Access to Repair Parts Act: Will It Achieve Its Goal or Hurt an Already Struggling Industry?

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ACCESS TO REPAIR PARTS ACT: WILL IT ACHIEVE ITS GOAL OR HURT AN ALREADY STRUGGLING INDUSTRY?

I. INTRODUCTION

On June 25, 2009, Representative Zoe Lofgren and Senator Sheldon Whitehouse introduced identical bills respectively to the House and Senate titled “Access to Repair Parts Act.” These bills would effectively exempt component parts used to repair another article of manufacture from design patent infringement. Although these bills are written as a generic prohibition for infringement of design patents for repair parts, they are specifically targeted at the automotive industry. Currently, car manufacturers who own the design patents on car parts can prevent third party parts manufacturers from making exact copies of these parts through patent infringement claims. The third-party parts manufacturers believe this allows car manufacturers to build a monopoly over the collision repair parts market, and as an attempt to remedy the issue, the Access to Repair Parts Act was introduced.

Passage of this bill would essentially limit the protection already granted to auto manufacturers and could severely impact revenue from part sales. The result could reduce the incentive to develop safer, higher quality parts and, therefore, cause more harm to the consumer than good. This is not to say the bill is without merit. Europe and Australia have considered or even adopted similar legislation. Therefore, it is important to evaluate whether the bill can achieve its desired outcome as written or whether better alternative solutions exist.

Section II of this Article provides a background of the issues facing auto manufacturers and repair part manufacturers which led to the introduction of the Access to Repair Parts Act.

3. Id.
to the proposal of the bill. Section III analyzes the legislation proposed to ameliorate the issues, considers the arguments of supporters and opponents of the bills, and compares the 2009 bill with previous versions of the bill. Finally, Section IV compares the current bill to similar international efforts, examines the likelihood that this bill will achieve its desired results, how the bill fits into the general trend of intellectual property rights in the United States, and how the bill will affect an already struggling industry.

II. BACKGROUND

An inventor may obtain a design patent by filing an application with the United States Patent and Trademark Office ("USPTO") directed towards a "new, original and ornamental design for an article of manufacture." The design must not be obvious to a designer of ordinary skill for that type of product. If the design is dictated by performance of the article, then it is judged to be functional and ineligible for design patent protection.

The rate of filings for design patents by car companies in the United States is growing. The number of design patents awarded to the major automobile manufacturers has dramatically increased to about 20 to 25 percent of the total of their United States patents. Overall collision parts account for 50 to 93 percent of the United States design patents awarded to car companies. Collision parts consist of the exterior sheet metal and plastic parts such as hoods, fenders, bumpers, headlamps, and safety system components, parts frequently replaced after collisions. The three main types of parts available for collision repairs are: (1) original equipment manufacturer ("OEM") parts made by or for the original vehicle manufacturers; (2) new non-OEM parts or

9. Id.
“imitation” parts, which are unauthorized copies of original parts; and (3) salvaged and reconditioned parts, which are retrieved from total loss vehicles. Rep. Lofgren clearly explained the bill’s goal to open the repair parts market to imitation parts or non-OEM parts when she stated:

[t]he rising cost of repair parts will put a severe dent in the pocket books of many working Americans, who depend on their vehicles to take their kids to school, drive to the doctor, and simply get to work. I believe our patent system should provide an appropriate incentive for industrial designers to innovate. However, the system must be balanced and take into account the legitimate needs of consumers.

This proposed legislation attempts to address a lengthy and ongoing dispute over the place of repair parts in the automotive market.

The automotive industry has fought over the rights to repair parts for over sixty years. One of the first United States Supreme Court cases over design patents, Aro Manufacturing Co. v. Convertible Top Replacement Co., involved the auto industry. The issue in the case was whether a patented product could be repaired without infringing the patent. The Court stated that mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property. Measured by this test, the replacement of the fabric of

13. Id. at 342.
14. Id. at 346.
the convertible top involved in the case was characterized as permissible "repair," not "reconstruction" and, therefore, did not infringe a design patent.\textsuperscript{15} The Court's view was that an original purchaser from the patentee had the license to make repairs to the product as long as the repairs did not amount to reconstruction of the product.\textsuperscript{16} And if a supplier provides parts to repair an unlicensed patented product, the supplier may be liable for contributory infringement if the repair amounts to reconstruction.\textsuperscript{17} Therefore, the suppliers of imitation parts used for repair could fall under contributory infringement, but only if the repair amounted to total reconstruction.

In the early 1990s, car companies, in an attempt to secure further protection for their designs, asked Congress for legislation providing \textit{sui generis}\textsuperscript{18} "copyright" protection for replacement parts.\textsuperscript{19} Believing this scheme would impose an enormous cost on consumers by further reducing competition in the market, Congress rejected their request.\textsuperscript{20} In addition, car companies have lobbied state legislatures across the nation to ban the use of non-OEM parts or require discriminatory disclosures.\textsuperscript{21} Car companies, specifically Ford, have aggressively enforced their design patents through legal action.\textsuperscript{22}

The recent decision \textit{In re Certain Automotive Parts} resulted in

\begin{itemize}
  \item \textsuperscript{15} \textit{Id.} at 342.
  \item \textsuperscript{16} \textit{Id.} at 345.
  \item \textsuperscript{17} \textit{Aro Manufacturing Co. v. Convertible Top Replacement Co.}, 377 U.S. 476, 486 (1964).
  \item \textsuperscript{18} \textit{See} \textit{BLACK'S LAW DICTIONARY} (8th ed. 2004) (defining "sui generis" as a term "used in intellectual-property law to describe a regime designed to protect rights that fall outside the traditional patent, trademark, copyright, and trade-secret doctrines.").
  \item \textsuperscript{20} \textit{Id.}
  \item \textsuperscript{21} \textit{Id.}
  \item \textsuperscript{22} \textit{See generally} \textit{In re Certain Automotive Parts}, Investigation No. 337-TA-557, Publication No. 4012 (I.T.C. June 1, 2008).
\end{itemize}
the call for legislation to remove design protection from aftermarket parts.\textsuperscript{23} In \textit{Certain Automotive Parts}, the United States International Trade Commission ("ITC") precluded the respondents, Keystone Automotive Industries, Inc. and other manufacturers of replacement parts, from importing items that copied patented component parts owned by Ford Global Technologies, Inc. ("Ford").\textsuperscript{24} The ITC typically investigates claims of trademark or patent (including utility and design patents) infringement, but it can also investigate unfair competition claims.\textsuperscript{25} In 2006, Ford filed a complaint based on an alleged violation of Section 337 of the Tariff Act of 1930 by the respondents for importing and selling replacement parts in the United States that infringed Ford’s nine design patents that were used in their F-150 truck line.\textsuperscript{26} The respondents argued that the general consumer would be harmed if the importation of replacement parts was eliminated because it would grant Ford a monopoly on all replacement parts.\textsuperscript{27} The ITC stated that "[e]vidence that an exclusion order could lead to higher prices is not dispositive of the public interest."\textsuperscript{28} Therefore, the court found that a general exclusion order prohibiting the unlicensed entry of automotive parts that infringed Ford’s patents was not precluded and issued the order in 2007.\textsuperscript{29}

After the ITC issued the order, insurance industry organizations wrote a letter to the United States Trade Representative requesting non-enforcement of the order.\textsuperscript{30} The case was appealed to the U.S

