

Enforcement of Intellectual Property Rights (IPR) in the United States



Kevin M. Rosenbaum, Attorney-Advisor
United States Patent & Trademark Office
Office of Intellectual Property Policy & Enforcement

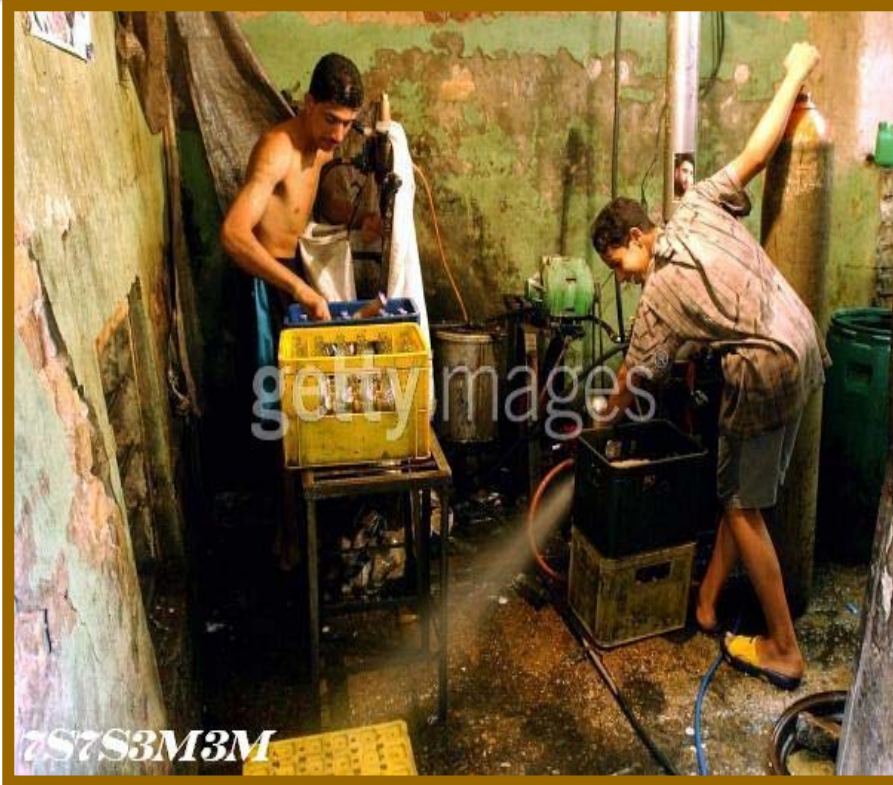


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Overview of U.S. Approach to IPR Enforcement

1. Administrative

- Border Enforcement

2. Civil

- Alternative Dispute Resolution (ADR)

2. Criminal



Administrative: Border Enforcement

U.S. Customs and Border Protection (CBP) offers the first line of defense against counterfeit and piratical goods:

- Protects federally registered copyrights and trademarks that are recorded
- Utilizes automated risk management system to analyze and target IPR infringing goods
- Detention, seizure and forfeiture of merchandise

What are key differences between U.S. and other systems?

U.S. system shifts bulk of IPR enforcement into administrative framework and reduces role of court system

- Role of right holder in "suspension of release"
- Payment for storage costs
- Right to act on its own (*ex officio* authority)
- Enforce U.S. International Trade Commission exclusion order



Administrative: Border Enforcement

- U.S. Customs and Border Protection IPR Enforcement Process
 - Entry
 - Targeting
 - Examining
 - Determining Admissibility
 - Seizure/Forfeiture of Goods





Administrative: Border Enforcement

- U.S. CBP Recordation Procedure:
 - Record trademarks and copyrights registered with the USPTO
 - At any time, owners may provide CBP with information on suspected infringers and CBP can issue a “Trade Alert”
 - Importers
 - Manufacturers
 - Country of origin
 - Transport mode
 - Entry port
 - Suspected dates



U.S. Customs and Border Protection

Securing America's Borders CBP.gov

Monday, January 9, 2006

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import

Antidumping and
Countervailing Duties
(ADCVD)

Broker Management

Cargo Control

Cargo Summary

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Intellectual Property Rights

U.S. Customs and Border Protection maintains an aggressive IPR enforcement program which devotes substantial resources to target, intercept, detain, seize and forfeit shipments of IPR-violative goods. Our enforcement is accomplished through the cooperative efforts of our trained enforcement officers, other government agencies, and the trade community.

- [Intellectual Property Rights e-Recordation \(IPRR\) online system](#)
- [Intellectual Property Rights Search \(IPRS\)](#)
IPRS data, formerly available via the Customs Electronic Bulletin Board (CEBB), has been migrated to the Intellectual Property Rights Search application (IPRS). IPRS is a searchable database containing public versions of U.S. Customs and Border Protection intellectual property rights recordations.

