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Carol P. Sanborn

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Introduction to the Products Counterfeiting Survey

I. INTRODUCTION

A. *Identifying the Counterfeiting Problem*

Imitation—the most sincere form of flattery? The International Anti-Counterfeiting Coalition¹ would hardly agree. According to a recent study by the United States International Trade Commission, American businesses lost sixteen to eighteen billion dollars² in 1983 alone, due to product counterfeiting.³ Advanced technology, cheap labor, and an ever-increasing demand for counterfeit goods has allowed importation of these foreign products into the United States to flourish.⁴ It has become increasingly difficult to find an industry immune to the problem.⁵

Foreign counterfeiting of manufactured goods poses a serious threat to the United States' already precarious lead in technology and its competitive future in the international marketplace.⁶ The proliferation of counterfeit products also endangers the reputation of scrupu-

1. The Coalition represents over 200 American and foreign corporations, trade associations and government agencies that have banded together to fight counterfeiting of manufactured goods on an international basis. Farnsworth, *Imitation Goods Costly to the U.S.*, N.Y. Times, Feb. 5, 1984, at A4, col. 1. The group is widely credited with getting state and federal legislators to acknowledge the counterfeiting problem. *Putting Teeth in the Trademark Laws*, BUS. WK., Oct. 8, 1984, at 79.

2. *Fakes!*, LIFE MAG., Sept. 1984, at 45, which estimates losses at six to eight billion dollars; Automotive News, Mar. 21, 1983, at 20, col. 3, which reports losses to United States auto parts makers alone at \$12 billion annually.

3. *Putting Teeth in the Trademark Laws*, *supra* note 1, at 75.

4. *Fakes!*, *supra* note 2, *passim*.

5. Some frequently counterfeited products include: pharmaceutical supplies, watches, and sports shirts, *Putting Teeth in the Trademark Laws*, *supra* note 1, at 75, 79; batteries, computers, cosmetics, records, tapes, charge cards, jeans, and optical supplies, Taylor, *Business Goes After Fake Goods for Real*, U.S. NEWS & WORLD REP., June 13, 1983, at 76; Cabbage Patch dolls, *Cabbage Patch Look-Alikes Get Hauled Into Court*, BUS. WK., Jan. 16, 1984, at 27; pesticides and military equipment, *Fakes!*, *supra* note 2, at 46; auto parts, Automotive News, *supra* note 2, at 20; shoes, automobiles, tennis rackets, and heart pumps, N.Y. Times, Apr. 9, 1984, at A16, cols. 1, 2; designer handbags, N.Y. Times, May 4, 1984, at B4, col. 5; electronic parts for commercial and military aircraft, N.Y. Times, June 9, 1984, at A34, col. 2; movie films, Pagano, *Action Urged on Nations Originating Counterfeits*, L.A. Times, Apr. 10, 1984, pt. IV, at 4, col. 1; books, *Piracy on the Book Shelves*, ECONOMIST, Apr. 2, 1983, at 79; and, hair care products, Kraar, *Fighting the Fakes from Taiwan*, FORTUNE, May 30, 1983, at 114.

6. Taylor, *supra* note 5, at 76.

lous manufacturers.⁷ American workers annually lose an estimated 131,000 jobs due to foreign counterfeiting,⁸ not to mention the enormous impact these imports have on the international trade deficit. But the price exacted is not confined to economic terms alone. Consumers world-wide may risk serious health and safety consequences when they become unsuspecting victims of bogus products.⁹

In 1980, powdered limestone, packaged and labeled as Chevron pesticide, destroyed fifteen percent of Kenya's coffee crop.¹⁰ Counterfeit pharmaceutical and medical supplies pose equally serious hazards,¹¹ while bogus unsafe auto parts, including tires, brake shoes, and batteries, flood the auto industry.¹² Shoddily copied landing gear was even used on NATO helicopters.¹³ The General Electric Company recently discovered that faulty counterfeit electronic parts bearing its trademark had been used to equip commercial aircraft.¹⁴ Defense Department investigators are looking into the possibility that some of these parts may have been sold to the military.¹⁵

The entertainment industry is no less vulnerable a target. In April, 1984, Stanley Gortikov, president of the Recording Industry of America, reported at a Congressional hearing that Singapore alone exports seventy million illicit music tapes per year,¹⁶ while record pirates account for as much as twenty percent of album sales world-

7. Auto parts dealers claim counterfeit parts may be anywhere from five to thirty-five percent as effective as the genuine auto parts. Consumers, unaware that the parts are bogus, look only at the name of the product and vow never to buy it again. Therefore, dealers will do everything they can to satisfy customer complaints, even though they know the product to be counterfeit. *Automotive News*, *supra* note 2, at 20, cols. 4, 5.

8. See Farnsworth, *supra* note 1, at A4, col. 1; but see *Automotive News*, *supra* note 2, at 20, col. 3 (estimating 200,000 to 300,000 jobs lost annually in the auto industry alone); *Fakes!*, *supra* note 2, at 45 (reporting 200,000 lost American jobs annually).

9. The difference in quality between counterfeit and genuine products "can be of particular importance in some industries to the health and safety of the consumer, as is the case for defective auto parts, ineffective or nonsterile drugs and pharmaceuticals, and ineffective agricultural chemicals." Farnsworth, *supra* note 1, at 4, col. 1 (quoting a U.S. International Trade Commission Study).

10. *Id.*

11. *Id.*

12. *Automotive News*, *supra* note 2, at 20, col. 4, which compares product efficacy between genuine and counterfeit auto parts.

13. *Fakes!*, *supra* note 2, at 46.

