



March 24, 2010

BY EMAIL: [intellectualproperty@omb.eop.gov](mailto:intellectualproperty@omb.eop.gov)

Ms. Victoria Espinel  
United States Intellectual Property Enforcement Coordinator  
Office of Management and Budget

Re: Request for Written Submissions  
Concerning Joint Strategic Plan  
75 FR 8137

Dear Ms. Espinel:

Intel Corporation commends the Office of the Intellectual Property Enforcement Coordinator (IPEC) for its inquiry into the important policy issues related to intellectual property rights and enforcement and welcomes the opportunity to provide comments in response to the Federal Register notice from IPEC requesting public comments on the "Coordination and Strategic Planning of the Federal Effort Against Intellectual Property Infringement," 74 Fed. Reg. 8137-8139 (Feb. 23, 2010).

This submission is divided into three (3) parts. Part I gives background on Intel and its interest in protecting intellectual property. Part II presents recommendations for intellectual property rights and enforcement. Part III presents examples of successful intellectual property agreements.

### **Part I: Background of Intel**

Intel Corporation is the world's largest semiconductor manufacturer with over 80,000 employees internationally. Domestically, we support over 40,000 employees and 20,000 contractors at our nine (9) US locations.<sup>1</sup> We have been a technical innovator for over 40 years and, among other things, provide building blocks for the worldwide digital economy, including desktop, mobile, and server computers, digital entertainment devices, and networking and communications products. In the last decade, Intel has invested anywhere from 11 to 15% of its annual revenues in research and development.

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<sup>1</sup> Intel's manufacturing facilities are located in Oregon, Arizona, New Mexico, and Massachusetts. Our research facilities are located in Colorado, Texas, Washington, California, and South Carolina.

Intel protects its investment in technology through the intellectual property rights that apply to our process technology and the various products we manufacture. Intel is among the world's most prolific producers of patentable technologies. In addition, the majority of the software that we distribute, including software embedded in our component- and system-level products, is entitled to copyright protection. And, our trademarks symbolize innovation in the technology world.

In a speech at the Export-Import Bank's annual conference in Washington about the Anti-Counterfeiting Trade Agreement, President Obama stated: "Our single greatest asset is the innovation and the ingenuity and creativity of the American people. It is essential to our prosperity and it will only become more so in this century.

But it's only a competitive advantage if our companies know that someone else can't just steal that idea and duplicate it with cheaper inputs and labor." Companies like Intel stake their success and reputation on being the world's incubators for next generation technology. Enormous resources – human capital, research and development dollars, world class manufacturing – fuel this innovation, which in turn helps to generate the goodwill that is the promise of the world-famous INTEL® brand. We employ more than 8,000 software engineers alone whose efforts are dedicated solely to generating copyright-protected software. When an infringer or counterfeiter appropriates a famous brand like Intel's, he or she appropriates instantly that innovation and goodwill to the detriment of Intel, its employees and shareholders, its customers, and the general public. Given the investments that we have made in our intellectual property, we have a significant interest in a robust intellectual property system with efficient and effective enforcement mechanisms. Accordingly, we appreciate the opportunity to submit recommendations for the Joint Strategic Report and other intellectual property enforcement efforts.

## **Part II: Recommendations**

### **A. Strengthen Intellectual Property Rights**

Intel is strongly supportive of the Joint Strategic Plan's objective to strengthen the capacity to protect and enforce intellectual property rights (IPR) both domestically and internationally. The need to both develop strong IP laws and enforce them is essential for our industry, which constitutes the second largest U.S. exporter, derives more than 75% of its revenue overseas, and has a global supply chain. As such, we must be cognizant of the effects any proposed reforms to IP laws will have on our ability to innovate. Robert Sherwood's extensive studies of IPR systems have shown that all elements of a country's IP system contribute to its ability to attract investment and spur economic development.<sup>2</sup> A strong, effectively enforced intellectual property law upgrades the technical base of the country, enables and incentivizes the creation and exchange of advancing technology, and fosters greater human resource development in technical fields.

#### ***i. Patents: Limit the Use of Compulsory Licensing as Required Under TRIPS***

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<sup>2</sup> E.g., Robert M. Sherwood, "Intellectual Property Systems and Investment Stimulation: The Rating of Systems in Eighteen Developing Countries," IDEA: The Journal of Law and Technology, 37 IDEA 261 (1997).

There is an emerging trend among officials in various countries and nongovernmental organizations to favor the compulsory licensing of patents as a means of forcing technology transfer to IP poor countries and entities. For example, consider the following positions in the context of environmental technologies:

- The European Parliament called for a study on opening and amending TRIPS to provide compulsory licenses to IPR for “environmentally necessary” technology.<sup>3</sup>
- In 2008, the Indian Environment Minister Shri Raja wanted a climate change agreement “‘paralleling’ what he call[ed] ‘the successful agreement on compulsory licensing of pharmaceuticals’, which has undermined supply, quality and trade.”<sup>4</sup> Shyam Saran, India’s special envoy on climate change noted that India wants climate change technologies to be treated as public and common goods and dealt with in the same manner as HIV drugs.<sup>5</sup>
- “In submissions to a working group of the UNFCCC countries submitted their ideas of what should be included in a post-Kyoto agreement. Submissions from a number of countries identified the need for looking at the role patents play in technology transfer. The submission from China called for policy instruments to be considered, including ‘compulsory licensing for patented ESTs (environmentally sound technologies), etc.’”<sup>6</sup>
- The UN Assistant Secretary General for Economic Development, Jomo Kwame Sundaram, in an address on the “Climate Change Challenge” noted: “Already, there has been some regression on trade-related aspects of intellectual property rights (TRIPS) and pharmaceuticals—the major inducement to bring developing countries back to the negotiating table after Seattle to resume the World Trade Organization (WTO) talks at Doha after 9/11. Reform to the current IPRs regime will need to be addressed to make possible the extensive use of technological solutions to address climate change.”<sup>7</sup>

In brief, many recently have argued that IP rights block access to environmental innovation that is needed by developing countries, and thus they should be eliminated or waived. Intel is concerned that the trend and clamor for royalty free or low royalty technology transfer that

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<sup>3</sup> European Parliament resolution of 20 November 2007 on trade and climate change (2007/2003(INI)); available: <http://www.europarl.europa.eu/sides/getDoc.do?Type=TA&Reference=P6-TA-2007-0576&language=EN>. The European Parliament was heavily influenced by environmental activists. For example the Center for International Environmental Law, an influential environmental NGO based in Geneva, has proposed that waiving patents could be necessary in order to make fuel efficient cars more widely available. “IP Rules to be Changed to Give Access to Environmental Technology” (5 December 2007); available: <http://www.edri.org/edriagram/number5.23/ip-environmental-technologies>.