Search *Intellectual Property Rights* for:

section sitemap for
Intellectual Property Rights

see also:

 **in Commercial Enforcement:**

[Bioterrorism](#)

[Wood Packaging Materials \(WPM\)](#)

[Partnership to Secure the Supply Chain: Customs-Trade Partnership Against Terrorism \(C-TPAT\)](#)

[Protecting the Food Supply:](#)



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Economic Harm is Massive and Increasing as Counterfeit Economy is Growing

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Mid-Year FY 2008 Commodity	Mid-Year FY 2008 Domestic Value	% of Total Value	Mid-Year FY 2007 Domestic Value	Difference FY 08 vs FY 07	% Increase or Decrease
Footwear	\$ 40,300,057	38%	\$ 39,738,888	\$ 563,381	1%
Wearing Apparel	\$ 15,785,209	14%	\$ 15,895,645	\$ 89,584	1%
Handbags/Wallets/Backpacks	\$ 9,890,934	9%	\$ 7,464,525	\$ 2,426,409	33%
Consumer Electronics/Electrical Articles	\$ 9,709,170	9%	\$ 9,418,165	\$ 291,005	3%
Pharmaceuticals	\$ 9,255,168	8%	\$ 9,930,473	\$ (675,305)	-7%
Cigarettes	\$ 4,819,353	4%	\$ 388,114	\$ 4,233,239	1096%
Computers/Technology Components	\$ 3,627,558	3%	\$ 4,315,743	\$ (688,185)	-16%
Watches/Parts	\$ 3,303,237	3%	\$ 11,461,038	\$ (8,157,801)	-71%
Media	\$ 3,094,108	3%	\$ 4,175,134	\$ (1,081,028)	-26%
Sunglasses/Parts	\$ 3,016,289	3%	\$ 1,038,489	\$ 1,977,800	190%
All Other Commodities	\$ 10,844,859	9%	\$ 6,578,378	\$ 4,068,481	62%
Total Domestic Value of All IPR Seizures	\$ 113,245,922		\$ 110,198,350	\$ 3,047,572	3%
Total Number of Seizures	7,166		7,245	-79	-1%

Source: U.S. CBP Mid-Year 2008 Seizure Stats



Counterfeit Goods Endanger the Public Health & Safety

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Counterfeit Goods Endanger the Public Health & Safety

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Mid-Year FY 2008 Safety & Security Commodities	Mid-Year FY 2008 Domestic Value	% of Total Value
Pharmaceuticals	\$ 9,255,168	37%
Cigarettes	\$ 4,619,353	19%
Sunglasses	\$ 3,016,269	12%
Consumer Electronics/Electric Articles	\$ 2,860,292	11%
Critical Technology Components	\$ 2,069,146	8%
Perfumes	\$ 1,268,305	5%
Batteries	\$ 1,184,883	5%
Health Care	\$ 228,672	<1%
All Others	\$ 383,695	2%
Total Domestic Value of All Import Safety IPR Seizures	\$ 24,885,783	
Total Number of Seizures	796	

Source: U.S. CBP Mid-Year FY 08



Administrative: Section 337 Investigations

- U.S. International Trade Commission
 - “Section 337” Investigations:
 - Against allegedly infringing imports
 - Right-holder initiates process by filing complaint of infringement or unfair practices with USITC
 - Administrative Law Judge conducts proceeding, reviewed by the Commission
 - Commission issues remedial orders if violation found
 - Exclusion orders enforced by Customs
 - Usually involves patent rights, since Customs has no authority to make patent infringement determinations



Civil Enforcement

Features of the U.S. Judicial System

- Federal Courts have exclusive jurisdiction over cases involving patents, copyrights and federally registered trademarks
 - District Courts, Courts of Appeals, Supreme Court
- Adversary System
 - Litigants present cases
 - judge makes sure law followed and fairness achieved
- Common Law System
- Discovery



Civil Remedies

Two Main Types of Remedies

- ◆ money damages
 - ◆ equitable relief
(e.g., injunction, seizure & destruction)
-
- In U.S. tort law, money damages are intended to make plaintiff “whole” again—back to the position prior to the IPR infringement
 - Money may not be enough in some cases
 - Thus, although money damages are substantial, equitable relief is also valuable remedy (e.g., RIMM “Blackberry” threat of injunction)



Civil Enforcement

Award	Winner	Loser
1. \$307	Rambus	Hynix Semiconductor
2. \$133	Z4 Technologies	Microsoft, Autodesk
3. \$112	Texas Instruments	GlobespanVirata
4. \$78.9	Finisar	DirecTV Group
5. \$74	TiVo	EchoStar Communications
6. \$65.2	Ariad Pharmaceuticals	Eli Lilly
7. \$53.4	LG Philips LCD	Tatung
8. \$52.5	LG Philips LCD	Tatung
9. \$38.5	MuniAuction Inc.	Thomson
10. \$34	Power Integrations	Fairchild Semiconductor

