The Trademark Counterfeiting Act of 1984: a Sensible Legislative Response to the Ills of Commercial Counterfeiting

Brian J. Kearney
Fordham University School of Law

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I. Introduction

The trademark,1 which has played a pivotal role in society for centuries, has been called "one of the oldest [and most important]
of human institutions. Trademarks function to identify the maker of a particular product and to embody the goodwill of various craftsmen in their goods. Thus, trademark law protects the public's interest in purchasing certain goods, as well as the goodwill developed through the diligence of the manufacturer. Trademarks have been protected by both the common law and statutes.


3. The identification of a particular manufacturer's wares by his mark dates back to the early civilizations of Egypt, Crete, Greece and Rome. See Social Function, supra note 2, at 173. The trademark was also a prominent feature of the Medieval Guild System. See id. at 175. The Guild mark ensured that the public knew what they were purchasing was genuine guild merchandise. Id. at 176. Moreover, the mark identified the maker, should the goods be defective and disciplinary action be needed. See id. at 177.

4. The manufacturer's reputation is embodied in his goods. See Social Function, supra note 2, at 176. As Justice Holmes noted, "[g]ood will is the inclination to go back to where you have been well treated." Id. at 176. Thus, "[t]rademarks make identification possible and enable people to buy with the assurance that they are getting the merchandise which by faith or experience they believe to be good, and by the same means to avoid what they dislike or know nothing of." Id. at 176. Thus, in the world of commerce the trademark and the goodwill of the craftsmen are inseparable. See generally 1 McCarthy, supra note 1, §§ 2.1-2.12, at 44-92.

5. Trademarks provide a manufacturer with an incentive to create a quality product. See Social Function, supra note 2, at 175-76. This practice benefits consumers. Without trademarks, producers would lack incentive to produce sound merchandise which will reap larger profits than inferior goods. See id. "There would be competition, to be sure, but it would be competition to see who could make the worst goods, not the best; and he would win whose product was the cheapest, poorest and most dishonest." Id. at 175.

Moreover, "[i]f there were no way to tell the good from the bad, why bother to sell anything but the bad—and the worse, the better." Id. at 176. The trademark affords the tradesman not only the means by which to establish his reputation in the community, but also the mechanism to ensure higher profits. As the Supreme Court has noted: [Trademarks] are the symbols by which men engaged in trade and manufacturers become known in marts of commerce, by which their reputation and that of their goods are extended and published; and as they become better known, the profits of their business are enhanced." The Trade-Mark Cases, 100 U.S. 82, 87 (1879).

6. The precise date of the first unfair competition case at English common law is debated among scholars. Professor Hopkins has stated that the report of Popham is substantially correct. Hopkins, supra note 2, § 5 at 15-16 (citing Southern (or Southerne) v. How, 2 Popham, 144; Cro. Jac. 471; 2 Rolle, 28; Cox, 633; Seb. Dig. 1 (1590)).

As the Supreme Court has noted:
The right to adopt and use a symbol or a device to distinguish the goods
Advances in production technology and sophisticated reproduction techniques, along with mass media,\textsuperscript{8} worldwide advertis-

or property made or sold by the person whose mark it is, to the exclusion of use by all other persons, has long been recognized by the common law and chancery courts of England and of this country . . . . The Trade-Mark Cases, 100 U.S. 82, 92 (1879).

7. Notwithstanding that trademarks are frequently affixed to goods in the stream of interstate commerce, federal legislation does not completely preempt state regulation of trademarks See infra note 124. Federal regulation of trademarks is governed principally by the Lanham Act. 15 U.S.C. §§ 1051, 1114, 1115, 1117, 1118, 1119, 1126(h) (1982). The first federal regulation of trademarks was enacted in 1870. Act of July 8, 1870, ch. 230, §§ 77-84, 16 Stat. 198, 210-12 (1870). See infra notes 51-62 and accompanying text, for a discussion of the Act of 1870. The Act of 1870 was determined to be void for want of constitutional authority in The Trade-Mark Cases, 100 U.S. at 96-97. However, as congressional control over interstate commerce grew, it became clear that trademarks were a proper subject for federal regulation. See infra notes 81-88 and accompanying text.

The goal of the Lanham Act is to provide a uniform trademark regulatory scheme. Diggins, Federal and State Regulation of Trade-Marks, 14 LAW AND CONTEMP. PROBS. 200, 219 (1946) [hereinafter cited as Federal and State Regulations]. Congress was given an explicit grant of power by the commerce clause to regulate goods in the stream of interstate commerce. See U.S. CONST. art. 1, § 8, cl. 3. The commerce clause authorizes Congress to regulate goods in the stream of interstate commerce and limits state laws which concern subjects addressed by Congress. See Gibbons v. Ogden, 24 U.S. 1 (1824). The commerce clause reads in pertinent part: "The Congress shall have Power . . . To regulate commerce with foreign Nations, and among the several States, and with the Indian Tribes;" U.S. CONST. art. 1, § 8, cl. 3.

"[S]tate laws cannot interfere 'in matters with respect to which uniformity of regulation is of predominant natural concern.'" Federal and State Regulations, supra, at 213 (quoting Southern Pac. Co. v. Arizona, 325 U.S. 761, 770 (1945)). Given that Congress sought to provide a uniform federal regulatory scheme, it is clear that the Lanham Act is the controlling body of law in the trademark field. See id. at 219.

8. "[S]ociety's need for trademarks and for the protections they afford increase rapidly in relation to the growth of commerce in a particular commodity." Rakoff and Wolff, Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act, 20 AM. CRIM. L. REV. 145, 148 (1982) (footnote omitted) [hereinafter cited as Commercial Counterfeiting]. Consumers have come to recognize brand name goods throughout the world. See id. at 148-150. This recognition stems from worldwide advertising and marketing. In a word, a product's market may no longer be limited to a particular geographic market. Rather, the good may enjoy worldwide sales brought on by multinational advertising campaigns. See Commercial Counterfeiting, supra, at 150 citing Conlon, Commercial Product Counterfeiting: An Overview, 1 A PRACTICAL APPROACH TO PATENTS, TRADEMARKS AND COPYRIGHTS 273, 274-75 (1981)). Thus, when increased recognition of and production of a good coalesce, commercial counterfeiting of the good may increase significantly. See id. The authors cite numerous periods throughout history where a marked increase in economic activity has been paralleled by an increase in commercial counterfeiting. See Commercial Counterfeiting, supra, at 145-48. For instance, the introduction of Roman wine in Gaul was quickly followed by merchants attempting to palm off counterfeit wine as the legitimate export. Id. at 149. The rapid industrialization
ing and international sales of products, have enhanced consumer recognition of status items, and consequently, increased the demand for these goods. Counterfeit goods duplicate the image of the status item without exacting the quality of the original product. Since counterfeiters avoid paying taxes on both their merchandise and the income derived from this activity, counterfeit goods may be sold at prices substantially below the cost of legitimate merchandise. Thus, counterfeit goods constitute a substitute for luxury goods which are otherwise beyond the purchaser's financial means.

of the United States after the Civil War also was met with a correlative increase in commercial counterfeiting. Id. at 149. Congress enacted the Penal Act of 1876 to deter this activity. Act of Aug. 14, 1876, ch. 274, §§ 1-8, 19 Stat. 141 (1876). For a discussion of the Penal Act of 1876, see infra notes 63-80 and accompanying text.

9. See infra notes 11-15 and accompanying text. The legislative history of the 1984 Act traces the development of commercial counterfeiting in the United States. See generally The Anti-Counterfeiting Act of 1984: Hearings on S. 875 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary, 98th Cong., 1st Sess. 1-9 (1982) [hereinafter cited as Senate Hearings on S. 875]. See supra note 8 for a discussion of the internationalization of commercial counterfeiting. As consumer recognition of brand name merchandise increases, so does the demand for these goods and as the demand for bona fide goods increases, so does the demand for counterfeit goods. See infra notes 11-15 and accompanying text. Worldwide advertising has acted as a catalyst for increased global recognition of trademarked merchandise. See id.

10. See infra notes 11-15 and accompanying text.

11. "This internationalization [of counterfeiting] is the result of numerous factors. One factor is the advent of worldwide communications and the increased activity of multinational corporations, which ... result in [the] international recognition of, and desire for, specific name brands." Commercial Counterfeiting, supra note 8, at 150 (emphasis added); see Senate Hearings on S. 875, supra note 9, at 14-19 (statement of Gerald J. Mossinghoff).

12. See Senate Hearings on S. 875, supra note 9, at 16 (statement of Gerald J. Mossinghoff).

13. See Commercial Counterfeiting, supra note 8, at 151.

14. See id.

15. Counterfeit goods often constitute a market of luxury goods in that they duplicate the outward appearance of status items. Counterfeit goods often cost a fraction of the original's price. See infra note 103. Because the majority of the consuming public cannot afford to spend the amount of money required to purchase an original, they turn to the counterfeit goods market to satiate their demand for status items which are beyond their financial means. See id. For instance, well-known trademarks are often applied to goods the trademark owner does not even manufacture. "There also appears to be a growing international consumer interest in the 'status' value of purchasing designer products. This demand has resulted, for example, in brand pirates putting fake Cartier labels on book jackets, dresses, and pencils, products that Cartier itself does not make." Commercial Counterfeiting, supra note 8, at 150 n.35 (citing Conlon, Commercial Product Counterfeiting: An Overview, 1 Practical Approach to Patents, Trademarks and Copyrights 273, 277, 278 (1981)).
The problem of commercial counterfeiting is reaching epidemic proportions. Because commercial counterfeiting is illegal, accurate records of its growth are unavailable. However, it is estimated that this illegal industry drains approximately sixteen billion dollars a year from the legitimate economy. One court has likened the problem to a "contagion," noting that the spectrum of goods which are being counterfeited is "limited only by the outer bounds of the human imagination."

Commercial counterfeiting has spread beyond the confines of luxury goods. Reproduction of medical, automotive, and agricultural goods has also been observed. Counterfeiting has spread to a wide range of industries including medical supplies. For instance, counterfeiters have reproduced polio vaccines. The machines are used to stabilize a patient's heartbeat during open-heart surgery. The counterfeiters are believed to have counterfeited component parts of heart machines. The machines are used to stabilize a patient's heartbeat during open-heart surgery. Upon learning of the potential danger in utilizing these pumps, the Food and Drug Administration recalled 357 suspect pumps. More troubling, however, is the counterfeit production of narcotics sold and consumed in the illicit drug markets. These pills include both tranquilizers and amphetamines. The counterfeiters often duplicate a narcotic's trademark or trade dress. Unsuspecting users frequently are injured by these pills. These drugs "are believed to have been responsible for at least twelve deaths . . . ." More troubling, however, is the counterfeit production of narcotics sold and consumed in the illicit drug markets. These pills include both tranquilizers and amphetamines. The counterfeiters often duplicate a narcotic's trademark or trade dress. Unsuspecting users frequently are injured by these pills. These drugs "are believed to have been responsible for at least twelve deaths . . . ." Counterfeiters also have reproduced various automotive parts, including engines, gasoline caps and brakes. These goods are often marketed through the use of counterfeit reproductions of various safety approval stamps. Accidents have attested to the fact that these goods are of inferior quality. For example, these parts have been linked to "several automobile accidents" which have resulted in death. The use of counterfeit agricultural products has had adverse consequences.
and aeronautical goods is now commonplace. Since counterfeit goods are often of inferior quality, their use may present a substantial risk to the consumer's health.

The scope of the commercial counterfeiting problem is great. This problem transcends the tortious usurpation of the property interest of a competitor. Commercial counterfeiting generates dangerous and unnecessary risks of serious injury or death to unsuspecting consumers and jeopardizes our national security. The societal interest in abating commercial counterfeiting through effective legislation is an issue of great importance. In an effort to curb the production of counterfeit goods, Congress passed legislation which recently amended the Lanham Act and added a new provision to Title 18 of the United States Code. The pillars of this legislation,

“Kenya's annual coffee crop, a mainstay of its economy, was virtually destroyed in 1979-1980 through the application of counterfeit (and defective) agricultural chemicals bearing [a] counterfeit label . . . .” Commercial Counterfeiting, supra note 8, at 153.

24. A wide range of aeronautical products have been counterfeited. Counterfeit transistors were uncovered among the parts destined for use in a test of the United States space shuttle. Commercial Counterfeiting, supra note 8, at 153 (citing Fenby, Boom in Brand Name Fakes, Reader's Digest 135, 135 (English ed. Sept. 1984). Counterfeitors have also successfully defrauded the militaries of both the United States and its allies. For instance, “millions of dollars worth of dangerously substandard [helicopter] parts . . . have been sold to NATO allies and American helicopter fleets.” Commercial Counterfeiting, supra note 8, at 153 (citing Bogus Helicopter Parts Scheme Alleged, Wash. Post, Feb. 12, 1977, at A1, col. 4). Substandard counterfeit parts have also found their way into components intended to be used in a variety of defense contracts, including the F-4 fighter jet and the Chaparral and Lance missile systems. See Commercial Counterfeiting, supra note 8, at 153 (citing Mosier, Issue 39-Count Indictment in Counterfeit Parts Case, Electronics News, Dec. 4, 1978, at 1).

25. See supra notes 21-24 and accompanying text.

26. See notes 21-24 and accompanying text.

27. This usurpation alone would warrant strict measures to curb counterfeiting. Notwithstanding the grave health risks generated, commercial counterfeiting drains an estimated 16 billion dollars each year from the American economy. See Senate Hearings on S. 875, supra note 9, at 1 (statement of Sen. Charles Mathius). The amount of jobs lost in the private sector is not readily calculable. It is clear, however, that the American labor force is cheated out of many jobs by commercial counterfeiters. See id. Moreover, commercial counterfeiting impinges upon our nation's and allies' military preparedness. See supra note 24. It is clear, however, that these costs alone would justify strict legislation to curb this activity.

28. See supra note 21.

29. See supra note 24.

which is popularly known as the Trademark Counterfeiting Act of 1984 (1984 Act),\(^{31}\) are penal sanctions\(^{32}\) and large monetary fines.\(^{33}\) Congress intended to deter commercial counterfeiting by providing for these augmented penalties.

31. The Trademark Counterfeiting Act reads in pertinent part:
   (a) Whoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services 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 convicted, 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.

32. For the purposes of this section—
   (1) the term "counterfeit mark" means—
   (A) a spurious mark—
       (i) that is used in connection with trafficking in goods or services;
       (ii) that is identical with, or substantially indistinguishable from,
           a mark registered for those goods or services on the principal
           register in the United States Patent and Trademark Office and in
           use, whether or not the defendant knew such mark was so reg-
           istered; and
       (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 or designation for the type of goods or services so manufactured
   or produced, by the holder of the right to use such mark or designation.
The Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, title II, § 1502(a),
(amending 18 U.S.C. § 2319(2)(a) (1979)).
The Trademark Counterfeiting Act also amends the Lanham Act. The Lanham Act
amendment reads in pertinent part:
   (d)(1)(A) In case of a civil action arising under section 32(1)(a) of this
   Act (15 U.S.C. § 1114) . . . with respect to a violation that consists of
   using a counterfeit mark in connection with the sale, offering for sale,
   or distribution of goods or services, the court may, upon ex parte
   application, grant an order under subsection (a) of this section pursuant
   to this subsection providing for the seizure of goods and counterfeit
   marks involved in such violation and the means of making such marks,
   and records documenting the manufacture, sale, or receipt of things
   involved in such violation. (3) The application for an order under this
   subsection shall— (A) be based on an affidavit or the verified complaint
   establishing facts sufficient to support the findings of fact and conclusions
   of law required for such order; and
However, support for the 1984 Act has not been unanimous. Legislation limiting commercial practices differentiates between the competing interests of legitimate businessmen and those engaged in

(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

(4) The court shall not grant such an application unless —

(A) the person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that—

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes [of this Act];

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person . . . .