<sup>4</sup> Tim Wilson, Op-Ed, “Attacking Patents Is A Way To Halt Progress On Climate Accord” (*The China Post*, 8/29/08).

<sup>5</sup> “Treat Climate Change Tech As Public,” *The Times Of India* (7/27/08).

<sup>6</sup> Tim Wilson, “The Debate Surrounding Patents And Low Carbon Technology Is Heating Up,” (4/20/09). See also China, Submission Of Views On The Elements Contained In The Bali Action Plan; available: [www.unfccc.int](http://www.unfccc.int) (9/28/08).

<sup>7</sup> Jomo Kwame Sundaram, “The Climate Change Challenge,” *UN Chronicle*; available: [www.un.org](http://www.un.org) (1/26/08).

began with patented drugs for HIV/AIDS, expanded to medicine for other diseases such as cancer, and is now being invoked for necessary environmental technologies, could one day also reach semiconductor technology that provides the products for the “essential” digital economy. The added protection for semiconductor technology that TRIPS Article 31(c) offers is helpful, but not sufficient to alleviate our concerns given attempts to broaden the definition of public interest and the increasing interest governments have to manage or intervene in critical industries.

**a. The Problems with Expanding TRIPS Article 31**

Overbroad compulsory licensing of patents can seriously undermine the incentive to invest. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) allows member states to issue compulsory licenses in limited circumstances, subject to certain critical restrictions or safeguards. Those limitations, heavily negotiated during the drafting of TRIPS, likely have served as one of the main reasons why comparatively few compulsory licenses have been issued to date.

In spite of their clear benefit, however, the TRIPS limitations on compulsory licenses of patents do not provide a modicum of clarity, have not always been followed,<sup>8</sup> and challenges as to their scope and meaning recently have increased. Indeed, it has been argued that:

“Ownership of technology remains concentrated in the developed countries where large amounts of capital are invested in research and development (R&D). Industries in developing countries have great difficulty in competing in R&D because of persistent structural imbalances. Developed country enterprises are often reluctant to licence new technology on terms and conditions that will permit developing country enterprises to effectively compete in world markets. Although TRIPS makes a number of references to encouraging transfers of technology, there is little evidence that programmes to accomplish this are being implemented. *Compulsory licensing, and the threat of compulsory licensing, are necessary to make transfer of technology a reality.*”<sup>9</sup>

Under Article 31, the compulsory license generally must comply with the following conditions (stated in summary form):

- Authorization of such use shall be considered on its individual merits;
- The use may only be permitted if the applicant has made unsuccessful efforts to negotiate a license from the right holder on reasonable commercial terms and conditions (a condition that may be waived in the case of public, non-commercial use or national emergency);
- The scope and duration of such use shall be limited to the purpose for which it was authorized (but in the case of semiconductor technology the license shall only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive);

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<sup>8</sup> For examples of the variation in the grounds WTO members rely upon to grant compulsory licenses and the more liberal approaches by some developing countries, see Carolyn Deere, *The Implementation Game: The TRIPS Agreement and the Global Politics of Intellectual Property Reform in Developing Countries* (2009), pp. 82-83.

<sup>9</sup> UNCTAD & ICTSD, *Resource Book on TRIPS and Development* (May 2005) (emphasis added).

- The use shall be non-exclusive, non-assignable, and authorized predominantly for the supply of the domestic market of the Member authorizing it;
- Such use shall be terminated when the circumstances which led to it cease to exist and are unlikely to recur;
- The right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization;
- Patentee and applicant have a right to judicial/independent review of the decision to issue a license; and
- Appropriate provision is made for dependent patents.<sup>10</sup>

Article 31 specifies a few *substantive* grounds on which a compulsory license may be issued (i.e., national emergency, extreme urgency, public non-commercial use, to remedy anti-competitive practices, and where needed to permit the exploitation of a dependent patent). In those cases, some of the *procedural* limitations on a license imposed by Article 31 are waived as noted in the second and third bullets above. The TRIPS drafting history indicates that the short list of substantive grounds from Article 31 (stated in the earlier parenthetical) was not meant to be exclusive.<sup>11</sup> Yet each of the narrow substantive grounds expressly mentioned in Article 31 requires the presence of a sufficiently strong public interest. And Intel believes that this requirement should be applied to any compulsory license application.

A few have taken the position that anytime a patent holder and potential licensee cannot successfully negotiate a license based on reasonable commercial terms, a compulsory license may be issued consistent with the other TRIPS procedural requirements. In other words, they treat that negotiation condition in Article 31 as a separate substantive ground sufficient to justify the issuance of a compulsory license rather than one of the various procedural requirements that apply to all compulsory licenses except when waived in the case of public, non-commercial use or national emergency. Such a broad approach to compulsory licensing under TRIPS Article 31 can only be motivated by industrial policy rather than the public interest.

This is evident in how Article 76 of Taiwan's patent law has been applied, which permits the granting of a compulsory license where a patent owner has failed to offer a voluntary license to another operator on "reasonable commercial terms and conditions." Under that law, the Taiwanese Intellectual Property Office (TIPO) determines what is "reasonable" rather than using market forces to do so. Based on Article 76, Gigastorage requested and obtained new compulsory licenses to manufacture CD-R technology patented by Phillips at significantly lower fees. This occurred after Phillips terminated prior licenses it had issued to Gigastorage because of the failure to pay royalties. The Taipei Administrative High Court reversed TIPO's decision because the agency failed to take into account relevant market based factors in determining a reasonable royalty.