Source: Top 10 U.S. Patent Damage Awards
Bloomberg.com (2006 figures in millions of US \$)
Figures do not include \$612 settlement between RIMM & NTP

In the U.S., the majority of IP disputes are handled by civil enforcement with the bulk of cases being settled prior to trial



Damages Compared

Copyright

- 1) compensatory damages
- 2) established /reasonable royalty
- 3) unjust enrichment
- 4) statutory damages

Trademark

- 1) compensatory damages
- 2) established /reasonable royalty
- 3) unjust enrichment
- 4) statutory damages for counterfeiting & cyber squatting
- 5) augmented damages

Patents

- 1) compensatory damages
- 2) established /reasonable royalty (in Patent Act)
- 3) punitive damages



Civil Enforcement

If Your IP Rights Have Been Infringed?

Methods of Resolving IP Disputes:

- Negotiate/Enter into Licensing Agreement
- Cease and Desist Letter
- File Lawsuit
- Alternative Dispute Resolution

=> These methods are ineffective against counterfeiters and pirates



Monetary Relief Available for Trademark Infringement

In cases of **trademark infringement**, the court may award:

- 1) Defendant's profits
 - 2) Any damages sustained by the plaintiff
 - 3) Costs of the action
- 15 U.S.C. § 1117 (a)

In cases of **trademark counterfeiting**, the court may award:

- 1) Treble profits or damages
 - 2) Reasonable Attorney's Fees
- 15 U.S.C. § 1117 (b)
- 3) Statutory Damages
- 15 U.S.C. § 1117 (c)

Under any measure of damages, **courts have broad discretion and flexibility to fashion monetary relief** —court should be guided by principle of **taking all economic incentive out of trademark infringement**



What is Trademark Counterfeiting?

Trademark counterfeiting differs from trademark infringement

- Narrower in scope
- Applies only to marks made to look identical to (or that are substantially indistinguishable from) the actual mark

Trademark counterfeiting is the act of producing, offering for sale, selling, or distributing a product or service with a “spurious mark which is **identical to, or substantially indistinguishable from, a registered mark.**” 15 U.S.C. §§ 1116(d)(1)(B)(I), 1127

Trademark infringement, while encompassing trademark counterfeiting, includes the use of marks that are “**likely to cause confusion, or to cause mistake, or to deceive.**” 15 U.S.C. 1114(1)(a) (1988)



Trademark Infringement?

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Trademark Counterfeiting Action in Civil Cases

No Separate Action for Trademark Counterfeiting

Action involving counterfeit mark is part of broader trademark infringement claim (I.e., likelihood of confusion). 15 U.S.C. § 1114.

Counterfeit test of “identical to, or substantially indistinguishable from” is only relevant in the enhanced damages and ex parte seizure order analysis in civil cases

Damages provision, 15 U.S.C. § 1117(c)

Ex parte seizure order, 15 U.S.C. § 1116



Development of Trademark Law in the U.S. : Tools Had to be Developed to Combat Counterfeiting

Tools necessary to combat counterfeiting, such as enhanced damages and ex parte seizure, were not available in original Lanham Act

The Lanham Act of 1946

- Comprehensive trademark law that set up a system of civil enforcement to establish and protect trademarks
- Allowed rights holders to protect their marks by bringing civil actions against infringers
- Gave the courts the power to issue injunctions and seize counterfeit goods to protect trademark rights
- Procedures, however, were **generally too cumbersome and ineffective to deter counterfeiting activity**
- **Criminal sanctions**, although part of the original bill introduced in 1945, **were dropped** from the final version of the Act

15 U.S.C. §§ 1051-1127 (1946)



Development of Trademark Law in the U.S. : Providing the Tools to Combat Counterfeiting

Trademark Counterfeiting Act of 1984

- Authorized issuance of *ex parte* orders for seizure of counterfeit goods
15 U.S.C. § 1116 (1984)
- Authorized treble damages and attorneys fees in civil counterfeiting cases
15 U.S.C. § 1117 (1984)
- Criminalized intentional trademark counterfeiting
18 U.S.C. § 2320 (1984)

Anticounterfeiting Consumer Protection Act of 1996

- U.S. Customs Service received enhanced authority to levy fines, destroy counterfeit merchandise, and provide information to trademark holders
- Provided for statutory damages for trademark counterfeiting in amounts up to \$1,000,000 per counterfeit mark for willful violations
- Made counterfeiting a predicate act under the powerful Racketeering Influence and Corrupt Organizations Act (RICO)



Statutory Damages Available for Trademark Counterfeiting

Do counterfeiters keep detailed or accurate business records?