14. The particular outfit mentioned here employed sandblasting and buffing equipment to remove trademarks from old parts. These old parts were simply replated, to appear new, and stamped with fresh logos (in this instance General Electric). *N.Y. Times*, June 9, 1984, at A34, col. 2.

15. *Id.*

16. *L.A. Times*, *supra* note 5, pt. IV, at 4, col. 1.

wide.¹⁷ The film industry estimates annual losses from pirated movies to be nearly one billion dollars,¹⁸ and book publishers report equally staggering losses.¹⁹

Altogether, the United States International Trade Commission study identified forty-three countries as sources of counterfeit goods,²⁰ but the overwhelming majority of the activity is concentrated in the fast-growing countries of the Pacific basin.²¹ Until 1983, Taiwan, one of the leading nations in the counterfeit industry, did not even have laws prohibiting commercial imitations.²² Like many other countries of the Far East, Taiwan's weak patent, trademark, and copyright laws reflect a traditional Chinese attitude that "knowledge, however developed, is common property."²³ Accordingly, many book pirates contend that they are doing a cultural favor by sharing knowledge which, they say, belongs to the people.²⁴

Apple Computer's initial reaction to foreign counterfeiting was typical of American manufacturers. In 1980, when close copies of the Apple microcomputer were discovered in Asia, they were written off as insignificant.²⁵ Most companies did not think the small market mattered until those clever reproductions were exported.²⁶ Observers now estimate that Taiwan produces between 2,000 and 4,500 pirated Apple II computers each month.²⁷ Since counterfeiters have learned how to duplicate Apple's memory software system, in countries such as Australia, Apple's present market share has decreased from ninety percent in 1978, to thirty percent in 1982.²⁸

Recent efforts to combat the foreign counterfeiting epidemic

17. Taylor, *supra* note 5, at 76.

18. L.A. Times, *supra* note 5, pt. IV, at 4, col. 1.

19. See *Piracy on the Book Shelves*, *supra* note 5, at 79; L.A. Times, *supra* note 5, pt. IV, at 4, col. 1 (reporting losses to book publishers at approximately \$100 million per year).

20. The United States is included as a principal supplier of counterfeit aircraft parts. Farnsworth, *supra* note 1, at A4, col. 1.

21. Hong Kong, Indonesia, Singapore and the Philippines are other leading countries. *Id.*

22. *Fakes!*, *supra* note 2, at 48.

23. L.A. Times, Jan. 9, 1984, pt. IV, at 3, col. 1.

24. Because many foreign countries have no domestic copyright law, unauthorized publishing is technically not piracy until the books are exported. *Piracy on the Book Shelves*, *supra* note 5, at 79.

25. *Apple Counterattacks the Counterfeiters*, BUS. WK., Aug. 16, 1982, at 82.

26. Kraar, *supra* note 5, at 116.

27. *Apple Counterattacks the Counterfeiters*, *supra* note 25, at 82.

28. *Id.* A Taipei counterfeiter boasted, "We were the first to copy the Apple, so we know how to do it better than anyone else." Another Taipei firm employs American technicians to train assembly-line workers and has prepared itself for its next project: "In six

have proven largely ineffective. Until recently, the only federal law addressing this problem was the Lanham Trade-Mark Act of 1946.²⁹ This statute has been harshly criticized by American businesses who consider it impotent in controlling foreign counterfeiting.³⁰ With high profits at stake for counterfeiters, the Act's civilized solutions are meaningless.³¹ As James L. Bikoff, president of the International Anticounterfeiting Coalition explained, "[we]'re dealing with a criminal element, and we don't have a criminal law right now."³² Susan Ozawa, a United States Customs inspector, contends that to effectively stop all imported counterfeit goods, "we'd have to examine 100 percent of the freight that arrives here. And that's impossible."³³ In the meantime, Albert Eisenstat, Apple's general counsel, sees the problem as so pervasive, he "likens himself to 'the Dutch boy sticking his finger in a hole in the dike.'"³⁴

B. Distinguishing Trademarks from Copyrights and Patents

Counterfeiting of manufactured goods involves the violation of three distinct intellectual property rights—trademark, copyright, and patent. Copyright protection exists for original works of authorship "fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device."³⁵ Copyright protection does not extend to ideas, concepts, and discoveries,³⁶ and many foreign countries do not acknowledge copyright protection at all.³⁷

Patents provide protection for ideas or inventions. One who "in-

months we will make the Macintosh We are only waiting for the designs from our U.S. source.'" *Fakes!*, *supra* note 2, at 46.

29. 15 U.S.C. §§ 1051-1127 (1976). The Trademark Counterfeiting Act of 1984, 15 U.S.C. §§ 1116-1118 (1984), 18 U.S.C. §§ 2311, 2320 (Supp. 1985), also now covers foreign counterfeiting.

30. See *infra* notes 125-43 and accompanying text for a discussion of remedies for counterfeiting.

31. *Putting Teeth in the Trademark Laws*, *supra* note 1, at 79. Counterfeiters have long escaped sanctions by hiding their assets or disappearing entirely, and they routinely violate court orders that ban them from business.

32. *Id.*

33. *Fakes!*, *supra* note 2, at 48.

34. Kraar, *supra* note 5, at 114.

35. 17 U.S.C. § 102 (1982). Works of authorship include literary; musical; dramatic; pantomime and choreographic; pictorial, graphic and sculptural; and, audiovisual works as well as recordings.

36. 17 U.S.C. § 102(b) (1982).

