexed to the PCT Regulations were fixed by the Assembly as from January 1, 1983. They are, in Swiss francs, approximately 7½% higher than the fees applicable in 1982.<sup>1</sup>

<sup>1</sup> The amended Schedule of Fees appears in this month's *Industrial Property Laws and Treaties* (see MULTILATERAL TREATIES—Text 2-007, p. 080).

## LIST OF PARTICIPANTS\*

### I. Member States

Australia: K. Widdows. Austria: N. Marterer. Belgium: P. Ceuninck. Brazil: E. Cordeiro. Denmark: J. Dam. Finland: E. Häkli. France: G. Rajol. Germany (Federal Republic of): U. C. Hallmann. Japan: H. Goto; S. Ono. Liechtenstein: A. F. de Gerliczy-Burian. Luxembourg: F. Schlessler. Monaco: E. Franzi. Netherlands: S. de Vries. Norway: P. T. Lossius; I. Lillevik. Soviet Union: S. N. Afanassiev. Sweden: G. Borggård; E. Tersmeden; P. Lindh; B. Sandberg. Switzerland: M. Leuthold. United Kingdom: A. Sugden; J. Sharrock. United States of America: L. O. Maassel; H. D. Hoinkes.

### II. Observer States

Ivory Coast: K. Zobo. Mexico: F. J. Cruz González. Republic of Korea: S. H. Kim. Trinidad and Tobago: M. Lashley.

### III. Intergovernmental Organizations

European Patent Organisation (EPO): U. Schatz.

### IV. International Non-Governmental Organizations

Committee of National Institutes of Patent Agents (CNIPA): R. P. Lloyd. International Association for the Protection of Industrial Property (IAPIP): G. R. Clark. International Federation of Industrial Property Attorneys (FICPI): H. Bardehle.

### V. Officers

Chairman: G. Borggård (Sweden); Secretary: F. Curchod (WIPO).

### VI. International Bureau of WIPO

A. Bogsch (Director General); K. Pfanner (Deputy Director General); F. Curchod (Director, PCT Division); B. Bartels (Head, PCT Legal Section); M. Lagesse (Controller, Administrative Division); N. Scherrer (Head, PCT Fees, Sales and Statistics Section).

\* A list containing the titles and functions of the participants may be obtained from the International Bureau.

\* Prepared by the International Bureau.

## Special Studies

### Protection Against Piracy in the Field of Industrial Property

Studies by: E. D. Aracama Zorraquín, D. T. Carlisle,  
R. Franceschelli, P. D. Siemsen and J. A. Faria Correa,  
A. Thrierr and W. N. Walker

#### INTRODUCTION

The problem of piracy in the field of industrial property has, according to interested circles, assumed critical proportions. The most prevalent manifestation is that of trademark counterfeiting, that is, affixing a false trademark to a product and marketing that product as if it were the genuine product of the trademark owner. Although trademark counterfeiting typically occurs with respect to luxury goods, many basic commercial and industrial products, such as spare parts for automobiles and airplanes, pharmaceuticals, medical apparatus, agricultural chemicals and electric components, have also been affected.

Industrial property piracy—and seeking means of protection against it—was a major subject of discussion at a recent informal meeting, convened by the Director General of WIPO, of international non-governmental organizations essentially concerned with industrial property. In response to the concern expressed at that meeting, and in order to lay a foundation for potential future WIPO action, WIPO invited several renowned scholars and practitioners to contribute studies on the subject. Their contributions, which reflect the significance of the problem and describe several possible approaches to solving it, appear below.

#### Trademark Piracy in Argentine Law

E. D. ARACAMA ZORRAQUÍN\*

##### I

The prevention and repression of piracy in connection with trademarks and trade names has for a long time been a subject of definite concern for Argentine lawyers, legislators and courts.

If we consider Argentine legislation in the light of the writings of national authors and the decisions of the federal courts, we note that there is an arsenal of legal remedies in Argentina for the punishment of acts of piracy, of which repeated use has moreover been made by the country's courts.

\* Attorney at Law; Professor at the Argentine Catholic University and the University of Buenos Aires; Honorary President of the Inter-American Association of Industrial Property (ASIPI).

##### II

The principal legal provisions applicable to this subject area are the following:

(a) Sections 3(h), 4, 24(b) and 29 of Law No. 22,362 on Trademarks and Designations;\*\*

(b) Sections 21, 953, 954, 1071, 1198 and 2514 of the Civil Code, which codify a set of moral standards and punish acts contrary to it, such acts including acts of piracy;

(c) Sections 1904, 1909, 1911 and 1918 of the Civil Code, which establish the agent's obligations towards his principal;

(d) Law No. 18,248 on the Names of Persons, Section 21;

(e) Paris Convention for the Protection of Industrial Property (Lisbon Act), incorporated in Argentine legislation by Law No. 17,011, Articles 6<sup>bis</sup>, 6<sup>septies</sup> and 10<sup>bis</sup> (1), (2) and (3).

\*\* See *Industrial Property Laws and Treaties*, ARGENTINA—Text 3-001.

## III

It is worth mentioning the evolutionary path that Argentine case law has followed over the years with respect to the punishment of acts of unfair competition.

In the beginning, the following provision of Section 41 of Law No. 3,975, now repealed, was applied with excessive zeal:

"In order that foreign marks may enjoy the guarantees afforded by this Law, they shall be registered in accordance with its provisions. The proprietors thereof, or their duly authorized agents, are the only persons who may apply for registration."

The registration of the marks "PHOEBE SNOW"<sup>1</sup> and "BON AMI"<sup>2</sup> was thus denied on the grounds that "ownership of a mark originates not in registration or use in the country that granted or recognized it, but rather in compliance, before the administrative authorities of the Republic, with the provisions written into the applicable law," and that, inasmuch as the Law's requirements had not been fulfilled, the right that it conferred was lacking.

This case law, which inflexibly upheld the grant system of Law No. 3,975, was soon to be amended. The courts realized that the fact of not recognizing trademark rights on the basis of use led to situations contrary to the elementary principles of justice and equity, and began to build up, parallel to the registration-based system of Law No. 3,975, a system which, under certain conditions, protected trademarks that were used but not registered.

In 1928, in *Müller v. Schvenberg*,<sup>3</sup> the Federal Judge of Buenos Aires upheld an opposition based on prior use of an unregistered trademark, saying that:

"... while the use of designs indeed does not produce the effects of a registered trademark—this being an elementary principle of our law—we clearly have to bear in mind, in the case of trademark applications, the doctrine so frequently applied by the undersigned, namely that in this field the range of imagination is unlimited, and that consequently there is no reason to allow a design to be used that is identical or very similar to one widely used by another firm for goods similar or comparable to those of its competitor...."

This attitude was borne out later in *Mariani e Hijos v. International Harvester Co.*,<sup>4</sup> where the latter's opposition to the registration of a trademark applied for by the former on the grounds of prior use of a similar mark was allowed in view of the fact that:

"Even though use does not confer rights, the good faith that has to prevail in trade dictates that the registration of a trademark should be refused when it is like that claimed by the plaintiff to distinguish goods similar to those of the defendant and, in view of those characteristics, would be misleading."

As we see, in these first rulings the divergence in the application of Law No. 3,975 is based on reasons of a moral nature. Recently, in the case of *Sociedad Auxiliar*

*Fabril, Agrícola y Comercial (S.A.) v. Couzier y Cia.*, this divergence was given legal foundation by invocation of the provisions of Section 953 of the Civil Code, which declares null and void any legal act—which the registration of a trademark is<sup>5</sup>—that prejudices the rights of a third party.

The circumstances that gave rise to the ruling<sup>6</sup> were broadly the following: the defendants, Couzier y Cia., objected to the plaintiff registering the mark "LA GUARANY" on the grounds that they had been the owners of the mark and had sold goods under it for more than 30 years.

The Supreme Court, in accepting the opposition, said the following:

"One cannot understand what lawful grounds might be claimed by a person who arranges to give the products of his industry or trade trademark protection, in order to distinguish them from similar products and establish a public reputation for himself, by registering a mark that has been used for 30 years on other products (*C.S. Fallos* (Decisions of the Supreme Court), vol. 163, p. 11).

"It is not rash to say that this decision is made in an attempt to win over the goodwill attaching to the mark, but goodwill is precisely a form of property, in other words a commodity possessed of an intrinsic value, which in the case in point, according to the evidence provided, is the work of more than 20 years of commercial exploitation. Its use by another person is therefore unjustified enrichment and a legal act contrary to fair practice (Civil Code, Section 953); *malitus hominum non est indulgendum* was a principle of Roman law."

This reasoning was subsequently repeated in cases involving the marks "PHILCO,"<sup>7</sup> "HERMÈS,"<sup>8</sup> "SUMMER SPORTEX/WINTER SPORTEX,"<sup>9</sup> "STOP-SKAE,"<sup>10</sup> "LANDISY-GYR,"<sup>11</sup> "PAGÉ,"<sup>12</sup> "TOLEDO,"<sup>13</sup> "RÉMY,"<sup>14</sup> "BURD,"<sup>15</sup> "CEBRA,"<sup>16</sup> etc.

In all the above cases, acts of piracy were punished in defense of the capital asset constituted by goodwill.

"Exploitation of the mark for a number of years," said the Supreme Court,<sup>17</sup> "has constituted goodwill which is a *sui generis* form of capital, a genuine form of property

<sup>5</sup> Aracama Zorraquin, Ernesto D., "Del Término de Prescripción de la Acción de Nulidad de Registros de Marcas" in J.A. 1956-1, Sección Doctrina, p. 53.

<sup>6</sup> *Sociedad Auxiliar Fabril Agrícola y Comercial (S.A.) v. Couzier y Cia.*, J.A.V. 57, p. 348.

<sup>7</sup> *N.V. Philip's Gloeilampen Fabrieken v. Philadelphia Storage Battery Co.*, J.A., 70, p. 30.

<sup>8</sup> *Hermès de Paris S.A. v. Hermès Soc. de Resp. Ltda.*, J.A.T. 74, p. 555.

<sup>9</sup> *Dormeul Frères c. G. Hernández y Cia.*, Pat. y Marcas, 1943-143, et seq.

<sup>10</sup> *Micheli y Vidal v. Harry Potts Scott*, Pat. y Marcas 1942-129.

<sup>11</sup> *Landis y Gyr, S.A. v. Sosa, Juan C.*, Pat. y Marcas 1945-449.

<sup>12</sup> *Manufactura de Artigos de Borracha e Plastigos "Pagé," S.A. v. Sociedade Manufacturera de Artefactos de Borracha e Ebonite Ltda.*, Pat. y Marcas 1947-548.

<sup>13</sup> *Toledo Steel Products v. Marrugat Hnos.*, Pat. y Marcas 1950-117.

<sup>14</sup> *Ginso, Alejandro v. Société Anonyme des Usines Rémy*, La Ley, T. 57-188.

<sup>15</sup> *Segarra, Ricardo v. Borg Warner Corporation*, La Ley, T. 67, p. 4.

<sup>16</sup> *Abdala y Cia. v. Jakab, José*, J.A. 1957-IV-397.

<sup>17</sup> *N.V. Philip's Gloeilampfabrieken v. Philadelphia Storage Battery Co.*, J.A., 70, p. 32.

<sup>1</sup> *Semasco y Bienenfeld v. A.C. Mayer (Northam Wanen Corporation)*, Pat. y Marcas 1917-172, Jurisprudencia Argentina. T. I. — 364.

<sup>2</sup> *The Bon Ami Co. (S.A.) v. Feeney & Cia.*, Jurisprudencia Argentina 1923-686 y 1924-5.

<sup>3</sup> Jurisprudencia Argentina 1929-661.

<sup>4</sup> Jurisprudencia Argentina, T. 44, p. 460.

possessed of an intrinsic value, and this capital asset, which is the result of years of commercial work, may not be used by another person as it would be if a mark were allowed that was so nearly identical as to lead the consumer to believe that the product was the same, with a small variation in the distinctive sign, without this constituting unjustified enrichment and thereby a legal act contrary to fair practice."

The existence of goodwill and of goodwill in Argentina was in all the above cases the essential prerequisite for upholding the action. Where there was no established goodwill, the action of the owners of the foreign marks was not allowed. Conclusive proof of this is provided by the cases involving the "CAMLEY,"<sup>18</sup> "TATRA,"<sup>19</sup> "AUTOPOINT,"<sup>20</sup> and "FLEXIN"<sup>21</sup> marks.

Obviously it does sometimes happen that foreign trademarks that have not been exploited commercially within the country are unlawfully registered.

Those who proceed in this way have had knowledge of the foreign mark in a number of ways: publications in internationally available reviews, in catalogs or price lists, information acquired during travel, etc., and through exploitation of the shortcomings of the system of Law No. 3,975; the foreign mark is then registered for use in negotiations whenever the situation should arise, either to effect assignment or to secure a cash payment or the commercial representation of the owner of the foreign mark.

According to the case law mentioned above, if the mark was not exploited commercially in the Republic, action for invalidation of the Argentine registration could not be allowed for want of the required existence of goodwill.

However, our courts, in a second move to repress piracy, dispensed with the requirement imposed on competitors that goodwill should exist in the country in cases where it was shown that whoever unlawfully registered the foreign mark in Argentina was aware of the existence of that mark abroad and of its application to specific products.

The case of *Moto Garelli Società per Azioni v. Remo R. Bianchedi*<sup>22</sup> caused us to hasten this jurisprudential development.

Moto Garelli S.p.A is an Italian firm of world standing that was manufacturing portable motors for cycles that were sold abroad—not in Argentina—under the "MOSQUITO" trademark.

<sup>18</sup> *The Camley Engineering Company Ltd. v. Luis Adolfo Taboada*, Boletín de la Asociación Argentina de Agentes de la Propiedad Industrial, September 1955, p. 239.

<sup>19</sup> *Rousek, Miroslav v. Tatra National Corporation*, Pat. y Marcas 1952-129.

<sup>20</sup> *Autopoint Company v. Geller Hnos.*, Pat. y Marcas 1952-96.

<sup>21</sup> *Instituto Sidus, S.A. v. Johnson & Johnson*, decision of July 21, 1965, not yet published.

<sup>22</sup> *Moto Garelli S.p.A. v. Bianchedi, Remo R.*, Pat. y Marcas 1951-73 and 1952-15.

At a certain time it exported a certain quantity of motors bearing this mark to Argentina, whereupon they were seized by the defendant, who had had the "MOSQUITO" trademark registered in his name. When all the verifications required by the case had been made, it transpired that Bianchedi, before registering the "MOSQUITO" mark in Argentina, had acquired ten such miniature motors bearing the mark from the plaintiff. This acquisition proved Bianchedi's knowledge of the foreign mark and resulted in his registration being invalidated.

"Situations like the one before us," said the Federal Judge of Buenos Aires, "which violate the most elementary standards of commercial conduct, have led our courts to apply, as a remedy for abuses in such cases, the ethical standards provision contained in Section 953 of the Civil Code. Once again its application in a trademark matter will restore legitimate rights, and this is what must happen here."

A similar case, in which account was taken not of the fact that the goods bearing someone else's trademark were sold in this country but rather of the fact that the foreign mark was known to the national owner, was ruled upon by the Federal Chamber of Buenos Aires in *Ghiringhelli (S.A.) v. Eduardo Bigio*.<sup>23</sup>

The basic elements of the first-instance proceedings, which were subsequently confirmed by the Chamber, established precisely the doctrine of repression of trademark piracy. They were put as follows:

"All trademark protection relies on the principle of fair dealing in trade; precisely in order that there may be no confusion between goods manufactured by different firms, the trademark is imposed as an identifying element and as a sign of commercial morality. That, moreover, is why use must not be made of similar signs or marks that cause or are liable to cause the original confusion which, by definition, they are intended to prevent. Although in principle the sphere of protection of marks is territorial, the good faith that should preside over national and international trade relations nevertheless transcends national frontiers; good faith knows no territorial limits as it is unacceptable that any person should appropriate what does not belong to him, whether the owner of the violated property has his domicile within the country or abroad. The proof of this is that in such cases it is not that trademarks in themselves have to be protected, but rather that the ethics of fairness and good faith are respected in international trade relations."

The court added:

"It cannot be in conformity with either the law or morality or fair practice when, on the pretext of complying with the formal requirements of Argentine legislation, a trader or industrialist or farmer from this country appropriates someone else's name or trademark, even though that name or trademark may not comply, in the Republic, with the conditions determining validity, as it is not a question of judging whether or not the mark registered abroad may be invoked here, but rather one of judging the conduct of the person who, in violation of ethical principles, has appropriated someone else's denomination. This is the rule that must be applied to safeguard the specific interests of consumers and also of producers and traders and international interchange, for if it were not so, it would be possible to authorize unfair competition when, for reasons of frontier or owing to territorial limitations, the injured party would not be able to invoke the provisions of the relevant Argentine law.