No. How does one then calculate damages?

To remedy this problem, **Congress amended the statute in 1996** to provide for the election of statutory damages in counterfeiting cases-

In a case involving the **use of a counterfeit mark**...in connection with the sale, offering for sale, or distribution of goods or services, the **plaintiff may elect, at any time before final judgment** is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of **statutory damages** for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of – (a) **not less than \$500 or more than \$100,000 per counterfeit mark** per types of goods or services sold, offered for sale, or distributed, as the court considers just; (b) if the court finds that the use of the counterfeit mark was **willful, not more than \$1,000,000 per counterfeit mark** per type of goods or services sold, offered for sale, or distributed, as the court considers just.

15 U.S.C. § 1117(c)



Statutory Damages for Counterfeited Trademarks

Non-willful

- “Not less than \$500 or more than \$100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed...”

Willful

- “If the court finds that the use of the counterfeit mark was willful, not more than \$1,000,000 per counterfeit mark per type of goods or services sold...”

Difficult to prove actual damages and also very expensive!



Statutory Damages for Copyright

- “With respect to any one work..., the sum of not less than **\$750 or more than \$30,000** as the court considers just.”
- If “infringement was committed **willfully**, the court in its discretion may increase the award of statutory damages to a sum or not more than **\$150,000.**”



Statutory Damages for Counterfeited Trademarks

Process

1. Court must determine the appropriate amount within the statutory range.
 2. This amount must be multiplied by the number of counterfeit marks.
 3. Then it must multiplied by the goods and services on which the counterfeit marks were used.
- Plaintiff can **elect** at any time before final judgment to either choose compensatory damages or statutory damages. Why is this so?
 - The IP right holder will generally put into trial evidence of compensatory damages. But because it is sometimes **difficult to prove** compensatory damages, the IP right holder can elect later in the trial for statutory damages.
 - Proving actual damages is sometimes difficult to do, because the IP rights have to show a nexus between the sale of the infringing goods.
 - It is **very expensive to try to prove damages** in court, and that **expense should not deter IP rights holder from trying to enforce their rights**. For instance, the damage portion of a trial is sometimes just as expensive and time consuming as trying to prove infringement.



Recent Trademark Damage Examples

Gucci America, Inc. v. MyReplicaHandbag.com (Feb. 26, 2008)

Internet retailer MyReplicaHandbag.com **assessed statutory damages of \$4.3 million for counterfeiting trademarks owned by Gucci, Chloe and Davidoff**

Plaintiffs sought – **\$21.2 million** –asserting that MyReplicaHandbag.com had sold 424 different “types” of counterfeit goods by categorizing the merchandise into separate ‘types’ for each subtle difference in a particular product’s size, shape, color, pattern or fabric.

Court held that separate ‘types’ should be based on the **functional purpose** of the product-

- (1) handbags (Gucci and Chloe);
- (2) wallets (Gucci);
- (3) handbag and wallet sets (Gucci);
- (4) watches (Gucci and Dunhill);
- (5) eyeglasses (Gucci); and
- (6) belts (Gucci)



Damage Award

Gucci \$3,600,000 (\$100,000 x 6 marks x 6 types of goods)

Chloe \$400,000 (\$100,000 x 4 marks x 1 type of good)

Dunhill \$300,000 (\$100,000 x 3 marks x 1 type of good)

Total: \$ 4.3 million



Recent Trademark Damage Examples

Diane Von Furstenberg Studio v. Snyder (2007)

Court awarded DVF **\$ 100k**, the maximum statutory damage award for **non-willful trademark counterfeiting**, from seller of fake dresses

Court identified five factors in deciding the amount of a statutory damage award:

1. The expenses saved and profits reaped by the defendant.
2. The revenues lost by the plaintiff including damage to reputation.
3. The value of the trademark.
4. The need to deter and discourage additional counterfeiting activity by the defendant and others.
5. Whether the defendant cooperated and took responsibility for its actions.

Noting that the **Internet gives counterfeit sellers a virtually limitless number of customers**, the court stated that Snyder's choice of eBay as her marketplace weighed in favor of a large damage award.

DVF withdrew its claim that the defendant acted willfully and in bad faith, DVF was not eligible for enhanced statutory damages or attorney's fees in this case. Had the court found that Snyder acted willfully, it could have enhanced the statutory damage award to up to \$1 million.



Equitable Relief

- Temporary Restraining Order (TRO)
- Preliminary Injunction
- Permanent Injunction
- Civil Seizures and Destruction of Goods



Provisional Measures

Purpose:

- Prevent irreparable harm to a party
- Maintain the “status quo” until final disposition of the case

Types:

- Temporary Restraining Order (“TRO”)
- Preliminary Injunction

Procedures:

- Provisional remedy can be sought at any time, but usually at beginning of case
- Party seeking provisional remedy usually files application simultaneously with complaint

Provisional Measures are also Critical Tools In IP Cases and, in the U.S., usually ends the case



Civil Seizures and the Destruction of Goods

- Prevents infringing articles from entering into the stream of commerce.
- Copyright Act and Lanham Act contain express authorization for civil seizures.
- Seizures may be done pre-trial in copyright and trademark counterfeiting cases.