\textsuperscript{23} \textit{Id.}
\textsuperscript{24} \textit{Id.}
\textsuperscript{26} \textit{See generally} In re Certain Automotive Parts, Inv. No. 337-TA-557, Publication No. 4012 (I.T.C. June 1, 2008).
\textsuperscript{27} \textit{Id.}
\textsuperscript{28} \textit{Id.}
\textsuperscript{29} In re Certain Automotive Parts, Notice of Final Determination of Violation of Section 337 and Issuance of General Exclusion Order; Denial of Motion for Reconsideration, General Exclusion Order ¶ 9, Inv. No. 337-TA-557 (June 6, 2007), 2007 ITC LEXIS 681.
\textsuperscript{30} Written Comments from Patricia E. Hong to Director of the U.S. Patent & Trademark Office (July 15, 2008). (\textit{available at} \textit{http://www.uspto.gov/web/offices/pac/dapp/opla/comments/designstownhall/hong.pdf)}
Court of Appeals for the Federal Circuit, which heard oral arguments in February 2009.\textsuperscript{31} In oral arguments, QPC executive director Eileen A. Sottile claimed, "[r]epealing this precedent-setting general exclusion order is more important than ever . . . unless Congress intervenes, Americans may also see freedom of choice disappear and parts prices and insurance premiums soar in the near future."\textsuperscript{32}

Going on the offensive once again, in May 2008, Ford filed another complaint with the ITC against LKQ Corporation, a distributor of new collision parts, aftermarket recycled and salvaged OEM parts, and remanufactured OEM parts.\textsuperscript{33} Ford claimed that LKQ’s importation of replacement parts infringed seven design patents of its redesigned Mustang.\textsuperscript{34} However, in March 2009, the parties entered into a Design Patent Rights and Settlement Agreement, and the investigation was terminated.\textsuperscript{35} The settlement provided that LKQ would not challenge the validity and enforceability of Ford’s design patents during the term of the agreement.\textsuperscript{36} Exact details of the agreement are confidential and have not been released; however, as part of the settlement agreement, LKQ will be the only distributor of non-OEM aftermarket parts protected by the design patents at issue.\textsuperscript{37} LKQ will pay Ford a royalty for each such part sold through September 30, 2011 when the agreement is subject to renewal upon mutual agreement of the parties.\textsuperscript{38}

In response to the outcomes of Ford’s ITC cases, advocates of opening the market to non-OEM parts have requested the approval of legislation that would eliminate the design protection to aftermarket collision parts.\textsuperscript{39}

\begin{flushleft}
\textsuperscript{32} Id.
\textsuperscript{34} Id.
\textsuperscript{35} Id.
\textsuperscript{36} Id.
\textsuperscript{37} Id.
\textsuperscript{38} Id.
\textsuperscript{39} Nationwide Insurance Joins Quality Parts Coalition, Advancing Mission
\end{flushleft}
III. The Bill

If enacted, H.R. 3059 and S. 1368 would add an additional subsection (j) to 35 U.S.C. § 271:

[i]t shall not be an act of infringement of any design patent to make, use, offer to sell, or sell within the United States or import into the United States any article of manufacture that itself constitutes a component part of another article of manufacture, if the sole purpose of the component part is for the repair of the article of manufacture of which it is a part so as to restore its original appearance. 40

This is not the first time legislation of this type has been introduced. Rep. Lofgren introduced a similar version of the bill in March 2008 that stated:

It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States any article of manufacture that itself constitutes a component part of another article of manufacture, if the sole purpose of the component part is for the repair of the article of manufacture of which it is a part so as to restore its original appearance. 41

That bill was sent to the Subcommittee on Courts, the Internet, and Intellectual Property but was never voted on. The major difference between the two versions of the bills is that the 2009 bill limits infringement to “design patent infringement” versus the generic “any bill of infringement” in the 2008 version. 42

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In order to hear all perspectives on issues regarding the industrial design protections and to assess what policies would be best for the intellectual property system in the United States, the USPTO commenced a listening tour on design patent protection for automotive parts which included meetings with major auto manufactures in Michigan and a town hall in Virginia in 2008. Various interested parties participated in these events including the general public, auto industry representatives, insurance companies, patent attorneys and agents, and associations such as the American Intellectual Property Law Association, the Quality Parts Coalition, the Intellectual Property Owners Association, the Automotive Aftermarket Industry Association, and the Alliance of Automobile Manufacturers. Opponents and supporters of the legislation were able to voice and express their opinions and concerns. Most of the opinions issued during this listening tour are still applicable to the 2009 version of the bill due to the small amount of changes in language between the two bills.

A. Supporters' Arguments

By eliminating design protection for replacement parts, supporters believe the replacement market will be opened to more competition and the auto manufacturer's monopoly on replacement parts will end. Currently, advocates believe the market is only open to competition after the design patent term expires, fourteen years after the patent is granted. Since most consumers purchase new cars with newer designs within those fourteen years, there is no longer a demand for those replacement parts, and the market has essentially disappeared. Therefore, the non-original part manufacturers never have the opportunity to compete in the market

43. Comments from Deputy Director of the USPTO Margaret Peterlin, Posting of Sabal Insurance Company, Insurer's Plead Case For Aftermarket Parts, http://sabalinsurance.blogspot.com/2008/06/vml-v-behaviorurldefaultvml-o.html, (June 18, 2008).
44. See, e.g., LKQ & Quality Parts Coalition, supra note 19.
47. LKQ & Quality Parts Coalition, supra note 19.
and the auto manufacturers maintain a monopoly. Without this legislation, supporters argue that consumers are defenseless against original equipment manufacturers’ monopolies that can control pricing of such parts.\footnote{Id.}

Supporters believe the price of replacement parts will decrease by eliminating the monopoly, and consumers will feel the positive impact of the increased competition.\footnote{Id.} According to Quality Parts Coalition, which represents the interests of the independent parts industry, repairers, insurers, and consumers, OEM parts cost 26-50\% more than non-OEM replacement parts, and these savings will pass on to consumers directly or indirectly through insurance premiums.\footnote{See LKQ & Quality Parts Coalition, supra note 19.}

Supporters also believe the bill will not negatively impact innovation and progress because it takes no additional creativity to produce repair parts and, therefore, there is no need for intellectual property protection of these parts.\footnote{Id.} Since the bill does not affect a manufacturer’s right to protect its design in the original part market or the primary market (i.e. initial car sales), supporters believe innovation will not be negatively affected by opening up of the secondary (repair) market.\footnote{Id.}

\section*{B. Opponents’ Arguments}

Opponents believe the bill unfairly targets original equipment manufacturer, because they invest large sums in research and development and bring about innovation.\footnote{Id.} This conflicts directly
with the purpose of patent law to promote the progress of science.\textsuperscript{54} Original manufacturers bear the entire cost of product development and testing, while there is very little cost for replacement part manufactures to enter the market if they do not have to pay anything to the original manufacturers for use of the designs.\textsuperscript{55}

New technologies, such as laser scanners used to capture three-dimensional images of products, are making it easier and cheaper for non-OEM companies to create copies of patented parts.\textsuperscript{56} The investment in a $10,000 laser scanner by a foreign producer is cheap compared to the $500 million to $1 billion and the months of work it might take a manufacturer to design a new car and create a program to make a new part.\textsuperscript{57} Damian Porcari, an attorney and Executive Director of Enforcement and Licensing at Ford, characterized the situation:

They’ve created this photocopier for car parts. In the old days, you had to have a trained machinist measure each of these parts . . . and meticulously put it into a program which you then had to mill your tooling, verify it . . . it would take months and months to create this tool.\textsuperscript{58}

Without any reimbursement from the repair part market there will be less incentive to produce innovative parts.

