Recent Trends in IPR Enforcement

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Why Effective IPR Enforcement is Important

- Organized Crime
  - Ten times the profit at one-tenth the risk compared to narcotics trafficking

- Terrorist organizations
  - Lucrative source of funding

“Counterfeiting becomes the perfect criminal activity because it is often not properly investigated; it allows criminals to gain a lot of money with it, it funds other illicit trafficking and lets them launder their dirty money. It’s exactly what criminals are looking for.”

- United Nations Interregional Crime and Justice Research Institute
  http://counterfeiting.unicri.it/org_crime.php
Why Effective IPR Enforcement is Important

- IP Protection is Economically and Socially Beneficial
  - Attracts foreign investment and promotes technology transfer
    - IPR holders will not do business where IPR is not protected
  - Prevents the "brain drain"
  - Promotes rule of law
  - Encourages growth of local industries and local culture
    - Music
    - Literature
    - Arts
    - Software industry

- **Example**
  Software piracy discourages investors, such as Sony, from making software in the Philippines
What is Impact of Piracy?

- Estimated to cost G20 governments and consumers 100 billion Euros each year, and approximately 2.5 million jobs
  - BASCAP

- Avatar illegally downloaded over 1 million times its first week of release
What is Impact of Piracy?

Global Value of Digital Piracy

<table>
<thead>
<tr>
<th>Digital piracy</th>
<th>Global value of digital piracy (billions of US dollars)</th>
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<tbody>
<tr>
<td>Digital piracy of recorded music</td>
<td>$17 billion - $40 billion</td>
</tr>
<tr>
<td>Digital piracy of recorded movies</td>
<td>$10 billion - $16 billion</td>
</tr>
<tr>
<td>Digital piracy of software</td>
<td>$1.5 billion - $19 billion</td>
</tr>
<tr>
<td>Total</td>
<td>$28.5 billion - $75 billion</td>
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</tbody>
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Source: BASCAP Estimating the global economic and social impacts of counterfeiting and piracy February 2011
What is Impact of Movie Piracy?

Source: Torrentfreak.com
What is Impact of Movie Piracy?

• $ 5.5 in lost earnings for all U.S. workers
• 141,030 U.S. jobs
• $ 0.86 in lost tax revenue

Source: IPI Motion Picture Piracy Study (2006)(in billions of USD/year)

• 400,000 films downloaded/day with many using P2P networks
• Global P2P Internet traffic expected to grow from 1.6 to 8 petabytes/month by 2012

(1 terabyte is approx 50 HD movies so multiply by 1k for 1 petabyte)

Source: Multimedia Intelligence
Lost Revenue

- Top 25 Country Losses due to software piracy in 2008

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>2008 LOSSES $M</th>
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<tbody>
<tr>
<td>United States</td>
<td>$9,143</td>
</tr>
<tr>
<td>China</td>
<td>$6,677</td>
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<tr>
<td>Russia</td>
<td>$4,215</td>
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<tr>
<td>India</td>
<td>$2,768</td>
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<tr>
<td>France</td>
<td>$2,760</td>
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<tr>
<td>United Kingdom</td>
<td>$2,181</td>
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<tr>
<td>Germany</td>
<td>$2,152</td>
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<td>Italy</td>
<td>$1,895</td>
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<tr>
<td>Brazil</td>
<td>$1,645</td>
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<td>Japan</td>
<td>$1,495</td>
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<td>Canada</td>
<td>$1,222</td>
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<td>Spain</td>
<td>$1,029</td>
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<td>Mexico</td>
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<td>Poland</td>
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<td>Australia</td>
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<td>Malaysia</td>
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<td>Switzerland</td>
<td>$345</td>
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</tbody>
</table>

Source: 2010 BSA-IDC Global Software Piracy Study
Counterfeit Medicines

• According to the World Health Organization (WHO)
  − “A counterfeit medicine is one which is deliberately and fraudulently mislabeled with respect to identity and/or source.”
Counterfeit Medicines

**Why are Medicines a Target?**

- Fake medicines can be made relatively cheaply; they are at least as profitable as illegal drugs but the risk is much lower.
- Many countries lack adequate regulation and enforcement.
- The risk of prosecution and penalties for counterfeiting is low.
- The end-user (consumer) has little knowledge of the product and cannot tell fake from the real medicine.
Counterfeit Medicines

Types of Counterfeit Drugs:

- Identical copies containing same ingredients, formulas and packaging, by other than the original manufacturer
- Look-alikes—high quality packaging with little or no active ingredients or harmful substitutes
- Rejects—rejected by authentic manufacturer
- Re-labels—past expiration date
- Devices—aortic pumps, implants, test kits, etc.
The Scope of the Problem:

• Identifying the level of counterfeiting is difficult because counterfeiting is difficult to detect, investigate and quantify

• We know that counterfeit medicines occur around the globe and are more prevalent in developing/transitional countries.