Ex Parte Seizure Order Criteria

Seizure Order is Critical Tool in Stopping Counterfeiters who are often Sophisticated International Criminal Networks

Criteria:

- (a) Order other than ex parte seizure order not adequate
- (b) No publicity
- (c) Likely to succeed on use of counterfeit mark claim
- (d) Immediate and irreparable injury if seizure order is not granted
- (e) Matter to be seized will be at stated location
- (f) Harm to applicant if seizure denied outweighs harm of seizure to legitimate interests of defendant
- (g) Defendant would destroy, move or hide matter to be seized if given prior notice

What about due process? Security Requirement & Required Findings
Statute provides that the court must find a number of matters that “clearly appear from specific facts.” 15 U.S.C. § 1116(d)(4)(B). Further, the findings must be set forth in the order itself 15 U.S.C. § 1116(d)(4)(5)(A).



Recent Trademark Damage Examples

Diane Von Furstenberg Studio v. Snyder (2007)

Court awarded DVF **\$ 100k**, the maximum statutory damage award for **non-willful trademark counterfeiting**, from seller of fake dresses

DVF filed suit and moved for TRO and seizure order; order restraining transfer of assets; order sealing the file; and preliminary injunction

DVF seized more than fifty dresses bearing DVF marks along with computer and financial records

Illustrates tools necessary to combat counterfeiting



Temporary Restraining Order

- Remedy for urgent cases
- May be granted with or without notice (*ex parte*) to opposing party
- Effective until expires at specified time or when preliminary injunction hearing commences (10 days typical)
- Analyzed under preliminary injunction standard
- Court usually considers only papers filed by party seeking TRO because of time constraints



Preliminary Injunction

- Preliminary Injunctive relief is more difficult to obtain than a TRO because more reliable evidence is needed as the injunction can last until the lawsuit is concluded, which could be years
- Prohibits, restrains, enjoins, or compels a party from continuing a particular activity
- Whether a movant is entitled to preliminary injunctive relief depends on a balancing of four factors
- A strong showing on the first two factors can create a presumption of entitlement to injunctive relief



Four-Factor Balancing Test

Plaintiff has the burden of proving the balancing of four factors weighs in Plaintiff's favor:

- 1. Substantial likelihood of success on the merits**
 - 2. Irreparable Harm**
 3. Balance of Hardships
 4. Public Interest
-
- The burden is always on the party seeking a provisional measure to establish its right to relief
 - Factors are not “weighed” equally with “success on the merits” the most important factor



Substantial Likelihood of Success in Trademark Infringement Case

Plaintiff must show:

1. That the trademark is valid, meaning that the mark is either registered or protected under federal law
2. Its right to enforce the mark, meaning that the mark owner has not authorized the defendant's use through contract
3. Infringement, also known as **likelihood of confusion**



Irreparable Harm

- Can be presumed if plaintiff has made a sufficiently strong showing of likelihood of success as to infringement
- If money damages are adequate, injunctive relief is not appropriate

What is harm to Plaintiff?

Loss of customers, goodwill, reputation, etc.



Evidence

- The court considers the record in determining whether injunctive relief is appropriate
- The record includes pleadings as well as evidence admitted at the hearing: exhibits, affidavits, and witness testimony



Injunctive Relief Order

Order for injunctive should contain specific instructions on what a defendant can and cannot do. In unfair competition and trademark infringement cases this may entail the court ordering **affirmative steps** to be taken by the defendant to avoid confusion or deception of the consumer. There are of many ways that confusion or deception may arise, thus there are also many affirmative steps that courts have required.

Examples of Affirmative Steps:

1. **to advertise, disclaiming any association with the plaintiff;**
2. **to give notice to the trade of the court's decision;**
3. **to file a notice of discontinuance of infringement with the state or local government**
4. **to instruct the phone company to delete infringing listings or advertisements**
5. **to install telephone intercepts;**
6. **to advise distributors to withdraw infringing merchandise from the market or to remove all infringing labels from the products;**
7. **to not fulfill any orders resulting from infringing advertisements;**
8. **to refund all monies received from orders resulting from infringing advertisements; and**
9. **to deliver up all infringing products for destruction.**



Sample Order Granting Provisional Relief

“[P]laintiffs' motion for a preliminary injunction is GRANTED IN PART as follows:

[Defendants], and all persons acting in concert with them, including but not limited to any officer, employee, agent, or other representative are enjoined from directly or indirectly manufacturing, distributing, selling or offering for sale or otherwise dispensing [the product].

