



American Intellectual Property Law Association

July 26, 2019

Earl Comstock
Director of the Office of Policy and Strategic Planning
The Office of Intellectual Property Rights (OIPR)
International Trade Administration
U.S. Department of Commerce
1401 Constitution Ave. NW, Room 21028
Washington, DC 20230

Submitted via www.regulations.gov

Re: Comments Request: Report on the State of Counterfeit and Pirated Goods Trafficking and Recommendations (July 10, 2019) [Docket Number: 190703544-9544-01]

Dear Mr. Comstock:

The American Intellectual Property Law Association (“AIPLA”) is pleased to have the opportunity to present its views with respect to the U.S. Department of Commerce Comments Request: Report on the State of Counterfeit and Pirated Goods Trafficking and Recommendations, 84 Fed. Reg. 132, dated July 10, 2019 (the “Request”).

AIPLA is a national bar association of approximately 12,000 members engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention

while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

The Presidential Memorandum on Combating Trafficking in Counterfeit and Pirated Goods of April 3, 2019, recognizes the dangers and negative effects of counterfeit and pirated goods.¹ The U.S. Joint Strategic Plan on Intellectual Property Enforcement discusses the common tactic of domestic assembly to try to circumvent Customs interdiction, and confirms that “balanced policies that support strong industrial design rights and reward ornamental innovation and entrepreneurship are key to an effective design patent system, and contribute to a strong economy.”² Moreover, the Annual Intellectual Property Report of February 2019 calls for “effective use of all our legal authorities” to promote and protect intellectual property and notes that the Administration’s intellectual property enforcement policy includes “all areas of intellectual property and innovation policy - copyrights, patents, trademarks, and trade secrets....”³

AIPLA supports the Administration’s efforts to combat counterfeit and pirated goods. We take this opportunity to address some specific strategy recommendations. The comments that follow are responsive to a number of questions posed in the notice.

1. AIPLA recommends user-friendly and standardized processes for reporting counterfeit items.

AIPLA supports online marketplaces having user-friendly and standardized processes for intellectual property owners or their authorized representatives to report infringing items.

¹ <https://www.whitehouse.gov/presidential-actions/memorandum-combating-trafficking-counterfeit-pirated-goods>.

² <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/IPEC/2016jointstrategicplan.pdf>.

³ <https://www.whitehouse.gov/wp-content/uploads/2019/02/IPEC-2018-Annual-Intellectual-Property-Report-to-Congress.pdf>.

AIPLA also supports online marketplaces having clearly articulated requirements for what rights holders should include when reporting infringing items, their methods for analyzing reports of infringement, and the time period by which the online marketplace will make a decision on whether to remove the item.

2. AIPLA suggests that improved data sharing is necessary in order to combat counterfeiters.

Improved data sharing between CBP, e-commerce platforms, shipping companies and the rights holders will assist in more quickly identifying counterfeiters and counterfeit goods. Identifying the individuals responsible for selling and shipping such goods through their online accounts (e.g., e-commerce and social media) will help identify and combat counterfeiters. Shipments made through certain e-commerce sites also contain a unique and separate tracking number. AIPLA recommends that stakeholders track this data as the name of the importer and exporter are frequently falsified. This will allow the stakeholders to more effectively and efficiently monitor series of shipments and help reduce the number of counterfeits and pirated products coming into the United States.

Account numbers related to courier shipments should be similarly monitored and that information should be shared with rights holders so that they can also track information specific to their brand enforcement programs. When new players enter the digital commerce space, such as e-commerce platforms, they should immediately engage with the relevant stakeholders to allow for improved access to existing platform tools such as unique tracking systems.

Tools such as Radio Frequency Identification and QR codes are currently being installed in many legitimate products to track authentic goods and allow a quick and simple authentication tool. It is possible that providing the relevant stakeholders with access to readers

of this technology and the databases companies use to track legitimate goods will likely reduce the number of counterfeit products. Similarly, utilizing virtual holographic seals to verify authentic goods would help reduce counterfeit products on ecommerce sites.

The way in which data is shared also needs to be improved. Currently, CBP notices sent to rights holders regarding seizures of counterfeit items are not standardized and vary from one port to another. Simply standardizing the information on the forms sent to rights holders will greatly improve their ability to collect and assess this data, which could enable risk analysis feedback to CBP by the rights holder. Improvements in reporting accuracy and uniformity will also allow rights holders to more easily spot and track the improper actors while maintaining reliable processing of their own authorized goods that may also be entering the country.

