



Protecting Intellectual Property Rights with U.S. Trade Law

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Roadmap to This Afternoon's Discussion

- ∅ Intellectual property rights and concepts
- ∅ Steps to protect IPR with Customs.
- ∅ Current Customs compliance initiatives on IPR issues.
 - Statistics
 - Enforcement efforts
- ∅ Section 337 Primer

Intellectual Property Is All About

Ownable Distinctiveness.

→ What makes you different?

→ What gives you a competitive advantage?

∅ Coming into this decade, IP assets were projected to account for 75% of total market value of S&P 500 companies.



Intellectual Property 101



- § Legal categories for intangible assets
- § Types of intellectual property
 - § Patents - *Utility Patents* protecting new and useful inventions, and *Design Patents* protecting ornamental designs.
 - § Pharmaceutical formulas
 - § Industrial designs
 - § Trademarks & Trade Names - Words, designs or devices used to identify the source of goods or services.
 - § Names, logos, colors, packaging, product configurations

Kodak



Intellectual Property 101



§ Additional types of intellectual property

§ Copyrights - Original Works of authorship fixed in a tangible medium.

§ Magazines, Books, Film & Music Rights

§ Computer Software

§ Photographs

§ Trade Secrets -Formulas, patterns, devices or information used in business that provide an opportunity for an advantage over competitors who do not know or use it.

§ Formulas for chemical compounds;

§ Process of manufacturing, treating or preserving materials;

§ Pattern for a machine or other device; or

§ a list of customers

U.S. Border Enforcement of Intellectual Property Rights

- ∅ U.S. border enforcement of IPR issues are targeted on two fronts
 - (1) Actions by United States Customs and Border Protection to identify and prevent infringing or unauthorized products
 - (2) Upon petition, the U.S. International Trade Commission investigates allegations of unfair competition.

Intellectual Property Rights and U.S. Customs and Border Protection

- ∅ Stopping the flow of counterfeit goods is a Priority Trade Issue for Customs.
- ∅ Customs is a key player as the leading border enforcement agency.
- ∅ Traditional targeting and exams continue.
- ∅ Customs has also identified new methods for IPR enforcement.
 - IPR statistical and electronic risk-modeling
 - Multi-agency initiatives
 - ▀ STOP (Strategy for Targeting Organized Piracy)
 - Coordination with trade groups and importers
 - Designated IPR risk area in Focused Assessments
 - Quick Response Audits
 - e-Allegations

Safety Concerns and IPR Infringement

- ∅ Customs is focused on protecting IPR and enforcing IPR holder rights to
 - Protect U.S. business and financial interests,
 - Prevent unsafe products and protect consumer safety.
- ∅ Product safety issues are paramount for counterfeit products
 - Pharmaceuticals without active ingredients
 - Critical technology components that may be faulty
 - Automotive and aerospace materials that fail industry requirements
 - Consumer electronic products that fail FDA or FCC safety standards
 - Toys which fail Consumer Product Safety Commission standards

What Will Customs Do?

Ø Customs will enforce rights “at the border.”

→ Counterfeit/infringing goods will be seized.

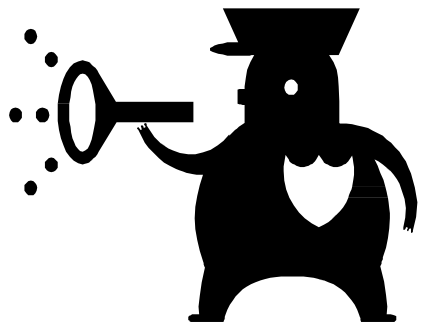
→ Goods marked with confusingly similar trademark or trade name will be denied entry.

→ Customs will notify IP owner of possible infringement.

Ø Customs may demand redelivery of goods released from Customs custody.

Ø Customs may assess civil penalties.

Ø Customs may refer safety violations for potential criminal action.