Opponents contend that collision parts are different from “hard parts” (batteries, shocks, oil, air filters, etc.) where there is significant market competition despite patent protection.\textsuperscript{59} Car

\textsuperscript{54} U.S. CONST. art. I, § 8, cl. 8.
\textsuperscript{57} Id.
\textsuperscript{58} Id.
\textsuperscript{59} Gilbert Testimony, supra note 10.
companies credit this to third-party manufacturers of these parts making the required investment in design, engineering, and testing in order to earn a place in the market. 60 In contrast, non-OEM collision parts manufacturers are imitators, making only the minimal investment required to copy a design. Opponents of the bill also believe legislation is only limited to repair parts, because other part manufacturers have managed to become active in the marketplace in a legitimate way and do not need a legislative crutch. 61 There is no reason, other than market forces, driving this decision on what parts to protect and what parts not to protect.

Since the bill is driven purely by the existence of a supposed monopoly, opponents attack the idea that a monopoly exists at all. Ford points out that out of its 212,000 unique collision parts only 3,700 of these parts are distributed by the largest distributor of imitation collection parts, and nothing prevents them from producing the other 208,300 parts. 62 Ford believes imitators only produce imitation parts with the highest profit margins, which skews the market share numbers to look as if there is monopoly created by conspiracy. 63

Opponents believe history shows that cheaper imitation parts will not benefit consumers. Between 1997-2004, the period of greatest increases in use of aftermarket imitation parts, insurance premium costs rose more significantly than the increase in cost of repairs. 64 This may in part be due to state laws that require use of only OEM parts or full disclosure when non-OEM parts are used for repairs covered by insurance companies, a source of litigation in recent years. 65

Opponents further contend that the bill is not written specifically enough to address only the issues facing the automotive industry and will end up inadvertently affecting all design patents. 66

60. Id.
61. Id.
62. Id.
63. Id.
64. Id.
65. See infra Section IV.D.
Opponents argue that Congress needs to use more limited language to ensure courts will not interpret the bill to apply to highly regulated industries such as medical device and drug industries.67 According to opponents, there also may be constitutional issues with the bill as well. Opponents argue that the bill revokes design patent protection already granted without providing just compensation, constituting a taking under the Fifth Amendment.68 The proposed legislation would eliminate patent protection based on a specific use of a product and only enforce patent rights against other manufacturers, a change that undermines the value of a patent.69 However, unlike most of the enumerated powers granted to Congress in the Constitution, the Intellectual Property Clause is a qualified grant of power, which limits Congressional discretion in significant ways.70

The purpose of patents and copyrights is "to promote the Progress of Science and useful Arts," by securing "for limited Times to Authors and Inventors the exclusive Right" to their writings and discoveries.71 Because a design patent protects only the ornamental appearance of an article, not its structure or utilitarian features, inventions that are both ornamental and utilitarian can only be protected by a utility patent.72 Therefore, removing the protection of designs only affects ornamental designs and designers rather than engineers who have other outlets for protection, such as utility patents. Opponents believe that placing a higher value on the utility of designs rather than visual appeal undercuts the importance of designers as compared to engineers.73

67. Id.
68. Id. The Fifth Amendment to the United States Constitution prohibits the taking of private property for public use without just compensation. See U.S. CONST. amend. V (forbidding the taking of "private property .... without just compensation").
70. U.S. CONST. art. I, § 8, cl. 8.
73. Tracy-Gene G. Durkin & Justin T. Sher, Congress Could Eliminate Design Patents for Component Parts through the Access to Repair Parts Act:
They also believe there is no proof that the current design patent law is not functioning exactly the way Congress intended it to or that the law has been abused by any overreaching design patent owners. Non-OEM manufacturers can make replacement parts that are functionally suitable as a replacement part but do not infringe, because they do not have the same ornamental appearance. For example, side mirrors come in various designs that are protected by design patents because the designs are not merely functional but also creative works. A non-OEM may manufacture a side mirror that serves a functional purpose and is suitable to repair a vehicle as long as they do not infringe on a design patent. Therefore, third party part producers are not completely shut out of the market by the design patents, and design patent owners are not overreaching, therefore, no change in current legislation is required.

C. Changes to the bill from 2008 to 2009

The significant change from the 2008 to the 2009 bill is the limitation of the exemption from "any infringement action" to "design patent infringement." This may have been in response to concerns voiced over the breadth of industries covered by this bill. Although clearly aimed at the automotive industry, nothing in the language of the bill suggests that it would prevent extension to other industries. Some opponents believe that the medical device and pharmaceutical industries are analogous to the automotive industry in the sense that insurance companies bear the direct cost of replacement parts and consumers are affected indirectly. As originally written, opponents believe the bill could allow for non-
OEMs to make replacement parts for medical devices without infringing on certain medical patents, an area where there is a greater concern over lower quality products. By limiting the 2009 legislation to design patents this particular issue may have been addressed, but the ambiguous and broad wording of the statute remains an issue. Supporters of the bill believe that there are few industries other than the auto industry where original equipment manufacturers have design patents on component parts of another article of manufacture that are so likely to be damaged in the normal course of use and, therefore, the legislation is sufficiently narrow.

IV. ANALYSIS

The scope of design patent protection is generally not limited to enforcement against directly competing articles. As long as the patented design is appropriated, it does not matter if the products are sold in different markets to different purchasers. However, through this bill, Congress is trying to make a stand and directly limit enforcement to protect a particular market. While intellectual property rights are meant to encourage investment in developing new technology, competition in the market also promotes innovation. Therefore, there needs to be a balance between the two. The current bill does not reach this balance and alternative methods should be explored. This article will explore the policy issues and potential methods as seen through European and international systems.

A. A Comparative Approach: The European Union

The first time legislation similar to the Access to Repair Parts was proposed in Europe was in 1993; however the European Council was unable to reach an agreement on a position until 1997. In 1998, the European Union adopted *sui generis*
protection for industrial designs. The basis of the Directive was the standardization of conditions across Member States for access to patent law protection. Therefore, a common standard imposed a uniform definition not only for the design, but also for the protection requirements. In December of 2007, the European Parliament amended Article 14 of Directive 98/71/EC to end design protection for spare car parts. The 2007 amended article included a “repairs clause” that (1) exempted component parts of a complex product used to restore the original appearance of the article from protection; (2) required the consumers be duly informed about the origin of the produce used for the repair so they could make an informed choice; (3) limited the exemption to visible parts only; and (4) allowed Member States whose current legislation provided protection for the parts not exempt to retain that protection until five years after the implementation of the directive.

The recent changes in European design protection appear to coincide with the effort to pass similar legislation in the United States. However, the proposed legislation may not put the United States on the same page as Europe because it lacks some key elements: a visible distinction, a disclosure requirement, and a transition period.

1. Visible

The European directive contains a “visible” distinction while the United States bill only refers to parts used to “restore to original appearance.” Although these descriptions appear to be similar,
they may result in denying protection to a different range of parts. The European Parliament’s justification for this clause is to limit the application to:

[only visible body-integrated spare parts, so-called “must-match” parts, for the purpose of repair and, thus, no protection of design shall exist in this area; however component parts for other purposes, i.e. to change the outward appearance of a complex product, are not part of the exemption.]