This information could also be shared in a more efficient way. Currently, rights holders receive either a hard copy of a notice in the mail or a .pdf email document. Each requires that data be physically transposed into a database for analysis. AIPLA suggests that CBP provide this information in a spreadsheet or other CSV format (such as Excel®), so that the recipient can import the data easily without errors into its own systems for tracking, compilation and analysis. Alternatively, CBP could provide rights holders access and an API to a CBP database and so that rights holders could directly view and export data directly from the source.

Furthermore, CBP could greatly assist rights holders by providing additional information in the notices, such as Bill of Lading numbers, courier and shipper account information, photographs of the shipping labels and goods, description of goods from shipping documents, e-commerce account information, weight of the package and declared value of the goods. The foregoing would not only assist rights holders in their effort to police infringements,

tracking this data should also be extremely useful to assist CBP in detecting and stopping counterfeit goods.

AIPLA also supports considering the use of distributed ledger platforms, artificial intelligence, machine learning, commercial cloud computing applications, and optical character recognition to improve tracking, enforcement, and sharing of data. Finally, AIPLA supports more opportunities for brand owners to train government officials regarding methods for identifying genuine and counterfeit goods.

3. AIPLA supports efforts of exclusive licensees to combat counterfeit and online infringement on behalf of the IP owner.

AIPLA recommends consideration be given to a policy to enable intellectual property owners to authorize exclusive licensees as their recordation and enforcement agents with the U.S. Customs and Border Protection (“CBP”). This is particularly important in cases where the intellectual property owner is located outside the United States and the exclusive licensee is a United States company.

4. AIPLA recommends deploying resources to monitor and inspect small package courier distributions centers and the U.S. Postal Service.

In order to avoid detection, counterfeiters have changed their methods for importing their goods into the United States. Small packages provide a convenient channel for illicit products as these small shipments (compared to larger shipments declaring hundreds, if not thousands of goods) often go unnoticed. Similarly, the U.S. Postal Service does not seize counterfeit goods. In light of the increasing utilization of small package courier distribution centers and the U.S. Postal Service, AIPLA recommends that additional resources be deployed

to monitor and inspect these centers as illicit products are increasingly travelling through these channels.

5. AIPLA recommends increased vetting for online merchants.

AIPLA recommends that online merchants strengthen their procedures for verifying and/or approving sellers. For example, online merchants should screen high risk profiles and require authentication of new sellers, including requiring sellers to present a valid government ID. This should reduce the use of fictitious and assumed names.

AIPLA also agrees with the recommendation by the ICC (International Chamber of Commerce) Business Action to Stop Counterfeiting and Piracy (BASCAP) that platforms should exclude sellers who have been terminated from using another merchant account for IP infringement, or who have been or are the subject of repeated unsuccessful takedown requests.⁴

There is also a need to establish clearer seller identification and product display standards as that will increase the likelihood that consumers will buy genuine products. Increasingly, platforms are consolidating listings and adding labels to product pages that make it harder for consumers to make well informed decisions. Platforms must allow consumers to determine from whom they are buying and whether items are genuine.⁵ There are a number of

⁴ “Roles and Responsibilities of Intermediaries: Fighting Counterfeiting and Piracy in the Supply Chain” (BASCAP and ICC)(March, 2015), at pp. 52-53, available at <https://cdn.iccwbo.org/content/uploads/sites/3/2015/03/ICC-BASCAP-Roles-and-Responsibilities-of-Intermediaries.pdf>. *See also*

“BASCAP Best Practices for Removing Fakes from Online Platforms,” available at <https://cdn.iccwbo.org/content/uploads/sites/3/2016/11/BASCAP-Best-practices-for-removing-fakes-from-online-platforms-18-May-2016.pdf>.

⁵ BASCAP at 3 § 3, 4 § 4; MoU at 3 §2 ¶¶ 13-14.

practices that can be established to achieve this standard. On product displays, there should be increased transparency into what criteria is used to establish “badges” and other markings that could be deceptive to consumers.⁶ In the description and display, platforms should only allow listing of “by *Rightsholder/ Brand*” or using rightsholder/ brand images and trademarks, if the product is directly sold from that rightsholder or it has been authenticated.⁷ If platforms allow sellers to claim a product is of a certain brand or model, platforms should ensure products are authentic or request proof of authenticity from 3rd party sellers.⁸

6. AIPLA recommends that the United States expand CBP authority to enforce design patents at the border.

Expanding CBP authority to seize products that infringe design patents would be a significant step toward combatting piracy. While trademarks and copyright remain very important enforcement tools for CBP, counterfeiters around the world have become more creative, and have devised ways to circumvent CBP enforcement measures relating to these forms of IP protection. Some importers, for example, will ship through customs identical-looking products without the corresponding trademark and use a courier (e.g., FedEx) to unlawfully import counterfeit labels and hang tags (thus evading CBP current methods of enforcement). Once the goods and labels are in the country, the counterfeiters “finish” the goods by attaching the counterfeit labels and tags. Enabling CBP to enforce design patents would thwart these efforts. We note that many other countries do the same.

