

BUSINESSES CAN USE PRO-IP TO TARGET COUNTERFEITERS

by J.F. "JIM" CHESTER

To combat copyright and trademark counterfeiting, former President George W. Bush signed the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PRO-IP) into law on Oct. 13, 2008. The new law gives businesses and their in-house counsel important tools to protect their IP from counterfeiters.

PRO-IP beefs up anti-counterfeiting laws by increasing civil and criminal penalties for counterfeiting, and it provides additional resources for federal agencies involved in stopping counterfeiters. While encompassing a broad range of counterfeits in a number of industries, the new law should have a particular impact on the sale of counterfeit drugs, software, movies and music.

There are a number of key elements of the new law. It creates a Cabinet-level intellectual property enforcement coordinator to oversee and manage the protection of the nation's intellectual property. This IP czar will be appointed by, and report directly to, the president.

PRO-IP also enhances civil and criminal enforcement. PRO-IP requires courts to award treble damages and attorneys' fees where a violation of IP rights results from the intentional use of a counterfeit mark or where someone provides goods or services that intentionally assist others in counterfeiting. Also, PRO-IP doubles the range of statutory damages for trafficking in goods bearing counterfeit trademarks, providing for up to \$2 mil-

lion in damages for willful violations. PRO-IP also expands the scope of seizure and forfeiture for civil and criminal acts of counterfeiting, and it expands the realm of the types of activities considered felony criminal counterfeiting.

PRO-IP clarifies that a rights holder need not register the copyright before initiating a criminal action against an alleged counterfeiter. Further, the law provides, for the first time, that U.S.

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criminal law explicitly will prohibit the trans-shipment or exportation of counterfeit goods or services.

Finally, it allocates additional resources to assist various agencies in investigating and combat counterfeiting, such as grant programs for state and local law enforcement and funding for additional FBI agents designated to work on IP issues.

PRO-IP passed despite controversy.



As it meandered through Congress, it was the subject of significant friction between IP-owner groups, consumer groups and electronic freedom advocates.

Protecting IP

In-house counsel for IP owners must be vigilant in identifying counterfeiters and taking action against all forms of IP infringement. PRO-IP, combined with existing laws and tools, makes it easier to do so. Whenever possible, in-house lawyers should use direct and indirect means to protect IP.

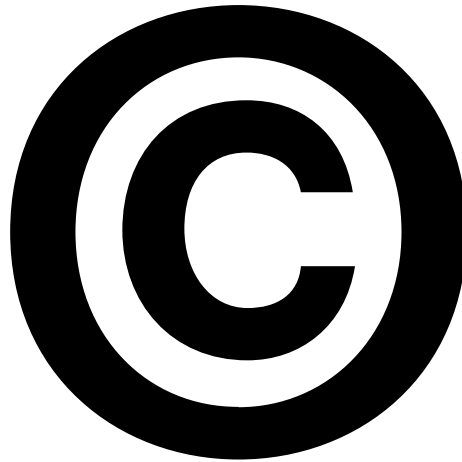
Protecting IP directly refers to using contracts and individual relationships to protect IP rights. For example, include IP protection clauses in agreements with suppliers and agents, particularly those located abroad. This lets IP owners define the scope of their IP rights and make them enforceable as contractual provisions. The limitation of direct action is that these provisions can only be enforced against those with whom IP owners have a contractual relationship.

Indirect IP protection involves taking advantage of government registration protections to secure IP rights against a much broader group of would-be infringers. In addition to registering IP rights in the United States, IP owners may wish to register their IP in foreign countries where they or their agents and vendors conduct business. A key limitation of indirect IP protection is that the IP protections and enforcement options provided by many foreign countries are not as extensive or effective as those American IP owners would like. Moreover, due to the broad scope of protection, it is difficult to spot infringement, particularly when the infringing activity

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is isolated or remote.

To identify counterfeiters, many IP owners engage in-house staff or third-party services to monitor trade and marketing channels such as Web domain



registrations, U.S. and foreign IP registration filings, eBay auctions, etc. Prudent lawyers also will enlist help from their foreign vendors and agents in identifying counterfeit goods. Consider creating toll-free counterfeit hot lines to allow consumers, vendors and others to contact the company directly to provide details regarding suspected infringement.


Another useful tool in identifying and preventing infringing imports of foreign goods into the United States is recording copyrights, trademarks and trade names with U.S. Customs and Border Protection. This is a relatively simple and inexpensive process that effectively makes Customs and Border Protection an IP owner's watchdog for counterfeit goods arriving at the U.S. border.

Once an in-house lawyer identifies counterfeiting or infringement, enforcing those rights often includes contacting the violators and demanding that they cease and desist their actions. It may ultimately involve filing civil suits against violators. By increasing potential penalties and damages against counterfeiters, PRO-IP provides additional economic incentives for IP owners to take legal action.

Where IP infringement appears to give rise to criminal liability, the scope of which has been broadened by PRO-IP, intellectual property owners may report

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the counterfeiters to legal authorities. The proper agency to report such allegations will depend on the products involved and the type of IP rights being infringed.

PRO-IP signals an important declaration from the U.S. government regarding the importance of IP rights. PRO-IP provides additional financial incentives for private companies to haul counterfeiters into court as well as lays the organizational framework for a coordinated, structured assault on IP counterfeiters. In-house IP counsel should be prepared to apply the new law to protect their companies' intellectual property rights around the world. 

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