• Counterfeiting of medicines is also greatest in regions with weak regulatory systems and legal oversight
Counterfeit Medicines

The Scope of the Problem:

- Size of fake drug market estimated to be $75 billion-$200 billion per year (sitejabber.com)
- WHO has estimated that upwards of 10 percent of the worldwide drug supply are counterfeits and that in some countries this rises to more than 50 percent
- WHO estimates that among the counterfeit pharmaceuticals
  - 60% no active ingredients
  - 17% incorrect amount of active ingredients
  - 16% different active ingredients
Counterfeit Medicines

Current and Future Risks:

- Therapeutic failure
  - Treatment failure in malaria, TB and HIV/AIDS
- Drug resistance
  - Fake drugs help spread drug-resistant strains of tuberculosis
  - Drug resistant pandemics, including HIV and influenza
- Contaminants in fake drugs
  - water with bacteria, cement, road paint, floor wax and anti-freeze used in automobiles
Counterfeit Medicines

Current and Future Risks:

• Death
  – Difficult to determine
  – Examples
    • Panama: 43 deaths in 2006 from contaminated cough syrup, antihistamine tablets, calamine lotion and rash ointment
    • Niger: 2,500 deaths in 1995 from fake meningitis vaccine
    • Cambodia: 30 deaths in 1999 from counterfeit antimalarial drugs
What tools are available against IPR infringement?

**TRIPS Enforcement Framework**

- **Standards**
  - Establishes minimum standards of IPR protection that are compulsory requirement of WTO membership

- **Enforcement**
  - Establishes requirements for domestic procedures and remedies for the enforcement of IPR (i.e., framework with various tools to combat counterfeiters and pirates)

- **Dispute Settlement**
  - Disputes about TRIPS obligations subject to WTO dispute settlement mechanism
What tools are available against IPR infringement?

**TRIPs Enforcement Framework**
- General Obligations (Art. 41)
- Civil & Administrative Procedures & Remedies (Art. 42-49)
- Provisional Measures (Art. 50)
- Border Measures (Art. 51-60)
- Criminal Procedures (Art. 61)

**TRIPs establishes minimum requirements/standards for domestic procedures and remedies for the enforcement of IPR**
TRIPs Basics

- TRIPs establishes broad framework that allows some flexibility in implementation.
- TRIPS makes distinction b/n infringing activity in general, in which, civil procedures & remedies must be available, and counterfeiting & piracy.
- For these most serious forms of IPR infringement, additional procedures and remedies must also be provided, namely border measures & criminal procedures.
Are civil remedies effective tools against counterfeiters and pirates?

**Civil & Administrative Procedures & Remedies (Art. 42-49)**
- Judicial authorities may award damages adequate to compensate for the injury suffered and destruction of infringing goods
- In the U.S., for trademark counterfeiting a court may award counterfeiter’s profits and enhanced damages

**Provisional Measures (Art. 50)**
- Ex parte seizure order

In many countries, civil penalties are seen as merely a “cost of doing business”
Border Measures

Suspension of Release by Customs Authorities (Art. 51):

• Members **shall** adopt procedures to enable right holder to apply for suspension of release of goods by Customs into free circulation where:
  » Valid grounds for *suspecting* that the importation of counterfeit trademark or pirated copyright goods *may* take place; and
  » Right holder submits written application with competent authorities (administrative or judicial).

• **May** provide corresponding procedures for other types of infringement (patents, trade secrets)

• **May** provide corresponding procedures for exports
Border Measures

Duration of Suspension (Art. 55):

- If Customs authorities not informed that proceedings leading to a decision on the merits have been initiated w/in 10 working days, or that provisional measures extending the suspension have been imposed, goods shall be released.
- Subject to extension for an additional 10 working days.
- If proceedings have been initiated, right to be heard and right of review upon request of defendant shall take place "within a reasonable period" and shall decide whether measures should be modified, revoked or confirmed.
- However, if suspension of release is pursuant to provisional judicial measure, Art. 50 shall govern.

How is this handled in U.S. and E.U.? What is the most effective way to enforce IPR at the border?
Border Measures

**Ex Officio Action (Art. 58):**

Where Members require authorities to act on their own initiative to suspend release:

- Authorities may seek information from the right holder that may assist them;
- The importer and right holder shall be promptly notified;
- “Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith.”
Criminal Procedures (Art. 61)

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

- Remedies available shall include:
  - Imprisonment;
  - Monetary fines;
  - "Sufficient to provide a deterrent."

-> Consider how TRIPs takes into account different legal systems for border measures and criminal procedures
Criminal Procedures

Criminal Procedures (Art. 61) (continued)-

• In appropriate cases, remedies shall also include for goods and any materials and implements the predominant use of which has been in the commission of the offence":
  • Seizure;
  • Forfeiture;
  • Destruction.

-> This tool allows us to increase the cost to the infringer, and prevent infringement from continuing
Deterrence?