37. See generally *Piracy on the Book Shelves*, *supra* note 5.

vents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement . . . may obtain a patent"³⁸ Typically, patents convey seventeen years of exclusive use to the patent holder.³⁹

Both copyrights and patents are monopolies created by law.⁴⁰ The essence of a copyright or patent is the right to exclude others. A patent owner or copyright proprietor may grant a license to others, but this conveys no real interest. A license is essentially a purchased right to act without the threat of suit by the patent or copyright owner.⁴¹ By comparison, a trademark is quite different.

A trademark may be defined as "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others."⁴² A trademark involves no element of a monopoly at all.⁴³ Since a trademark is a means of distinguishing one product from another, it follows that there must be other products from which to distinguish the trademarked product.⁴⁴ If there are no others, there is no need for any distinction.⁴⁵

Trademarks indicate two things. First, that there is no monopoly of the product, but instead, that there exists an actual or potential competition for its sale. Second, the person stamping his mark upon the goods is not ashamed of them, but rather, he is willing to allow the public to judge between his and similar goods by the only effective means—a distinguishing mark.⁴⁶ A trademark "is not a talisman that insures success," but rather is the result of success in a competitive system of trade.⁴⁷ Unlike copyrights and patents, these marks have been used for as long as man has owned property.⁴⁸

38. 35 U.S.C. § 101 (1982).

39. *But see The Push to Protect Patents on Drugs*, 222 SCI. 593 (1983) for an interesting discussion of how drug manufacturers often lose several years of patent life consumed by regulatory review of new drugs.

40. E. ROGERS, *GOODWILL, TRADE-MARKS, AND UNFAIR TRADING* 50 (1914).

41. *Id.* at 51.

42. 15 U.S.C. § 1127 (1982).

43. E. ROGERS, *supra* note 40, at 51.

44. *Id.* at 52.

45. *Id.*

46. *Id.*

47. *Id.* at 53.

48. *See generally* W. BROWNE, *A TREATISE ON THE LAW OF TRADE-MARKS* § 1 (2d ed. 1885).

II. THE HISTORY OF TRADEMARKS

A. Usage in Ancient Times

"As the love of gain is inborn, it must be assumed that in even the rudest ages of the world men obeyed the instinct of adding to gains, and therefore guarded against losses incident to keen and perhaps unscrupulous rivalry."⁴⁹ Early man sought this protection through proprietary markings symbolizing origin or ownership.⁵⁰

In ancient times, man's property primarily consisted of livestock.⁵¹ Cave murals in southwest Europe, believed to have been painted during the late Stone Age or early Bronze Age, reveal animals branded⁵² with these proprietary markings.⁵³ Fragments of reindeer horn, with identifying marks cut into them, have been found in these caves as well.⁵⁴ Whether or not one chooses to characterize these animal brands as rudimentary trademarks, there is little doubt that the proprietary function they served closely parallels the protection sought by modern trademark users.⁵⁵

Although the Bible makes perhaps the earliest literary reference to these markings,⁵⁶ our present appreciation for the antiquity of trademarks is due not to books, but to the oldest form of art—pottery.⁵⁷ According to mythology, the god Khnum⁵⁸ is credited with the

49. *Id.* § 1, at 1-2.

50. It is believed that these markings pre-dated the use of writing itself and were largely based on faith—"The soul of commerce." These marks "spoke an emphatic language: When you see me, know that I have come from So—and—so." *Id.* § 3, at 3.

51. The word "chattel" provides historical support for this conclusion. Originally chattel meant "cattle." Soon, the word came to represent any kind of movable property that became the subject of bargain and sale. *Id.* § 3, at 4.

52. The word "brand" is derived from the Anglo-Saxon verb meaning "to burn." *Id.* § 5. Not only has the word survived in the literal sense but is reflected today in the more modern concept of "brand-name." Diamond, *The Historical Development of Trademarks*, 65 TRADE-MARK REP. 265, 267 (1975).

53. Ruston, *On the Origin of Trademarks*, 45 TRADE-MARK REP. 127, 129 (1955).

54. This same practice, by nomadic Lapps, still continues today. *Id.*

55. See 15 U.S.C. § 1127 (1982); see also *supra* note 42 and accompanying text for the current definition of trademark.

56. Among many biblical references to trademarks, see *Revelations* 13:17: "no man might buy or sell, save he that had the mark."

57. Pottery has frequently been described as its own historian because of its enduring nature, having in many instances survived burial for thousands of years. Consequently we not only owe our present understanding of the history of man to archeological finds, but our knowledge of man's early economic growth through commerce is also derived through archeological research. See generally W. PRIME, POTTERY AND PORCELAIN (1878).

58. Khnum is also referred to in some sources as *Num*. See, e.g., 1 S. BIRCH, HISTORY OF ANCIENT POTTERY 10 (1858).

birth of pottery.⁵⁹ The Egyptians believed that Khnum fashioned the human race out of Nilotic clay on his potter's wheel and then breathed into man's nostrils the breath of life.⁶⁰ Therefore, with little surprise, most authorities are in agreement that the earliest archeological evidence of pottery has been unearthed in Egypt.⁶¹

The precise time in history that pottery began to bear trademarks is disputed. Official Chinese annals credit Emperor Hoang-ti as the inventor of pottery and assign the year 2698 B.C. as the time of the invention.⁶² Under Hoang-ti's reign there was even a "superintendent of pottery."⁶³ Trademarks on this early Chinese pottery have been documented and consist of two types. One, a marking of Chinese characters, reveals under whose reign the piece was made. The other uses designs in color or engraved names to indicate the author of the piece, the place of manufacture, or the destination of the article.⁶⁴ One source reports stone-age pottery markings as early as 5000 B.C.,⁶⁵ and another source reports a collection of Greek and Italian vases reproducing factory potters' marks imprinted in the fifth and fourth centuries B.C.⁶⁶ Yet, another notable source states with certainty that with *or* without marks "pottery . . . has never been found yet which can be with reason assigned to an origin as early as 3000 B.C."⁶⁷

Most authorities do agree that the first man-made pottery was a simple brick made of mud or clay.⁶⁸ Again, it is doubtful that the very first brick carried a trademark, but excavations in Asia Minor and Egypt have revealed stamped bricks along with the devices believed to have stamped them.⁶⁹ Some bricks were imprinted with simple finger marks,⁷⁰ while others were stamped with the *praenomen*⁷¹ of the reigning monarch. Often the stamp indicated the destination of the

59. The Columbia History of the World, *Ancient Egypt Lives*, in 1 HANGUPS FROM WAY BACK 80-81 (F. Gentiles & M. Steinfield 2d ed. 1974).

