

Legal Efforts of the United States and the Republic of China on Taiwan at Controlling the Transnational Flow of Commercial Counterfeit Goods

Mitchell A. Silk

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**LEGAL EFFORTS OF THE UNITED STATES AND THE
REPUBLIC OF CHINA ON TAIWAN AT CONTROLLING THE
TRANSNATIONAL FLOW OF COMMERCIAL COUNTERFEIT
GOODS**

*Mitchell A. Silk**

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The Wade-Giles system of romanization is used throughout this article.

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I. INTRODUCTION

The threats posed to the United States by the transnational flow of commercial counterfeit goods are well documented and provide compelling reasons for intensified regulation of such illegal trafficking.¹ The United States' offensive has focused on a host of newly industrialized countries (NICs), one of which is the Republic of China on Taiwan (R.O.C.).² The R.O.C.'s international status and the state of U.S.-R.O.C. relations dictates a timely response from the R.O.C. with effective measures. First, the R.O.C. sits precariously on the international plane, and its international personality continues to wane.³ Second, the

1. The injuries to both industries and persons are astounding. See Appendix I.

2. Major centers of commercial counterfeit production include the R.O.C. on Taiwan, Hong Kong, Singapore, the Philippines, Korea, Italy, Thailand, India, Japan, Indonesia, Brazil, Colombia, Mexico, and Nigeria. See *Report on Unfair Foreign Trade Practices, Subcomm. on Oversight and Investigations of the Committee on Energy and Commerce, United States House of Representatives, 98th Cong., 2d Sess. (1984)* [hereinafter cited as *The Report on Unfair Foreign Trade Practices*]; Fenby, *Boom in Brand Name Fakes*, READERS' DIGEST, Sept., 1981, at 135; Salmons, *The Pirating of Brand Goods*, N.Y. Times, Mar. 3, 1981, at D2, col. 1.

3. Legally, the Republic of China (R.O.C.) has been forced to deal with its dimin-

R.O.C.'s economic dependence on the United States, being the U.S.'s seventh trading partner,⁴ requires an affirmative effort at alleviating any unnecessary friction, especially in light of the recent protectionist mood.

This paper will first assess the effect of international agreements on dealing with the counterfeiting problem. This section will focus specifically on the agreements binding on the United States, and recent efforts at concluding a bilateral arrangement. The next section will out-

ished international status (mostly through employing unorthodox means in carrying out its foreign policy) since its expulsion from the United Nations in 1971. The R.O.C. was forced to announce its withdrawal from the United Nations on October 25, 1971. This move came just before the 26th session of the United Nations General Assembly passed a resolution to seat the People's Republic of China and oust the R.O.C. The vote was 76 for and 35 against, with 17 abstentions. See G.A. Res. 2758 (XXVI), 8 U.N. MONTHLY CHRONICLE (No. 10) (Nov., 1971), at 61. See also 8 U.N. MONTHLY CHRONICLE (No. 11) (Dec., 1971), at 26. For commentary, see Chiu, *The International Law of Recognition and Multi-system Nations — with Special Reference to [the] Chinese (Mainland - Taiwan) Case*, in MULTI-SYSTEM NATIONS AND INTERNATIONAL LAW: THE INTERNATIONAL STATUS OF GERMANY, KOREA AND CHINA (PROCEEDINGS OF A REGIONAL CONFERENCE OF THE AMERICAN SOCIETY OF INTERNATIONAL LAW), No. 8-1981 (45) OCCASIONAL PAPERS/REPRINTS SERIES IN CONTEMPORARY ASIAN STUDIES 41 (H. Chiu and R. Downen eds. 1981) [hereinafter cited as RCASIL]; Manin, *Divided Nations and International Law: The Case of Taiwan*, in RCASIL, *supra*, at 160-66; Weng, *The Legal Status of Taiwan*, in LAW IN CHINESE FOREIGN POLICY: COMMUNIST CHINA AND SELECTED PROBLEMS OF INTERNATIONAL LAW, at 123-177 (S. Leng and H. Chiu eds. 1972).

Furthermore, Taipei has suffered from Beijing's policy of isolating Taiwan, and the changing character of the international system. See generally Chai, *Foreign Relations*, in THE TAIWAN EXPERIENCE 1950-1980, 381 (J. Hsiung ed. 1980) [hereinafter cited as TAIWAN EXPERIENCE]; Chen, *On Its Own — The Republic of China*, 10 ASIAN AFFAIRS (No. 3) 54 (1983); Clough, *Taiwan's International Status*, in 1 CHINESE YEARBOOK OF INTERNATIONAL LAW AND AFFAIRS (H. Chiu ed. 1981) [hereinafter cited as CYILA]; Clough, *The Republic of China and the World 1949-1981*, in CHINA: SEVENTY YEARS AFTER THE 1911 HSIN-HAI REVOLUTION, at 524 (H. Chiu and S. Leng eds. 1984) [hereinafter cited as HSIN-HAI]; LI, DERECOGNIZING TAIWAN: THE LEGAL PROBLEMS (1977); Weng, *Taiwan's International Status Today*, in 99 CHINA QUARTERLY 462 (1984).

4. On U.S.-Taiwan economic relations, see Chang, *Taiwan in 1983: Setting the Stage for Power Transition*, in 24 ASIAN SURVEY 122 (1984); J. FEI, G. REINS and S. KUO, GROWTH WITH EQUITY: THE TAIWAN CASE (1979); Hou, *Economic Development in the Republic of China, 1949-1981: Public Policy, Comparative Advantage, and Growth with Equity*, in HSIN-HAI, *supra* note 3, at 215-57; Hsiung, *Taiwan in 1984: Festivity, New Hope, and Caution*, in 25 ASIAN SURVEY 92 (1985); K.T. LI, THE EXPERIENCE OF DYNAMIC ECONOMIC GROWTH ON TAIWAN (1976); Myers, *The Economic Transformation of the Republic of China on Taiwan*, 99 CHINA QUARTERLY 500 (1984); Wu, *Economic Development — External Aspects*, in TAIWAN EXPERIENCE, *supra* note 3, at 175-210.

line domestic U.S. laws dealing with the control of commercial counterfeit goods. This section will focus on the 1984 Trademark Counterfeiting Act⁵ and the 1984 Semiconductor Chip Protection Act, and their respective impacts on the counterfeiting crisis. It will also look at legislation which may be used as means to take retaliatory measures against countries where counterfeiting occurs. The last section will deal with R.O.C. efforts at controlling commercial counterfeiting, including legislative means, judicial action, administrative action, executive action, and police investigations. The paper will conclude with recommendations aimed at controlling the spread of commercial counterfeiting.

II. THE EFFECT OF INTERNATIONAL AGREEMENTS ON CONTROLLING THE FLOW OF PIRATED GOODS

There are numerous international agreements which bear on the protection of industrial and intellectual property rights.⁶ Of these, only

5. Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473 (codified at 15 U.S.C. §1116, and 18 U.S.C. §2320 (1984)).

6. On copyright protection, *see* Convention for the Protection of Literary and Artistic Works, and Revisions, Dec. 5, 1887, 12 Martens (2nd) 173; Treaty for the Protection of Literary and Artistic Property, Feb. 26, 1896, 18 Martens (2nd) 418; Convention on Literary and Artistic Copyrights, Nov. 6, 1902, 1 Martens (3rd) 37, U.S.T.S. No. 491, 1 Bevans 339; Convention Concerning Literary and Artistic Copyright, Oct. 31, 1912, U.S.T.S. No. 593; Convention Revising of the 1910 Buenos Aires Convention on the Protection of Literary and Artistic Copyright, July 20, 1931, 132 L.N.T.S. 275; Universal Copyright Convention and Protocols, and Revision, Sept. 16, 1955, 6 U.S.T. 2731, T.I.A.S. No. 3324, 216 U.N.T.S. 133. On the protection of industrial property, *see* Convention for the Protection of Industrial Property, and Revisions, July 6, 1884, 10 Martens (2nd) 133, U.S.T.S. No. 379, 1 Bevans 80; Treaty on Patents of Invention, Jan. 16, 1889, 18 Martens (2nd) 421; Arrangement for the Prevention of False or Deceptive Indications of Origins on Goods, and Revisions, July 15, 1892, 18 Martens (2nd) 839; Arrangement Concerning the International Registration of Marks, and Revisions, July 15, 1892, 18 Martens (2nd) 842; Treaty on Patents of Invention, Industrial Drawings and Models, and Trade Marks, Aug. 6, 1902, 6 Martens (3rd) 206; Convention on Patents of Invention, Drawings and Industrial Models, Trade Marks, and Literary and Artistic Property, Dec. 21, 1908, 6 Martens (3rd) 221; Convention for the Protection of Patents of Invention, Designs and Industrial Models, July 31, 1912, 155 L.N.T.S. 179, U.S.T.S. No. 595; Convention Concerning the Protection of Trademarks, July 31, 1912, U.S.T.S. No. 626; Convention for the Protection of Commercial Industrial and Agricultural Trade Marks and Commercial Names, Sept. 19, 1926, 33 L.N.T.S. 48, U.S.T.S. No. 751, 2 Bevans 395; Agreement Concerning the International Deposit of Industrial Designs, and Revisions, June 1, 1925, 74 L.N.T.S. 343; General Inter-American Convention for Trademark and Commercial Protection, Apr. 2, 1930, 124 L.N.T.S. 357, U.S.T.S. No. 833, 2 Bevans 751; Inter-American Convention on the Rights of the Author in Literary, Scientific and Artistic Works, Apr. 14, 1947, P.A.U.L.T.S. 19; Agreement Concerning the International Classifica-

four merit discussion:⁷ the Convention for the Protection of Industrial Property (the 1883 Paris Union),⁸ the Arrangement for the Prevention of False or Deceptive Indications of Origins on Goods, the Arrangement Concerning the International Registration of Marks (the 1891 Madrid Union),⁹ and the proposed Agreement on Measures to Discourage the Importation of Counterfeit Goods (the International Anti-Counterfeiting Code), which will be discussed later in this paper. This section addresses the inability of these agreements to deal with the counterfeiting problem. This inefficacy aside, however, the politico-legal exigencies which prevent the R.O.C.'s participation in multilateral accords render any discussion of the effect on international agreements on controlling the flow of pirated goods, moot.¹⁰ Thus, the key to effective

tion of Goods and Services to which Trade Marks Apply, and Revisions, Apr. 8, 1961, 23 U.S.T. 1336, T.I.A.S. No. 7418, 550 U.N.T.S. 45; Agreement for the Protection of Appellations of Origin and Their International Registration, and Revision, Sept. 25, 1966, 1968 R.T.A.F. 33; Convention on the Unification of Certain Points of Substantive Law on Patents for Inventions, Aug. 1, 1980, E.T.S. No. 47, 1981 R.T.A.F. 3; Convention for Establishing the World Intellectual Property Organization (WIPO), Apr. 26, 1970, 21 U.S.T. 1749, T.I.A.S. No. 6392, 828 U.N.T.S. 3; Additional Act to the 1891 Arrangement for the Prevention of False or Deceptive Indications of Origins on Goods, Apr. 26, 1970, 828 U.N.T.S. 178; Complementary Act to the 1925 Hague Agreement Concerning the International Deposit of Industrial Designs, Sept. 27, 1975, 1975 R.T.A.F. 67; Locarno Agreement Establishing an International Classification for Industrial Designs, Apr. 27, 1971, 23 U.S.T. 1353, T.I.A.S. No. 7420; Patent Co-operation Treaty, Jan. 24, 1978, 28 U.S.T. 7645, T.I.A.S. No. 8733; Strasbourg Agreement Concerning the International Patent Classification, Oct. 7, 1975, 26 U.S.T. 1793, T.I.A.S. No. 8140; Trademark Registration Treaty, Aug. 7, 1980, *cmnd*.

For the current status of and cites for the revisions of the treaties listed above, see M.J. BOWMAN AND D.J. HARRIS, *MULTILATERAL TREATIES — INDEX AND CURRENT STATUS* (1984).

7. This conclusion is based on two facts. First, the majority of international agreements on point are either regional in nature and/or subscribed to by a minority of states. Second, these four agreements illustrate representative problems in the international control of counterfeit goods.

8. Convention for the Protection of Industrial Property, *supra* note 6.

9. Arrangement for the Prevention of False or Deceptive Indications of Origin on Goods, and the Arrangement Concerning the International Registration of Marks, *supra* note 6.

10. On problems stemming from Taiwan's international legal status, see *supra* note 3. Assuming, however, that this effective bar from participating in multilateral agreements did not exist, scholars in the R.O.C. cite numerous, seemingly tautological reasons against R.O.C. participation in such agreements. With specific reference to international copyright agreements, see Yang Ch'ung-sen, *Chu-tso-ch'üan-fa lun-ts'ung* [Selected Essays on Copyright Law], at 16-17 (1983). See also proceedings of roundtable discussions appearing in *Lien-ho Pao* [United Daily — Taiwan], March 30 - April 1, 1979.

international regulation of the flow of counterfeit goods from Taiwan to the U.S. may come only through the conclusion of a bilateral agreement between the two countries. A discussion of developments in concluding such an agreement will form the final part of this section.

A. *The 1883 Paris Union*

The Paris Union seeks to unify the law on the international protection of industrial property rights.¹¹ It contains three articles which bear on the control of commercial counterfeiting: Article 6 (prohibiting the use and registration of confusing trademarks),¹² Article 9 (providing for the seizure of imported goods bearing unlawful trademarks),¹³ and

11. See generally R. CALLMAN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES*, §26.01 (1985); S. LADAS, *THE INTERNATIONAL PROTECTION OF INDUSTRIAL PROPERTY* (1930); Rakoff and Wolff, *Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act*, in 20 *AMERICAN CRIMINAL LAW REVIEW* 176 (1982); Walker, *A Program to Combat International Commercial Counterfeiting*, in 70 *TRADEMARK REP.* 119 (1980).

12. All cites are to the 1967 Stockholm Revision, 21 U.S.T. 1583, T.I.A.S. No. 6923, 828 U.N.T.S. 45, of the Paris Union. Convention for the Protection of Industrial Property, *supra* note 6.

Article 6^{bis} provides:

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

13. Article 9 of the 1967 Stockholm Revision, *supra* note 12, provides:

(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

Article 10 (protecting against unfair competition).¹⁴

Two factors detract from the effectiveness of the Paris Union. First, the Union fails to define concrete legal standards. It merely requires signatories to grant reciprocal trademark protection to the nationals of other signatories.¹⁵ The Union therefore presupposes that an adequate and comprehensive statutory scheme as well as effective enforcement mechanisms are in place. Absent such machinery, the Union offers no real protection.

The second flaw relates to the Union's general and specific binding nature. As a general problem, the Paris Union was revised seven times.¹⁶ As a result, there is no longer a uniform set of provisions binding on all members of the Union. That is, different terms bind signatories depending on which one or more of the revisions the country ratified. The basic legal principle that a state can only be bound by that to which it agrees creates this lack of uniformity.¹⁷ With specific reference

actions and remedies available in such cases to nationals under the law of such country.

14. Article 10^{bis} of the 1967 Stockholm Revision, *supra* note 12, provides:

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

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

15. Article 2 of the 1967 Stockholm Revision, *supra* note 12, provides:

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

16. The amendments are as follows: the 1891 Madrid Act, June 15, 1892, 22 Martens (2nd) 216; the 1900 Brussels Revision, Sept. 14, 1902, 30 Martens (2nd) 465; the 1911 Washington Revision, May 1, 1913, 8 Martens (3rd) 760; the 1925 Hague Revision, June 1, 1928, 74 L.N.T.S. 289; the 1934 London Revision, July 30, 1938, 192 L.N.T.S. 17; the 1958 Lisbon Revision, Jan. 4, 1962, 13 U.S.T. 1, T.I.A.S. No. 4931, 828 U.N.T.S. 107; the 1967 Stockholm Revision, *supra* note 12.

17. The *Asylum* case, heard before the International Court of Justice, provides a model illustration of the customary rule of international law that a non-consenting State may not be bound to a rule of law. Colombia attempted to impose a rule of local customary law respecting the State's right to define the conditions for political asylum by invoking the Montevideo Convention of 1933. The Court concluded that the Convention "could not be invoked against Peru which, far from having by its attitude adhered to it, has, on the contrary, repudiated it by refraining from ratifying the Montevideo Conventions of 1933 and 1939. . . ." *Asylum (Colom. v. Peru)*, 1950 I.C.J. 266, 277-78 (Judgment of Nov. 20).

Furthermore, the Permanent Court of International Justice noted that "the right

to the Sino-American situation, the Paris Union is lacking in two regards. First, as noted above, the Union's effectiveness will be a function of individual domestic laws. Suffice it to say that the U.S. legal system has only recently implemented, in the form of the 1984 Trademark Counterfeiting Act, an effective program to combat transnational counterfeiting.¹⁸ Furthermore, an intense period of revising Chinese laws which govern intellectual property rights just began a few years ago, and is still ongoing.¹⁹ Second, the Republic of China never signed, and is therefore not bound by, the Paris Union. Consequently, the Paris Union is not the legal solution to the illicit trafficking of commercial counterfeits between the U.S. and the Republic of China.

B. *The 1891 Madrid Agreements*

The Madrid Agreements attempt to establish a unified international filing system,²⁰ and to staunch the flow of goods bearing false indications of origin through seizure or the denial of entry.²¹ These

of entering into international engagements is an attribute of State sovereignty." S.S. *Wimbeldon* (Gr. Brit., Fr., Italy, Japan, and Pol. (intervening)) v. Ger., 1923 P.C.I.J. (ser.A) No. 1, at 25 (Judgment of Aug. 17); *Exchange of Greek and Turkish Populations* (Gr. v. Turk.), 1925 P.C.I.J. (ser. B) No. 10, at 21 (Judgment of Feb. 21) (Advisory Opinion). On the proposition that "[t]he making of treaties is one of the oldest and most characteristic exercises of independence or sovereignty on the part of States," see also H. CHIU, *THE CAPACITY OF INTERNATIONAL ORGANIZATIONS TO CONCLUDE TREATIES AND THE SPECIAL LEGAL ASPECTS OF THE TREATIES SO CONCLUDED* (1966).