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<sup>10</sup> TRIPS Article 31. Note: The conditions in the second through the fifth bullets don't apply to licenses issued to remedy anti-competitive conduct.

<sup>11</sup> Well known commentator Gervais noted that Article 31 "sets specific conditions for the grant, but does not list or define the cases where a license may be granted (except for semiconductor technology). Negotiators weighed both options and preferred to leave open the cases where compulsory licensing [...] may be allowed. Instead, they established stringent safeguards." Gervais, Daniel, *The TRIPS Agreement: Drafting History and Analysis* (Sweet & Maxwell, 2<sup>nd</sup> Ed. 2003), p. 250.

The question of whether refusal to deal is itself a legitimate ground on which CLs can be issued under TRIPS was not dealt with on appeal, however, and remains unsettled in Taiwan.

Given this bad precedent, the European Commission Services recommended that the Commission initiate WTO consultations if a change to Taiwan's patent law and a complete revocation of the CLs given to Gigastorage was not achieved.<sup>12</sup> The case eventually was settled, however, and to our knowledge the issue remains unresolved.

### ***b. Contain the Push for Broad Compulsory Licenses***

Intel recommends that the IPEC and members of the interagency advisory committee seek opportunities to clarify in the WTO TRIPS Committee discussions and in other relevant multilateral fora that TRIPS Article 31 does not allow compulsory licenses any time a patent holder refuses to license its patent on reasonable commercial terms and conditions, including adequate remuneration. This may be done by clarifying with other WTO members that certain conditions in Article 31 support the understanding that the TRIPS negotiators intended compulsory licenses to be issued sparingly:

- As Article 31(a) says, each compulsory license will be “considered on its individual merits”; hence no compulsory license should be automatically granted when all relevant conditions in Article 31 are met.
- The text distinguishes the substantive grounds specified in Article 31 for granting a compulsory license (e.g., extreme urgency) from the requirement for negotiations to seek “reasonable commercial terms and conditions,” which as noted earlier, may be waived for some of the listed substantive grounds where the public interest is high. This indicates that the requirement to negotiate a compulsory license is a procedural, not substantive, one and thus not sufficient to justify the license.
- If refusal to license on reasonable commercial terms were sufficient grounds to issue a compulsory license, TRIPS drafters would not have bothered to include Article 31(k) which expressly allows compulsory licenses for anti-competitive conduct related to specific uses of patents.
- Similarly, Article 31(l) would not need to specify that the owner of a patent is entitled to a cross-license on reasonable terms to use the invention claimed in a dependent patent if refusal to license were sufficient grounds for a compulsory license.
- Article 31(g) indicates that a compulsory license may be terminated “if and when the circumstances which led to it cease to exist and are unlikely to recur.” This condition assumes the continued existence of a defined set of circumstances (e.g., national

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<sup>12</sup> *Report to the Trade Barriers Regulation Committee, Examination Procedure Concerning an Obstacle to Trade, Within the Meaning of Council Regulation (EC) No 286/94, Consisting of Measures Adopted by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu Affecting Patent Protection in Respect of Recordable Compact Discs, Complaint Submitted by Koninklijke Philips Electronics N.V (30 January 2008) [hereinafter “TBR Investigation Report”].* Notably, Article 76 of Taiwan's patent law incorporates many of the other restrictions in TRIP Article 31.

emergency), whereas the requirement to agree to license could not cease to exist, once made, and already has its own “reasonable period of time” limit when made on “reasonable commercial terms and conditions” -- again indicating it is not a separate substantive ground for granting compulsory licenses.

As stated above, the few substantive grounds expressly mentioned in Article 31 on which a compulsory license may be issued are all justified on public interest grounds. Likewise, any other grounds that may qualify for a compulsory license under Article 31 should have a sufficiently strong public interest component. If we do not reinforce and seek strict adherence to these requirements, compulsory licenses could easily be issued for industrial policy purposes, which would undermine well established patent rights and inhibit further technological innovation. Gervais, one of the few scholars who have analyzed this issue in detail, agrees:

“The mere fact that the prospective licensee has unsuccessfully attempted to obtain a voluntary license from the patent owner is not a sufficient reason for the grant of a compulsory licence. Nor is the fact that the patent owner has failed to provide sound commercial reasons to grant the licence to a competitor. Actually, there is no sounder business practice than refusing to engage in commercial deals with competitors. [...]

But even when it is decided that the patent owner has refused to licence the patent in spite of having been offered reasonable commercial terms, it does not follow that the compulsory licence should be automatically granted. In addition to the refusal to licence, there must be a public interest to justify the licence. The mere refusal to deal is no justification to grant a compulsory licence and, as explained above, to suppress the patent owners' right to say "no" would be a violation of Article 28.1 as well as a non-violation to the extent that it would nullify and impair the benefits that the TRIPs Agreement has accrued to patent owners...”<sup>13</sup>

## **ii. Trademarks: Ensure Appropriate Brand Protection**

### **a. Problems With and Recommendations for Famous Mark Protection**

Famous marks are often intentionally targeted for infringement and counterfeiting, providing a free ride on the goodwill of the famous mark to the detriment of the public. The association is immediate, and hence so is the payoff. It is vital that the Federal Government solidify protection of famous marks, an often misunderstood area of the law<sup>14</sup>.

**Domestic Protection.** Famous mark protection, or “dilution” protection, affords a specific remedy granted only to truly famous marks that satisfy all of the elements of the Trademark Dilution Revision Act (“TDRA”). Protection against trademark dilution is a complicated legal principle, and the public generally is not aware of the broad scope of protection afforded to famous marks under the TDRA and other anti-dilution laws. “Misunderstanding is rampant.”