60. 1 S. BIRCH, *supra* note 58, at 10.

61. *Id.* at 9. But see Paster, *Trademarks—Their Early History*, 59 TRADE-MARK REP. 551, 552 (1969), which credits the Chinese with the earliest pottery of discernible origin.

62. W. BROWNE, *supra* note 48, § 13.

63. *Id.* § 13, at 12.

64. *Id.*

65. See Ruston, *supra* note 53, at 128.

66. F. SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS* 20 (1925).

67. W. PRIME, *supra* note 57, at 35.

68. *E.g.*, 1 S. BIRCH, *supra* note 58, at 11-20.

69. For illustrations of these bricks and the stamping devices, see *id.* at 13, 16.

70. *Id.* at 14.

brick. Those bricks bearing a pharaoh's name meant that they were intended for public works, while the bricks bearing the names of high priests or officials often indicated the bricks were to be used for their tombs.⁷² Two other types of marks have also been found on stones or bricks. Quarry marks indicated the source of the stone, and stonecutters' signs were used to prove a worker's claim to wages.⁷³ Both types of marks have been found on Egyptian structures believed to have been erected as early as 4000 B.C.⁷⁴

Between 1300 and 1200 B.C., commerce between Asia Minor and India increased. This fact is supported by findings of Hindu merchandise, bearing many different emblems, throughout the Mediterranean region.⁷⁵ These trademarks symbolized more than a proprietary interest. They were born out of a need for source identification by remote consumers placing repeat orders for goods they considered to be satisfactory.⁷⁶

Elaborately decorated vases depicting scenes of Greek mythology were also marked.⁷⁷ In comparing these artifacts, archeologists theorize that even then copyists were at work.⁷⁸ The Romans were known for this practice of copying, but also marked original works with the names of workmen, manufacturers, and places of origin.⁷⁹ In addition to the maker's name, products soon began to bear real trademarks depicting bees, lions' heads, oil jugs, Mercury staffs, and similar symbols.⁸⁰ These identifying marks were not limited to manufactured products but have been found on foods from ancient Rome.⁸¹ Bread was stamped and the famous cheese of Etruscan Luna carried a picture of the city.⁸² The origin of wine was labeled on jars, and

71. A person's first, or personal, name. WEBSTER'S UNABRIDGED DICTIONARY 1413 (2d ed. 1983).

72. 1 S. BIRCH, *supra* note 58, at 17.

73. See Diamond, *supra* note 52, at 269-70.

74. *Id.* at 269.

75. *Id.* at 270. See also Paster, *supra* note 61, at 552.

76. See Diamond, *supra* note 52, at 270.

77. These marks represent signatures by both the sculptor and the decorator. Based on the scenes depicted and the color used, the vases have been determined to have been made between 700 and 400 B.C. 1 S. BIRCH, *supra* note 58, at 256, 311, 371.

78. *Id.* at 261-62, 357. See also Rogers, *Some Historical Matter Concerning Trademarks*, 9 MICH. L. REV. 29, 30 (1910).

79. "Wherever exist relics of Roman life, from Syria to Britain are found the names of workmen, of manufacturers and of traders, pictorial marks, marks of local origin and chronograms." Rogers, *supra* note 78, at 30.

80. *Id.* at 31.

81. *Id.*

82. *Id.* at 30.

salves and medicines traded throughout the world bore a stamp of the physician's name.⁸³ Commercial relations in ancient times were far more similar to our current system of trade than one might imagine.⁸⁴

B. Usage During the Middle Ages

Marks, as they were used in ancient times, practically vanished for nearly a thousand years beginning about 500 A.D. The commercial and cultural decline occurring during the Dark Ages brought such limited trade, that it is believed only weapons were protected by these markings.⁸⁵

The Middle Ages,⁸⁶ characterized by a revival of learning, gave birth to significant trade expansion. Incident to this expansion, there was a proliferation of marks and symbols throughout society. Although these marks served several different functions, the previously discussed proprietary theme continued to be a foremost concern.⁸⁷ To the extent that these marks served a regulatory purpose, guilds and municipalities are credited with responding to the upsurge in trade by enacting legislation. Such political reformation permeated medieval Europe.⁸⁸

Personal marks, including coats of arms, signets, and seals, were used to identify individuals. The signing of paintings is an example of this identification.⁸⁹ A house mark, actually affixed to the house itself, served to identify the family living there. This design marked the

83. *Id.* at 31.

84. *Id.* at 31-32. For a comprehensive discussion of the sophisticated trade organizations during this time, see J. CARCOPINO, *DAILY LIFE IN ANCIENT ROME* 173-82 (1940).

There were the fitters of Musluvium . . . whose somewhat complicated and yet highly instructive armorial bearings include fish, a cupid astride a dolphin, and two female heads, one of which is almost effaced while the other is crowned with ears of corn and has a harvest woman's sickle at its side. And . . . there were the fitters of Sabratha, the port of the desert whence the ivory of Fezzan was exported, symbolised by an elephant below the name of its seamen.

