



IP protection in the US market— guarding the borders

BY NEIL JUNEJA

While I am an attorney, nothing in this article should be construed as legal advice and is for informational purposes only. Please seek independent counsel.

THE PACE OF MAJOR INNOVATIONS and breakthroughs in the entertainment technology industry has reached levels never seen before. Entire product classes are created every year. These innovations not only push the toolset into exciting directions, but also inspire others to create companion products. Others imitate these innovations. Some create counterfeits that copy a product and trade on its reputation. However, there are defensive options for those who might be faced with imitations or counterfeits of their products.

If the product is truly innovative, patent law is the proper protection against imposters. On the other hand, if imitations are trading upon one's reputation, then look towards trademark law. While these are not the only avenues of defense, they do serve as the quickest, least expensive, and most effective means of protecting one's competitive edge, if utilized properly.

Patents

Patent law is the primary protection against most types of counterfeits in this industry. A patent is a limited monopoly allowing the patent holder to prevent others from

making, using, or selling the invention. Mike Wood drafted an excellent two-part article on patents in the Fall 2005 and Winter 2006 editions of *Protocol* that are well worth a review. He also wrote an updated article on the American Invents Act (AIA) in the Spring 2013 edition of *Protocol*. In the interest of brevity, I will assume that you have referenced these articles to bolster your understanding of patents, if needed.

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For our purposes, we will look at the two types of patents for this article: 1) utility patents; and 2) design patents. A utility patent is the most common type of patent and covers an invention of a new and useful process, machine, manufacture, or composition of matter, or a new and useful improvement thereof. A design patent protects the ornamental design of a functional item. The main limitation on patents is that one cannot enforce the patent against others until it issues. This can create a serious problem when product lifecycles in our industry may only be two or three years. Under ordinary circumstances, issuance of a patent takes years. The average pendency of a utility patent is about 30 months in

2013. However, the United States Patent and Trademark Office (USPTO) offers a pilot program called the Track One option (often called Fast Track). This option can bring the total pendency down to as little as 7.2 months from filing date to final disposition. The USPTO's goal is an average disposition within 12 months. As a result, one can begin enforcing their rights not long after a product comes to market, presuming that

the applicant wisely filed the application prior to commencing manufacturing. Also, the Track One option is rather inexpensive, relatively speaking. Applicants making a Track One request will pay a fee of \$4,800 or \$2,400 for small entity status (small entity status requires fewer than 500 employees, among other things).

A design patent takes about 12 months to issue and while inexpensive to file and quick to issue, a design patent's protection is limited to substantially the same design. Quite a few companies in this industry file design patents on their products, and, when looking for thorough protection, this is a smart move. However, if value and the reduction of legal fees are high priorities,

design patents become relevant only when the design is a particular selling point or is difficult to circumvent. Otherwise, the value of an issued design patent on a fixture might not be any more valuable than the beautiful framed patent certificate hanging on the wall of your lobby.

Once a patent has issued, enforcement within the US is straightforward, although not always effective. When it comes to counterfeit devices, the list of defendants can be quite long and may include importers, wholesalers, retailers, rental companies, designers, and users. In addition, the Recording Industry Association of America (RIAA) has shown us that suing your own customers can be bad for business. For clear infringement, tossing a couple of angry lawyers over their ramparts may suffice prior to litigation (i.e. a couple of angry legal letters coated with bear pepper spray). If the infringement continues, litigation is the logical step, albeit expensive and time-consuming. One way to mitigate the lengthy civil proceedings is to seek a preliminary injunction. A preliminary injunction is a court order where the allegedly infringing party must stop their alleged infringement immediately pending the outcome of the case. Litigation may be the right choice when a single competitor is selling an infringing product. However, litigation will feel like a game of whack-a-mole when attempting to stop an army of clones from invading the domestic market.

A better strategy is to keep the infringing items from entering the US in the first place. When dealing with a single infringer or a multitude of bad actors, a previously unheard-of federal agency is quickly becoming the forum of choice: the International Trade Commission (ITC). The ITC enforces Section 337 of the Tariff Act of 1930. Section 337 prohibits unfair acts and unfair methods of competition in the importation of articles into the US, including infringement of intellectual property rights. While Section 337 can be used for trademark and copyright infringement, it is most commonly utilized

for patent infringement. The International Trade Commission is tasked with hearing the cases and unlike many district courts, possesses substantial experience in patent infringement cases.