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<sup>13</sup> See de Carvalho, Nuno Pires, *The TRIPS Regime of Patent Rights*, (Kluwer Law International, 2<sup>nd</sup> Ed. 2005), para. 31.8 & 31.10 (footnotes omitted). See also Xiaohai Liu, Bayer-Chair for Intellectual Property Rights at Tongji University in Shanghai, “A Study on Patent Compulsory License System in China – With Particular Reference to the Drafted 3rd Amendment to the Patent Law of the P.R. of China. Available: <http://www.springerlink.com/content/j21273445925q201/>.

<sup>14</sup> “[T]he legal theory of ‘dilution’ is exceedingly difficult to explain and understand.” *McCarthy on Trademarks and Unfair Competition*, Section 24:67.

*McCarthy on Trademarks and Unfair Competition*, Section 24:67. The purpose of famous mark protection is to prevent the gradual whittling away of a famous mark's enormous value (created through significant investment by the brand owner) through its use by others. The International Trademark Association supported the original Federal Trademark Dilution Act because: "famous marks foster a lasting psychological grip on the public consciousness, have a value that is incalculable, and possess an unseen but dynamic pull on consumers. Famous marks are the voices of American assurance, the best America has to offer, and carry a certain sense of history. Because of their qualities, famous marks are the marks most susceptible to irreversible injury from promiscuous use."<sup>15</sup>

Famous mark enforcement may be implicated in the "Trademark Technical and Confirming Amendment Act of 2010", which calls for the Secretary of Commerce to conduct a study on "the extent to which small businesses may be harmed by litigation tactics by corporations attempting to enforce trademark rights *beyond a reasonable interpretation of the scope of the rights* granted to the trademark owner." (Emphasis added.) This language raises a number of issues:

- It necessarily calls for a definition of the proper scope of a brand owner's right to enforce its trademarks;
- It does not distinguish between proper protection of famous and non-famous marks, which differs significantly; and
- Given the confusion that already exists regarding lawful trademark protection, there is a potential risk that infringers and diluters may misintrepet the findings of the study and resulting conclusions regarding trademark enforcement, further adding to the confusion.

To avoid further public confusion regarding appropriate trademark enforcement tactics, Intel recommends that the office of IPEC and Department of Commerce consult with (or otherwise keep apprised) the public, small businesses and brand owners regarding the way the study is conducted and the recommendation being made to Congress. As with any such survey, the framing of the questions and the interpretation of the data is crucial in ensuring that the pendulum does not swing too far in either direction and the public is not further confused as to lawful and appropriate trademark enforcement.

Another threat to the appropriate protection of famous marks in the U.S. is the expansion of parody as a defense to anti-dilution laws. The TDRA properly includes a parody defense, but this defense does not apply where the purported parodic use serves as a designation of source. For example, in the STARBUCKS v. CHARBUCKS case (*Starbucks Corp. v. Wolfe's Borough Coffee Inc.*), the Second Circuit followed the TDRA and found that the commercial use of the mark as a source identifier disqualified it from a parody defense. However, a recent dilution case involving LOUIS VUITTON v. CHEWY VUITON (*Louis Vuitton Malletier SA v Haute Diggity Dogg LLC*) threatens the TDRA and *Starbucks* decision by mistinterpreting the parody defense. In that case, the Fourth Circuit overlooked the fact that the defendant was obviously using its mark as a source identifier for its products, and it penalized Louis Vuitton for having a mark that was too famous, finding that the strength of plaitiff's mark actually worked in defendant's favor to distinguish the marks.

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<sup>15</sup> Testimony of Anne Gundelfinger, President, International Trademark Association, before the Subcommittee on Courts, the Internet and Intellectual Property Committee on the Judiciary United States House of Representatives, February 5, 2005 (citations omitted).



Because of the confusion brought on by the *Louis Vuitton* case, Intel recommends that legislation be passed to clarify the limited scope of a parody defense to the TDRA, or, at the least, that IPEC issue an opinion regarding the issue.

**International Protection.** Although various treaties, including the Paris Convention and TRIPS<sup>16</sup>, require signatories to implement protective measures for famous marks, such protection is not harmonized around the world. Not every country has laws that clearly protect against free riding off of famous brands, and even where there are such laws, they are not always applied correctly. Often, a court or administrative body will analyze the goods and services at issue in the case, and engage in a likelihood of confusion inquiry – classic infringement analysis – even though such analysis is largely irrelevant, particularly in cases involving dissimilar goods.

Given this lack of consistency, Intel recommends that the IPEC and members of the interagency advisory committee seek opportunities to work with trading partners to harmonize the application and interpretation of famous mark protections. These opportunities may include:

- Where there are no such laws, continue to use bi-lateral treaties and WTO accession to encourage countries to pass anti-dilution legislation, i.e. adopt and pass implementing legislation for the TRIPS agreement. In this regard, it is important that governments are provided assistance, where necessary, to help them ensure implementing IP legislation is consistent with their international obligations. This concern is derived from our participation in multiple rounds of comments aimed at helping China's authorities reconcile amendment to their IP laws with TRIPS requirements.
- Where there are such laws, encourage and educate those countries to apply those laws accurately, i.e. avoid falling into the trap of applying an infringement analysis. Such education can be achieved via the USPTO IPR Attaché Program or via meetings arranged between US trademark practitioners and judges. There are IPR groups, e.g. the International Trademark Association, who have arranged such meetings in the past, and which have been helpful in sharing practice tips and knowledge across borders. However, it might prove more helpful if the Federal Government were to sponsor such exchanges.
- Via the Special 301 process, continue to maintain on the USTR's watch lists countries which do not live up to their treaty obligations regarding famous mark protection.

***b. Problems With and Recommendations for Unused or Infringing Tradenames***

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<sup>16</sup> Article 6bis of the Paris Convention provides protection of a famous mark against similar or identical marks for similar goods (extended to services by the Article 16(2) of the TRIPS Agreement). Article 16(3) of the TRIPS Agreement expands the protection to non-competing goods.