Id. at 175-76.

85. "[T]he Dark Ages, between the dissolution of the Roman Empire, in the Vth century, and the XIth century, is mysterious in many ways; not the least of these mysteries is the disappearance of trademarks from pottery of the period, indeed from practically all manufactures." Ruston, *supra* note 53, at 134-35.

86. The period of European history from approximately A.D. 500 to 1500. WEBSTER'S *THIRD NEW INT'L DICTIONARY* 1430 (1981).

87. Diamond, *supra* note 52, at 272-73.

88. These political conditions included the "disintegration of the feudal system, the establishment of the Hanseatic League . . . [to protect] sea-trade, the rise of the free cities . . . and most important, the formation throughout Europe of the great trade and craft guilds." Paster, *supra* note 61, at 555.

89. Rogers, *supra* note 78, at 32.

householder's goods if he was an artisan, or if he was an inn or shop-keeper the sign served as an advertisement of his services.⁹⁰ Such symbols also marked stones and posts as landmarks. The name of a territory in North Germany, called *Markland*, meaning "marked land," is believed to have been named for this practice. In Denmark these family marks literally followed one to his grave, marking his gravestone as well as his church pew.⁹¹

Proprietary marks continued to protect ownership of livestock, tools, and even human slaves from loss or theft. Merchants placed these proprietary marks on shipping containers, barrels, etc.⁹² One story has been frequently repeated in the literature involving the reclamation of bales of wax following a shipwreck. According to the story, shipping merchants were able to establish their interest in the goods using these marks.⁹³

A third kind of mark indicated the appellation of geographical origin. In medieval Europe, goods carrying this type of mark included textiles and tapestries.⁹⁴ Consistent with the spirit of free-enterprise, these marks grew to represent more than simple "factory marks." They came to symbolize the good-will of the capitalist who supplied the tools and materials used to produce the article.⁹⁵

Perhaps no single group has contributed more to trademark usage in the modern sense than the guilds established during the Middle

90. Diamond, *supra* note 52, at 272-73. These family or housemarks were obligatory among some societies. For example, a Lapp man, "as soon as he got a flock, perhaps on marriage, had to adopt a mark and show it to five neighbours; when the annual parliament called the 'Thing' met each Spring, he had to declare it publicly to the assembly." Ruston, *supra* note 53, at 136.

91. Ruston, *supra* note 53, at 136-37.

92. Diamond, *supra* note 52, at 273.

93. Daniels, *The History of the Trade-Mark*, 7 TRADE-MARK BULL. 239, 251 (1911), discussed in Diamond, *supra* note 52, at 273.

94. For an explanation of this type of mark labeling Roman wine and Etruscan Luna cheese, see Rogers, *supra* note 78, at 31.

95. This differentiation between "factory marks" and what today are considered trademarks was the subject of a proclamation of Charles I issued in 1633:

And whereas . . . there is great abuse found to bee practised in the Markes of the Clothiers, some that make worse Cloth using the Markes of others that make best, or making of so slight a difference from it, as the buyer cannot easily discern it: His Highness willeth and commandeth, that every Clothier shall have one seuerall marke for his Cloth, and shall use that one marke onelie for all the time of his Clothing, without altering or changing the same, and no man shall give the same marke which another useth, though with addition or difference or change of the colour: And where at present seuerall men use the same marke, such of them as haue longest used the same shall continue the use thereof, and the other shall betake themselues to the use of new markes not used by others

F. SCHECHTER, *supra* note 66, at 95 (emphasis in original).

Ages. Born of the working and trade classes, the guilds were comprised to two distinct organizations: the trade guild included merchants; and the craft guild, as the name implies, included craftsmen or artisans.⁹⁶ Regulations promulgated by the guild established rules to be followed by its members, thereby tightening control of the particular trade.⁹⁷ One such rule imposed by the guild required that as one became a master craftsman, "he was required to choose a mark, obliged to use it on all goods he produced, and to retain it his entire life."⁹⁸ These regulations affected artisans of all types, including weavers,⁹⁹ bakers,¹⁰⁰ silversmiths, and printers.¹⁰¹

Guild regulations pertaining to printers are somewhat amusing in light of today's copyright laws.¹⁰² In approximately 1450, colophons, or printers' and publishers' marks, were introduced. Because copyrights were not recognized at this time,¹⁰³ the emphasis was on accuracy of duplication and not originality or authenticity of the literary work. These decorative marks became a source of great rivalry prompting the Milanese Printers Guild to promulgate the following rule: "[n]o printer or dealer must use for his sign a token identical with or closely similar to that already in use with an authorized printer or dealer."¹⁰⁴

While the primary purpose of the guild trademarks was to create a system of placing blame for inferior workmanship, their function soon paralleled that of trademarks as they are perceived today. This transition in function occurred largely as a result of goods traveling to distant markets.¹⁰⁵

96. Paster, *supra* note 61, at 556.

97. Rogers, *supra* note 78, at 36-37.

98. Paster, *supra* note 61, at 556.

99. Diamond, *supra* note 52, at 273.

100. Paster, *supra* note 61, at 557.

101. *Id.* at 558.

102. For a discussion of some countries that still fail to recognize copyrights on original works, see *Piracy on the Book Shelves*, *supra* note 5.

103. For a general discussion of the publishing industry before modern copyright laws, see Rogers, *supra* note 78, at 35-36. See also W. BROWNE, *supra* note 48, §§ 14-15.