[Defendants] are directed to remove any and all infringing product from the marketplace, including any product placed in the possession of a third-party distributor.

The plaintiffs, as a condition of this injunction, are required to post a cash or surety bond in the amount of \$10,000.00 in a form acceptable to and approved by the Clerk of Court for the United States District Court, Middle District of Florida.”



Enforcement and Monitoring of Injunction

After an injunction has been obtained, a rights owner must still make a commitment to monitoring and enforcing the injunction.

Violation of Injunction

Violation of the terms of an injunction opens the door for a court to exercise its contempt power.



Enforcing Your Intellectual Property Rights: Criminal vs. Civil

- Majority of IP enforcement actions in U.S. is civil not criminal
- Criminal cases = Higher burden of proof
 - (beyond reasonable doubt vs. preponderance of the evidence)
- Criminal cases = Higher thresholds for penalties
- Criminal remedies can include prison term
- Factors evaluating whether to charge criminally:
 - Organized crime involvement
 - Public health and safety concerns
 - Commercial nature
 - Amount of loss and harm



TRIPS Article 61

Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale.

How does U.S. comply with TRIPS?



Criminal IP Statutes

- Criminal Copyright Infringement (17 USC § 506, 18 USC § 2319)
- Criminal Trademark Infringement (18 USC § 2320)
- Trade Secret Theft (18 USC §§ 1831, 1832)
- Bootlegging (18 U.S.C. § 2319A)
- Camcording (18 USC § 2319B)
- Counterfeit Labels (18 U.S.C. § 2318)
- Digital Millennium Copyright Act (17 USC §§ 1201, 1204)



Copyright Generally

- U.S. Constitution (Art. 8, Sec. 1): "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries"
- Copyright protects the original expression of an idea in tangible form, but not the idea itself
- 6 exclusive rights of a copyright holder (17 U.S.C. § 106)
 - reproduction
 - distribution
 - public display
 - public performance
 - derivative works
 - public performance by digital audio transmission
- **Criminal law concerned primarily with reproduction and distribution**



Criminal Copyright Infringement (17 U.S.C. 506 & 18 U.S.C. 2319)

- Felony Infringement Elements
 - Valid copyright exists
 - Defendant infringed work (by reproduction or distribution)
 - Defendant acted willfully
 - Infringed ≥ 10 copies of works w/total *retail value* of $> \$2,500$ w/in 180 days
 - *Note: Commercial purpose not necessary*
- Misdemeanor
 - EITHER \$1000 worth of copying OR commercial purpose
 - Applies to any exclusive right, *if* commercial purpose



Proving "Willful" Infringement

- Evidence of reproduction or distribution of a copyrighted work, alone, is insufficient – 17 U.S.C. § 506(a)(2)
- Good faith belief engaging in fair use – NOT willful infringement
- Willful = intent to violate a **known** legal duty
- Most often proven by circumstantial evidence
 - Defendant's admission
 - Actual notice to defendant that conduct was illegal
 - Notice to defendant of another person's similar conduct constituted infringement



Proving Infringement by Reproduction

- Direct evidence that defendant copied victim's work (e.g., eye witness testimony; computer logs)
- Cases typically involve complete, verbatim copies of copyrighted works



Proving Infringement by Distribution to the Public

- Proof Examples:
 - Controlled delivery by defendant to law enforcement officer or to agent working for victim
 - Surveillance of distribution (e.g., cameras or eye-witnesses)
 - Computer logs; sales receipts
- Distribution includes sales, and other transfers of ownership (gifts, barter)



Pre-Release Piracy (17 U.S.C. 506(a)(1)(C), 18 U.S.C. 2319(d))

- Felony Elements

- Defendant willfully infringed by distribution (only)
- Work being “prepared for commercial distribution” (i.e., a pre-release work)
- By making available on a publicly accessible computer network
- If defendant knew or should have known that the work was a pre-release work

Note: (1) *No commercial purpose;*
 (2) *No scale requirement*



Camcording (18 U.S.C. 2319B)

- Elements

- Knowingly and without authorization
- Using or attempting to use an audiovisual recording device
- To transmit or copy a movie (not infringement)
- From a performance of the work in a movie theater

Note: *(1) No commercial purpose;*
 (2) No scale requirement



Criminal Remedies: Trademark Counterfeiting

Why criminalize trademark counterfeiting?