This justification appears to correspond with the United States target, automotive collision parts. Must-match parts are necessary to restore original appearance and use of any other part would alter the look. Therefore, the legislative purpose is similar; however in reality the scope may be different. It might seem that any part with a design patent used to restore appearance would be visible, but this is not the case.

What if an aspect of a design is visible when viewed as whole, but also has a functional use? Under the European legislation it appears these aspects would be protected, while in the United States, they would not. Supporters of the United States bill quote one court which stated, “[t]he configuration and appearance of many articles of manufacture, though dictated by functional requirements, are often pleasing to look at. However, if the resulting configuration proceeds primarily from the necessity of functional or mechanical requirements, it is not a valid design patent.”

Thus, the shape or configuration of a functional object is only protectable by a design patent if the shape or configuration is not dictated by its function. Therefore, the United States’ bill scope is broader and provides even less protection to original part


90. LKQ & Quality Parts Coalition, supra note 19 at 20 (quoting Barofsky v. General Elec. Corp., 396 F.2d 340 (9th Cir. 1966)).

91. Id.
manufacturers than the European directive.

2. Disclosure of Origin of Parts

The European proposal also includes a provision requiring that consumers be duly informed about the origin of the product used for the repair so that they can make an informed choice between competing products offered for use in effecting the repair.\(^{92}\) The United States bill does not contain similar provisions; however, the addition of such a provision might aid in achieving the desired outcome. One goal of the bill is to give consumers the right to choose between original manufacturer’s parts and other third-party replacement parts.\(^{93}\) Without receiving information about where the parts are coming from, it is impossible for consumers to make this choice. The choice instead is being made by the insurance companies or repair shops. Opponents of the bill argue that third party repair parts are of lower quality, demonstrating the importance of consumer information.\(^{94}\) To illustrate the point, Ford has pointed out that of the 3,700 imitation parts available for Ford vehicles, only 489 are Certified Automotive Parts Association ("CAPA") certified.\(^{95}\)

In fact, various lawsuits in different state courts support this belief. In May 2009, the Missouri Court of Appeals reinstated a $17 million jury verdict against American Family Insurance Co. in a class action suit over the use of non-original manufacturer parts in repairs.\(^{96}\) The court stated that the plaintiffs:

> [p]resented sufficient evidence for a reasonable juror to conclude that aftermarket parts are not of like kind and quality to OEM parts and that American Family breached its contacts [sic] with its

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94. Gilbert Testimony, supra note 10.
95. Id.
policyholders when it paid to return the damaged vehicle to pre-loss condition based on the nature and cost of aftermarket parts.\textsuperscript{97}

Similarly, in 2006, Farmers Insurance settled a class action suit that alleged non-original manufacturer parts did not meet the quality standards set by the company’s car insurance policies.\textsuperscript{98} Farmers, while denying any wrongdoing, stated:

Farmers has had internal guidelines concerning the use of certain non-OEM parts such as those certified by the Certified Automobile Parts Association (‘CAPA’) [an independent organization that certifies certain non-original manufacturer parts that meet specified criteria]. When Farmers specifies these parts, it does so to keep repair costs down. Through this lawsuit, it has now been brought to Farmers’ attention that a number of the parts it specified did not meet those guidelines. The court has made no determination of the quality of the parts involved in this case.\textsuperscript{99}

Farmers agreed to pay $17 million in costs and attorney fees to the lawyers for the class.\textsuperscript{100} A number of state legislatures have attempted to regulate the use of aftermarket third-party parts recently, often calling for additional disclosures when such parts are used.\textsuperscript{101} A bill in South Dakota, subsequently tabled, would have considered aftermarket parts certified by CAPA to be the legal equivalent of original equipment parts.\textsuperscript{102} The bill, Senate Bill 03 of 2008, also would

\textsuperscript{97} Id.
\textsuperscript{98} Lebrilla v. Farmers, 119 Cal. App. 4th 1070 (June 2004).
\textsuperscript{100} Id.
\textsuperscript{102} Id.
have prevented insurers from requiring the use of non-OEM parts on new vehicles within twelve months from the original purchase date.\textsuperscript{103} An inactive bill proposed in 2008 in California would have penalized insurers that require repair shops to install aftermarket parts on vehicles still under a factory warranty.\textsuperscript{104} Other states have proposed significant limits on the use of non-OEM parts.\textsuperscript{105} The Automotive Service Association has long supported the laws similar to the Colorado Motor Vehicle Repair Act, which require consumer’s consent in writing to use aftermarket parts on their vehicles.\textsuperscript{106} The Colorado’s Motor Vehicle Repair Act states:

> The motor vehicle repair facility shall specify in the original estimate whether any parts to be installed are new original equipment manufacturer, new non-original equipment manufacturer, used, reconditioned, or rebuilt and then shall obtain the consent of the customer before any new original equipment manufacturer, new non-original equipment manufacturer, used, reconditioned, or rebuilt parts are installed in the motor vehicle.\textsuperscript{107}

However, various states still do not require non-OEM part disclosures to protect consumers including Alabama, Alaska, Arizona, Delaware, District of Columbia, Hawaii, Iowa, Maine, Montana, New Mexico, North Dakota, Pennsylvania, South Carolina, Texas, Vermont, and Washington.\textsuperscript{108}

3. \textit{Transition Period}

One of the major negotiations leading up to the passage of the European Directive was the addition of the five-year transition period before complete enforcement.\textsuperscript{109} Since the protection level

\begin{thebibliography}{9}
\bibitem{103} Id.
\bibitem{104} Id.
\bibitem{105} Id.
\bibitem{106} Id.
\bibitem{107} Motor Vehicle Repair Act, COLO. REV. STAT. § 42-9-107 (2009).
\bibitem{108} Are you entitled to brand-name car repair parts? \textit{supra} note 100.
\bibitem{109} Report by the Committee on Internal Market and Consumer Protection
\end{thebibliography}
for design patents for repair parts varied between Member States, there was a concern over how to compromise on these differences. At the time, fifteen member states (Austria, Denmark, Finland, France, Germany, Portugal, Sweden, Cyprus, Czech Republic, Estonia, Lithuania, Malta, Poland, Slovakia, Slovenia) had protected markets while nine had liberalized markets (Belgium, Ireland, Italy, Luxembourg, Netherland, Spain, United Kingdom, Hungary, Latvia), and Greece had a limited three-year protection period.  

The original provision, proposed in 1997, allowed designs to be used by third-party repairers for the purpose of repairing a complex product provided the user paid the holder of the right to the design a fair and reasonable remuneration. Parliament considered this the best middle ground between the national legal systems which widely diverged in this area, but the Council did not accept this compromise. After long negotiations a five year transition period was developed to enable Member States whose legal system currently grants design patent protection to these parts an extended level of protection while they altered their internal laws to support the system.

A transitional period is not needed in the United States for the same purpose, because there is no need to coordinate with Member States, but a transition period may still be needed to deal with the constitutional rights of design patents owners who would lose protection of their designs with this bill. The Fifth Amendment to the United States Constitution prohibits the taking of private property for public use, without just compensation. The proposed bill effectively takes away a private property right already granted by the government and transfers it to the public. There is no mention in the proposed legislation of any “just compensation” that might provide remuneration for those harmed


110. Id. at 11.
111. Id. at 9.
112. Id.
113. Id.
114. U.S. CONST. amend, V.
upon enactment of the bill. An exception for current patent owners or a transition period where the grant of protection would be lowered over time may allow companies time to collect some amount of compensation for their property.