104. I. PUTNAM, *BOOKS AND THEIR MAKERS IN THE MIDDLE AGES* 453 (1897), quoted in Rogers, *supra* note 78, at 36. Yet even the merchants and artisans found it necessary to caution buyers of pirated goods: "We beg the reader to notice the sign for there are men who have adopted the same title, and the name of Badius, and so filch our labour," was the warning of Jodocus Badius of Paris. J. LARWOOD & J. HOTTEN, *HISTORY OF SIGN BOARDS* 6-7 (1866), quoted in Rogers, *supra* note 78, at 36.

105. Diamond, *supra* note 52, at 280.

C. Modern Usage of Trademarks

Certainly today, a trademark is regarded as a valuable asset, but the punitive rationale behind guild trademark legislation indicates that to some, these marks were once a liability.¹⁰⁶ The establishment of the cloth and cutlery trades finally relegated trademarks to their current status. "In these trades [there] is [a] clearly noticeable . . . evolution of the trademark from a mark of origin to a mark of quality and hence from a liability to an asset, of distinct value to the owner of the mark."¹⁰⁷

In the cloth industry, the important marks were not necessarily those of individual clothiers, but rather the collective marks of the "centers" of the cloth industry.¹⁰⁸ These collective or geographical marks protected "regional good-will" and were not limited to the cloth industry. Examples of products backed by this regional good-will included Sheffield steel, Rochester clothing, Durham tobacco, Minnesota flour, Swedish matches, Madiera, Rhine, and Moselle wines, and Pilsen beer.¹⁰⁹ Trademark protection of the cloth industry was provided by administrative law designed to advance national expansion of the trade.¹¹⁰ Since wool was the main export of England, the crown was not satisfied with merely furnishing Europe with the raw material. "[I]ts government made continuous and strenuous efforts to gain for it the manufacture also; and its measures succeeded. Cloth became "the basis of [her] wealth" and at the end of the seventeenth century, woolen goods were "two-thirds of England's exports." "¹¹¹ In France, merchant's marks were used to distinguish fine fabrics. The commercial identification of the seller of silk fabrics became more important than the manufacturer. Many of these marks survive today.¹¹²

Unlike the cloth industry, the cutlery trade was primarily self-

106. Preservation of guild standards during the Middle Ages was made easier because the goods were marked with a symbol identifying the artisan. Shoddy workmanship and/or inferior goods were easily traced to the culprit. In this sense, to a guilty craftsman, his trademark was a liability. See F. SCHECHTER, *supra* note 66, at 78.

107. *Id.*

108. *Id.* at 78-79.

109. *Id.* at 79 n.1. See also *id.* at 105 n.2.

110. *Id.* at 79.

111. *Id.* at 80 (quoting 1 W. ASHLEY, INTRODUCTION TO ENGLISH ECONOMIC HISTORY AND THEORY 191 (4th ed. 1919)).

112. Diamond, *supra* note 52, at 281-82.

regulated. Cutlers' marks¹¹³ were mandatory for each article wrought.¹¹⁴ For the first time, a trademark was recognized as a property interest. When Robert Hynkeley, a London bladesmith, died his widow petitioned the Mayor and Aldermen to restore to her her husband's old mark of the double crescent. Not only was this request granted, but her right to maintain the exclusive use of this mark even survived her remarriage so long as she stayed in business.¹¹⁵ In Germany, one of the first cases of "sale" of a trademark is believed to have occurred in 1515 when a widow and heir of her husband's business sold his cutler's mark.¹¹⁶ In the early 1700s, cutlers even began newspaper advertising to protect their marks.¹¹⁷ From this point in history on, trademarks were seldom again regarded as a liability.

The Industrial Revolution, beginning in the late 1700s, forever changed the complexion of commerce in the United States and England, and permanently affixed trademarks as necessary elements of modern life. The introduction of canals, railroads, and large factory towns was the results of a much needed means of distribution for mass produced goods. In the late eighteenth century, newspaper advertising became commonplace and the picture poster was successfully introduced in England.¹¹⁸ As personal contact between the consumer and the manufacturer diminished, trademarks became a type of insurance guaranteeing that what one saw really was what one got.

D. Trademarks in America

Sail cloth makers are believed to be among the first in the United States to seek trademark protection, partly because their products were considered such a valuable commodity.¹¹⁹ In 1789 a Massachu-

113. For illustrations of several of these cutlers' marks, see F. SCHECHTER, *supra* note 66, at 117.

114. *Id.* at 105. Cutlers were required to use marks "so that every man's work may be known by his mark . . . and that they shall forfeit any works sold without such mark" *Id.* (quoting an English regulation issued in 1365).

115. *Id.* at 108-09.

116. *Id.* at 108 n.5.

117. *Id.* at 119.

'Whereas several Cutlers, in the disuse of their own Marks, do imitate the mark of Ephraim HOW, of Saffron-hill, which is the Heart and Crown, by stamping a playing Spade and a Crown, and also in Imitation of his Sirname they stamp NOW: Many having been deceived by this undermining Invention, all Persons who would by Knives of his making, are desired to observe his Name and Mark narrowly, that they may not be imposed upon; for there is no Cutler whose name is NOW.'

Id. (quoting an advertisement that appeared in a London newspaper in 1703).

118. *Id.* at 129-30.