⁶ MoU at 5 §3 ¶ 27; INTA at 7.

⁷ MoU at 4 §3 ¶ 23; INTA at 12 § 7, 13 §3.

⁸ BASCAP at 3 §3; MoU at 5 §3 ¶ 27; INTA at 14-15 § 4.

a. A statutory amendment could authorize CBP to record and enforce design patents alongside trademarks and copyrights.

The current statutory authority under which CBP seizes infringing goods is limited to copyright, trademark, or trade name protection. *See* 19 U.S.C. § 1595a, entitled Aiding Unlawful Importation. An amendment to this section to include design patents would empower CBP to record and enforce design patents alongside trademarks and copyrights and promote more effective law enforcement against trafficking in infringing goods.

b. Recordation of design patents would not overburden CBP

For each of the last 5 years (2014 through 2018), CBP has recorded fewer than 1,600 trademark and copyright registrations combined. For 2019 IPR recordation, CBP has estimated 2,000 applications, requiring an estimated 4,000 total annual burden hours.⁹

The number of trademark and copyright registrations recorded with CBP per year is quite small compared to the number of trademark and copyright registrations granted each year (less than 0.2 percent). In 2018, the Copyright Office registered 560,000 claims and the Trademark Office issued 367,382 registrations, while the Patent Office issued just 29,441 design patents.¹⁰ Based on numbers alone, the recordation of design patents would not likely have a significant impact on CBP burden hours, and would generate additional user fees to support CBP's mission.

c. Existing CBP IPR infrastructure could be extended to design patents

Ramp-up time to accommodate seizures based on design rights should also be fairly straightforward, as CBP is already well equipped to record and enforce design patents. For

⁹ <https://www.regulations.gov/document?D=USCBP-2007-0022-0010>.

¹⁰ <https://docs.house.gov/meetings/AP/AP24/20190307/108882/HHRG-116-AP24-Wstate-TempleK-20190307-SD002.pdf>; <https://www.uspto.gov/sites/default/files/documents/USPTOFY18PAR.pdf>.

example, the existing IT infrastructure used to record trademark and copyright registrations could be extended to design patents. Initial appropriation might be necessary to interconnect the CBP IPR infrastructure with USPTO design patent records; however, once running, increased user fees could offset CBP burden. Likewise, existing training programs and Centers of Excellence can guide CBP officers to record and enforce design patents alongside trademark and copyright registrations.

d. Design patent infringement analysis could be conducted in an efficient and easy to understand manner.

At the outset, CBP is already capable and called on to enforce design patents through ITC exclusion orders.¹¹ Incorporating this same analysis more broadly (to catch more infringements) is simply a matter of applying those same principles and would not be any more difficult than existing procedures for determining copyright and trademark infringement. Similar to a copyright infringement analysis, which CBP already conducts, design infringement compares the protected and suspect designs for substantial similarity from the viewpoint of the ordinary observer.¹² No technical or specialized knowledge is required. To the extent claim construction of a design patent becomes an issue, such construction can often be determined by reference to the illustrations in the patent.

Trademark infringement, which CBP also determines on a regular basis, can also be more complex than design infringement in certain circumstances, as it can require evaluation of the likelihood of confusion according to numerous factors beyond visual similarity, whereas design

¹¹ https://www.cbp.gov/sites/default/files/documents/2310-006a_3.pdf

¹² *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 111 (2nd Cir. 2001); *Egyptian Goddess*, 543 F.3d at 678.

patent infringement analysis only evaluates visual similarity.¹³ Moreover, trademark functionality analysis, also involving numerous factors, is much more rigorous than design patent infringement analysis, where elements of a design may indeed serve a utilitarian purpose, but it is their ornamental aspect which is the basis of a design patent.¹⁴

Regardless of the complexity, design patent owners are typically willing to train CBP officials about the scope of their designs, just as they often do already with their copyrights and trademarks. And, to the extent that a particular design patent proves difficult to interpret, for example, because of its use of broken lines or other features, 19 U.S.C. § 1595a is discretionary, and CBP can always elect to seize only where the infringement determination is straightforward.