B. Other International Comparisons

Other countries outside the European Union have also established rules about the use of automotive repair parts. Brazil and Australia provide vastly different protection to replacement parts and illustrate the range of protection that can be provided. However, both are unlikely to produce the desired effect in United States.

1. Brazil: Car Companies’ Gold Standard

Many car companies consider Brazil’s laws the most protective and, therefore, could be considered the polar opposite of the proposed United States bill. In Brazil, the Brazilian Competition Agency (SDE) is empowered to monitor competition and issued an important decision on March 3, 2008, that strengthened industrial design property rights relating to the automobile market. The decision derived from a lawsuit filed by the National Association of Spare Parts Manufacturers (ANFAPE) against the subsidiaries of Volkswagen, Fiat, and Ford. ANFAPE requested that industrial design rights be considered valid only in the automobile primary market, car sales, and invalid in the secondary, repair market. Therefore, spare part manufacturers could use industrial design rights freely and without prior authorization to produce replacement and the secondary repair parts market for automobiles, similar to the proposed United States bill.

117. Id.
118. Id.
SDE determined that the protection granted to industrial designs was independent of different markets existing for the same technological part and denied the ANFAPE’s proposal. 119

Although industrial designs are not by law subjected to compulsory licenses in Brazil, they are subject to the doctrine of “abuse of rights,” which addresses allegations of restrictions to competition in the Brazilian Civil Code. 120 Automotive manufacturers’ use of their industrial designs was looked upon as a regular exercise of proprietary rights, thereby not subject to allegations of abusive practice or restriction to competition. 121 The SDE also highlighted the importance of encouraging industrial design protection in Brazil, explaining that industrial designs strengthen the competitiveness of the Brazilian automobile sector and grants quality assurances to consumers. 122 The SDE recognized that the intellectual property of the spare parts and components is an important obstacle to piracy in the automobile sector because it affects the industrial production of companies and places into risks the safety of automobile users. 123

2. Australia: A Case Study

Australia also limits protection of designs concerning repair parts. The Designs Act 2003 included a defense against infringement where a design registered “spare part” is used to repair a “complex product.” 124 Section 72 of the Designs Act provides a complete defense against infringement where a component part embodying a registered design or a design substantially similar to the registered design, is used for the purpose of repair of a complex product, so as to restore its overall

119. Id.
122. Id.
123. Id.
appearance in whole or in part.\textsuperscript{125}

In June of 2006, the Australian government released a report evaluating the results of the Section 72 and recommended that the law remain unchanged.\textsuperscript{126} Submissions were received from a range of parties including intellectual property owners, attorneys, car manufacturers, insurance companies, and consumer interests.\textsuperscript{127} The report concluded that the impact of the provision on industry and consumers was unclear because of the long lead-time between design registration and the time that the products appear on the market.\textsuperscript{128} Furthermore, the provisions have yet to be tested before the Australian courts.\textsuperscript{129} The report found that, despite the strong views expressed in most submissions concerning the potential impact of the spare parts provisions, little concrete information was provided regards the impact of the Act.\textsuperscript{130} Accordingly, the review concluded that several more years were required to determine whether the policy objectives were being met or not.\textsuperscript{131} Without concrete evidence of market impact, the Australian legislation does nothing to support the proponents or opponents of the United States bill.

\textit{C. Will it Work?}

This legislation tries to promote competition in the market as a way to benefit both consumers and individual part manufacturers in the United States.\textsuperscript{132} However, the bill has serious flaws that severely limit its ability to achieve its goal. First, it assumes when a car is repaired the owner of the car decides what parts are being used. Secondly, it assumes that by allowing non-manufacturers to

\begin{small}
\textsuperscript{125} Id.
\textsuperscript{126} Bob Baldwin, Parliamentary Secretary to the Minister for Industry, Tourism and Resources, \textit{Review of the “Spare Parts” Provision in the Designs Act 2003} (June 23, 2006).
\textsuperscript{127} David Carmichael, Peter Heathcote, and Andrew Morton, Recognised Group of Australia Report to the Designs Committee 14th General Assembly in Kaohsiung, \textit{ASIAN PATENT ATTORNEYS ASSOCIATION}, November 5, 2006.
\textsuperscript{128} Id.
\textsuperscript{129} Id.
\textsuperscript{130} Id.
\textsuperscript{131} Id.
\textsuperscript{132} See \textit{LKQ & Quality Parts Coalition, supra} note 19.
\end{small}
produce parts, the bill will create a stronger repair part industry in the United States without taking into account the effect on the market by foreign manufacturers. The bill also fails to address the quality concerns over the non-OEM parts and the limited access to repair information that may ultimately limit the benefit to the consumer. And finally if car manufacturers are no longer able to support innovation through profits from replacement parts, they may be forced to assess the cost of design patents onto the original purchase price and, thus, eliminate any economic benefit to the consumer.

1. Who is Making Repair Decisions?

One goal of this bill is to protect the general consumer from a supposed monopoly created by the auto manufacturers and prevent the resulting unnecessarily high cost of repairs. The proponents of the bill assume when a consumer is faced with a choice on whether to use an OEM or a non-OEM they will pick the cheaper non-OEM. However, in reality, this decision is most likely not made by the consumer, but rather by an insurance company. The consumer has already borne the cost of repair through the paying insurance premiums. Thus, the savings will only be beneficial to insurance companies who may or may not pass these savings down to the consumer. Therefore, the legislation is ultimately protecting the insurance industry, not the consumer.

In addition, the benefits of this bill in promoting consumer choice by opening the market to competition may be blocked by the various state laws enacted to limit the use of non-OEM parts for repair. Despite federal legislation opening up the repair market, the use of these parts might still be prohibited or extremely limited by state laws prohibiting the use of non-OEM parts. Although these various laws were designed to protect consumers from low quality, imitation or reconditioned parts, they may ultimately negate the benefit of this legislation by still limiting the use of non-OEM parts. In order for this legislation to achieve its

133. See Quality Parts Coalition Applauds Repair Clause, supra note 11.
134. See Gilbert Testimony, supra note 10.
135. See Albright, Debate over aftermarket crash parts continues, supra note 100.
goals, the state legislatures would have to adapt their laws to include this new market, an endeavor that inevitably costs time to produce the desired outcome.

2. Impact of the Foreign Market

This legislation is also based on the assumption that the non-OEM parts will be manufactured by spare parts manufacturers in the United States. However, once the market is opened, it will also open to current manufacturers of imitation parts, most of which are currently in Taiwan. These manufacturers may not only take market share from American non-OEM parts manufactures, but might also harm American manufacturers of OEM parts. It is reasonable to assume that the demand for OEM parts would go down after the enactment of such legislation. Therefore, companies who are currently on contract by the auto manufacturers to produce OEM parts would be impacted and it might lead to loss of manufacturing jobs in the United States.

3. Unaddressed Quality Concerns

There are admittedly concerns over the quality of non-OEM parts. The bill does nothing to address these concerns. This legislation is a broad directive to open the market without any concern for the consequences. Although there are other legal protections available for such issues, such as state law claims and fraud, most of these only work after the consumer has suffered some harm from a faulty product. Therefore, only after lower quality products flood the market will the full impact be felt. Congress should take a more proactive approach and address the issue in its attempt to open up the market or reject the bill and protect OEM parts as Brazil did. Also if consumers believe the quality of imitation parts are lower or prefer the use of original manufacturer parts for whatever reason, they should make the choice and receive the information required to make the decision. Legislation that is supposed to benefit the consumer by opening up

137. Id. (explaining CAPA, who is one of the supporters of this legislation, is supported by insurance companies and non-OEM part manufacturers.)
the market and giving options for choice should also make sure
that consumers are the ones making the choice, not other
industries, such as the insurance industry.

