

a regulation designed to assist patent holders in obtaining information they would need to seek action by the Commission under section 1337. In Treasury Decision (T.D.) 54087, published in the **Federal Register** (21 FR 3267) on May 18, 1956, Customs amended § 24.12(a) of the Customs Regulations by adding paragraph (3), under which Customs would issue the names and addresses of importers of articles appearing to infringe a registered patent. The T.D. explained that the purpose of the new provision was to assist the owner of a registered patent in obtaining data upon which to file a complaint under section 1337 charging unfair methods of competition and unfair acts in the importation of merchandise infringing the patent. The provision required an application by the patent owner and set forth appropriate fees.

In T.D. 56137, published in the **Federal Register** (29 FR 4909) on April 8, 1964, Customs amended Part 12 of the regulations to add new section 12.39a to prescribe the procedure and requirements for obtaining the names and addresses of importers of merchandise appearing to infringe a patent (thereby transferring authority for the procedure from § 24.12(a)(3)). The new section referred to the procedure as a patent survey and provided patent survey requestors three survey period options varying in length of time: 2, 4, and 6 months. The fees for patent surveys remained under § 24.12(a)(3).

Changed Circumstances

Over the years, Customs has continued to perform patent surveys under § 12.39a, but changed circumstances call into question the effectiveness of the patent survey process and the ability of Customs to continue to provide the manpower and resources required. Customs, therefore, has had to reconsider the viability of the program.

In 1956, when the above mentioned program was introduced, Customs processed just over a million entries. Because the volume of imports has exploded since 1956, Customs now receives over 23 million entries per year (based on 2001 statistics). At the same time, as a result of subsequent changes in Customs law and practice, the old system in which Customs officers were responsible for completing the processing of each entry has been replaced with what, in practice, is a self-assessment system based on electronic reporting without paper invoices.

Effectiveness of the Patent Survey Program

The patent survey seeks to identify importers who may be importing merchandise that appears to infringe a patent. After initial approval of a survey request (application), Customs determines which tariff provisions may apply to particular patented merchandise, a task complicated by the fact that patented articles are often new or novel commodities. Often, these identified tariff provisions are broad or basket provisions, with the broad provisions covering several similar articles and the basket provisions covering a wide breadth of articles that do not fit under more specific subheadings. Thus, searching for merchandise that appears to infringe the patent often produces overbroad results. These overbroad results lead to identifying importers who in fact do not import merchandise appearing to infringe the patent at issue. These searches are of questionable value to the patent owner and do not produce results that justify the required use of Customs resources.

Further evidence of the limited value of the patent survey program is demonstrated by the fact that Customs processes relatively few patent survey requests (although not a data element routinely tracked, research indicates about 10 requests processed per year). While the survey requests received present the problems discussed in this document (time-consuming process, overbroad results, questionable value of results, competing mission priorities), their few number call into question the value of the program. A greater number of survey requests would suggest a greater need among the importing public and a more legitimate basis for Customs investment of time and effort. The apparent lack of need is another reason to discontinue the program.

Unappealing Options

Customs recognizes that today it faces a situation with unappealing options. Recognizing the ineffectiveness of the program and the lack of demand suggests discontinuing the program. Making the program more effective, in the hope of generating new demand, would require the commitment of scarce resources. Moreover, Customs would have to increase the cost of patent surveys dramatically to cover the expense of a stepped up program. Customs believes that intensifying the program is not possible operationally or economically.

The Statute—19 U.S.C. 1337

Finally, Customs notes that section 1337 does not mandate that Customs perform patent surveys. An examination of the general scheme of section 1337 shows that the statute places primary authority in the Commission, rather than Customs, to enforce its provisions. The Commission is charged with the responsibility to conduct investigations and make determinations regarding violations and sanctions under the statute. Customs is not authorized to take any action regarding apparently patent-infringing merchandise without the Commission first taking action or without receiving a notice, request, or instruction from the Commission, a clearly secondary role.

Thus, the promulgation of Customs patent survey regulation (first in § 24.12(a)(3) and then in § 12.39a), though intended to support section 1337, is not rooted in explicit statutory authority. Rather, the regulatory program was initiated in the exercise of agency discretion under the general authority of 19 U.S.C. 66 and 1624.

Conclusion

Based on all the foregoing that calls into question the continued viability of the Customs patent survey program under § 12.39a, for reasons relating to effectiveness of the program, burden on Customs manpower and systems, the impracticality of intensifying the program, and ambiguous statutory authority, Customs is considering discontinuing the program. Thus, this document proposes removing § 12.39a from the Customs Regulations and making conforming changes to § 24.12(a) by removing paragraph (3).

Comments

Before adopting as final the proposed removal of § 12.39a, consideration will be given to any written comments timely submitted to Customs. Customs requests that commenters opposed to removal of the regulation include in their comments suggestions to maintain the patent survey program that address Customs concerns regarding the program's effectiveness. Comments submitted will be available for public inspection in accordance with the Freedom of Information Act (5 U.S.C. 552), § 1.4 of the Treasury Department Regulations (31 CFR 1.4), and § 103.11(b) of the Customs Regulations (19 CFR 103.11(b)) on regular business days between the hours of 9 a.m. and 4:30 p.m. at the U.S. Customs Service, 799 9th Street, N.W., Washington, D.C. Arrangements to inspect submitted comments should be made in advance