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August 10, 2012

Ms. Victoria Espinel
Office of the Intellectual Property Enforcement Coordinator
Executive Office of the President
725 17th Street, NW
Washington, DC 20503

Submitted via: www.regulations.gov

**Re: Request for Public Comments on “Development of the Joint Strategic Plan on Intellectual Property Enforcement”
77 Fed. Reg. 123 (June 26, 2012)**

Dear Ms. Espinel:

Intellectual Property Owners Association (IPO) appreciates the opportunity to provide comments to the Office of the U.S. Intellectual Property Enforcement Coordinator (IPEC) in response to the Federal Register notice published June 26, 2012, requesting public input and participation in developing a new Joint Strategic Plan on Intellectual Property.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own, or are interested in, intellectual property rights. IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members.

The Federal Register notice was divided into three parts: Strategy Recommendations; Threat Assessments; and Optional Questions. IPO's comments address each in turn below.

I. Strategy Recommendations

Immediate Information Sharing

Because rights holders are in the best position to determine whether a detained product is genuine, IPO urges the U.S. Customs and Border Protection (CBP) to immediately share information regarding detained products with rights holders. We also urge CBP to use the same seizure reference number or reference to the detention notice as part of the information sharing process.

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IPO believes that the current seven-day waiting period under 19 C.F.R. part 133 is flawed for the following reasons. First, a law-abiding importer may be unable to authenticate products. Second, a criminal importer of counterfeit products has and is likely to falsify documentation it may submit to CBP. Third, it significantly burdens an already overtaxed Port Officer corps. *See* attached IPO comments on “Disclosure of Information for Certain Intellectual Property Rights Enforced at the Border.” Immediate sharing of information by CBP with rights holders would help ameliorate these flaws in the system.

IPO recognizes that the job of identifying products for detention has become more complex. We are concerned, however, when CBP or other federal agencies propose that industry should disclose and share proprietary information or company product codes.

Consolidating a variety of highly confidential systems from numerous companies would violate fundamental security principles by creating a major point of vulnerability. The risk of loss of such trade secret information by way of hacking, theft, or other misappropriation would only increase with increased distribution and access. Similarly, instituting a uniform track and trace system creates a major point of vulnerability that would provide counterfeiters with a “one-stop shop” to access and breach codes affecting an entire industry. Moreover, such a requirement could set a policy that would undermine the U.S. economy and the proprietary rights of U.S. entities in that other countries could also demand genuine product code information or databases under the guise of information sharing to enhance border rights.

From a practical standpoint, each company has its own system for tracking its goods and services for business purposes, separate and apart from identifying whether products are genuine. Managing codes from so many companies, codes that change as new products are manufactured and introduced, would be unwieldy and impractical, adding time and cost to the process, reducing efficiency, and increasing the risk of unauthorized disclosure. Similarly, mandating one form of product code marking is unworkable because each company may need to track particular information and there may be limited actual surface area on the product to include more than one legible product code.

Registering Design Patents with CBP

IPO recommends providing statutory and regulatory authority for CBP to extend full border enforcement protection to design patents by creating a registry similar to that which currently exists for goods protected by trademarks or copyrights. Including design patents among the rights enforceable by CBP would put the U.S. on par with the many other jurisdictions around the world that enforce such rights, including the European Union, Japan, and China.

Full border protection for CBP would provide design patent owners with more extensive, efficient, and cost-effective protection against infringing imports. Under the current border protection system for design patents, a design patent owner must go through a laborious, lengthy, and expensive exclusion order action at the U.S. International Trade Commission to obtain relief against infringing imports. Because the process takes so long, infringing imports frequently

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disappear or harm the market before an exclusion order can be obtained. Moreover, because the cost is so high, only design patent owners with deep pockets can afford to pursue them.

Full border protection for design patents would be easy to implement. Design patents are similar to trademarks and copyrights, which can be registered with CBP. Indeed, CBP already enforces design rights subject to exclusion orders, so no specialized training would be required. The test for design patent infringement is similar to the analysis already undertaken by CBP in cases of suspected trademark infringement. The CBP's existing practices and procedures could be easily adapted to include design patents and the amendments necessary to existing laws and regulations would be minimal.

The following specific recommendations would give CBP authority to extend full border enforcement protection to design patents:

- Amend statutes, create implementing regulations, and adapt CBP's existing enforcement mechanisms and tools so that CBP could enforce any design patent issued by the U.S. Patent and Trademark Office and subsequently recorded with CBP. More particularly:

- Amend Title 35 to recite underlying authority for the exclusion of infringing products, for example:

No articles of manufacture bearing the patented design, or any colorable imitation thereof, shall be imported, transshipped, or exported without license of the patent owner, and infringing copies shall be subject to seizure, forfeiture and destruction for violation of the customs laws contained in Title 19.