One way to address the safety and quality concerns would be to
require parts to be certified by association, similar to CAPA, in
order to be exempt from infringement. However, with CAPA
supporting the passage of the bill as is, this may require the
creation of a neutral independent certification entity and the
process of certification may cause an increase in costs of non-
OEM parts making the parts no longer economically
competitive.\footnote{138}

4. A Caveat for Access to Parts: Access to Information

Although under this bill, independent repair shops could use
non-OEM parts to repair consumers’ cars after collisions at a
lower cost, the independent shops still may lack the access to
information needed to make these repairs properly. The United
States and the European Union have also tried to lower the cost of
repairs for consumers by enacting legislation requiring auto
manufacturers to provide independent repair shops with the same
information as those provided to authorized dealers.\footnote{139} This effort
may be the critical piece needed to actually lower the price of
repair and without it the Access to Repair Parts bill may be
ineffective; however it is also not favored by auto manufacturers.\footnote{140}
Therefore, without the contemporaneous passage of the Motor
Vehicle Right to Repair Act,\footnote{141} auto manufacturers may even
further limit the access of information to independent repair shops
as a way to protect their intellectual property. This could
ultimately affect the quality of repair between independent repair
shops that offer non-OEM parts and authorized repair shops using
OEM parts to the extent that independent repair shops would be

\begin{footnotes}
138. See Gilbert Testimony, supra note 10.
139. H.R. 2057, 111th Cong. (2009). Introduced on April 22, 2009 by
Edolphus (D-NY), Miller (D-CA), and Eshoo (D-CA).
140. Aaron Lowe, Motor Vehicle Owners’ Right to Repair Act Legislation
Aimed at Preserving Competition for Consumers in the Vehicle Repair Market,
\end{footnotes}
forced out of the market. The recent agreement in Canada between auto manufacturers and independent repair shops avoided the need for legislation and may be the appropriate solution.

\textit{a. United States Motor Vehicle Owners’ Right to Repair Act}

The Motor Vehicle Owners’ Right to Repair Act is meant to ensure all repair shops, whether dealer associated or independent, have the same access to necessary information, tools, and software to repair consumers’ vehicles.\textsuperscript{142} Car companies are concerned that this piece of legislation will destroy their intellectual property rights by providing replacement part producers all the information required to build these parts.\textsuperscript{143} However, this legislation only applies to information necessary to repair a vehicle, specifically, information that comes from internal diagnostic systems common in today’s vehicles, and a company may withhold information it believes is a trade secret or not for purposes of repair.\textsuperscript{144} The Motor Vehicle Owner’s Right to Repair Act was referred to the House Committee on Energy and Commerce on April 22, 2009.\textsuperscript{145}

\textit{b. European Union Motor Vehicle Block Exemption Regulation 1400/2002}

Similarly, the European Union has an affirmed policy to protect effective competition in the automotive parts and service markets and to ensure consumers have a choice between competing spare parts.\textsuperscript{146} In 2003, the European Commission made a clear declaration of this policy by publishing the Motor Vehicle Block Exemption Regulation 1400/2002 which established rules for

\begin{itemize}
\item \textsuperscript{142} Id.
\item \textsuperscript{143} Aaron Lowe, Motor Vehicle Owners’ Right to Repair Act Legislation Aimed at Preserving Competition for Consumers in the Vehicle Repair Market, Automotive Aftermarket Industry Association, March 2009.
\item \textsuperscript{144} Id.
\item \textsuperscript{145} H.R. 2057, 111th Cong. (2009).
\end{itemize}
market players until 2010. According to the European Commission, this sector has been associated with specific competition problems. Throughout the European Union, motor vehicle and spare part manufacturers distribute their products through networks of distributors. Motor vehicle manufacturers and other undertakings operate under similar networks of authorized repairers. Such a distribution or repair network consists of a bundle of similar agreements between the manufacturer and the individual distributors or repairers. For the purposes of competition law, these agreements are referred to as vertical agreements, as the manufacturer and distributor or repairer each operate at different levels of the production or distribution chain. In principle, this requires an individual assessment; however, the Commission can grant an exemption for whole categories of agreements called “block exemption regulations.”

The motor vehicle industry had a sector-specific block exemption, Commission Regulation 1475/95, which expired on September 30, 2002, was replaced by Commission Regulation 1400/2002 of July 31, 2002. This new regulatory regime resolved some practical issues regarding the distribution of spare parts, in particular the objective to protect effective competition on the market for repair and maintenance services, by allowing users to choose between competing spare parts. However, it does not deal directly with the crucial question concerning protection for

149. Id.
150. Id.
151. Id.
152. Id. Whether a vertical agreement actually restricts competition and whether in that case the benefits outweigh the anti-competitive effects will often depend on the market structure.
153. European Commission - Directorate General for Competition , supra note 149.
154. Id.
spare parts by an industrial property right. Thus, Regulation 1400/2002 does not preclude the need for greater approximation and liberalization of national laws in relation to spare parts. On the contrary, the liberalization of the secondary market is indispensable to release the full benefits of the regulation; therefore, the additional 98/71/EC repair clause is needed to achieve the ultimate goal.  

There are some areas where these regulations directly support each other. Block Exemption 1400/2002 requires that information necessary for repair be made available to the independent aftermarket. The 98/71/EC directive provision concerning disclosure, if passed, would complement the provisions of the Block Exemption concerning the ability of a manufacturer to place its trademark or logo on components or spare parts visibly, and Member States will effectively ensure that consumers are duly informed about the origin of spare parts such as information about trademarks or logos placed on the parts concerned. This allows a repairer to identify the manufacturer of the part and choose between competing parts and, thus, pass that information along to the consumer who may insist on having an original equipment manufacturer. Therefore, both aid in informed consumer decisions about options for repair.

The European Commission, however, has revealed a proposal to not extend the Block Exemption past its May 2010 expiration date. The Commission instead has suggested that the general Vertical Restraints Block Exemption Regulation 2790/1999 cover the sector.

156. Id.
158. Id.
161. Id. The Commission also proposed to a three-year adaptation period till May 31, 2013 to account for brand-specific long-term investments made by
c. A Canadian Solution

In September 2009, Canadian automakers and a group representing repair shops signed the Canadian Automotive Service Information Standard ("CASIS") agreement to ensure all automakers will provide access to service and repair information to repair shops.\(^\text{162}\) CASIS ensures that all automakers will have information necessary to make repairs made available no later than May 2010.\(^\text{163}\) Under the deal the OEM's will provide timely access to service and tool information to service providers in the same or similar manner and extent as is available to Authorized Dealers.\(^\text{164}\) If this information is available in alternate methods for non-authorized dealers than authorized dealer the access must be the same or similar, but is not required to be in the same medium.\(^\text{165}\) If OEM tools are available through an independent vendor, the commitment to make such OEM tools generally available is satisfied as long as the OEM does not place constraints on sales by the vendors.\(^\text{166}\) CASIS contains provisions around the factors that will be considered as part of "commercially reasonable" pricing for access to the information.\(^\text{167}\) CASIS does not specifically address specific pricing levels and states that they will vary from manufacturer-to-manufacturer and will depend on the specific information being requested by the independent service and repair shops.\(^\text{168}\) It is expected that the price charged to OEMs authorized dealers and independent service and repair shops.

