

THE NATIONAL LAW JOURNAL

DAILY UPDATES ON WWW.NLJ.COM

NEWS FOR THE PROFESSION

MONDAY, DECEMBER 8, 2008

An incisivemedia publication

INTELLECTUAL PROPERTY

The PRO-IP Act

By Nick Akerman
and Lile Deinard



IN OCTOBER, THE federal government, with strong bipartisan support, reorganized its strategy and expanded the resources available to protect the nation's intellectual property with the enactment of the Prioritizing Resources and Organization for Intellectual Property Act, known as the PRO-IP Act, 15 U.S.C. 8101. The legislation was formulated in response to the "billions of dollars in lost revenue for United States companies each year [caused by the theft of intellectual property] and even greater losses to the United States economy in terms of reduced job growth, exports, and competitiveness" and the concern that organized crime and terrorist groups "utilize piracy, counterfeiting, and infringement to fund some of their activities." P.L. 110-403, § 503. This article will describe the major innovations created in the act and discuss its implications for businesses with valuable IP assets.

The Pro-IP Act accomplishes three congressional goals. First, it coordinates the federal government's resources to protect copyrights, patents, trademarks, trade secrets and computer data through the newly created position of intellectual property enforcement coordinator (IPEC) to be appointed by the president and confirmed by the Senate. Second, it provides increased funding to the Department of Justice (DOJ), the Federal Bureau of Investigation (FBI) and local law enforcement to investigate and prosecute IP thieves. And third, it significantly increases civil and criminal penalties for stealing IP.

Nick Akerman is a partner in the New York office of Dorsey & Whitney who specializes in the protection of trade secrets and computer data. Lile Deinard is a partner in that office who specializes in trademark, copyright and brand management.

IP enforcement coordinator is crucial to the act

The IPEC, the IP czar, is the centerpiece of the act. This federal official has two responsibilities—to "chair the inter-agency intellectual property enforcement advisory committee established" by this act; and to coordinate the development, and assist in the implementation, of the Joint Strategic Plan against counterfeiting and piracy by the advisory committee. 15 U.S.C. 8111(b)(1). The advisory committee is to "develop the Joint Strategic Plan." 15 U.S.C. 8111(b)(3)(B).

The Joint Strategic Plan must address specified issues, including the reduction and disruption of "counterfeit and infringing goods in the domestic and international supply chain"; the identification of the impediments to effective enforcement; improvements to the efficient and legal sharing of information among law enforcement agencies; and the strengthening and coordinating of efforts of foreign countries to protect IP. The plan must prioritize objectives and decide how to achieve those objectives by coordinating the efforts of federal agencies. 15 U.S.C. 8113(a), 8113(e).

Members of the advisory committee are to consist of "Senate-confirmed rep-

resentatives of" various federal agencies, some of which are obvious, such as DOJ, the FBI, the U.S. Patent and Trademark office and the Department of Commerce, but others of which are not so obvious, such as the Office of Management and Budget, the State Department, the Department of Homeland Security, the Food and Drug Administration and the Department of Agriculture. The committee may also include "any such other agencies as the President determines to be substantially involved in the effort of the Federal Government to combat counterfeiting and infringement." 15 U.S.C. 8111(b)(3).

The IPEC is to assist "in the implementation of the Joint Strategic Plan" and provide "guidance to departments and agencies on basic issues of policy and interpretation, to the extent necessary to assure the coordination of intellectual property enforcement policy and consistency with other law." 15 U.S.C. 8111(b). The act also mandates that the plan strengthen "the capacity of other countries to protect and enforce intellectual property rights" and reduce the "number of countries that fail to enforce laws preventing the financing, production, trafficking, and sale of counterfeit and infringing goods." 15 U.S.C. 8113(a)(5).

While the act expressly provides that the IPEC "may not control or direct any law enforcement agency...in the exercise of its investigative or prosecutorial function," 15 U.S.C. 8111(b)(2), it does strengthen the enforcement efforts and the resources of DOJ. It directs the attorney general, subject to appropriations, to create a task force to develop and "implement a comprehensive, long-range plan to investigate and prosecute international organized crime syndicates engaging in...crimes relating to the theft of intellectual property," 42 U.S.C. 3713B(a)(4)(B); and to "ensure that all Computer Hacking and Intellectual Prop-

erty Crime Units located” at an office of a U.S. attorney are assigned to at least two assistant U.S. attorneys “responsible for investigating and prosecuting computer hacking or [IP] crimes.” 42 U.S.C. 3713B(a)(2).

