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COMMITTEE ON THE JUDICIARY
SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY, AND THE INTERNET

Hearing on: H.R. 1057, the “Promoting Automotive Repair, Trade, and Sales Act of 2015”
 (“PARTS Act”)

Tuesday, February 2, 2016 – 2:00 p.m.
2141 Rayburn House Office Building

Chairman Issa, Ranking Member Nadler, and members of the Subcommittee, thank you for the opportunity to be here again. My name is Kelly Burris, and I am a patent attorney in private practice with my own firm of Burris Law, PLLC. I have been practicing patent law for over sixteen (16) years, I am an adjunct professor of intellectual property law at Thomas M. Cooley Law School, and previously, a design engineer in the aerospace industry for over eleven years. I appreciate the opportunity to share my views on H.R. 1057, the Promoting Automotive Repair, Trade and Sales Act of 2015 (PARTS Act).

As in 2012 with H.R. 3889, and before that in 2010, I continue to share the concerns that this type of legislation would lead us down a slippery slope. If an exception for automotive repair parts is made, what will be next, and when will it stop? More importantly, I believe that innovation in automotive design, and potentially the entire industrial design community, will be stifled by legislation of this nature.

As a patent practitioner, and formerly a design engineer myself, I am familiar with the significant time and expense involved in new product development. Years of design and testing, many long nights and weekends away from families, missed vacations, and hundreds if not millions of dollars are spent refining the design before production “launch.” These designers earned the right to call those parts their own for the period under which they bargained for under our patent laws, fourteen (and now fifteen under The Hague Agreement) years. Patents provide an incentive to be creative, why would we expect that creativity to continue when we remove the incentive?

Instead of a quid pro quo, this legislation amounts to a quid pro nihil, or something for nothing for design patent applicants. Auto manufacturers consistently lead the world in R&D spending, to the tune of about \$18 billion a year in the US and over 100 billion globally. Design protection encourages innovation and creates jobs in the United States. In fact, fifteen different Original Equipment Manufacturers (OEMs) – most of them headquartered outside the U.S. – maintain design centers in the U.S. to create vehicles that will appeal specifically to American consumers. According to the Alliance of Automobile Manufacturers, there are twenty-one separate design facilities in three states (Michigan, Ohio and California) that account for roughly 30,000 jobs. Being from Michigan and the Detroit area, and growing up in a blue-collar family that always instilled the values of working hard to create your own success, I find this legislation

to be moving in the wrong direction at the exact time that the auto industry is fueling the economy – as was noted with the 17.5 million record new car sales in 2015.

First, design patents are only one form of patents, and patents are only one form of intellectual property under our existing laws. There are three types of patents available under our current system: design patents, the intended target of the proposed legislation, which cover the ornamental appearance of an article of manufacture; utility patents, which generally protect how something works or how it is constructed; and plant patents, which protect asexually reproduced plants. These different types of patent protection are not exclusive of one another. A patentee may obtain both design patent protection and utility patent protection on the same part, where one covers the part's appearance and the other covers its utility.

Moreover, trademark protection is also available for certain designs, provided the design is a source identifier. For example, take the Jeep® grille, which is covered by both design patents and trademarks, and quite possibly utility patents. Similar to the overlap with design and utility patent protection, design patent protection and trademark protection are also not exclusive of one another. In other words, even if the design patent cannot be infringed, the trademark could be.

As another example, the way in which these exterior parts are fastened to the underlying structure is also often covered by utility patents. In fact, it is very common to engineer unique connection systems for wear replaceable items so that the design cannot be copied as easily. In essence, the repair parts that are the subject of the proposed legislation could be covered by a design patent, a utility patent, and a trademark, in some instances. As a result, from a legal perspective, the proposed legislation may not accomplish its objective without additional legislation to undercut both the Lanham Act (Title 15 – our trademark statute) and also utility patent infringement under our patent laws. From a practical perspective, the proposed legislation will not accomplish its objective because I think most consumers can agree that there is serious doubt that our insurance premiums will actually be reduced, which I will address in further detail below.

As previously put forth in prior discussions of the PARTS Act, non-OEM parts will likely be lower quality and present unknown safety risks without any controls on their specifications. In fact, testing has shown that non-OEM parts do not perform as they should and *do* present

safety risks¹. Even the Chief Research Officer for the Insurance Institute for Highway Safety (IIHS) acknowledged that “You can't willy nilly change those parts, because the system won't work the way it was designed.”² The revised version of the PARTS Act attempts to skirt this safety issue with its revised definition of a “component part.” The component part definition now excludes “an inflatable restraint system or other component part located in the interior of a motor vehicle.” This new exclusion misses the mark because exterior component parts, including the parts that make up their overall assembly, are designed in part to distribute loads that are introduced from an impact or crash.