Because trade names are capable of infringing trademarks<sup>17</sup>, mark owners must police against them. However, a few problems exist when enforcing against these trade names:

- There is no nationalized database (as this is traditionally within the purview of the states), so rights owners must review each states' records – an onerous task that is further hindered by inadequate search functionality;
- The states do not review the names for trademark infringement as the USPTO does for trademarks, for instance, resulting in a large number of trade names, both active and inactive; and
- There are no means for anyone but the entity itself to file a name change or remove its registration from the states' records, even if the entity is no longer doing business.

Rights owners trying to enforce their rights against unused trade names are unable to contact the entity directly (because the information on record is no longer accurate or the entity is no longer operating) but are still unable to remove the name short of incurring the time and significant expense of filing a lawsuit.

Intel recommends a mechanism whereby trademark owners may remove trade names, particularly those that haven't been used for some significant period of time, from the relevant state records. In other countries, such as Hong Kong, India, and the UK, mark owners may apply to a tribunal or administrative body in a much simpler proceeding to cancel a company name registration, i.e. without filing a civil lawsuit. A similar system could be created, by legislation,<sup>18</sup> whereby a rights owner can apply to a particular state to have a defunct entity's name removed at a minimum, and possibly afford relief for infringing names under a simpler process than a civil court proceeding. Neither process need be an ex-parte proceeding. This system could be akin to a UDRP proceeding, whereby the states would notify the entity (via the information on record) to respond to the rights owner's application. Where there is no response after an appropriate period, the state should be authorized to remove the entity from its records. Moreover, the adjudicating body would not need to assess likelihood of confusion or dilution if the entity is, in fact, defunct. In the alternative, the proceeding could provide an adversarial process, as in the Trademark Trial and Appeal Board, to determine likelihood of confusion and/or dilution where there is use of the infringing trade name; such an administrative proceeding could streamline a sort of cancellation action to help balance the lack of examination by the states.

Further, Intel recommends educating the general public about company names, their potential trademark function, and, accordingly, their ability to infringe the trademarks of others. A brief brochure (akin to a tax circular) could be posted to the states' websites and distributed in hard copy to parties establishing new entities or registering company names.

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<sup>17</sup> "Defendant's use of the professional or corporate name of a plaintiff as a trademark on goods may be characterized as trademark infringement. Similarly, defendant's use of plaintiff's trademark as part of defendant's corporate title and name may be called trademark infringement." *McCarthy on Trademarks and Unfair Competition*, Section 9:3.

<sup>18</sup> In the alternative, the office of IPEC may issue a guideline or a recommendation for each state to adopt their own system to accomplish the same end.

***c. Problems and Recommendations for Reference Resources for USPTO Examining Attorneys and Judges***

Reliance on online reference materials as evidence has proliferated; however, neither the Federal Rules of Evidence nor the USPTO set forth clear guidelines or a robust process regarding which references may serve as evidence. For example, an examining attorney at the USPTO may rely on a broad range of references, such as Wikipedia, in evaluating a trademark application for genericness, descriptiveness, etc. Similarly, courts have wide discretion in taking judicial notice of evidence (though, because the overall reliability of such references may be in doubt, the courts usually do not accept this type of evidence without further substantiation, and they have a process for further authentication). The issue is that references that are subject to modification by the public, such as Wikipedia, are dubious, and the ease with which some of these references can be updated by anyone, including a party with an interest, further casts doubt on their reliability.

Intel recommends that IPEC consider a revision to the Federal Rules of Evidence, and the USPTO promulgate regulations or revise the Trademark Manual of Examination Procedure, to ensure robust standards are established for these types of mutable references.

**B. Provide for Effective and Efficient Intellectual Property Enforcement**

***i. Coordination and Communication With Enforcement Agencies***

Counterfeiting is a serious and growing problem in the worldwide electronics industry that requires significant agency coordination to successfully address. Specifically, for semiconductor manufacturers like Intel, the problems we face include:

- Consumers do not get what they pay for. Computer purchasers may believe they are getting a system with fast chips, but in reality they are getting remarked chips that deliver slower performance with an increased risk of failure. These products often have false labels, damaged or missing die, and inferior packaging materials.
- Counterfeit products can create significant reliability problems for end systems, and reliability can be critical in certain system. The use of counterfeit products in systems such as computers and network systems can lead to costly failures. If such components find their way into aircraft, automotive, or medical equipment, failures can have tragic results.
- Systems manufacturers in all industries suffer damage to their reputation, brand equity and profitability when a product fails or does not perform according to expectations, causing property damage or loss of life. Fraudulent warranty returns result in costly failure analysis and problems when equipment manufacturers seek replacement of failed components purchased through illicit suppliers.

***a. Current Coordination Efforts***

In 2006, the U.S. Semiconductor Industry Association (“SIA”) formed an Anti-Counterfeiting Task Force (ACTF) to address the growing problem of semiconductor counterfeiting. The Task Force has worked with the U.S. Customs and Border Protection (“CBP”) to raise awareness among customs officers and within the industry on the problems associated with semiconductor counterfeiting. As a result, the U.S. and European customs authorities launched “Operation Infrastructure” late in 2007, which produced the seizure of over 360,000 counterfeit integrated circuits (ICs) that were destined for U.S. and European markets. In the summer of 2008, U.S. Customs engaged in a second “Operation Infrastructure II” and seized 426,000 counterfeit ICs.<sup>19</sup>

Further, the Task Force has assisted law enforcement officials to arrest suspected traffickers in counterfeit semiconductors and has led to the seizure of at least 1.6 million counterfeit semiconductors since November 2007. This coordination has opened a new front on the war against counterfeits. For instance on January 13, 2010, the U.S. Attorney for the District of Columbia announced that the owner of MVP Micro, Inc., entered a guilty plea to the charge of trafficking in counterfeit goods and faced a sentence of as much as 46 to 57 months incarceration. The MVP Micro action involved Immigration Customs Enforcement, Naval Criminal Investigative Service, and Internal Revenue Service as well as the Department of Justice.<sup>20</sup> This partnership between the private sector and a host of relevant U.S. agencies is much appreciated, needs to continue, and may be able to serve as a model in dealing with IP enforcement challenges in other industries.