- Keep in mind that majority of enforcement is civil and criminal remedies are only available for most serious form of trademark infringement
- Civil remedies ineffective to deter counterfeiting
- Criminalization seen as serving four important purposes:
 - Protecting IP from theft or dilution
 - Protecting consumers from fraud
 - Protecting the safety of non-purchasing users
 - Enforcing market rules



Trademark Counterfeiting Action in Criminal Cases

Elements

- Trafficked in goods or services, labels, etc. or attempted to
- Trafficked “intentionally”
- Used a “counterfeit mark” on, or in connection with such goods or services
- Used counterfeit mark “knowingly”

Must prove these elements beyond a reasonable doubt



Elements of Trademark Counterfeiting in Criminal Cases

Trafficked in goods or services, labels, etc. or attempted to

- Broadly defined as “transport, transfer, or otherwise dispose of, to another, as consideration for anything of value”
- Covers all aspects of commercial activity
- Enough to aid and abet
- Broadly interpreted by U.S. courts
- Personal use not covered



Elements of Trademark Counterfeiting in Criminal Cases

Trafficked “**intentionally**”

- No specific intent requirement
- Element usually a non-issue as defendant has usually been dealing continuously in counterfeit goods

Used counterfeit mark “**knowingly**”

- Mere knowledge rather than intent in contrast to previous element
- Actual or constructive knowledge- no “willful blindness”
- Typical evidence includes pricing, method of delivery , packaging, etc.
- Element usually not contested



Elements of Trademark Counterfeiting in Criminal Cases

Used a **counterfeit mark** on, or in connection with such goods or services

Counterfeit Mark Requirements:

1) “spurious” mark

- Not genuine or authentic- use not authorized by trademark owner
- US v. Petrosian – case involving use of genuine Coca-cola bottles where court held that when a genuine trademark is affixed to a counterfeit product, it becomes a spurious mark

2) Used (or **intended to be used**) in connection with trafficking in goods or services

- Non-issue, foregone conclusion



Elements of Trademark Counterfeiting in Criminal Cases

Counterfeit mark elements continued-

3) Identical or substantially indistinguishable

- Intended to prevent a counterfeiter from escaping liability by modifying a protected trademark in trivial ways
- Not intended to cover arguable case of trademark infringement
- “substantially indistinguishable” hasn’t really become an issue

4) “in use” and “registered” for “those goods or services”

- Genuine mark must actually be in use
- Must be on principal register at U.S. PTO
- Registration must be for same goods or services which the counterfeiter is trafficking – Differs from civil infringement requirement that use of mark be in connection with “related” goods or services



Elements of Trademark Counterfeiting in Criminal Cases

Counterfeit mark elements continued-

- 5) The use of which is **likely to cause confusion**, to cause mistake, or to deceive
- Taken from Lanham Act, thus same analysis as used in civil cases
 - May use side-by-side comparison of products or expert testimony
 - Jury need not find “actual confusion” – Test uses objective standard that measures whether the average consumer is likely to be confused
 - No defense that original buyer knew goods were counterfeit or that direct purchaser was not actually confused
 - “actual confusion” is still best evidence (e.g., confusion on product hotlines, consumer surveys)



Penalties in Criminal Cases: Trademark Counterfeiting

Deterrence is Key

Individual:

up to 10 years and \$ 2 million fine (20 years/\$5 million fine if second offense)

Corporation:

up to \$5 million fine (\$15 million if second offense)

Other remedies include mandatory forfeiture and destruction of counterfeit marks and goods as well as means of production

18 USC 2320(b) (as amended in March 2006)



Recent Criminal Case

Undercover Operation Targeting Large-scale Suppliers

- 3 people **each sentenced 37 months in federal prison, with one having \$7 million fine**, in August 2007 as part of Operation Remaster in Northern California
- Involving criminal copyright infringement and **trafficking in counterfeit labels with 500,000 CDs and DVDs seized as well as over 6,000 stampers**
- Court filings revealed that piracy conspiracies often involve geographically separate businesses that secretly handle different stage of IP theft-
 - Brokers (solicitors)
 - Replicators
 - Assemblers
 - Packagers-Printers
 - Distributors-Retailers

Note: Replicator armed with an easily obtainable mold of a CD or DVD — called a “stamper” and worth approx \$ 25k— can potentially manufacture 50,000 to 80,000 counterfeit CDs or DVDs

Source: Cybercrime.gov citing court filings (October 12, 2005); Sentenced August 2007; RIAA



Recent Criminal Cases

US v. Danny Ferrer (dba BUYSUSA.COM)

72 months in prison for \$4.1 million in counterfeit software sales (hard copies)

US v. Nathan Peterson (dba IBACKUPS.NET)

87 months in prison for \$5.1 million in counterfeit software sales (download and hard copy)

US v. Ronnie Knott

24 months in prison for selling monthly passes to download counterfeit software (download)

US v. Timothy Hall (dba MORBIDBACKUPS.COM)