18. See notes 72-76 *infra*, and accompanying text.

19. See notes 94-126 *infra*, and accompanying text.

20. The Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, 828 U.N.T.S. 389, established the United International Bureaux for the Protection of Intellectual Property (BIRPI), which is under the direction of a special agency of the United Nations — the World Intellectual Property Organization (WIPO). Article 1 of the July 14, 1967 Stockholm Revision provides:

(1) The countries to which this Agreement applies constitute a Special Union for the international registration of marks.

(2) Nationals of any of the contracting countries may, in all the other countries party to this Agreement, secure protection for their marks . . . registered in the country of origin, by filing the said marks at the International Bureau of Intellectual Property.

21. Article 1 of the Lisbon revision of the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, Oct. 31, 1958, 828 U.N.T.S. 163, provides:

(1) All goods bearing a false or deceptive indication by which one of the countries to which this Agreement applies, or a place situated therein, is directly or indirectly indicated as being the country or place of origin shall be seized on importation into any of the said countries.

(2) Seizure shall also be effected in the country where the false or deceptive indication of source has been applied, or into which the goods bearing the false or

Agreements viewed in tandem provide general measures for the effective control of transnational commercial counterfeiting. They do not, however, offer an immediate solution to the Sino-U.S. dilemma for two reasons. First, neither the U.S. nor the R.O.C. is a contracting party to the Agreements.²² Second, the Madrid Agreements do not contain a means by which to detect or prosecute commercial trademark violations. The Agreements thus rely on the mechanisms in place within the domestic legal system where enforcement is sought, and do not have a significant deterrent effect on such illegal trade.²³ Thus, again, international agreements fail to provide a solution to the flow of commercial counterfeits from Taiwan to the United States.

C. *The International Anti-Counterfeiting Code*²⁴

The International Anti-Counterfeiting Code (the Code) was one of the many non-tariff agreements negotiated at the Tokyo Round of Multilateral Trade Negotiations (MTN) conducted under the auspices

deceptive indication have been imported.

(3) If the laws of a country do not permit seizure upon importation, such seizure shall be replaced by prohibition of importation.

22. There are convincing arguments for and against U.S. participation in the Madrid Agreements. See, *inter alia*, the following articles which appeared in a special issue of *The Trademark Reporter*: Allen, *A Report on the Madrid Agreement*, 56 TRADEMARK REP. 290 (1966); DeSimone, *United States Adherence to the Agreement of Madrid*, 56 TRADEMARK REP. 320 (1966); Fenwick, *United States Participation — Madrid Agreement*, 56 TRADEMARK REP. 32 (1966); O'Brien, *The Madrid Agreement Adherence Question*, 56 TRADEMARK REP. 323 (1966); Landau, *Some Comments on Possible Adherence to the Madrid Agreement*, 56 TRADEMARK REP. 337 (1966); Ladas, *The Madrid Agreement for the International Registration of Trademarks and the United States*, 56 TRADEMARK REP. 346 (1966); Ladas, *Additional Memorandum*, 56 TRADEMARK REP. 361 (1966); Offner, *The Madrid Agreement and Trends in International Trademark Protection*, 56 TRADEMARK REP. 368 (1966). These and other views are presented in a systematic manner in CALLMAN, *supra* note 11, at §26.03.

For the problem with the R.O.C. acceding to these agreements specifically because of its international personality, see note 10 *supra*, and accompanying text.

23. See Walker, *Private Initiative to Thwart the Trade in Counterfeit Goods*, in 4 THE WORLD ECONOMY 37, cited in Rakoff and Wolff, *supra* note 11, at 177.

24. For commentary on the Code, see L. GLICK, MULTILATERAL TRADE NEGOTIATIONS: WORLD TRADE AFTER THE TOKYO ROUND (1984); Office of the United States Trade Representative, REPORT ON THE FORTIETH SESSION OF THE GATT CONTRACTING PARTIES (Nov., 1984) (copy on file with the East Asian Legal Studies program of the University of Maryland School of Law); Olenick, *Draft International Anticounterfeiting Code: Neo-Realism as a Vehicle for Analyzing the Effect of Nonsignatories' Perceptions on the Development of an Anticounterfeiting Norm*, 15 VAND. J. TRANS. LAW 803 (1982); Rakoff and Wolff, *supra* note 11, at 177; Walker, *supra* note 11, at 119.

of the General Agreement on Tariffs and Trade (GATT).²⁵ Discussion of the control of commercial counterfeiting within the MTN took root in July, 1978.²⁶ It was not, however, until November 29, 1982 that the contracting parties instructed the GATT Council "to examine the question of counterfeit goods with a view to determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting"²⁷ After protracted negotiations a final draft Code was completed in 1984.²⁸ It is presently under review by an "experts group," consisting of representatives of interested contracting parties and of the World Intellectual Property Organization (WIPO).²⁹ While significant progress has been made, actual signature and ratification of the Code does not seem likely to take place in the near future.

The Code nevertheless offers the most effective solution to the counterfeiting problem at the international level. The teeth of the Code are found in its forfeiture provision, which sanctions the forfeiture of any counterfeits seeking customs clearance.³⁰ This provision offers, however, only a partial remedy to the problem since it is based on the overbroad assumption that all counterfeits will be detected and seized at the point of entry. Consequently, the Code does not provide any

25. The main non-tariff agreements concluded at the Tokyo Round deal with subsidies and countervailing measures, customs valuation, licensing, government procurement, and technical barriers to trade. For discussion, see generally Glick, *supra* note 24; J. JACKSON, J. V. LOUIS and M. MATSUSHITA, *IMPLEMENTING THE TOKYO ROUND: NATIONAL CONSTITUTIONS AND INTERNATIONAL ECONOMIC RULES* (1984).

26. See Walker, *supra* note 11, at 121-22.

27. GATT Ministerial Declaration of 29 November 1982, *Basic Instruments and Selected Documents of the General Agreement on Tariffs and Trade* (29th Supp.) 9 GATT Doc. L/5424 (1982).

28. Much of the delay in the negotiation of the Code stemmed from a debate between the developed and lesser developed countries (LDCs) over the role of the proposed Code, and the competent authority to supervise the drafting and implementation of the Code. The developing states argued that WIPO, the international organization concerned with intellectual property rights, should handle drafting, not GATT. They also saw the Code as yet another procedural barrier to trade. Telephone interview with Cecelia Klein, Office of the United States Trade Representative — GATT Affairs (Oct. 21, 1985).

29. See Office of the United States Trade Representative Report, *supra* note 24.

30. Article 3 of The International Anti-Counterfeiting Code provides:

Upon determination that the goods in question are counterfeit, they shall be disposed of in such a way so as to deprive the parties to the importation of the counterfeit goods of the economic benefits of the transaction and to provide an effective deterrent to further transactions involving the importation of counterfeit goods. To the greatest extent possible, counterfeit goods shall be subject to forfeiture and shall be disposed of outside the channels of commerce in a manner that minimizes harm to the owner of the trademark in question. . . .

means of controlling the situation once the illegal goods pass customs.

With specific regard to the Sino-American situation, a bilateral agreement between the American Institute in Taiwan (AIT)³¹ and the Coordination Council for North American Affairs (CCNAA)³² places a legal duty on Taiwan to extend the "benefits . . . to be set forth in an agreement on commercial counterfeiting . . .",³³ despite the fact that the R.O.C. is not a contracting party to the GATT. However, under the terms of the AIT-CCNAA agreement, the Code's entry into force is a precondition for its terms to be binding on Taiwan. Thus, for the time being, the Code fails again as an international alternative to controlling the counterfeiting problem.

31. Following derecognition of the Republic of China in January, 1979, the United States organized the American Institute in Taiwan (AIT) to carry out government relations between the U.S. and Taiwan. The AIT was formed under the Taiwan Relations Act (TRA), which is the domestic legislation implementing the new policy. Section 6 of the TRA provides:

(a) Programs, transactions, and other relations conducted or carried out by the President or any agency of the United States government with respect to Taiwan shall, in the manner and to the extent directed by the President, be conducted and carried out by or through —

(1) the American Institute in Taiwan, a nonprofit corporation incorporated under the laws of the District of Columbia, or

(2) such comparable successor nongovernmental entity as the President may designate, (hereafter in this Act referred to as the "Institute").

(b) Whenever the President or any agency of the United States government is authorized or required by or pursuant to the laws of the United States to enter into, perform, enforce, or have in force an agreement or transaction shall be entered into, performed, and enforced, in the manner and to the extent directed by the President, by or through the Institute.

Taiwan Relations Act, 22 U.S.C. §3305 (Supp. V 1981). *See also* LEGISLATIVE HISTORY OF THE TAIWAN RELATIONS ACT, at 211-24 (L. Wolff and D. Simon eds. 1982).

32. The CCNAA is the parallel Chinese body to the AIT.

33. The Agreement consists of an exchange of letters between David Dean, then Chairman of the Board and Managing Director of the AIT, and then Representative of the CCNAA, Konsin C. Shah. Agreement on Multilateral Trade Negotiation Matters with Annexes Oct. 24, 1979 *reprinted in* CYILA, *supra* note 3, at 196-204. This is the second such agreement between the U.S. and Taiwan. An earlier agreement provided for broad and general measures to deal with the counterfeiting problem. *See* Agreement on Trade Matters Between the United States and the Republic of China, Dec. 29, 1978, T.I.A.S. No. 9561 (1979).

There is no doubt as to the validity and binding force of agreements between the AIT and the CCNAA as international agreements. *See* Randolph, *The Status of Agreements between the American Institute in Taiwan and the Coordination Council for North American Affairs*, 15 INT'L LAW. 249 (1981).

D. *The Prospects of a Sino-American Bilateral Agreement*

The international agreements in force, or proposed, that deal with the protection of intellectual or industrial property rights, in force, or proposed, do not provide a viable solution to the Sino-American situation. If an international agreement is to act as a remedy it will have to come in the form of a bilateral agreement. In this regard, the government's Council for Economic Planning and Development strongly recommended in November, 1984, that Taiwan enter into a bilateral agreement which would embody provisions substantially the same as the Paris Union.³⁴ Less than a year later in September, 1985, officials in Taiwan announced that a bilateral agreement between the United States (and Japan, England, France, and West Germany as well) was forthcoming.³⁵ Negotiations just got underway in early 1986. Accordingly, the precise substance, enforcement means, and the date of effect remain an unknown quantity. Given the discussion above on the inadequacies of the Paris Union,³⁶ however, one hopes that the negotiators will keep in mind that a bilateral agreement without protection beyond that of the Paris Union would be of little utility. Thus, at this juncture the primary means to control the situation must be found in the domestic laws of the U.S. and the R.O.C. This paper now turns to a survey and analysis of the relevant U.S. and R.O.C. legislation on point.

III. THE RECEIVING END: SUBSTANTIVE AND PROCEDURAL DOMESTIC U.S. LAW CONTROLLING FOREIGN COUNTERFEIT GOODS

Prior to 1982, three sources of federal law governed the control of commercial counterfeiting: (1) the Lanham Act; (2) the Copyright Act of 1976; and (3) the Patent Act of 1952.³⁷ This section will present a brief overview of each of these laws. An explanation of how they deal with the counterfeiting problem will highlight their inadequacies in controlling the situation. The discussion will then turn to positive devel-

34. See Chen, *The Legal Protection of Industrial and Intellectual Property Rights on China Taiwan*, in PROCEEDINGS OF THE MANILA SYMPOSIUM ON COUNTERFEITING AND INFRINGEMENT AND LICENSING, at 2 (1984) (copy on file with the East Asian Legal Studies Program of the University of Maryland School of Law).

35. See *Chung Pao* [Centre Daily News — New York], Sept. 18, 1985, at 2; *Chung-yang jih-pao* [Central Daily News — Overseas Edition], Feb. 3, 1986, at 1.

36. See notes 11-19 *supra*, and accompanying discussion.

37. This section will not treat the ability of selected federal criminal statutes, such as the mail fraud and wire fraud statutes, to deal with the commercial counterfeiting problem. Nor will it deal with state statutes on point. Their inability to control commercial counterfeiting has been treated elsewhere in a uniform and exhaustive manner. See Rakoff and Wolff, *supra* note 11, at 168-76.

opments in this area, including the Trademark Counterfeiting Act of 1984, the 1980 Computer Software Copyright Act, the Semiconductor Chip Protection Act of 1984, and amendments to the Tariff Act of 1930. The section will conclude with the treatment of potential retaliatory measures as manifested in U.S. trade laws that may be invoked against countries harboring an atmosphere conducive to counterfeiting.

A. *The Lanham Act*³⁸

The Lanham Act, the main federal statute dealing with trademark registration and infringement actions, provides for various civil remedies in cases of trademark infringement. These remedies are: (1) injunctive relief;³⁹ (2) an accounting for profits;⁴⁰ (3) damages, including treble damages where appropriate;⁴¹ (4) attorney's fees in "exceptional cases";⁴² (5) costs;⁴³ and (6) the destruction of infringing articles.⁴⁴

Commentators on the Lanham Act are quick to point out its inefficacy in dealing specifically with commercial counterfeiting. First, the discretionary nature of the remedies enumerated do not easily lend to judicial employment of these remedies as an effective weapon against commercial counterfeiting.⁴⁵ Second, the demands of public interest may in some cases act as a mitigating circumstance in calculating equitable relief.⁴⁶ Third, infringement victims bear onerous burdens in Lan-

38. 15 U.S.C. §§1051-1127 (1976).

39. 15 U.S.C. §1116. This section provides, *inter alia*:

The several courts vested with jurisdiction of civil actions under this chapter shall have power to grant injunctions, according to principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office.

40. 15 U.S.C. §1117(a).

41. 15 U.S.C. §1117(b).

42. 15 U.S.C. §1117(a).

43. *Id.*

44. 15 U.S.C. §1118.

45. Note the language in §34 of the Act emphasized in note 39 *supra*. With regard to the assessment of profits and damages, §35 of the Act provides that "[t]he court shall assess such profits and damages or caused the same to be assessed *under its discretion.*" 15 U.S.C. §1117.

Rakoff and Wolff, *supra* note 11, at 163-64, cite cases illustrating the courts' reluctance to impose strong penalties even in cases which warrant their imposition. *See, e.g., Playboy Enterprises, Inc. v. Baccarat Clothing Co.*, 692 F.2d 1272 (9th Cir. 1982), where the court held that even when a trademark infringement was "exceptional", flagrant and wilful, the district court did not abuse its discretion in refusing to increase a trademark owner's damages award under statute giving the district court discretion to increase award of actual damages.

46. This would be the case where granting relief might give rise to the plaintiff's

ham Act actions. The victim must locate the counterfeiter himself and establish without judicial assistance his case in court. This trouble is compounded when the counterfeiter is located abroad.⁴⁷ Fourth, as a practical matter, the civil remedies provided for in the Lanham Act carry little deterrent effect in the eyes of the commercial counterfeiters. That is, the counterfeiter, who is already acting in gross violation of the law, will merely write off an injunction as an operating cost and start business under a new name.⁴⁸ Fifth, the plaintiff also bears the burden of proving damages and must deal with the fact that⁴⁹ counterfeiters have been notorious for understating, or destroying relevant records, if indeed any were kept.⁵⁰ Last, the Lanham Act accords no criminal sanctions to deter the counterfeiter.⁵¹

One recent development — namely, *ex parte* search and seizure orders⁵² — has added to effective Lanham Act enforcement. The validity of such orders is founded in the seizure and destruction section of the Act.⁵³ As a result, Lanham Act plaintiffs have enjoyed success, al-

effective monopolization of the product and mark. *See, e.g., Crossbow, Inc. v. Glovemakers, Inc.*, 265 F.Supp. 202 (N.D.Ill. 1967), *cited in* A. MILLER and M. DAVIS, *INTELLECTUAL PROPERTY IN A NUTSHELL* (1983).

47. *See Rakoff and Wolff, supra* note 11, at 164-65. They also point out that even when counterfeiters are located abroad, they for the most part will be the "poorest and smallest links on the distributional chain." Thus, judgments are rarely satisfied. *Id.*

48. Rakoff and Wolff, *supra* note 11, at 165. The problem is extremely acute where organized crime is involved. *See* U.S. House of Representatives, *Report on Unfair Foreign Trade Practices, supra* note 2, at 28-31.

49. 15 U.S.C. §1117(a).

50. *See* Conlon, *Commercial Product Counterfeiting: An Overview*, 1 A PRACTICAL APPROACH TO PATENTS, TRADEMARKS AND COPYRIGHTS 282 (1981), *cited in* Rakoff and Wolff, *supra* note 11, at 202.

51. On the issue of deterrence as a goal of the criminal law system, *see generally* Griffiths, *Review — The Limits of Criminal Law Scholarship*, 79 YALE L. J. 1388 (1970); NATIONAL RESEARCH COUNCIL, *DETERRENCE AND INCAPACITATION: ESTIMATING THE EFFECTS OF CRIMINAL SANCTIONS ON CRIME RATES* (1978); H. L. PACKER, *THE LIMITS OF THE CRIMINAL SANCTION* (1968).

52. An *ex parte* order, as opposed to a general order, is taken or granted at the instance and for the benefit of one party only, and without notice to, or contestation by, any person adversely interested. The rationale behind this rule is to "prevent the judicial process from being rendered futile by defendant's action or refusal to act. . . (and to) preserve the status quo until there is an opportunity to hold a hearing on the application of a preliminary injunction . . ." C. WRIGHT & A. MILLER, *FEDERAL PRACTICE AND PROCEDURE* §§2947, 2951 (1973).

53. Section 36 of the Lanham Act provides, in pertinent part:

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established, the court may order that all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing

beit on a limited basis, in obtaining *ex parte* orders allowing the search and seizure of counterfeit merchandise.⁵⁴ Such action allows the plaintiff to make a pre-emptive strike before the counterfeiter has a chance to conceal or destroy the merchandise. These orders are, however, relatively few in number in comparison to the amount of counterfeiting occurring, and to the number of Lanham Act actions brought. Furthermore, stringent procedural requirements restrict the number of orders actually granted.⁵⁵ Therefore, *ex parte* orders stand only as a limited solution to the counterfeiting problem.

B. *The Copyright Act of 1976*⁵⁶

The Copyright Act of 1976, the main federal statute on copyright protection, provides for both civil and criminal penalties in cases of copyright infringement. These remedies are: (1) injunctive relief;⁵⁷ (2) damages and profits;⁵⁸ (3) impoundment and destruction;⁵⁹ (4) criminal

the registered mark or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed.