- Amend 19 U.S.C. § 1595a(c)(2)(C) to include underlying authority for example (added material indicated by underline):

“(C) it is merchandise or packaging in which design patent, copyright, trademark, or trade name protection violations are involved (including, but not limited to, violations of subsections 271(a), (b), (c), and (g) of title 35, section 1124, 1125, or 1127 of title 15, section 506 of title 17, or section 2318 or 2320 of title 18);”

- Amend 19 C.F.R. § 162.23; for example (added material indicated by underline):

“(3) Merchandise or packaging in which design patent, copyright, trademark or trade name protection violations are involved (including, but not limited to, a violation of section 271 of title 35, United States Code, sections 42, 43 or 45 of the Act of July 5, 1946 (15 U.S.C. 1124, 1125 or 1127), sections 506 or 509 of title 17, United States Code, or sections 2318 or 2320 of title 18, United States Code);”

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- Amend and create implementing regulations in 19 C.F.R. part 133 to generally mirror the existing trademark and copyright regulations. Regulations to be created would include regulations regarding the recordation of design patents, as well as regulations regarding importations that infringe design patents.
- Adapt CBP's existing enforcement mechanisms and tools to include enforcement of design patents. For example:
 - Adapt CBP's current recordation system to permit the recordation of design patents so that the recordation system provides CBP field officers with instantaneous access to text and images contained in recorded design patents.
 - Permit owners of design patents to utilize standard tools, such as port training sessions and development of product identification handbooks, to familiarize field CBP officers with the design patents.

II. Threat Assessment

In addition to the difficulties they have experienced in enforcing their rights, global intellectual property rights holders are encountering new threats. For example, there has been increasing use of compulsory licensing under grounds inconsistent with obligations under the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In particular, in March 2012 in the "Natco" decision, the Indian Patent Office held that importation of the patented product did not satisfy the "working" requirement of Indian law, which was one of the reasons used to justify the grant of a compulsory license. We believe this is a violation of TRIPS Article 27.1, which provides that patent rights are to be "enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced." This makes little sense from a policy perspective since patent holders should not have to build a manufacturing plant in every country in which they seek to sell patented products.

Global IP rights holders are also seeing threats to their intellectual property in denial of patents on worthy inventions under the guise of "TRIPS flexibilities." For example, Argentina recently adopted provisions (Joint Regulation 118/2012, 546/2012 and 107/2012) that bar many types of inventions in the pharmaceutical and chemical field, such as compositions, dosages, salts, esters and ethers, polymorphs, analogy processes, active metabolites and pro-drugs, enantiomers, selection patents and Markush-type claims. Such provisions are major disincentives to biopharmaceutical innovation.

IPO thus supports efforts to harmonize intellectual property laws to comply with TRIPS obligations and avoid disincentives to innovation.

III. Optional Questions

5. *What additional measures by the U.S. Government would most significantly enhance efforts to combat trade secret theft and economic espionage?*

Fundamental to combating trade secret theft and economic espionage, particularly with regard to risks from outside the U.S., is the existence of effective legal protection in all countries. The U.S. Government can enhance such efforts by consistently insisting on such legal protection whenever negotiating relevant trade agreements. For example, the U.S. Government should insist that foreign governments:

- Fully implement obligations under TRIPS including Article 39, which contains obligations in respect of minimum protections for trade secrets and other undisclosed information;
- Make available adequate and effective remedies (such as injunctions and criminal penalties) to stop misappropriation of trade secrets;
- Support regulatory data protection for biologics; and
- Oppose compulsory licenses of trade secrets.

One example of an opportunity to further such priorities is the current negotiation of the Trans-Pacific Partnership (TPP) Trade Agreement. We urge the U.S. Government to articulate and pursue strong intellectual property standards in ongoing TPP negotiations by building on the obligations in the recent Agreement with Korea and the principles found in U.S. law.

IPO applauds IPEC's continuing efforts to include public participation and input in developing the Joint Strategic Plan and would welcome the opportunity to provide further comments and insight throughout the development process.

Sincerely,



Richard F. Phillips

President

Attachment (1)



President
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Robert DeBerardine
Sanofi-Aventis
Bart Eppeneauer
Microsoft Corp.
Louis Foreman
Enventys
Scott M. Frank
AT&T
Darryl P. Frickey
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June 25, 2012

Honorable David Aguilar
Acting Commissioner
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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>.