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June 25, 2012

Honorable David Aguilar
Acting Commissioner
U.S. Customs and Border Protection
799 9th Street NW
Washington, DC 20229-0011
Attn: Mr. Paul Pizzeck

Submitted via: <http://www.regulations.gov>

RE: IPO Comments on “Disclosure of Information for Certain Intellectual Property Rights Enforced at the Border”

Dear Acting Commissioner Aguilar:

Thank you for the opportunity to comment on “Disclosure of Information for Certain Intellectual Property Rights Enforced at the Border,” 77 FR 24375.

Intellectual Property Owners Association (IPO) is a trade association for companies and others who own or are interested in patents, trademarks, copyrights and trade secrets, and other forms of intellectual property rights. IPO is the only association in the United States that serves all intellectual property owners in all industries and all fields of technology. Governed by a 50-member corporate board of directors, IPO advocates effective and affordable intellectual property rights on behalf of its more than 200 corporate members and more than 12,000 individuals involved in the association.

I. Introduction

The interim rule, effective when published on April 24, 2012, allows the U.S. Department of the Treasury (Treasury) and U.S. Customs and Border Protection (CBP) to disclose to a trademark holder information appearing on merchandise or its retail packaging for purposes of assisting CBP in determining whether the product is genuine or counterfeit. The interim rule allows disclosure of unredacted information to the rights holder, however, only after first giving the importer the opportunity to provide information. The justification advanced is that the information may be protected by the federal Trade Secrets Act (18 U.S.C. § 1905). We believe reliance upon the Trade Secret Act is incorrect, and certain provisions in the amended interim rule do not comport with the spirit of the CBP regulations, or with the National Defense Authorization Act of 2012 (NDAA). The amended interim rule has the potential unintended consequence of protecting importers of counterfeit products.

The interim rule incorporates a seven-day waiting period to permit the importer to establish “to CBP’s satisfaction that the detained merchandise *does not bear a counterfeit mark.*” (Emphasis added.) This occurs before the rights holders are notified, if they are notified at all, that merchandise has been detained. The goods may be released to the importer without any notice or opportunity for the rights holder to be heard. The rights holders, we might add, have already met the requisite regulatory requirements and paid the requisite fees to the United States Patent and Trademark Office and to CBP to be recorded.

The extra step of involving the importer is not required by any federal law or regulation. The NDAA states that unredacted samples or photos may be provided; it is silent as to the involvement of importers. Section 133 of title 19 CFR provides for making samples available at detention – it says nothing of redacted samples. Section 1905 of 18 U.S.C. only imposes a criminal sanction to the extent that personally identifiable information was disclosed by a government agent not authorized by law. The disclosure to rights holders of all information on a product is authorized by law.

IPO respectfully requests that the language providing the seven-day waiting period be struck and the interim rule otherwise be made final, so that immediately upon detention, CBP may provide unredacted samples or photographs, including digital photographs, to the rights holder for a determination of whether the product being detained is genuine.

II. The National Defense Authorization Act Authorized CBP to Disclose Unredacted Information to Rights Holders

On December 31, 2011, President Obama signed the NDAA into law. Section 818(g) of that Act grants Treasury the authority to disclose, for all products:

information appearing on and unredacted samples of products and their packaging and labels or photographs of such products packaging and labels with the rightsholders of the trademarks suspected of being copied or simulated for purposes of determining whether the products are prohibited from importation pursuant to [section 42 of the Lanham Act].

While IPO took the position previously that there never was a Trade Secrets Act issue, the NDAA expressly provides that CBP is “authorized by law” to provide unredacted samples or photographs directly to the rights holders. We believe the interim rule has created a burdensome, unnecessary and potentially dangerous process by inserting the requirement to involve the importer.

III. The Interim Rule is Vague and Provides No Standard

We do not recall a time previously when CBP and Treasury provided a formal process for inserting the importer into the mark authentication process. The interim rule withholds information from rights holders and permits the importer to obtain release of the suspect product if the importer somehow provides “information ... establishing to CBP’s satisfaction that the detained merchandise does not bear a counterfeit mark.” Because “satisfaction” is not defined in the interim rule, the rule is vague and provides no standard.

IPO believes the interim rule should be clarified so that rights holders are the authorities on what is in fact genuine merchandise bearing authorized marks.

IV. Law-Abiding Importers Cannot Authenticate Products and Dishonest Importers Will Falsify Documents

Trademarks are symbols that product manufacturers and consumers rely on to identify legitimate, trusted products. This is particularly important with respect to products that affect health and safety. Many of the products arriving at our ports are complex. Products cannot be easily authenticated as genuine except by the rights holders themselves. The codes publicly visible on the surface of the products and their labels have meaning only to the rights holder. The codes are information belonging to the rights holder, not the importer. It is virtually impossible for the importer to verify that a detained product is not counterfeit, short of asking the rights holders to provide verification. The Government Accountability Office recently studied the availability of counterfeit parts on the Internet.¹ It employed a sophisticated organization that ran nine (9) tests to determine authenticity. There is no indication in the rule that testing will be required to “satisfy” CBP.

In a highly publicized case relating to the prosecution of criminal importers of counterfeit chips, the United States Attorney for the District of Columbia found that the defendant was committing fraud on a massive scale. The defendant created false Certificates of Conformance and lied to customers both in written and oral statements. The defendant pled guilty to a felony for selling counterfeit products. Such a defendant would not hesitate to make false statements to CBP as to the “authenticity” of recorded marks.² On May 23, 2012, the Senate Armed Services Committee reported that it found

¹ DOD Supply Chain: Suspect Counterfeit Electronic Parts Can Be Found on Internet Purchasing Platforms (GAO 12-37, February 2012). Available at <http://gao.gov/assets/590/588736.pdf>.

² United States v. Stephanie McCloskey, Crim. 10-245 (PLF) (D.C.D.C. 2010)

about 1,800 cases of suspected counterfeit electronics components in the Defense Department's IT supply chain.³

The simple and efficient method to authenticate suspect counterfeit products is for CBP to return to its practice suspended in 2008 – providing rights holders with unredacted photographs of the production codes on the products and labels. This will protect the innocent importer—no small consideration. An innocent importer runs the risk of being duped by a counterfeiter who supplies unauthorized goods in the first instance. The mere act of the importer in getting a certificate of authenticity from the source (counterfeiter) who duped the importer will not improve CBP's procedures in authentication of suspect counterfeit products.

V. Conclusion

IPO urges amendment of the rule to restore the rights holders' role in identifying counterfeit products, by reinstating the practice of providing rights holders with unredacted samples and photographs of suspected products. We strongly oppose giving importers the principal role in authenticating detained products. Innocent importers are generally incapable of authentication and bad-faith importers of counterfeit goods will provide forged documents and make false statements in an effort to satisfy CBP that the detained goods are authentic. We respectfully request that CBP provide rights holders with unredacted samples and a direct voice in determining authenticity.

We thank you for the opportunity to provide these comments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Phillips', written over a horizontal line.

Richard Phillips
President

³ Available at <http://www.armed-services.senate.gov/Publications/Counterfeit%20Electronic%20Parts.pdf>.