“If you’re caught with a kilo of heroin at a border crossing you’ll go to jail for a very long time. If you’re caught with a kilo of counterfeit medicines, that penalty may be the same if you’re caught with a kilo of counterfeit T-shirts.” — International Federation of Pharmaceutical Manufacturers Association

In the United States, the 2008 Pro IP Act increased criminal penalties available for counterfeiters who knowingly or recklessly cause or attempt to cause serious bodily injury or death from conduct involving the trafficking in goods or services using a counterfeit trademark.

-Serious bodily harm: fine and imprisonment up to 20 years
-Death: fine and imprisonment for any term of years or for life
Anti-Counterfeiting Trade Agreement (ACTA)
Evolution Of The Anti-Counterfeiting Trade Agreement

- A plurilateral agreement
- Members include the United States, Japan, Australia, Canada, Mexico, Morocco, New Zealand, the Republic of Korea and Singapore and Switzerland, the European Union, including the 27 member states of the European Union
- Stems from a proposal made by the Japanese government in 2004 to confront the challenges of trademark counterfeiting and copyright piracy
- Formal negotiations commenced in 2008 and a final text was concluded in December 2010
The Purpose of ACTA

- Strengthens the ability of *competent authorities* to combat IP infringement at the borders

- Specifies procedures that must be available in civil and criminal proceedings

- Outlines civil and criminal penalties for trademark counterfeiting and copyright piracy

- Includes guidelines for applying civil and criminal penalties for trademark counterfeiting and copyright piracy in the digital environment

- Expands right holder access to relevant documents and information relating to seized goods
Main Features of ACTA

- Initial Provisions
- Civil Enforcement
- Enhanced Border Measures
- Criminal Enforcement
- IPRs in the Digital Environment
- Final Provisions
Section 4: Criminal Enforcement

CRIMINAL PROCEDURES AND PENALTIES APPLIED

- At least in cases of willful trademark counterfeiting or copyright or related rights piracy on a commercial scale
- In cases of willful importation and domestic use in the course of trade and on a commercial scale, of labels and packaging
- In appropriate cases for unauthorized copying of cinematographic works from a performance in motion picture exhibition facility

CRIMINAL LIABILITY FOR AIDING AND ABETTING

- Where a Party provides criminal procedures and penalties for illegal camcording in theaters, trafficking in labels and stickers and willful trademark counterfeiting or copyright or related rights piracy on a commercial scale, that Party shall ensure that criminal liability for aiding and abetting is available under its law

PENALTIES

- Include imprisonment as well as monetary fines sufficiently high to deter
Criminal Procedures and Penalties

DISPOSAL OUTSIDE CHANNELS OF COMMERCE

- Where counterfeit trademark or pirated copyright goods are not destroyed, they shall be disposed of, except in exceptional circumstances, outside channels of commerce, avoiding harm to right holder

SEIZURE OF ASSETS OF VALUE

- Judicial authorities have the authority to order seizure of assets, the value of which corresponds to that of the assets derived from, or obtained directly or indirectly through, the allegedly infringing activity

FORFEITURE OF ASSETS OF VALUE

- Judicial authorities have the authority to order forfeiture of assets, the value of which corresponds to that of the assets derived from, or obtained directly or indirectly through, the allegedly infringing activity
Ex Officio Criminal Enforcement

- Competent authorities may act upon their own initiative to initiate investigations or legal action with respect to:
  - Cases of willful trademark counterfeiting
  - Cases of copyright or related rights piracy
  - Cases of willful importation and domestic use of labels and packaging
  - Cases of unauthorized copying of cinematographic works in a motion picture exhibition facility
  - Cases of criminal liability for aiding and abetting
Management of Risks at the Border

TO ENHANCE THE EFFECTIVENESS OF BORDER ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS, THE COMPETENT AUTHORITIES OF A PARTY MAY:

- Consult with the relevant stakeholder
- Consult with other competent authorities responsible for border enforcement
- Share information with other competent authorities responsible for border enforcement

SEIZURE OF IMPORTED GOODS INFRINGING IP:

- Competent authorities may provide the Party of export with information necessary to identify the parties and goods involved in the exportation of the seized goods
Enforcement of IPR in the Digital Environment

APPLICABILITY OF ENFORCEMENT PROCEDURES

- Infringement of copyright or related rights over digital networks, including the unlawful use of means of widespread distribution for infringing purposes

ONLINE SERVICE PROVIDERS

- Parties may imbue its authorities with the power to order an online service provider to disclose expeditiously to a right holder information sufficient to identify a subscriber whose account was allegedly used for infringement, provided the right holder has filed a legally sufficient claim of trademark or copyright or related rights infringement, and the information is sought for the purpose of protecting or enforcing those rights.
Thank You

Questions? Comments?
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For more, please visit-
http://www.uspto.gov/ip/training/elearn.jsp