"It has thus been accepted that, if goods protected by foreign trademarks have been introduced and distributed in this country, they also have to be given protection here when an ill-intentioned person tries to appropriate the signs that serve to identify them. It is a

<sup>23</sup> D.J.A. No. 2421 of December 20, 1965.

question of applying a general principle which, without any doubt, allows the protection of the sign when, without the foreign product actually entering the country, the person who appropriates the trademark that serves to distinguish the product does so in full knowledge that it belongs to someone else...."

The development of case law did not end at this point, however.

It happens in certain cases that it is impossible to prove not only the existence of local goodwill but also the knowledge that the third party had of the foreign trademark, because he will have taken good care to leave no trace of his action.

It is equally true, however, that there is no perfect crime and that, as Pouillet<sup>24</sup> points out, "slavish imitation betrays culpable intent." The fact of the trademark registered within the country being identical with the one registered abroad, above all in the case of complex or composite marks, is a demonstration of the bad faith of the party effecting the national registration and grounds for the invalidation of his registration.

The "VACA QUE RIË" case, in which, in defense of Fromageries Bel S.A., the invalidation was secured of the registration of a trademark consisting of blatant copying of the French mark reaffirms this new step forward made by Argentine case law in its fight against trademark piracy.

In this case it was neither claimed nor proved that the "VACHE QUI RIT" trademark had been exploited in Argentina, still less, that it had won any goodwill there. Neither was it claimed or proved that the Argentine owner of the mark had had connections with the foreign firm. It was merely stated that the Argentine mark was an accurate copy of the foreign mark, and that this copy or imitation revealed that the owner of the Argentine mark was aware that the mark he had registered was someone else's.

The Federal Chamber of Buenos Aires, in declaring the invalidation of the Argentine registration, and thereby reversing the ruling of the first-instance court, said the following:

"The lower court, while admitting that the defendant openly and blatantly copied the plaintiff's trademark in all its elements, contends that copying alone does not on its own constitute an act of unfair competition on the part of the copier if, in the light of the circumstances, it appears that he was not motivated by the desire to attract to himself the goodwill of the owner of the mark copied. That is where our disagreement mainly lies: we do not consider the absence of this motive sufficient to preclude application of the principle written into Section 953 of the Civil Code, which we once described as an excellent one. It is sufficient for the legal act to be contrary to fair practice for the law not to recognize its validity, and we fail to see how the unlawfulness of copying can ever be questioned. We would moreover reiterate another, much-quoted concept: an unlawful act cannot confer any right on the person who commits it. On the basis of these principles, the defendant can hardly seek shelter behind the rights that Law No. 3,975 (*Adla*, 1889, 1919, 499) grants the owner of the registration of a trademark if he has secured the mark by first copying another trader's mark, albeit foreign. We do not accept that Argentine law should protect only registrations effected within the country, and allow the slavish copying of marks registered abroad, with the possibility of thereby taking possession of the commercial prestige won by the goods identified by the latter mark. We have already said many times that the provisions of Law No. 3,975 are to be used in conjunction with the others that

make up our legal system, especially those of the Civil Code that govern legal acts and their subject matter.

"If the copier cannot derive any right from his copying, it is obvious that the defendant cannot seek protection in his registration, and, as the act by which he secured it is null and void, owing to its violation of the said Section 953, the trademark owned by him is irremediably null and void."<sup>25</sup>

The Supreme Court, confirming the Chamber's ruling, added the following:

"In the view of the Court, it has to be said that the mere slavish copying of a foreign trademark, with the possibility of taking advantage of the prestige of the goods distributed under it... is not lawful. Account is thus taken of fair trading practice and the interests of the consuming public, which are also protected by trademark law [this is borne out by *C. S. Fallos*: 248:471].

"... The foregoing conclusion is prevented neither by territoriality, nor by the special character or scope of protection afforded by trademark law, because such characteristics are not an obstacle to the validity of the legal principles underlying the judgment rendered, given the circumstances of the case that has been specifically mentioned...."

A ruling on the same lines was subsequently handed down by the Chamber in *Splenser, Carlos v. Bancroft & Sons Co.*<sup>26</sup> In this case the Chamber allowed an opposition that had been filed by Bancroft against Splenser's use of designs similar to those on the basis of which the former had built up goodwill abroad, on the grounds that Splenser's action was "unlawful inasmuch as it involves the slavish copying of a design that had won prestige abroad as a trademark, which is contrary to fair practice, because, as this same Chamber ruled in the case of *Fromageries Bel S.A. v. Ivaldi, Enrique*, the motive does not necessarily have to be unlawful for the aforementioned Section 953 to be applicable in trademark matters: it is sufficient for there to be action that can be considered unlawful, such as the slavish copying of a foreign mark, this criterion having been expressly ratified by the Supreme Court of Justice (on July 23, 1962), in its confirmation of the judgment referred to, which we also consider applicable to the present case owing to the similarity of the circumstances."

As will be gathered from these cases, the most recent development of Argentine case law on the repression of trademark piracy does not require either the existence of local goodwill or a disloyal motive on the part of the national applicant for or holder of someone else's trademark. It adopted an objective criterion: similarity to or copying of the foreign mark is sufficient for the national mark to be declared invalid, without it being necessary to demand an analysis of conduct, which is not always easy to make.

This objective criterion was clarified and repeated in *Yoshida Kogio Kabushiki v. Oshiro S.R.L.* (case 5614 — Federal Chamber of Buenos Aires, Chamber I, July 29, 1977), when the following was said:

"According to the result of the inspection of reports produced by Roseda S.A., this firm devoted itself during that period to the sale of textiles and fabrics, these items having been expressly included in the plaintiff's main activity since its establishment in 1925, and protected by its 'MONTAGUT' mark by virtue of registrations effected as from 1955 in France, South Africa, Sweden and the United Kingdom.

<sup>24</sup> Pouillet, E., *Traité des Marques de Fabrique et de la Concurrence Déloyale*, 6th ed., Paris 1912, No. 306, p. 281.

<sup>25</sup> *Fromageries Bel S.A. v. Ivaldi, Enrique*, *La Ley*, T. 107, p. 70.

<sup>26</sup> Federal Chamber of Buenos Aires, June 26, 1963.

"It is therefore difficult to accept—even if one does accept the lack of proof of any use of the trademark in our Republic prior to the assignment effected in 1965—that the choice of the mark by Pylsa, specialists in the securing of registrations, and its subsequent transfer to Roseda, working in the textile trade, should be attributed to a 'near-miraculous chance,' according to the expression used by the distinguished former judge of this Chamber, Dr. José F. Bidau, voting on the judgment in *Fromageries Bel S.A. v. Ivaldi, Enrique*," which decision was upheld by the Supreme Court" (both rulings are published in *C. S. Fallos*: 253:267).

Similarly, in *Bonnerie Cevalone S.A. v. Roseda S.A. and Pylsa Privilegios y Licencias Internacionales*, (Federal Chamber of Buenos Aires, Chamber I, case 8823, dated March 14, 1980), the following was said:

"It should in any event be added in this connection, without thereby contributing to the further development of the subject, which is unnecessary in view of the acceptance of the invalidation, that, for the action of the defendants to come under the prohibition in Section 953 of the Civil Code, there is no need for definite proof of an unlawful motive; it is sufficient for that purpose that a form of conduct be demonstrated that, *objectively*, could appear to be unlawful, and this is manifested when the copying of a foreign trademark is involved (apart from the precedent cited, see Civil and Commercial Chamber (currently the only one), case 20092, *Carlos Splenser v. Joseph Bancroft & Sons Co.* June 26, 1963; [this Chamber, cases 5614 and 7769, July 29, 1977, and April 24, 1979, respectively]. For the existence of a type of act contrary to fair practice and prohibited by Section 953 of the Civil Code, even without bad faith being involved, is not inconceivable (Supreme Court, *C. S. Fallos*: 258:249, second *considerando*; this Chamber, cases 6327 and 6387, dated May 31, 1978, and September 29, 1978, respectively, among others)."

An identical ruling was handed down by the Federal Chamber of Buenos Aires, Chamber I, case 129, *Fratelli Fila v. Cueros Artesanales*, on April 9, 1981, in which the decision invalidating the plaintiff's mark registered by the defendant was based on the fact that the "existence of a type of act contrary to fair practice and prohibited by Section 953 of the Civil Code, even without bad faith being involved, is not inconceivable (Supreme Court, *C. S. Fallos*: 258:249, this Chamber, cases 6327, May 31, 1978, and 6387, September 29, 1978, among others); it is therefore not necessary to have definite proof of the existence of an unlawful motive; it is sufficient, for the purposes of the application of the provision concerned, that conduct or activity be proved that *objectively* can appear unlawful; this is manifested when slavish copying of a foreign mark is involved (cf. the vote of Dr. Bidau in the case cited; this Chamber, then the only one, case 20092, June 26, 1963; as presently constituted, cases 5614, July 29, 1977, and 6387, cited above, also confirmed by the Supreme Court of Justice; M. 78.XVIII. *Mary Quant Cosmetics Limited v. Roberto Luis Salvarezza*, trademark invalidation, ruling dated July 31, 1980).

Finally, it may be emphasized that the conclusion reached is the one that best suits the interests of justice, and which must, in the trademark field also, be the essential concern of judges (Supreme Court, *C. S. Fallos*: 243/80; 248/479; 255:209; 258:249) as an appropriate means for reaching solutions in keeping with the requirements of this supreme ideal (Supreme Court, *C. S. Fallos*: 249:442 and others; this Chamber, cases 4982, May 31, 1978; 3061 of July 15, 1979, among others).

This important jurisprudential development based on the conception of the right as a single whole, and on the fact that the provisions of the special law should be applied in conjunction with those contained in other codes and laws in force, was given further impetus and substance by the passing of the new Law No. 22,362, whose Section 24 declared null and void registrations of marks made "by those who, when applying for registration, knew or should have known that they belonged to a third party."

The explanatory memorandum of the Law, with reference to the part of Section 24 that we have quoted, says the following:

"The purpose of paragraphs (b) and (c) is to remedy defects in the registration-grant system. That system, applied to the letter, can give rise to certain injustices, such as the recognition of a better right in favor of the person who registers a trademark to the detriment of the person who has been using it before.

"Thus paragraph (b) protects the owner of a trademark without registration at the same time as it punishes conduct that is unlawful or in bad faith, which case law had already attempted to alleviate by declaring a number of registrations null and void.

"As for paragraph (c), it embodies the case law doctrine in the sense that it is not the purpose of trademark law to protect mere speculative registrations, which are an obstacle to the legitimate rights of those who have a genuine interest in registering new trademarks and a need to do so. The provisions do not constitute a prohibition on the transfer of a trademark registration for a consideration, which can be done—either wholly or in part—either free of charge or for consideration, always provided that the activity does not become a commercial activity in its own right."

It thus clarifies with ample sufficiency the scope of the legal imposition mentioned.

#### IV

The protection of marks consisting of proper names or commercial designations deserves a chapter on its own.

In the beginning, case law understood Section 4 of Law No. 3,975, which provided that "the names or portraits of persons may not be used as marks without the consent of the persons, or of their heirs to the fourth degree inclusive," as referring both to natural persons owning a proper name and to legal entities owning a business style or trade name.

By virtue of this interpretation the following trademarks constituted by names of firms were declared null and void: "CARBONELICHT";<sup>27</sup> "FRAMAG";<sup>28</sup> "HOKER";<sup>29</sup> "BROWNING";<sup>30</sup> "ROMA FILM";<sup>31</sup>

<sup>27</sup> *Carbone Licht Gesellschaft v. Buxton Cassini & Cia.*, Pat. y Marcas 1911-763.

<sup>28</sup> *Framag Frankfurter Maschinenfabrik G.m.b.H. v. Albrecht*, Carlos F., Pat. y Marcas 1912-595.

<sup>29</sup> *Passicot, J.M. v. Arias y Cia.*, Pat. y Marcas 1914-327.

<sup>30</sup> *Fabrique Nationale d'Armes de Guerre v. Castro, Aristides*, Pat. y Marcas 1915-414.

<sup>31</sup> *Sociedad General Cinematográfica v. Glucksmann, Max*, Pat. y Marcas 1917-521.

"MATHIESON";<sup>32</sup> "MORGAN";<sup>33</sup> "SOLVAY";<sup>34</sup> "HERMÈS";<sup>35</sup> "LANDISGYR";<sup>36</sup> "COSTA GRANDE";<sup>37</sup> "FABIO";<sup>38</sup> "LANCHER";<sup>39</sup> "CARPANO";<sup>40</sup> "VILLANUEVA";<sup>41</sup> "SODRIN";<sup>42</sup> "WILMOR";<sup>43</sup> "DELBANA";<sup>44</sup> "CANADIAN PACIFIC";<sup>45</sup> "ELISSAMBURU";<sup>46</sup> etc.

The subsequent case law contended that Section 4 of Law No. 3,975 referred only to the names of natural persons, but not to legal entities, so that the latter, being unable to invoke the Section, remained without protection under trademark law and thus had to rely on the protection granted them by the Civil Code and the moral standards written into it (Sections 21, 953, 954, etc.).

Trademark Law No. 22,362 does not deal expressly with the subject, but, by providing in its Section 4 that the right to object to the use or registration of marks belonged to whoever had a legitimate interest therein, it does in fact tell us that a legal entity may invoke the Section to prevent its name from being registered as a mark.

With regard to natural persons, they have at their disposal, apart from unfair competition proceedings, which are also available to legal entities, greater protection under the law in that Section 3(h) prohibits the registration as a mark of the name, pseudonym or portrait of a person without his consent or that of his heirs down to the fourth degree inclusive.

Furthermore, Section 21 of Law No. 18,248 on the Names of Persons allows the owner of a name to take action, "insofar as it is deliberately used to designate imaginary things or persons and causes a moral or

material prejudice, by seeking an order restraining the use and granting indemnification for damages." The judge is authorized to impose daily fines for delay or comminatory sanctions where his decision is not complied with.

## V

It is also necessary to consider the case of the person who, without having the right to do so, registers the trademark of another person whose trade representative or agent he is.

Article 6 *septies* of the Paris Convention (Lisbon Act), to which Argentina is party, deals expressly with the subject, its paragraph (I) providing as follows:

"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 Union countries, 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."

However, many years—more than 50—before Argentina acceded to the Paris Convention, our courts devised a solution to the problem by way of Sections 1904, 1909, 1911 and 1918 of the Civil Code, which together provide that the representative has to hand over to his employer whatever he may have received by virtue of his representation. Transposition of this principle to the field of trademark law resulted in the registration of a mark made by a representative in his own name being deemed to be made by the person he represented, to whom he was moreover obliged to transfer the registration.

In 1918 Argentine courts had to rule on a case in which the above theory applied for the first time.

The firm of Louis Brandt et Frères S.A. was the owner in Switzerland of one of the oldest watch factories, the watches being marketed under the "OMEGA" and "LABRADOR" trademarks.

These watches were sold in Argentina by the firm of Anezin Hermanos y Compañía, which in 1899 had entered into an exclusive agency contract with Brandt.

Anezin, without Brandt's authorization, registered the "LABRADOR" and "OMEGA" marks in its own name, and when Brandt, notified of the existence of these registrations, asked for them to be transferred to it, Anezin refused to do so.

When the case was brought before the courts for a ruling, they ordered the making of the transfer sought by Brandt.<sup>47</sup>

The theory of the Anezin case was ratified and clarified years later.

Eugène Schueller was the owner in France of the "L'ORÉAL" trademark, which identified a hair dye.

<sup>32</sup> *Alex Mathieson & Sons Ltd. v. Remondigni, Nicanor*, Pat. y Marcas 1932-243.

<sup>33</sup> *Mora Gantes, Manuel v. Enoch Morgan's Sons Co.*, Pat. y Marcas 1939-582.

<sup>34</sup> *The Solvay Process Co. v. Solvay & Cia.*, Pat. y Marcas 1941-445.

<sup>35</sup> *Hermès, S.A. v. Nasute, C.*, Pat. y Marcas 1941-235.

<sup>36</sup> *Landis y Gyr, S.A. v. Sosa, Juan Carlos*, Pat. y Marcas 1949-31.