#### ***b. Need for Improvement***

Despite the success of existing coordination efforts, improvements need to be made to the system of allowing stakeholders to identify counterfeit products to ensure efficient enforcement of intellectual property domestically. Currently, CBP investigators often request brand owners to determine whether a particular seized product is genuine or counterfeit based on a photograph or photocopy from CBP; however, CBP has taken to redacting or otherwise blocking out relevant identifying information, such as product codes, so that brand owners are unable to determine whether the seized product is genuine. As a result, counterfeit products may be released into the U.S. marketplace (and then elsewhere) simply because the appropriate information was not provided to the brand owner by CBP’s current practice.

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<sup>19</sup> See <http://www.sia-online.org/cs/anticounterfeiting>.

<sup>20</sup> Press Release, “SIA Hails Guilty Plea in Chip Counterfeiting Case” (January 14, 2010); available: [http://www.sia-online.org/cs/papers\\_publications/press\\_release\\_detail?pressrelease.id=1700](http://www.sia-online.org/cs/papers_publications/press_release_detail?pressrelease.id=1700). See also Press Release, “Three California Family Members Indicted in Connection with Sales of Counterfeit High Tech Parts to the U.S. Military,” The U.S. Attorney’s Office for the District of Columbia (October 9, 2009); available:

[http://www.usdoj.gov/usao/dc/Press\\_Releases/2009%20Archives/October/09-252.pdf](http://www.usdoj.gov/usao/dc/Press_Releases/2009%20Archives/October/09-252.pdf); Press Release, “420,000 Counterfeit Computer Parts Seized in CBP Enforcement Operation,” Customs and Border Protection; available: [http://www.cbp.gov/xp/cgov/newsroom/news\\_releases/archives/2008\\_news\\_releases/nov\\_2008/11202008\\_7.xml](http://www.cbp.gov/xp/cgov/newsroom/news_releases/archives/2008_news_releases/nov_2008/11202008_7.xml).

Intel believes that the process for identifying counterfeit products should be examined. We recommend that legislation be enacted, or CBP guidelines be revised, to ensure that brand owners are provided with sufficient information to distinguish between their genuine products and counterfeit goods, and to better assist CBP with their duties.

Intel also concurs with the recommendations made by the Semiconductor Industry Association and Business Software Association that are intended to further curb semiconductor counterfeiting and software piracy.

***ii. Content Protection: Provide for Markets, Not Mandates***

Intel has, for more than a decade, worked with content owners, the media sector, device manufacturers, Internet Service Providers and technology companies to develop, license and deploy technologies that protect premium content and enable new digital media business models for the benefit of consumers and innovators. Intel believes that a “markets, not mandates” approach to copyright should govern all content protection issues, and our record of engagement with the content industry speaks for itself. Intel also believes that “content protection” is reasonably achievable, but “consumer policing” is not effective.

***a. Current Market for Content Protection Technology***

Intel’s technical policy efforts are focused on creating content protection systems that enable horizontal and vertical innovation and competition opportunities for device makers, content creators and service providers. These systems are characterized by complex agreements among content creators, service providers and device makers. They are based on the premise that content should be protected at the source using encryption technologies and are designed to enable digital business models. Our first engagement and agreement with rights holders was to help create and enable DVD Video, the world’s most successful entertainment format (Intel is a long time Board Member of the DVDCCA\*, licensor of the CSS specification). Subsequent engagements and agreements include protecting content sent from a source device to a digital display using HDCP technology (DCP LLC\*, licensor of the HDCP\* and HDCP 2.0 technology); protection for the home network using DTCP\* (DTLA LLC\* licenses DTCP-IP\* technology); protection for removable media using CPRM\*/CPxM\* (4C Entity\* licensor); protection for Blu-ray Disc HD video content using AACS\* (AACS LLC Licensor); and protection for a broad range of content delivered over IP networks and mobile broadcast using OMA\* DRM 2.x (CMLA LLC\*, licensor of the CMLA\* specification as trust model for OMA DRM v2.0+). Each of these technology efforts and their associated agreements represent a cross-industry collaboration to deliver win-win solutions. In each case, the content protection system was created using open specifications, interoperability standards and trust models that robustly protect content, promote design freedom, stimulate innovation opportunities and permit the content protection system licensors to respond to market forces, including piracy threats, with flexibility. These content protection systems employ licensing regimes that are open to all innovators and establish robust protection requirements without dictating implementation or platform specifics.

Intel believes that the use, implementation and deployment of content protection technologies like these and industry guidelines like DLNA\* should be encouraged and supported by rights holders, consumers, device makers and service providers. While DRM and content protection interoperability is desirable from a consumer perspective, it should not be forced by legislative mandate, but driven by market forces and consumer demand. Intel has, and continues to work with content creators, service providers, and device makers to enable in-home interoperability. As an example, in addition to the cross-industry initiatives referenced above, there are new initiatives currently underway. Specifically, the Digital Entertainment Content Ecosystem (DECE)\*, a cross-industry consortia of more than 40 companies, shows great promise for both a richer consumer experience and greater DRM interoperability. DECE will leverage a common file format to achieve many of its goals, in much the same way that DVD and Blu-ray Disc have.

### ***b. Existing Content Protection Technology***

All of the content protection technologies that Intel is involved in rely on authentication protocols to identify devices trusted to receive protected content. With content protected at the source, it can be passed from one device to another only when the receiving device has been authenticated. The technologies do not identify the specific content itself.

There have, however, been many discussions with rights holders about the use of watermarks and other technologies that can be embedded in content to *police* consumer behaviour. Intel does not support consumer policing as a general matter, especially from a regulatory perspective as technology mandates stifle innovation, have material implementation costs, bring IP risk, and offer marginal effectiveness at best. While there may be roles in the ecosystem for a variety of marking technologies, none are silver bullets against piracy.

**Policing Watermarks.** There are audio and video watermarking technologies that can be used with consumer policing regimes. With mark based policing, an audio or video watermark is first embedded into a protected file. If the file loses its encryption based protection, the idea is that a device or service can screen the clear content for the embedded mark, and if found, prohibit playback or take some other action to frustrate a consumer's use or transfer of the content based on the watermark payload.