15 U.S.C. § 1118.

54. See generally Bainton, *Seizure Orders: An Innovative Judicial Response to the Realities of Trademark Counterfeiting*, 73 TRADEMARK REP. 459 (1983).

55. *Ex parte* actions raise fundamental issues of due process of law. This is why any such order must comport with the procedural requisites set forth in Rule 65(b) of the Federal Rules of Civil Procedure in order to "assure the restrained party some measure of protection in lieu of receiving formal notice and the opportunity to participate in a hearing." The defendant must be informed of the issuance of the order as soon as possible. Furthermore, so as to curtail abuse, the order will remain in effect no longer than ten days. FED. R. CIV. P. 65(b).

56. Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1978).

57. 17 U.S.C. §502(a) provides:

Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of Title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

17 U.S.C. § 405(b) provides an escape clause for "innocent infringers."

58. There are three types of monetary awards under the 1976 Act: damages, profits, and statutory damages. See respectively 17 U.S.C. §§504(a), (b), (c)(2), and 405(b). Damages within the aegis of this Act are lost profits. Profits refer to the profits received by the defendant. Plaintiff may only, however, collect profits that are "additional" to actual damages. Statutory damages are discretionary damages imposed by the court.

59. 17 U.S.C. §503 provides:

(a) At any time while an action under this title is pending, the court may order the impounding, on such terms as it may deem reasonable, of all copies or phono records claimed to have been made or used in violation of the copyright

penalties;⁶⁰ and (5) attorneys fees and costs.⁶¹

The 1976 Act goes much further than the Lanham Act in protecting intellectual property rights; however, it is still deficient in providing a definitive solution to the counterfeiting problem. In general, the 1976 Act suffers in a number of the same areas as the Lanham Act.⁶² With specific reference to copyright infringement from Taiwan, the 1976 Act is lacking in two respects. First, it is not an effective deterrent. The monetary remedies under the Act do not accurately reflect real damages to the copyright holder, and are seen as only business costs in the eyes of counterfeiters.⁶³ Further, the criminal penalties are mere misdemeanors. Second, the 1976 Act does not provide adequate protection to the art work and design of computer chips — a type of property most seriously affected.

C. *The Patent Act of 1952*⁶⁴

The Patent Act of 1952 is the main federal statute dealing with patent protection. It provides for four civil remedies in patent infringement cases. The remedies include: (1) injunctive relief;⁶⁵ (2) damages;⁶⁶ (3) attorneys fees;⁶⁷ and (4) costs.⁶⁸ The inadequacy of granting

owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phono records may be reproduced.

(b) As a part of the final judgment or decree, the court may order the destruction or other reasonable disposition of all copies or phono records found to have been made or used in violation of the copyright owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phono records may be reproduced.

A form of preliminary injunctive relief is afforded by the rules of copyright promulgated by the Supreme Court. *See* 214 U.S. 533 (1909), as amended by 307 U.S. 652 (1939).

60. 17 U.S.C. §506 makes copyright infringement a misdemeanor punishable by up to \$10,000 or up to one year's imprisonment. Further, seizure, forfeiture, and destruction are mandatory upon conviction.

61. 17 U.S.C. §505.

62. *See supra* notes 45-51, and accompanying text.

63. *See supra* notes 48-51, and accompanying text.

64. Patent Act of 1952, ch. 950, 66 Stat. 792 (1982).

65. 35 U.S.C. §283, provides:

The several courts having jurisdiction of cases under this title may grant injunctions *in accordance with the principles of equity* to prevent the violation of any right secured by patent, *on such terms as the court deems reasonable*.

66. 35 U.S.C. §284 provides, in pertinent part:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable roy-

equitable relief, and of awarding damages where the plaintiff bears the primary burden has been dealt with above.⁶⁹ Title 18 does, however, impose criminal penalties on the patent counterfeiter.⁷⁰ Thus, the Patent Act, working in tandem with the relevant criminal provisions, should provide adequate protection for the patent holder.

The gaps in the legislation highlighted above prompted lawmakers to infuse into the law added protection for intellectual property rights. This paper now turns to the congressional responses to the recent proliferation of commercial counterfeiting.

D. *Congressional Responses to the Recent Proliferation of Counterfeiting*

The severity of commercial counterfeiting in the late 1970s and early 1980s, combined with other economic factors, compelled a large group of manufacturers and legislators to take an offensive stance against the nefarious counterfeiters. In a short period of time, public pressure, coupled with congressional support, pushed through America's normally sluggish legislative machinery three major amendments to strengthen the federal laws on the protection of intellectual property rights. These amendments include: the Trademark Counterfeiting Act of 1984, the 1980 Computer Software Copyright Act and the Semiconductor Chip Protection Act of 1984, and Section 526(e) of the Customs Procedural Reform and Simplification Act of 1978. This section will describe the measures established by these new provisions for the purpose of controlling commercial counterfeiting from the receiving end.

alty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

67. 35 U.S.C. §285 provides:

The court *in exceptional cases* may award reasonable attorney fees to the prevailing party.

68. *See id.* note 67.

69. *See supra* notes 45-51, and accompanying text.

70. 18 U.S.C. §497 provides:

Whoever falsely makes, forges, counterfeits, or alters any letters patent granted or purporting to have been granted by the President of the United States; or

Whoever passes, utters, or publishes, or attempts to pass, utter, or publish as genuine, any such letters patent, knowing the same to be forged, counterfeited or falsely altered —

Shall be fined not more than \$5,000 or imprisoned not more than ten years, or both.

1. *The Trademark Counterfeiting Act of 1984*⁷¹

The Trademark Counterfeiting Act of 1984 affects the counterfeiting situation in a significant respect. The Act now makes trademark counterfeiting a criminal offense. It prescribes stringent criminal fines and prison sentences for offenders. Section (a) of the Act provides that:

Whoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services shall, if an individual, be fined not more than \$250,000 or imprisoned not more than five years, or both, and, if a person other than an individual, be fined not more than \$1,000,000. In the case of an offense by a person under this section that occurs after that person is convicted of another offense under this section, the person, if an individual, shall be fined not more than \$1,000,000 or imprisoned not more than fifteen years, or both, and if other than an individual, shall be fined not more than \$5,000,000.⁷²

In meting out criminal responsibility, the Act partially fills the gap left by the Lanham Act. Assuming active investigation and prosecution by the appropriate enforcement agency, the Act should operate as an effective deterrent to the willful trafficking⁷³ of goods bearing counterfeit marks.⁷⁴ Indeed, there has already been one report of what law en-

71. For the Act's legislative history, see Act of June 28, 1984, Pub. L. 98-473, 1984 U. S. CODE CONG. & ADMIN. NEWS (98 Stat.) 3627. For discussion, see *Report on the Trademark Counterfeiting Act of 1984 Before the Senate Comm. on the Judiciary*, 98th Cong., 2d Sess. (1984); *Report on the Trademark Counterfeiting Act of 1984 Before the House Comm. on the Judiciary*, 98th Cong., 2d Sess. (1984); Blynn, *The Proposed Trademark Counterfeiting Act of 1983: Not So Fast Mister*, 73 TRADEMARK REP. 547 (1983); Haarz, *The Proposed Trademark Counterfeiting Act of 1983: A Counterfeit Remedy*, 73 TRADEMARK REP. 544 (1983); Rakoff, *For Passage Now of the Trademark Counterfeiting Act: 104 Years Is Long Enough to Wait*, 73 TRADEMARK REP. 553 (1983); Rakoff and Wolff, *supra* note 11.

72. 18 U.S.C. §2320(a).

73. Under the Act, "the term 'traffic' means to transport, transfer, or otherwise dispose of, to another, as consideration for anything of value, or make or obtain control of with intent so to transport, transfer, or dispose of" 18 U.S.C. §2320(d)(2).

74. 18 U.S.C. §2320(d)(1) defines "counterfeit mark" as:

(A) a spurious mark —

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

forcement officials coined "the largest seizure of counterfeit watches in the nation," in which the Secret Service and Customs agents arrested 21 persons and confiscated 25,000 counterfeit watches.⁷⁵

2. *The Legal Protection of Computer Ware:
The Computer Software Copyright Act of 1980 and
the Semiconductor Chip Protection Act of 1984*⁷⁶

The Computer Software Copyright Act of 1980 and the Semiconductor Chip Protection Act of 1984 seeks to offer protection to the industry perhaps most adversely affected by counterfeiting — namely, the computer chip and software industry.⁷⁷ The 1980 Act represents the *de facto* recognition of the "copyrightability" of software, and the 1984 Act creates⁷⁸ exclusive rights heretofore unprotected, for a period

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

(B) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of the Lanham Act are made available by reason of section 110 of the Olympic Charter Act; but such term does not include any mark or designation used in connection with goods or services of which the manufacturer or producer was, at the time of the manufacture or production in question authorized to use the mark for designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

75. See *21 Held and 25,000 Watches Seized in a Counterfeiting Case*, N. Y. Times, Sept. 23, 1985 at 41.

76. The Computer Software Copyright Act is codified at 17 U.S.C. §117 (1976). The Semiconductor Chip Protection Act is codified at 17 U.S.C. §§ 901-14 (1984). For the 1984 Act's legislative history, see 1984 U. S. CODE CONG. & ADMIN. NEWS (98 Stat.) 5708. For discussion, see Chesser, *Semiconductor Chip Protection: Changing Roles for Copyright Competition*, 71 VA. L. REV. 249 (1985); Giller, *ROMS, RAMS, and Copyright: The Copyrightability of Computer Chips*, 14 SW. U. L. REV. 685 (1984). For general discussion on the difficulty of protecting computer software, see Weiss, *Pirates and Prizes: The Difficulties of Protecting Computer Software*, 11 W. ST. L. REV. 1 (1983).

77. For specifics on damage to the computer industry from counterfeits mostly from Asia (specifically Taiwan), see *Hearings on Unfair Foreign Trade Practices (Part 1) Before the Subcomm. on Oversight and Investigations of the Comm. on Energy and Commerce, 98th Cong., 1st Sess. (1983)* [hereinafter cited as *Unfair Foreign Trade Practices*]. See also Appendix I.

78. Commentators have pointed out on numerous occasions the inability of current intellectual property law to protect computer chip firms against the misappropriation of their technology. On this point, the legislative history of the 1984 Act reveals: . . . The current copyright, patent and trademark laws give little, if any, protection to semiconductor chips. Patent law can protect the basic electronic circuitry for

of ten years⁷⁹ in semiconductor chip products.⁸⁰ Plaintiffs may now seek temporary restraining orders, preliminary and permanent injunctions, as well as civil damages⁸¹ against infringers who "reproduce . . ., import or distribute" protected materials.⁸²

The Act is certainly a step in the right direction in extending the existing copyright remedies to computer chips. Arguably, however, computer chip protection is still lacking. First, it suffers from the same ills as the civil protection afforded under the 1976 Copyright Act. Second, the new Act does not impose any criminal penalties — be it in the form of a fine, misdemeanor, or felony — and therefore carries no deterrent effect. At the very least, though, the 1984 Act does grant protection to, and defines through a clear legal standard the concept of a computer chip. This unprecedented development should offer some sol-

new microprocessors or other new such products. But patent law does not protect the particular layouts and design work performed by the different chip manufacturers in adapting those electronic circuits for a particular industrial purpose, because the creativity involved does not rise to the inventive level required by the patent laws. Yet, it is those layouts and design works that consume resources of the innovating firms and that are copied by free riders. Copyright law has always considered a mask work to be purely utilitarian, and therefore outside the scope of copyright protection. Moreover, . . . copyright does not protect useful articles per se; copyright protects the design of a useful article only to the extent that artistic features can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article; . . . copyright protects only expression — not ideas, plans, or processes.

See 1984 U.S. CODE CONG. & ADMIN. NEWS (98 Stat.) 5272-73.

79. 17 U.S.C. §904. The protection commences ". . . on the date on which the mask work is registered . . ., or the date on which the mask work is first commercially exploited anywhere in the world, whichever occurs first." 17 U.S.C. §904(a).

80. Under 17 U.S.C. §901(a):

(1) a "semiconductor chip product" is the final or intermediate form of any product —

(A) having two or more layers of metallic, insulating, or semiconductor material, deposited or otherwise placed on, or etched away or otherwise removed from, a piece of semiconductor material in accordance with a predetermined pattern; and

(B) intended to perform electronic circuitry functions;

(2) a "mask work" is a series of related images, however fixed or encoded —

(A) having or representing the predetermined, three dimensional pattern of metallic, insulating, or semiconductor material present or removed from the layers of a semiconductor chip product; and

(B) in which series the relation of the images to one another is that each image has the pattern of the surface of one form of the semiconductor chip product; . . .

81. 17 U.S.C. §911.

82. See 17 U.S.C. §§905(1), (2), and (3).

ace to the computer industry's worries, especially if Customs enforcement is strengthened in this area.

3. *Section 526(e) of the Customs Procedural Reform and Simplification Act of 1978*⁸³

Section 526(e) of the Customs Procedural Reform and Simplification Act of 1978 serves as an economic deterrent against trademark counterfeiting upon detection at Customs by prescribing the seizure and forfeiture of any merchandise bearing a counterfeit mark.⁸⁴ Aside from defeating the actual crime, this measure strikes at the very "motive for commercial counterfeiting: the expectation of immediate, lavish profits."⁸⁵ The obvious flaw in section 526(e) is the assumption that all counterfeits will in fact be detected upon attempted entry into the United States. Lax or overtaxed Customs inspections and the deceptive practices employed by counterfeiters will act to defeat the effectiveness of section 526(e).⁸⁶ Nonetheless, section 526(e) adds to the growing

83. 19 U.S.C. §1526(e). For legislative history, see 1978 U.S. CODE CONG. & ADMIN. NEWS (92 Stat.) 2215. For discussion, see Kuhn, *Remedies Available at Customs for Infringement for a Registered Trademark*, 70 TRADEMARK REP. 387 (1980); Rakoff and Wolff, *supra* note 11, at 171, 177; Walker, *supra* note 11, at 125-28.

84. 19 U.S.C. §526(e) provides:

Any such merchandise bearing a counterfeit mark (within the meaning of section 1127 of Title 15) imported into the United States in violation of the provisions of section 1124 of Title 15, shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws. Upon seizure of such merchandise, the Secretary shall notify the owner of the trademark, and shall, after forfeiture, obliterate the trademark where feasible and dispose of the goods seized —

(1) by delivery to such Federal, State, and local government agencies as in the opinion of the Secretary have a need for such merchandise,

(2) by gift to such eleemosynary institutions as in the opinion of the Secretary have a need for such merchandise,

(3) more than a year after the date of forfeiture, by sale by appropriate customs officers at public auction under such regulations as the Secretary prescribes, . . . ,

(4) if the merchandise is unsafe or a hazard to health, by destruction.

The relevant Customs Regulation governing procedure can be found in 19 C.F.R. §133.52 (1979).

85. Rakoff and Wolff, *supra* note 11, at 209.

86. Albert Eisenstat, Vice President and General Counsel of Apple Computer, Inc., noted that:

The overseas manufacturers . . . have resorted to increasingly sophisticated schemes to circumvent Customs detection and to evade Customs regulations. They have rendered their computers inoperative to avoid testing by Customs. They have modified their case design to avoid easy visual detection while still infringing Apple's copyrights

arsenal of civil and criminal penalties against the commercial counterfeiter.

On the whole, the U.S. legislature has responded to the counterfeiting plight by instituting some effective tools to combat the problem. Section 526(e) of the Customs Procedural Reform and Simplification Act of 1978 provides a financial deterrent in prescribing the seizure and forfeiture of goods bearing counterfeit marks. The Trademark Counterfeiting Act of 1984 introduced a strong social deterrent in meting out stiff criminal monetary penalties and imprisonment. The Semiconductor Chip Protection Act of 1984 refined intellectual property law in extending copyright protection to the computer chip industry. In addition to these positive developments, the U.S. legislature has passed an alternate retaliatory measure dealing with the situation through U.S. trade law. The following section will touch on this development.

E. *A Retaliatory Measure as Manifested in U.S. Trade Law*

The injuries to U.S. persons and industries alike caused by commercial counterfeits has prompted lawmakers to take a comprehensive approach to controlling the situation through legislative means. Aside from amending U.S. substantive law bearing on intellectual property rights as dealt with above, regulatory means have manifested themselves in U.S. trade laws in the form of retaliatory measures. This section will deal with one such development, namely the move toward the denial of duty-free status under the Generalized System of Preferences.

1. *The Generalized System of Preferences Renewal Act of 1984*⁸⁷

The Generalized System of Preferences (GSP) program provides unilateral, non-reciprocal duty-free tariff treatment to numerous articles imported from developing countries. The system is designed to foster economic development in these countries through preferential mar-

and patents.

... [I]nfringing computers detained at U.S. Customs included a separate minicomputer program that scrambled and pirated Apple programs in a deliberate attempt to make it appear as if these computers did not include Apple software.

Unfair Foreign Trade Practices (Part 1), *supra* note 77, at 162.

87. Pub. L. No. 98-573, 98 Stat. 2940 (1984). See 1984 U.S. CODE CONG. & ADMIN. NEWS (98 Stat.) 5101.

For discussion, see *Possible Renewal of the Generalized System of Preferences (Part 1) Before the Subcomm. on Trade of the House Comm. on Ways and Means*, 98th Cong., 1st Sess. 54, 63, 141 (1983); *Possible Renewal of the Generalized System of Preferences (Part 2) Before the Subcomm. on Trade of the Comm. on Ways and Means*, 98th Cong., 2d Sess. 160 (1984).

ket access in the U.S.⁸⁸ The revised system in the form of the Generalized System of Preferences Renewal Act of 1984 also seeks to encourage developing countries to protect the intellectual property rights of foreign nationals.⁸⁹ Thus, in determining whether to extend preferential rights (i.e., to designate a country as a beneficiary developing country (BDC)), the President will now add into the calculus "the extent to which such country is providing adequate and effective means under its laws for foreign nationals to secure, to exercise, and to enforce exclusive rights in intellectual property, including patents, trademarks, and copyrights . . ."⁹⁰

The Act does not, however, provide a clear test for determining whether the law of a foreign country provides "adequate and effective" protection for intellectual property. The legislative history of the Act enumerates numerous factors that should be taken into consideration, such as:

. . . the extent of statutory protection for intellectual property (including the scope and duration of such protection), the remedies available to aggrieved parties, the willingness and ability of the government to enforce intellectual property rights on behalf of foreign nationals, the ability of foreign nationals effectively to enforce their intellectual property rights on their own behalf, and whether the country's system of law imposes formalities or similar requirements that, in practice, are an obstacle [to] meaningful protection for foreign nationals not imposed on domestic concerns.⁹¹

While these guidelines are broad in definition and subject to ambiguous interpretation,⁹² the recent reform of numerous Chinese laws governing intellectual property rights, combined with government efforts to control counterfeiting, as manifested in recent anti-counterfeiting campaigns, seem to satisfy the tests enumerated above. Thus, the 1984 Act remains as a potential economic threat to Taiwan. Its ultimate implementation will be a function of the political and economic climate guid-

88. On the evolution and basic premises of this system, see generally Benham, *Development and Structure of the Generalized System of Preferences*, 9 J. OF WORLD TRADE L. 442 (1975); McCulloch, *United States Preferences: The Proposed System*, 8 J. OF WORLD TRADE L. 217 (1974).