<sup>37</sup> *Otero, José v. Grandes y Costa*, Pat. y Marcas 1939-441.

<sup>38</sup> *Mauricio y Jaime Flinsilber v. Fabio S.R.L.*, Pat. y Marcas 1942-363.

<sup>39</sup> *Lanbscher Frères v. Luppi & Cia.* Pat. y Marcas 1951-126.

<sup>40</sup> *Carpano, Giuseppe B. v. Destilerías San Martín S.R.L.*, Boletín de la Asociación Argentina de Agentes de la Propiedad Industrial, 1956-19 et seq.

<sup>41</sup> *Villanueva, Augusto v. Waldhorn, Juan*, Boletín de la Asociación Argentina de Agentes de la Propiedad Industrial, 1958, pp. 50 et seq.

<sup>42</sup> *Yankillevich & Feinstein S.R.L. v. Billy Manufactura Argentina*, Boletín de la Asociación Argentina de Agentes de la Propiedad Industrial, 1958, pp. 105 et seq.

<sup>43</sup> *Fábrica Néstor, de Fernández y Antonacci v. Wilmor S.R.L.*, Revista de la Dirección Nacional de la Propiedad Industrial, 1961, p. 247.

<sup>44</sup> *David Felman v. Montres Delbana S.R.L.*, Revista de la Dirección Nacional de la Propiedad Industrial, 1962-216.

<sup>45</sup> *Lineas Aéreas Canadienses del Pacífico Ltda. (Canadian Pacific Air Lines Ltd.) v. Aron Wolcoff Brillante*, Revista de la Dirección Nacional de la Propiedad Industrial, 1962, p. 210.

<sup>46</sup> *Antonio Ciollaro y Cia. v. Julio Elissamburu*, Revista de la Dirección Nacional de la Propiedad Industrial, 1963-323.

<sup>47</sup> *Louis Brandt et Frères S. A. v. Anezin Hnos. & Cia.*, Pat. y Marcas 1918, pp. 72 et seq.

This mark was registered in Argentina, in their own names, by Juan and Antonio Riviere. In 1912 Schueller gave Eugenio Vitale full powers to bring about the recovery of the "L'ORÉAL" mark from the successors of the Rivieres.

Vitale secured the transfer of the mark, although not in the name of Schueller but rather in his own name, and after various vicissitudes which are not relevant here Schueller sued him, demanding the transfer of the "L'ORÉAL" mark to his own name.

In its ruling on May 31, 1929,<sup>48</sup> which was confirmed by the Chamber of Appeals, the Federal Judge of Buenos Aires said the following:

"... It has been proved, then, that Vitale did not faithfully carry out the mandate entrusted to him, inasmuch as he obtained, by devious means that are not at all in keeping with the good faith that should preside over commercial transactions, the registration in his own name of his principal's trademark (Section 1918 of the Civil Code).

"Section 1909 of the same Code provides that the agent is obliged to hand over to his principal whatever he has received by virtue of his mandate, while Section 1911 specifies that such restitution includes whatever the principal had entrusted to him that was not disposed of on his instructions."

The Federal Chamber in *Brandt v. Anezin* confirmed the ruling of former judge Dr. Anchorena, who in the case in point said that:

"It is obvious that Anezin Hermanos, being the exclusive agents of the firm of Brandt et Frères for the sale of watches under the 'LABRADOR' and 'OMEGA' trademarks, could never in their own right register the marks whose advertising had been entrusted to them" (*Gaceta del Foro*, Vol. 13, p. 30, and Vol. 21, p. 345).

"On those grounds we rule as follows: the petition is allowed and the transfer of the 'L'ORÉAL' mark to the name of Eugène Schueller is ordered...."

A similar decision was handed down in another case, where a person having registered the mark "NORITAKE" in his own name had been acting not as representative but rather as a manager for another business.<sup>49</sup>

## VI

Finally, a subject that cannot be left aside is that of the barring of the appropriate remedy under the statute of limitations when the real owner of the mark has not exercised his right of opposition and has to seek the invalidation of the fraudulent registration.

This subject matter was not expressly provided for under Law No. 3,975, but the general prescription under Section 4023 of the Civil Code was applied. After the case of the "VACA QUE RÍE" mark (*Fromageries Bel S.A. v. Ivaldi, Enrique* (Supreme Court, *C. S. Fallos*: 253-267)), it was decided that, when registration had been applied for in good faith, the applicable prescription period should be the ten-year one. In cases of bad faith on the other hand, the right to bring action would

never be statute-barred. An identical solution was reached in two cases among others: *Hijos de Joao Faria v. Revictual S.R.L* (*Revista de la Dirección Nacional de la Propiedad Industrial*, 1967, p. 135, case 604); *Bayer A.G. v. Bajer Felipe* (*La Ley*, 128-825); *Karl Schmidt GmbH v. Mauricio Brandt*, Federal Chamber of the Capital, case 4561, dated December 12, 1967).

Section 25 of Law No. 22,362, which is the one currently in force, provides that "the right of action shall become statute-barred after ten years."

We think, however, that in spite of this provision, our courts will abide by the case law referred to in the above paragraphs, and that the appropriation of someone else's trademark will not be ratified by time.

And yet it has to be borne in mind that invalidation actions have in some cases been rejected after expiry of the ten-year period where the mark has been used in the country by the person who registered it. For instance, in the judgment mentioned earlier on the "VACA QUE RÍE" mark, the Federal Chamber of the Capital said the following in its ruling:

"We take into account a very special circumstance which cannot be ignored, namely that the defendant's mark has been registered for more than 30 years already. Clearly that could also reflect a situation where the owner of the copied mark allowed his potential competitor to act during that period and then took advantage of the prestige acquired by him for his own benefit. That would be unacceptable, but it is a problem of evaluation of conduct; for the present, any person having proceeded in this way would not be able to expect the protection of justice either, having committed fraud or at least a serious offense. There the principle would prevail according to which no person may invoke his own turpitude in his defense. It is a question, as almost always happens in trademark matters, of examining specific cases and the circumstances surrounding them."

The same court (Chamber III) ruled in a similar way on April 26, 1982, in case No. 0405, *Musingwear Inc. v. Falato, Filomeno y otro*, rejecting the action for invalidation of the defendants' marks, which consisted of the figure of a penguin, in view of the fact that the marks whose invalidation was sought had been registered in 1934, 1946 and 1954 and had been exploited by the defendants since 1958.

As we can see, Argentine courts have completed the precepts of the trademark law with those of the Civil Code and the Paris Convention and have thereby built up a coherent system for the prevention or repression, as the case may be, of acts of unfair competition.

## Protection Against Piracy—A General View

D. T. CARLISLE\*

Commercial piracy has, over the last few years, become a subject with which an ever-increasing number of people have become familiar. In particular, companies who have suffered as victims of piracy in countries

<sup>48</sup> *Eugène Schueller y otro v. Domingo Vitale*, Pat. y Marcas 1929-134 et seq.

<sup>49</sup> *The Nippon Toki Kaisha Ltd. v. A. Yastremiz e hijo*, Boletín de la Asociación Argentina de Agentes de la Propiedad Industrial, 1956, March-April, pp. 8 et seq.

\* Attorney at Law; Legal Adviser, The Distillers Co., Ltd., London; Chairman, Anti Counterfeiting Group of the United Kingdom.

throughout the world, and on whose shoulders has therefore fallen the burden of having to combat it, have had to learn for themselves, the hard way, how to fight it most effectively. In doing so they have learned what a different activity piracy is from the older, traditional more sedate forms of infringement of industrial property rights, and the difference in the problems that it raises.

This has in turn required a form of approach different from that of traditional, straightforward infringement actions: with the result that this article is molded along somewhat different lines from those that normally appear in this journal.

Piracy embraces a number of illicit activities. Of these, the most central, most widespread, and in my view most clearly fraudulent is that of counterfeiting, with which I shall primarily be concerned.

The problems that counterfeiting poses are largely (though not exclusively) practical rather than legal ones: finding a means of obtaining early warning of suspicious activities that may signal the existence of an impending threat; working out a way of getting evidence about those activities, in the light of the fact that the people doing them are concentrating on escaping detection; and evolving some campaign of action, which is effective against people who will do all they can to evade the law. The person who fights counterfeiting is, in reality, more of a policeman than a lawyer.

Thus, such a person must be flexible and imaginative in his approach; the legal action eventually taken is as likely (if not more likely) to be official action by law enforcement authorities as it is to be a civil law suit; and whatever form it takes, the action will be molded by practical, tactical considerations rather than follow a standard pattern based on a simple knowledge of the law. Moreover, it may be difficult to define the area of law to be applied; certainly it is likely to be much wider than intellectual property law, and to encompass the criminal law (e.g., fraud, forgery, or theft, as well as the more obvious law of trade descriptions), customs law, or indeed whatever other legal provisions can be worked into a particular case.

The one principle that remains constant is that protection against piracy is not a straightforward legal exercise of bringing an infringement action; it is a practical exercise, stopping the offending activity. If the normal legal approach fails, then clearly the solution must be sought elsewhere.

An example may illustrate this point. In Portugal in 1979 counterfeits of a variety of brands in a particular sector of the drinks trade, namely that of Scotch whisky, were being produced in Portugal by a number of firms of counterfeiters. The law in Portugal is, on paper, quite satisfactory; Portugal is a signatory to international conventions such as the Paris Convention and the London Act of the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods; its domestic law prohibits the counterfeiting of registered trademarks, acts of unfair competition, the use of false

indications of origin, and creates criminal offenses in relation to such activities; and there have for some time existed general regulations governing manufacture and labelling of spirits (and foods in general). So far as enforcement is concerned, the respective branches of the police (subject to the usual constraints of undermanning and overwork) habitually take enforcement action. There was therefore in theory adequate protection against counterfeiting (except perhaps that the penalties in criminal cases had been allowed to become rather low).

In the case in point the police took action, but unfortunately the counterfeiters were largely successful in evading that action, with the result that the problem remained unsolved.

It would of course have been easy to take the view that legal action cannot be expected to succeed all the time. Fortunately, however, the Portuguese Government was sufficiently concerned to approach the problem from a new angle: by passing a law to introduce a number of new controls, designed specially to meet the problem in the affected sector of the industry, with the aim of restricting the opportunity for the misuse of spirits and hence impeding the production of counterfeit whisky.<sup>1</sup> Happily, this approach of prevention has appeared effective in solving the problem.

A classic example of the virtues of flexibility is found in the evolution in English law of the (now very well-known) "Anton Piller" order;<sup>2</sup> while it is true to say that English law lends itself well to flexible development, this order, created by the ingenuity of Counsel on the basis of the Court's hitherto existing powers, and subsequently refined to meet the needs of litigants as fully as possible,<sup>3</sup> has become the foremost weapon of the English civil law in dealing with piracy; and indeed in prevention of a variety of forms of commercial fraud.

People who develop a concern with the need to find the means towards a solution to specific problems find—or should find—that it is a quick and easy step to considering the adequacy of those means from a general point of view: in other words to start thinking of law reform, or indeed other political intervention. I believe that whether a case for law reform exists is a question to be decided not by asking whether the law fulfills tradi-

<sup>1</sup> Portuguese Decree Law 482/80 of October 16, 1980.

<sup>2</sup> All readers with experience in jurisdictions based on or borrowing from English law will no doubt be familiar with this order. For those who are not, the order takes its name from *Anton Piller K.G. v. Manufacturing Processes Ltd.* [1976] R.P.C. 719. Made *ex parte*, and containing usual interim injunctions, it orders a defendant (*inter alia*) to allow a plaintiff to inspect the defendants' premises to look for relevant documents and infringing goods, and requires a defendant to disclose specified information to the plaintiff.

<sup>3</sup> A refinement that is often useful, in view of the international nature of counterfeit trade, is the inclusion of a *Mareva* order (so called after *Mareva Compania Naviera S.A. v. International Bulkcarriers S.A.* [1975] 2 L.L.R. 509, which in effect "freezes" a bank (or other) account in order to prevent a defendant from transferring money out of the reach of the Court's jurisdiction. For an interesting example of combining a *Mareva* order with an order requiring third parties to give information, see *Bankers Trust v. Shapira* [1980] 1 W.L.R. 1274.

tional academic criteria, but by asking whether it is *in practice* working to contain the problem. Put this way, it is clear that a need for stronger measures exists, simply because counterfeiting has now reached widespread proportions as a threat to legitimate trade, because it shows every sign of being likely to flourish unless checked, and because unabated continuance of it is clearly unacceptable. Thus, while one can list broad areas in which law reform may be helpful—the enactment of new criminal offences, the introduction of stiffer penalties, a higher priority among enforcement agencies for counterfeit, administrative controls to impede the international movement of counterfeit goods; new and more effective civil remedies, and so on—I would deliberately refrain from specifying any of these as an end in itself: the end is the abolition of counterfeiting, and the reforms to be sought should embrace whatever means are necessary to that end.

This provokes the question, why is counterfeiting so deserving of action by governments, such as the introduction of law reform or the rendering of other political help? There are four answers to this; I will list them as briefly as possible:

(1) Counterfeiting can damage consumers to drastic new degrees. It does not concern simply a man in a shop who buys a product which is not of the brand he thought it was; many counterfeits are dangerous, some to the point of being lethal—drugs, heart pumps, defective brakes, aircraft and helicopter parts (both civil and military), food unfit for consumption—in addition to non-dangerous categories such as sports goods, clothing, luxury goods, and so on. Moreover the purchasers who are deceived are not just individuals; they include hospitals, aircraft and vehicle manufacturers or servicers, military and other governmental authorities, in addition to industry and commerce in a variety of fields, with the individual consumer at the end of the line.

As counterfeiting has shown itself to be an international trade, it will regularly happen that purchasers in one country will suffer because of counterfeit goods produced in another, with prejudice, not only to the nationals of the purchaser's country, but to the economy of that country, in direct proportion to the contribution that the purchaser makes to that economy. It would not be hard, for instance, to envisage the effect on an agricultural economy of counterfeit agricultural chemicals; and indeed the coffee crop of a certain country has been substantially destroyed in one year in precisely that way.

(2) It is a truism that the spread of counterfeit goods will badly damage the reputation and trade of the legitimate manufacturer whose goods are being copied. As an example, the turnover of one such affected company in a market hit by counterfeit was reduced to a volume equal to 1% of its former level.

The consequences are, not unnaturally, unemployment at the victim company and a reduced contribution to its national economy.

(3) If a country acquires a reputation for producing and exporting counterfeit goods, it is scarcely surprising if its trading reputation suffers generally, and if it particularly offends (a) the countries on which it inflicts its spurious goods and (b) the country of the legitimate producer who is being victimized.

Taiwan may be cited as a prime example (and indeed, the world's leading example) for its building for itself a reputation as a notorious producer of counterfeit goods which are released throughout world markets.<sup>4</sup> While it is to be hoped that Taiwan may yet introduce effective measures to deal with the problem (and by effective measures I mean not just measures which look adequate on paper but properly enforced laws which make up for its past failure by creating a practical end to the problem), a more enlightened approach is illustrated by the approach of an officer of the Ministry of Finance of an ASEAN country, who referred to counterfeiting as "economic sabotage," expressing keen anxiety at the thought of his country's becoming known as a haven for international fraud if it failed to take sufficiently vigorous action against counterfeiting. "Economic sabotage" is to my mind a wholly accurate description of piracy and when international trade is so important to all countries, both developing and developed, for a country to permit its goodwill to be tarnished by appearing to condone trade in counterfeiting can scarcely be helpful to its long-term interests.

(4) All these points are underlined by considering the sort of people who undertake counterfeiting. Criminal both in their methods (one example: an accomplice who hid forged labels in motor tires while transporting them, and later tried to sell information about his principals, both tactics being well known to drug dealers) and in their other activities (one counterfeiter, successfully prosecuted for fraud, went straight back into court to face another trial for handling stolen cars) and in their associations (counterfeiting has frequently been believed to be linked to organized crime), their callous pursuit of profit regardless of whom they may injure is exactly the same attitude as that displayed by those responsible for the recent scandal involving the processing and sale of fake olive oil in Spain.