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The ITC remedies are: 1) limited or general exclusion orders; and 2) cease and desist orders. A limited exclusion order directs the US Customs and Border Protection (CBP) to exclude all infringing articles imported by a party. A general exclusion order directs the CBP to exclude all infringing articles from the US regardless of whether the importing parties were subject to the investigation. This allows for a single order to prevent all patent infringing products from entering the US market regardless of the source of goods. The cease and desist order can be used against domestic parties in various ways such as directed at infringing goods that were previously imported.

The ITC has broad *in rem* jurisdiction over imported goods. This is in contrast to district court's personal jurisdiction over the parties who import goods. Essentially, the ITC may wield its power at wherever the goods may reside, regardless of who is

involved. Because of this broader power, the ITC is able to reach infringing products where judgments in district court cannot be enforced.

Finally, the benefit of Section 337 is the expediency of the proceedings. From the date of filing, a case can be completed and enforced in as little as nine months. Added to the time of a fast track patent filing, a company can enforce their patent rights at the borders less than two years from filing a patent application. If the company moves quickly enough, they can greatly mitigate any losses caused by counterfeit items very early in the lifecycle of the product.

Section 337 for patent infringement is very effective at stopping products at the border. As long as the border agent can discern what the infringing item is at the border, a large percentage of the shipments will be seized. This can be far less successful in items such as microchips. In the case of most counterfeit lighting products, the CBP should have little trouble interrupting the flow of economic damage into the domestic stream of commerce.

Trademarks

Trademarks identify the source of a product or service in order to protect consumers from confusion. As usual, Mike Wood wrote an excellent article in the Spring 2005 edition of *Protocol*. Trademarks function to protect branding such as names, logos, and slogans. Trademark protection is even available for colors, sounds, and smells in certain circumstances. Trademark law can also protect trade dress: the non-function and distinctive quality of a product's packaging or design. This can be seen in the audio world with Tony Andrews' Funktion-One audio line utilizing purple and silver components. In the lighting industry, a solid argument can be made that MA Lighting's yellow trackball is deserving of trade dress protection. In addition, it is possible for a company to register the trade dress of a lighting fixture in its non-functioning and distinctive look. This may provide some

protection when designing the exterior housing of a luminaire. Several companies have even been issued design patents on the lens layout of their LED fixtures (assuming that the lens layout is arbitrary and can function in numerous configurations). In theory, the very same lens arrangement may qualify for trade dress protection.

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The process for registering a federal trademark begins with filing an application with the USPTO. A federal trademark registration will take about eight to 12 months if there are no obstacles such as office actions or third-party oppositions. Upon a successful trademark registration, the trademark can be registered with the CBP. Both of these processes are now fully electronic. The cost is also minimal at less than \$200 per class of goods or services to register with the CBP at the time of publication. While registration with the CBP will begin the process, the trademark holder should remain in contact with the CBP to ensure the agency's effectiveness at preventing infringing products from entering the market. Once again, the agency is surprisingly effective at seizing infringing items at the border.

[Non-legal] advice

First and foremost, it is important to use the legal avenues available to protect innovation in the industry. When your competitive advantage is innovation, file a utility patent application as soon as possible and long before your product debuts. Request Track One priority examination with the USPTO. Upon issuance of the patent, consider filing a suit against any domestic parties importing, making, selling, or using infringing products and seek a preliminary injunction. Also upon issuance, file a complaint with the ITC under section 337 at the very moment an infringing product is discovered within the US. Following these steps will do a great deal to mitigate losses due to counterfeits at a minimal cost.

If your competitive advantage is your reputation and branding, register your trademarks with the CBP and keep a dialogue running with the agency. As your trademarks were already registered with the federal government (You did register these, right?), the wait time for action at the border is negligible. Any harm that might have occurred through trademark infringement is greatly minimized.

In addition, alternative avenues do exist. Tech riders can be drafted with more narrow equipment requirements and allowable substitutes specified by name. Consider requiring that all suppliers use non-infringing products. If you source your manufacturing in far-away countries, do not be surprised when counterfeits are escaping through the backdoor of that factory. Consider public-shaming. If, as an industry, use of infringing equipment becomes immoral, I believe that we can go a long way in mitigating the overall harm. ■



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