A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order, . . . and shall be entitled to recover . . . damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney’s fee. In assessing damages under subsection (a), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater together, with a reasonable attorney’s fee, . . . the court may in its discretion award prejudgment interest . . . .


32. See supra note 31.

33. Id.

34. The Act of 1984 was opposed by several large retailer groups, including K-Mart. See Senate Hearings on S. 875, supra note 9, at 34-35 (statement of Robert Stevenson). The opponents of the Act of 1984 generally are major retailers who are discounters. See id. Their trade association, the Association of General Merchandise Chains (AGMC), represents the Nation’s discount and general merchandise industry. See id. The Association’s President, Edward T. Borda, summarized the Association’s objections to the Act of 1984. In testimony before the Senate, he stated that

Price-competitive retailers would generally prefer to deal directly with the manufacturer rather than face the additional costs of obtaining
prohibited conduct. Legislative line drawing is, therefore, especially difficult in the field of trademark law.

Trademark owners and their supporters have received the 1984 Act with widespread approval as a sensible congressional response to a historically pervasive problem. Opponents of the 1984 Act, however, have argued that the scope of definition of counterfeit mark contained in the Act is overly broad. More importantly, the Act’s specific provision for ex parte seizure orders has raised legitimate concerns regarding the potential use of the remedy by competitors in the marketplace to stifle competition. Finally, opponents of the Act argue that this legislation will generate anticompetitive effects in the marketplace which may cause violations of the antitrust laws.

merchandise through middlemen or other legitimate but indirect sources. Some manufacturers refuse to sell to discounters . . . to insulate their products from price competition. In such cases, price-competitive retailers must seek secondary sources of supply for popular merchandise. AGMC believes that the extraordinary remedies created by S. 875 would offer very tempting tools for such manufacturers seeking to cut off, harass, or intimidate price discounters.

35. Specifically, it has been argued that the 1984 Act will impinge upon legitimate business practices such as trade dress competition and the importation and distribution of grey market goods. See Senate Hearings on S. 875, supra note 9, at 35 (statement of Robert Stevenson); These issues are analyzed infra notes 110-218 and accompanying text.

36. The major supporters of the 1984 Act are the International Counterfeiting Coalition (“ICC”). See Commercial Counterfeiting, supra note 8, at 147. The ICC is composed of large manufacturers of trademarked goods such as Cartier watches and Jordache Jeans. See id. Luxury items are the prime, but not exclusive target of commercial counterfeitors. See id. The Coalition was formed with the intent of combating commercial counterfeiting. Id. at 147. The ICC “seek[s] to combat commercial counterfeiting through the cooperation with law enforcement and consumer groups.” Id. at 147 n.12.

37. It has been noted that “society’s need for trademarks and for the protections they afford increases rapidly in relation to the growth of commerce in a particular commodity.” Id. at 148. See also supra notes 8-12 and accompanying text for a discussion of the technical factors which have facilitated the increase in production of counterfeit goods.

38. See supra notes 31, 34 and accompanying text.

39. Because normal business practices are, plausibly, within the statutory parameters of “counterfeit goods,” see supra note 31, opponents of the 1984 Act argued that it was overly broad since legitimate business practices will be impinged upon. See supra notes 34-35 and accompanying text. Opponents argued, therefore, that the Act must be redrawn to suppress the marketing of blatant counterfeit merchandise. See Senate Hearings on S. 875, supra note 9, at 22 (statement of Edward T. Borda).

40. See supra note 31.

41. See supra note 34 and accompanying text.

42. Criticism of the 1984 Act has centered upon the availability of ex parte relief. It has been argued that the provision of this remedy will facilitate the
This Note examines the history of federal trademark regulation, including the Lanham Act of 1946. The explosive growth of commercial counterfeiting and the ineffectiveness of the Lanham Act to curb this activity will be analyzed in terms of societal costs and economic benefits. This Note argues that the 1984 Act is not overly broad and does not generate impermissible anti-competitive effects.

implementation of resale price maintenance programs (RPM). See Senate Hearings on S. 875, supra note 9, at 22 (statement of Edward T. Borda). During the receiving of testimony before the Senate, it was stated that the "AGMC notes ... a similar linkage between the issue of resale price maintenance, that is manufacturer fixing of retail prices, and counterfeit trademark legislation." Id. at 22. For a discussion of these concerns, see infra notes 164-200 and accompanying text.

It must be stressed that the AGMC unequivocally condemned commercial counterfeiting and steadfastly supported legislation which would facilitate the elimination of this activity. Thus, the AGMC's concerns centered on how to effectuate the termination of commercial counterfeiting without unnecessarily burdening legitimate business. Mr. Borda noted:

I want to make clear that AGMC members are unequivocally and unalterably opposed to the counterfeiting of trademark goods. The knowing and willful manufacture or sale of counterfeit trademark goods is an undesirable practice that should not be condoned. It harms consumers, trademark owners and AGMC members, many of whom have their own trademarks and private labels to protect.

Senate Hearings on S. 875, supra note 9, at 20 (statement of Edward T. Borda).


44. Commercial counterfeiting has grown tremendously during the past ten years. See Seizure Orders, supra note 16, at 459. As one commentator has noted, "[d]uring the last several years while most sectors of this country's economy were going through an economic downturn, the counterfeiting of goods bearing federally registered trademarks blossomed." See id. This growth cannot be accurately measured. See id. However, it appears that the "thriving" business of commercial counterfeiting costs American business as much as $16 billion annually. See Senate Hearings on S. 875, supra note 9, at 1-5 (statement of Sen. Charles Mathius).

45. When trade practices are curtailed by legislative fiat, there are both costs and benefits. The "costs" of the Act of 1984 are nominal. It appears that the 1984 Act was not intended to limit the scope of legitimate business practices. While it may appear that the specific inclusion of ex parte relief to curb commercial counterfeiting is a large cost, the proper application of the ex parte provisions should not impinge upon the practices of legitimate business. For a discussion of the ways the 1984 Act will affect legitimate business practices, see infra notes 110-218 and accompanying text.

The benefits of the 1984 Act are as follows: The danger of counterfeit goods to both consumer safety and national security is great, see supra notes 21-26 and accompanying text. Because of the gravity of these dangers, legislation which will limit trade practices causing these injuries is beneficial. For a discussion of the dangers of commercial counterfeiting, see supra notes 21-26 and accompanying text.

46. See supra notes 34-42 and accompanying text; see also infra part VII.
Moreover, this Note argues that the specific inclusion of the *ex parte* seizure order which the Act provides for as a remedy does not impinge upon due process liberty interests and is essential to deter commercial counterfeiting. Finally, the future prospects of trademark regulation will be analyzed in light of the Act. This Note recommends that the two-tiered analysis discussed in Part VII be undertaken in employing the 1984 Act.

**II. The History of Federal Trademark Regulation**

**A. Federal Regulation of Trademarks: 1870-1946**

Federal regulation of trademarks has been both long and turbulent. Although the initial demand for Federal regulation of trademarks occurred almost two hundred years ago, Congress did not enact comprehensive trademark legislation until the Trademark Act of 1870. The goal of the Trademark Act of 1870 (Trademark Act) was to establish a comprehensive federal regulatory scheme. This

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47. *Ex parte* is defined as:
On one side only; by or for one party; done for, in behalf of, or on the application of, one party only.

A judicial proceeding, order, injunction, etc., is said to be *ex parte* when it 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.

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51. Secretary of State Thomas Jefferson first addressed the issue of federal trademark legislation when a group of sail manufacturers sought to install trademark legislation granting their cloth with a trademark. No legislation resulted, but the issue was ventilated. See *Commercial Counterfeiting*, supra note 9, at 155.


legislation provided for both injunctive relief \(^5\) and monetary damages \(^4\) against violators. \(^56\)

During the post-Civil War reconstruction period, American society was infested with "chicanery of every kind, giving to this era its image of greed and corruption that has persisted to the present." \(^57\) Despite this corrupt environment, the Trademark Act did not include penal sanctions. \(^58\) This omission has often been cited as the reason for the Trademark Act's failure to arrest the problem of counterfeit good production in the post-Civil War period. \(^59\)

In \textit{McLean v. Flemming}, \(^60\) the Supreme Court reviewed an action brought under the Trademark Act. The constitutionality of the Trademark Act was not in issue. \(^61\) Rather, the Court addressed the specific trademark infringement issues between the parties. In affirming the circuit court's finding of a violation of the Trademark

\footnotesize{54. Section 79 provides in pertinent part
[\textit{Any person or corporation who shall reproduce, copy, counterfeit, or imitate any such recorded trademark, and affix the same to goods of substantially the same description ... shall be liable to an action on the case for damages for such unlawful use of such trademark at the suit of the owner thereof in any court of competent jurisdiction in the United States, and the party aggrieved shall also have his remedy according to the course of equity to enjoin the wrongful use of his trademark and to recover compensation therefor in any court having jurisdiction over the person guilty of such wrongful use.}

\textit{Act of July 8, 1870, ch. 230, § 79, 16 Stat. 198, 210 (1870).}

55. \textit{See id.}

56. While violators were subject to both monetary damages and equitable remedies, \textit{see supra} notes 54-55, they were not subject to penal sanctions. \textit{See infra} notes 57, 58 and accompanying text.


58. \textit{See id.; notes} 54-55 and accompanying text.


60. \textit{McLean v. Flemming}, 96 U.S. 245 (1877). In \textit{McLean}, the Court stated that "[p]rotection for lawful trade-marks may be obtained by individuals, firms or corporations entitled to the same, if they comply with the requirements prescribed by the act of Congress ...." \textit{Id.} at 248. The Court did not address whether the statute itself was constitutional, it merely presumed that it was constitutional. \textit{See id.} The Court further stated: "the provision is, that a trade-mark duly registered as required, shall remain in force thirty years from the date of such registration, subject to an exception not necessary to be noticed." 16 Stat. 210; Rev. Stat., §§ 4937, 4941. \textit{McLean}, 96 U.S. at 248.

61. \textit{McLean}, 96 U.S. 245 (1877). A careful reading of \textit{McLean} supports the proposition that the Court merely assumed that the Trademark Act was constitutional. The Court so noted in \textit{The Trade-Mark Cases}, 100 U.S. 82 (1879), discussed \textit{infra} notes 70-80 and accompanying text.
Act, the Court recognized for the first time the validity of Congressional power to regulate trademarks. In an effort to curb the ever increasing tide of commercial counterfeiting which continued to flourish in the late 1870's, Congress sought to add penal sanctions to the civil remedies provided for by the Trademark Act. The Penal Act of August 14, 1876 (Penal Act) established criminal penalties for violations of the trademark laws of the United States.

The issue of the constitutionality of federal regulation of trademarks was addressed by the Supreme Court in 1881 in the seminal Trade-Mark Cases. Therein, the Court reviewed three convictions in actions brought under the Penal Act. The Attorney General of the United States argued that the Court's recognition of the Trademark Act's validity in McLean a fortiori established the constitutionality of the Penal Act. The Court rejected this argument and struck down the federal regulatory schemes, noting that federal regulation of trademarks was in "exercise of a power not confided to Congress."

The Court based its decision on two different constitutional pre-
cepts. First, that Congress was not given the explicit grant of power to regulate trademarks that it had been given with respect to both copyrights and patents. Second, that Congress can regulate items which move in interstate commerce. In deciding that federal trademark legislation failed to limit its regulatory reach to the stream of interstate commerce, the Court stated that federal regulation of trademarks was void for want of constitutional authority. This decision completely invalidated the existing trademark regulations.

The next attempt of Congress to regulate trademarks came with the Trade-Mark Act of 1881 (Act of 1881). This Act was expressly drawn to fill the gap left open by the Court in the Trade-Mark

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75. It is interesting to note that commentators writing during this period noted that Congress had no power under the copyright and patent clause to regulate trademarks. See American Trademark Law, supra note 52, at 129. It had been stated that “[t]he right of property in trademarks does not partake in any degree of the nature and character of a patent or copyright, to which it has sometimes been referred—nor is it safe to reason from any supposed analogies existing between them.” Id. (quoting F. Upton, A Treatise on the Law of Trade Marks 14 (1860)). Congress, however, failed to recognize the distinction between patents, copyrights and trademarks inherent in the Constitution. See id. at 129.

76. The authority of Congress to enact legislation regulating patents and copyrights is explicitly provided for by the Constitution. U.S. Const. art. 1, § 8, cl. 8. Congress has the power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Id.

77. See id. There is no mention of trademarks in the constitutional grant of power for the regulation of patents and copyrights. See id. Moreover, the Court noted that the distinction between trademarks, copyrights and patents is deeper than the explicit grant of constitutional power to Congress to regulate the latter two. See id. The fundamental distinction between the two groups is that:

The trade-mark may be, and generally is, the adoption of something already in existence as the distinctive symbol of the party using it. At common law the exclusive right to it grows out of its use, and not its mere adoption. By the act of Congress this exclusive right attaches upon registration. But in neither case does it depend upon novelty, invention, discovery, or any work of the brain .... While such legislation may be a judicious aid to the common law on the subject of trade-marks, we are unable to see any such power in the constitutional provision concerning authors and inventors, and their writings and discoveries.

The Trade-Mark Cases, 100 U.S. at 94; see Commercial Counterfeiting, supra note 8, at 158-60

78. “[Congress shall have the power] to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.” U.S. Const. art. 1, § 8, cl. 3.

79. See The Trade-Mark Cases, 100 U.S. at 96. The Court noted that Congress had sought, however, to regulate that which was “beyond the control of Congress.” Id.

80. See id. at 98-99; Commercial Counterfeiting, supra note 8, at 158-60.

The next major development was the passage of the Trade-Mark Act of 1905 (Act of 1905),84 which was designed to comport with the increased control Congress was exercising over interstate commerce during the beginning of the twentieth century.85 The Act of 1905 was amended sixteen times and resembled a "crazy-quilt of irrational provisions."86

The deficiencies of the Act of 1905 led to a new movement in the 1930's to create a cohesive body of federal trademark regulation. A congressional committee, headed by Representative Fritz Lanham, began the task of consolidating pre-existing federal trademark law. With the support of the New York Bar Association and other influential groups whose assistance was needed to devise a comprehensive federal regulatory scheme,87 the Lanham Act was passed in 1946.88

82. Id. § 1. The Act provided "that owners of trade-marks used in commerce with foreign nations, or with the Indian tribes [may register trademarks]." It is clear from the wording of the Act that Congress intended to stay within the explicit parameters of its commerce clause power. See supra note 78. Thus, Congress avoided the constitutional deficiencies which caused the Supreme Court to strike down its earlier efforts to regulate trademarks. See supra notes 51-80 and accompanying text.

83. See Act of March 3, 1881, ch. 138, § 9, 21 Stat. 502 (1881). Section 9 did not provide for criminal penalties. Id.; see also Commercial Counterfeiting, supra note 8, at 160-61 (historical survey of federal trademark legislation); Hopkins, supra note 2, at 546-47 (same). It has been suggested that the Court's decision in The Trade-Mark Cases created "more than a century's federal antipathy for criminal sanctions against trade-mark infringement may be derived psychologically from the fact that [this case] arose out of criminal indictments ... ." American Trademark Law, supra note 52, at 130; see Derenberg, The Problem of Trademark Dilution and the Antidilution Statutes, 44 Calif. L. Rev. 439, 442-48 (1956) [hereinafter cited as Trademark Dilution].


86. See Commercial Counterfeiting, supra note 8, at 160 (historical survey of development of federal trademark legislation); see also American Trademark Law, supra note 52, at 136 (same).