Fortunately, concern about counterfeiting is beginning to find official acceptance, as the following illustrations indicate:

(i) Within the Multinational Trade Negotiations under GATT (General Agreements on Tariffs and Trade), there is currently under consideration the text of

<sup>4</sup> One clear reaction to the Taiwanese problem was a strongly worded speech by the then Minister for Trade in the U.K., Mr. Cecil Parkins, M.P., addressing the House of Commons, in response to a call for an embargo on Taiwanese goods unless the practice of counterfeiting was stamped out in Taiwan, calling on the Taiwanese "to mend their ways if they wish to be accepted as responsible members of the world trading community." See Hansard, December 19, 1980, columns 1108-1118. Another example was afforded by a case in which counterfeit goods were sold from Taiwan to Saudi Arabia.

an anti-counterfeiting agreement. This agreement, which recites the harmful effect of counterfeiting on consumers and legitimate traders, would introduce various measures to discourage the importation of counterfeit goods.

(ii) The International Chamber of Commerce has issued a statement (adopted in June 1981) "condemning commercial counterfeiting and encouraging stronger government countermeasures," which calls for "government action at the national level and through international force to bring commercial counterfeiting under more effective control without hindering the free flow of legitimate trade," supports the GATT agreement, calls particularly for the strengthening of national criminal civil and customs laws, and "urges the private sector to declare its full support for the foregoing governmental and multilateral initiatives."

(iii) The EEC Commission has stated (in answer to written question No. 849/81) that "the Commission is very concerned at the increase in counterfeiting in the sphere of industrial property rights, particularly the use of counterfeit trade marks and trade names, and the damage this causes to industry and consumers in the Community."

(iv) During 1981 the Government of the United Kingdom took the opportunity to demonstrate its concern about piracy by introducing within a very short space of time a legal reform of considerable practical help to piracy-fighters. Briefly, the background was that in March 1981 the House of Lords, in a case involving an Anton Piller order (which required the defendant to give certain information) upheld the defendant's right to withhold information that might incriminate him.<sup>5</sup> This right, though a long-established and fundamental principle of English law, would have rendered future Court orders to disclose information ineffective, since piracy, virtually invariably, involves the commission of a criminal offence. Happily, the Government of the United Kingdom was so concerned about the harmful result this might have in piracy cases that within three months from the Court's judgment it introduced a proviso that, in intellectual property cases, the privilege against self-incrimination should no longer be a ground for refusing to comply with a Court order.<sup>6</sup>

(v) In the United States of America new legislation is pending expressly framed to curb trafficking in counterfeit goods, which imposes heavy financial penalties including fines of up to \$1 million and treble damages.

Governmental support of this kind against counterfeiting is crucial. Despite the fact that counterfeiting injures many others besides the commercial companies whose products are copied, counterfeiting is perhaps unique among international criminal activities in that

the burden for detecting it and initiating action to prevent it falls primarily on commerce, in the form of the brand owning companies affected, and it is thus they who have to assume the quasi-police role of carrying out the necessary intelligence gathering, investigation, and international liaison.

It should be borne in mind that, by its determination to fight counterfeiting, commerce is carrying out a law-enforcement role for the benefit of wide sections of society by protecting the interests of consumers and economies in general. While there is much that commerce can do efficiently—for instance it can liaise, pass information, and instigate action in many countries simultaneously unimpeded by the sort of bureaucratic restrictions which hamper many official bodies—there is a great deal of active help that it needs from national law enforcement and customs agencies if it is to carry out its task with full effectiveness.

What has been done so far, however, is just a start. For protection against piracy to become truly widespread and effective a great deal remains to be done. How is it to be achieved?

There is one practical answer to this question, which I see as providing the clearest means for working towards a solution.

In order to centralize the knowledge and expertise that now exists about counterfeiting and ways to fight it, and to highlight the concern with which counterfeiting is viewed, recent years have seen the establishment of associations, drawn from companies across all sections of commerce and industry, whose sole common link is counterfeiting. While it is right for me to declare an interest in this movement (being currently the chairman of the Anti Counterfeiting Group, based in the United Kingdom), I am strongly of the view that such associations in the United Kingdom and in other countries, have, within a short period of time, shown that, by concentrating solely on counterfeiting, they have a considerable potential for increasing the level of protection against it.

This they can do in three ways:

(a) by their members helping each other, by the exchange of useful practical information and advice, in the day-to-day business of finding the best means to fight piracy in countries throughout the world;

(b) liaising with official bodies, making representations on behalf of industry affected by counterfeiting, and seeking governmental assistance of various forms;

(c) generally, being instrumental in the formation of a cohesive anti-piracy community in a growing number of countries, which can together press towards a solution of such specific problems as they arise.

It cannot be denied that counterfeiting is a serious problem which will stay, unless it is forcibly chased away. While in the short and medium term this chasing will have to continue to be done by dealing with each case as it arises, in the long term the only effective

<sup>5</sup> *Rank Film Distributors Ltd. v. Video Information Centre* [1981] 2 All E.R. 76.

<sup>6</sup> Supreme Court Act, 1981, Section 72.

solution must be to increase the pressure on counterfeiters, in countries throughout the world, until counterfeiting becomes less and less worthwhile. Whether this is done by seeking more effective laws, more vigorous enforcement or heavier penalties, or whether it is achieved by stricter export and import controls or other administrative measures, it can only be achieved if those hurt by counterfeiting make the effort to act in unison and speak together with a coherent voice, and to persuade those governments with whom they come into contact to do all in their power to help stamp out this widespread fraud.

## Protection Against Industrial Property Piracy in Italy

R. FRANCESCHELLI\*

1. Italy and Italians are frequently represented, undoubtedly with a little exaggeration, as a country and a people occupying first place in the violation of others' trademarks, inventions, designs or copyrights, and, in general, as a country whose citizens like very much to compete in an illegal or unfair manner.

In this article, I intend, on the contrary, to prove that in no other country, perhaps, as in Italy, is there such a wide choice of weapons and instruments offered by the law to fight the violation of industrial property rights and unfair competition.

The list of these remedies is rather long, and the choice of one or the other of these weapons is left to the initiative of the economic operators or their attorneys. Such choices and initiatives are guided by circumstances; in fact, not all the instruments are utilizable in all situations, and a wrong choice not only may involve loss of time and money, but also may prejudice the issue of the actions taken.

2. I shall divide these remedies into two categories: *specific* or special remedies and *generic* or general remedies. Specific remedies are those which are provided by the law for one or the other of the above-mentioned institutions, and cannot be extended outside the institution for which they have been prescribed, given their special, if not exceptional, procedural character (Sections 12 and 14 of the preliminary provisions of the Civil Code).

General remedies are those which have not been provided for a specific institution, but are available at the discretion or choice of the interested parties, for all those cases (not necessarily industrial property actions) which do not have a specific protective remedy.

The relationship between specific and generic remedies is such that, if there is a specific remedy (for instance, as for trademarks, inventions, utility models

and designs), one may not have recourse to generic remedies.

3. Specific remedies may be found in civil commercial or industrial property law matters, and can be classified as being of private law, or may even be found in criminal law when certain acts are qualified by the law as a crime.

Specific remedies of private-procedural law on the subject of inventions (extendable also to utility or ornamental models or designs as per Section 1 of Royal Decree No. 1411 of August 25, 1940) are sequestration and the description provided by Sections 81 to 83*bis* of Royal Decree No. 1127 of June 29, 1939, as amended by Decree of the President of the Republic No. 338 of June 22, 1979 (Patent Law).<sup>1</sup>

On the subject of trademarks, specific remedies are the description or sequestration, as governed by Sections 61 and 62 of Royal Decree No. 929 of June 21, 1942 (Trademark Law).

For unfair competition, specific protective measures are not provided.

For violation of a right of economic utilization deriving from a copyright, the remedy of a description (specification, experts' report) is available and also the sequestration of the objects considered as constituting a violation of such right (Section 161(1) of Law No. 633 of April 22, 1941, concerning the protection of copyright and other neighboring rights), including sequestration of the proceeds due the author of the work or of the contested product (Section 161(3)). These provisions are authorized by the magistrate (*pretore*) by decree (Section 162).

As for the rights of execution or presentation of a musical, cinematographical or theatrical work, the prohibition of the presentation or execution may be requested of the Prefect of the Province (Section 157). In this case, and when a sequestration concerning a public performance of a protected work is pronounced by a *pretore*, the execution of the sequestration is not subject to the time limitations indicated in the Code of Civil Procedure, and therefore may take place even on holidays and after 7 p.m. (in winter) and 8 p.m. (in summer) when, in fact, performances usually occur.

4. Specific remedies in criminal law are the crimes of counterfeiting, alteration or use of domestic or foreign distinctive signs or emblems, inventions or industrial products, or of counterfeiting of utility models or industrial designs, both domestic and foreign. These crimes presuppose that the Italian norms and international conventions on trademarks, patents and copyright have been observed; even the simple introduction into the country for commercial use, sale or marketing of inventions or industrial products with altered or counterfeited domestic or foreign trademarks and distinctive signs is considered as a crime. The punishment for each of these crimes includes publication of the sentence in

\* Attorney at Law; Professor of Commercial Law, University of Rome; Director of the *Rivista di Diritto Industriale*.

<sup>1</sup> See *Industrial Property Laws and Treaties, ITALY—Text 2-001*.

the newspapers (Sections 473 to 475 of the Criminal Code).

An urgent measure of a penal character was introduced, in Law No. 406 of July 29, 1981, concerning urgent measures against the unlawful copying, reproduction, import, distribution and sale of unauthorized phonographic products, against the abusive reproduction, by any reproductive or duplicative process, of records, tapes or similar products (e.g., cassettes), as well as against their marketing, detention for sale or introduction for profit within the territory of the State. Here too the sentence is published in at least one daily newspaper and at least one specialized periodical. It should also be noted that Section 171 of the Copyright Law contains specific penal provisions.

5. We shall now come to the remedies of a general character. Here also I will divide them into general remedies of private-procedural law and of criminal law.

The most important is the injunction (*inibitoria*), which may be granted both in cases of violation of patents for inventions (Section 83 of the Patent Law), utility models and designs, and in cases of trademark violations (Section 63 of the Trademark Law).

The inconvenience of this general measure is that it must be granted by decision and therefore may not be issued at the beginning of a dispute but rather in an intermediate phase of the proceedings before a decision on the merits is pronounced but after oral evidence, for example, has been taken. To grant an injunction with the decision on the merits makes little sense because the injunction is then equal to the grant of provisional execution of the first-instance decision.

Another remedy of a private-procedural general character is that contained in Section 700 of the Code of Civil Procedure, which states that:

"Whoever has reason to believe that, during the time required to exercise his rights in an ordinary manner, such rights are threatened by imminent or irreparable prejudice, such person may request, by petition to the judge (or *pretore*, or the investigating judge, where the case on the merits is pending), that urgent measures be taken which appear, according to the circumstances, most suitable to assure the provisional execution of the decision on the merits."

Given the amplitude and variety of its possible contents, this remedy has become most popular, and we may find it requested and applied in the most diverse situations, including industrial property actions for unfair competition (actually, Section 700 of the Code of Civil Procedure states that this general remedy may not be applied if a given institution has its own specific urgent protective measures, and, in fact, trademarks, patents for inventions or models and copyright enter into this field and may not be protected by Section 700).

The judgment on the merits will absorb the measures taken under Section 700, which may not be repealed, except with the merits.

6. In criminal matters, we may consider as a general remedy Sections 515 and 517 of the Criminal Code. These Sections prescribe the punishment for one who

delivers one thing for another, that is, a movable object different in origin, source, quality or quantity from that which was declared or agreed upon (Section 515), or who sells literary works or industrial products with false signs, names or marks, either domestic or foreign, which may induce the buyer to err with respect to the origin, source, quality or quantity of the work or product (Section 517).

7. All the remedies of a civil, commercial or industrial property law character have in common that they must be followed, within a very short term following their execution (eight days for inventions, models, marks or copyright), by a summons the purpose of which is to obtain the validation of the measure and a decision on the merits.

The proceedings for the validation of the measures may be prolonged over a period of time, as is the case for all other lawsuits of a normal character, that is, four years. They may be followed by a first-level appeal and, eventually, by an appeal before the Supreme Court and again, eventually, by a judgment (*giudizio di rinvio*).

Neither the description nor the sequestration of counterfeited products or trademarks can impede the continuation of the illegal acts, because, according to our jurisprudence and prevailing literature, descriptions and sequestrations are forms of evidence, and do not have an injunctive character.

8. Naturally, sequestrations, be they of a civil, commercial or criminal character (and in the latter case, their execution is entrusted to the police or the *Guardia di Finanza*), make a lot of noise and raise a lot of dust, especially if the press is informed and reports on the measures with particular fervor; in many cases, therefore, the attention created by these measures is sufficient to induce the counterfeiter to seek a settlement to try to avoid the serious consequences of criminal proceedings.

If the alleged counterfeiter is not discouraged, however, and does not abandon the field, or fights back (and resources or lawyers are not infrequently plentiful in such cases), then only with the final sentence may one obtain a final statement of his guilt, a possible order that he pay damages and the prohibition of the continuation of his illegal conduct.

In some cases, damages are granted (although the burden of proving them falls on the plaintiff and is not easily satisfied); in other cases, the destruction of the counterfeited objects or illegal signs or marks, or of the false literary work may be ordered (in the latter case, in the manner prescribed in Sections 159, 160 and 169 of the Copyright Law).

9. The remedies available from the beginning are therefore numerous and may be adapted to the various circumstances. The choice of the weapon most appropriate to the case depends on the party or his attorney. Of course, one must stick to the rules which guarantee cross-examination and the other procedural requirements, including the guarantee that the urgent measures

be followed by a judgment on the merits (and possibly by a judgment of validation). Nor may people think that because they own a famous patent or a famous or well-known trademark, or have gone to expense and sacrifice for the sake of a trademark, that everything stated or alleged by them will be accepted as truth without respecting the burden of evidence. Neither do I believe that it is opportune to always claim new remedies or special judgments as if these matters should be considered as being privileged. Finally, it should also not be forgotten that, even if the remedies exist, the judge can always be convinced that they should not be applied in a particular case, if he believes it opportune to do so or if the circumstances justify a prudent attitude on his part.

### Protection of Trademarks Against Counterfeiting in Brazil

P. D. SIEMSEN and J. A. FARIA CORREA\*

Trademarks are used by producers to establish their own identity and that of their goods or services. Through their trademarks they form a link with consumers.

It is also through trademarks that social status is often obtained by use of the corresponding goods and services.

In the present era of consumerism, which extends world wide regardless of the different economic systems that prevail, the demand for products and services identified by well-known brand names is increasing rapidly, independently of the various socio-economic categories.

In addition, modern means of communication facilitate knowledge of trademarks and of the goods that they identify beyond the boundaries of the territories in which they were launched.

These factors reflect strongly in Brazil, where the emerging industrial economy, the growing urban population, and the increasingly sophisticated, consumer-minded middle class offer a fertile field for trademark piracy.

This situation was facilitated by the very large backlog which existed in the Trademark Office resulting from an inadequate structure and lack of a general trademark policy.

Unlike the Patent and Transfer of Technology Divisions of the National Institute of Industrial Property (INPI), which received special attention in the course of the last decade, the Trademark Section only started to be reorganized and restructured in the more recent years.

This reorganization provoked revisions in the system of classification for goods and services, in the philosophical orientation of decisions, and in a policy to

encourage local producers to strengthen their own marks, in respect not only of the national market, but also aiming at participation in foreign markets.

Other aspects which encouraged the growth of trademark piracy were restrictions on the importation of foreign consumer goods and on the approval of trademark licenses with royalty payments, slow and costly court procedures and lack of judicial experience in industrial property matters outside the great urban areas.

The most common cases of piracy have been misappropriation of well-known marks, not only those constituted by fancy expressions but also by civil names and patronymics. Very often such misappropriations are undertaken by local representatives or agents.

Although from a strictly legal viewpoint, cases of this nature could be ruled upon on the basis of the provisions of the Brazilian Civil Code on bad faith and the obligations of representatives, the Brazilian Patent Office has constantly disregarded such considerations, holding that the principle of first filing established in the Brazilian industrial property system should prevail.

Another practice of representatives, agents and sometimes former licensees is to institute forfeiture proceedings for non-use against the title holder's registration. As evidence concerning use is in the hands of the local representatives or agents, any attempt by the foreign owner to prove compliance with user requirements is frustrated. Upon cancellation of the registration due to non-use, the local representative, agent or former licensee tries to obtain registration of the mark in his own name. With regard to such misappropriations, there are indications that the Patent Office will in future take into consideration the bad faith aspect underlying such practices, provided that the connection between the two firms and the bad faith can be duly evidenced.