Considering that issued design patents carry a presumption of validity under 35 U.S.C. § 282, and even unregistered copyrights can be recorded and enforced,¹⁵ allowing CBP to record and enforce copyrights but not design patents makes little sense.

¹³ *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)(other trademark infringement factors include strength of the mark, proximity of the products, likelihood that the prior owner will bridge the gap, actual confusion, bad faith, quality of defendant’s product and sophistication of buyers); *Egyptian Goddess, Inv. v. Swisa, Inc.*, 543 F.3d 665, 678 (Fed. Cir. 2008)(“The ordinary observer test is “the sole test for determining whether a design patent has been infringed.”).

¹⁴ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164-165 (1995); *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir. 1993); *Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312 (Fed. Cir. 2015)(reversing the district court’s grant of invalidity based on functionality and noting that the overall appearance of the article—the claimed design viewed in its entirety—is the basis of the relevant inquiry, not the functionality of elements of the claimed design viewed in isolation.).

¹⁵ Under Section 304 of the Trade Facilitation and Trade Enforcement Act of 2015, in August of 2016, CBP began accepting online applications for recordation of unregistered copyrights through the Intellectual Property Rights Electronic Recordation System (IPRR). Each unregistered copyright recordation will be valid for a period of nine months, with a potential one-time 90-day extension of time, while the copyright’s application for registration is pending with the U.S. Copyright Office.

- e. The U.S. should join Europe and other countries in enforcing design rights at the border.

EU countries began enforcing design registrations at Customs¹⁶ in response to staggering statistics about the impact of pirated/counterfeit products on the EU and global economies. These same studies are instructive for the US as well.

When discussing design rights, studies conducted in the EU typically use the term “counterfeit” to describe tangible goods that infringe both trademarks and design rights.¹⁷ These studies show that, in 2013, as much as 2.5% of total world trade and up to 5% of European Union (EU) imports were in counterfeit and pirated goods.¹⁸ These numbers have only increased over time. In 2016, such goods made up as much as 3.3% of world trade, and up to 6.8 % of EU imports.¹⁹ These statistics suggest that the relative impact of counterfeiting is twice as high for a group of developed countries, such as the EU, than it is for the world as a whole.²⁰ The United States is similarly a developed country, so it can be inferred that a similar amount of infringing goods are entering the country.²¹

¹⁶ EU Reg. 608/2013 expanded IP rights to include, among other IP rights, design registrations.

¹⁷ OECD/EUIPO (2016), *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, OECD Publishing, Paris.

¹⁸ OECD/EUIPO (2016), *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, OECD Publishing, Paris.

¹⁹ OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*, Illicit Trade, OECD Publishing, Paris/European Union Intellectual Property Office.

²⁰ OECD/EUIPO (2016), *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, OECD Publishing, Paris.

²¹ Further, the companies suffering from counterfeiting and piracy continue to be primarily registered in Organization for Economic Co-operation and Development (OECD) countries: mainly in the United States, France, Switzerland, Italy, Germany, Japan, Korea and the United Kingdom. OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*, Illicit Trade, OECD Publishing, Paris/European Union Intellectual Property Office.

The problem of counterfeit and pirated trade is a major threat for all modern knowledge-based economies, which includes the United States.²² Consequently, there is a serious need for coordinated action against trade in counterfeits (design rights).²³ Coordinated action amongst countries would allow for broad policies which could substantially curb, if not eliminate infringements worldwide.

Although these studies focused primarily on the effect of counterfeits in EU imports, it is clear that the United States is also affected as a developed country which conducts significant research in various technologies. Much can be learned from the EU system for enforcing design registrations at borders, and AIPLA encourages the US to strongly consider EU practice and procedures as a model.

AIPLA appreciates the opportunity to provide input to the U.S. Department of Commerce. We are continuing to gather information on these important issues and look forward to continuing to work with the Department and providing more information as it becomes available.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sheldon H. Klein', with a period at the end.

Sheldon H. Klein
President
American Intellectual Property Law Association

²² OECD/EUIPO (2016), *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, OECD Publishing, Paris.

²³ OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*, Illicit Trade, OECD Publishing, Paris/European Union Intellectual Property Office.