89. See 19 U.S.C. §2461 note, which enumerates the purpose of the Act.

90. 19 U.S.C. §2462(c)(5). See also 19 U.S.C. §2464(c)(3)(B)(2).

91. See 1984 U. S. CODE CONG. & ADMIN. NEWS (98 Stat.) 5112.

92. On the binding weight of legislative history, see J. SUTHERLAND, *STATUTES AND STATUTORY CONSTRUCTION* (1891).

ing the construction attached to the Act's language.

IV. R.O.C. EFFORTS AT CONTROLLING COMMERCIAL COUNTERFEITING

Commercial counterfeiting has severely tarnished Taiwan's reputation on the international plane. Aside from vocalizing social and economic damage to their respective industries, affected manufacturers have also expressed extreme dissatisfaction with the way in which the government of Taiwan has been handling the situation. Most complaints focus on the inadequacies of Chinese law in protecting intellectual property rights, the denial of juridical status to foreign corporations, and the general lack of enforcement of the protections that do exist. This section will analyze recent R.O.C. efforts at controlling the flow of commercial counterfeits from Taiwan to the U.S. It begins with a survey of legislation, including the amendments to the Trademark Law, the revision of the Copyright Law, the proposed revision of the Patent Law, the amendments to the Regulations Governing the Prevention of Trademark Counterfeiting and False Marking of Place of Origin, and the draft Fair Trade Law. The section will then turn to recent developments in judicial action, specifically focusing on the Apple Computer litigation, which reformulated foreign corporate entities' access to R.O.C. courts. The section next treats administrative and executive action, explaining the various administrative penalties and measures, as well as the role of the Anti-Counterfeiting Committee of the Ministry of Economic Affairs. The section next examines investigatory campaigns waged against commercial counterfeiters; and concludes by surveying actions in the private sector to control counterfeiting.

A. *Legislative Means*

Injured parties have long complained about the inadequacies of the Chinese laws governing the protection of intellectual property rights. The major complaints focused on the general principles governing copyright protection, the copyright protection of computer software, and foreign entities access to R.O.C. courts. This section reports on recent legislative efforts which are aimed at correcting the situation.

1. *Amendments to the Trademark Law*⁹³

Two recent amendments of the Trademark Law have filled numerous gaps which were of great concern to foreign corporations. Prior to these amendments, the Trademark Law offered no protection to unregistered famous foreign trademarks. It had neither a deterrent effect because of its mild penalties, nor a built-in economic deterrent that would work against counterfeiting. Its effect was to deny access to foreign entities not registered in Taiwan to press infringement claims, and placed a heavy burden of proof on the plaintiff in establishing damages. In response to foreign and domestic pressure, the legislature amended the Trademark Law in March, 1983, and in 1985.⁹⁴ These two amendments put to rest many of the outstanding issues in trademark protection in Taiwan.

The 1983 Amendments struck at three of these inadequacies.⁹⁵ First, Article 62-1 of the 1983 Amendments extended trademark protection to unregistered "world famous" foreign trademarks.⁹⁶ In Tai-

93. The Trademark Law was promulgated on May 6, 1930 and became effective on January 1, 1931. It was subsequently revised and promulgated on November 23, 1935, October 19, 1940, October 24, 1958, July 4, 1972, and January 26, 1983. See LIU FA CH'UAN SHU [The complete six codes] at 1358 (Tau Pai-Ch'uan and Wang Tse-chien eds. 1983); 2 A COMPILATION OF THE LAWS OF THE REPUBLIC OF CHINA at 107 (D. Kang compiler 1971). For discussion on substantive trademark law in the R.O.C., see C.V. Chen, *supra* note 34; Doi, *Protection of Intellectual Property in the Republic of China*, in TRADE AND INVESTMENT IN TAIWAN at 493-99 (H.Ma ed. 1985).

94. The first amendment was passed on January 16, 1983. See sources cited in *id.* The Executive Yuan (Cabinet) passed the second amendment on July 11, 1985. See *Lien-ho Pao* [United Daily], July 12, 1985, at 3; *News Roundup* July 15, 1985, at 2 (press release of the Coordination Council for North American Affairs). The Legislative Yuan in turn passed the second amendment on November 19, 1985. *Shih-chieh jih-pao* [World Journal], Nov. 21, 1985, at 4.

95. The 1983 Amendments are treated in brief in Donald H. Shapiro, *Trademark Law Finalized — Minus a Few Teeth*, EAST ASIAN EXECUTIVE REPORTS 24 (1983).

96. Article 62-1 provides:

Any person who, with intent to defraud others, uses on the same good or goods in the same class, a trademark which is identical with or similar to an unregistered trademark of a foreign country shall be punished with imprisonment of not more than three years, detention, and, in addition thereto or in lieu thereof, a fine of not more than 30,000 Yuan (NT\$90,000). [emphasis added] [NT\$90,000 converts to about U.S.\$2,250.

However, the Act only extends protection to "well-known foreign trademarks." The following factors will be taken into consideration in determining whether the trademark is "well-known": the history of the trademark, the popularity of the goods, the goodwill of the goods, etc. See Correspondence from the Ministry of Justice, Fa 72 Chien Tzu No. 1189 (February 2, 1983), reprinted in CYILA, vol. 2 (1982), at 277-

wan, trademark protection attaches only with registration.⁹⁷ The foreign manufacturer thus had to ensure that he was the first to file in order to gain trademark protection. This amendment certainly brought great relief to some foreign manufacturers; however, which foreign manufacturers the Amendments brought relief to remains an open question. Specifically, the Amendments did not clarify which trademarks would be considered "world famous." Thus, in this regard, the amendment's ambiguity detracts from its overall efficacy.

Second, the Amendments unleashed an economic deterrent. Article 62-3 provided for the confiscation of "[a]ny goods belonging to the offender which have been manufactured, sold, displayed, exported or imported in the commission" of a trademark offense. Assuming adequate detection of illicit goods, this change stands as a disincentive for counterfeiting as it will strike at the counterfeiter's stock, and therefore, its profits. Third, the 1983 Amendments imposed severe criminal penalties. Article 62 prescribed a maximum five year imprisonment, and a maximum 50,000 Yuan (NT\$150,000 or approximately U.S.\$3,750) monetary penalty. This change is significant in two respects. Its added deterrent effect is obvious. More importantly, however, this mandatory stringent penalty eliminates the possibility of reducing imprisonment to a mere monetary fine under Article 41 of the Criminal Code.⁹⁸

The 1985 Amendment picks up where its predecessor left off. Prior to this Amendment, unregistered foreign corporations, except for U.S.

83. Arguably, though, further definitional guidance is needed.

97. Only trademarks registered in Taiwan will be protected. Article 2 of the 1983 Law provides:

Whoever desires to introduce a trademark for the right of exclusive use thereof to distinguish the goods as being produced, manufactured, processed, selected, wholesaled or dealt in by himself shall apply for registration of the mark in accordance with this Law.

See Appendix XII for the trademark application procedure. The administrative remedies available for application rejection are outlined in Appendix XVI.

98. Article 41 of the Criminal Code provides:

If the maximum basic punishment which may be imposed does not exceed imprisonment for three years, and the punishment as imposed is imprisonment for not more than six months or detention, and further if execution of the punishment as imposed is manifestly difficult because of physical, educational, occupational, or family conditions of the offender, the punishment as imposed may be commuted to a fine at the rate of not less than one nor more than three yuan for each day of imprisonment or detention.

See Kang, *supra* note 93, at p. 191. On interpretations of this provision, see *Shih-tzu* No. 144 [Explanation of the Council of Grand Justices]; 29 Shang Tzu No. 1607; 40 T'ai-fei 12.

corporations,⁹⁹ had no right to press criminal charges against an infringer. This is because a company not recognized under Chinese law (i.e., one not registered) is not deemed a juristic person, and has no standing in criminal proceedings. Without such capacity, the foreign corporation may not serve as a complainant, and has no right to appeal a prosecutor's decision not to indict, submit legal or factual conclusions for consideration by the Court, or initiate a private prosecution.¹⁰⁰ However, Article 66 of the 1985 Amendments grants any foreign company without a legal presence in Taiwan the right to bring civil and criminal infringement actions.¹⁰¹ Furthermore, with regard to the burden of proof in establishing damages, Article 64 of the Amendments permits a trademark owner to claim damages in amounts equal to five hundred to fifteen hundred times the value of the infringed product without bearing the burden of proof on the issue of damages.¹⁰² Thus, this Amendment represents a definitive solution to the issue of judicial access for unrecognized foreign trademark owners, and also eases in part the plaintiff's burden of proof.

Indeed, trademark protection in Taiwan has progressed by leaps and bounds. Among other things, Taiwan adopted stiff criminal penalties — namely, five year prison terms — almost two years before the United States did.¹⁰³ To the satisfaction of foreign trademark owners, empirical evidence indicates a surprisingly quick response in enforcement as criminal sanctions in trademark infringement cases have risen both quantitatively and qualitatively.¹⁰⁴ Furthermore, courts in Taiwan have not been bashful in employing the amended Trademark Law's

99. See *infra* notes 126-37, and accompanying text.

100. A complainant must be either a natural person or a juristic person. An unrecognized foreign corporation does not meet either of these requisites. Article 319 of the Code of Criminal Procedure provides:

1. An injured party of a crime may file a private prosecution, *provided*, that where he is without or of limited, legal capacity, or is dead, such private prosecution may be filed by his statutory agent, lineal relative or spouse.

2. If part of the facts of an offense have been pleaded as a basis for a private prosecution, the remaining facts, although not pleaded, may be considered in the prosecution, but this may not be done as the first hearing is under the jurisdiction of the high court,

See Kang, *supra* note 93, p. 411. The civil and criminal procedures for the enforcement of intellectual property rights are outlined in Appendix XVII.

101. See Yeh Yu-ch'i, *Shih-pao chou-kan* [China Times Weekly], Dec. 11, 1985, at 69.

102. *Id.*

103. See discussion on the Trademark Counterfeiting Act of 1984, *supra* notes 71-75.

104. See Appendices III - VII.

stiff criminal and civil penalties. The principal in a recent infringement case involving the U.S. Yale Lock Company received a twenty month prison sentence, and his co-conspirators were sentenced to twelve to sixteen months.¹⁰⁵ The High Court of Taiwan recently awarded damages in a copyright infringement case in the amount of NT\$82,580,000 (equal to over two million U.S. dollars).¹⁰⁶ In addition, foreign entities may now actively pursue their rights in Taiwan. In order to round out its panoply of enforcement means, the R.O.C. should consider the employment of effective economic deterrents in the form of *ex parte* seizures and the forfeiture of counterfeit goods, as well as stiffer monetary penalties along the lines of those meted out under the U.S. Trademark Counterfeiting Act of 1984. Measures such as these would strike hard at the counterfeiter's capital base, and protect the valid trademark owner's market share. Further clarification on what constitutes a "world famous foreign trademark" is also in order.

2. *Revision of the Copyright Law*¹⁰⁷

The revision of the Copyright Law remedies a number of the inadequacies that existed in copyright protection. It also offers alternate means of dispute resolution. The flood of the American and foreign markets with bogus computers from Taiwan caused great economic damage to, and more than alarmed, American computer manufacturers. Allegations against copyright protection in Taiwan ran the gamut. Unrecognized foreign corporations could not press criminal charges against copyright infringers.¹⁰⁸ Copyright protection did not extend to computer software. Taiwan's "first to register" rule plagued copyright holders since Chinese laws afforded no protection until registration even if the intellectual material was completed an indefinite time beforehand. Without fear of having goods seized, would-be copyright infringers were not deterred from engaging in such illicit activity. Realizing the need for reform, the legislature amended the Copyright Law in

105. See Ministry of Economic Affairs, Board of Foreign Trade, R.O.C. EFFORTS AND ACCOMPLISHMENTS IN THE PROTECTION OF INTELLECTUAL PROPERTIES, 18 (Feb., 1985).

106. *Id.*

107. The Copyright Law was promulgated and became effective on May 14, 1928, and revised and promulgated on April 27, 1944, January 13, 1949, and July 10, 1964. See Tau and Wang, *supra* note 93, at 968. The principles and rules of the R.O.C.'s copyright law are outlined in Doi, *supra* note 93, and accompanying text.

108. The exception here was United States corporations, but this development was only of recent vintage. See *infra* notes 126-37, and accompanying text.

July, 1985.¹⁰⁹ The revision represents a positive improvement in the protection of copyright rights in Taiwan.

The 1985 revisions fill a number of the gaps in the old Copyright Law. First, Article 17 of the revision grants standing to file a complaint or a private prosecution to any copyright owner who is a foreign juristic person that has not been recognized by the Republic of China. Thus, foreign copyright owners may now pursue on their own, to the fullest extent of the law, actions against copyright infringers.¹¹⁰ Second, Article 4(1)(14) of the revision extends copyright protection to computer programs.¹¹¹ This stands as the codification of Executive Yuan Interpretation No. 9599 of 1980, which defined computer programs as a type of literary work and thereby granted copyright protection to computer programs. Third, the revision replaces the first to register principle with the principle of protection upon completion of the intellectual work; however, this only applies to Chinese nationals.¹¹² Thus, the foreign copyright holder must still engage in the race to the copyright office to protect his rights.¹¹³ Fourth, Article 35 of the revision employs

109. The revision was promulgated under the Presidential Order of July 10, 1985, T'ai Tzu No. 1372 (Chinese and English versions on file with the East Asian Legal Studies Program of the University of Maryland School of Law). For the legislative history in part, see *Li-fa Yuan Kung-pao* 74 [The Gazette of the Legislative Yuan], June 19, 1985, at 9-30. For a discussion of the revision, see Chang and Wang, *Copyright Update: Draft Law; Rental of Pirated Items; Software Protection*, EAST ASIAN EXECUTIVE REPORTS 18-19 (1984); Han, *Protection from Commercial Counterfeiters in Taiwan for U.S. Firms*, 16 LAW & POL'Y IN INT'L BUS. 654 (1984).

110. Provided, however, "that an intellectual work produced by a Chinese national is entitled to equal rights in the country of the above said foreign juristic person." Article 4.

111. Article 3(19) of the revision defines "computer program" as "a set of instructions composed for the purpose of directly or indirectly causing a computer to bring about a certain result." Article 12 provides that the term of copyright protection for computer programs lasts for 30 years. Interestingly, this development comes just months after the passage in America of the Semiconductor Chip Protection Act of 1984. See discussion above.

112. Compare Article 4 of the revision with Article 1 of the 1964 Law. Article 4 of the 1985 revision provides that "[u]nless otherwise provided by this Law, the authors of any of the [provided] works shall be entitled to copyright upon completion of such intellectual work . . ." Article 1 of the old Law defines copyright as "the exclusive privilege of reproducing or multiplying the [provided] intellectual productions *duly registered* in accordance with the provisions of this Law . . ." See Kang, *supra* note 93, at 139. Appendices XIV and XV outline the copyright registration procedure. The remedies for a rejected petition are in Appendix XVI.

113. See *Lien-ho Pao* [United Daily], Feb. 20, 1986, at 2; *Shih-chieh jih-pao* [World Journal] Feb. 21, 1986, at 3. Note, however, the benefits of registration. For example, the revision's seizure provision (Article 35) applies only to registered

an economic deterrent in allowing the seizure of infringing works.¹¹⁴ Last, the revision increases the maximum basic punishment to three years and thereby pre-empts the "buy-out" provision of the Criminal Law that allows on a discretionary basis the reduction of a prison sentence to a fine. The revised Copyright Law goes a long way in the protection of intellectual works. Legal standing for the unregistered foreign copyright holder before Chinese courts and the copyrightability of computer chips are now dead issues. The revision also substantially reduces the copyright holder's burden with regard to the attachment of copyright protection. While the procedural requisites are not clear, the revision grants the police the right to rectify the problem through the seizure of illegal goods. This sweeping grant of power should provide more fuel to an area where the police are already making progress.¹¹⁵ Also, the revision contains a real and effective deterrent in the form of stiff prison sentences. The positive aspects of the revision should, however, be weighed against its downsides. From a practical point of view, the revision does not offer adequate redress after the infringement. The monetary damages allowed under Article 33 most probably will not come near the amount of the copyright holder's lost profits and market share. Furthermore, as explained above, the method of measuring damages puts a substantial strain on the plaintiff because of the counterfeiter's propensity to understate or destroy his financial records. Finally, Americans excluded, concrete reasons should be put forth to explain the differential extension of copyright protection between Chinese nationals and foreigners.

3. *The Proposed Revisions of the Patent Law*¹¹⁶

The Proposed Patent Law Revision addresses four major gaps in the present legislation. First, the proposal seeks to grant access to the

copyrights.

114. Article 35 provides:

Upon complaint or report, the provincial (or special municipal) or county (or special municipal) government or the competent judicial police officer or judicial policeman may seize any work that infringes the copyrighted intellectual work of another and refer the case for investigation in accordance with law.