24 months in prison for selling \$300k in pirated video games



Many Countries Face Similar Challenges in Fighting Trademark Counterfeiting

- **U.S. IPR Environment in mid-1980s is Similar to Challenges Many Countries Face Today**
- **Trademark Counterfeiting Act 1984 enacted in poor IPR enforcement environment**
 - Judges reluctant to enforce penalties
 - Low public awareness regarding hazards of counterfeiting
 - Lack of available deterrent penalties as civil penalties regarded as merely a “cost of doing business”

Legislation -> Training -> Public Awareness -> Criminal Enforcement



Criminal Enforcement

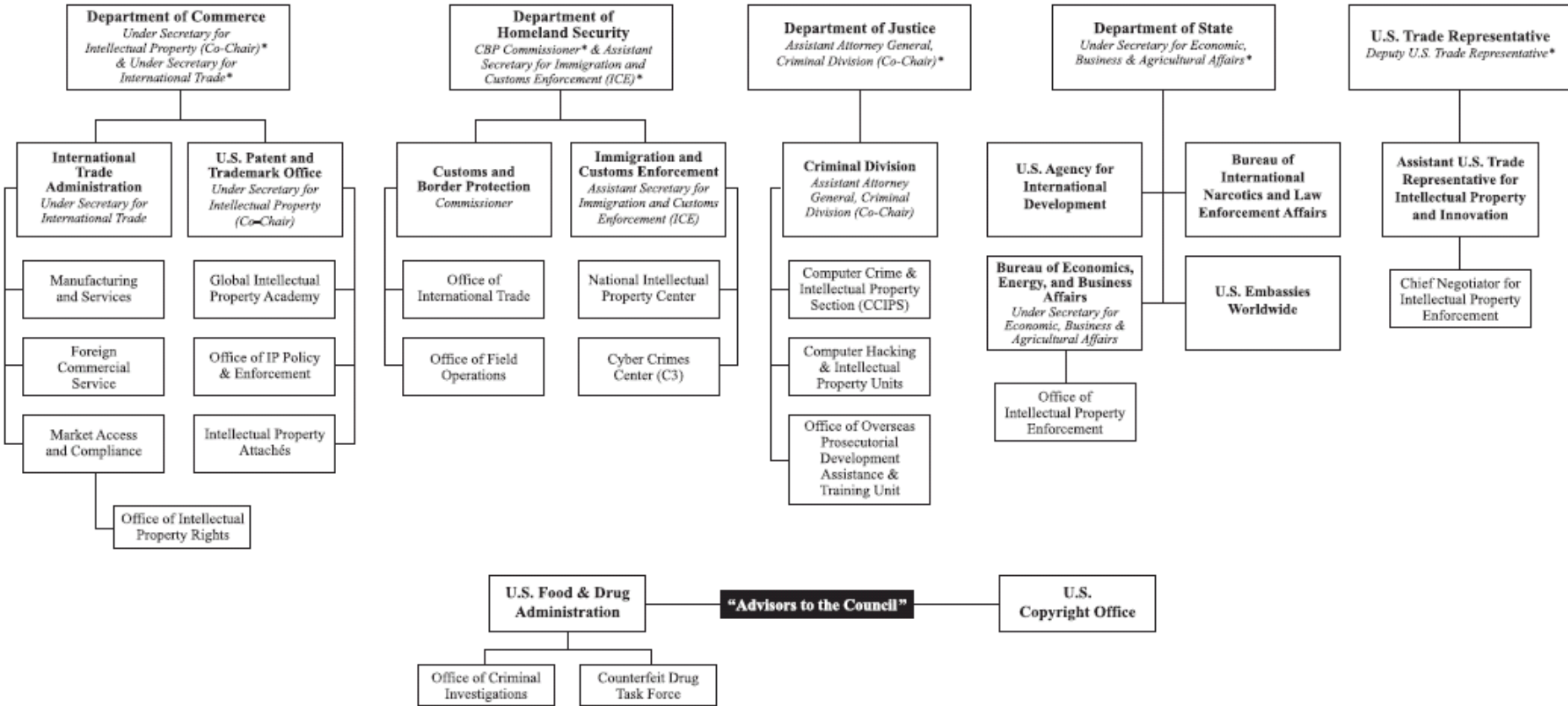
Enforcing IP Through the Criminal System:

- U.S. Department of Justice
 - Criminal Division: Computer Crime & Intellectual Property Section (CCIPS)
 - U.S. Attorney's Office: Computer Hacking and Intellectual Property Units (CHIPS)
 - Federal Bureau of Investigation
- U.S. Immigration & Customs Enforcement (ICE)
 - Online IP complaint form at: <http://www.ice.gov>



National Intellectual Property Law Enforcement Coordination Council

U.S. Coordinator for International Intellectual Property Enforcement
Head of Council



*Represents the department on the NIPLECC Council



Thank You

Questions? Comments?

Kevin.Rosenbaum@uspto.gov