\footnotesize
\begin{itemize}
  \item[162.] An Agreement Respecting the Canadian Automotive Service Information Standard (available at http://www.cvma.ca/supportfiles/20090929_CASIS_2_e.pdf.)
  \item[163.] Id.
  \item[164.] Id.
  \item[165.] Id.
  \item[166.] Id.
  \item[167.] Id.
  \item[168.] An Agreement Respecting the Canadian Automotive Service Information Standard (available at http://www.cvma.ca/supportfiles/20090929_CASIS_2_e.pdf.)
\end{itemize}
will not be appreciably different. Therefore, according to Federal Industry Minister Tony Clement, the deal appears to remove the need for legislation and will mean more competition and lower costs for motorists, according to Federal Industry Minister Tony Clement. The agreement was modeled after a similar voluntary agreement made between automakers and independent repair shops through the Automotive Service Association. However, legislation to further the access of information to repair shops, the Motor Vehicle Owners' Right to Repair Act, is still in contention in the United States.

5. Will Innovation Suffer?

Some argue that the car designers get their "design" premium when the purchaser voluntarily buys the car and should not have to repay this premium whenever they need repairs. This theory is based on the idea that the consumer does not take into account the cost of repair and maintenance at the time they purchase a vehicle. Nobody expects a car to last forever without some sort of repair or maintenance. This is illustrated clearly by looking at the recent trend of manufacturer incentives for free maintenance for initial years after purchase. Auto accidents are also an anticipated risk of driving a car, and they are why car insurance companies exist. For example, Edmunds.com, a website that provides consumers with car reviews and information, utilizes a tool that reveals the cost associated with buying, owning and operating a car over a five-year period as part of its reviews called "True Cost to Own®" ("TCO"). Edmunds uses eight

169. Id.
171. CANADIAN VEHICLE MANUFACTURERS’ ASS’N, supra note 168.
173. Id. at 3.
components to calculate the TCO including insurance premiums, maintenance, and repairs.\textsuperscript{175} With Edmunds and other similar sites becoming more popular, consumers are better informed than ever before. Therefore, to argue that a purchaser does not anticipate the repair of a vehicle at the time of purchase is tenuous.

There is also the possibility that without the profits from patented repair parts, auto manufacturers will be less likely to spend money to innovate newer, safer, and higher-quality parts. Once there is a part that works for the purpose needed, there is less incentive to alter the part for better function or appeal.\textsuperscript{176} This could be detrimental to consumers in various ways. First, they would be deprived of such parts at initial purchase and the quality of the vehicle initially would be lower. Second, if the quality of the parts decreases, consumers would be forced to replace such parts more frequently, increasing the costs of repair and maintenance to the consumer, and directly countering the desired outcome of the bill.

Although auto manufacturers will lose protection from part suppliers in this legislation, they will still have protection against other manufacturers and, therefore, will probably continue to file design patents. Without profits from the repair parts, the costs of innovation and patent application will have to be accounted for in some other manner, and one option is in the original purchase price of the vehicle. This “design premium” will only be larger at initial purchase. Therefore, the consumer will still be paying the ultimate price and the legislation once again only benefits the insurance companies.

\textbf{D. A Sui Generis Approach}

If Congress truly wants to limit the protection without eliminating it, \textit{sui generis}, which car companies have requested in the past, may be more appropriate. \textit{Sui generis} is typically used for markets that need immediate protection. Therefore, a better solution to the issue may be to remove automotive parts from design patent protection altogether and create industry specific protection similar to the Vessel Hull Design Protection Act, Semi-

\begin{footnotesize}
\textsuperscript{175} \textit{Id.} \\
\textsuperscript{176} See Quality Parts Coalition Applauds Repair Clause, \textit{supra} note 11.
\end{footnotesize}
Conductor Chip Protection Act, and the Hatch-Waxman Act. The Constitution does not demand a specific set of intellectual property laws and leaves Congress fairly free to create intellectual property rights as it sees fit. Congress and the federal courts have used this freedom to expand intellectual property rights in the United States in the last half century. This has included a recent trend to extend *sui generis* protection to specific subject matter typically out of range of intellectual property rights.

1. Vessel Hull Design Protection Act

In 1998 Congress enacted the Vessel Hull Design Protection Act ("VHDPA") as a portion of the Digital Millennium Copyright Act. The bill established a specialized, or *sui generis*, intellectual property right for protection of original vessel hull designs. The VHDPA protects useful articles that are original and designs that are attractive or distinctive in appearance to the purchasing or using public. The scope is further limited by defining "useful article" as a vessel hull which in normal use has an intrinsic utilitarian function that is not merely to portray the appearance of the article or convey information. The Subcommittee on Courts, the Internet, and Intellectual Property, noted that the protection for original designs was important because consumers could be defrauded and might not receive the same quality and safety that they would receive from an original boat hull. The Committee also noted that the most important purpose of intellectual property rights was to allow manufacturers

180. Id.
181. Id.
to recoup research and development costs so that they invest in new designs. The VHDPA provides protection for ten years and is only available for designs that have been made into actual hulls, not just the design plans. If the design patent was granted, the protection under the VHDP Act ended.

In the 1990’s, car companies proposed a bill that would have provided an equivalent protection scheme. Although the original bill did not pass, the concept should be revisited again because the same concerns—safety, quality, recouping research and development costs—are still at issue.

The Design Piracy Prohibition Act was introduced in both the House and Senate in 2007 to amend the VHDPA in an attempt to expand the scope of covered under the VHDPA to include articles of apparel. Apparel is generally not provided protection because it is considered utilitarian. However, sui generis could be used to protect designs with limited life spans such as fashion. Here, the bill was introduced to prevent cheap knock-offs; however, the Access to Repair Parts Bill was introduced to do the opposite – encourage the production of cheaper knock offs. The Design Piracy Prohibition Act, which did not pass in 2007, but was reintroduced in April 2009, illustrates the trend to extend intellectual property protection, a trend this bill directly clashes with.

2. Semi-Conductor Chip Protection Act

The Semi-Conductor Chip Protection Act of 1984 prevented copying for two years of images that made the chip layer designs, including function features. The bill was the first sui generis

183. Id.
185. Id.
186. Id.
188. See, e.g., Megan Williams, Comment, Fashioning a New Idea: How the Design Piracy Prohibition Act is a Reasonable Solution to the Fashion Design Problem, 10 TUL. J. TECH. & INTELL. PROP. 303, 314 (2007).
189. See generally id.
protection granted to designs. By limiting the duration of protection and requirements for registration as compared to utility patents, while extending copyright-like protection to expressions of the design, the Act struck a balance between patent-like and copyright-like protection. Similarly, sui generis protection could be used to balance the need for competition with the need for protection to promote innovation.

3. Generic Drugs

Although in general intellectual property rights have expanded, one area where they have been limited is prescription drugs. To increase the availability of cheaper generic drugs Congress enacted the Hatch-Waxman Act. The Hatch-Waxman Act was the result of negotiations between brand-name and generic pharmaceutical manufacturers. The Act was implemented to increase competition in the pharmaceutical marketplace by providing incentives not only to generic manufactures, but also to brand-name pharmaceutical manufacturers. Certain provisions of the Act encouraged brand-name competition by rewarding the innovative efforts of brand-name manufacturers while other provisions were enacted to increase generic competition in the marketplace, thus achieving the desired outcome of affordable access to drugs.