The functions of the Lanham Act are threefold. First, it consolidates all federal trademark law and repeals the prior legislation specifically referred to in the Lanham Act. Second, it re-enacts certain prior legislation and creates new procedural and substantive rights. Third, the Lanham Act implements American commitments with foreign nations and modernizes the trademark law of the United States by recognizing changes in business and commercial practices since the Act of 1905 became the law. The Lanham Act has been, and remains, the backbone of American trademark law.

B. 1946 through 1984

After passage of the Lanham Act, the incidence of commercial counterfeiting grew tremendously. This was especially true during the 1970's and 1980's. However, the pattern of commercial counterfeiting changed in two respects. First, commercial counterfeiting expanded beyond the production of luxury goods. Second, the operations of commercial counterfeiting began to resemble those of organized crime, as counterfeiting rings developed into networks with

89. See H. Res. 1654, 79th Cong., 2d Sess., 92 Cong. Rec. 7524 (1946); ROBERT, supra note 87, at 259; Social Function, supra note 2, at 181.
90. See H. Res. 1654, 79th Cong., 2d Sess., 92 Cong. Rec. 7524 (1946); ROBERT, supra note 87, at 259; Social Function, supra note 2, at 181.
91. See H. Res. 1654, 79th Cong., 2d Sess., 92 Cong. Rec. 7524 (1946); ROBERT, supra note 87, at 259; Social Function, supra note 2, at 181.
92. While the Lanham Act is the controlling body of federal law regulating trademarks, other federal statutes are implicated in trademark regulation. See infra note 212 and accompanying text. Specifically, the Customs Duties Act may control the importation of merchandise which bears a trademark. See id. Interpretation of the Customs Duties Act often addresses the issue of whether grey market goods may be imported to the United States and distributed by merchants other than the trademark owner's exclusive distributor. See id.
93. The exact monetary figures of this growth are unavailable for numerous reasons. This result is due primarily to commercial counterfeiters' failure to keep business records or their propensity to destroy them when a judicial proceeding begins. See Seizure Orders, supra note 16, at 459. Senator Mathius has "estimated" that commercial counterfeiting costs American business approximately 16 billion dollars annually. See Senate Hearings on S. 875, supra note 9, at 1. Moreover, it should be noted that, while most of the American economy was experiencing reduced revenues during the recessionary and inflationary 1970's and 1980's, commercial counterfeiting flourished. See Seizure Orders, supra note 16, at 459. As one practitioner has noted, commercial counterfeiting "blossomed." See id.
95. Commercial counterfeiting is no longer limited to the production of luxury goods, it has spread to the reproduction of medical, automotive, agricultural, and aerospace industries as well. See supra notes 18-25 and accompanying text; see also Senate Hearings on S. 875, supra note 9, at 1 (statement of Sen. Charles Mathius).
organized characteristics.\textsuperscript{96} Counterfeiting began to utilize drug trafficking methods—where few, if any, records were kept.\textsuperscript{97}

Several factors, including deficiencies in the Lanham Act\textsuperscript{98} and advances in technology, caused commercial counterfeiting to evolve into an organized, multinational network.\textsuperscript{99} First, the Lanham Act failed to provide a criminal penalty as a deterrent to commercial counterfeiting.\textsuperscript{100} Since prosecution of a commercial counterfeiting case would frequently result only in nominal damages,\textsuperscript{101} counterfeiters acted with impunity. Second, mass advertising created a worldwide demand for status items,\textsuperscript{102} which increased the demand for

\textsuperscript{96} J. Joseph Bainton, a leading practitioner in the field of trademark protection, has noted:

[Counterfeiters changed their methods of operation to make them more covert and more transitory. In general terms the counterfeiters came
(a) to deal exclusively in cash, (b) to maintain no records of either purchases or sales of counterfeit goods, (c) to secrete their inventory of counterfeit goods and (d) to conceal their identity from individuals to whom they sold their counterfeits, . . . [t]he pattern of covert conduct now universally adopted by trademark counterfeiters mirrors that employed by organized crime in connection with its manufacture and distribution of illicit drugs. Seizure Orders, supra note 16, at 461-62 (footnote omitted).

\textsuperscript{97} Id.

\textsuperscript{98} Congress, probably stemming from the Supreme Court’s ruling in the Trademark Cases, felt “inhibited” in adding criminal sanctions to trademark legislation. Perhaps for this reason the Lanham Act of 1946 did not provide for criminal sanctions. See Trademark Dilution, supra note 83, at 442-48; American Trademark Law, supra note 52, at 135; Commercial Counterfeiting, supra note 8, at 159-60. This omission of criminal sanctions has been cited as one of the root causes of the explosion of commercial counterfeiting. See supra note 83 and accompanying text.

\textsuperscript{99} See supra note 11 and accompanying text.

\textsuperscript{100} Senator Mathius noted that “something must be done to help business fight the debilitating economic effects of counterfeiting and to protect the consumer from shoddily and life-threatening products.” Senate Hearings on S. 875, supra note 9, at 1. The Senator noted that the criminal penalties of the Trademark Counterfeiting Act of 1984 are designed to “provide the countervailing force” required to arrest this problem. Id. Thus, it is clear that the omission of criminal penalties in federal trademark regulation was a root cause of the recent explosion of commercial counterfeiting. See id.

\textsuperscript{101} The plaintiff has the burden of proof in establishing a reasonable damage figure in counterfeit litigation. See Seizure Orders, supra note 16, at 462. In the vast majority of commercial counterfeiting cases, the defendant disposes of the evidence of the crime before the trial. See id. These actions render it virtually impossible for the plaintiff to sustain his burden of proof. See id. at 462 n.8.; see also Vuitton et Fils, S.A. v. Crown Handbags, 492 F. Supp. 1071 (S.D.N.Y.), aff’d 622 F.2d 577 (2d Cir. 1979). The problems of pleading and proving damages in a commercial counterfeiting case are discussed infra notes 248-50 and accompanying text.

\textsuperscript{102} Congressional recognition of changing business habits, technological advances
counterfeit goods.\textsuperscript{103} Third, technological advances facilitated the production of an increased supply of counterfeit goods to meet this demand.\textsuperscript{104}

Congress again recognized that advances in technology and changing business practices necessitated the reform of the trademark laws.\textsuperscript{105} Citing advances in reproduction technology and the tangible consequences of omission of a penal sanction\textsuperscript{106} to the trademark laws, Congress passed the 1984 Act.\textsuperscript{107} The 1984 Act implements two basic changes. First, it seeks to deter commercial counterfeiting by providing for penal sanctions\textsuperscript{108} and second, it contains remedial devices including the \textit{ex parte} seizure order to insure meaningful judgments.\textsuperscript{109} and other commercial realities were the catalyst to the reform of federal trademark laws which resulted in passage of the Lanham Act. See ROBERT, \textit{supra} note 87, at 295 (remarks of Rep. Lanham citing these reasons as the impetus for new federal legislation in the field of trademark law); 92 CONG. REC. 7524 (1946).

\textsuperscript{103} One merchant particularly plagued by commercial counterfeiting is the Rolex Watch Company. Certain models of the Rolex line retail at prices in excess of $8000. See Kiesel, \textit{Battling the Boom in Bogus Counterfeit Goods}, 71 A.B.A.J. 60, 61 (March 1985) [hereinafter cited as \textit{Battling the Boom}]. A counterfeit can be purchased for approximately $100 to $300. See \textit{id}. Counterfeiters capitalize upon the “snob appeal” of these status items. See \textit{id}. These products’ “images are created by the expenditure of millions of dollars on advertising and promot[ion].” \textit{Id}. It has been noted that “[t]rademark counterfeiting would not be prevalent without a market for bogus goods, ... People are hungry for bargains and are tempted to buy them ... .” \textit{Id}. at 63 (quoting James Bikoff, President of the Anti-Counterfeiting Coalition).

\textsuperscript{104} See \textit{supra} notes 8-11 and accompanying text. Trademark owners, however, have come to utilize highly technical devices to stymie counterfeiters’ efforts. One such anti-counterfeiting device utilized by trademark owners is “Polaproof.” Polaproof labels change colors when held in various positions. See \textit{Battling the Boom}, \textit{supra} note 103, at 63. Another technique involves the numerical encoding of merchandise with computer generated light beams. These codes serve to “fingerprint” the merchandise. See \textit{id}. at 63. Both techniques facilitate the detection of counterfeit merchandise.

\textsuperscript{105} The Committee on the judiciary noted that “[a]s counterfeiters have built larger and more professional enterprises, they have become increasingly callous towards the judicial process.” S. REP. No. 526, 98th Cong., 2d Sess. 1, \textit{reprinted in} 1984 U.S. CODE CONG. & AD. NEWS 3627, 3627-28.

\textsuperscript{106} The legislative history of the Trademark Counterfeiting Act of 1984 is replete with accounts of accidents and injuries stemming from commercial counterfeiting. \textit{Id}. at 3630-31. Some of these consequences have been summarized \textit{supra} notes 21-26 and accompanying text.

\textsuperscript{107} See \textit{supra} note 31 and accompanying text.

\textsuperscript{108} The 1984 Act provides penal sanctions for violations of the trademark laws. The individual may be imprisoned for up to fifteen years for violations of the 1984 Act pursuant to the enhancement provision. See 18 U.S.C. § 2320(a) (Supp. 1985) for a reproduction of the 1984 Act’s penal sanctions. See \textit{supra} note 31.

\textsuperscript{109} See 18 U.S.C. § 116(d)(1)(a); \textit{supra} note 31.
III. The Trademark Counterfeiting Act of 1984 and its Effect on Commercial Practices

Opponents of the 1984 Act have questioned its effect on commercial practices such as trade dress infringement, parallel imports and antitrust violations. Citing the strictly imposed penalties under the 1984 Act for trademark violations, as well as the availability of ex parte injunctive relief, opponents argue that the Act impinges upon the competitive practices of business. A review of the 1984 Act and its intended application suggests that the Act will not chill legitimate commercial activity, nor will it create an anti-competitive environment.

A. Trade Dress Duplication and The Trademark Counterfeiting Act of 1984

Trade dress infringement, in the context of counterfeiting, is defined as the marketing of a good or service which would confuse the potential consumer into believing that the counterfeit product is actually one produced by the legitimate manufacturer. Trade dress has been judicially defined: "[t]rade dress' involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966, 980 (11th Cir. 1983) (citing Original Appalachian Artworks, Inc. v. Toy Loft, Inc., 684 F.2d 821, 831 (11th Cir. 1982); SK & F Co. v. Premo Pharmaceutical Laboratories, Inc., 481 F. Supp. 1184, 1187 (D.N.J. 1979), aff'd, 625 F.2d 1055 (3d Cir. 1980); see also, McCarthy supra note 1, § 9:1, at 282-302 (discussion of trade dress and federal trademark law). Thus, trade dress is the commercial garment in which a manufacturer wraps his product. See 1 McCarthy, supra note 1, at § 9:1, at 282-302 (discussion of trade dress). Trade dress therefore encompasses the totality of the product's appearance.
dress infringement is a violation of both federal116 and state117 law. The federal and state regulatory schemes seek to protect legitimate

116. The Lanham Act provides remedies for a manufacturer who has suffered injuries stemming from a competitor's unauthorized use of his trade dress in any manner that would confuse the consuming public into believing that the good was manufactured by the trademark owner. Section 43(a) of the Lanham Act provides:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, . . . shall be liable to a civil action . . . by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.


manufacturers from trade dress infringement\textsuperscript{118} by preventing the marketing of goods or services which bear symbols or marks that cause, or are likely to cause, confusion as to the source of their origin.\textsuperscript{119}

If a manufacturer’s trade dress is protected, trade dress infringement may be enjoined.\textsuperscript{120} The determination of whether the trade dress qualifies for protection is made by employing a two-pronged approach.\textsuperscript{121} The first prong addresses the issues of “distinctiveness,”\textsuperscript{122}

\begin{itemize}


119. 2 McCarthy, supra note 1, §§ 30.1-30.23, at 465-94. Injunctive relief is specifically provided for by the Lanham Act. 15 U.S.C. § 1116 (1982). Injunctive relief is an equitable remedy. The plaintiff, therefore, must establish that the remedy at law is inadequate. Injunctive relief, however, does not preclude an award of money damages. See 2 McCarthy, supra note 1, § 30.2, at 465. While “injunctive relief is the ‘standard remedy’ in unfair competition cases . . . this does not necessarily mean that money damages cannot be recovered in addition to an injunction, [a]n injunction, looks to the future while money damages look to compensation for past injuries.” See id.

120. See supra notes 117-19 and accompanying text.


122. In Sicilia, the court noted that the term “distinctiveness” is itself a term of art that “indicate[s] that a mark or dress services as a symbol of origin, and thus is protectable. Fanciful and arbitrary marks are considered inherently distinct.” Id. at 425 n.3. One court has stated:

\begin{quote}
‘A fanciful mark’ is a word which is coined for the express purpose of functioning as a trademark . . . . [T]hose which are descriptive may obtain registration [and protection] only if they have acquired secondary meaning, while suggestive terms are entitled to registration [and protection] without such proof.
\end{quote}

Id. (citation omitted); see West & Co. v. Arica Inst. Inc., 557 F.2d 338, 342 (2d Cir. 1977) (per curiam) (footnote omitted); see also Sun Banks of Fla., Inc. v. Sun Fed. Sav. & Loan Ass’n., 651 F.2d 311, 315 (5th Cir. 1981); Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9, 11 (2d Cir. 1976).

In Sun Banks the court noted that “‘the essential question is the ‘likelihood of confusion’ concerning the identity or association between [the parties] . . . due to their common usage of the name and mark ‘SUN.’ ’ ” Sun Banks, 651 F.2d at 314. See also 15 U.S.C. § 1114(1) (1982).

“A vital factor in the determination whether there is a likelihood of confusion between the two services marks at bar is the strength or weakness of . . . [plaintiff’s] mark. Service marks fall into four categories. A strong mark is usually fictitious,
"secondary meaning"123 and "functionality"124 in determining whether

arbitrary or fanciful and is generally inherently distinctive." Sun Banks, 651 F.2d at 315 (footnote omitted).

"A descriptive mark tells something about the product; is protected only when secondary meaning is shown." Id. at 315 (citing Vision Center v. Opticks, Inc., 596 F.2d 111 (5th Cir. 1979), cert. denied, 444 U.S. 1016 (1980). See Miss Universe, Inc. v. Patricelli, 408 F.2d 506 (2d Cir. 1969). But see Hesmer Foods, Inc. v. Campbell Soup Co., 346 F.2d 356 (7th Cir.), cert. denied, 382 U.S. 839 (1965) (barbecue beans used as descriptive, not as trademark). A descriptive mark is readily distinguishable from a suggestive mark. A suggestive mark, "subtly connotes something about the service or product." Sun Banks, 651 F.2d at 315. A suggestive mark is protected without a showing of secondary meaning. Id. at 315; see also Soweco, Inc. v. Shell Oil Co., 617 F.2d 1178, 1184 (5th Cir. 1980); cert. denied, 450 U.S. 981 (1981).

The fourth and final category of mark is generic terms. Generic terms communicate "information about the nature or class of an article or service." Sun Banks, 651 F.2d at 315 (citing American Heritage Life Ins. Co. v. Heritage Life Ins. Co., 494 F.2d 3, 11 (5th Cir. 1974)). A generic mark can never become a service or trademark. Sun Banks, 615 F.2d at 315 (footnote omitted).

