



New Customs Law and Intellectual Property Rights

MSK Client Alert by [Kevin M. Rosenbaum](#) and [Susan Kohn Ross](#)

On February 24, 2016, President Obama signed into law the Trade Facilitation and Trade Enforcement Act of 2015, PL 114-125 (TFTEA), which includes an assortment of trade facilitation and trade enforcement provisions, including a number of provisions focused on intellectual property rights (IPR). Section III of the new law provides a number of enhancements to U.S. enforcement of intellectual property rights (IPR) at the border. In addition, included among a variety of new trade enforcement provisions in Section VI, the new law provides additional resources to assist the Office of the United States Trade Representative (USTR) improve IPR protection and enforcement in foreign markets. These IPR provisions were primarily championed by Senator Orrin Hatch of Utah, Chairman of the Senate Finance Committee, who spoke on the Senate floor and in other public settings leading up to Senate consideration of the law on their importance for his support.

The first substantive provision in Section III, Section 302, requires CBP to share with rights holders unredacted images of merchandise suspected of infringing trademark or copyright laws, if CBP determines that sharing such images will assist it in making an infringement determination. The provision also provides CBP with the authority (but does not require it) to share with rights holders unredacted samples of suspected infringing merchandise. This provision explicitly supersedes section 818(g) of the 2012 National Defense Authorization Act (NDAA), which allowed for sharing of unredacted images in cases of merchandise suspected of bearing a counterfeit trademark. While the NDAA provision was strictly permissive, the new information sharing provision includes stronger language that *requires* CBP to share unredacted images with rights holders whenever such sharing will help CBP to make an infringement determination. The new provision also expands the scope of violations for which CBP is authorized to share unredacted images and samples to include violations of copyright laws, including the DMCA prohibitions against importation of unlawful circumvention devices.

It should be noted that Section 302 is Congress's response to industry concerns regarding CBP's implementation of the 2012 NDAA provision. In implementing the NDAA, CBP stated it was attempting to balance the protection of importer's confidential business information with enhancement of enforcement against counterfeits, but many in industry believed the process it developed to share unredacted information with trademark holders was unwieldy and ultimately ineffective. The legislative history of the TFTEA is critical of this process, which involves notification to the importer and a 7 business day response period before sharing can take place, stating that the process "does not provide effective enforcement for trademark holders."¹ While not prescriptively providing an alternative, Congress makes clear that it intends for CBP to take a different approach to implementing Section 302 and that it must be done "in a manner that ensures effective border enforcement of IPR."²

¹ See H. Rept. 114-114 at 71 and S. Rept. 114-45 at 30. To implement the 2012 NDAA provision, CBP issued a Rule (finalized on October 19, 2015) providing that, within 5 business days of detention, CBP must first notify the importer of merchandise suspected of bearing a counterfeit mark that it would share unredacted images or samples with the right holder unless the importer provides information within seven business days of the notification establishing that the detained merchandise does not bear a counterfeit mark. See 19 CFR § 133.21.

² See H. Rept. 114-114 at 71 and S. Rept. 114-45 at 30.



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Section 303 of the TFTEA improves CBP's enforcement against the importation of unlawful DMCA circumvention devices, explicitly authorizing the seizure of these devices and requiring CBP to provide information regarding the seizure to injured persons. To manage this process, CBP must establish and maintain a list of injured persons to be provided the seizure information. CBP has one year from the enactment of the TFTEA to publish notice in the Federal Register of the establishment of this list and must publish a notice whenever the list is altered. This provision is intended to ensure CBP's enforcement against importation of unlawful circumvention devices is as robust as its enforcement against importation of counterfeit and pirated merchandise. The provision provides that CBP must share information with persons injured by seized unlawful circumvention devices that is equivalent to the information CBP shares with copyright owners upon seizure of piratical articles. The legislative history provides that persons injured by the importation of unlawful circumvention devices may include, "the producer of a hardware device that includes the technological means of protection that the seized merchandise is designed to circumvent, the publisher of copyrighted material that is designed for use on the same device, or both."³

Section 304 provides that CBP has 180 days to establish a process for border enforcement of copyrights that are pending registration at the Copyright Office. Currently, only owners of registered copyrights may record their copyrights to receive border enforcement from CBP. Section 304 ensures that a delay in registration at the Copyright Office will not result in a delay in enforcement at the border.

In Section 305, Congress for the first time authorizes the National Intellectual Property Rights Coordination Center. Although the Center was first established back in 2000 within the old U.S. Customs Service as a multi-agency task force to fight intellectual property crime, Congress had never actually authorized it. The TFTEA establishes the Center in law, within U.S. Immigration and Customs Enforcement (ICE), as the focal point for federal criminal enforcement of IPR. Among other things, the Center is to coordinate criminal intellectual property rights investigations, provide training to domestic and international law enforcement agencies on best practices for investigations, and collect information regarding intellectual property infringement from Federal and other sources. In carrying out these duties, the Center is required to coordinate with a host of federal agencies, including the Department of Justice, the U.S. Patent and Trademark Office, and the Office of the U.S. Trade Representative. The Center is also required to conduct outreach with the private sector to determine trends in enforcement of IPR and to share information and best practices regarding enforcement of IPR.