Policing mandates have been debated in the United States many times and uniformly rejected. Watermarks can be stripped, false positives can frustrate legitimate consumer behaviour, and the cost benefit analysis does not make regulatory sense or good public policy. Parties to arms length negotiations, however, may find a role for limited consumer policing as in the case of AACS content protection for Blu-ray Disc. In AACS, device makers agreed to a limited watermark screening obligation in consideration of rights holders agreeing to a managed copy obligation. The parties also agreed, however, that this private agreement did not support a regulatory requirement or fair use determination.

**Forensic Marks.** Forensic marking technologies can be used to help a content provider to identify the source of leaked content. These marks can be inserted either at the transaction source, or at the device level, to identify the customer/ account/device that received the content.

Forensic marks allow a content creator to identify the source of leaked content found on the Internet and are tools for self-help copyright enforcement. An easy example is an airline film that contains the name of the airline embedded in the file. If the file appears on the Internet, rights holders know where it came from and can seek redress from their licensees.

Forensic marking is a tool that is being increasingly deployed today in premium services. Intel does not oppose the use of forensic marking provided that a consumer's privacy and other interests are protected. Consumers who receive services that do forensic marking should have full disclosure of the forensic marking, and agree to it as part of their service agreement.

**Fingerprinting.** There are a number of other technologies available that create "fingerprints" of a particular work using hash functions and other techniques so that a particular work can be identified. These technologies rely on the unique audio or video characteristics of the particular file and can be used to create data bases associated with copyrighted works. Identification of a particular file is accomplished by sampling the file, finding its fingerprint, and then comparing it with the fingerprints in the data base.

There are a variety of fingerprinting technologies that are used by service providers today to screen content that their customers upload to the service. Service providers with contractual obligations to rights holders are well positioned to screen uploaded content because they can determine the format of the uploaded file. Fingerprinting is not, however, an effective technology for screening works on a P2P network. Fingerprinting technologies can be defeated using very simple encryption tools and/or simple data manipulation. With email and P2P networks increasingly using encryption for privacy purposes, screening files using fingerprinting is simply not effective.

In summary, Intel does not believe that standardizing or mandating authentication tools for the identification of pirated works is necessary or effective. We do not support "policing" mandates, as these are easily circumvented, and can negatively affect consumer rights and privacy, as well as stifle technological innovation. In addition, government mandates distort a true arms length cost-benefit negotiation between the parties (content owners, service providers and consumers). A critical ingredient of a well-functioning digital market is consumer knowledge. Consumers must be able to make fully-informed marketplace decisions, and should not be surprised by DRM functionality. Intel believes that consumers must be provided with adequate notice, information and education. Industry should be encouraged to adopt voluntary approaches to effective consumer notice whenever possible. Finally, Intel believes that the complex nature of a copyright infringement determination requires court intervention to protect consumer interests and ISPs from unwarranted liability.

### **Part III: Examples of Successful Intellectual Property Agreements**

#### **A. International Agreements**

Concerning the development of IP provisions in international agreements, Intel highly recommends reliance on the relevant provisions in the Free Trade Agreement with the Republic of Korea (“KORUS FTA”) that is awaiting Congressional approval. Intel appreciates how well the KORUS FTA fills in the gaps in Korea’s enforcement structure pertaining to intellectual property rights. Of note, from Chapter 18, are the following: (i) the FTA’s criminalization of end-user piracy and counterfeiting (Art. 18.10.26); and (ii) except in exceptional circumstances, Korea’s guarantees of authority to seize and destroy not only counterfeit goods but also the materials and equipment used to produce them, with such destruction being a requirement in criminal proceedings (art. 18.10.27) and at the right holder’s request in civil proceedings with regards to the infringing goods (Art. 18.10.9).

Moreover, under the KORUS FTA, customs officials can bring about IPR enforcement actions without having to wait for formal complaints from right-holders, who may not even know their goods have been counterfeited. (Art. 18.10.22). The Parties also have agreed to accede to the WIPO internet treaties. (Art. 18.1.3). As with other chapters in the KORUS FTA, not only are these provisions valuable with regard to a very important export market, but they also set a very useful precedent for future agreements with other countries in Asia.

We hope the best in class IP provisions in the U.S. KORUS FTA are used as the template for the ongoing negotiations to develop a Trans-Pacific Partnership Agreement that eventually may encompass much, if not all, of Asia.

## **B. Agreements Between Stakeholders and Relevant Governments**

The Semiconductor Industry Association’s Anti-Counterfeiting Task Force (ACTF), discussed in the prior section of these comments, has developed a multifaceted program to deal with the global challenge of semiconductor counterfeiting that includes various agreements at both the international and domestic levels.

### WSC Recommendations

The SIA is part of the World Semiconductor Council (WSC) that includes the semiconductor industries from Europe, Japan, Korea, Chinese Taipei, China and the U.S. The WSC issues joint statements and even enters into agreements among themselves (e.g., agreement to eliminate import tariffs on semiconductors) that often are adopted by their representative governments. In this sense, it is a unique international organization that partners with governments from six countries.

The WSC’s 2008 joint statement includes several paragraphs related to the counterfeiting issue:

*“Counterfeit products are an increasing problem throughout the world and the semiconductor industry is no exception to this growing threat. Semiconductor product counterfeiting is a serious and growing risk for the world market. In a recent joint custom’s operation 360 000 counterfeit ICs bearing over 40 different trademarks were seized at a handful of border controls over a three week time frame. The impact goes beyond IP or trademark infringement of semiconductor companies. Together with an increase in the number of semiconductors being used in an end-product, proliferation of*



*counterfeit semiconductor product in today's market creates risks to the safety and health of the consumer.*

*The WSC encourages [the Government Authorities Meeting on Semiconductors] GAMS Members to work with their countries' semiconductor industry, traders and customers, associations, and government agencies to promote better communication in the fight against semiconductor counterfeiting. As the recent anti-counterfeiting initiative shows, coordination among semiconductor industries and GAMS Members can provide an effective first response to the global counterfeiting operations. WSC encourages this kind of inter-governmental coordination. The WSC is committed to strengthened IPR enforcement that results in increased protection of consumers around the world."*

The WSC recommendations are reviewed each year by the WSC regions' governments and authorities, which allows for further discussion on the consequences of counterfeiting.

