



July 18, 2008

The Honorable Jon W. Dudas
Under Secretary of Commerce for Intellectual Property and
Director of the U.S. Patent and Trademark Office (USPTO)
Mail Stop External Affairs
Director of the United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Re: Comments in Reply to: "Notice of Town Hall Meeting on the Protection of Industrial Designs" (May 28, 2008)

Director Dudas:

Intellectual Property Owners Association (IPO) offers the following remarks in response to the USPTO's request for comments on design protection as a follow-up to the recent Town Hall Meeting on the Protection of Industrial Designs held on June 16, 2008.

IPO is a trade association representing intellectual property owners in all industries and fields of technology. Our current membership includes more than 200 companies and about 10,000 individuals involved in IPO through their companies or in other member classes. IPO corporate members file about 30 percent of the patent applications filed in the USPTO by U.S. nationals.

The primary issue discussed at the Town Hall meeting was pending legislation, H.R. 5638ⁱ, a measure that seeks to create an exception from patent infringement for certain component parts used to repair another article of manufacture. IPO opposes legislation establishing such an exception in principle.ⁱⁱ After careful study, we believe the bill carries with it significant costs to a variety of industries that rely on intellectual property protection to succeed in the global marketplace. We believe the pending legislation will have a significant negative impact in at least four areas: (1) it undermines the public policy rationale behind granting intellectual property rights; (2) it unfairly targets replacement parts; (3) it revokes rights that have already been granted to patentees; and (4) it treats designers differently than other inventors.

H.R. 5638 Undermines the Policy Rationale for Intellectual Property Rights

IPO members invest tremendous time, energy and resources into developing and protecting their innovations. Core to intellectual property policy in the United States is a limited grant of exclusive rights to allow inventors and authors to recoup these investments. The proposed legislation would eliminate part of this patent protection based on a specific use of a product – a change that undermines the value of obtaining a patent. By exempting from infringement replacement parts that affect an article's appearance, the bill would decrease incentives created by the patent system that drive innovation.

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H.R. 5638 Unfairly Targets Replacement Parts

An apparent purpose of the bill is to reduce the cost of automobile replacement parts by removing the ability of automobile manufacturers to obtain effective design patent protection on these parts. Such a change in the statute would unfairly target makers of original automobile products while providing new benefits to those who make only replacement parts. In essence, the bill would eliminate the cost of entering the market for those who produce repair parts while increasing costs borne by the maker of the original product. As drafted, the legislation would limit rights – granted in both design and utility patents -- covering any product that could conceivably be used for a repair that affects the product's appearance. We oppose the bill based on the effect it would have on the automobile industry and its effect on many consumer products outside of the automobile industry. For example, rights would be affected in a design patent for a faucet handle that may become worn and require replacement, or possibly even a utility patent for a paint used to return an article of manufacture to its original appearance.

Additionally, the proposed legislation would have the effect of exacerbating problems that U.S. manufacturers currently face in their efforts to combat counterfeit products imported from abroad ("photocopy-like" parts manufactured in low-wage countries) by eliminating an enforcement tool used today by U.S. intellectual property owners.

H.R. 5638 Would Take Away Existing Rights

The proposed legislation would take away existing property rights from patent owners – covering countless products currently sold in the U.S. – that could fall within the bill's exemption. The Fifth Amendment to the U.S. Constitution prohibits the taking of private property for public use, without just compensation. H.R. 5638 effectively takes away a private property right already granted by the government and transfers it to the public. There is no mention in the proposed legislation of any "just compensation" that might provide remuneration for those harmed upon enactment of the bill.

H.R. 5638 Creates an Uneven Playing Field

Finally, because the proposed legislation focuses on the "use" of the component part as it relates to an article of manufacture's "original appearance," it places different manufacturers of the same types of products in drastically different positions. Take for example a vehicle requiring a new fender, headlight and starter. The fender is typically protected only by design patents. The headlight is frequently protected by both utility and design patents and the starter is protected by utility patents. Under the bill, U.S. manufacturers can protect the starter but not the fender or headlight if a defendant is selling parts to repair the items. The premise underlying the bill seems to be that the design elements of some visible components merit less protection – in essence, that the work of a designer is less important than that of an engineer.

America's designers create many of the world's most sought-after products. Eliminating protection in a piecemeal way as proposed by this bill would create an uneven playing field and significantly decrease the value of products developed by U.S. innovators.

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INTELLECTUAL PROPERTY OWNERS ASSOCIATION

Comments on Design Rights

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For these reasons IPO strongly opposes enactment of H.R. 5638. We appreciate the opportunity to present these comments on H.R. 5638 as it affects design patent law in the United States and to contribute to the discussion initiated at the June 16 Town Hall meeting.

Sincerely,



Steven Miller
President

ⁱ H.R.5638 was introduced by Congresswoman Zoe Lofgren (CA-16) on March 13, 2008.

ⁱⁱ In Jan. 2008, before introduction of H.R. 5638, the IPO Board of Directors adopted the following resolution: [Exemptions for Replacement Automobile Parts] -- *RESOLVED*, IPO opposes, in principle, legislation which would provide exemptions to U.S. intellectual property law to remove from infringement liability certain products or designs and believes the law should aim to treat all intellectual property rights similarly. In particular, IPO opposes legislation that would exempt replacement automobile parts from infringing U.S. design patents (adopted 01/30/2008).