The TFTEA includes some new reporting requirements for CBP and ICE on IPR enforcement. Section 306 requires CBP and ICE to submit a Joint Strategic Plan on IPR enforcement to Congress every two years beginning one year after the law's enactment. The Joint Strategic Plan on IPR includes a review of enforcement efforts over the prior two year period, and recommendations on resources needed to ensure adequate enforcement. Section 310 requires CBP and ICE to jointly submit an annual report on intellectual property rights that includes specific IPR criminal and border enforcement metrics, and a summary of outreach efforts, including collaboration with the private sector, coordination with foreign governments and

³See H. Rept. 114-114 at 72 and S. Rept. 114-45 at 31. The House Ways and Means Committee Report and the Senate Finance Committee Report contain identical language.



international organizations, and training activities. The report must also include a description of efforts by CBP and ICE to address the challenge of stopping infringing merchandise sold online, particularly when transited in small packages.

The TFTEA also includes a number of provisions intended to improve the overall effectiveness of enforcement of IPR at the border. Section 308 requires CBP to ensure its officers are trained to effectively combat infringing merchandise. As part of this requirement, CBP must consult with the private sector and must identify technologies to assist it in detecting and identifying infringing merchandise. In addition, within 180 days after enactment, CBP must develop regulations to enable it to receive technologies and accept training from the private sector. Section 309 requires CBP and ICE to improve coordination and collaboration with foreign customs authorities, including information sharing, to enhance IPR enforcement. Lastly, section 311 requires CBP to develop and carry out an educational campaign at the border to educate travelers about the dangers of acquiring IPR infringing merchandise. In addition, this provision requires CBP to update its declaration form for travelers to include a written warning to inform travelers arriving in the United States that bringing in infringing merchandise may subject travelers to civil or criminal penalties and may pose serious health and safety risks.

In addition to these new border enforcement requirements on IPR in Section III, Section VI of the TFTEA also includes a couple of new trade enforcement provisions that are intended to strengthen USTR's ability to improve the IPR protection and enforcement of U.S. trading partners. U.S. international trade policy is a delicate balance between the Congress and the Administration. These new provisions reflect Congress's desire to raise the profile of IPR protection and enforcement issues in U.S. international trade policy, and to increase the Administration's accountability to Congress on these issues.

The first provision, section 609, establishes the Chief Innovation and Intellectual Property Negotiator (Chief IP Negotiator) at USTR to conduct trade negotiations, enforce trade agreements, and take appropriate actions to address acts, policies and practices of foreign governments that adversely impact "the value of United States innovation." Presently, the IP and Innovation Office at USTR, which handles many of these functions, is led by a career staff person at the "Assistant" USTR level, who reports to a Deputy USTR. The Deputy USTR is a political appointee with the rank of Ambassador who also handles a broader portfolio that includes responsibility for the entire range of trade issues for one or more geographical regions.⁴ The new Chief IP Negotiator position, which has the rank of Ambassador, will be appointed by the President with the advice and consent of the U.S. Senate and will solely focus on IPR issues. The Chief IP Negotiator will report directly to the U.S. Trade Representative, not a Deputy USTR. Signaling Congress's desire for more accountability on IPR issues, along with the other duties, the Chief IP Negotiator must submit an annual report to Congress detailing enforcement and other actions USTR has taken to improve IPR protection.

The second provision, section 610, bolsters USTR's annual "Special 301" review of IPR policies and practices of U.S. trading partners. This provision is clearly intended to strengthen and improve the effectiveness of the Special 301 process and to increase congressional oversight. Special 301 was first enacted in 1988 to provide a strategy to improve IPR protection and

⁴ Presently, Ambassador Robert Holleyman is the Deputy USTR whose portfolio includes IP.



enforcement abroad and to eliminate market access barriers against U.S. exporters that rely on IPR protection. Under Special 301, a country that most egregiously denies adequate and effective protection of IPR or fair and equitable market access for U.S. exporters that rely on IPR protection must be designated as a “Priority Foreign Country” (PFC). A PFC designation triggers an investigation that in rare cases results in trade sanctions. While the PFC designation has been rarely used, to facilitate Special 301 USTR also identifies countries with IPR problems that do not rise to the level of a PFC designation. Countries with more significant problems, such as China and India, are placed on the “Priority Watch List,” while countries with less severe problems are placed on the “Watch List.” For countries that have been on the “Priority Watch List” for more than one year, section 610 requires USTR to develop an action plan with benchmarks to assist that country to improve IPR protection and remove market access barriers. USTR must also submit an annual report to Congress detailing the progress such countries have made in meeting the action plan benchmarks. Countries that fail to meet action plan benchmarks will be subject to “appropriate action” by the President. The new law is noticeably silent on what “appropriate action” might mean, although obviously any actions taken pursuant to this provision must be consistent with U.S. trade obligations.