123. Secondary meaning has been termed "the law's recognition of the psychological effect of trade symbols upon the buyer's mind." 1 MCCARTHY, supra note 1, § 15:2, at 658. Justice Frankfurter's definition of secondary meaning in the seminal case of Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203 (1942) contains the following language:

The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them . . . . The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol . . . . If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

Id. at 205 (emphasis added). See also 1 MCCARTHY, supra note 1, § 15:1, at 658-59 (discussion of secondary meaning). Thus, commercial magnetism implies that the primary element of the secondary meaning is the "mental association in buyers' minds between the alleged mark and a single source of the product." See Sicilia, 732 F.2d at 425 n.4 (citation omitted). Secondary meaning has also been defined by the Restatement of Torts. "The phrase 'secondary meaning,' as thus used, does not mean a subordinate or rare significance. It means rather a subsequent significance added to the previous meaning of the designation and becoming in the market its usual and primary significance." RESTATEMENT OF TORTS § 716 comment b (1938). The Restatement no longer addresses the issue of trademark law. The drafters noted that the controlling body of law is the Lanham Act. See RESTATEMENT OF TORTS 2d § 716 Tentative Draft, No. 8 (1963).

124. "Functionality" is also an amorphous term subject to various legal interpretations. Simply stated, functionality allows the copying of designs or features that "contribute to efficiency or economy in manufacture or handling, or to durability." 1 MCCARTHY, supra note 1, § 8:6, at 295. Society has a keen interest in competition between manufacturers in the marketplace, "because of the consuming public's 'interest in free competition and in Federal recognition of a competitor's right to copy a product in the public domain may not be impinged upon by state unfair competition laws which prohibit the reproduction of shapes and patterns which federal law does not protect.'" See Sears, Roebuck & Co. v. Stiffel Co.,
the trade dress qualifies for protection. The second prong of the analysis determines whether the protected mark or dress has been infringed.

The distinctiveness portion of the first prong refers to the ability of a mark or dress to distinguish the origin of manufacture of a product. In the hierarchy of trademark law, a mark which is "arbitrary" or "fanciful" is unquestionably distinctive. The sole purpose of designing and attaching the mark is to distinguish the good to which it is affixed from those to which it is not. The acquisition of secondary meaning by a symbol or dress occurs when an ordinarily plain dress or feature becomes associated in the minds of the public with the particular manufacturer. When this occurs, the mark or dress is elevated by power of association to the distinctive category and thus acquires protected status.

376 U.S. 225, 230-31 (1964); see also 1 McCarthy, supra note 1, § 8:7, at 294-96. However, the Sears-Compco doctrine does not totally preempt state regulation of trade dress infringement. See Sears, 376 U.S. at 232; see also Ideal Toy Corp. v. Plawner Toy Mfg. Corp., 685 F.2d 78, 81 (3d Cir. 1982) (state law must accommodate federal law under Sears and Compco but is not totally preempted in preventing marketing of products which may cause confusion as to source); Chicago Lock Co. v. Fanberg, 676 F.2d 400, 405 (9th Cir. 1982) (court notes state law cannot override federal regulatory schemes).

125. Sicilia, 732 F.2d at 425.
126. See id.
127. See supra note 122 and accompanying text. "Distinctiveness is the term used to indicate that a mark or dress serves as a symbol of origin, and thus is protectable." See Sicilia, 732 F.2d at 425.
128. An arbitrary mark "consists of a word or symbol which is in common usage in the language, but which is arbitrarily applied to the goods or services in question in such a way that it is not descriptive or suggestive." 1 McCarthy, supra note 1, § 11:2, at 435. They are often referred to as "strong" marks and are given a broad scope of judicial protection against infringement. See id. Designation as an arbitrary or fanciful mark is important. Arbitrary and fanciful marks need not establish secondary meaning to obtain federal registration or protection in the marketplace. See id. For a discussion of the distinction between the various categories of marks and their respective strengths, see supra note 122 and accompanying text.
129. See Sicilia, 732 F.2d, at 425 n.3. "Fanciful marks are equated with arbitrary marks in that both are developed for the express purpose of functioning as a trademark." 1 McCarthy, supra note 1, § 11:2, at 435.
130. See id.
131. The trademark is a means by which the competitor may distinguish his product from other products. The federal regulatory scheme allows the competitor to enjoy exclusive rights in the use of the trademark. See supra notes 1-10 and accompanying text.
132. See supra note 123 and accompanying text.
133. Id.
“Functionality” encompasses the actual physical and operational features of a product’s dress. Functionality addresses the elements of a container which contribute to its efficiency or economy in manufacturing, handling, or durability. Purely functional features are neither protected from copying by a competitor, nor does their reproduction give rise to an infringement action. However, in reproducing the functional feature which is not protected by federal law, the competitor may not reproduce the feature’s trade dress if the dress’ secondary meaning can be established.

The second prong of the analysis examines whether the protected

134. See supra note 124 and accompanying text.
135. See supra note 124 and accompanying text.
136. See Sicilia, 732 F.2d at 425. When the trade dress in issue is purely functional, it is not entitled to protection from copying. Id. To enjoin a competitor’s use, “[a] plaintiff must satisfy the likelihood of confusion test by the use of some feature of his own, not something already in common use.” 1 McCarthy, supra note 1, § 8:6, at 296.

Spangler Candy Co. v. Crystal Pure Candy Co., 353 F.2d 641 (7th Cir. 1965) is illustrative of the distinction between the permissible copying of functional features and the impermissible copying of trade dress. In Spangler, plaintiffs manufactured and marketed a brand of lollipops. See id. at 642. The lollipop was marketed under the name “Dum-Dums” and consisted of a banded ball on a stick. Defendant marketed a lollipop which was a precise duplicate of the plaintiff’s banded ball lollipop. See id. The defendant also utilized a trade dress scheme similar to plaintiff’s wrappers. See id. at 643.

The court of appeals employed a bifurcated analysis in determining first, whether the copying of the lollipop itself was permissible and second, whether the defendant’s marketing efforts through a similarly styled wrapper were permissible.

As to the defendant’s reproduction of the lollipop itself, the court of appeals, relying on Sears and Compco, stated:

In Sears and Compco the Court held that the federal patent laws had established a policy of competition which gives the right to appropriate any unpatented commercial products in the public domain and that federal policy prevents the states from protecting property rights in such competitive products. It would appear that little or no relief is now available in the case of product simulation. Id. at 646. Thus, injunctive relief was unavailable for enjoining the defendant’s reproduction of plaintiff’s lollipop. However, Sears and Compco did not preclude injunctive relief as to marketing of his lollipops in similar wrappers if plaintiff could establish secondary meaning of his wrappers. See id. at 647. Plaintiff, however, was unable to establish the requisite secondary meaning of his wrappers. In affirming the district court’s dismissal of plaintiff’s trade dress infringement action, the court of appeals noted that there was insufficient evidence to establish consumer recognition of plaintiff’s product to establish secondary meaning. Rather, consumer demand “[w]as for penny lollipops wrapped individually in wax paper and sold in a polyethylene bag.” 1 McCarthy, supra note 1, § 8:7 at 244 (discussing Spangler).

Thus, while the reproduction of the functional features may be permissible, reproduction of the product’s trade dress which results in consumer confusion is impermissible if the party can establish his product’s secondary meaning.
mark or dress has been infringed. The infringement issue is resolved by determining whether a likelihood of confusion exists.\textsuperscript{137} The question of remedy\textsuperscript{138} arises only after it is determined that the defendant

\textsuperscript{137} Sicilia, 732 F.2d at 425.

\textsuperscript{138} As the court of appeals noted in Sicilia, "the question of remedy arises only after a court finds infringement of a protected property interest by another product's dress or mark that will likely confuse the consuming public as to source." Sicilia, 732 F.2d at 425. Professor McCarthy notes that there are at least three ways for determining whether the likelihood of confusion exists: (1) survey evidence; (2) evidence of actual confusion; and/or (3) argument based on a clear inference arising from comparison of the conflicting marks and the context of their use. See 2 McCarthy, supra note 1, § 23:1, at 45.

Survey evidence is probative of the existence of confusion in the marketplace. The goal of survey evidence is to establish the existence of the "subjective mental associations and conclusions" of a group of would-be consumers as to their conception of source. See id. § 32.46, at 765. See also Symposium, The Structure and Uses of Survey Evidence in Trademark Cases, 67 TRADE-MARK REP. 97 (1977).

Evidence of actual confusion is clearly probative of the existence of a "likelihood of confusion" of source in the marketplace. As noted, "[t]he test of infringement is the likelihood of confusion, not the proof of actual confusion." 2 McCarthy, supra note 1, § 23:2, at 50. The standard of proof is likelihood of confusion in the marketplace as to source. Plaintiff must establish that consumers would likely be confused when confronted with both products. This is necessarily the proper burden, otherwise plaintiff would have to sustain actual injury before he would be entitled to injunctive relief. See Standard Oil Co. v. Standard Oil Co., 56 F.2d 973, 979 (10th Cir. 1932); see also 2 McCarthy, supra note 1, § 23:2, at 50-51. However, evidence of actual confusion is strong proof that a likelihood of confusion exists. Id. at 51; see Tisch Hotels, Inc. v. Americana Inn, Inc., 350 F.2d 609, 612 (7th Cir. 1965). Clearly such evidence is powerful evidence. As one court noted, "[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion." World Carpets, Inc. v. Dick Littrell's New World Carpets, 438 F.2d 482, 489 (1971).

Additionally, a court may examine arguments based on a clear inference arising from a comparison of the conflicting marks and the context of their use. In determining whether the actor's designation is confusingly similar to the other's trademark, several factors may be examined. The Restatement of Torts employs a test that has been likened to a trilogy of "sound, sight and meaning." See 2 McCarthy, supra note 1, § 23:4, at 57. The Restatement of Torts' test employs the following factors:

(a) the degree of similarity between the designation and the trade-mark or trade name in
   (i) appearance;
   (ii) pronunciation of the words used;
   (iii) verbal translation of the pictures or designs involved;
   (iv) suggestion;
(b) the intent of the actor in adopting the designation;
(c) the relation in use and manner of marketing between the goods or services marketed by the actor and those marketed by the other;
(d) the degree of care likely to be exercised by purchasers.

Restatement of Torts § 729 (1938); see Drexel Enters., Inc. v. Richardson, 312
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ant has infringed upon a protected property interest by utilizing another product's dress or mark in a manner that is likely to cause confusion as to its source. 139

The determination of whether a competitor's trade dress is protected involves the weighing of competing interests. 140 Society benefits from keen competition in the marketplace. 141 A narrow definition of functionality may lead to a competitor's unwarranted exploitation of a product through the monopolization of a specific trade dress; 142 this position runs counter to the competitive nature of our economy. 143 However, society also must protect the creativity of the


141. See generally Aesthetic Product Features, supra note 140, at 354-59.


143. See Sicilia 732 F.2d at 427-30; Ideal Toy Corp. v. Plawner Toy Mfg. Corp., 685 F.2d 78, 81 n.4 (3d Cir. 1982); Keene Corp. v. Paraflex Indus., Inc., 653
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manufacturer by shielding his creative efforts, or risk creating a disincentive to originality.\textsuperscript{144} Thus, an overly expansive definition of functionality has been criticized in that the copying of a wider range of product designs and features necessary is allowed.\textsuperscript{145}

While the balancing of these conflicting interests has always been important, the situation has become acute since the passage of the 1984 Act.\textsuperscript{146} Given the threat of criminal sanctions\textsuperscript{147} and heavy civil\textsuperscript{148} penalties for violations of the 1984 Act, opponents of the Act have argued that a more precise definition of trade dress infringement and a more uniform scope of functionality is required.\textsuperscript{149}

\textsuperscript{144} See Sicilia, 732 F.2d at 428. Therein the court noted "[i]t would be unfortunate were we to discourage use of a spark of originality which could transform an ordinary product into one of grace." \textit{Id.} (quoting Keene Corp. v. Paraflex Indus., Inc., 653 F.2d 822, 825 (3d Cir. 1981)).

\textsuperscript{145} See Sicilia, 732 F.2d at 429-30; John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966, 983 n.27 (11th Cir. 1983); see also Functional Features, supra note 140, at 88; Note, \textit{Unfair Competition and the Doctrine of Functionality}, 64 \textit{COLUM. L. REV.} 544, 562 (1964).

\textsuperscript{146} A typical scenario might involve the following facts. An aggressive manufacturer consciously duplicates what he feels is the functional trade dress of a competitor. The competitor is aware of the duplication and institutes an action in federal district court to enjoin the infringement under the Lanham Act. The manufacturer, cognizant of the augmented penalties under the 1984 Act, will avoid any borderline practices which run the risk of characterization as commercial counterfeiting. This chilling effect, it is argued, will disserve the public interest in free and open competition in the marketplace. See \textit{Senate Hearings on S. 875}, supra note 9, at 22 (statement of Edward T. Borda).

\textsuperscript{147} See supra note 31 and accompanying text.

\textsuperscript{148} See supra note 31 and accompanying text.

\textsuperscript{149} There is a divergence of opinion in the circuits as to what precisely constitutes functional features. As one court noted, "[c]ourts have differed in applying functionality to deny protection to designs or configurations that serve some functional purpose." \textit{Sicilia}, 732 F.2d at 425. Whether the trade dress is within the ambit of protection may turn on whether the features are functional (and unprotected) or whether the sole and unique purpose is to designate the origin of the goods. One view is that unless the dress serves uniquely to identify the source, it will not be entitled to protection under section 43(a) of the Lanham Act. See \textit{Sicilia}, 732 F.2d at 425; Vibrant Sales, Inc. v. New Boutique, Inc., 652 F.2d 299, 304 (2d Cir. 1981), \textit{cert. denied}, 455 U.S. 909 (1982); \textit{SK & F, Co. v. Premo Pharmaceutical Laboratories, Inc.}, 625 F.2d 1055, 1063 (3d Cir. 1980) (court interpreting common law of New Jersey and Lanham Act to require proof of non-functionality to show element of product serves no purpose other than identification); Pagliero v. Wallace China Co., 198 F.2d 339, 343 (9th Cir. 1952) (same).

This expansive view of functionality has been criticized. See generally \textit{Functional Features}, supra note 140; \textit{Aesthetic Product Features}, supra note 140. Other courts have narrowed the definition of functionality. Thus, the trade dress need not serve the unique and exclusive purpose of identifying the source of the goods to fall...
Opponents of the 1984 Act also have questioned the breadth of the Act’s definition of “counterfeit mark,” which includes the term “spurious mark.” Opponents fear that this previously uninterpreted term will receive an overly broad construction, which will generate unwarranted litigation over trade dress and result in an anti-competitive environment.

These fears may be unfounded. First, the legislative history of the 1984 Act clearly states that the Act’s definition of counterfeit good does not extend to imitations of trade dress unless the imitation is accomplished by the counterfeit duplication of a registered trademark.


It is important to note that a court interpreting a narrower definition of functionality is primarily concerned with the underpinning of the doctrine—the effect on competition. See id. at 1218. A competitor forced to find his own dress is not hindered in competition. See id.; see also Keene Corp. v. Paraflex Indus., Inc., 653 F.2d 822, 827 (3d Cir. 1981); General Radio Co. v. Superior Elec. Co., 321 F.2d 857, 864 (3d Cir. 1963), cert. denied, 376 U.S. 938 (1964).

Notwithstanding this divergence of opinion in the circuits concerning the proper scope of functionality, it appears that the 1984 Act will not subject a competitor to liability regardless of which view is taken. It is clear from the legislative history of the 1984 Act that Congress intended that trade dress imitations be excluded from the definition of counterfeit mark. See infra note 153.