115. See Appendices VI-XI. On procedures, see Appendix II.

116. The Patent Law was promulgated on May 29, 1944 and became effective on January 1, 1949. It was subsequently revised and promulgated on January 22, 1959, May 12, 1960, and April 16, 1979. Tau and Wang, *supra* note 93, at 1367; Kang, *supra* note 93, at 63. For discussion on the R.O.C.'s patent law, see Doi, *supra* note 93, at 482-90; Chen, *supra* note 34. Patent application procedures are outlined in Appendix XIII, and administrative remedies for rejected petitions are in Appendix XVI.

courts to unrecognized foreign corporations in patent actions. Second, the revision will increase civil and criminal penalties, thereby denying an opportunity of invoking the "buy-out" provision of the Criminal Law. Third, the revision will confer patent protection on chemicals and pharmaceuticals.¹¹⁷ This is especially important due to the social injuries caused by counterfeit drugs.¹¹⁸ Finally, it will attempt to alleviate the many procedural barriers often invoked by the infringing party to obstruct and protract the prosecution.¹¹⁹ These are all positive steps, but as in the cases above, the important issue of damages deserves close scrutiny. Furthermore, as a practical matter, these protections will not be extended until the ultimate passage of the amendments which, hopefully, is not too far away.

4. *Amendments to the Regulations Governing the Prevention of Trademark Counterfeiting and False Marking of Place of Origin*¹²⁰

The Regulations govern the key area of controlling commercial counterfeiting in regulating exports from Taiwan. The Regulations require exporters of trademarked goods to establish a right to use the trademark.¹²¹ Absent such a showing, the exporter will be denied an export permit.¹²² With effective enforcement, the Regulations will provide a powerful weapon in stemming the illicit flow of counterfeit goods from Taiwan. The Regulations are, however, undergoing revision because of conflicts with the Trademark Law.¹²³

117. See *Kung-shang shih-pao* [Commercial Times], Sept. 16, 1985, at 3. The National Bureau of Standards is presently drafting a list of chemicals and pharmaceuticals to be protected.

118. See Appendix I.

119. These and other measures are outlined in *Lien-ho Pao* [United Daily], Dec. 4, 1985, at 1.

120. Promulgated by the Ministry of Economic Affairs on April 25, 1981, and entered into effect on August 1, 1981. (Text on file with the East Asian Legal Studies Program of the University of Maryland School of Law.) The Regulations are discussed in Pow and Lee, *Taiwan's Anti-Counterfeit Measures: A Hazard for Trademark Owners*, 72 TRADEMARK REP. 157 (1982).

121. See Article 3 of the Regulations. The main requirements under the proposed revision of the Regulations are outlined in *Shih-chieh jih-pao* [World Journal], Jan. 17, 1986, at 11. See Appendices XIX and XX.

122. See Article 2 of the Regulations.

123. The conflicts arise because the drafters of the Regulations did not take into account obligations under the Trademark Law regarding the grant of right to use a trademark. Most problems occur when a trademark owner grants the right to use the protected trademark to another. The grantee, usually under a licensing agreement, will then be denied export of the good since they will have a hard time documenting their right to use the trademark. On the conflict issue, see Pow and Lee, *supra* note 120. On

5. *The Draft Fair Trade Law*¹²⁴

Aside from legislation bearing directly on the protection of intellectual property rights, the R.O.C. is also drafting other legislation which deals with the control of commercial counterfeiting. One such law is the Fair Trade Law which will go beyond the scope of the Trademark Law in the protection of rights. The Law will strictly prohibit counterfeiting or the imitation of product containers, packages, and other commercial images, as well as other such unfair trade practices. Chinese officials recently assured the U.S. at a consultative congress of intellectual property rights held in Taipei that the Law would be promulgated with due speed.¹²⁵

As the discussion above indicates, Taiwan has enacted sweeping revisions to its legislation governing the protection of intellectual property rights. The laws grant access to unregistered foreign corporations, provide for stiffer criminal penalties, allow the seizure of counterfeits in some cases, and extend copyright protection to computer software. Missing from the scheme are, among other things, strong economic deterrents, such as stiffer civil and criminal monetary penalties, and *ex parte* seizures and forfeitures.

B. *Judicial Action*

The Judiciary plays an important role in Taiwan's offensive against commercial counterfeiting. First, the courts have rendered key decisions in enhancing the enforcement of intellectual property rights, such as granting access to the courts to unregistered foreign corporate entities. Second, there have been significant developments in the organic structure of the courts and in judicial training.

Access to the judicial system was a major concern for unregistered foreign entities, and was subject to heated debate. The recent case of *Apple Computer, Inc. v. Lee, et al.* underscores the issues.¹²⁶ Apple

the revision, see Ministry of Economic Affairs, The Bureau of International Trade, *Fang-chi fang-mao shang-piao chi wei-piau ch'an-ti pan-fa hsiu-cheng ts'ao-an* [The draft revision of the Measures Governing the Prevention of Trademark Counterfeiting and False Marking of Place of Origin], Taipei: R.O.C. General Industrial and Commercial Society, n.d.

124. See Chen, *supra* note 34; Ministry of Economic Affairs, Board of Foreign Trade, *supra* note 105, at 8.

125. See *Shih-chieh jih-pao* [World Journal], Oct. 29, 1985, at 2.

126. Taipei District Court, Criminal Judgment (No. 71-Tzu-870 and 897) (Jan. 28, 1983), *remanded* Taiwan High Court, Criminal Judgment (72 Shang No. 806) (Mar. 14, 1983), *reprinted in* CYILA, *supra* note 3, at 263-69. This case is discussed in great detail in Han, *supra* note 109, at 656-659; Hung Mei-hua, *Lun Shang-piao*

instituted suit against numerous defendants in a copyright infringement action. The District Court dismissed the case for want of standing since Apple, Inc. was not a recognized juridical person under Chinese law. As explained above, a foreign corporation not recognized as a juristic person may not serve as a self-complainant.¹²⁷ In so holding, the District Court — in relying solely on the Criminal Procedure Law and overlooking sources of international law such as bilateral agreements between the U.S. and the R.O.C. — adopted both a strict and erroneous view of the sources of law applicable in the case. The decision was subject to much criticism on the grounds that it misapplied general principles of international law, it would have an adverse effect on the general rights of foreign enterprises doing business in Taiwan, and it most probably would prompt foreign countries (the most likely one being the U.S.) to take retaliatory economic measures.¹²⁸ Apple appealed to the Taiwan High Court. The Taiwan High Court found a grant of standing embodied in Article VI, section 4 of the 1946 Treaty of Friendship, Commerce and Navigation (FCN) between the R.O.C. and the United States.¹²⁹ The Court reasoned that Article 6(4), granting to American corporations “freedom of access” to the courts of Taiwan, was self-executing since it was drafted with due specificity.¹³⁰ This rul-

fa.shang shang-piao chin-ssu ti fa-lü wen-ti, Taipei: National Industrial and Commercial Committee, 1984; Hickman, *Protecting Intellectual Property in Taiwan*, 60 WASH. L. REV. 117-40 (1984).

127. See *supra* note 100.

128. See, e.g., Chiu, *The Right of American Corporations to Bring Suit in China*, *Chung-kuo shih-pao* [China Times], Feb. 24, 1983, at 3.

129. 63 Stat. 1299, T.I.A.S. No. 1871. This section provides:

The nationals, corporations and associations of either High Contracting Party shall enjoy freedom of access to the courts of justice and to administrative tribunals and agencies in the territories of the other High Contracting Party, in all degrees of jurisdiction established by law, both in pursuit and in defense of their rights. . . . Moreover, corporations and associations of either High Contracting Party which do not have a permanent establishment, branch or agency within the territories of the other High Contracting Party shall be permitted to exercise the rights and privileges accorded by the preceding sentence upon the filing, at any time prior to appearance before such courts, tribunals or agencies, of reasonable particulars required by the laws and regulations of such other High Contracting Party *without a requirement of registration or domestication*. [emphasis added]

130. It is generally recognized that treaties drafted with due specificity are considered as self-executing and have the weight of a statute in the domestic legal system. See J. STARKE, *AN INTRODUCTION TO INTERNATIONAL LAW* at 97, 101 (1972). This principle has been recognized in Taiwan. See CHIU, *HSIEN-TAI KUO-CHI FA* [Modern International Law], at 102-103 (1973). On the problem of invoking treaties before Chinese administrative organs and courts, the treaty making process in China, and other related problems, see CHIU, *THE POSITION OF CUSTOMARY INTERNATIONAL LAW AND*

ing was subsequently affirmed by the Ministry of Foreign Affairs,¹³¹ the Judicial Yuan,¹³² and other court cases.¹³³

The initial disposition of the *Apple* case reveals, however, a crucial flaw in the system — namely, the failure of judges to grasp complex issues of intellectual property and international law central to the resolution of such cases. The trial record and the initial opinion indicate that the trial judge not only failed to comprehend the intellectual property rights issues involved, but also misread general principles of international law relating to the implementation of treaties in a municipal court that are spelled out in a clear and simple fashion in accepted texts on point.¹³⁴ This calls for intensified training of judges.

To deal with this situation, the Judicial Training Institute, which is responsible for training all candidate judges and prosecutors,¹³⁵ has recently incorporated into its curriculum specialized seminars on intellectual property rights law.¹³⁶ Furthermore, a specialized tribunal to handle patent, trademark, and copyright actions is now in the planning stages.¹³⁷ By utilizing judges with expert knowledge, this tribunal will ensure consistent and equitable judgments.

C. Strengthened Investigations

Perhaps the most striking effort in eradicating the commercial counterfeiting problem has been in the area of investigatory work. All agencies involved have stepped up investigations and report favorable

TREATIES IN CHINESE LAW, TRADE AND INVESTMENT IN TAIWAN: THE LEGAL AND ECONOMIC ENVIRONMENT IN THE REPUBLIC OF CHINA, (H. Ma ed., 1985) at 209-39.

131. See *Letter of Ministry of Foreign Affairs of Wai*, 71 *T'iao* 2, No. 24419 of October 19, 1982, reprinted in CYILA, *supra* note 3, at 275-77.

132. See *Shih-chieh jih-pao* [World Journal], Mar. 31, 1983.

133. See *Public Procurator v. Liao et al.*, Taipei Dist. Ct., No. 72-41-5218 (Judgment of Jan. 24, 1984), reprinted in CYILA, *supra* note 3, at 229-33; *Chief Procurator v. Shen et al.*, Supreme Court, Criminal Judgment 73 [1984] T'ai Fei No. 69 (April 6, 1984).

134. See CHIU, HSIEN-TAI KUO-CHI FA, *supra* note 130.

135. Article 81 of the Chinese Constitution has established a career judiciary. Upon passing the Special Examination for Judicial Officials, career judges and prosecutors then go through eighteen months of training, divided into three periods. First, the candidates receive ten months of practical training at the Judicial Training Institute. Then, the candidates practice in district courts and procurators' offices for six months. Last, there is a review period of two months. See Yang Chung-sen, *Career Judiciary in the Republic of China*, 2 CHENGCHI L. REV. 122-59 (1970).

136. Ministry of Economic Affairs, *supra* note 105, at 16.

137. *Id.* Note also the proposal for the establishment of such a tribunal in the latest amendment of the Trademark Law. *News Roundup*, *supra* note 94.

results in the area. First, the Anti-Counterfeiting Committee (established in 1981 under the Ministry of Economic Affairs) has uncovered and referred to the courts in the past two years an increasing number of counterfeiting cases.¹³⁸ Second, police units at all levels have successfully increased efforts in investigations as indicated by the increase in counterfeiters apprehended and goods confiscated.¹³⁹ Third, the Bureau of Investigation of the Ministry of Justice is also lending a hand in counterfeiting investigations, and reports successful results.¹⁴⁰

D. *Administrative Action: Penalties and Measures*

Numerous administrative agencies have also employed various penalties and measures to curtail commercial counterfeiting. First, the Board of Foreign Trade of the Ministry of Economic Affairs will now disqualify the convicted infringer from the right to export.¹⁴¹ Further, the manufacturer of any counterfeit goods will be denied a new registration or export permit for two years.¹⁴² Second, convicted manufacturers will find it harder to borrow money since the Ministry of Economic Affairs, in an effort to strike at the capital base of counterfeiters, now provides lists of convicted counterfeiters to lending institutions.¹⁴³ Third, the Ministry of Economic Affairs has established hotlines and computer systems connected to Customs Offices in an effort to tide counterfeit exports.¹⁴⁴

E. *Private Efforts to Control Commercial Counterfeiting*

The private sector in Taiwan has also become increasingly involved in the anti-counterfeiting movement. Local manufacturers, recognizing "that survival in the international trade arena depends on

138. See Ministry of Economic Affairs, *supra* note 105, at 9-10. See also Appendix XVIII.

139. See Appendices VII-XI. Note also the formal procedures followed in Appendix II.

140. See Ministry of Economic Affairs, *supra* note 105, at 13.

141. Exporters must follow detailed procedures in order to export from the R.O.C. Possessing an export qualification registration is a condition precedent to being able to export. Thus, once the Ministry of Economic Affairs repeals the exporter's registration, the exporter will no longer be able to export. On export procedures, see Ministry of Economic Affairs, Bureau of International Trade, *Mao-i shou-ts'o* [Trade Handbook], 1976, III-1-14. See Appendix XIX.

142. See Ministry of Economic Affairs, *supra* note 105, at 20.

143. See Chen, *supra* note 34; *id.* at 20.

144. See Chen, *supra* note 93; *Kung-shang shih-pao* [Commercial Times], Feb. 10, 1984.

strict observation of the spirit of fair competition,"¹⁴⁵ have formed the National Anti-Counterfeiting Committee. The Committee assists the government in enforcement, publishes a newsletter, encourages self-discipline among local manufacturers, and promotes the importance of the protection of industrial and intellectual property rights through conferences and the like.¹⁴⁶

V. CONCLUSIONS

In response to the resent proliferation of commercial counterfeiting and the inadequacies of international agreements on point, the United States and Taiwan have taken offensive stances in an attempt to control the situation. Their posture is manifested in a number of ways. The accomplishments are striking. Yet there remains a need and room for further reform.

With regard to American practice, legislators pushed through Congress four amendments aimed to enhance the protection of intellectual property rights. First, the Trademark Counterfeiting Act of 1984 imposes severe criminal penalties on trademark infringers. Early on in the drafting of this amendment, lobbyists called for a mandatory grant to plaintiffs of a private right of action with treble damages. This suggestion was not adopted in the final amendment. Yet given the potential of these measures as effective economic deterrents, further consideration of them should not be overlooked in future drafting.

Second, the Computer Software Copyright Act of 1980 and the Semiconductor Chip Protection Act of 1984 extend copyright protection to semiconductor chip products and software. The Acts do not, however, serve as significant deterrents since they fail to mete out stiff penalties. Should Congress decide to proceed with further reform in this highly technical area by increasing penalties, procedural safeguards must be written into the law to prevent abusive measures such as filing frivolous suits against foreign competitors.

Third, section 526(e) of the Customs Procedural Reform and Simplification Act of 1978 creates an economic deterrent against commercial counterfeiting in allowing the seizure and forfeiture of merchandise bearing a counterfeit mark. And fourth, the Generalized System of Preferences Renewal Act of 1984 seeks to deny preferential trade treatment to those countries failing to make a good faith effort at protecting American intellectual property interests. Employing such means should, however, come only after careful review of the interests at

145. See Ministry of Economic Affairs, *supra* note 105, at 23.

146. *Id.*

stake, especially the interests of the American consumer.¹⁴⁷ An objective determination of foreign abuse of American rights must be a condition precedent to denying GSP status since the potential for abuse by protectionist interest groups is great. Furthermore, if unfair foreign trade practices (not limited to counterfeiting) account for less than ten percent of the \$150 billion annual trade imbalance, trade retaliation seems to be an excessive measure in response to the situation. Thus, aside from legal reform, there is also a need for sounder economic and trade policies.¹⁴⁸

With regard to Chinese practice, the R.O.C. has made a Herculean effort at controlling commercial counterfeiting. Recent amendments to intellectual property rights laws have filled all the major legislative gaps. Two amendments in the Trademark Law have extended protection to unregistered "world famous" foreign trademarks, provided for the confiscation of goods connected to trademark counterfeiting, imposed stiff prison sentences equal to those provided for under U.S. law (even before the 1984 Trademark Counterfeiting Act) to eliminate the possibility of "buying out" of imprisonment, granted standing to unregistered foreign corporations, and relieved the plaintiff's burden of proof in establishing damages. The revision of the Copyright Law granted standing to unregistered foreign companies, extended copyright protection to computer programs and thereby codified the principle of law already recognized in the Executive Yuan Interpretation No. 9599 of 1980 extended protection upon completion of the intellectual work to Chinese nationals, allowed the seizure of infringing works, and increased the maximum basic punishment and thereby defeated "buy-out".

The R.O.C. also is considering other new legislation. The proposed revision of the Patent Law addresses major gaps in patent protection such as granting access to the Chinese courts to unregistered foreign companies, eliminating the possibility of buying out of imprisonment, and extending protection to chemicals and pharmaceuticals. The amendments to the Regulations Governing the Prevention of Trade-

147. See the astute observations of Paul Samuelson in this regard. Samuelson, *Where Iacocca and Common Sense Err*, N. Y. Times, Sept. 15, 1985, at F3.

148. See Gardner, *Sound Economics, Sound Trade Policies*, N. Y. Times, Sept. 15, 1985, at E21. Mr. Richard Gardner, Professor of International Law at Columbia Law School and author of *STERLING-DOLLAR DIPLOMACY: THE ORIGINS AND THE PROSPECTS OF OUR INTERNATIONAL ECONOMIC ORDER* (1969) suggests as keys to the problem reducing the budget deficit, monitoring and stabilizing exchange rates, national campaigns to enhance U.S. competitiveness, adjustment to imports, and enabling capital flows.

mark Counterfeiting and False Marking of Place of Origin will deny export permits to those seeking to export illicit goods. Last, the draft Fair Trade Law seeks to stem counterfeiting through alternate means.

The Judiciary, investigatory units, administrative organs and the private sector have all been lending a hand in controlling the situation as well. The courts have rendered major decisions with regard to foreign entities' rights to press claims in the R.O.C. Investigatory units are referring more cases to the courts and confiscating an increased number of counterfeit goods. Administrative organs have made it harder for convicted infringers to export goods and to borrow money for capital ventures. Furthermore, agencies are modernizing communication systems in an effort to make available more information on counterfeiting and counterfeiters at a faster rate. Last, domestic reputable manufacturers, who also suffer from the ills of counterfeiting, have joined the fight against counterfeiting.