Customs IPR Seizures – Mid-year Statistics for FY08

- ∅ Customs has found that the following goods have been particularly problematic for IPR violations:
 - Luxury goods
 - Wearing apparel
 - Pharmaceuticals (primary safety concern, \$24.8M domestic value)
 - Handbags/Wallets/Backpacks (increase from prior period)
 - Consumer electronics
 - Media
 - Toys
 - Electronic games
 - Watches and watch parts
 - Batteries
 - Footwear (No. 1 commodity seized, \$40.3M domestic value)
 - Computers and computer hardware
 - Perfume

Customs IPR Seizure Statistics

- ∅ Domestic value of Customs seizures for FY08 as compared to FY07 increased 30%.
 - FY07 - \$196 Million
 - FY08 - \$266 Million
- ∅ 100% increase in value of seizures of infringing products that pose safety or security risks.
- ∅ Goods imported from China accounted for 85% of the total domestic value of IPR seizures (mid-year FY08, increase of 5% from prior period)
- ∅ Hong Kong (5%), Taiwan (1%), no other country represented as much as 1% for mid-year FY08.
- ∅ Customs also working in coordination with foreign Customs agencies to interrupt counterfeit products at the source.
 - Sharing information and building enforcement efforts

How to Protect IPR Rights at the Border?

∅ Products registered with USPTO or Copyright Office are not fully protected until recorded with Customs.

→ Imported goods with a confusingly similar trademark will not likely be seized unless recorded with Customs.

∅ Formal recordation with Customs is required to receive highest level of Customs protection.

→ Patents may not be recorded with Customs.

→ Gray market protection may be requested where U.S. trademark holder and foreign trademark holder are not under common control.

∅ IP rights are entered into an electronic database accessible by CBP officers across the country.

∅ Customs uses its database to actively monitor shipments and prevent the importation of infringing goods.

∅ Customs will partner with IP owners to target infringing products.

E-Recordation

∅ New method for filing initial trademark and copyright recordation.

∅ Online application.

→ Decreases time for filing.

→ Reduces amount of paperwork normally required.

∅ Payment of fees may be made by credit card.

→ processed within 3 business days.

∅ No online form for trade name recordation.

→ Information can be sent via e-mail to Customs.



Customs Quick Response IPR Audits

∅ Focus on companies that Customs believes are “high risk” for importing counterfeit and infringing merchandise.

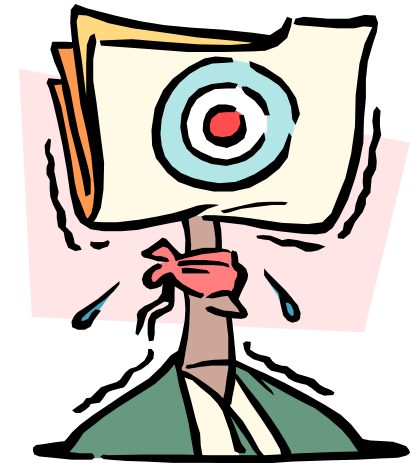
∅ Based on:

- Importer history
- Foreign shipper history
- Country of export
- Commodity type
- Trade/competitor concerns
- Previous IPR violations

∅ ISA participants are not exempt from QRAs.

∅ IPR audits FY05 – June 2008

- 46 completed audits at high risk importers
- 37% had insufficient internal controls.