The Hatch-Waxman Act is a great model for the current dispute. Congress was able to draft a piece of legislation that not only increased the affordability of a needed product, but also found a way to compensate the companies that invested in the technology in the first place. Although it may not be time or cost efficient to establish a process as complex as the process for approving

196. Id. at 1078, 1080, 1082.
197. Id.
generic drugs, the general principles still apply. Providing some level of direct reimbursement to the original manufacturers or granting further rights to the auto manufacturers may create a better balance than the complete denial of rights in the current bill. The recent CASIS agreement in Canada illustrates that a balance between the right to access necessary information and the need for reimbursement for such information without the enactment of new legislation.

Furthermore, encouraging the production of approved generic drugs to increase the availability of cheaper medication has strong policy support. However, providing cheaper car parts lacks such strong policy support. First, although the safety of motor vehicles is of great importance, the consequence of the distribution of unsafe generic drugs is far graver. It takes an average of twelve years and 500 million dollars for a drug to get approved by the FDA. Due to the lengthy and costly process, there is a greater incentive for makers of counterfeit drugs and, therefore, a greater public need to discourage the making of such counterfeit drugs by opening the market to generic drugs. Although there is some concern over the quality of non-OEM parts, the current bill does not address any formal federal government safety approval process.

Secondly, due to the lengthy approval process it is possible for a particular drug manufacturer to dominant the market and to create a monopoly once the drug is successful in the marketplace. Therefore, there is a need to protect the public and incentivize competition to keep drug prices down. However, the likelihood of robust competition between car manufacturers is inherently far greater. It is far less likely for one car manufacturer or design will dominant the market for many years due to the constant flow of

198. See An Agreement Respecting the Canadian Automotive Service Information Standard, supra note 163.
new cars into the market. There is no need to grant non-OEM part manufacturers entry into the market through reduced intellectual property rights, because it is highly unlikely a single car manufacturer will dominate the market for a long period of time. The repair part in highest demand today will not be the same as it was ten years ago. Therefore, there is no inherent monopoly created by the market domination by one car manufacturer.

4. Is Sui Generis the Right Protection?

*Sui generis* would also allow auto and part manufacturers to compromise on an appropriate length of protection. One of the general complaints from repair parts manufacturers is that the fourteen year term of protection granted to design patents is too long for automotive parts because by the time the patent has expired the owner has purchased another car.202 One option would be to allow protection for the length of warranty on the vehicle or part. This would open up the market for repair parts for those doing general maintenance, yet parts typically replaced after a collision would still be limited to original manufacturer parts if the repair occurred under warranty.

Another option opened up by *sui generis* is the grant of automatic protection. By granting some level of automatic protection, the expense of filing a patent application and in general dealing with the USTPO is eliminated. Although this would relieve some of the burden on auto manufacturers in protecting against part manufacturers, they would still want to file patent applications to protect their designs against other auto manufacturers, thus no real relief would be achieved.

One of the advantages of *sui generis* compared to the traditional forms of intellectual property is that it can be more precisely tailored to a specific industry.203 This could be helpful in this area to protect repair parts while not harming other industries. The current legislation, although targeted at the automotive industry, is worded to include all repair parts over which opponents of the bill

202. See *LKQ & Quality Parts Coalition, supra* note 19.
have expressed concern.\textsuperscript{204}

*Sui generis* would also align the United States rights with industrial design protection in the European Union. In 1998 the European Union adopted *sui generis* design legislation, but it excluded component parts used in the aftermarket for the purpose of repairing complex product so as to restore its original appearance in 2007.\textsuperscript{205}

### E. Are We Targeting a Struggling Industry?

In recent years, the American automotive industry has been struggling. In Fall 2008, car sales plunged to the lowest level recorded in twenty-five years, and by late May 2009, American automakers had received close to $30 billion in federal aid.\textsuperscript{206}

From a public policy perspective, this bill is another threat to the viability of the American auto industry. By eliminating automakers’ rights over design patents and opening the repair part market to non-OEM part manufacturers, Congress would be eliminating a source of revenue for companies that are already struggling.

Considering the financial support the American taxpayers have recently provided to the industry, it seems illogical for Congress to legislatively threaten the viability of the industry by removing a source of protection. In particular, in a deal related to the auto industry bailout, Chrysler gave up security interests in their design

\textsuperscript{204} Hong, *supra* note 30.

\textsuperscript{205} EU: Directive 98/71/EC. 13 October 1998. (The United States is a signatory party to the Trade-Related Aspects of Intellectual Property Rights Agreement (“TRIPS”) which requires that all signatory member countries “provide for the protection of independently created industrial designs that are new or original.” If design patent protection for replacement parts were completely eliminated, as proposed by this bill, the United States could be violating TRIPS. However, TRIPS does not specifically require patent protection for designs and, therefore, another protection regime, such as *sui generis*, can fulfill the requirement and should be considered. Daniel H. Brean, *Enough is Enough: Time to Eliminate Design Patents and Rely on More Appropriate Copyright and Trademark Protection for Product Designs*, 16 Tex. Intell. Prop. L.J. 325, 371 (2008).)

patents to the United States Department of Treasury in a grant in January of 2009. The United States Treasury holds a security interest in more than 2,400 of Chrysler’s patents or pending application. Therefore, by reducing the ability for car manufacturers, such as Chrysler, to enforce their patents, the bill is reducing the interests given to the tax payers for the bail out.

However, at the same time the American non-OEM suppliers are themselves asking for support from the government. On August 26, 2009, the Motor & Equipment Manufacturers Association ("MEMA") sent a letter to President Obama, asking the administration to continue to explore a wide range of ways to provide additional assistance to motor vehicle parts suppliers and communities with significant supplier employment. Although some supporters of the bill may believe passage of the bill would aid the MEMA, the true impact of the bill could result in further economic harm and loss of jobs. Although the bill would reduce the cost for United States car part manufacturers to make non-OEM parts, it would also open the market up to overseas collision part manufacturers that can make the same parts at lower prices and cause further job loss.

V. CONCLUSION

Passage of this bill would essentially limit protection granted to auto manufacturers and could severely impact profit revenue from part sales, hurting an already struggling industry. Although there have been several similar attempts to limit protection of collision repair parts internationally, none have yet to produce any solid results. Therefore, whether this bill will achieve the goal of reducing the costs of accident repairs for consumers is still very debatable.

208. Id.
There are several flaws with the bill, as currently drafted, which need to be addressed in order for it to achieve the desired outcome. The bill favors insurance companies over consumers by not requiring disclosure to consumers when non-OEM parts are used and making no guarantee that the cost savings to insurance companies and manufacturers will pass to the consumers. The repair parts industry in the United States could be jeopardized by parts that could now be made cheaper in foreign countries. And by limiting the protection granted to part designs, car companies may be less inclined to invest in new technology and innovation to create safer, higher quality, parts.

Although a complete removal of protection for design patents for collision parts is undesirable, Congress could use a form of *sui generis* protection to achieve its goals. The VHDPAs, the Semi-Conductor Chip Protection Act, and the Hatch-Waxman Act are three models for future legislation that may allow for more competition in the market while still ensuring rights of car manufacturers and encouraging innovation.

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