The R.O.C.'s comprehensive approach is bound to yield favorable results. U.S. Customs' statistics reveal that U.S. and R.O.C. efforts are already beginning to make gains as the percentage of counterfeits originating in Taiwan seized by Customs dropped from 56.1 percent in 1982 to 2.2 percent in the first quarter of 1984.¹⁴⁹ Nevertheless, some recommendations are in order. First, since the Judiciary is now armed with some powerful weapons in the form of stiff prison terms and monetary penalties, it should not be bashful in enforcing the laws. While the number of convictions is on the rise, given the amount of counterfeiting occurring, the number is still relatively low. Second, careful consideration should be given to the issue of monetary damages and interwoven proof issues. The present damages do not even come close to putting manufacturers in the place they would have been in absent the counterfeiting. Third, there should also be a movement to pass the proposed amendments of the Patent Law, the Fair Trade Law, and others as soon as possible in order to extend the necessary protection. Finally, the government ought to attempt to approach the problem from different, innovative angles. One major example focuses on recent reports of rampant tax evasion in Taiwan. Commercial counterfeiters have been known to understate tax liability regularly. Tax and counterfeiting investigations working in tandem compliment the goal of seeking compliance of both the review and intellectual property rights.¹⁵⁰

149. See European Parliament, Committee on External Economic Relations, *Working Document on International Trade in Counterfeit Goods* 9-10 (May 2, 1985).

150. On the issue of tax investigations and what triggers them, see M. GARBIS and S. STRUNTZ, *TAX PROCEDURE & TAX FRAUD*, 581-83 (1982). The small excerpt cited above as well as other literature on the subject indicate that just about anything can

These and other measures will provide an effective framework in stemming the illicit flow of counterfeit goods.

draw the attention of revenue agents. The message is all but too clear. Namely, enforcement agents should work hand in hand. After all, it is safe to say that where there is counterfeiting there is tax fraud and evasion.

**APPENDIX I — SELECTED FACTS AND FIGURES ON THE
SOCIAL AND ECONOMIC DAMAGES CAUSED BY
COMMERCIAL COUNTERFEITS .**

Category	Damages	Source (source #, page #)
<u>AGRICULTURAL CHEMICALS</u>	In Kenya, the annual coffee crop that is the underpinning of the nation's economy was virtually destroyed by the application of counterfeit and defective agricultural chemicals labeled "Chevron," a respected American manufacturer.	A2, 15; A4, 55; B, 43; H, 153; J, 813; K, 106
	Monsanto's "Round-up Herbicide" was discovered in counterfeit and defective form in France.	D6, 107; K, 107
<u>AIRCRAFT PARTS</u>	Counterfeit helicopter part responsible for two deaths in the LA area in the late 1970s.	A6, 79; B, 41
	In 1977, the FAA discovered and ordered the immediate removal of shoddily manufactured "Boeing" fire detection systems potentially affecting up to 100 aircraft.	B, 41; C, 4; H, 152
	False Bell Helicopter parts caused several helicopters to crash.	
<u>AMUSEMENTS/ VIDEO GAMES</u>	The rate of amusement piracy has risen from 10% in the 1970s to 30% of the market today.	D8, 114; K, 111
	Amusement piracy cripples the original earning power of the games.	D8, 122
<u>AUTOMOBILE PARTS</u>	Have caused fatal car accidents.	A1, 2
	Counterfeit auto parts and accessories amount to 12 billion in sales abroad and 3 billion in domestic sales per year.	A5, 68; B, 1; A3, 44; B, 44; E, 60; D2, 42; K, 108
	Faulty brake parts traced to Asian manufacturers caused a bus accident in Great Britain.	A6, 78; B, 45; H, 152
	Counterfeit parts crucial to auto safety manufactured in Asia: These include gas tanks lacking safety valves which prevent spillage and fire, inferior power steering belts, defective turn signals.	B, 44
	Piracy within the industry has caused the loss of approximately 200-300 thousand jobs and contributed heavily to losses in prestige.	D2, 42; K, 109
	In 1985 General Motors alone seized over \$5 million in counterfeit auto parts.	E, 60
In 1984, \$2.5 million in counterfeit parts was seized by U.S. customs.	E, 61	

Category	Damages	Source (source #, page #)
<u>CLOTHING</u>	Jeans manufacturers discovered a shipment of 28,000 pairs of jeans that contained naphthol, a suspected carcinogen.	A4, 55
	Officials estimate \$280 million of counterfeit jeans are manufactured for importation into the U.S.	D3, 55
	In fiscal 1982, Izod/General Mills investigated 500 cases of counterfeiting, sued 150 defendants, and seized 150,000 garments in the U.S.	D9, 152
	Levi Strauss claims that fake Levis sold in South East Asia and South America cost them more than \$5 million in sales per year.	E, 60; I, 118; J, 810-11
	\$13 million in counterfeit clothing seized by U.S. Customs in 1984.	E, 61; K, 70
	One counterfeiting investigation cost Levi Strauss \$200,000 and resulted in the seizure of more than 125,000 pairs of jeans in Switzerland, Belgium, the Netherlands and Taiwan.	G, 58
	A New York-based counterfeiter of jeans, Designer Sports Wear, has a network extending to 500+ retailers whose eight top executives have specialized duties including bribing bankers and obtaining phony credit references.	H, 150
	Puritan Fashions lost \$15-20 million due to sales of fake Calvin Klein jeans.	J, 810
	In 1985, 150,000 counterfeit Polo shirts confiscated in Los Angeles in one month.	K, 70
	<u>COMPUTERS</u>	200,000 to 300,000 counterfeit Apple computers are sold annually.
Apple's successful suit against a Taiwan company cost them \$150,000. The company was fined only \$25,000.		C2, 163
Apple's share of the Australian market shrunk from 90% in 1978 to 30% in 1982, yet sales of fake Apples are on the rise.		C2, 174
Imitation Apple II computers sell at one-fifth the price of the legitimate product and outsell the original ten to one.		C3, 334; C4, 351; K, 78
\$2.5 million in counterfeit computers was seized by the U.S. Customs service in 1984.		E, 61; K, 77

Category	Damages	Source (source #, page #)
	In February 1983, 5 Hitachi employees fined for using IBM information to manufacture IBM-compatible computer products.	K, 75
<u>EYEWEAR</u>	Counterfeit Porsche sunglasses were found to shatter easily, posing a serious safety hazard.	B, 43; K, 106
	Optyl/Carrera Division loses ten million in sales annually due to counterfeit Porsche sunglasses.	D, 7; K, 105
<u>HOUSEHOLD PRODUCTS</u>	In 1981, in Dubai, litigation ruling in 3M's favor (concerning their cleaning product "Scotch-brite" counterfeited as "Scott-brite") was overturned.	D10, 155
	Counterfeit 3M Scotchlock wire connectors were found to contain inferior plastic and improper connecting devices, both which can cause electrical accidents.	D10, 158
	17 million counterfeit "Eveready" batteries shipped out of Taiwan in 1981-82	H, 152
<u>JEWELRY</u>	Cartier spends more than one million annually on investigations and legal costs to pursue counterfeiters.	D4, 58
	U.S. Customs seized \$2.7 million in counterfeit jewelry in 1984.	E, 61
	Comite Colbert says imitations cut one percent from the luxury market — a profit total of \$6.6 billion lost.	G, 54; J, 810
	Cartier estimates recent losses due to sales of counterfeit watches at \$15 million.	I, 810
	The Swiss Watch Industry lost 253 million pounds in potential sales to the vendors of ten million counterfeit watches.	J, 810
<u>MEDICAL DEVICES</u>	In 1978 a medical products company recalled 357 blood circulation pumps used to maintain heartbeat during surgery from 266 hospitals. The pumps were found to contain dangerously defective counterfeit components. The FDA issued a Class I recall order.	A2, 15; A4, 55; B1, 38; E, 60; H, 152; K, 98
<u>MILITARY COMPONENTS</u>	Counterfeit components discovered in the U.S. Space Shuttle fighter planes and missile systems.	A4, 55; H, 153
	In 1976 counterfeit transistors were discovered in the U.S. Space Shuttle.	A4, 55; B, 40
	In 1978 counterfeit parts for U.S. Army Chapparall and Lance Missile Systems were discovered.	B, 40; H, 153; K, 101
	False Sikorsky and Bell parts were found in over 600 NATO helicopters	B, 40; H, 153; I, 116; J, 814; K, 102

Category	Damages	Source (source #, page #)
	False Dunlop brake parts caused brake failure in Singapore Strikemaster Aircraft.	B, 40
	FAA in 1977 discovered counterfeit "Boeing" engine fire detection and control systems in approximately 100 737's.	H, 152
	Counterfeit General Electric vacuum tubes sold to Rockwell International Corporation for use in navigational systems of commercial aircraft.	K 103
<u>PERFUMES</u>	Counterfeit perfumes have resulted in skin burns.	A4, 55
<u>PHARMACEUTICALS</u>	Twelve cases where counterfeit bipheteramines killed people.	A1, 2; B, 38; H, 153; K, 98
	In January, 1982, U.S. officials seized \$5 million in counterfeit Quaaludes from a Florida factory.	B, 38; K, 99
	Counterfeit Vicks 44 is produced in the Indonesian jungle with a total lack of sanitation or quality control, resulting in a serious health hazard.	B, 39; J, 810; K 99
	In the 1950s counterfeit polio vaccine was discovered in Miami.	B, 39; H, 152; K, 99
	Nine suicides have been linked to counterfeit drugs.	D1, 16; K, 98
	In November of 1984, it was discovered that an indeterminate amount of counterfeit and ineffective Ovulen birth control pills had been distributed in 12 states under the G.D. Searle brand name.	E, 60; K, 100
<u>RECORDING INDUSTRY</u>	The recording industry claims it loses \$600 million in sales annually.	D3, 52
<u>SOUVENIR MERCHANDISE</u>	In 1982-83, \$570,000 of counterfeit souvenir merchandise entered Los Angeles.	D3, 54; M, 128
<u>SPORTING GOODS</u>	Sales of counterfeit basekballs cost Super K Sports Corp. one million dollars so far in wholesale sales. Litigation against the Taiwanese firm manufacturing the balls resulted in a \$45 award and \$25,000 in legal fees. Brazil, where the fakes are often manufactured, has prevented Super K from registering its trademark there.	D5, 102
	Hillerich and Bradsby spends \$150,000 annually trying to prevent the counterfeiting of its goods — it spent \$40,000 in Spain alone to buy back its trademark. The Company is forbidden to register its trademark in Mexico.	D5, 104

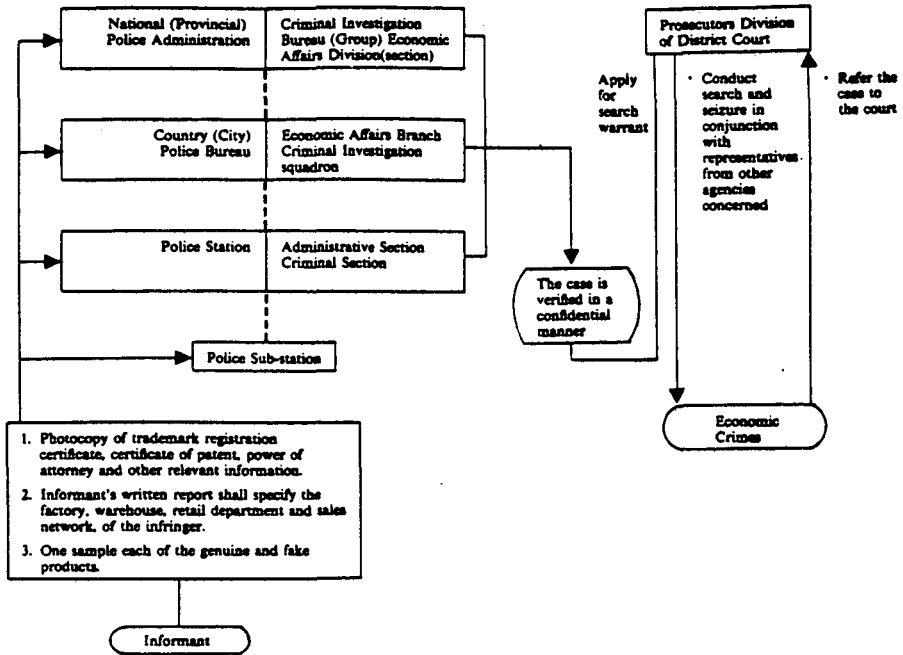
Category	Damages	Source (source #, page #)
	Nike spends \$300,000 annually to protect its trademark. Losses due to counterfeiting are estimated at over one million dollars per year. Twenty-five individuals filed for the Nike trademark in Brazil in 1983.	D5, 105
	FILA, a California-based manufacturer, estimates its counterfeiting detection and legal costs at \$100,000 annually.	D5, 105
<u>TOYS</u>	\$2.2 million in counterfeit toys were seized by U.S. Customs in 1984.	E, 61
<u>TRANSISTORS/ SEMI-CONDUCTORS</u>	Litigation against Matsushita by ECD diverted funds needed for further research and development and cost hundreds of thousands of dollars.	A2, 15; B, 16
	SRI filed for \$10,000,000 in damages against Matsushita for TV camera patent infringements.	C1, 114
	Papst filed for \$10,000 in damages against Matsushita for Brushless axial flow fan patent infringements	C1, 117

Citation Key

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- A1 Testimony of Senator Charles Mathias, Jr.
- A2 Testimony of Honorable Gerald T. Mossinghoff
- A3 Testimony of James Bikoff
- A4 Brochure — International Anti-Counterfeiting Organization
- A5 Testimony of Paul Haluza
- A6 Testimony of Charles Turner
- B. Subcommittee on Oversight and Investigation of the Committee on Energy and Commerce, U.S. House of Representatives, *Unfair Foreign Trade Practices — Stealing American Intellectual Property: Imitation Is Not Flattery*, 98th Congress, 2d Session (February 1984).
- C. Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, United States House of Representatives, *Hearings on Unfair Foreign Trade Practices, Part 1*, 98th Congress, 1st Session (June 27 and July 27, 1983).
- C1 Hearing, June 27, 1983
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- C3 Testimony of Albert Eisenstat and Gary A. Hecker
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- D. Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, United States House of Representatives, *Hearings on Unfair Foreign Trade Practices, Part 2*, 98th Congress, 1st Session (August 2, September 21, and 23, 1983).
- D1 Testimony of James C. Bikoff
- D2 Press Conference — Julian C. Morris, February 7, 1983
- D3 Address to IAC — Strom Thurmond, February 10, 1983
- D4 Address to IAC — Edward L. Schmults, February 10, 1983
- D5 Testimony of Maria E. Dennison
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- D7 Testimony of David A. Crossman
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- D10 Testimony of Harold Hughesdon
- E. Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, United States House of Representatives, *Hearings on Unfair Foreign Trade Practices, Part 3*, 98th Congress, 2d Session (February 29, March 6, and July 24, 1984).

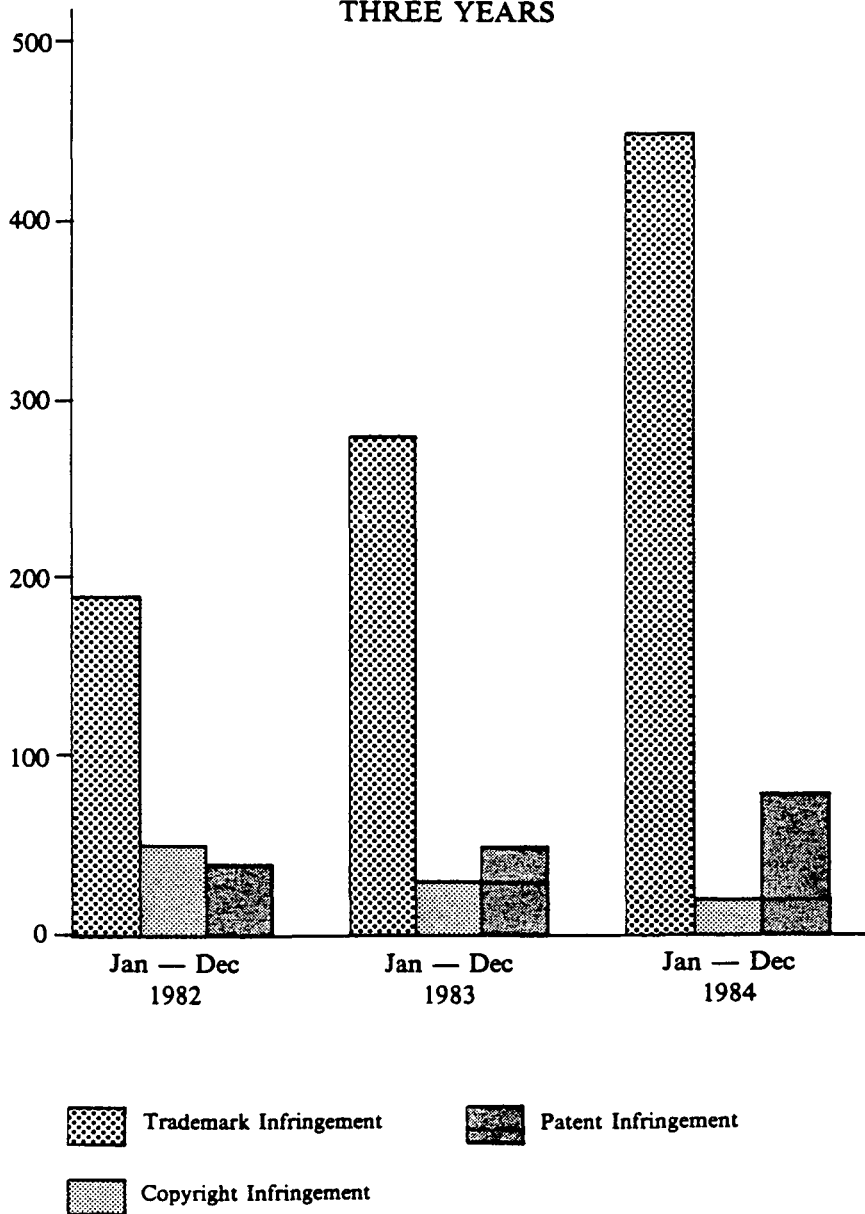
- F. "Batting the Boom in Bogus Goods," *ABA Journal*, Vol. 71 (March 1985), pp. 60-63.
- G. Jack G. Kaikati and Raymond La Garce, "Beware of International Brand Piracy," *Harvard Business Review* (March/April, 1980), pp. 52-55.
- H. Jed S. Rakoff and Ira B. Wolff, "Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act," *American Criminal Law Review*, Vol. 28 (1982), pp. 145-225.
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- K. Subcommittee on Oversight and Investigation of the Committee on Energy and Commerce, United States House of Representatives, *Unfair Foreign Trade Practices — Criminal Components of America's Trade Problem*, 98th Congress, 1st Session (April 1985).
- L. J. Joseph Bainton, "Seizure Orders: An Innovative Judicial Response to the Realities of Trademark Counterfeiting," *The Trademark Reporter*, Vol. 73 (1983), pp. 459-75.