150. The 1984 Act’s definition of counterfeit good and spurious mark are reproduced supra note 31.

151. See id.

152. The term “spurious mark” is a new addition to the vocabulary of federal trademark regulation. However, the 1984 Act equates the meaning of counterfeit mark with that of spurious mark. See supra note 31. Therefore, “counterfeit” and “spurious” are synonymous terms. It seems logical that a court would not encounter difficulty interpreting “spurious mark.” The plain language of the statute provides an ample limitation on the construction of the term “spurious mark.”

153. It is clear from the 1984 Act’s legislative history that trade dress imitations should be excluded from the definition of counterfeit good. The Committee on the Judiciary stated “the bill does not extend to imitations of features of trade dress or packaging—such as color, shape and the like—unless those features have been registered as trademarks [on] the principal register in the U.S. Patent and Trademark Office and are in use.” S. REP. No. 98-526, 98th Cong., 2d Sess. 1, 11, reprinted in 1984 U.S. CODE CONG. & AD. NEWS 3627, 3637.

154. A plain reading and literal interpretation of the 1984 Act supports this proposition. The 1984 Act excludes from its definition of counterfeit goods those products which have their genesis in authorized production. The 1984 Act reads “but such term does not include . . . goods or services . . . [for] which the manufacturer or producer . . . authorized [the] use [of] the mark or designation for the type of goods or services so manufactured or produced . . .” The Trademark
While "[t]he precise definition of when a mark is 'identical to or substantially indistinguishable from' a registered mark" will need to be developed by the courts on a case by case basis, it is clear that this definition does not encompass "what would formerly have been arguable, although not clear-cut, cases of trademark infringement." The threshold standard of liability, therefore, has not been significantly lowered so as to cause severe reverberations in the legitimate channels of trade. Thus, the definitions of spurious marks and counterfeit goods are not overly broad.

Moreover, Congress has expressly provided a deterrent for any potential abuse of the 1984 Act's extraordinary remedies by overly zealous competitors. A competitor who wrongfully subjects another to a seizure order may be liable for damages. He may also be liable for attorney fees where the seizure was clearly erroneous.

The history of the 1984 Act reflects the Congressional intent to protect the practices of legitimate business in creating this legislation. Congress, recognized that consumers benefit from keen competition in the marketplace and therefore excluded trade dress imitation from the scope of activities which are embraced by the 1984 Act's definition of counterfeit good. Therefore, it is probable that trade dress imitation will continue in much the same manner as it did.

Counterfeiting Act of 1984, 18 U.S.C. at § 2320(d)(1)(B). The 1984 Act requires that the good be of the "type" authorized by the manufacturer. See id. This is to avoid situations where the defendant applies a well known trademark to goods which he is not authorized to produce. The 1984 Act's exclusion of authorized goods would not be a defense in this situation.


156. Id. at 11, reprinted in 1984 U.S. CODE CONG. & AD. NEWS 3637.

157. See supra notes 155, 156 and accompanying text.

158. It is clear from a comparison of the Lanham Act before and after its amendment that the scope of liability for trade dress infringement has not been expanded significantly.

159. See supra notes 154-57 and accompanying text.

160. See 15 U.S.C. § 1116(d)(1l)) (Supp. 1985) (attorney's fees and damages authorized). It is also clear that in egregious cases involving bad faith, a court may award plaintiff punitive damages if he is subject to a wrongful ex parte order. See id.

161. See id.

162. The Committee stated that "[t]o ensure that ex parte seizure orders are used only when necessary and that they are not abused for anti-competitive purposes, the bill contains numerous procedural protections . . . ." Senate Reports on S. 875, supra note 9, at 15 (emphasis added).

163. See supra notes 150-53 and accompanying text.
prior to the 1984 Act’s enactment. Thus, the 1984 Act will not generate an anti-competitive environment with regard to trade dress imitation.

B. The 1984 Act: Potential Antitrust Violations

Congressional recognition of an imperfect economic environment is reflected in the antitrust laws of the United States.\(^{164}\) The underlying concern of Congress in enacting these statutes was to eliminate the undesirable effects of unbridled competition, including the concentration and monopolization of society’s resources of production.\(^{165}\)

Certain practices have been determined to be \textit{per se} unlawful,\(^ {166}\) signifying the congressional determination that the activity has so few redeeming qualities that it does not merit judicial effort to discern whether a particular case is an exception to the rule.\(^ {167}\) Thus, a demonstration that the defendant has engaged in a \textit{per se} unlawful activity is sufficient to impose liability under the antitrust laws.\(^ {168}\)

One such practice is price-fixing,\(^ {169}\) which is the establishment of

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165. See infra note 175 and accompanying text.

166. The Supreme Court has stated:

[The] principle of \textit{per se} unreasonableness not only makes the type of restraints which are proscribed by the Sherman Act more certain to the benefit of everyone concerned, but it also avoids the necessity for an incredibly complicated and prolonged economic investigation into the entire history of the industry involved, as well as related industries, in an effort to determine at large whether a particular restraint has been unreasonable—an inquiry so often wholly fruitless when undertaken.


167. See id.

168. See United States v. Trenton Potteries, Co., 273 U.S. 392, 397 (1927); see also Sullivan, supra note 164, at 193-94. The Court has noted that several of these practices include: price-fixing, United States v. Socony-Vacuum Oil Co., 310 U.S. 150 (1940); division of markets, United States v. Addyston Pipe & Steel Co., 85 F. 271 (6th Cir. 1898), \textit{modified}, 175 U.S. 211 (1899); boycotts, Fashion Originators’ Guild of Am., Inc. v. FTC, 312 U.S. 457 (1941); and tying arrangements, International Salt Co. v. United States, 332 U.S. 392 (1947).

169. Price-fixing is the establishment of a market price by a competitor rather than the forces of supply and demand. Price-fixing is defined as:

The cooperative setting of price levels or ranges by competing firms. Such agreements are in violation of the Sherman Antitrust Act. Price-
prices by competitors rather than by the forces of supply and demand.\textsuperscript{170} Price-fixing at either the vertical\textsuperscript{171} or horizontal\textsuperscript{172} stage of production is condemned for two reasons. First, it impairs the "\textit{freedom of the trader}"\textsuperscript{173} to use his best judgment as to how to

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\textsuperscript{170} See infra notes 174-76 and accompanying text.

\textsuperscript{171} Vertical price-fixing is called resale price maintenance (RPM). \textit{See SULLIVAN, supra} note 164, at 377-99. Vertical restraints are those between a buyer and a seller in the chain of production and distribution as distinguished from a horizontal agreement among competitors on the same level of production or distribution. \textit{See id.} Unless Congress has specifically exempted an area of resale price maintenance from the reach of the Sherman Act, the practice of resale price maintenance is \textit{per se} unlawful. See Albrecht v. Herald Co., 390 U.S. 145 (1968); Strauss v. Victor Talking Mach. Co., 243 U.S. 490 (1917); Dr. Miles Medical Co. v. John D. Park & Sons Co., 220 U.S. 373 (1911).

\textsuperscript{172} Horizontal price-fixing occurs when competitors on the same level of the production-distribution ladder agree to sell at uniform prices. "Since \textit{Socony-Vacuum} it has been settled law . . . that price-fixing among competitors is a \textit{per se} violation of Section 1 [of the Sherman Act]." \textit{SULLIVAN, supra} note 162, at 198; \textit{see Goldfarb v. Virginia State Bar, 421 U.S. 773 (1975); Northern Pac. Ry. Co. v. United States, 356 U.S. 1, (1958); United States v. Columbia Steel Co., 334 U.S. 495 (1948). It is obvious that actions taken by cartels to establish fixed anti-competitive prices are \textit{per se} unlawful. \textit{See Timken Roller Bearing Co. v. United States, 341 U.S. 593 (1951)} (foreign parent and subsidiary involved in price-fixing and territorial restraints clearly within ambit of the Sherman Act). \textit{See also A. NEALE & D. GOYDER, THE ANTITRUST LAWS OF THE U.S.A. 331-36 (3d ed. 1980) [hereinafter cited as NEALE & GOYDER]} for a discussion of the \textit{Timken} case. \textit{See also United States v. Trenton Pottery Co., 273 U.S. 392 (1927); United States v. Addyston Pipe & Steel Co., 85 F. 271 (6th Cir. 1898), modified, 175 U.S. 211 (1899). While the practice of combining or conspiring to establish fixed prices is illegal, "every agreement among competitors which has some conceivable impact on price is not \textit{per se} unlawful." \textit{SULLIVAN, supra} note 164, at 199 (citing Chicago-Board of Trade v. United States, 246 U.S. 231 (1918)). Thus courts look to the "purpose and effect" of the activity to determine whether to apply the \textit{per se} rule. In the final analysis, "[t]he Act is not intended to make unlawful arrangements which affect price by improving competition." \textit{SULLIVAN, supra} note 164, at 200. In \textit{Chicago Board of Trade} the Court noted that, "[t]he true test of legality is whether the restraint . . . merely regulates and perhaps thereby promotes competition or whether it is such as may suppress or even destroy competition." 246 U.S. at 238. While the Court noted that "good intentions" cannot save an unlawful restraint, a court may look to the totality of factors, including intent, to determine the purpose and effect of the restraint. \textit{See id.}

\textsuperscript{173} When price-fixing occurs among competitors, they lose the freedom to establish their own prices. The price making decision rests in the cartels hands or, in the case of resale price maintenance, in the manufacturer. This inability to evaluate and react to market forces runs contrary to the underpinnings of the
Second, and more importantly, price fixing allows competitors, rather than the "invisible hand" of the marketplace, to allocate scarce societal resources. The main thrust of the antitrust laws is to foster an economic environment wherein the forces of supply and demand determine the price of any given good or service. This in turn will establish the optimum level of production and, therefore, allocate scarce societal resources most efficiently. Because price-fixing paralyzes the nervous system of the economy, it is condemned outright as a per se violation of the antitrust laws.

In the context of trademark regulation, the trademark necessarily allows the competitor to exclude others from profiting from his diligence and good will. While this necessarily involves a restraint

Sherman Act. See 1 L. TOULMIN, ANTITRUST LAWS 245 (1949); C. THOMPSON & G. BRADY, CASES AND MATERIALS ON ANTITRUST FUNDAMENTALS 8-11 (1974) [hereinafter cited as THOMPSON & BRADY].

174. See supra note 173 and accompanying text.

175. The "invisible hand" refers to the concept of the forces of supply and demand. See SULLIVAN, supra note 164, at 2-7. In a perfectly competitive market, these forces will naturally bring about maximum allocative efficiency—the optimal distribution of societal resources. See id. Price-fixing impedes this process by distorting the movements of labor and capital. See id. The antitrust laws therefore ban this artificial allocation of resources. See id; see also, NEALE & Goyder, supra note 172 at 41. Socony-Vacuum and Appalachian Coals are significant cases. In Appalachian Coals v. United States, 288 U.S. 344 (1933), the Court was faced with a factual situation similar to that presented in Socony-Vacuum. In Appalachian Coals defendant coal producer's market was glutted with excess coal. The Depression had significantly altered demand for coal and the defendants formed a joint selling agency to secure higher prices to "aid the industry in a measurable recovery from its plight." NEALE & Goyder, supra note 172, at 41. The Court accepted the argument and dismissed the case. Id. at 42.

In Socony-Vacuum, the defendants were faced with excess gasoline supplies during an economic downturn. Major gasoline producers banded together to purchase excess supplies of gas to maintain price stability. The Court rejected the "self help" argument which had been successful in Appalachian Coals. The Court, therefore, eliminated any doubt as to whether defensive price-fixing would be an absolute defense in an antitrust action. See NEALE & Goyder, supra note 172, at 39-42.

176. See id.

177. See supra notes 164, 166, 175, 176 and accompanying text.

178. See supra note 175 and accompanying text.

179. See supra note 168 and accompanying text.

180. The rights one may obtain in a trademark or trade name can be viewed as a monopoly of sorts, since others can be prevented from using the symbol. See 1 MCCARTHY, supra note 1, § 1:16, at 41 (trademarks not anti-competitive). However, it should be noted that the proper terminology would not describe trademarks as monopolies but rather as the embodiment of an exclusive right. See id. Other such
of trade,\textsuperscript{181} the primary antitrust concern raised by the 1984 Act is the potential abuse of the Act's strict remedies\textsuperscript{182} to enforce resale price maintenance programs.\textsuperscript{183} A resale price maintenance program is one in which the manufacturer seeks to establish the market price at which a good is sold.\textsuperscript{184} This is also known as vertical price fixing.\textsuperscript{185} Opponents of the 1984 Act argue that the extraordinary remedies provided by the Act will be used by manufacturers to harass, intimidate and eventually terminate price discounters.\textsuperscript{186}

The scenario envisioned by the opponents of the 1984 Act would involve inquiries by manufacturers of trademark goods purchased on the grey market\textsuperscript{187} as to their source. A discount outlet dealing in the "unauthorized goods" bearing the manufacturer's or exclusive distributor's trademark may be served with \textit{ex parte} seizure order to determine the legitimacy of the goods.\textsuperscript{188} Fearful of this entanglement, a price discounter may be forced to purchase his goods through authorized distribution channels at higher costs, or to sell his goods at authorized prices.\textsuperscript{189} Opponents argue that this influence,
in the establishment of prices by the manufacturer, generates legitimate antitrust concerns.

These fears may rest on unwarranted speculation. First, it is clear that resale price maintenance is a *per se* violation of the Sherman Act.\(^\text{190}\) Congressional intent to foster competition in this area is exemplified by the repeal of the McGuire Act.\(^\text{191}\) Under the McGuire Act, resale price maintenance agreements sanctioned by state law could, without violating the antitrust laws,\(^\text{192}\) be enforced against

\(^{190}\) See *supra* notes 165-70 and accompanying text. The Sherman Act prohibits:

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding one million dollars if a corporation, or, if any other person, one hundred thousand dollars, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.


*See* Keifer-Stuart Co. v. Joseph E. Seagram & Sons, Inc., 340 U.S. 211 (1967) (maximum resale price ceilings established by distributors illegal). While the case law in this area cogently supports the proposition that resale price maintenance is illegal *per se*, this rule is subject to certain exceptions. *See* United States v. Colgate & Co., 250 U.S. 300 (1919). For example, the *Colgate* doctrine created a limited exception to the *per se* ban on resale price maintenance. Under *Colgate*, a manufacturer may, consistent with the Sherman Act, unilaterally refuse to deal with a distributor or retailer who does not adhere to the manufacturer's suggested resale price. In *Colgate* the Court stated that:

> In the absence of any purpose to create or maintain a monopoly, the act does not restrict the long recognized right of a trader or manufacturer engaged in an entirely private business, freely to exercise his own independent discretion as to parties with whom he will deal. And, of course, he may announce in advance the circumstances under which he will refuse to sell.

250 U.S. at 307; *see* United States v. Trans-Missouri Freight Ass'n, 166 U.S. 290, 320 (1897). Thus, in certain circumstances, the business itself is free to exercise "the right to sell." *See id.; see also* NEALE & GOYDER, *supra* note 172, at 254-60; SULLIVAN, *supra* note 164, at 391-95; THOMPSON & BRADY, *supra* note 173, at 82-92.