119. "As early as 1788 the General Court of Massachusetts offered a bounty of 'eight

setts statute allowed the incorporation of the Beverly Cotton Manufactory in an attempt to protect against trademark infringement. The law provided for recovery of damages in the case of one copying another's required "label of lead" bearing the corporate seal.¹²⁰ In 1791 Boston sail-makers, led by Samuel Breck, petitioned the second Congress for the exclusive use of particular marks. Thomas Jefferson, then Secretary of State, suggested in his report that this protection could be afforded "by permitting the owner of every manufactory to enter in the record of the court of the district wherein his manufactory is, the name with which he chooses to mark or designate his wares, and rendering it penal to others to put the same mark on any other wares."¹²¹

Hallmarks of quality and makers' marks of the individual silversmith marked silver products. While probably not best remembered for his skills as a silversmith, Paul Revere "made his mark" on silver as well as on history in the 1700s. His hand-made pieces continue to be coveted today by collectors.¹²² Another reputable early American earned a place in trademark history. Fairfax County, Virginia court records show that in 1772, George Washington, then a farmer and businessman, sought a trademark for his brand of flour which he wished to name simply "G. Washington." His request was granted.¹²³ Two hundred years later, both consumers and manufacturers still rely on trademarks; manufacturers, as a way of advertising quality and reputation, and consumers, in an attempt to insure against defective merchandise.

E. Legal Protection of Trademarks

Four thousand years of trademark usage have provided us with an illustrative history of our commercial and economic success. In spite of this success, or perhaps because of it, the search continues for protection of this symbol of goodwill to the manufacturer, and the hallmark of quality to the consumer. This brief historical survey of

shillings for every piece of Top Sail Duck and other stouter sail cloth manufactured within this Commonwealth,' and this subsidy, accompanied by governmental relation of standards of workmanship was several times renewed." *Id.* at 130 (quoting a Massachusetts law passed in 1787).

120. *Id.* at 131.

121. 7 T. JEFFERSON, JEFFERSON'S COMPLETE WORKS 563 (1854), *quoted in* Rogers, *supra* note 78, at 41.

122. Diamond, *supra* note 52, at 281.

123. Pattishall, *Two Hundred Years of American Trademark Law*, 68 TRADE-MARK REP. 121, 121 (1968).

trademark usage suggests at least one plausible explanation for why this valuable protection continues to elude manufacturers and consumers alike.

While trademarks themselves may have an antiquated history,¹²⁴ by comparison, legal recourse for trademark infringement is still in its infancy.¹²⁵ For nearly four thousand years, trademarks have enjoyed a place in many commercial societies. In marked contrast, trademark protection, as a part of European and American jurisprudence, has existed for only one-tenth of that lifespan.¹²⁶

In its earliest evolution, the trademark symbolized ownership or control. If there was any enforcement of these rights, it must be assumed that at best it was a rudimentary, self-regulated "legal system."¹²⁷ Later, during the Middle Ages, the trademark was an instrument used to execute a regulated system of trade control.¹²⁸ Depending on the particular trade, infringement of a trademark could be a civil wrong or a felony.¹²⁹ Although most of the penalties now appear rather draconian,¹³⁰ they have been considered by at least one commentator¹³¹ to have been more adequate than our own federal statute¹³² in protecting against trademark infringement.

In modern times, trademarks occupy an integral place in a complex commercial society. They have become essential to a competitive system of free enterprise. One authority has conceived of a tri-partite analysis of the function of the modern trademark, viewing it as a means of (1) identification, (2) warranty, and (3) advertisement.¹³³

124. See *supra* note 53 and accompanying text for a description of trademarks as they were used in the early Stone and Bronze Ages.

125. "[T]he laws of trademarks will not come into existence until generations of traders have come and gone. The history of the law of trademarks is pretty accurately at our service." F. SCHECHTER, *supra* note 66, at 11 (quoting J. HOPKINS, TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION 2 (4th ed. 1924)).

126. See *id.* at 11.

127. This assumption is based on the relative certainty that language and writing were yet to be developed. See W. BROWNE, *supra* note 48, § 20.

128. See Diamond, *supra* note 52, at 277-80. Medieval guild marks regulating trademarks were essentially a "'police' rather than a civil law." F. SCHECHTER, *supra* note 66, at 164.

129. Paster, *supra* note 61, at 557.

130. The punishment provided for by some regulations included death, pillory, or loss of limb. *Id.*

131. See Rogers, *supra* note 78, at 36-38.

132. 15 U.S.C. § 1127 (1982), popularly referred to as the Lanham Act. Compare the Trademark Counterfeiting Act of 1984, 15 U.S.C. § 1117(b) (1984), 18 U.S.C. §§ 2311, 2320 (Supp. 1985).

133. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 818-19 (1927).

Through the use of his trademark a manufacturer or importer is able to "reach over the shoulder of the retailer" and across the latter's counter straight to the consumer."¹³⁴ It is questionable whether trademarks today represent to the consumer either the origin of goods or the manufacturer's control over those goods. It is not necessarily important to the consumer that these goods come from a certain person or place. The essence of the trademark to consumers is that the second product he buys comes from the same source as the first product.¹³⁵ As an advertisement, the mark itself sells the product.¹³⁶

Originally, the repression of trademark infringement was sought through a common law action in deceit.¹³⁷ The basis of the wrong was the deception of the public, rather than the loss to the owner of the trademark.¹³⁸ Like most others, this remedy was also adopted from English jurisprudence by the early American courts. Dissatisfied with this remedy for commercial counterfeiting, four hundred merchants and manufacturers petitioned Congress, in 1876, to enact criminal sanctions.¹³⁹ Congress responded swiftly that same year by

134. *Id.* at 818. Schechter supports this fiction with an illustration:

'In the days of our youth an enormous number of things were sold anonymously that are now sold under the brands of makers and packers. Our father had been one of the pioneers in this christening of goods with his Partington's Packet Teas. When I was a child every grocer had his own sorts of tea, his tea-chests with different qualities, and he weighed the tea out and packed it up for each customer. I can remember seeing that done. Almost everything he sold them—bacon, butter, lard, pickles, jams, biscuits—he sold from stocks of his own buying and his own individual reputation. He had pickled onions and cabbage in a great tub, as they still have them here in France. He used to display sugar-loaves in his window and chop them up in his shop; I would gaze fascinated at the sugar chopping in the Duxford's grocer's. And the oilman sold his own lamp oil, and no one asked where he got it. Mustard used to be bought for Mowbray at the chemist's. But even in our childhood there was already a number of vigorous firms *reaching their hands over the retail tradesman's shoulder, so to speak, and offering their goods in their own name to the customer.*'

Id. at 818 n.21 (emphasis in original) (quoting I H. G. WELLS, *THE WORLD OF WILLIAM CLISSOLD* 237 (1926)).