Attempts at misappropriations of civil names are also frequent. Nevertheless, such cases do not pose much difficulty in view of Section 65(xii) of the Brazilian Industrial Property Code,<sup>1</sup> under which registration of a civil name or a famous pseudonym requires the express consent of its title holder or valid proof that the applicant is the title holder himself; therefore, applications for the registration of civil names may be objected to on such grounds. In this respect, the Patent Office itself has recently adopted the practice of demanding presentation of proof of legitimacy from applicants and of shelving applications whenever such request is not duly met.

More difficult to solve are the cases of patronymics, as the Brazilian Industrial Property Code no longer affords protection against their misappropriation. The matter should then be visualized in the light of the rules regarding bad faith and acts of unfair competition laid down in the Paris Convention<sup>2</sup> and in Brazilian industrial property law itself.

<sup>1</sup> Law No. 5772 of December 21, 1971; see *Industrial Property*, 1972, p. 175.

<sup>2</sup> As far as substantive provisions are concerned, Brazil is bound by the Hague Act of 1925 of the Paris Convention.

\* Attorneys at Law, Rio de Janeiro.

Also quite frequent are the attempts at misappropriations of marks composed of the characteristic elements of foreign corporate names when such elements are not duly registered as trademarks in Brazil. While under Article 8 of the Paris Convention trade names enjoy protection in Brazil regardless of deposit or registration, the Brazilian Patent Office hesitates to accept objections on such a basis. The Patent Office justifies its posture on the consideration that the provisions of Article 8 of the Convention are too broadly worded, and that the scope of protection provided thereby should be better defined by the courts. Furthermore, in dismissing the objections raised by foreign companies to abusive applications for registration of their corporate names, the Patent Office usually puts forth that the protection of trade names is outside the scope of the Brazilian Industrial Property Code, which only provides that special legislation for the protection of trade names should be enacted.

Although there has been no clear definition given with regard to Article 8 of the Paris Convention, the prevailing opinion is that a foreign company could only have a claim in a corporate name insofar as it has somehow been doing business in Brazil. This opinion is based on the fact that it would seem improper for a rather unknown company located somewhere abroad to apply for the cancellation of a registration granted directly or indirectly in this country.

In an endeavor to outline the basic criteria for the application of Article 8 of the Paris Convention, we would set forth the following factors which, in our opinion, should be taken into account in the appraisal of concrete cases:

- (a) existence of competition between the firms involved;
- (b) plaintiff's business ties in Brazil;
- (c) degree of originality of the name;
- (d) existence of a past contact between plaintiff and defendant.

In the 1970s the Supreme Court ruled that a Brazilian firm engaged in the manufacture and sale of refrigerating systems for vehicles could not trade under a certain name because such name was the characteristic element of the corporate name of an American company. The Court found that the plaintiff was entitled to claim protection for its trade name in Brazil although it did not operate in the Brazilian market.<sup>3</sup>

In a recent case, a Brazilian court found that a Brazilian company could not use a certain expression in its corporate name because it constituted the corporate name of an Italian firm operating in the same field. In making such a finding the court mainly took into account the prior existence of a contact between plaintiff and defendant, and the fact that the corporate name

in question consisted of an Italian patronymic and was therefore original.<sup>4</sup>

Misappropriations of well-known foreign marks constitute the most conspicuous and delicate cases in Brazil. Whenever it becomes apparent that a trademark which is attaining a wide reputation on an international scale, a pirate appears before the Patent Office and applies for and obtains protection for that mark in his own name. When the legitimate foreign owner applies for the registration himself, the registration is refused due to the priority secured by the pirate. It is usual for pirates, in such cases, to demand a high compensation for the assignment to the legitimate owner. Otherwise, the pirate may develop its business under the trademark and prevent the legitimate owner from exporting trademarked items into Brazil.

The legal obstacle that is usually pointed out preventing foreign owners from defending their unregistered trademarks against misappropriation in Brazil is the Brazilian industrial property system, under which the right in a trademark is acquired by means of its registration. Brazilian law has applied the attributive system of registration for a long time. This system was more flexible under the previous Codes of 1945, 1967 and 1969,<sup>5</sup> under which oppositions on the basis of unregistered trademarks were acceptable provided that their prior users applied for registration at the same time. The Code that is currently in force (Law No. 5772, of December 21, 1971) eliminated such possibility, rendering it clear that the right in a trademark results from registration. In the past few years several foreign trademarks have been usurped in Brazil exactly on these grounds.

The solution to such situations should lie in the application of Article 6bis of the Paris Convention (the Hague Act), which provides for the cancellation of registrations obtained in bad faith and of abusive registrations of well-known foreign marks. However, just as with Article 8, Article 6bis of the Paris Convention has practically not been applied by the Brazilian Patent Office during these last 12 years. With respect to Article 6bis, the hesitation to apply it results from two basic reasons:

- (a) the understanding that for a trademark to enjoy the benefits granted to well-known marks, it has to be registered as such with the Patent Office, in view of an express provision in the Brazilian Industrial Property Code (Section 67), and such registration requires proof that the trademark is known throughout the Brazilian territory regardless of the socio-economic categories involved; and

<sup>4</sup> *Fousto Carello S.p.A. v. Dinloy Carello S.A. Metalurgico*, decision rendered by the Federal Court of São Paulo on April 23, 1982.

<sup>5</sup> Decree-Law No. 7903 of August 27, 1945, Decree-Law No. 254 of February 28, 1967, and Decree-Law No. 1005 of October 21, 1969, respectively.

<sup>3</sup> *Aro Manufacturing Company v. Ara Associados em Refrigeração de Autoveículos Ltda.*, decision rendered by the Supreme Court on June 20, 1977.

(b) the understanding that cancellation of a registration on the basis of the prior existence of a foreign trademark not registered in Brazil would be in conflict with the Industrial Property Code of Brazil, under which the right in a trademark results from its registration in this country.

The first above-mentioned consideration is the result of the tendency to assimilate the concept of a well-known mark as laid down in Article 6*bis* of the Paris Convention with the concept of a well-known mark as provided for in the Brazilian Industrial Property Code of 1971.

In fact, there is a fundamental difference between a well-known trademark under Article 6*bis* of the Paris Convention and a well-known trademark under Section 67 of the Brazilian Industrial Property Code. A well-known trademark under Article 6*bis* should be understood as a mark enjoying international reputation, the effects of which are also to be felt in Brazil, at least among the circle of consumers concerned. To be well-known in the light of the aforesaid provision of the Paris Convention, it is not necessary for the trademark to be effectively used in Brazil in connection with the products or services concerned; it is enough for the trademark to mean something to the local consumer. Therefore, protection afforded to a well-known trademark under Article 6*bis* of the Convention constitutes an exception to the principle of territoriality as provided for in the trademark legislation.

A well-known trademark, as referred to in Section 67 of the Brazilian Industrial Property Code of 1971, however, should be defined as "supernotorious," to use Gerhard Schricker's expression.<sup>6</sup> It must be known throughout the Brazilian territory regardless of the social categories concerned. It must furthermore be familiar to the public in such a way that its association with the products or services concerned is immediate. Therefore, protection of well-known trademarks under Section 67 of the Code constitutes an exception to the principle of *speciality*. Some examples of well-known trademarks under Section 67 of the Brazilian Industrial Property Code the notoriety of which has recently been recognized by the Patent Office are "BRAHMA," "COCA-COLA," "VOLKSWAGEN," "MERCEDES-BENZ" as well as its "star" device, "BAND-AID," "GILLETTE," "MODESS," "CHICLETES," "COTONETES," "BOM-BRIL," "NESTLE," "SHELL," "CINZANO," "PALMOLIVE," "PYREX," "JEEP," etc.

The second consideration put forth above, on the other hand, apparently overlooks the principle underlying the trademark system itself, that is, protection against passing off. Article 6*bis* of the Paris Convention constitutes a valuable mechanism for rectifying a serious deficiency of the attributive principle of registration

upon which the trademark system of most countries, including Brazil, is based. In fact, it is beyond doubt that rigorous observance of the attributive system may have the effect of sheltering piracy, thus contradicting the real purpose of the whole trademark system.

Even if Article 6*bis* of the Paris Convention were not in force in Brazil, protection against abusive applications for registration of foreign trademarks could be invoked in the light of Section 2(*d*) of the Brazilian Industrial Property Code, under which one of the functions of the Patent Office is that of preventing acts of unfair competition.

There are many examples of trademark piracy in Brazil which could come under Article 6*bis* of the Paris Convention as well as under Section 2(*d*) of the Industrial Property Code. Very often, the application of the legitimate trademark owner is blocked by that of the pirate. A consideration which is usually put forth against protection of the foreign trademark owner in such a case is that, if the latter were actually interested in obtaining protection in Brazil, he should have sought to register the mark in this country immediately. Such a consideration is not pertinent, however, considering that it is not economically feasible to file applications throughout the world immediately upon launching a mark abroad. Furthermore, use of a mark is mandatory in Brazil or else the registration may be cancelled, and use either through a license or through exports sometimes involves feasibility studies, negotiations and similar operations, which take considerable time.

Since the coming into force of the current Industrial Property Code there has been no court holding dealing specifically with the applicability of Article 6*bis* of the Paris Convention, as most cases presented to the courts also involve Article 8. An important ruling in the early 1960s, when the Code of 1945 was still in force, is the "DAUM" case, in which the Supreme Court ruled that two Brazilian companies could not use the name "DAUM" since this name was known to be a well-known trademark belonging to the plaintiff, the French company Daum & Cie.<sup>7</sup>

Another decision that deserves to be mentioned is the one issued by the Federal Court of Appeals in the early 1970s in the matter of a lawsuit brought by *Jules Bouchet et Cie and Th. & G. Mauthner Markhof* against the local firm *Industrial e Comércio de Bebidas Avestruz Limitada*. In that decision, the Court held that the registrations obtained by the defendant for the trademarks "BOUCHET" and "JULES BOUCHET" should be cancelled since the trademarks belonged to the plaintiffs.<sup>8</sup>

Last year, in response to the increasing number of cases of misappropriation of French trademarks, in par-

<sup>7</sup> *Daum & Cie v. R. Carnevale e Cia. Ltda. and Marco de Bellis e Cia. Ltda.*, decision rendered by the Supreme Court on September 19, 1963.

<sup>8</sup> *Jules Bouchet et Cie and Th. & G. Mauthner Markhof v. Industria e Comércio de Bebidas Avestruz Ltda.*, decision rendered by the Federal Court of Appeals on November 6, 1970.

<sup>6</sup> "Protection of Famous Trademarks Against Dilution in Germany," *International Review of Industrial Property and Copyright Law*, vol. XI, No. 2, April 1980, pp. 166 to 173.

ticular for perfumes and clothing, the Governments of France and Brazil executed an agreement under which the competent authorities of both countries commit themselves to prevent such acts. This agreement was signed on January 31, 1981, and considering its recent existence, it is not yet feasible to evaluate its practical results. However, the discussions and exchange of ideas which took place in relation to the agreement have already influenced the criteria applicable to trademark cases.

Finally, some words should be said with regard to the misappropriation of indications of source of wine, cheese and other products. Protection against misappropriations of this kind can be invoked in the light of Section 65(ix) and (x) of the Brazilian Industrial Property Code, Section 140 of the legislation on the industrial products tax (Act 83.263), as well as Article 10 of the Paris Convention.

In 1970, the Supreme Court confirmed a decision ruling that the trademark "BORBONHA" could not be registered in the name of a certain Brazilian company because it was confusingly similar to the designation "BOURGOGNE," which constitutes an appellation of origin for wine.<sup>9</sup>

In 1979, the Patent Office accepted an appeal lodged by the Chamber of Commerce of Solingen, cancelling the allowance of an application for the registration of the trademark "SOLINGEN" under the reasoning that it constitutes a well-known place in connection with the manufacture of cutlery.<sup>10</sup>

In conclusion, it may be said that the present Brazilian Trademark Office's practice tends to apply rigidly the provisions of the Brazilian Code of Industrial Property and, therefore, the future course in respect of the protection of well-known marks or names will have to be laid down by the courts.

<sup>9</sup> *Institut national des appellations d'origine des vins et eaux-de-vie v. Dreher S.A.*, decision rendered by the Supreme Court on August 5, 1970.

<sup>10</sup> *Industrie- und Handelskammer zu Solingen v. Schobell Industrial*, decision rendered by the Patent Office on October 9, 1979 (*Patent Journal*, No. 468).

## Piracy of Trademarks: A Matter for States

A. THRIERR \*

The counterfeiter's art has at all times been a paying proposition. This is equally true in the field of artistic objects as in that of money. It has also now become true in the industrial area and, more particularly, in the field of trademarks, to which this paper is devoted.

\* Director General, Union of Manufacturers for the International Protection of Industrial and Artistic Property (*Union des fabricants*), Paris.

## One Hundred Years Later

This type of usurpation is certainly not new. Antiquity already knew an early artisanal form of trademark counterfeiting,<sup>1</sup> but it was, in fact, not until the 19th century that this activity really appeared for the first time in a serious way in forms that, in some ways, resemble the characteristics of present day counterfeiting.<sup>2</sup>

It may indeed be recalled that in the years following the 1870 Franco-Prussian War, the products of various French pharmaceutical laboratories continued to be manufactured and marketed under their original trademarks and get-up despite the fact that the laboratories concerned had not yet been able to resume their activities.

The surprise was great.

It was quite obvious that counterfeiters had taken over the market left open. Painstaking investigations enabled the guilty parties to be identified and located in the north of Germany, mainly in Hamburg. They were doing well, their exports extended as far as the coast of America, the Caribbean and Latin America. The French laboratories had expected to discover well-equipped industrial facilities. They were astonished to find that they had in fact fallen victim to skillful printers who did no more than to reproduce their labels, get-up and packaging and to use it to sell off-the-shelf products that had no similarity whatsoever to their specialities.

The aim of these counterfeiters was to deceive the purchaser by reproducing the appearance of the genuine product. Piracy of trademarks was born, and remained at about the same level, at least until the end of the last century,<sup>3</sup> without, however, disappearing completely, but nevertheless tending to lose importance, until the 1970s when it suddenly re-emerged with a renewed and hitherto unsuspected vigor.<sup>4</sup>

It was no longer a case of the sporadic appearance of a counterfeited article, often on a very small scale, which, in a way, gave the owners of the trademarks a certain proof of their reputation and their commercial success. Although, indeed, a counterfeited trademark is one that has been successful, it is now also one that is in danger if its owner does not succeed in putting a rapid stop to this usurpation.

Experience gained in the last century had tended to be forgotten and the first cases of organized piracy therefore posed serious practical and legal problems to enterprises. The accumulation of these problems was to weigh heavily upon their operating costs, their turnover and even on their workforce.

<sup>1</sup> Seal on Italic wine jars and Gallo-Roman counterfeits, *Revue internationale de la propriété industrielle et artistique (RIPIA)*, 1959, pp. 772 et seq.

<sup>2</sup> Centenary publication of the *Union des fabricants*, pp. 14 to 16.

<sup>3</sup> Report on foreign counterfeiting, *RIPIA*, 1891, pp. 153 et seq.

<sup>4</sup> *La Contrefaçon*, records of a seminar devoted to piracy, April 21 and 22, 1980.

### The Practical Problems

Products that look the same as the original product, i.e., same trademark, same manufacturer's name, same packaging, same indication of source and sometimes even the same authentication reference, have been found in Japan, in Korea, in the United States, in Italy, in the Middle Eastern countries, in Latin America, and so on. These discoveries, often made quite by chance, do not make it possible to identify the manufacturers or craftsmen who, in the most secretive conditions, have manufactured, stored and sold counterfeit products often at a great distance from their workshops, sometimes using the normal distribution channels and sometimes the underground channels of smuggling and illicit international dealing. A slight manufacturing defect, an abnormally attractive price or an unexpected place or method of selling may draw the attention of the owner of the trademark or his local distributor; in some cases, a purchaser who has been misled contacts the owner of the trademark to express his great dissatisfaction.

Since they do not possess standing structures to monitor vast territories on which, in some cases, their products are not even as yet distributed, undertakings unfortunately learn of such a situation too late when all traces have been covered up, the usurpers have disappeared or the signs of their offenses have been eliminated and it is therefore very difficult, if not impossible, to catch them.

In most cases, the retailers turn out to be little more than colorless accessories, insolvent and readily replaceable. Arresting a peddler or shopkeeper will at best enable small quantities of merchandise to be seized, but others will immediately fill the vacant spot, thus confirming that the sources of supply are to be found elsewhere and their potential remains unaltered.

Inquiries will show that the counterfeiting channels closely resemble those of legitimate trade, that is to say comprising manufacturers, subcontractors, wholesalers, importers and retailers.