\(^{192}\) The McGuire Act was a species of Fair Trade Law. " 'Fair Trade' is the term often used to describe resale price maintenance programs by supporters of the practice; opponents talk of 'price rings.' Both terms have a good deal to be desired semantically." SULLIVAN, *supra* note 164, at 261 n.1. The gradual movement toward state passage of fair trade laws may have been caused, in part, by the major Supreme Court cases condemning the activity. *Id.* at 260-61. Compare *Colgate* v. United States, 250 U.S. 300 (1919) (Court interpreting narrow channel in which company may refuse to deal with traders who refuse to adhere to announced resale prices) with United States v. Parke, Davis & Co., 362 U.S. 29 (1960) (approaching
recalcitrant dealer who would not adhere to manufacturer's suggested price outside Colgate doctrine). In light of the Supreme Court's decisions in this area, manufacturers simply could not safely install and maintain a resale price maintenance program. See Neale & Goyder, supra note 172, at 256-57. Thus, "a strong movement developed—especially among associations of small retailers in such trades as proprietary drugs and cosmetics to achieve legislative recognition for "fair trade." "Id. at 261 (footnote omitted). Fair trade legislation legalized resale price maintenance under state law. "The state laws, however, could not confer any immunity under federal law, and where interstate commerce was affected resale price maintenance might still run afoul of the Sherman Act." Id. at 262. Proponents of fair trade laws sought and secured federal antitrust immunity for resale price maintenance. This legislation is popularly known as the Miller-Tydings Act. The Miller-Tydings Act, ch. 690, Title VIII, 50 Stat. 693 (1937) (repealed 1975). In its initial form, this legislation sought to "except from coverage of Section I of Sherman agreements prescribing minimum resale prices which were sanctioned by state law." Sullivan, supra note 164, at 378.

Initially, questions concerning the legitimacy of the Miller-Tydings Amendment centered on whether a manufacturer could enforce resale price standards against retailers who had not signed an agreement with the manufacturer to sell at his prices. These retailers were known as "non-signers." See Schwegmann Bros. v. Calvert Distillers Corp., 341 U.S. 384 (1951). In Schwegmann, the Court rejected the argument that Congress had intended to apply the Miller-Tydings Act to both signers and non-signers alike. Rather, the Court noted that the plain wording of the statute "exempted only 'contracts and agreements' from the general prohibition of the Sherman Act." Because the plaintiff in Schwegmann had not signed an agreement, the amendment did not exempt the resale price maintenance from liability under section 1 of the Sherman Act. Id. at 393-95; see also Neale & Goyder, supra note 172, at 263.

Subsequent to Schwegmann, Congress made a concerted effort to overrule the decision by specifically expanding antitrust immunity to exclude the enforcement of resale price maintenance against non-signers from Sherman liability. This legislation, the Federal Fair Trade Act of 1952, was popularly known as the McGuire Act and expanded the breadth of Sherman immunity. See The McGuire Act, 15 U.S.C. § 45(a), (repealed 1975). The McGuire Act overruled the Schwegmann decision. Thus, antitrust immunity was extended to the enforcement of resale price maintenance programs against non-signers and signers alike:

(a) (2) Nothing contained in this section or in any of the Antitrust Acts shall render unlawful any contracts or agreements prescribing minimum or stipulated prices, or requiring a vendee to enter into contracts or agreements prescribing minimum or stipulated prices, for the resale of a commodity which bears, the trade-mark . . . . of such commodity and which is in free and open competition with commodities of the same general class produced or distributed by others . . . .

(3) Nothing contained in this section or in any of the Antitrust Acts shall render unlawful the exercise or the enforcement of any right or right of action created by any statute, law, or public policy . . . . which in substance provides that willfully and knowingly advertising, offering for sale, or selling any commodity at less than the price or prices prescribed in such contracts or agreements whether the person so advertising, offering for sale, or selling is or is not a party to such a contract or agreement, is unfair competition and is actionable at the suit of any person damaged thereby.

The McGuire Act, 15 U.S.C. § 45 (1952) (emphasis added). The McGuire Act also "[exempted from federal antitrust scrutiny] stipulated as well as minimum prices,
non-signers and signers alike. Moveover, the agreements could provide for stipulated as well as minimum prices and could oblige the buyer to impose similar restrictions on the resale of non-consumption goods. Now, unless specifically exempted by Congress, "all resale price maintenance agreements within the reach of federal law are unlawful under Section 1 of the Sherman Act."

The 1984 Act does not alter the illegal per se status of resale price maintenance programs under the Sherman Act. In fact, the 1984 Act may even decrease the possibility of a manufacturer installing and maintaining a resale price maintenance program. The 1984 Act specifically provides for the award of damages and attorney's fees to a defendant who is wrongfully subjected to an ex parte seizure order. Moreover, the defendant may be awarded damages. Given these remedies, and the exclusion of grey market goods from the 1984 Act's definition of counterfeit mark, it is clear that Congress intended to enhance competition at the distribution level of the marketplace, not to impede it. Congressional acknowledgement in the 1984 Act of the potential danger of resale price maintenance programs and the irrefutable fact that Sherman Act liability remains unchanged, lead to the conclusion that the 1984 Act does not generate an increased risk of antitrust violations.


193. See supra note 192.

194. See supra note 192.

195. See SULLIVAN, supra note 164, at 379; NEALE & GOYDER, supra note 172, at 260-65.

196. See SULLIVAN, supra note 164, at 379; NEALE & GOYDER, supra note 172, at 265.

197. The 1984 Act did not amend the antitrust laws of the United States. See supra note 31.

198. The legislative history of the 1984 Act delineates congressional recognition of the dangers of resale price maintenance. Coupled with the 1984 Act's remedies for victims of unwarranted seizures, denotes Congress' heightened resolve to prohibit resale price maintenance programs. See id. Arguably, this augmentation of defensive remedies will act to enhance competition in the vertical markets. See supra notes 194-96 and accompanying text.

199. See infra notes 201-18 and accompanying text.

200. This conclusion flows naturally from the legislative history of the 1984 Act. See supra notes 38-42 and accompanying text; see also infra notes 201-18 and accompanying text.
C. The Importation and Distribution of Grey Market Goods
Under the Trademark Counterfeiting Act of 1984

Another area of trade and commerce which may be adversely affected by the 1984 Act is that of the importation and distribution of "grey market" goods, that is, goods produced in foreign countries and sold in the United States. Typically, the transaction involves the overseas purchase of goods bearing the registered trademark of a manufacturer and imported into the United States to be sold at a price lower than that of the exclusive domestic distributor. The sale is "unauthorized" in that the transaction does not involve both the trademark owner and his domestic distributor.

The goods, however, are bona fide merchandise.

It has been argued that the importation and marketing of parallel imports in the grey market may trigger unwarranted litigation.
under the 1984 Act. Fearful that the marketing of these goods may be characterized as counterfeit trafficking, and thus constitute proscribed conduct, opponents of the 1984 Act have expressed concern that the price-cutting department store may be crippled by repetitive suits brought under the 1984 Act.

There are competing societal interests regarding the distribution of unauthorized grey market goods. Society benefits from the price competition generated by the importation and distribution of legitimate merchandise at lower prices. In fact, one court noted that to restrain the importation and distribution of "equally good, yet less expensive" products would disserve the public interest. Trademark owners and their distributors argue, however, that the importation of grey market goods impinges upon their right to control the distribution of goods bearing their trademark.

207. See supra notes 34-35 and accompanying text.
208. See id.
209. See id.
210. See infra note 211 and accompanying text.
211. Parfums Stern, 575 F. Supp. at 421. Moreover, the Parfums Stern court noted that in the majority of instances, the trademark owner himself places the goods in the international stream of commerce. Id. at 419. The goods return to American markets, but not by illegal means. See id. Rather, arbitrageurs take advantage of international price differences and merely import the goods and sell them in the United States. While the trademark owner is "harmed" in that he is not insulated from price competition, he still retains his royalty earnings on the foreign sale. In fact, "there is no evasion of legal rights." Id. Indeed, it is the trademark owner's expenditure on advertising which, in part, creates the grey market. See supra notes 8-15 and accompanying text. As one court noted, the grey market is a "complete circle" in that the trademark owner's goods return to harm it in the United States. Parfums Stern, 575 F. Supp. at 419.
212. The fact pattern of Vivitar Corp. v. United States, 585 F. Supp. at 1419 (Ct. Int'l Trade 1984), aff'd, 761 F.2d 1552 (Fed. Cir. 1985), cert. denied, 54 U.S.L.W. 3460 (Jan. 13, 1986), delineates the conflicting interests involved in grey market good importation and distribution. The plaintiff, Vivitar Corp., was an American manufacturer of cameras. It licensed foreign subsidiaries to manufacture cameras bearing its trademark. Through its licensing agreements with these subsidiaries, plaintiff restricted their access to its home market. By restricting the subsidiaries' access to its home market, plaintiff sought to insulate itself from price competition. Third parties or arbitrageurs, however, purchased the foreign subsidiaries' products overseas and imported them into the United States. This introduction of competing, yet identical, goods eroded plaintiff's ability to maintain higher prices. See Vivitar Corp., 585 F. Supp. at 1421. Vivitar, naturally, sought to invoke federal regulatory schemes to protect its market advantage in the home market. Plaintiff contended that these importations were illegal under the Tariff Act without its consent. The Tariff Act reads in relevant part:

[It shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label . . . bears a trademark owned by a citizen of, or by a corporation . . . created or organized within, the United States, and registered in the Patent and Trademark Office . . . unless written consent of the owner of such... ]
The 1984 Act does not threaten the importation and marketing of parallel imports. Furthermore, participation in the grey market does not generate an increased risk of trademark litigation under the 1984 Act. The marketing of grey market goods may actually further the goals of the Act by providing an increased supply of legitimate products for consumers at lower prices. This would protect the consumer from the dangers inherent in counterfeit goods by increasing the supply of legitimate goods. Furthermore, Congress has expressly stated that grey market goods are excluded from the Act’s definition of counterfeit goods. Also, Congress intended to

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213. See supra note 212. This conclusion is based on two precepts. First, grey market goods do not trigger Lanham Act liability. "Trademark infringement is consistently defined in trademark law as the use of reproductions, copies, counterfeits or colorable imitations of genuine trademarks". Vivitar Corp., 585 F. Supp. at 1423 (emphasis added); see The Lanham Act, 15 U.S.C. §§ 1114, 1118, 1124, 1127 (1982). A grey market good bears a genuine trademark. Therefore, the Lanham Act is the inappropriate body of federal law to regulate the importation of grey market goods. Second, the 1984 Act’s language excludes goods bearing authorized trademarks from its definition of counterfeit goods. See supra note 131.

Moreover, the 1984 Act’s legislative history confirms that the importation and distribution of grey market goods do not constitute proscribed conduct. "[T]he bill does not reach trafficking in authentic goods that have been obtained from overseas markets and imported into the United States—so-called "gray market goods" since the trademark on such goods was placed there with the authorization of the trademark owner . . . . The Committee does not consider such goods counterfeit for purposes of this legislation." S. Rep. No. 98-526, 98th Cong., 2d Sess. 1, 11, reprinted in 1984 U.S. CODE CONG. & AD. NEWS 3627, 3637.


215. See supra note 211 and accompanying text.

216. See id.

217. See supra notes 154, 213 and accompanying text.
exclude unauthorized overruns from the Act’s definition of counterfeit goods.\footnote{218}

Therefore, the following rule of construction should apply in future suits brought under the 1984 Act: if the goods in question have their genesis in legitimate production, whether foreign or domestic, their sale does not fall within the ambit of proscribed conduct under the Act. Since grey market goods are produced with the consent of the trademark owner, their distribution is not proscribed. The grey market, therefore, should continue to function unimpeded in the wake of the 1984 Act.

IV. Due Process and Its Application and Proper Scope in Trademark Litigation: the Balancing of Interests

A. Introduction

Procedural due process\footnote{219} has been considered extremely important to the overall scheme of justice\footnote{220} throughout its development by

\footnote{218. In many instances a manufacturer licenses a separate manufacturer to produce goods bearing his trademark. Overruns are merchandise which bear the trademark but are produced without the trademark owner’s permission. In other words, a manufacturer who produces beyond the quota established by the trademark owner produces overruns. \textit{See supra} note 154 and accompanying text. The production of these goods, while illegal, does not constitute marketing in counterfeit goods as contemplated by the 1984 Act. \textit{See id.}}

\footnote{219. Procedural due process is a constitutional term of art without a concrete definition. Rather, the term embodies a concept of American jurisprudence. Due process is rooted in the fifth amendment of the Constitution. Therein it is stated: "[n]o person shall . . . be deprived of life, liberty, or property, without due process of law . . . ." U.S. CONST. amend. V, § 1. The fourteenth amendment of the Constitution also incorporates into the concept of due process: "[n]or shall any State deprive any person of life, liberty, or property, without due process of law . . . ." U.S. CONST. amend. XIV, § 1.

These procedural safeguards have their roots in the notion that "conditions of personal freedom can be preserved only when there is some institutional check on arbitrary government action." L. Tribe, \textit{American Constitutional Law} 501 (1979); \textit{see also} Kadish, \textit{Methodology and Criteria in Due Process Adjudication—A Survey and Criticism}, 66 \textit{Yale L.J.} 319, 340 (1957).

\footnote{220. While procedural due process is an amorphous term, certain rights and liberties have defined its parameters. One such right is the right to be heard prior to the commencement of judicial proceedings. \textit{See} Memphis Light, Gas & Water Div. v. Craft, 436 U.S. 1, 20 (1978); Flagg Bros., Inc. v. Brooks, 436 U.S. 149, 156 (1978); Carey v. Sugar, 425 U.S. 73, 77 (1976) (per curiam); Gerstein v. Pugh, 420 U.S. 103, 127 (1975) (Stewart, J., concurring); Pirolo v. City of Clearwater, 711 F.2d 1006, 1016-19 (11th Cir. 1983); Buller v. Buechler, 706 F.2d 844, 847 n.4 (8th Cir. 1983); Reed v. Village of Shorewood, 704 F.2d 943, 949 (7th Cir. 1983); Lewis Serv. Center, Inc. v. Mack Fin. Corp., 696 F.2d 66, 69 (8th Cir. 1982); Amstar Corp. v. S/S Alexandros T., 664 F.2d 904, 906-13 (4th Cir. 1981); Valley Fin. v. United States, 629 F.2d 162, 170 (D.D.C. 1980), \textit{cert. denied}, 451}
the Supreme Court. The due process clause is based on the belief that it is fundamentally unfair to deprive an individual of a life, liberty or property interest without first having notified that individual of the pendency of the action and granting him an opportunity to be heard. However, the opportunity to be heard is not an absolute right. In certain limited circumstances, notice to a defendant may retard, rather than promote, the cause of justice. Notice should not be given in situations where the defendant will flee the jurisdiction or destroy the subject matter of the action. In trademark litigation, the issue of notice is paramount. It has been argued that the Act’s provision for ex parte relief impermissibly impinges upon constitutionally guaranteed rights.

U.S. 1018 (1981); Mohawk Excavating, Inc. v. OS & H, 549 F.2d 859, 862 (2d Cir. 1977).
222. See supra note 219.
223. See id.
224. See id.
226. The Supreme Court has recognized that “[ex parte temporary restraining orders are no doubt necessary in certain circumstances . . . .]” Granny Goose Foods, Inc. v. Teamsters, 415 U.S. 423, 439 (1974); see Carroll v. President and Commissioners of Princess Anne, 393 U.S. 175, 180 (1968) (“[t]here is a place in our jurisprudence for ex parte issuance, without notice . . . .”); In re Vuitton et Fils, S.A., 606 F.2d 1, 4 (2d Cir. 1979) (per curiam).
227. A typical fact pattern involves a manufacturer’s efforts to restrain a counterfeiter from distributing counterfeit merchandise. If notice is given to the counterfeiter, he might remove himself and/or the merchandise beyond the jurisdiction of the court, sell the merchandise to innocent third parties, or destroy it (and hence the evidence of the crime). Notice in this situation would disserve rather than promote the cause of justice.