135. Schechter, *supra* note 133, at 814-15. As an example, "'we may safely [assume] that not one in a thousand knowing of or desiring to purchase "Baker's Cocoa" or "Baker's Chocolate" [actually] know of Walter Baker & Co. Limited.'" *Id.* at 815 (quoting *Walter Baker & Co. v. Slack*, 130 F. 514, 518 (7th Cir. 1904)). The same can be said for most products.

136. Schechter, *supra* note 133, at 815.

137. See W. BROWNE, *supra* note 48, § 20.

138. Schechter, *supra* note 133, at 819.

139. This petition stated:

The nefarious but lucrative business of pirating or counterfeiting genuine trademark goods has too long flourished unchecked to the incalculable injury of every consumer, of every honest merchant, manufacturer, and trader, and has extensively multiplied costly and tedious litigation.

No United States statute yet exists providing penal remedies to punish the counterfeiting of trademark goods or the sale or dealing in of the same. The evils and

criminalizing the knowing use of counterfeit trademarks.¹⁴⁰ However, this protection was short-lived. Only three years later, the Supreme Court held the entire federal Trademark Act of 1870 unconstitutional.¹⁴¹ The Court based its decision on the fact that Congress had acted pursuant to its power over copyrights and patents rather than its authority to regulate interstate commerce.¹⁴² Beginning in 1879, of all major commercial nations, only the United States had no penal sanctions for trademark counterfeiting.¹⁴³

III. CONCLUSION

The legal loophole created by the Court's invalidation of the Trademark Act of 1870, and the incidental elimination of criminal sanctions, continued for nearly one hundred years. In 1982 the International Anti-Counterfeiting Coalition¹⁴⁴ petitioned Congress to address the commercial counterfeiting problem once again.¹⁴⁵ Few expect this new legislation to be the panacea, curing all the ills foisted

injuries to long-suffering commercial and manufacturing interests consequent upon this omission imperatively demand prompt relief and a speedy application of searching remedies.

Rakoff & Wolff, *Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act*, 20 AM. CRIM. L. REV. 145, 146 (1982) (quoting 4 CONG. REC. 4775 (1876)).

140. This federal trademark act, The Act of July 8, 1870, ch. 2, §§ 77-84, 16 Stat. 198, 210-12 (1870), was amended by Act of Aug. 14, 1876, ch. 274, 19 Stat. 141 (1876). Rakoff & Wolff, *supra* note 139, at 146.

141. Trade-Mark Cases, 100 U.S. 82 (1879).

142. Rakoff & Wolff, *supra* note 139, at 146. Had Congress acted pursuant to its commerce power, the Act would have been constitutional. *Id.*

143. *Id.* For an excellent survey of American trademark law, see generally Pattishall, *supra* note 123.

144. See Farnsworth, *supra* note 1, at A4, col. 1, and *Putting Teeth in the Trademark Laws*, *supra* note 1, at 79 (description of the IACC).

145. The International Anti-Counterfeiting Coalition's petition, known as the "White Paper," contains the following information:

In recent years, commercial counterfeiting, operating on an international scale, has reached epidemic proportions, resulting not only in the loss of billions of dollars to reputable manufacturers throughout the world but also in the exploitation, cheating, and physical endangerment of millions of consumers and in some instances the impairment of national defense.

Given the scope of the problem and the ineffectiveness to date of efforts to deal with it, new legislation providing both criminal and financial penalties for commercial counterfeiting is critical to the protection of American consumers and business and is long overdue. Only when those who engage in commercial counterfeiting are faced with imprisonment, fines, damages, and forfeiture of their merchandise will they be effectively deterred from their fraudulent but lucrative conduct.

Rakoff & Wolff, *supra* note 139, at 147 (quoting INTERNATIONAL ANTI-COUNTERFEITING COALITION, THE TRADEMARK COUNTERFEITING ACT OF 1982: PROPOSED NEW LEGISLATION TO COMBAT COMMERCIAL COUNTERFEITING 1, 10-11 (Mar. 9, 1982)).

on society by the progressive ingenuity and commercial depravity of counterfeiting pirates. However, it is a much needed suture to begin to close this burgeoning legal loophole. Without it, United States consumers and businesses alike will continue to fall prey to these counterfeit goods that deprive them of salaries, profits,¹⁴⁶ health, safety, welfare,¹⁴⁷ and even the readiness for national defense.¹⁴⁸

Carol P. Sanborn

146. For a discussion of the fiscal impact commercial counterfeiting has on the United States annually, see *supra* note 2 and accompanying text.

147. For a discussion of product safety in the counterfeit manufacturing of pharmaceuticals, auto parts, etc., see Farnsworth, *supra* note 1, at A4, col. 1 and Automotive News, *supra* note 2, at 20, cols. 4-5 and accompanying text.

148. For a discussion of how these bogus parts have been discovered on military equipment and NATO helicopters, see N.Y. Times, June 9, 1984, at 34, col. 2 and *Fakes!*, *supra* note 2, at 46 and accompanying text.