It is not possible to draw up a standard portrait of a counterfeiter. He is just as likely to be a manufacturer possessing up-to-date production facilities as he is a modest craftsman working within a family context and even restricting his role to packaging or sticking on labels bearing the counterfeited trademark, or even again a person simply using the services of subcontractors or even home workers.

The counterfeiter may turn out to be someone whose profession is fraud of all kinds or a person of respectable appearance who has been connected, in some cases, with the manufacture and distribution of the genuine articles he is now counterfeiting.

Such a counterfeiter may devote his whole time to these illegal activities or may do so just occasionally, depending on the needs of the market. Some counterfeiters work for stock and others for specific orders, enabling them to avoid specializing in one trademark, but to work with a number of such marks.

Counterfeiters are generally careful and well-organized people who frequently operate over short periods only, alternating with a lawful activity. Such is the case when manufacturing counterfeit textiles where thousands of yards can be made in one or two days, sufficient to supply the manufacturers of counterfeit bags for several weeks or even several months. Once the operation is completed, the cylinder can be hidden and the merchandise put away, out of sight of prying eyes. Normal activities can then be resumed without further ado.

As a number of discrete investigations have unfortunately shown, particularly in Italy and Taiwan, there are many specialists, in certain technical sectors, who transform themselves into occasional counterfeiters for the promise of attractive remuneration. Economically speaking, these are indeed the most dangerous counterfeiters since they possess the technical knowledge, the appropriate production facilities and a legitimate cover.

The sectors of activity in which counterfeiters operate are not limited, as some may think, to perfumery, clothing and leatherware or watchmaking. All articles of quality and reputation are either already copied or are likely to be. According to some sources, counterfeiting also affects spare parts for motor cars, airplanes and helicopters, food products, medicines, electronics, cardiological apparatus and photography.

Faced with this difficult situation, firms have had to devise a strategy that will take them right up to the sources of production. However, the existing facilities generally lack both staff and sufficient familiarization with inquiry techniques.

The police forces are only willing to act if proceedings are instituted, which is of practically no help in coordinating vague clues and collecting the necessary evidence in order to take legal action.

The marketing networks have generally neither the time, calling nor experience to carry out inquiries of this type.

Lawyers and trademark agents may provide the owners of marks with legal advice but cannot set themselves up as detectives.

As for professional detectives, there are not many who can penetrate with sufficient ease either the commercial and industrial circles or the unstable, clandestine world of fences, smugglers and con men.

The initial experiences were consequently laborious but, little by little, reflexes were developed, at first within enterprises and their marketing networks, which developed the habit of watching certain sensitive markets more closely,<sup>5</sup> then also within the professions and the specialized associations, which collected, for everyone's benefit, information on counterfeiting and counterfeiters, and finally within the investigation agencies that have specialized, with some success, in this new field.

<sup>5</sup> *La Contrefaçon, op. cit.*, paper by P. Brunot.

Whatever the professional capabilities of the detective agencies, some of which are excellent, they do not, for obvious reasons, have powers of investigation comparable to those of the police, customs authorities or the services responsible for repression of fraud and economic offenses.

In addition to the practical difficulties encountered by enterprises, there were of course also financial difficulties. Many enterprises indeed fall victim concurrently to counterfeiters found in localities as widely spread as Japan, Korea, Taiwan, Italy, Spain, Morocco, the Middle East or Latin America, to mention but the main ones. However, in most cases action is taken on simple material proof, that is to say purchase of an article sold in a Middle Eastern country, most frequently Saudi Arabia, bearing a very discrete marking "Made in Roc." The enterprises and their detectives must therefore achieve veritable technical exploits worthy of the finest sleuths dealing with the repression of gangs or drugs, in order to identify and locate the major perpetrators of counterfeit articles.

Certainly, piracy of trademarks does not disturb public order to the same extent as drugs or counterfeit money, but it would nevertheless seem unjust that the States generally show such a lack of interest in pursuing these infringements despite their penal nature.

Surveillance of exports by the customs authorities can assist, as we shall see later, in discovering the centers of counterfeit production. However, close monitoring of the domestic market should also be given greater attention by the police and taxation authorities. Surveillance of this kind would assuredly raise new administrative, or even political, problems but piracy cannot be validly fought unless evidence is systematically sought and information is collated. It cannot be overemphasized that counterfeiting is an offense and therefore deserves a much greater interest on the part of the public authorities. Unfortunately, purely practical factors such as lack of funds or staff frequently impair or even prevent the search for truth.

Two examples, taken from Italy, may illustrate this situation.

June 1980, Milan—A counterfeiting plant is raided, thousands of counterfeit articles and miles of counterfeit textiles are seized and the owner placed under arrest. Who were the customers of this plant? The judicial inquiry will certainly never be able to determine this with sufficient accuracy despite the fact that, according to estimates, hundreds of thousands of articles have been produced and exported!

November 1981, Ventimiglia—A busy little town about one hour from Nice with a Friday market in the heart of town visited by many tourists. More than 100 stalls offer, by the thousand, counterfeit suitcases, counterfeit leatherware, counterfeit textiles, counterfeit watches, and so on. A raid by the police led to charges being brought in some 50 cases and several thousand counterfeit articles being seized.

Who was supplying this market at wholesale level?

We do not know. At worst, they will end up having to look for new customers, and even that is not certain since two weeks after the police action the same vendors were offering for sale the same counterfeit articles within less than 100 yards of the office of the judge dealing with the case. Lack of means, protection of local commerce? One may well ask.

These are things that go on at our own doorstep. It is therefore easy to imagine what surprises would be revealed if we looked into the industrial districts of Taipei, Singapore, Seoul or Manila.

It is high time that piracy of trademarks ceased to be considered as a private affair with which the courts are able to concern themselves only where the victim can furnish the results of his own inquiries.

This view certainly differs markedly from the part traditionally played by the public services. However, the problem has been posed in a new light by the counterfeiters. They have so far been able to enjoy the benefits of secrecy which have been difficult to penetrate for those whose art it is to create, manufacture and sell products that win the favors of ever more customers.

Let us therefore not hesitate to foil their plans by making the largest possible use of the services of those whose task it is to protect property and persons.<sup>6</sup>

A counterfeiter is no more than a thief who, admittedly, seldom has recourse to force or violence but who causes to society a prejudice that may be much greater than that caused by other forms of delinquency that are nevertheless considered with less tolerance.<sup>7</sup>

### The Legal Problems

Admittedly, the victims of counterfeiting were ill-prepared to conduct investigations, but they discovered to their disillusion that precious information obtained at great cost was often held inadequate to put a rapid stop to the usurpation, to obtain justice and to lead to sentences sufficient to dissuade counterfeiters from repeating their activities or new counterfeiters taking up business.

The majority of laws have indeed been drawn up with a view much more to having fraudulent filings cancelled or pronouncing on delicate problems of similarity of trademarks and products than to fight against the massive production and distribution on a worldwide scale of products that frequently constitute a perfect reproduction, save for the quality, of the original articles that are well known and immediately identifiable by means of the distinctive signs they bear.<sup>8</sup>

<sup>6</sup> *La Contrefaçon*, *op. cit.*, papers by G. Talloneau, pp. 158 *et seq.* and A. Thierri, pp. 222 *et seq.*

<sup>7</sup> *La Contrefaçon*, *op. cit.*, "Les entreprises et la contrefaçon de marques," by B. Lehmann, pp. 23 *et seq.*

<sup>8</sup> *La Contrefaçon*, *op. cit.*, particularly paper by R.C. Colon, pp. 48 *et seq.*

Criminal proceedings frequently require the production of evidence that the victims are not generally able, as I have endeavored to show, to acquire in a satisfactory manner, with the result being that the offense will have been fully perpetrated and the damages suffered before proceedings can even be instituted.

The needs of commerce call for a simplification of procedures, and piracy of trademarks, which has all the aspects of an economic offense, is in no way an exception.

The slowness and complexity of justice are universal but this lack of speed becomes unbearable when it enables unscrupulous operators to sell large numbers of counterfeit articles which will both disappoint the consumer and cause considerable prejudice to the enterprise that is their victim. It is not the damages awarded, often ridiculously small, that are likely to make good the loss.

Success of the fight against piracy demands that action be taken with speed and therefore that procedures be simplified. It also demands that the sentences given be truly punitive and dissuasive.

In the great majority of cases, however, national procedures do not enable counterfeited articles to be seized rapidly; quite the contrary, they facilitate the sale of counterfeit merchandise. The sanctions, for their part, are often inadequate and therefore do not incite counterfeiters to cease their activities. What are the small fines or the prison sentences of just a few months, generally suspended, in comparison with the enormous profits made by certain networks?

Nevertheless, some experiments have been encouraging.

The action in Milan referred to above is an example which, although not the only one of its kind, still unfortunately remains isolated. No more than a week went by between the facts being reported, the seizure of the merchandise and the questioning of the person concerned, and hardly seven months between charges being brought and the 19-month prison sentence that was given.

This case shows that, despite numerous imperfect laws, valuable results can be obtained when the authorities and courts involved are equal to the tasks required of them.

It is therefore all the more regrettable that officials and magistrates are not generally sufficiently aware of this problem whose economic aspects are frequently unknown or overlooked.<sup>9</sup>

At a seminar on counterfeiting, held in Paris in April 1980,<sup>10</sup> a large number of European enterprises, whose products are outrageously copied throughout the five continents, complained of the inadequacy of the legal systems both as regards the applicable rules and the

<sup>9</sup> Study sessions such as those held in September 1981 by the French National Institute of Industrial Property (INPI) and the Office of Patents Administration of the Republic of Korea are highly useful in this respect.

<sup>10</sup> Cf. note 4.

procedures, penalties and judicial organization. Is it not perhaps time that they be heard and that a break be made with rules and practices that are manifestly outmoded? As an example, Taiwan, whose undertakings are famous for their industrial and commercial energy, still has no law on unfair competition and the most frequently imposed penalty is a prohibition on export the consequences of which are quite illusory in view of the ease with which local trading companies may be set up.

Without the support of their governments or of international organizations, however, the enterprises have but little chance of being heard.

#### Action by the State

Piracy of trademarks costs enterprises each year several hundred million French francs<sup>11</sup> and certain firms that are more particularly affected estimate the production of counterfeit articles at two or even three percent of their own production.

This factor is therefore not negligible, particularly if the fact is borne in mind that, although counterfeiting is generalized, it does not occur with the same degree of harmfulness in all countries of the world. There are markets, such as the Republic of Korea, where still a few years ago articles such as textiles and leather goods were almost exclusively in the hands of local counterfeiting. None of the well-known trademarks were spared.

Happily, the situation has changed since then.<sup>12</sup> The scope of this phenomenon and its effects on certain national economies has resulted in States or groups of States taking action. The most frequent measures taken by States consist in drawing the attention, generally by diplomatic channels, of foreign authorities to a piracy situation in which the victim is one of its nationals.

Such measures, which were the exception a few years ago, are now on the increase, and the public authorities are thereby demonstrating that they also have progressively adapted themselves to the fight against piracy. Such action has generally been highly effective.<sup>13</sup> It has enabled progress to be made in disputes that had been opposing French firms and foreign firms already for some years.

These actions, however, are unfortunately affected by the political climate or by potential large-scale contracts that are under negotiation and which sometimes restrict the actions' scope. They should, however, be strongly encouraged. Their impact would be much greater if the

<sup>11</sup> For the Swiss watchmaking industry, Max Hool evaluates the annual damage at one billion French francs, *La Contrefaçon*, p. 41.

For the French perfume industry, Chairman Robert Leduc evaluates the annual damage at 500 million French francs, *Triade*, No. 3, 1981.

An American estimate in respect of American firms alone also reaches the fabulous sum of 500 million French francs.

<sup>12</sup> *Meil Kyungje Shinmun*, June 10, 1982.

<sup>13</sup> F. Winter, "Die Internationale Markenpiraterie—Ein Prüfstein unseres Rechts gegen den Missbrauch des freien Warenverkehrs," *Gewerblicher Rechtsschutz und Urheberrecht (GRUR)*, 1981, No. II, pp. 782 et seq.

States involved were willing to hold informal exchanges of information which could lead to joint action or, if not, at least to coordinated action.

One party's misfortune can never be the basis for the fortune of the other party and the ethics of trade cannot, I feel, be established anew unless there is international solidarity.

Despite the absence of diplomatic relations with Taiwan, it can well serve as an example. Firms in many countries have had reason to complain of the unfair competition undertaken at their cost by local firms. Counterfeiting in Taiwan is not limited to any one sector but covers all branches of industry. Taiwan has stated its willingness to remedy the situation despite the advantages that such counterfeiting brings to the domestic enterprises.<sup>14</sup> The Government of Saudi Arabia has gone as far as to protest officially against the damage suffered by local commerce as a result of counterfeit articles from Taiwan. It is indeed not possible for a country to strive towards economic development and at the same time accept failure in the fight against counterfeiters. Although it is of course necessary to have statutory instruments to carry out such a fight, the final result is in fact to be judged on the implementation of those instruments.

In the case of Taiwan, the situation remains unsatisfactory<sup>15</sup> and I feel that economic pressure from international opinion would render great service to the victims of the unfair trading practices adopted by the Taiwanese undertakings and even, paradoxically, to Taiwan, which could in this way improve the unenviable image it has given itself in recent years despite intense legislative activity.

Individually, protests have come from France, Germany (Federal Republic of), the United States, Italy and the United Kingdom, but what is in fact needed is the establishment of a real plan to fight against piracy.

Although numerous bilateral agreements settle matters of industrial property, they do not generally, as far as I am aware, touch on the subject of trademark piracy. This is to be regretted. In the textiles area, for example, the Multifibre Arrangement, which concerns a number of countries that are active producers of counterfeit articles, should in my opinion comprise a safeguard guarantee clause against the risk of piracy. Sector by sector, this matter should be raised and settled within its economic context.

What are we to think, therefore, of the draft international Code to combat counterfeiting the negotiation of which was undertaken within GATT (General Agreement on Tariffs and Trade) some four years ago, and whose main actors have been the Government of the United States and the EC Commission?<sup>16</sup>

<sup>14</sup> *Economic Daily News*, February 26, 1982.

<sup>15</sup> *China Times*, February 25, 1982.

<sup>16</sup> *La Contrefaçon*, *op. cit.*, paper by H. J. Chumas, pp. 215 *et seq.*, and W. N. Walker, pp. 199 *et seq.*; *RIPIA*, 1979, pp. 320 *et seq.*; W. N. Walker, "A program to combat international commercial counterfeiting," *Trademark Reporter*, No. 70, 1980, p. 117.

The idea of approaching the matter from its economic aspect would seem excellent. Starting from a known phenomenon whose economic implications could be measured or at least assessed, the representatives of several States and groups of States drew up proposed provisions for the customs seizure of pirate articles. Experience indeed shows that the solution whereby import is prohibited is not sufficiently effective since the counterfeited article that has been turned away will adopt a new destination and in the end will be sold elsewhere.

This solution is inadequate both from the point of view of the manufacturers and from that of the consumers. Its simple reference to domestic legislation did not permit Article 9 of the Paris Convention to get around the obstacle of redispach of counterfeited merchandise.<sup>17</sup> The question of seizure had been extensively debated at the time of its drafting.

Certain of the delegations, however, particularly the Swiss Delegation, had argued that it was unwise to impose on governments a formal, reciprocal commitment to intervene in special matters that in reality concerned the interested parties. For the Swiss Delegation, it seemed essential to avoid permitting a private individual to require the intervention of governments who would then find themselves faced with innumerable difficulties.

Austria, for its part, had expressed the opinion that it would practically never be possible to seize merchandise in customs since the employees could not be familiar with all trademarks and consequently they would not be capable of advising the interested party.

At the Madrid Revision Conference, the American Delegation felt obliged to explain that the American spirit was altogether averse to the idea of seizing merchandise for offenses of the kind referred to in Article 9 of the Paris Convention. It seemed to that Delegation sufficient, from the point of view of the Convention, for each of the Contracting States to undertake to repress fraud by using the means contained in its constitutional legislation such as it utilized for the protection of its own citizens. In line with its spirit, it contended, the Con-

<sup>17</sup> Article 9 of the Paris Convention reads:

"(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."

vention should have a more flexible nature; each country should be able to adopt its provisions and those that would have to be drafted in order to fulfill its obligations under the Union in such a way that the governments would not need to exceed their constitutional powers and offend public opinion on which those powers rested. Customs seizure, on which the Code proposal was based, was therefore to be encouraged since it is surrounded with adequate guarantees.