What sub-standard non-OEM parts translates to for the brand owners, such as Ford, Chrysler, and GM, is a tarnishment of their image because the replacement part is presumed to be made by the OEM once the vehicle is back on the road. When the plastic is crazing or the chrome is rusting, consumers will likely think that the OEM does not make quality vehicles. And when the air bag does not deploy because a cheap imitation bumper beam was used in a repair, consumers will also conclude that the OEM does not make safe vehicles. Although the Lanham Act can protect some parts as I mentioned above, Under the Lanham Act, this erosion of their famous brands may be difficult to prove, especially if evaluated on the replacement part level. All the more need to maintain design patent protection for the parts that will keep us safe in our vehicles and maintain the quality that we as consumers have paid for and come to expect.

On the face of the proposed bill itself, I see at least one practical issue and a broader sweep than what might be intended. First, the language refers to “a period of 30 months beginning on the first day on which any such component part is first offered to the public for sale ... in any country.” In other words, the patentee has 30 months from this offer for sale in which a third party would be liable for infringement of their design patent. The problem with this language is that there is often no issued design patent at the time of the offer for sale. In almost every instance, patent applications are filed just before the public disclosure, for example, on the eve of a big auto show or meetings with potential customers, or even suppliers. This is because changes to the design are constantly being made, and the designs are iterated and refined right up until the “release” date, or when the design is finally locked down. It is only after this date that the patent applications are filed in order to cover the actual final production design – which if granted then extends for 14-15 years.

¹ <http://news.consumerreports.org/cars/2010/07/ford-tests-show-aftermarket-replacement-parts-can-present-safety-risk.html>

² Id.

The average pendency for design patent applications in the USPTO (United States Patent and Trademark Office) currently stands at over one year³, and for these particular designs in the classes of, for example, D26 – lighting, and D12 – transportation, the average is about one and a half years. So in effect, the proposed 30 months is actually about 12 months in the best-case scenario. I say best case because even when the part or vehicle is offered for sale, the vehicle does not actually get delivered and will not hit the road for months afterwards. The language of the bill broadly defines the “offer for sale” as “any marketing of an article of manufacture to prospective purchasers or users and any pre-sale distribution of the article of manufacture.” The bottom line is that with every new vehicle introduction, the part will be “offered for sale” but the design patent will not issue until after the expiration of the proposed 30-month period. A patent cannot be enforced until it issues, and so what this amounts to is no patent term whatsoever for these design patents. In a nutshell, a patent applicant spends thousands of dollars and pays the government their fees, only to have nothing to show for it but a plaque on the wall that is rendered meaningless by the legislation we are discussing today. Where is the fairness in that?

The broader sweep I refer to above is with respect to the “motor vehicle” language, which is defined in section 32101(7) of title 49 as “a vehicle driven or drawn by mechanical power and manufactured primarily for use on public streets, roads, and highways, but does not include a vehicle operated only on a rail line.” Accordingly, this language would also include tractors, motorcycles, mopeds, and motor scooters, among others. Caterpillar alone currently holds 271 design patents, and Harley Davidson is up to 155. And a closer look into all of the “motor vehicles” would reveal a number of industries with designers that would be equally impacted by this proposed legislation. Not only is there the danger that this legislation will open the door for other service industries to demand equal rights and their exception to design patent infringement, but it will also immediately pull in other motor vehicle design communities besides automotive.

I have heard more than once that design patents “just” cover the appearance, or what the article of manufacture looks like, as opposed to the utility or function of the article as provided by utility patents, as if utility or function were more important or more highly valued. True, utility patents can provide broader coverage through the language of the patent’s claims; however, this does not correlate to more engineering and/or design effort on the front end to create that utility or function. Nor should the broader claim scope of utility patents diminish the

³ <http://www.uspto.gov/web/offices/ac/ido/oeip/taf/design.htm>

value of industrial design. Industrial design is the bridge between engineering and the end consumer, and without it, I believe we would be living in a very dull and impractical world. Moreover, creating an exemption for automotive designs would underscore and conflict with the goals of Congress and the Administration to advance STEM (Science, Technology, Engineering, Math) education and advanced manufacturing.