APPENDIX II
FLOWCHART ON POLICE PROCEDURES FOR THE
INVESTIGATION AND PROCESSING OF TRADEMARK AND
PATENT INFRINGEMENT CASES



Source: Executive Yuan, *Yen-chiu Fa-chan K'ao-ho Wei-yuan-hui Ch'i-shih-ssu Nien-tu Yu Yuan Lieh-kuan "Fang-chih Fang-mao Shang-p'in" Shih-ti Ch'a-cheng Pao-kuo* [Current investigation and verification report on 'counterfeit goods' presently under the control of the Executive Yuan]. Taipei: Executive Yuan (March 1983), chart 1.

APPENDIX III

A COMPARATIVE STATISTICAL CHART ON CONVICTIONS
IN COUNTERFEITING CASES OVER THE LAST
THREE YEARS

Source: Board of Foreign Trade, Ministry of Economic Affairs, *Wo-kuo Pao-hu Chih-hui Ts'ai-ch'an-ch'üan Chih Nu-li Yü Ch'eng-hsiao* [Efforts and accomplishments of the Republic of China regarding the protection of intellectual property rights] (February 1985), p.11.

APPENDIX IV

STATISTICS ON JUDICIAL PUNISHMENT IN INTELLECTUAL
PROPERTY INFRINGEMENT CASES BY THE COURTS OF
THE R. O. C. IN 1982, 1983 AND 1984

P U N I S H M E N T

		Total Imprisoned	2-6 Mos	6-12 Mos	1-2 Yrs	2-5 Yrs	Detention	Fine	Detention & Fine
C L A S S I F I C A T I O N	Trademark								
	1982	178	39	55	0	3	5	79	12
	1983	270	100	57	2	0	4	107	0
	1984	424	240	79	8	0	11	86	0
	Copyright								
	1982	36	31	5	0	0	0		
	1983	46	36	9	0	0	1		
	1984	72	51	11	1	0	9		
	Patent								
	1982	47	18	12	0	5	12	12	0
	1983	28	19	1	0	0	1	7	0
	1984	25	20	2	0	0	1	3	0

Sources: Board of Foreign Trade, Ministry of Economic Affairs, *Wo-kuo Pao-hu Chih-hui Ts'ai-ch'an-ch'üan Chih Nu-li Yü Ch'eng-hsiao* [Efforts and accomplishments of the Republic of China regarding the protection of intellectual property rights] (February 1985), p. 10; Executive Yuan, *Yen-chiu Fa-chan K'ao-ho Wei-yuan-hui Ch'i-shih-ssu Nien-tu Yu Yuan Lieh-kuan "Fang-chih Fang-mao Shang-p'in" Shih-ti Ch'a-cheng Pao-kao* [Current investigation and verification report on 'counterfeit goods' presently under the control of the Executive Yuan]. Taipei: Executive Yuan (March 1985), Appendices III, IV and V.

APPENDIX V

**STATISTICS ON JUDICIAL PUNISHMENT IN INTELLECTUAL
PROPERTY INFRINGEMENT CASES BY THE COURTS OF
THE R.O.C. IN THE FIRST HALF OF 1985**

Type of Case	Punishment (persons)					
	Total	2-6 months	6-12 months	1-2 years	Detention	Fine
Trademark Infringement	297	163	48	4	5	77
Patent Infringement	29	20	3		2	4
Copyright Infringement	27	18	7			2
Total	353					

Source: Board of Foreign Trade, Ministry of Economic Affairs, *Latest Developments in Actions Taken for Protection of Intellectual Property Rights in the Republic of China*. Taipei (October 1985), p. 11.

APPENDIX VI
STATISTICAL REPORT ON THE STATUS OF
COUNTERFEITING CASES UNDER INVESTIGATION OR
ADJUDICATION BY CATEGORY OF OFFENSE (1983)

Case Sources	Category				Processing Status			Adjudication Status							
	1	2	3	4	Category	Cases Closed		under processing	non-prosecuted	prosecuted				under adjudication	
						Transferred to the courts	Administrative Adjudication			a	b	c	d		e
Transferred by Customs	2187				1	44	216		5	9	8	16	1	5	
		21			2	6	15		1	1	1			3	
Complaint filed by foreign merchants	117				1	17	86	14	1	1	2	2	4	7	
			34		3	1	20	13						1	
				14	4	1	13							1	
Complaint filed by domestic merchants	67				1	15	46	6	3	4	1	1	2	4	
			46		3	3	23	20	2				1		
				6	4		6								
Sub-total	2371	21	30	20		87	2352	53	12	14	4	12	23	1	21
Total	2492				2492				87						

Unit: Cases

1. Trademark infringement
2. Fraud on Indication on Product of Origin
3. Patent Infringement
4. Copyright Infringement

- a. Not guilty
- b. Fine
- c. 1-5 months
- d. 6-11 months
- e. 1 year and above

Source: Executive Yuan, *Yen-chiu Pa-chan K'ao-ho Wei-yuan-hui Ch'i-shih-ssu Nien-tu Yu Yuan Lieh-kuan "Fang-chih Fang-mao Shang-p'in" Shih-ti Ch'a-cheng Pao-kao* [Current investigation and verification report on 'counterfeit goods' presently under the control of the Executive Yuan]. Taipei: Executive Yuan (March 1985), Appendix I.

APPENDIX VII
STATISTICAL REPORT ON THE STATUS OF
COUNTERFEITING CASES UNDER INVESTIGATION OR
ADJUDICATION BY CATEGORY OF OFFENSE (1984)

Case Sources	Category				Processing Status			Adjudication Status								
	1	2	3	4	Category	Cases Closed		under processing	non-prosecuted	prosecuted						
						Transferred to the courts	Administrative Adjudication			a	b	c	d	e	under adjudication	
Transferred by Customs	1335				1	8	1005	322			1					7
		7			2		6	1								
Complaint filed by foreign merchants	84				1	1	8	75								1
			25		3		7	18								
				5	4		5									
Complaint filed by domestic merchants	55				1		6	49								
			23		3	2	1	20								2
				2	4			2								
Sub-total	1474	7	48	7			1038	487	1							10
Total	1536				1536				11							

Unit: Cases

1. Trademark Infringement
2. Fraud on Indication on Product of Origin
3. Patent Infringement
4. Copyright Infringement

- a. Not guilty
- b. Fine
- c. 1-5 months
- d. 6-11 months
- e. 1 year and above

Source: Executive Yuan, *Yen-chiu Fa-chan K'ao-ho Wei-yuan-hui Ch'i-shih-ssu Nien-tu Yu Yuan Lieh-kuan "Fang-chih Fang-mao Shang-p'in" Shih-ti Ch'a-cheng Pao-kao* (Current investigation and verification report on 'counterfeit goods' presently under the control of the Executive Yuan). Taipei: Executive Yuan (March 1985), Appendix II.

APPENDIX VIII
POLICE CONFISCATION OF COUNTERFEIT GOODS BY
LOCATION IN 1983

Locations	Number of Cases	Locations	Number of Cases
Taipei City	68	Ping-tung County	6
Taipei County	45	Keelung City	5
Tainan City	31	Kaohsiung County	3
Chang-hua County	24	Miao-li County	3
Kaohsiung County	19	Chia-i County	2
Tainan County	18	Chia-i City	1
Taichung County	16	Hsin-chu City	2
Taichung City	9	Hua-lien County	3
Yün-lin County	7	Nan-tou County	1
Tao yuan County	5	Total	268

Source: Board of Foreign Trade, Ministry of Economic Affairs, *Wo-kuo Pao-hu Chih-hui Ts'ai-ch'an-chüan Chih Nu-li Y' Cheng-hsiao* [Efforts and accomplishments of the Republic of China regarding the protection of intellectual property rights] (February 1985), p. 5.

APPENDIX IX

POLICE CONFISCATION OF COUNTERFEIT GOODS BY
LOCATION IN THE FIRST HALF OF 1984

Locations	Number of Cases	Locations	Number of Cases
Taipei City	80	Ping-tung County	1
Taipei County	28	Keelung City	1
Tainan City	24	Kaohsiung City	1
Chang-hua County	9	Miao-li County	
Kaohsiung County	20	Chia-i County	1
Tainan County	1	Chia-i City	1
Taichung County	3	Hsin-chu City	1
Taichung City	7	Hualien County	1
Yun-lin County	3	Nan-tou County	1
Tao yuan County	1	Total	187
Yi-lan County	3		

Source: Board of Foreign Trade, Ministry of Economic Affairs, *Wo-kuo Pao-hu Chih-hui Ts'ai-ch'an-ch'uan Chih Nu-li Yü Ch'eng-hsiao* [Efforts and accomplishments of the Republic of China regarding the protection of intellectual property rights] (February 1985), p. 6.

APPENDIX X
POLICE CONFISCATION OF COUNTERFEIT GOODS BY
LOCATION IN THE FIRST HALF OF 1985

Adm. Area	Number of Cases	Adm. Area	Number of Cases
Taipei Municipality	99	Chiayi City	1
Taipei County	47	Chiayi County	2
Tainan City	17	Miaoli County	1
Tainan County	5	I-Lan County	1
Taichung City	16	Taoyuan County	4
Taichung County	7	Hsinchu City	1
Kaohsiung Municipality	16	Yun Lin County	1
Keelung City	1	Pingtung County	1
		Hsinchu County	1
Total	230 Cases		

Source: Board of Foreign Trade, Ministry of Economic Affairs, *Latest Developments in Actions Taken for Protection of Intellectual Property Rights in the Republic of China*. Taipei (October 1985), 12.

APPENDIX XI

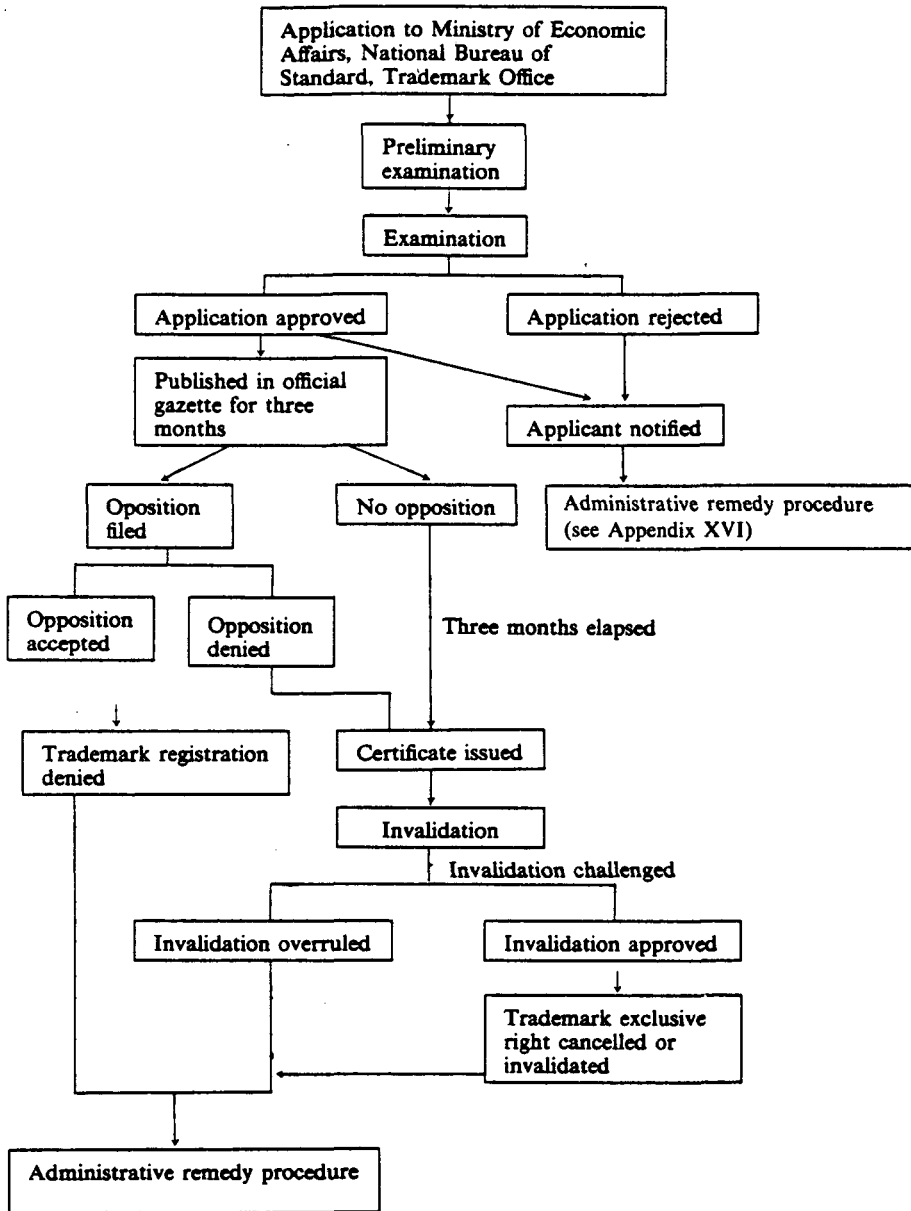
COMPARATIVE MONTHLY STATISTICS OF THE CASES
WHERE COUNTERFEITERS WERE APPREHENDED BY THE
POLICE IN 1983 AND 1984

Date	Number of Cases	Date	Number of Cases
Jan	16	Jul	27
Feb	8	Aug	30
Mar	26	Sep	14
Apr	29	Oct	15
May	29	Nov	27
Jun	31	Dec	16
Total	268 in 1983		

Date	Number of Cases	Date	Number of Cases
Jan	14	Jul	28
Feb	25	Aug	24
Mar	26	Sep	19
Apr	48	Oct	20
May	34	Nov	32
Jun	40	Dec	24
Total	334 in 1984		

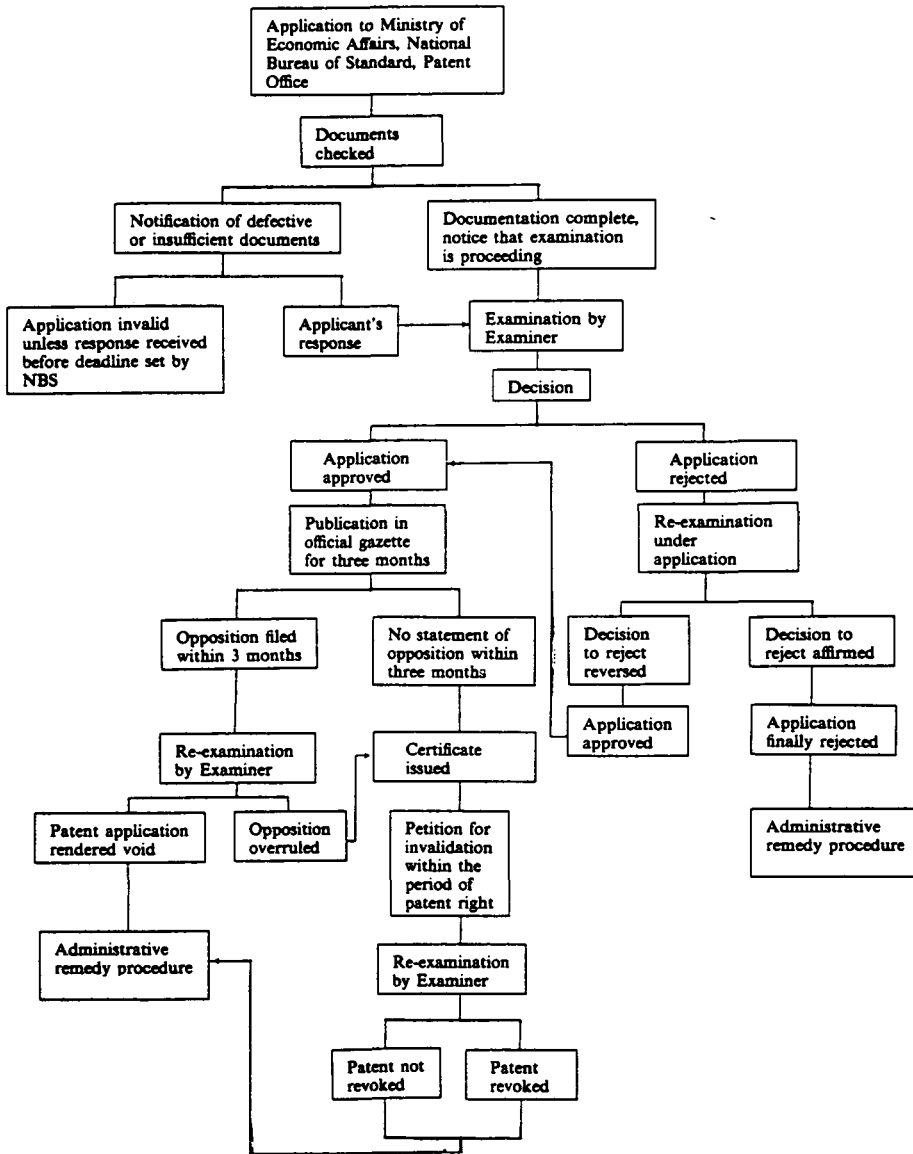
Source: Board of Foreign Trade, Ministry of Economic Affairs, *Wo-kuo Pao-hu Chih-hui Ts'ai-ch'an-chüan Chih Nu-li Yü Cheng-hsiao* [Efforts and accomplishments of the Republic of China regarding the protection of intellectual property rights] (February 1985), pp. 5-6.

