



Tomkins

Jeffrey A. Thurnau  
Patent Counsel  
Tel: 303-744-4743  
Fax: (303) 744-4653  
Email: [jthurnau@gates.com](mailto:jthurnau@gates.com)

The Gates Corporation  
IP Law Dept. 10-A3  
1551 Wewatta Street  
Denver, CO 80202

July 8, 2008

Justin Pentenrieder  
Hearing Clerk  
Senate Judiciary Committee  
224 Dirksen Senate Office Building  
Washington, DC 20510

Re: U.S. Senate Committee on the Judiciary Hearing, June 17, 2008  
"Protecting Consumers by Protecting Intellectual Property"  
Written Questions

Dear Justin:

Thank you for giving us the chance to respond to Written Questions from the Judiciary Committee members. I appreciate the opportunity to provide additional information to the Committee on this important topic.

Please let me know if you have any questions or need further information.

Sincerely,

Jeffrey Thurnau

Attachment

**Questions of Chairman Patrick Leahy  
Following the Senate Judiciary Committee Hearing  
"Protecting Consumers by Protecting Intellectual Property"**

Jeffrey Thurnau

*Patent Counsel at Gates Corporation*

**1. To what extent do you think the protection of intellectual property is hampered by the scope of federal agencies' prosecutorial powers, as opposed to limited personnel and resources focused on enforcement?**

We believe that realistic deterrence can only be accomplished with strong leadership and participation at the federal level. Successful deterrence must be based upon the expectation of being detected and prosecuted. The absence or diminution of this risk simply invites the pirates to keep operating and to accept getting caught as simply a cost of doing business.

We believe that protection of intellectual property may be enhanced by expanding the scope of federal agencies prosecutorial powers to include criminal prosecution of persons who knowingly infringe valid US patents. This will have the immediate effect of significantly increasing the personal risk to counterfeiters, a feature which is currently missing from US laws. It will also allow for seizure of equipment in the US that is used to produce the goods that infringe US patents.

However, in our view the primary issue is not the sufficiency of US laws, but instead is enforcement of existing laws. Within each agency it is our understanding that enforcement is a function of resources and priorities. Lack of resources apparently forces each agency, for example DOJ, ICE and CBP, to "raise the bar" when deciding which IP cases they will investigate and prosecute. The decision can be based upon the level of provable damages or perceived level of threat to the health and welfare of the American people. If the case is not of a sufficient financial size or risk, it will not be taken up.

By contrast, many civil actions brought by manufacturers in the US may not be driven by significant actual damages, but instead will seek injunctive relief to prevent

importation of counterfeit goods and seizure of existing inventory.<sup>1</sup> Our primary goal is to protect the integrity of our brand and our reputation in the market for producing safe and reliable products over the long term.

The resource problem also directly affects the training available for existing enforcement personnel as well. Intellectual property violations can present complex and unfamiliar issues which may lead to a case being passed over which would otherwise merit prosecution.

Another significant problem that we face is the inability of federal agencies to fully coordinate their activities. For example, ICE and CBP apparently make every effort to coordinate their activities, but absent a central authority enforcement is subjected to multiple standards of review. This is inefficient, and diminishes confidence in the process on the part of the legitimate manufacturer. The supplier may be faced with the dilemma of shopping its case among various agencies in the hope of making the right choice. A central IP coordinating authority with responsibility for investigation and prosecution will help to minimize or eliminate this problem. It would be encouraging to see agencies working together, believing in the merits of a case and working aggressively to solve it.

While we don't have strong feelings about where the IP enforcement coordinator is housed, we are very much in favor of the concept. We could support an IP coordinator at the Department of Justice, or at another agency. Another option would be to house the official at the White House at the Office of Management and Budget, or elsewhere.

---

<sup>1</sup> An example of pirates' lack of respect for US enforcement can be found at various automotive and industrial trade shows across the US and other countries. The pirates offer counterfeit goods to buyers along side legitimate manufacturers at the shows. Pirates have been known to solicit business at these shows offering to copy any product or trademark. The counterfeit products or trademarks are usually manufactured offshore. The Motor and Equipment Manufacturers Association, which sponsors the annual Automotive Aftermarket Products Expo, has experienced some success in curbing pirating by requiring all presenters to sign a contract that prohibits intellectual property rights infringement and counterfeit goods at the show and states that counterfeiters will be sanctioned including possible expulsion from the show. The government may wish to consider a similar approach for trade shows it supports. However, this is not a fully satisfactory resolution. The pirates may simply reappear at the next trade show. The fact that pirates will take this risk demonstrates they have little fear of detection or prosecution.

The automotive and industrial parts supply industry appreciates that prosecution of criminal behavior such as drug trafficking and terrorism is necessary and important. It demands a significant commitment in terms of federal personnel and other resources. We understand that counterfeiters that are involved in drug trafficking and terrorism often use the proceeds of IP piracy to fund their heinous crimes. Further, enhanced IP enforcement is critical to encourage and support technological innovation that provides the engine of U.S. and global economic growth. Strong intellectual property is a cornerstone of U.S. economic competitiveness and provides high skill jobs for millions of Americans.

**2. Who are the offenders for whom federal involvement is most needed? Are they primarily criminals engaged in large-scale operations, particularly ones that are international in scope or are involved with organized crime syndicates?**

It is our perception and experience in the automotive and industrial parts supply industry that the majority of the offenders in the US are individual operators without a large well organized structure, either locally or internationally. Most offenders appear to be small companies or individuals. Most counterfeit automotive and industrial parts are manufactured offshore and then imported to the US. Pirate suppliers generally import in small quantities, hundreds or thousands of parts, while mislabeling the manifests to further avoid detection. The pirate may ship the goods in one container and the counterfeit labels in another. The counterfeit labels are applied to the goods at the destination.

The majority of pirate goods for the US automotive aftermarket industry originate offshore, primarily from China, although other sources include Russia and India. Our experience in China shows the counterfeiters there are mainly small companies or individual operators who can more easily escape detection, and once caught may be allowed to reopen shortly thereafter in a new location.

This is where enhanced coordination of federal agencies with agencies in other like minded countries will be beneficial. Pirates must make an investment in manufacturing equipment, regardless of where they are located. Some of this equipment can be very substantial and not easily moved, including molding casting and machining equipment. Pirates will locate their facilities in those countries where they believe they can escape detection, prosecution or seizure of their manufacturing equipment. Cooperation between US and foreign agencies will serve to

reduce the number of friendly venues for pirates.