Of course, many counterfeited products escape customs surveillance either because they follow the smuggling circuits or because they are disguised or do not as yet carry trademarks at the time of the customs formalities or even, much more simply, as a result of the fact that customs checks are mostly made on the documents and not by a systematic physical inspection of the merchandise. However, no effort should be spared to place a maximum number of obstacles along the paths likely to be taken by pirate products.

Once identified and impounded, these products could be confiscated and destroyed if they turn out indeed to be counterfeit articles.

Confiscation of the merchandise as an automatic consequence of the offense would constitute an effective measure since the counterfeiters would therefore lose the value of their merchandise, which is not always the case at present since products may be returned to counterfeiters after the deleting or defacing of the infringing mark.

The setting up of surveillance structures would be altogether in line with the international cooperation that I advocate.

These negotiations were extensively supported by business circles.<sup>18</sup>

They are not progressing, however, as fast as could be wished, despite the considerable amount of work that is being done. The matter is certainly a sensitive one since the adoption of an international code would require amendments to various national laws, particularly as regards customs. Not all countries would seem willing to transfer significant powers, in respect of counterfeiting, to the customs authorities, frequently bound by customs secret, nor even to revise the penalties and modes of making good the damages suffered by the victims. It is, however, regrettable that a rather excessive formal approach has been adopted despite the fact that we already know that the number of signatories will be small and that "the wolf already has one paw inside the pen."

To conclude, I feel that the international community cannot tolerate the phenomenon of trademark piracy in the way it has developed over recent years. Certain of the States will have to shed their indifference or even, in some cases, revise the tolerance they show towards such activities.

The fight against piracy may no longer be considered

<sup>18</sup> Declaration condemning commercial counterfeiting and encouraging the States to take more vigorous countermeasures, adopted by the ICC Council at its 139th Session on June 17, 1981.

to concern only the victims, who are faced with practical and legal difficulties that frequently exceed their possibilities. Enterprises should be able to count on the understanding of their governments and on the establishment of a true program to combat piracy.

The establishment of an International Code negotiated within GATT would be a considerable aid. Nevertheless, it would help in part only.

From the experience gained in implementing such a Code, further initiatives ought to be taken and it would be reasonable to think that WIPO should endeavor to propose adequate solutions and should act as an educator in convincing, in particular, the governments of developing countries that not only can trademark piracy not be considered a normal means of economic development but that it also impairs the reputation of the States that promote it or accept it with too much tolerance.

### The Evolution and Status of the International Anticounterfeiting Code\*

W. N. WALKER\*\*

Commercial counterfeiting is the practice of affixing a false trademark to a commercial product, usually in conjunction with imitative packaging and labeling, and marketing the false article as if it were the product of the trademark owner. Though often aimed at the market for luxury goods, such as designer apparel, jewelry, cosmetics and leather goods, commercial counterfeiting also infects a wide array of commercial and industrial product markets, including automobile, airplane and helicopter parts, agricultural chemicals, pharmaceuticals, and computer components, to name only a few.<sup>1</sup> Commercial counterfeiting has become increasingly prevalent in recent years, for reasons including technological improvements that facilitate illicit duplication of trademarks and packaging, growing consumer demand for status symbols, and economic conditions that make commercial counterfeiting an appealing source of hard currency to developing countries.<sup>2</sup>

\* Since this Code has not yet been adopted, references to "the Code" should be understood as references to the draft of such Code (*Editor's note*).

\*\* Attorney at Law; member of the firm of Mudge Rose Guthrie & Alexander, New York City. Deputy U.S. Special Trade Representative during 1975-77, serving as ambassador and head of the U.S. Delegation to the Tokyo Round of Multilateral Trade Negotiations in Geneva. Mr. Walker gratefully acknowledges the assistance of William F. Costigan, an attorney at Mudge Rose Guthrie & Alexander, in the preparation of this article.

<sup>1</sup> See 128 Cong. Rec. 3929 (daily ed. April 22, 1982) (remarks of Senator Mathias). See also Kneale, "Makers of Designer Goods Starting to Crack Down on Counterfeiting," *Wall Street Journal*, June 28, 1982, p. 17; "Company Lawyers Seek International Forum to Solve Counterfeit Capers," *Business International*, April 23, 1982, p. 129; Fenby, "Boom in Brand Name Fakes," *Reader's Digest* (United Kingdom edition), September 1981, p. 135.

<sup>2</sup> See Walker, *A Program to Combat International Commercial Counterfeiting*, 70 *Trademark Reporter* 117 (March-April 1980).

The International Anticounterfeiting Code, a multi-lateral response to the counterfeiting problem by major industrialized nations, is proposed for inclusion in the General Agreement on Trade and Tariffs (GATT) at the upcoming GATT ministerial meeting scheduled for late November 1982 in Geneva. The aim of the Code is the interception of counterfeit merchandise at international borders and disposal of such merchandise outside the channels of commerce.

Unlike the other GATT codes, the Anticounterfeiting Code was introduced to the GATT agenda at the insistence of affected private companies, i.e., the members of the International Anticounterfeiting Coalition, rather than at the behest of governments.<sup>3</sup> The Coalition is an alliance, now comprising over 60 American and European companies, spearheaded by Levi, Strauss & Co.<sup>4</sup> The companies' resort to the GATT is innovative in at least two ways. First, the GATT has been the preserve of governments over the years and is usually viewed as remote and unresponsive by businessman—to the extent that they think of it at all. As the mission of the GATT grows beyond the reduction of tariff barriers to include a multiplicity of nontariff measures, private sector involvement in GATT affairs will likely increase.<sup>5</sup> Second, the decision to seek relief through GATT rather than through the WIPO proceedings to revise the Paris Convention reflects an awareness of the trade context of this particular industrial property issue. It also reflects a degree of disillusionment with the pace and direction of WIPO deliberations.<sup>6</sup>

It should be observed at the outset that commercial counterfeiting is by no means an exclusively international phenomenon. In many cases, counterfeit articles are manufactured, marked, marketed and consumed in the same country. National regulation of counterfeiting has been, from the standpoint of trademark owners at least, a source of considerable dissatisfaction. Given the limited resources of many criminal justice systems, and the already daunting task of establishing prosecutorial priorities, commercial counterfeiting is frequently relegated to the bottom of the list. In the civil context, the experience of trademark owners has been no more encouraging, either because of the insufficiency of applicable legislation and case law or because of the proliferation of impecunious offenders.<sup>7</sup> However, recently proposed United States legislation offers hope that trademark owners will be able to win redress of counterfeiting activities taking place within the jurisdiction of the American authorities and, further, provides a

model to other nations stimulated to address the problem.<sup>8</sup>

Because of the breadth and volume of international traffic in counterfeits, merely national initiatives, however comprehensive, cannot eradicate or meaningfully curtail commercial counterfeiting. Many trademarks enjoy international prominence and are marketed globally. As political and economic barriers to international trade have diminished, commerce in fakes has also been facilitated.<sup>9</sup>

In recognition of the substantial international dimension of commercial counterfeiting, the Anticounterfeiting Coalition has mounted a worldwide campaign to combat counterfeiting that includes advocacy of international anticounterfeiting measures, strengthened national anticounterfeiting laws, and exchange of information about counterfeiting activities and local investigators and attorneys.<sup>10</sup> The centerpiece of the Coalition's effort is the International Anticounterfeiting Code.

The Code mandates numerous procedural reforms that will make customs interception of merchandise bearing counterfeit marks more effective and also specifies a flexible remedial scheme, relying principally on seizure and forfeiture of falsely marked articles, that is designed to deprive dealers in such merchandise of the economic benefits of their transactions. Equally important, the Code features an unequivocal condemnation of international trade in counterfeit goods and a frank recognition of the need to bring commercial counterfeit-

<sup>8</sup> The proposed Trademark Counterfeiting Act of 1982, Senate Bill 242E, 97th Congress, Second Session (1982), would provide stiff fines and even imprisonment for persons who knowingly traffic in counterfeit merchandise with the intention to dispose of the merchandise to others for value. Further, the bill would provide the aggrieved trademark owner with civil remedies of treble damages, recovery of profits, and reimbursement of investigator and attorney fees. A cognate bill has been introduced in the House of Representatives as H.R. 6175.

<sup>9</sup> For instance, A. T. Cross Co., a manufacturer of premium writing instruments, discovered a counterfeit production facility in Taiwan which shipped counterfeits to a free-trade zone in Brooklyn, New York, where documentation showing United States origin was obtained. From there the counterfeits were shipped to the Canary Islands for distribution throughout Western Europe and North Africa. *A.T. Cross Co. v. Sunil Trading Corp.*, 467 F. Supp. 47 (S.D.N.Y. 1979).

<sup>10</sup> In the United Kingdom, a counterpart group with somewhat similar goals, known as the Anti Counterfeiting Group or ACG, has been organized. The ACG, which had 38 member companies as of mid-1982, up from 22 at its inception in 1980, engages in information exchange and encouragement of government action to deter counterfeiting. Its members actively sought to influence the terms of certain trademark legislation in Hong Kong and to reinstate so-called Anton Piller orders in the UK. It is also supporting the GATT Anticounterfeiting Code.

In an almost classic example of cultural diversity on the two sides of the Atlantic, the ACG conducts its activities confidentially and with an absolute minimum of publicity and fanfare, whereas the American-based IAC has courted the media in order to focus public attention on the counterfeiting problem. The IAC has been extraordinarily successful in its public relations efforts because of the seemingly insatiable press interest in counterfeiting and because of the use of highly imaginative—and telegenic—techniques by U.S. counsel for companies concerned about the problem. Cartier, for example, steamrolled—literally—400 counterfeit watches before a gallery of television reporters for replay on the national evening news to an audience of tens of millions.

<sup>3</sup> See "A Gatt from GATT?" *The Economist*, June 10, 1978, p. 94.

<sup>4</sup> The writer presently serves as counsel to the Coalition and has served in that capacity since the Coalition's formation in 1978.

<sup>5</sup> See Walker, "Private Initiative to Thwart the Trade in Counterfeit Goods," *The World Economy*, March 1981, p. 29.

<sup>6</sup> *Id.* pp. 37-38.

<sup>7</sup> Kaikati and La Garce, "Beware of International Brand Piracy," *Harv. Bus. Rev.*, March-April 1980, p. 58.

ing under "more effective control."<sup>11</sup> This formal international condemnation of commercial counterfeiting should be used by counsel in arguing before civil courts for imposition of stiff penalties on counterfeiters and by companies seeking to influence national legislative and enforcement policies.<sup>12</sup>

Under the terms of the Code, signatory governments would undertake to establish a mechanism whereby a trademark owner aggrieved by counterfeit imports can furnish relevant information to the appropriate authorities (usually customs officers) after making a demonstration, satisfactory to those authorities, of the owner's right to trademark protection and of past importation or likely future importation of counterfeits.<sup>13</sup> Upon receiving such information, customs authorities "shall take the necessary steps to provide for the detention or seizure of such goods" or to otherwise retain jurisdiction or prevent the sale or other disposal of the goods.<sup>14</sup> The Code further provides for prompt notification of both the trademark owner and the importer of the arrival and seizure of the goods.<sup>15</sup> The complaining trademark owner, upon receiving notice, can set in motion the administrative or judicial procedures for determining whether the merchandise is counterfeit. Where "appropriate," the authorities may require the trademark owner to post a bond running to the authorities or to the importer in case the goods are ultimately determined not to be counterfeit.<sup>16</sup>

The principal remedial provision of the Code mandates, except in extraordinary cases, forfeiture to customs authorities of merchandise determined to be counterfeit.<sup>17</sup> This imposes a meaningful economic penalty on traffickers and represents a dramatic improvement over certain customs authorities' lamentable practice of merely requiring re-export to another market, sometimes even without removal or obliteration of the false marks. The Code directs the authorities to dispose of the counterfeit merchandise "outside the channels of commerce," e.g., to government agencies or charitable institutions.<sup>18</sup> Aside from those procedural and remedial measures, the Code provides for appellate review,

exchange of information by signatory governments, regular consultations (conducted under the auspices of a Committee on Commercial Counterfeiting) and dispute resolution.

In one important way, the Code qualifies its impact: "The substantive intellectual property law of the Parties is unchanged by this Agreement."<sup>19</sup> The Code's disavowal of intention to alter the substantive law of signatory States leaves considerable room for national variation and divergent application of the Code provisions. For instance, the definitional section of Article 1, and the Note thereto, state that the term "counterfeit goods ... is intended to limit the scope of the agreement to cover only imported goods with false trademarks that are *identical or substantially indistinguishable* from the legally protected mark and not lesser infringements."<sup>20</sup> The determination whether a particular shipment includes goods bearing a false mark that is identical to or substantially indistinguishable from a registered mark, leaves room for honest disagreement (in some cases) and for highly disingenuous rulings (in some other cases, though, one would hope, not too many).

A recent decision by the Dubai High Court exemplifies how a determinedly narrow approach to this issue can subvert the objectives of the Code. On May 15, 1982, the High Court overturned a lower court judgment that an influential national firm was infringing on Procter and Gamble's trademark for the detergent "TIDE" by marketing a locally-produced soap called "TIPE." The local firm used an identical color scheme, identical graphic layout on front and sides and identical type face to TIDE. The obvious product similarity was intentionally designed to mislead purchasers, especially those unfamiliar with English. Nonetheless, the court ruled that sufficient differences existed between the products by reason of the slight spelling variation.<sup>21</sup>

A recent ruling by a United States court, sitting in New York, illustrates a more principled approach to this issue. In *Montres Rolex, S.A. v. Snyder*, 82 Civ. 1692 (S.D.N.Y. 1982) (transcript of oral opinion of Judge Broderick dated April 7, 1982), the court held that, from the perspective of the "average purchaser," a shipment of one hundred gold bracelets bearing a crown design that resembled but did not absolutely duplicate the Rolex trademark were counterfeit. The court reasoned: "The clear purpose of the statutory amendment of 1526(e) in [the Customs Procedural Reform and Simplification Act of] 1978 was to protect the public and protect domestic trademark owners by providing a se-

<sup>11</sup> Draft Code, Preamble. The draft language of the current text of the Code appears in a document entitled: "Agreement on Measures to Discourage the Importation of Counterfeit Goods," which was circulated by the GATT in September 1979 as a revised version of MTN/NTM/W/225. Under the GATT rules of confidentiality this text has never been published. However, a copy has been deposited with the secretariat of the World Intellectual Property Organization in Geneva, along with this manuscript. The references to the Draft Code relate to this document.

<sup>12</sup> See, e.g., *Statement Condemning Commercial Counterfeiting and Encouraging International Countermeasures*, International Chamber of Commerce, Commission on International Trade Policy and Trade-Related Matters, ICC Document No. 103/39 Rev. Bis (June 17, 1981).

<sup>13</sup> Draft Code, Part I, Article II, § 3-5.

<sup>14</sup> *Id.* at § 2(A).

<sup>15</sup> *Id.* at § 3.

<sup>16</sup> *Id.* at § 5.

<sup>17</sup> *Id.* at Article III, § 2.

<sup>18</sup> *Id.* at § 2. The Note to this provision instructs that, where feasible, the false marks should be removed or obliterated before disposal.

<sup>19</sup> *Id.* at Article I, § 3.

<sup>20</sup> *Id.* at § 2 and Note thereto (emphasis supplied). This definition tracks the language of Section 526 of the Tariff Act of 1930, as amended by the Customs Procedural Reform and Simplification Act of 1978, 19 U.S.C. § 1526 (1978). This law, which substantially implements the operative provisions of the Draft Code, authorizes seizure and forfeiture of "counterfeit" goods intercepted by US customs authorities.

<sup>21</sup> The Dubai High Court has reached equally unprepossessing decisions in other cases, ruling, for instance, that "LUV" does not infringe on trademarked "LUX."

vere penalty with respect to importations bearing marks which *could be mistaken or were likely to be mistaken* [by the average purchaser] for the marks of registered domestic owners." Notably, this realistic approach to the identical/substantially indistinguishable issue was formulated in applying statutory language from the Tariff Act, as amended, that is identical to the language employed in the definitional part of the Code.<sup>22</sup>

Although the necessary reservation of issues of substantive law to the competent authorities of the signatory States does leave trademark owners vulnerable to the Dubai treatment, the moral pressure exerted by the adoption of the Code and the attention devoted to national enforcement efforts by the Committee on Commercial Counterfeiting may influence the relevant judicial or administrative authorities to repeal the "slightest variation" doctrine in those jurisdictions where it has taken hold.