Focused Assessment – New IPR Risk Area

- ∅ New WEIC posted to FA handbook.
- ∅ Targets IPR rights generally, Manufacturers, and Distributors/Wholesalers/Retailers
- ∅ Risk factors and red flags include:
 - No communication or control over foreign vendor or agents regarding IPR protection.
 - Industry of imported products (footwear, textiles, retail).
 - Country of manufacturer and foreign vendors utilized.
 - Royalty payments reflected on company's books.
 - History of IPR disputes.
 - Vague product descriptions or packaging
 - Lack of product numbers
 - Missing lot codes, expiration dates, or other markings
 - Designer products shipped in bulk rather than retail packaging

Focused Assessment – New IPR Risk Area

- ∅ Best practices include written processes and procedures to review IP rights.
- ∅ New product development gates which include IPR review.
- ∅ Terms and conditions with vendors concerning IPR.
- ∅ Inspection of foreign manufacturing facilities.
- ∅ Communication of IPR issues with import department, and in turn with customs broker.
- ∅ Communication of licensed products and written authorization.
- ∅ IPR audits have resulted in remedial/enforcement actions:
 - Working with importer to establish internal controls
 - Increased examinations
 - Seizures
 - Penalties

Section 337 Actions

Ø The International Trade Commission (ITC) provides a forum to challenge the importation of infringing goods into the United States.

Ø The ITC investigates complaints filed by the owners of domestic IP rights and can issue orders against manufacturers, importers and distributors of infringing goods.

Ø Section 337 of the Tariff Act of 1930, as amended, provides the authority to the ITC to defend domestic IP rights.



The International Trade Commission

- ∅ The ITC is an independent federal agency.
- ∅ Complaints are filed with the ITC, which then has 30 days in which to decide whether an investigation is appropriate.
- ∅ The ITC almost always opens an investigation.

What is a 337 Action?

- ∅ A 337 action is, in effect, a large piece of litigation stuffed into a very short period of time.
- ∅ Similar to a federal court case, except faster.
 - Accelerated discovery and motion practice.
 - Generally no longer than 12-15 months from filing to completion.
 - Discovery is often completed in 6-9 months.
- ∅ One significant difference is that the ITC Staff Attorney assigned to the case will actually get involved in discovery and the case itself.
- ∅ Remedies are limited to injunctive relief – no damages.

What is a 337 Action? (cont.)

- Ø What acts are violations of Section 337?
- Ø The most common actions brought under Section 337 are claims for patent infringement.
- Ø Other IP rights can be enforced before the ITC, however, Section 337 is all about “unfair competition.”
- Ø Trademark infringement, copyright infringement, trade secret misappropriation, other business torts.



What is a 337 Action? (cont.)

∅ Remedies:

- (1) exclusion orders.
- (2) cease and desist orders.

∅ General exclusion orders can reach beyond the goods that were the immediate subject of the investigation

∅ Temporary relief is available as well – temporary exclusion orders (which generally take between 90-150 days to prosecute) can be obtained when necessary.



What is a 337 Action? (cont.)

- ∅ Don't assume that you are not affected by 337 actions.
- ∅ ITC investigations can easily reach products that use an infringing part, or are involved in downstream sales.
- ∅ ITC investigations may also focus on only a few potential infringers, but may result in wider exclusion orders.
- ∅ Thus, it is wise to monitor 337 actions, to ensure that your business does not feel the impact.
- ∅ In many circumstances, it is possible to intervene in an action where the outcome may affect you.

Special 301 Report

∅ Annual report by USTR detailing IPR protection in countries around the world.

∅ China and Russia are countries of greatest concern.

∅ Priority watch list (countries with inadequate IPR protection):

- Argentina, Brazil, Belize, Egypt, India, Indonesia, Israel, Lebanon, Turkey, Ukraine, and Venezuela



IPR Protection Tips

- ∅ *Register trademarks and copyrights with the US-PTO or Copyright Office.*
- ∅ *Record trademarks, trade names, and copyrights with Customs.*
- ∅ *Conduct internal risk assessment to:*
 - Confirm that company is not importing counterfeit or infringing products.
 - Ensure appropriate IPR authorizations are in place.
 - Establish adequate internal controls, including:
 - (1) detailed processes for the purchasing department to follow when contracting with suppliers;
 - (2) procedures for identifying counterfeit goods; and
 - (3) training programs to educate employees regarding intellectual property laws and violations.

QUESTIONS ?????

THANK YOU!

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