Although the law dictates that a design must be "primarily ornamental," there *are* functional features of the design patents at issue. Take for example a hood with changing contour and lateral steps. The hood includes these features for structural stiffness, aerodynamics, and to accommodate engine components under the hood. The aerodynamic contour and lateral steps are functional, but the overall design is aesthetic or ornamental. Because there are alternative designs for this hood, the design is not solely dictated by its function, and thus it is protectable under our existing design patent laws. However, the aerodynamic contour and/or the lateral steps may not be enough to overcome the "nonobviousness" requirement under Title 35, Section 103, in order to provide utility patent protection. Therefore, a design patent fills the void and provides protection for the engineering and design effort put into this hood so that it cannot be unfairly copied. What I am saying is that design patents offer a unique form of protection for innovative and "eye-pleasing" products that otherwise would not be available. If the ability to obtain these design patents is pilfered, I'm afraid we will find ourselves back to the day of the K-Car.

The proponents of this bill claim that consumers "need options." Well, consumers have many options without a wholesale taking of the existing legal rights of our industrial designers. First, there are alternative designs currently on the market that can be used instead of the OEM parts. Take for example, the SEMA (Specialty Equipment Market Association) community. "SEMA members make, buy, sell and use all kinds of specialty parts and accessories to make vehicles more attractive, more unique, more convenient, faster, safer, more fun and even like-new again⁴." These aftermarket parts can be offered to the consumer as repair alternatives to the OEM parts, therefore providing that "consumer choice" everyone is looking for. So what if their vehicle doesn't look exactly like the originally manufactured version? As to the matter of symmetrical parts on the vehicle such as headlights or tail lights, when only one is damaged in an accident, why can't they be provided in pairs and the non-damaged version salvaged for another repair?

⁴ www.sema.org/about-sema

More fundamentally, non-OEM suppliers should not be allowed to take the easy road and copy the patented design, and should instead be required to develop a “design around,” just like every other industry. Take for example windshield wipers. The non-OEM suppliers and distributors routinely review OEM patents (and also non-OEM patents) to make sure that their replacement wiper blades do not infringe any patent claims. And this involves both design patents and utility patents. Still, their non-OEM replacement wiper blades are less expensive than the OEM blades. Why should there be a different standard for component parts covered by design patents under the proposed bill? Of course if a company is allowed to copy the design without expending any design effort, it will be cheaper - - where is the fairness in that?

Another option for the consumer is to repair or refurbish their damaged parts. There is a legal doctrine commonly referred to as repair/reconstruction⁵. In a nutshell, the purchaser of a patented article has the right to use, repair, modify, discard, and resell, subject to conditions of the sale. However, the rights do not include the right to reconstruct the entire patented article. I understand that repairing the damaged part may not be possible in every collision; however, it is an option that should not be ignored. And perhaps there could even be incentives to conduct such repairs more frequently in order to reduce the amount of landfill waste to support environmental initiatives.

And under the administration’s now operational National Network for Manufacturing Innovation (NNMI)⁶, additive manufacturing is a newer technology that is receiving unprecedented attention and could potentially be used to repair damaged parts. This technology is often referred to as “3D printing” and generally builds up objects by adding materials in very thin layers. As new U.S. manufacturing jobs are created in this technology, repair of automotive parts could be an industry that would feed that job growth.

The insurance industry says this bill will lower costs for consumers, but that has not been true in other countries that have passed similar provisions. A study conducted shortly after the enactment of the “Designs Act of 2003” in Australia concluded that the “provision was yet to have a significant effect on industry and consumers.”⁷ Moreover, the legislation overseas is *not* retroactive and only applies to new designs registered on or after the date of enactment,

⁵ *Husky Injection Molding Systems Ltd. v. R & D Tool & Engineering Co.*, 291 F.3d 780 (Fed. Cir. 2002)

⁶ manufacturing.gov/nnmi.html

⁷ Attachment 1 – Australian Government Review of “Spare Parts” Provision in the Designs Act 2003, conducted December 2005

whereas the proposed PARTS legislation unfairly applies before, on, or after the date of enactment. And in Europe, the European Union is currently in discussions about how and how long to protect automotive repair parts, which *are* protected in various countries, including Germany.

The automotive industry has made a comeback, due in great part to the innovative and award-winning designs coming out of the OEMs. Why do we want to throttle that comeback and send a message to the industrial design community that their eye-pleasing designs are no longer valued?

Abraham Lincoln elegantly said: “The patent system added the fuel of interest to the fire of genius.” Let’s keep fueling job growth in the engineering community by maintaining the integrity of our patent system.

Thank you again for the opportunity to comment on the proposed PARTS legislation, and I look forward to answering any questions.