APPENDIX XII Trademark Application Procedure



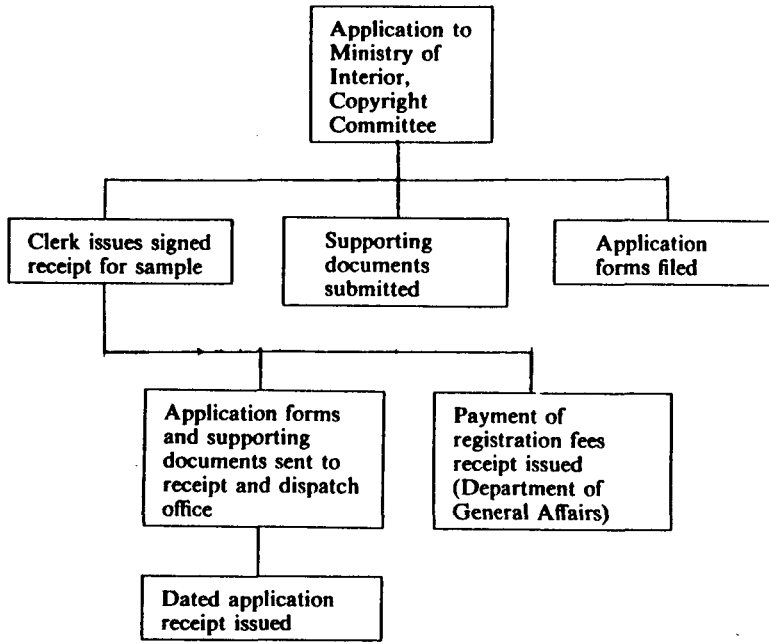
Source: National Anti-Counterfeiting Committee, *How to Acquire and Protect Intellectual Property Rights in the R.O.C.*, Taipei (October 1985), p. 6.

APPENDIX XIII
Patent Application Procedure



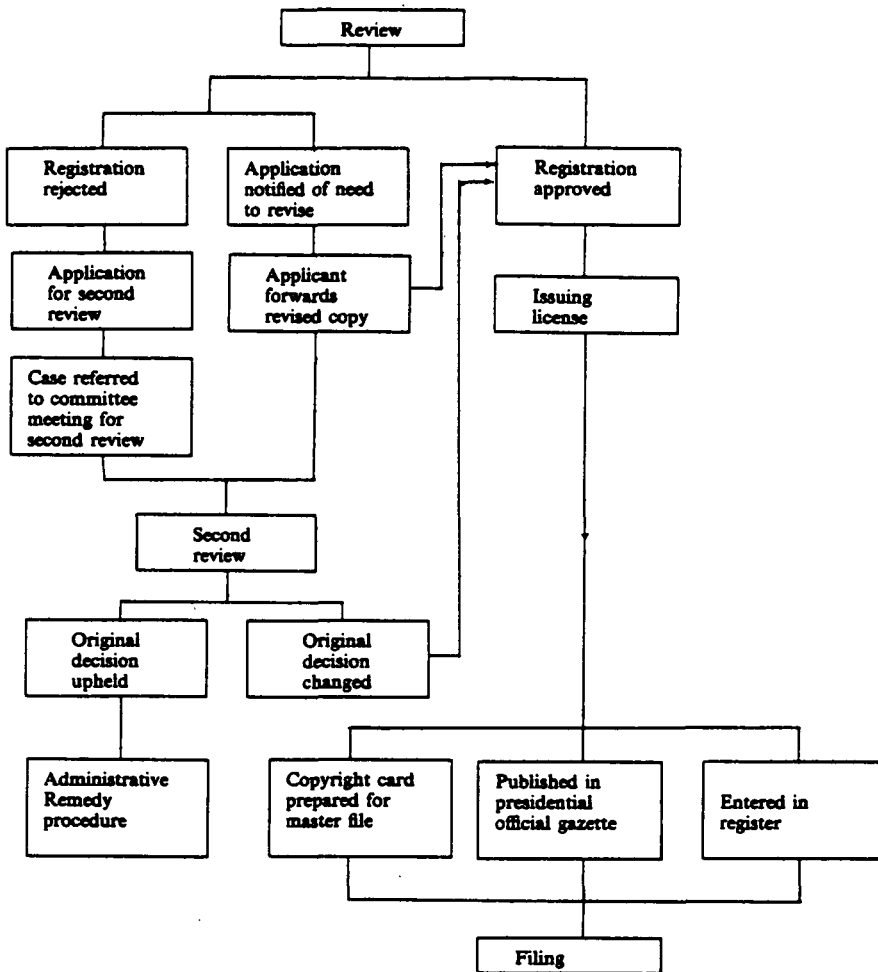
Source: National Anti-Counterfeiting Committee, *How to Acquire and Protect Intellectual Property Rights in the R.O.C.* Taipei (October 1985), p. 7.

APPENDIX XIV
Copyright Registration Procedure (PART I)



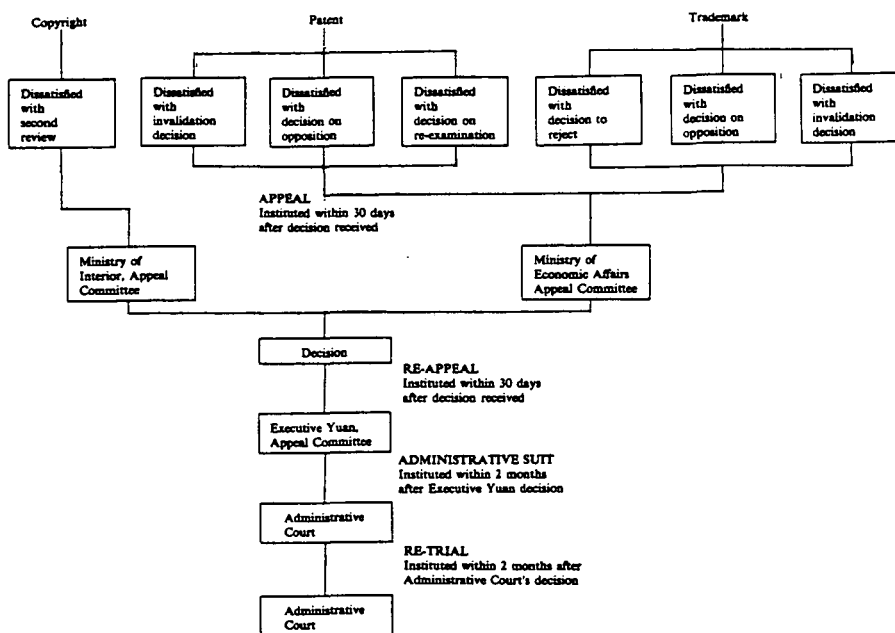
Source: National Anti-Counterfeiting Committee, *How to Acquire and Protect Intellectual Property Rights in the R.O.C.* Taipei (October 1985), p. 8.

APPENDIX XV
Copyright Registration Procedure (PART II) Review



Source: National Anti-Counterfeiting Committee. *How to Acquire and Protect Intellectual Property Rights in the R.O.C.* Taipei (October 1985), p. 9.

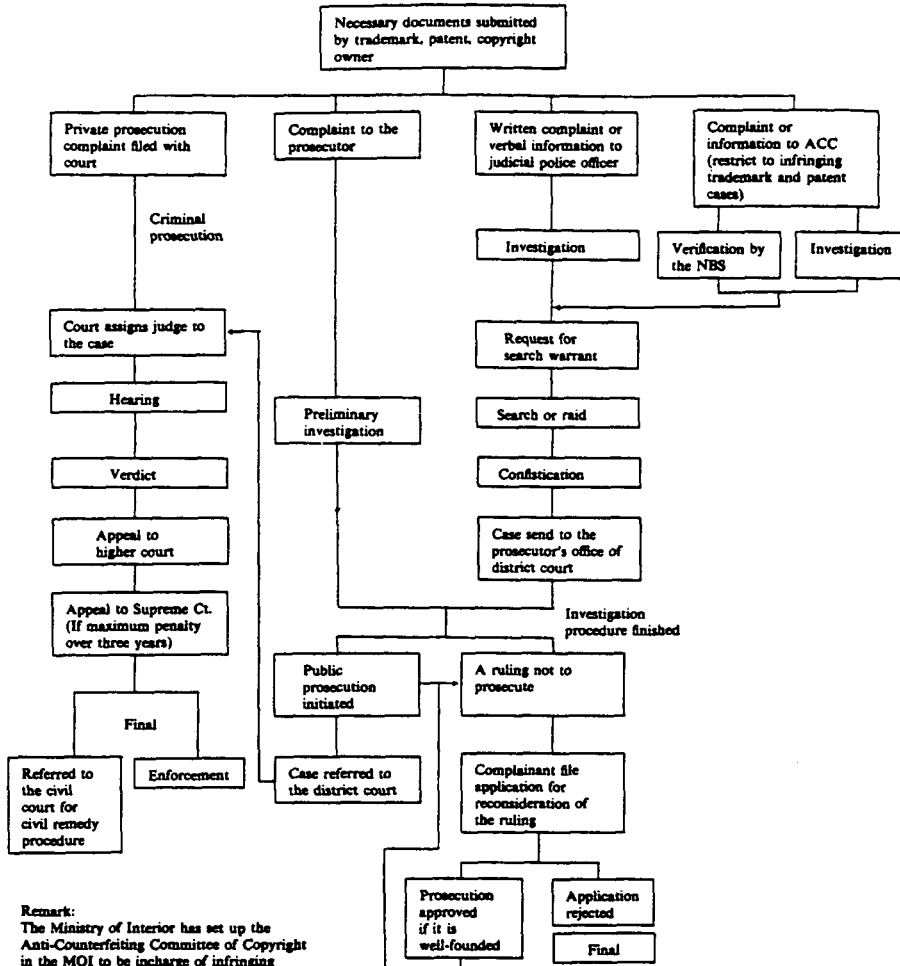
APPENDIX XVI
 Trademark/Patent/Copyright Administrative Remedy Procedure



Source: National Anti-Counterfeiting Committee, *How to Acquire and Protect Intellectual Property Rights in the R.O.C.* Taipei (October 1985), p. 10.

APPENDIX XVII

ROC Criminal And Civil Procedures For Enforcing Trademark/
Patent/Copyright Rights

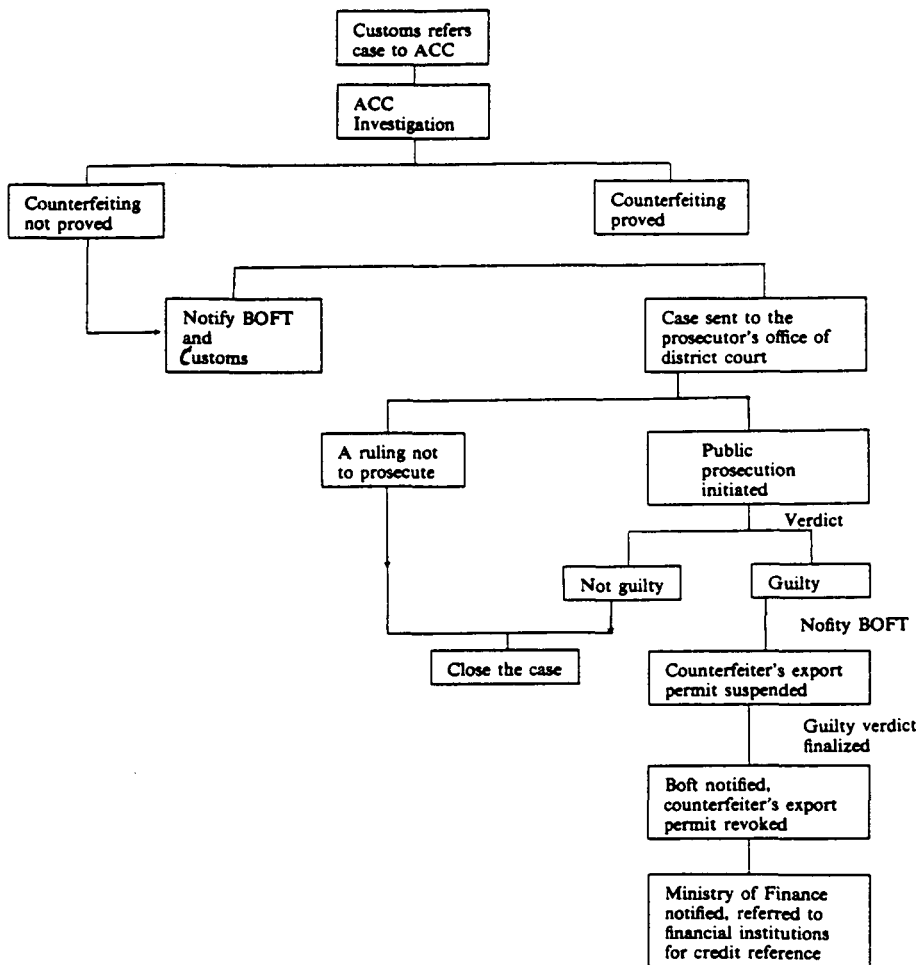


Remark:
The Ministry of Interior has set up the Anti-Counterfeiting Committee of Copyright in the MOI to be in charge of infringing copyright cases. The complaint or information procedure is the same.
ACC = Anti-Counterfeiting Committee

Source: National Anti-Counterfeiting Committee, *How to Acquire and Protect Intellectual Property Rights in the R.O.C.* Taipei (October 1985), p. 11.

APPENDIX XVIII

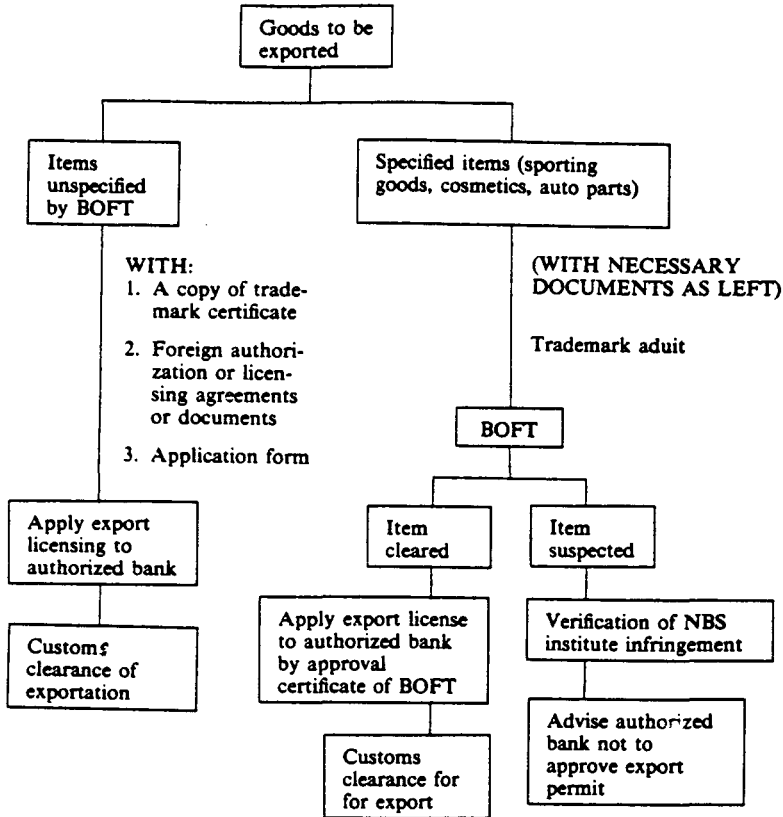
Anti-Counterfeiting Committee (ACC) Investigation Procedures For the Prevention of Counterfeit Exports



Source: National Anti-Counterfeiting Committee, *How to Acquire and Protect Intellectual Property Rights in the R.O.C.* Taipei (October 1985), p. 12.

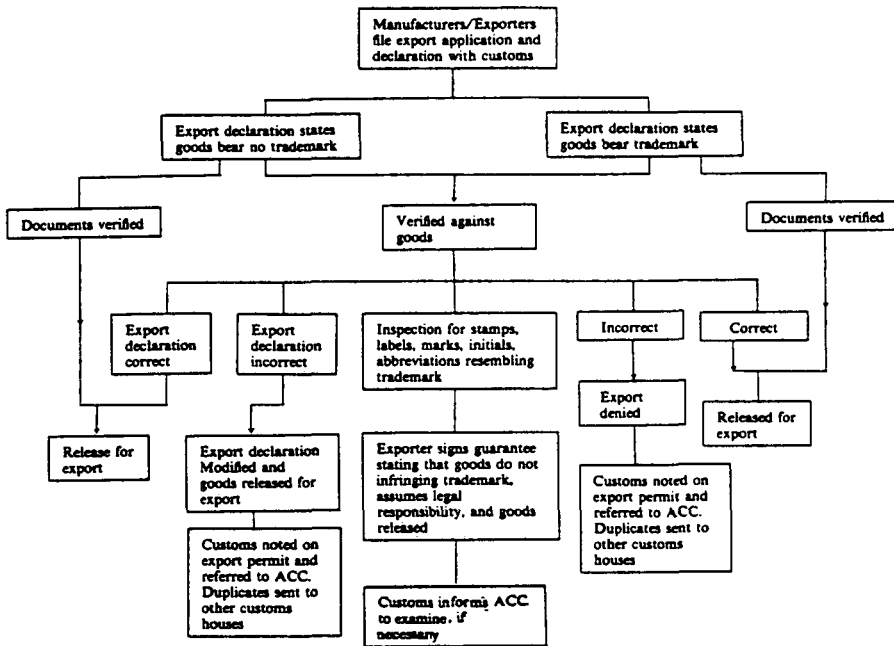
APPENDIX XIX

Board of Foreign Trade, (BOFT) Export Trademark Approval Procedure



Source: National Anti-Counterfeiting Committee, *How to Acquire and Protect Intellectual Property Rights in the R.O.C.* Taipei (October 1985), p. 14.

APPENDIX XX
 Customs Procedures to Prevent Counterfeiting



Remarks: (1) General items: The customs examine 10%—20% randomly.
 (2) Specified items: "Items subject to 30% to 50% Examination List" Such as sporting goods, auto parts and cosmetics etc. to increase the percentage of goods of random examination.

Source: National Anti-Counterfeiting Committee, *How to Acquire and Protect Intellectual Property Rights in the R.O.C.* Taipei (October 1985), p. 15.