The Pro-IP Act also requires the FBI to create an operational unit of at least 10 additional agents to work with DOJ’s Computer Crime and Intellectual Property section on the investigation and coordination of complex IP crimes, and implement a comprehensive IP crime program. 42 U.S.C. 3713B(a)(1), 3713(b). The act also emphasizes and encourages cooperation among the FBI and state and local law enforcement agencies. 42 U.S.C. 3713(a), (b). To facilitate that cooperation, the act provides for \$25 million in annual grants to local law enforcement during the next five years “for training, prevention, enforcement and prosecution of [IP] theft and infringement crimes.” 42 U.S.C. 3713a.

The act also expands the federal criminal law. The transshipment of infringing works through or exported from the United States is now a violation of § 42 of the Trademark Act of 1946 and subjects violators to criminal prosecution. 18 U.S.C. 2320. The civil and criminal forfeiture rules under the Copyright Act increase sentencing penalties in the event bodily harm or death occurs during the seizure and impounding of counterfeit goods. The act provides for the forfeiture of property used to commit or facilitate trademark or copyright infringement (e.g. vehicles) and makes offenders subject to provisions comparable to those of the Comprehensive Drug Abuse Prevention and Control Act of 1970, 18 U.S.C. 2323. The act abolishes the requirement that the copyrights which are the subject of criminal prosecution be registered with the register of copyrights. 17 U.S.C. 109.

Civil enforcement for private litigants is also enhanced. The act provides that a certificate of copyright registration, if only harmlessly inaccurate, and the register of copyrights so confirms, shall be deemed to satisfy the requirements of the Copyright Act for the commencement of a civil copyright infringement action. 17 U.S.C. 411. The act facilitates the court’s authority to order the seizure of allegedly infringing materials and related business records documenting the manufacture, sale or receipt of the infringing works and permits the court to take into custody such seized materials. 17 U.S.C. 503.

It is now mandatory in a case involving a counterfeit mark that the court award judgment for three times the profits or damages, whichever is greater, plus attorney fees, in the event that the defendant is found to have intentionally used the mark, knowing it to be counterfeit. Also, the court may award prejudgment interest on the amount of damages or profits. 15 U.S.C 1117. Statutory damages in counterfeiting cases under the Trademark Act are now doubled in trademark counterfeiting cases from \$500 to \$1,000 minimum and from \$100,000 to \$200,000 maximum per product. And an award of statutory damages is available in the maximum amount of \$2 million per counterfeit mark for willful use. *Id.*

■ **Act coordinates the U.S. government’s resources, provides more funding to law enforcement, and increases civil and criminal penalties.** ■

■ **The act should benefit businesses dependent on IP** ■

All businesses dependent on IP to compete should benefit from the PRO-IP Act. The focused criminal prosecutions envisioned by the act with increased penalties, additional investigative and prosecutorial resources, improved coordination of federal and local law enforcement agencies, and with real cooperation from key foreign countries could potentially have a significant impact in reducing the theft of IP. The heightened measures enacted to protect IP and the new role of the U.S. government in the enforcement of IP civil and criminal laws are perceived as primarily intended to facilitate the investigation and prosecution of international crime syndicates that commit IP crimes, especially trademark counterfeiting of luxury goods, to

support their terrorist and organized crime activities. These enhanced civil and criminal enforcement powers will surely benefit U.S. businesses whose IP is their premium asset.

This does not mean that companies should sit back and assume the federal government will now be the protector of their IP. Rather, the act invites companies to be proactive. The act encourages companies to take advantage of the enhanced civil penalties and expressly provides that the IPEC “may consult with private sector experts in [IP] enforcement in furtherance of providing assistance to the members of the advisory committee.” 18 U.S.C. 8113(c)(2). Businesses that are the victims of IP theft, the group which this act is intended to protect, should not be passive. Most of these businesses have security experts and others who have been dealing with this problem on the front line for many years and are likely in the best position to advise the IP czar on how best to attack this problem on a global basis. Thus, it is critical that companies not be shy in pressing their views in the formulation of the strategic plan mandated by the act. **NLJ**