As one court has noted, “[i]f notice is required, that notice all too often appears to serve only to render fruitless further prosecution of the action. This is precisely contrary to the normal and intended role of ‘notice’ . . . .” Vuitton et Fils S.A., 606 F.2d at 5 (court notes that in appropriate case involving counterfeit goods ex parte seizure order should issue); accord Vuitton et Fils, S.A. v. Carousel Handbags, 592 F.2d 126, 129 n.5 (2d Cir. 1979) (same).
228. See supra note 227 and accompanying text.
229. See supra note 31 for a definition of counterfeit good.
Opponents of the 1984 Act, who envision overly zealous competitors using *ex parte* relief to stifle legitimate competition, argue that the statute must be redrawn to authorize suppression of counterfeit goods only.\textsuperscript{231} Failure to do so, opponents argue, will result in an anti-competitive environment.\textsuperscript{232} However, an examination of the legislative history of the 1984 Act, coupled with an analysis of the *ex parte* seizure order in the federal courts, suggest that this provisional remedy will not work constitutional deprivations in future trademark cases.\textsuperscript{233}

B. *Ex Parte* Relief: A Historical Perspective

The *ex parte* seizure order\textsuperscript{234} derives from the ancient common

231. See supra notes 39-42 and accompanying text.
232. See id.
233. See infra notes 266-309 and accompanying text.
234. Seizure orders will be considered in the context of both the Federal Rules of Civil Procedure and federal case law. While there are state rules of civil procedure for *ex parte* relief, this issue will not be considered herein. In cases involving counterfeit trademarked merchandise, a court may order its seizure pursuant to the Lanham Act. The applicable section reads 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 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.


[With respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon *ex parte* application, grant an order . . . providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation.


The addition of the words "records documenting the manufacture, sale, or receipt of things involved in such violation" is extremely important. Under the Lanham Act prior to its amendment, the seizure of business records was not specifically authorized. See Bainton, *supra* note 16, at 462. Plaintiffs, therefore, could not readily establish the volume of counterfeiting perpetrated by defendant. Thus, plaintiffs had "no realistic hope of recovering the counterfeiter's profits in civil litigation." *Id.* at 462. The new statutory predicate for seizing business records is intended to eliminate this result.

Federal Rule of Civil Procedure 65(b) governs the granting of *ex parte* relief. It reads in pertinent part:

A temporary restraining order may be granted without written or oral
law writ of replevin. Replevin is a provisional remedy deeply rooted in the common law history of the United States, whose goal is to restore possession of a disputed chattel to the plaintiff during the pendency of the action. An action in replevin, which is an action at law, is predicated on the defendant's wrongful taking and possession of a chattel and the existence of a superior possessory interest in the plaintiff.

The _ex parte_ seizure order, the analog to the writ of replevin, is codified at Rule 65(b) of the Federal Rules of Civil Procedure. The goal of the modern _ex parte_ seizure order is to preserve the

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notice to the adverse party or his attorney only if (1) it clearly appears from specific facts shown by affidavit or by the verified complaint that immediate and irreparable injury, loss, or damage will result to the applicant before the adverse party or his attorney can be heard in opposition, and (2) the applicant's attorney certifies to the court in writing the efforts, if any, which have been made to give the notice and the reasons supporting his claim that notice should not be required.


236. _Fuentes_, 407 U.S. at 78-79.

237. _See_ id.

238. While it is clear that there exists a similarity between the common law writ of replevin and modern statutory seizure orders, there are dissimilarities as well. As the Court noted in _Fuentes_, there exists a distinction between the wrongful possession of a chattel and the wrongful taking of the chattel. In the former, an action in replevin would lie, whereas in the latter it would not. _See_ _Fuentes_, 407 U.S. at 79-80. Replevin at common law is a form of action employed to regain possession of personal chattels which have been wrongfully taken from the plaintiff. _See_ _Cobbey_, _supra_ note 235, at 29.

239. Under the Federal Rules of Civil Procedure, Rule 65(b) encompasses requests for injunctions. _See_ C. WRIGHT & A. MILLER, FEDERAL PRACTICE AND PROCEDURE: CIVIL § 2941 (1973) [hereinafter cited as WRIGHT & MILLER]. Thus it is important to distinguish the temporary restraining order from the injunction:

Applicants for injunctive relief occasionally are faced with the possibility that irreparable injury will occur before the hearing for a preliminary injunction required by Rule 65(a) can be held. In that event a temporary restraining order may be available under Rule 65(b). The order is designed to preserve the status quo until there is an opportunity to hold a hearing on the application for a preliminary injunction and may be issued with or without notice to the adverse party.

_id._ at § 2951. For a judicial discussion of _ex parte_ seizure orders issued pursuant to Rule 65(b), see _Vuitton et Fils S.A._, 606 F.2d at 2-4.
status quo ante. This goal is especially important in trademark litigation. Should notice serve to “alert” the defendant to an impending civil action, he may flee the jurisdiction or otherwise render it impossible to obtain meaningful judgment. Thus, the preservation of the status quo is at the heart of both the modern and the ancient remedial procedures.

C. The Ex Parte Seizure Order in the Federal Courts: Procedural Aspects

A temporary restraining order may be issued ex parte when the court determines that a showing of immediate and irreparable harm and specific facts which support a demand for foregoing notice have been made. Under the new amendment authorizing ex parte seizures, the standards resemble those required by Rule 65(b) of the Federal Rules of Civil Procedure. From a procedural viewpoint, these elements are readily established when a plaintiff seeks to restrain a blatant commercial counterfeiter. A court, therefore, should use Rule 65(b) and its interpretation by the federal courts in construing the 1984 Act.

1. Immediate and Irreparable Harm

A showing by the plaintiff of a threat of irreparable harm is a prerequisite of equity jurisdiction. The plaintiff must make a showing of the inadequacy of the remedy at law to invoke the court’s


241. One court has labeled this scenario a “shell game” which causes great expense and damage to the plaintiff. Vuitton et Fils S.A., 606 F.2d at 2. Therein the court stated:

If after Vuitton has identified a counterfeiter with an inventory of fake merchandise, that counterfeiter is permitted to dispose of that merchandise with relative impunity after he learns of the imminence of litigation but before he is enjoined from doing so, Vuitton’s trademark enforcement program will be stymied and the community of counterfeaters will be permitted to continue to play its “shell game” at great expense and damage to Vuitton.

Id.

242. See supra notes 239-40 and accompanying text.
243. See Fed. R. Civ. P. 65(b); supra note 234.
244. See supra note 31 and accompanying text.
Money damages are generally inadequate in a trademark counterfeiting action for two reasons. First, counterfeiting is a business tort in which the injury is to a commercial interest rather than personal, bodily injury. The plaintiff must, therefore, come forward with evidence to establish a basis on which to rest his damage claim. This burden of proof is one that most victims of commercial counterfeiting cannot sustain. Thus, money damages at law are inadequate. Second, the trademark owner's goodwill, a unique business asset, is damaged when imitation merchandise bearing his mark is sold. If the defendant's goods are of inferior quality, plaintiff's professional reputation will be tarnished. The destruction of this unique asset is also not readily calculable in money damages.

It is in cases of blatant commercial counterfeiting that this leg of Rule 65(b) is readily established.

2. Establishing Why Notice is Not Required in Commercial Counterfeiting

The second requirement of ex parte relief in the federal courts is a showing that notice is not required. In commercial counterfeiting
cases, this element is also readily established. There are two principle reasons why notice, which should not be used to frustrate the cause of justice, should not issue in commercial counterfeiting cases. First, in many instances, the plaintiff must act quickly in order to protect the public from imminent harm. Seizure of dangerous counterfeit goods is appropriate because the goods often constitute a threat to public welfare in se. Second, the seizure of the counterfeit goods and the defendant’s business records are inextricably linked to the plaintiff’s securing a final and meaningful judgment.


Ex parte orders are extraordinary remedies. By definition, their issuance should be stringently limited. When examining whether a plaintiff has made a prima facie showing that notice is not required, several factors should be examined. First, a court should determine if there is a less onerous alternative to effectuate the plaintiff’s needs. Second, the court should examine whether the defendant

256. See supra note 241 and accompanying text.
257. See supra notes 21-26 and accompanying text.
258. See supra notes 21-26 and accompanying text for a discussion of the dangers posed by counterfeit goods.
259. The plaintiff must obtain the defendant's business records if he is to secure the evidence necessary to meet his burden of proving damages. See supra notes 241, 247-54 and accompanying text for a discussion of the plaintiff’s burden in establishing a damage claim.
260. The legislative history of the 1984 Act indicates that “[t]he Committee recognize[d] that, ex parte seizure orders are an extraordinary remedy, which must be used sparingly and only as needed.” S. REP. No. 98-526, 98th Cong., 2d Sess. 1, 15, reprinted in 1984 U.S. CODE CONG. & AD. NEWS 3627, 3642.
261. In general, ‘ex parte proceedings . . . have never been favored by the law.’ Note, Temporary Restraining Orders, 40 Ky. L.J. 98, 98 (1951-1952); Vuitton et Fils, 606 F.2d at 4-5.
262. A host of alternative remedies exist which may effectuate the plaintiff's needs. Tactically, it may be wise for the plaintiff to refrain from seeking the most judicially unpalatable remedy, the ex parte seizure order, unless absolutely necessary. As one practitioner has noted, “[t]he arsenal in trademark counterfeiting cases is formidable . . . the attorney, therefore, should never ask for more than he needs.” Seizure Orders, supra note 16, at 468. Bainton cites the following remedies as viable alternatives to the ex parte seizure order:
1. A preliminary injunction brought on for hearing by regular notice of motion.
2. A preliminary injunction brought on by order to show cause.
3. A preliminary injunction brought on for hearing by order to show cause coupled with a temporary restraining order entered after giving
is a proper subject for an *ex parte* order. Several factors should be considered. The court should investigate whether the defendant runs a transient operation. The court should also determine whether the defendant has a good faith reason to believe the goods in question are indeed legitimate. Blatant counterfeitters could not meet this burden.

the defendant notice of presentation of the application for the temporary restraining order and an opportunity to be heard.

4. A preliminary injunction brought on for hearing by order to show cause coupled with a temporary restraining order issued *ex parte*.

5. A preliminary injunction brought on for hearing by order to show cause coupled with (a) a temporary restraining order issued *ex parte*, (b) an order sealing the file pending service of the order to show cause and temporary restraining order.

6. A preliminary injunction brought on for hearing by order to show cause coupled with (a) a temporary restraining order issued *ex parte*, (b) an order sealing the file pending service of the order to show cause and temporary restraining order, and (c) an order directing the United States Marshall or one of his deputies to enter the defendant's premises and seize and impound all infringing articles, all devices used to manufacture or advertise such infringing articles, and all books, records and other documents which related to such infringing articles.

7. A preliminary injunction brought on for hearing by order to show cause coupled with (a) a temporary restraining order issued *ex parte*, (b) an order sealing the file pending service of the order to show cause and temporary retraining order, and (c) an order directing the United States Marshall or one of his deputies to use such reasonable force as the circumstances warrant to gain entrance to the defendant’s premises and seize and impound all infringing articles, and all books, records and other documents which relate to such infringing articles.

*Id.* at 468-69.

263. It is clear that the restraint of transient defendants is one of the primary purposes in seeking an *ex parte* order. See *Vuitton et Fils S.A.*, 606 F.2d at 2-3. Congress sought to limit the potential abuse of the 1984 Act’s remedies by articulating which “*type*” of defendants it believed to be the proper target of *ex parte* relief. For example, the Committee noted, “[w]e do not believe that it would be appropriate to issue an *ex parte* seizure order when the defendant is a reputable merchant, absent unusual circumstances.” S. Rep. No. 98-526, 98th Cong., 2d Sess. 1, 8, reprinted in *U.S. Code Cong. & Ad. News* 3627, 3634. The Committee incorporated as a “general principle” that *ex parte* orders should focus mainly on the *Vuitton type criminal.* *Id.* (emphasis added). For a discussion of the problems faced by plaintiff in establishing a reasonable damage figure, see *supra* notes 247-50 and accompanying text.

264. *See supra* note 263 and accompanying text.

265. The 1984 Act is designed to contain a “safe harbor” provision from both civil and criminal liability. S. Rep. No. 98-526, 98th Cong., 2d Sess. 1, 8, reprinted in 1984 *U.S. Code Cong. & Ad. News* 3627, 3639. Congress outlined two steps which preclude liability under the 1984 Act. First, the concerned party may notify a trademark owner by actual written notice of his intent to use a similar mark. *See id.* Second, the party may affix a label on his goods disclaiming any connection with the owner of the registered mark. *See id.* A party’s failure to comply with these two steps does not necessarily establish liability. *See id.*
By examining these factors to determine whether the plaintiff has met the procedural requirements of the 1984 Act, a court can more readily effectuate the goals of the 1984 Act which was not intended to replace all prior trademark procedures. If the aforementioned good faith factors are present, then the plaintiff should be denied an ex parte order for having failed to establish why an ex parte order is warranted. Thus, legitimate business practices should not be impeded by the issuance of ex parte orders. Moreover, in applying a due process balancing test to the competing interests involved, the societal interest in arresting the problem of commercial counterfeiting simply outweighs the counterfeiter's possessory interest in his chattels.

V. The Proper Scope of Due Process in Trademark Litigation

A. Introduction

Due process reflects the belief that a fair and just society must protect the fundamental principles of liberty and justice which are the underpinnings of jurisprudence. Therefore, a different balancing test should be employed in the area of trademark law when an individual tortiously usurps the property rights of another. While society must protect the recognized rights and liberties of its members procedurally, a balancing of the competing interests tips decisively in favor of the trademark owner who seeks to restrain those engaged in the destruction of his good will. Due process

266. See supra notes 243-59 and accompanying text.
267. Congress emphasized that the 1984 Act does not reach cases of innocent infringement. Rather, other bodies of federal law, such as the Lanham Act and the Tariff Act may cover these situations. See S. Rep. No. 98-526, 98th Cong., 2d Sess. 1, 12, reprinted in 1984 U.S. CODE CONG. & AD. NEWS 3627, 3638.
268. See supra note 265 and accompanying text.
269. See supra notes 263-65 and accompanying text.
270. See infra notes 311-43 and accompanying text.
271. For a discussion of due process, see supra notes 219-27 and accompanying text. As Justice Stewart noted, "[f]or more than a century the central meaning of procedural due process has been clear: 'Parties whose rights are to be affected are entitled to be heard; and in order that they may enjoy that right they must first be notified.' " Fuentes v. Shevin, 407 U.S. at 80 (quoting Baldwin v. Hale, 68 U.S. 223, 233 (1863)).
272. This conclusion flows naturally from judicial interpretation of the due process clause. The Supreme Court has examined the issue of ex parte relief in a series of cases involving debtor-creditor relationships. See, e.g., id.
273. Commercial counterfeiting has been elevated to a federal crime by the 1984 Act. See supra note 31.
should not be interpreted so as to unduly shield activities such as commercial counterfeiting from judicial scrutiny. The property interest of the counterfeiter is surely outweighed by the societal interest in protecting consumers from the attendant ills of commercial counterfeiting.

In the absence of Supreme Court guidance on the issue of what process is due in trademark counterfeiting litigation, a balancing test which greatly favors the trademark owner can be inferred. Federal courts addressing due process standards in counterfeit good seizures have generally relied on a body of Supreme Court precedent announced in several cases involving debtor-creditor relationships. In Sniadach v. Family Finance Corp. and Fuentes v. Shevin, the Supreme Court analyzed what constitutional limitations should be placed on state remedies available to creditors in pre-judgment seizure statutes. In finding the statutes involved in both Sniadach and Fuentes constitutionally defective, the Court articulated a due process standard which mandated, absent a showing of a compelling state interest, that an opportunity to be heard be "granted" before chattels are taken from their possessor.