The creation of the Committee on Commercial Counterfeiting charged with responsibility to afford the parties "opportunity to consult on any matters relating to the operation of the Agreement *or the furtherance of its objectives, ...*" is a promising feature of the Code. The Committee is not limited to mechanical application of the Code as written, but is authorized to sponsor consultations aimed at refining or even expanding the Code. Most notably, this could include expansion of the Code to reach copyright piracy. A recent statement by the ICC Commission on International Trade Policy and Trade-Related Matters, which condemned commercial counterfeiting and encouraged inclusion of the Code in the GATT, also urged expansion of the program to embrace copyright piracy and "other forms of counterfeiting which threaten the legitimacy of other forms of intellectual property." ICC, Commission on International Trade Policy and Trade-Related Matters, Document No. 103/39 Rev. Bis (June 17, 1981). Similarly, the Committee may become an effective instrumentality for building a consensus to extend the Code's application to confusingly similar marks that do not meet the potentially strict definition of "counterfeit."

The International Anticounterfeiting Code is one of the last remaining pieces of unfinished business left over from the Tokyo Round Negotiations. Injected late into the negotiating process, just before the Bonn Summit in July 1978, work on the Code could not be completed by the time the Tokyo Round agreements were initialled on April 30, 1979. Nevertheless, US and EC negotiators continued to meet and reached agreement on a text *ad referendum* in September 1979. During the next two years, low-key efforts were made by both US and EC

delegations to encourage participation by other governments, especially among the developed countries, whose markets face the most serious threat of large-scale counterfeit infestation.

In September 1981, the US and EC delegations conducted a series of bilateral and plurilateral discussions on the Code in Geneva and convened an informal meeting of interested delegations to pursue the matter further. This meeting came on the heels of the Ottawa Summit of heads of government, which had decreed the convening, in November 1982, of the first ministerial-level GATT meeting since the 1973 session which had launched the Tokyo Round. Bargaining over the agenda for the upcoming ministerial meeting began immediately, and the counterfeiting code was caught up in the process. The developing countries, led by Brazil, objected to a GATT anticounterfeiting initiative on grounds that it was not part of the GATT work program and that the topic should be taken up by WIPO in the course of revising the Paris Convention. The developed countries, led by the USA and EC, reiterated their position that the GATT is the proper venue for the matter and insisted on their right to develop and advocate an anticounterfeiting code in the same way that other codes were negotiated during the Tokyo Round.

In the first half of 1982, skirmishing over counterfeiting continued inconclusively during the official preparatory conferences aimed at preparing the agenda of the November ministerial meeting. As this article is being written, still another Geneva meeting is scheduled for the third week of September 1982 in an effort to resolve the issue and pave the way for opening the Code for signature—possibly as early as the ministerial meeting itself.

At this writing therefore, the status of the Code is uncertain. Further negotiations may bring about modifications in the terms agreed to earlier; moreover, the entire effort is hostage, in a sense, to the diplomatic tides swirling about the GATT ministerial. Ultimately, however, success seems assured, first because the problem of counterfeiting is growing and with it demands for international action, but second, and perhaps more important, because the Code has a strong private sector constituency. The latter point is related in no small part to the responsiveness of international bodies to political initiatives which are important to member governments and to the respective governments' willingness to undertake the initiative in order to accommodate influential domestic constituencies.

Since the counterfeiting problem seems unlikely to diminish and since pressure to respond to it will surely grow, ultimate acceptance and adoption of the Code can be confidently awaited.

<sup>22</sup> *Supra* note 20.

## General Studies

### Industrial Property and Consumer Protection: The New Israeli Legislation

M. GABAY\*

It is the prevailing view that appropriate measures should be taken by governments and private entities to assure that consumers are free from deception and misinformation in marketing practices, and that consumers should have such information as will permit them reasonably to know the quality and essential characteristics of the goods and services they acquire. The new Israeli Consumer Protection Law,<sup>1</sup> which was enacted on April 1, 1981, and entered into force on August 1, 1981, goes a long way toward achieving these very important goals.

#### History of Israel's Consumer Protection Law

The legislation of the State of Israel has in one form or another always evidenced a concern for the consuming public. The 1957 Control of Commodities and Services Law, like the British Mandatory legislation before it, gave the Government broad powers to intervene in marketing practices where the good of the public so required, and many regulations and orders affecting objectionable marketing practices or disclosure of relevant information were issued accordingly. But because the 1957 legislation lacked a modern framework, and it did not offer the broad range of remedies and procedures required in more recent consumer-oriented legislation, a major new bill—the Trade Practices Bill—was introduced into Israel's Knesset (Parliament) in 1972.

The Trade Practices Bill contained very substantial provisions aimed at prohibiting misleading and deceptive trade practices, as well as sections dealing with specific issues in such classic commercial areas as marks, trade names, trade secrets, commercial libel and indications of origin. The Bill also contained the range of remedies and procedures considered essential for effective enforcement.

For various reasons, the Trade Practices Bill was not passed into law, and in 1977 it was decided to divide the material covered by the Bill into two sections: the first to be called the Consumer Protection Law, dealing with

those trade practice problems of direct concern to the private consumer; the second, separate legislation dealing with issues of greater concern to the business community.

Happily, the efforts to provide modern legislative solutions to consumer protection problems have now borne fruit in the new Consumer Protection Law of 1981.

#### Deceptive and Misleading Practices

The fact that the Israeli Consumer Protection Law is directly concerned with issues of deception and misleading practices related to industrial property is made clear in Section 2, the central provision of the statute:

"2.—(a) A dealer shall do nothing—by an act or an omission, in writing, by word of mouth or in any other manner—likely to mislead a consumer as to any matter material to a transaction (any such act or omission hereinafter referred to as a "misleading act"); without prejudice to the generality of the aforesaid, the following shall be regarded as matters material to a transaction:

"(1) the quality, nature, quantity and type of any commodity or service;

...

"(6) the identity of the producer or the performer of the service;

"(7) the names or commercial appellation of the commodity or service;

"(8) the place of manufacture of the commodity;

...

"(10) the sponsorship, encouragement or authorisation given to the production or sale of the property or to the performance of the service;..."

The sanctions against the commission of a misleading act are many: first, under Section 23, the offender is liable to criminal proceedings, and a maximum penalty of a year's imprisonment or a fine of 50,000 Israeli shekels; only proof by the dealer that he acted completely without knowledge of the offending nature of his act will absolve him in this regard.

Secondly, the injured consumer has civil remedies against an offending act: under Section 32, the consumer can seek to have a transaction cancelled for such reason, even where the seller of the relevant goods or service was himself not connected to the misleading act; and under Section 31, the consumer can seek any resulting damages. In addition, the consumer's position is enhanced by a very new provision in Section 31 which permits the courts to make a special award to volunteer consumer organizations who assist the consumer in bringing his case to court.

At the administrative level as well, important sanctions are provided: a new Commissioner of Consumer

\* Director General, Ministry of Justice, Israel.

<sup>1</sup> For the text of this Law, see this month's *Industrial Property Laws and Treaties*. ISRAEL—Text 1-001.

Protection, or the Attorney General, may apply for an injunction against misleading acts, and the court's order may include any and all provisions necessary for preventing such offending acts. In addition, the Commissioner of Consumer Protection may enter into agreements of voluntary compliance with errant dealers, whereby the dealers undertake to refrain from certain acts or practices. Such agreements may include undertakings from the dealer to provide financial security, to return funds or goods to consumers who have been subjected to misleading acts, and to issue announcements and advertisements that will correct any misinformation. In these activities, the Commissioner is aided by extensive powers of search, seizure and other investigative powers.

A number of other provisions are worthy of note in terms of their relevance to the major objectives of fair selling practices and maximum consumer information:

(1) Under Section 4, a dealer must reveal to a consumer any material defect in the goods being sold, or any fact which renders the use or method of operation of such goods unusual.

(2) Under Section 5, the Minister of Trade and Industry may determine by regulations those consumer transactions which must be evidenced by a written document to be supplied to the consumer, including the details of terms specified in the regulations.

(3) Where the misleading act relates to the design or packaging of a product, Section 6 makes the manufacturer, the importer, the designer and the packager all *prima facie* liable for the offending act; Section 7 provides a similar extended liability arrangement where the misleading act is contained in an advertisement.

(4) Under Section 9, the Minister may by special order require that, in certain areas of supply of goods or services, a dealer may not provide consumer credit unless he has first disclosed, in such manner as may be set out in the order, an extensive list of matters relating to credit costs and other pertinent details.

(5) Sections 15 and 16 require retailers, who promote the sale of their products through special sales, or who offer discounts on goods with defects or early expiry dates, to make full disclosure, and distinguish clearly between those goods that are, or are not, included in the special sale or promotion.

(6) The Israeli Law includes an important section on labelling. Under Section 17, all goods that are not expressly exempted from the requirement must in some way bear the name and trade name of the product; place

of manufacture; name and address of the manufacturer and importer, if any; the weight or volume of the goods; and a detailed description of its contents and ingredients. In addition, the Minister may by order require that a whole range of other details be provided.

Finally, another word about the new Commissioner of Consumer Protection. While the Minister of Trade and Industry is authorized to flesh out the legislative framework of the new Law, it is to the Commissioner that the day-to-day enforcement of the new provisions is entrusted. In addition, he is required to deal with substantial complaints relating to any consumer issue, to conduct or initiate tests and research projects of interest to the consumer, and otherwise to deal with any consumer problem not specifically entrusted to another Government official.

### Consumer Protection—The Relevant Legal and Social Infrastructure

The protection of the consumer is often an especially problematic issue. The major elements in the program to enhance the consumer's position—the Government, trade and industry, consumer organizations and the private consumer himself—should play their role within the appropriate legal and administrative structure.

There are clear signs of progress in these efforts in Israel, as in many other countries at a similar level of development. Notwithstanding the inevitable obstacles, increased activity is to be seen in all areas of consumer affairs, and the recent legislative activity in the area is unquestionably a function of the fact that Israeli society is ready to give consumer issues greater priority than before. The fact that small claims courts are now available to provide simplified, inexpensive justice in all major centers of the country, and recent consumer legislation has granted special status to active consumer organizations, will all help to further these important objectives.

In conclusion, the new Consumer Protection Law—enhanced by appropriate secondary legislation, and enforced by a dedicated public authority—will help Israel to achieve the important goal of providing a wide range of remedies against objectionable activities affecting the consumer. Industrial property factors, especially trademark and unfair competition principles, can assist in activating these remedies by a broad mix of private, governmental and volunteer-organizational resources.

# Calendar

## WIPO Meetings

(Not all WIPO meetings are listed. Dates are subject to possible change.)

### 1982

- November 29 to December 3 (Geneva) — Permanent Committee on Patent Information (PCPI) and PCT Committee for Technical Cooperation (PCT/CTC)
- December 6 to 10 (Geneva) — International Patent Classification (IPC) — Committee of Experts
- December 6 to 10 (Paris) — Berne Union and Universal Copyright Convention — Working Group on the Formulation of Guiding Principles Covering the Problems Posed by the Practical Implementation of the Licensing Procedures for Translation and Reproduction under the Copyright Conventions (convened jointly with Unesco)
- December 13 to 17 (Paris) — Berne Union, Universal Convention and Rome Convention — Subcommittees of the Executive Committee of the Berne Union, of the Intergovernmental Copyright Committee and of the Intergovernmental Committee of the Rome Convention, respectively, on Copyright and Neighboring Rights Problems in the Field of Cable Television (convened jointly with ILO and Unesco)
- December 13 to 17 (Geneva) — Locarno Agreement — Committee of Experts

### 1983

- January 17 to 28 (Geneva) — Permanent Committee on Patent Information (PCPI) — Working Group on Search Information
- January 25 to 29 (New Delhi) — Permanent Committee for Development Cooperation Related to Copyright and Neighboring Rights
- January 31 to February 2 (New Delhi) — Regional Committee of Experts on the modalities of implementation in Asia of the model provisions for national laws on intellectual property aspects of the protection of expressions of folklore (convened jointly with Unesco)
- March 16 to 18 (Geneva) — WIPO Worldwide Forum on the Piracy of Books and Magazines and of Radio and Television Broadcasts
- April 18 to 23 (Geneva) — Permanent Committee on Patent Information (PCPI) — Working Group on General Information
- April 25 to 29 (Geneva) — International Patent Cooperation (PCT) Union — Committee for Administrative and Legal Matters
- May 2 to 6 (Geneva) — Committee of Experts Concerning Joint Inventive Activity
- May 26 to June 3 (Geneva) — Permanent Committee on Patent Information (PCPI) — Working Group on Special Questions and Working Group on Planning
- June 6 to 10 (Geneva) — Expert Group on the Legal Protection of Computer Software
- June 6 to 17 (Geneva) — Permanent Committee on Patent Information (PCPI) — Working Group on Search Information
- June 20 to 24 (Geneva) — Permanent Committee on Patent Information (PCPI) — ad hoc Working Group on the Revision of the Guide to the IPC
- July 4 to 8 (Geneva) — Joint Unesco-WIPO Consultative Committee on the Access by Developing Countries to Works Protected by Copyright (convened jointly with Unesco)
- September 12 to 16 (Geneva) — International Patent Classification (IPC) Union — Committee of Experts
- September 14 to 16 (Paris) — Forum of International Non-Governmental Organizations on Double Taxation of Copyright Royalties (convened jointly with Unesco)
- September 19 to 23 (Geneva) — Permanent Committee on Patent Information (PCPI) and PCT Committee for Technical Cooperation (PCT/CTC)
- September 26 to October 4 (Geneva) — Governing Bodies (WIPO General Assembly, Conference and Coordination Committee; Assemblies of the Paris, Madrid, Hague, Nice, Lisbon, Locarno, IPC, PCT, Budapest, TRT and Berne Unions; Conferences of Representatives of the Paris, Hague, Nice and Berne Unions; Executive Committees of the Paris and Berne Unions; Committee of Directors of the Madrid Union; Council of the Lisbon Union)
- October 12 to 14 (Geneva, ILO Headquarters) — Rome Convention — Intergovernmental Committee (convened jointly with ILO and Unesco)
- October 17 to 21 (Geneva) — Committee of Governmental Experts on Model Statutes for Institutions Administering Authors' Rights in Developing Countries (convened jointly with Unesco)
- November 21 to 25 (Geneva) — Permanent Committee on Patent Information (PCPI) — Working Group on General Information
- November 28 to December 2 (Geneva) — Permanent Committee on Patent Information (PCPI) — Working Group on Special Questions and Working Group on Planning
- December 8 to 16 (Paris) — Berne Union — Executive Committee — Extraordinary Session (sitting together, for the discussion of certain items, with the Intergovernmental Committee of the Universal Copyright Convention)

## UPOV Meetings

### 1983

April 26 and 27 (Geneva) — Administrative and Legal Committee  
 April 28 (Geneva) — Consultative Committee  
 May 30 (Zaragoza) — Technical Working Party for Vegetables — Subgroup  
 May 31 to June 2 (Zaragoza) — Technical Working Party for Vegetables  
 June 7 (Tystofte, Skaelskør) — Technical Working Party for Agricultural Crops — Subgroups  
 June 8 to 10 (Tystofte, Skaelskør) — Technical Working Party for Agricultural Crops  
 September 20 (Rome or Santa Cruz) — Technical Working Party for Fruit Crops — Subgroup  
 September 21 to 23 (Rome or Santa Cruz) — Technical Working Party for Fruit Crops  
 September 27 to 29 (Conthey or Wädenswil) — Technical Working Party for Ornamental Plants and Forest Trees  
 October 3 and 4 (Geneva) — Technical Committee  
 October 11 (Geneva) — Consultative Committee  
 October 12 to 14 (Geneva) — Council  
 November 7 and 8 (Geneva) — Administrative and Legal Committee  
 November 9 and 10 (Geneva) — Hearing of International Non-Governmental Organizations

## Meetings of Other International Organizations Concerned with Industrial Property

### 1982

European Patent Organisation: December 6 to 10 (Munich) — Administrative Council  
 Union of European Practitioners in Industrial Property: December 3 (Paris) — Fifth Round Table on Industrial Designs

### 1983

Benescience Foundation: April 27 to 29 (Munich) — Conference on Patent Claim Drafting and Interpretation  
 International Association for the Protection of Industrial Property: May 23 to 27 (Paris) — XXXII Congress  
 International League Against Unfair Competition: September 18 to 21 (Montreal) — Working Session (*Journées d'Etudes*)

### 1984

Royal Patent and Registration Office: June 13 to 15 (Stockholm) — Symposium on the Centenary of the Swedish Patent System