#### Reliable Electronic Component Supplier Program

As many of the counterfeits originate in China, the Chinese government must be part of the solution. China recognizes the dangers from counterfeiting. Counterfeit chips are more likely to find their way into electronic systems in China than in the U.S., so the costs from unreliable products are greater. The recent negative publicity surrounding lead in Chinese made toys makes it particularly important that China not also be perceived as the source of unreliable and dangerous electronics products.

China's Ministry Information Industries, China Quality Management Association for the Electronics Industry, and the China Electronics Purchasing Association launched a Reliable Electronic Component Supplier (RECS) program. This program issues certificates to reliable suppliers. A number of SIA companies have joined RECS, but ultimately the program will only work if Chinese suppliers participate, and cost is currently a barrier.

#### Authentication Service Providers

SIA is working with the SEMI International Traceability Committee on a standard that would encourage the use of authentication service providers. Under this system, manufacturers would put an encrypted "license plate" on labels attached to each box or tube of chips. Any potential purchaser (broker, distributor, final customer) could use the internet to ask if others had asked about a box's "license plate" number. If there were a certain number of inquiries (e.g., greater than 100), the purchaser may decide the box might be counterfeit and not buy the box.

#### U.S. and International Customs and Law Enforcement

On an international level, the WSC held a workshop of Customs Experts on semiconductor counterfeiting in Korea, in September 2009, in conjunction with the Governments / Authorities Meeting on Semiconductors (GAMS). GAMS includes the governments and authorities from China, Chinese Taipei, the European Union, Japan, Korea and the United States. Each year GAMS members meet with the World Semiconductor Council (WSC), which includes their respective industry associations. The workshop included customs experts / officials from China, Chinese Taipei, the European Union, Japan, Korea and the United States together with representatives of their respective industries and trade ministry officials. The EU Head of Delegation Henk Molegraaf from the Directorate for Taxation & Customs Union, which chaired the workshop concluded:

“We were very impressed by the level of openness, expertise and willingness to discuss and cooperate on the issue of the increasing phenomenon of semiconductor counterfeiting. It is clear this is a global problem which is affecting all parts of the world in one form or the other. This was a significant first joint step to address the problem of semiconductor counterfeiting at a global level. I sense the willingness among all participants to follow-up with further steps.”

During the meeting, participants discussed the societal and economic risks and consequences of semiconductor counterfeiting, descriptions of national enforcement procedures, current efforts to address the problem, and possible “tool kits” to contain semiconductor counterfeiting.

The Customs Experts responded to the WSC semiconductor CEO Delegates who in May 2008 had raised the topic: “Counterfeit products are an increasing problem throughout the world and the semiconductor industry is no exception to this growing threat... The impact goes beyond IP or trademark infringement of semiconductor companies. Together with an increase in the number of semiconductors being used in an end-product, proliferation of counterfeit semiconductors in today's market creates risks to public safety and health.” The *Joint Report* developed by the Customs Experts noted that the threats from semiconductor counterfeiting are not limited to the economic damage to the companies involved, but also affect critical infrastructure: “Nowadays, semiconductors increasingly provide much of the enabling technology at the core of both professional and consumer products ranging from mobile phones and car-braking systems to medical devices and satellites.” In terms of commitments, the *Joint Report* noted the following:

“The customs experts reaffirmed their commitment to protect and enforce intellectual property rights. They shared their experiences and best practices in their fight against counterfeit semiconductors, from both import and export customs control perspectives. Joint actions between governments and increasing joint government/industry co-operation were presented. Topics discussed also included how to physically and electronically spot semiconductor counterfeits, anti-counterfeiting toolkits and the central role of customs.

All participants underlined the importance of having access to information from the semiconductor industry on products and processes to facilitate customs' identification of suspected counterfeit products.

All participants agreed to undertake, as appropriate, enforcement measures (which can be national, bilateral or multilateral) against semiconductor counterfeiting, to keep other members informed and to report back on this to the 2011 GAMS meeting.”<sup>21</sup>

The recent WSC/GAMS commitments on semiconductor counterfeiting exemplify the type of cooperation necessary to enforce IPR for complex products sold on a global basis. These types of commitments often begin first with bilateral conferences to explore the issues, for example like the one held in Beijing in 2004 before China joined the WSC. That seminar -- attended by leaders of industry, government, and academia from the United States and China -- met to

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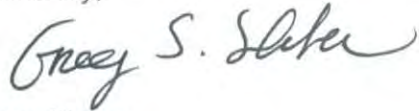
<sup>21</sup> SIA Press Release, “Customs Experts Meet to Curb Semiconductor Counterfeiting (September 24, 2009), available: [http://www.sia-online.org/cs/papers\\_publications/press\\_release\\_detail?pressrelease.id=1653](http://www.sia-online.org/cs/papers_publications/press_release_detail?pressrelease.id=1653).

examine ways to improve IP protection in the semiconductor industry to prevent injury to both Chinese companies and foreign firms doing business in China.<sup>22</sup>

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Intel appreciates this opportunity to provide comments concerning the Joint Strategic Plan required pursuant to the Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub L. No. 110-403 (Oct. 13, 2008).

Sincerely,



Greg Slater  
Senior Counsel  
Director, Global Trade and Competition Policy  
On Behalf of Intel Corporation

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<sup>22</sup> Press Release, "SIA Outlines Steps for Improved Intellectual Property Protection in China" (November 16, 2004); available: [http://www.sia-online.org/cs/papers\\_publications/press\\_release\\_detail?pressrelease.id=193](http://www.sia-online.org/cs/papers_publications/press_release_detail?pressrelease.id=193).