In the seminal case of In re Vuitton et Fils S.A., the Second Circuit incorporated this Supreme Court precedent into its analysis of the proper scope of due process in a commercial counterfeiting case. This reliance may have been misplaced. Unlike the defendant in a secured transaction case, the defendant in a commercial

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274. See supra notes 271-73 and accompanying text.
275. See supra notes 21-26 and accompanying text for a discussion of some of the dangers of commercial counterfeiting.
276. As of December 31, 1985, the Supreme Court has not reviewed any actions brought under the 1984 Act.
277. See infra notes 316-21 and accompanying text.
278. The seminal case in the area is a Second Circuit decision. In re Vuitton et Fils S.A., 606 F.2d 1 (2d Cir. 1979) (per curiam). This case has been extremely influential. As one district court has noted, "many [counterfeit seizure] decisions derive from the recognition in the seminal case of In re Vuitton et Fils S.A. . . . that [commercial counterfeiting warrants ex parte relief]." Fimab-Finanziaria Media Fili Biellese Fratelli Fila S.p.A. v. Kitchen, 548 F. Supp. 248, 250 (S.D. Fla. 1982).
283. In re Vuitton et Fils S.A., 606 F.2d 1 (2d Cir. 1979) (per curiam).
284. See id. at 3-5.
285. Fuentes involved a conditional contract sale. Therein appellants purchased consumer durables on credit. Fuentes, 407 U.S. at 70-71. The statutes in issue
counterfeiting case cannot trace his initial contact with the plaintiff to a “meeting of the minds.” Rather, the defendant’s initial contact with the plaintiff usually occurs when the plaintiff seeks to restrain the defendant’s tortious conduct. An examination of both the Supreme Court cases and the Second Circuit’s analysis in Vuitton confirms that a narrow scope of due process liberties is implicated by seizures brought pursuant to the 1984 Act.

B. The Development of Procedural Due Process Standards: Supreme Court Precedent

The Supreme Court addressed the issue of due process in commercial litigation several times during the 1960’s and 1970’s. This line of cases suggested that ex parte remedies are unavailable except in the most extraordinary of circumstances in commercial litigation. Justice Marshall once noted that the “stringent restrictions” imposed on the availability of ex parte relief stem from the fact that our entire jurisprudence runs counter to the notion of court action before notice has been granted to both sides of a dispute. These decisions had been interpreted by federal courts to all but preclude the granting of ex parte relief.

authorized state agents to seize chattels by ex parte application. Id. at 69. The statutes, therefore, facilitated the replevy of goods purchased on credit when the purchaser defaulted upon the installment payments. Id. at 70-71.

286. A contract denotes a voluntary agreement between the parties to undertake legally enforceable obligations. See J. CALAMARI & J. PERILLO, CONTRACTS 24 (2d ed. 1977). It is said, therefore, that the parties have come to “a meeting of the minds” when they enter into a contract. See id. The mutual assent which forms the foundation of a contract is clearly not present in a commercial counterfeiting case. See id. (discussion of mutual assent); see also Williston, Freedom of Contract, 6 CORNELL L. REV. 365 (1931) (same).

287. See supra note 286 and accompanying text.

288. In re Vuitton et Fils, S.A., 606 F.2d 1 (2d Cir. 1979) (per curiam).


290. See Seizure Orders, supra note 16, at 460. The author noted that “[u]ntil a few years ago, based on the still relatively new procedural due process decisions . . . it was thought in some circles that injunctive relief could not be granted ex parte.” Id.


292. See id.

293. See infra notes 313-15 and accompanying text.

In *Sniadach,*[^294] the petitioner contended that a Wisconsin statute authorizing *in rem* seizure of a debtor's wages, without prior notice and an opportunity to be heard, violated the Due Process Clause.[^295] The garnishment procedure in issue did not call for judicial participation in the determination of whether the seizure order should issue.[^296] The Court noted that the statute was not narrowly drawn to meet the needs of "extraordinary situations."[^297] Rather, the statute authorized *in rem* seizure of property interests without notice when *in personam* jurisdiction was readily available.[^298] Given these facts and the absence of a compelling state interest,[^299] the Court held the prejudgment garnishment proceeding violative of "the fundamental principles of due process."[^300]

2. *Fuentes v. Shevin*

In *Fuentes*[^301] the petitioners purchased goods on credit from retailers. The contract between the parties contained a clause wherein it was stated that a default on payments would entitle the creditor to repossess the goods.[^302] Upon default, the retailers utilized state remedies authorizing pre-judgment seizure of the chattels.[^303] The statutes did not provide for notice.[^304]

[^295]: Id. at 338.
[^296]: Id. at 338-39.
[^298]: Id. *In personam* jurisdiction was clearly available over the petitioner in *Sniadach.* See *id.* at 338-39. The benefit of exercising personal jurisdiction over the defendant before seizing his property lies in the fact that appearances by both parties to a dispute will aid in the establishing the validity of the party's claim. As Justice Stewart noted, "[s]ince [a creditor's] private gain is at stake, the danger is all too great that his confidence in his cause will be misplaced." *Fuentes,* 407 U.S. at 83. Notice and an opportunity to be heard, therefore, minimize potentially mistaken deprivations of property. See *id.*
[^299]: *Sniadach,* 395 U.S. at 341-42.
[^300]: Id. at 342.
[^302]: Id. at 70.
[^303]: Id. at 70-71.
[^304]: Id. at 69-70.
The Court found that the statutes were constitutionally defective for several reasons. First, since no important state interest was jeopardized, due process guaranteed to plaintiff an opportunity to be heard prior to the seizure of the goods. Second, the bond posting requirement had a minimal deterrent effect and, therefore, was not a sufficient safeguard to permit dispensing with notice requirements. The Court reaffirmed the basic postulate that "[p]arties whose rights are to be affected are entitled to be heard; and in order that they may enjoy that right they must first be notified."

3. Granny Goose Foods, Inc. v. Teamsters

In Granny Goose, the Court addressed the durational aspect of an ex parte temporary restraining order issued during a labor dispute. The issue before the Court was whether the temporary restraining order issued by a state court remained in full force after removal of the case to federal district court. The Court, noting that the concept of jurisprudence ran contrary to the granting of ex parte relief, stated that the maximum duration of an ex parte restraining order issued pursuant to Rule 65(b) was the ten-day period authorized by statute and no more.

Once again, jurisprudential concerns caused a majority of the Court to limit the application of ex parte relief. Though not specifically addressing the same possessory due process concerns raised by Fuentes, Granny Goose stands for the broader proposition that the use of ex parte relief must be "stringently" limited by federal courts.

As one commentator noted, these Supreme Court decisions addressing procedural due process had a profound effect on federal judges. Federal judges came to "frown" upon granting ex parte relief. Due process required, it was believed, the giving of notice and the granting of an opportunity to be heard to civil litigants.

305. Id. at 90-94.
306. Id. at 83-84.
307. Id. at 80 (quoting Baldwin v. Hale, 68 U.S. 223, 233 (1863)).
309. Id. at 434-40.
310. See id.
311. Id. at 442-44.
312. Id. at 438-39.
313. Seizure Orders, supra note 16, at 460.
314. See id.
prior to the State's authorization of seizure of chattels. These Supreme Court cases suggested that *ex parte* relief in commercial counterfeiting cases was inconsistent with the due process standards articulated by the Court in *Sniadach, Fuentes* and *Granny Goose*. Decisions following the *Sniadach* line of cases narrowed the sweeping language of the *Fuentes* decision.

These later decisions suggest that it is not whether notice and an opportunity to be heard prior to a taking of a property interest that is dispositive of the due process issues implicated by statutes that provide for *ex parte* relief. Rather, due process requirements are satisfied provided that the ultimate determination of the propriety of the taking rests with the judiciary. Thus, if a judicial hearing is provided after the taking, due process principles are not offended. *Mitchell v. W.T. Grant Co.*, is illustrative of this trend.

*Mitchell* involved an installment sale contract between the parties. Alleging that the petitioner was delinquent on his payments, respondent sought *ex parte* relief to secure possession of the goods during the pendency of the action. Petitioner asserted that the Louisiana statute violated the due process clause of the fourteenth amendment because the sequestration writ issued *ex parte*, without prior notice or opportunity for a hearing. In the Supreme Court,


316. As one district court has noted, "the [Supreme] Court retreated from its position in *Fuentes* in *Mitchell.*" Del's Big Saver Foods, Inc. v. Carpenter Cook, Inc., 603 F. Supp. 1071, 1074 (W.D. Wis. 1985). In *Del's Big Saver*, the district court compared the holdings of *Mitchell* with North Georgia Finishing, Inc. v. Di-Chem, Inc., 419 U.S. 601 (1975). In *Di-Chem*, the Court struck down a Georgia statute which authorized a creditor to obtain a writ of garnishment issued by a court clerk on an affidavit containing only conclusory allegations. Moreover, the statute permitted the debtor to dissolve the garnishment only after posting a security bond with the court. *Del's Big Saver*, 603 F. Supp. at 1074. The Supreme Court struck down the statute in *Di-Chem* for two reasons: First, there was no predeprivation protections as in *Mitchell* (attorney's fees and damage provisions). Second, the debtor was not entitled to an immediate hearing after the seizure to dissolve the writ. *Id.* at 1074 (citing *Di-Chem*, 419 U.S. at 607); *see Parratt v. Taylor*, 451 U.S. 527 (1981); Trans-Asiatic Oil Ltd. S.A. v. Apex Oil Co., 743 F.2d 956 (1st Cir. 1984); Gilmere v. City of Atlanta, 737 F.2d 894 (11th Cir. 1984).

317. The Court noted that the requirements of due process of law "are not technical, nor is any particular form of procedure necessary." *Mitchell v. W.T. Grant Co.*, 416 U.S. 600 (1973) (quoting Inland Empire Council v. Millis, 325 U.S. 697, 710 (1945)). The Court added that "if it is sufficient, where only property rights are concerned, that there is at some stage an opportunity for a hearing and a judicial determination." *Id.* at 612 (quoting *Ewing v. Mytinger & Casselberry*, 339 U.S. 594, 599 (1950)).


320. *See id.* at 601-02.

321. *See id.* at 603-10.
petitioner contended that a long line of cases decided by the Court required that a hearing be provided for before disturbing his possessory interest in the chattels. The Court rejected this argument and noted that the pre-Sniadach line of cases "merely stand[s] for the proposition that a hearing must be had before one is finally deprived of his property and do not at all deal with the need for a predetermination hearing where a full and immediate post-determination hearing is provided." Thus, the Court concluded by stating that the usual rule is that "[w]here only property rights are involved, mere postponement of the judicial enquiry is not a denial of due process, if the opportunity given for ultimate judicial determination is adequate."

The Court distinguished Fuentes by noting that in that case the Florida replevin statute merely required "bare assertions" by the party that he was entitled to the writ. Moreover, the statute did not require judicial supervision of the writ process. The statute was therefore found to be constitutionally defective.

In Mitchell, by contrast, the sequestration statute required "judicial control of the process from beginning to end." Moreover, the sequestration statute provided for the award of damages and attorney's fees in the event of a wrongful issuance of the writ, thus minimizing the possibility of an erroneous taking.

Thus, Mitchell stands for the proposition that due process requirements are not offended by statutes authorizing ex parte relief provided that the judiciary plays more than a perfunctory supervisory role and that alternative remedies are available to insure that the risk of an erroneous taking is minimized.

VI. The Proper Due Process Standard in Commercial Counterfeiting Litigation

In the landmark decision of In re Vuitton et Fils S.A., the Court of Appeals for the Second Circuit reversed the trend of

322. See id. at 611.
323. Id.
324. Id. (quoting Phillips v. Commissioner, 283 U.S. 589, 596 (1931)).
325. Id. at 615 (citing Fuentes v. Shevin, 407 U.S. 67, 74 (1972)).
326. Id.
327. Id.
328. Id. at 616.
329. Id. at 617.
330. Id.
331. In re Vuitton et Fils, S.A., 606 F.2d 1 (2d Cir. 1979) (per curiam).
withholding *ex parte* relief in commercial counterfeiting litigation. The court of appeals affirmed a district court decision which had granted a motion seeking an *ex parte* seizure order in a commercial counterfeiting case.\(^3\) Although the court of appeals reached the proper result, the court could have based its decision on a broader basis than the textual reading of Rule 65(b) of the Federal Rules of Civil Procedure.\(^3\)

*Ex parte* relief can effectuate a vital state interest—the seizure of dangerous counterfeit goods.\(^3\) Thus, *ex parte* relief is wholly consistent with the long recognized principal that the appropriate scope of due process should contract in the face of "public urgency." Because commercial counterfeiting generates grave health risks,\(^3\) a court should not rely on the expansive view of due process articulated by the Supreme Court in *Sniadach, Fuentes,* and *Granny Goose Foods.* Rather, a very narrow view of due process rights should be inferred.\(^3\)

VII. A Proposed Test

When determining whether an *ex parte* seizure order should issue under the 1984 Act, a court should undertake the following analysis. First, it must distinguish between goods which are produced domestically and those which are manufactured abroad. If the goods in question have a registered trademark and have their genesis in foreign production, the goods are not the proper subject of an *ex parte* order.\(^3\) Whether the goods are of domestic or foreign origin, if they are marketed through the use of a counterfeit reproduction of a trademark, they are the proper subject of an *ex parte* order.\(^3\)

In borderline cases, a court should employ a two-tier analysis. Procedural considerations\(^3\) require a clear showing of the reasons why notice should not be required before an *ex parte* order may issue. Various good faith indicia can refute this assertion.\(^3\) Moreover, a court should consider less dramatic remedies\(^3\) before au-

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332. *Id.* at 1-2.
333. *Id.* at 3-4.
334. For a discussion of the dangers of counterfeit goods, see *supra* notes 21-26 and accompanying text.
335. *See supra* notes 21-26 and accompanying text.
336. *See infra* Section VII.
337. *See supra* notes 213-14 and accompanying text.
338. *See supra* notes 260-70 and accompanying text.
339. *See supra* notes 260-70 and accompanying text.
340. *See supra* note 262 and accompanying text.
341. *See supra* notes 264-65 and accompanying text.
Authorizing an *ex parte* order. On the second tier, constitutional considerations must be considered. In cases of blatant counterfeiting, the constitutionally protected interests of the suspect counterfeiter are outweighed by the societal interest in curbing commercial counterfeiting. The *ex parte* order should therefore issue. A court confronted with a request for a seizure order should employ the due process analysis undertaken by the Supreme Court in *Mitchell*. The 1984 Act's procedures are similar to the sequestration statute in issue in *Mitchell*: there are provisions for damages and attorney's fees in the event of an erroneous issuance and the requirement of affidavits to show cause. More importantly, the 1984 Act requires judicial supervision of the issuance process from beginning to end. While cases involving *bona fide* trademark disputes present heightened constitutional considerations, the 1984 Act contains adequate procedural safeguards to minimize erroneous takings. The 1984 Act, therefore, passes constitutional muster. A court should examine the true basis of due process. If the defendant has a legitimate property interest to protect in the goods he possesses, a court should balance the interests of the party in light of the gravity of the remedy.

**VIII. Conclusion**

*Ex parte* remedies are necessary to curb the growing and historically pervasive problem of commercial counterfeiting. By evaluating the legislative history of the 1984 Act, one will perceive that Congress did not intend to impinge upon legitimate business practices. Nor does the 1984 Act contain unconstitutional seizure procedures. Accordingly, the limits on the 1984 Act's application represents a sensible legislative response to the ills of commercial counterfeiting.

*Brian J. Kearney*

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342. See *supra* notes 267-70 and accompanying text.
343. See *supra* notes 271-82 and accompanying text.