

Client Alert

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Congress Seeks to Curb Counterfeits: New Senate Bill Aims to Provide Enhanced Border Enforcement for Design Patents

One thing Congress agrees on: counterfeit goods are bad for US retailers, consumers, and intellectual property owners. And it seems that no consumer goods are safe from being “faked.”

For example, this summer, the House Committee on the Judiciary (Subcommittee on Courts, Intellectual Property, and the Internet) held a hearing to discuss counterfeits in the context of the trademark system, where two separate panels evoked an overall theme that the US must be more proactive than reactive in efforts to combat fraud and heighten consumer awareness and education, and witnesses provided testimony explaining the public health and safety threats of counterfeit **auto parts** and **toys**.¹ US Customs and Border Protection (CBP) itself reports that “[l]ast year, CBP seized more items that pose health and safety risks than ever before,” with the top three categories of goods at risk being **personal care products**, **pharmaceuticals**, and **consumer electronics**.²

To help stem the tide of counterfeit products, a bipartisan group of US senators³ recently introduced a bill that would expand the authority of CBP to seize counterfeit goods that infringe intellectual property rights—specifically, design patents—and stop their importation into (and sale in) the US at the border.

CBP presently can seize counterfeit products covered by trademarks and copyrights registered with CBP, but not patents.⁴ According to one author of the proposed bill, referred to as the **Counterfeit Goods Seizure Act of 2019**, counterfeiters “exploit this loophole by importing counterfeit products separately from labels containing an infringing trademark, only attaching the label once the counterfeit product has cleared customs.”⁵

By amending the current statute to add design patents, which protect ornamental features of a product, to the list of intellectual property that CBP can enforce at the border to limit the flow of counterfeit goods into the US, the act would close the loophole.

Currently, border enforcement of patent rights, both utility and design patents, requires an exclusion order issued by the US International Trade Commission (ITC) after an extensive investigation concludes in favor of the patent owner. Although these ITC “section 337 investigations” are often effective, and move quickly in comparison to infringement litigation in most district courts, such investigations can still be time-consuming and expensive for intellectual property owners. If the proposed legislation is enacted, owners of design patents will have an opportunity to register their US design patents with CBP. Once registered, CBP

¹ See <https://judiciary.house.gov/legislation/hearings/counterfeits-and-cluttering-emerging-threats-integrity-trademark-system-and> (hearing on Jul. 18, 2019).

² See <https://www.cbp.gov/FakeGoodsRealDangers> (page last modified on Oct. 24, 2019).

³ Sens. Thom Tillis (R-NC), Chris Coons (D-DE), Bill Cassidy (R-LA) and Mazie Hirono (D-HI).

⁴ 19 U.S.C. § 1595a(c)(2)(C).

⁵ See <https://www.tillis.senate.gov/2019/12/tillis-coons-cassidy-hirono-introduce-bipartisan-legislation-to-seize-counterfeit-products-and-protect-american-consumers-and-businesses>.

could then seize counterfeit goods that are covered by the registered design patent, in the same way it now enforces registered trademarks and copyrights.

The value of global and domestic trade in counterfeit goods has been estimated at over \$1 trillion in 2013 and is projected to be almost \$2 trillion by 2022.⁶

If this bipartisan Senate bill, which also enjoys broad industry support,⁷ is ultimately passed into law, it will provide a new cost-effective remedy for design patent owners to enforce their rights. This will also create an incentive for retailers and other companies to expand their pursuit of design patents to take advantage of this powerful proposed enforcement mechanism to protect their brand, their bottom line, and consumer safety.

Contacts

Paul D. Ackerman
paulackerman@HuntonAK.com

Gary A. Abelev
garyabelev@HuntonAK.com

Aimee N. Soucie
asoucie@HuntonAK.com

⁶ *Id.*

⁷ The Intellectual Property Owners Association, American Intellectual Property Law Association, and International Trademark Association have written letters of support for the legislation. *Id.* The Footwear Distributors and Retailers of America trade association has also expressed support. See <https://fdra.org/latest-news/footwear-industry-applauds-new-legislation-aimed-at-curbing-the-surge-in-counterfeit-footwear-harming-american-shoe-consumers-and-companies/>.