



Washington's Increased Counterfeiting Prosecutions May Signal It's Time to Reconsider Your Company's IP Enforcement Strategy

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Introduction

Intellectual property crimes are on the rise because they are highly lucrative and historically there has been little criminal enforcement activity.¹ Recently, however, federal agencies have begun to increase their efforts to investigate and prosecute IP violators. From the IP holder's perspective, stepped up enforcement raises the question: is it better to pursue civil remedies or actively work with law enforcement to protect products and brands?

Shifting Perceptions of Counterfeiting

Once regarded as "victimless" crimes that involved selling cheap knockoff sunglasses and watches, counterfeiting is increasingly viewed as a serious threat to the public health. The FDA estimates that counterfeit drugs account for approximately 10% -15% of all pharmaceuticals sold in the world. Drugs in developing countries are a staggering 50%-60% counterfeit.² Other dangerous counterfeit consumer products that are also commonly seized in U.S. ports include infant formula, toothpaste, automobile parts, batteries, and electronic products.

Counterfeit goods have even infiltrated military supply chains.³

Counterfeiting also presents a serious threat to the economic well being of American innovators. Based on 2005 estimates, counterfeiting costs the U.S. economy approximately \$200-\$250 billion per year, and according to the FBI, Interpol, and the World Customs Organization (WCO), approximately 5% to 7% of world trade (\$512 billion) is in counterfeit goods.⁴ IP holders suffer lost sales, downward pressure on prices, damage to brand equity and consumer confidence, and incur costs associated with anti-counterfeiting and anti-piracy efforts.

The President, Congress, and federal law enforcement agencies are responding to these threats. In October 2008, Congress enacted legislation creating a new U.S. Intellectual Property Enforcement Coordinator (IPEC). The IPEC is charged with harmonizing the efforts of the U.S. government agencies that have a stake in IP enforcement⁵ and is responsible for coordinating international enforcement efforts. Additionally, Attorney General

Holder reestablished the DOJ's Task Force on Intellectual Property, which coordinates international law enforcement investigations, and deployed two federal prosecutors to manage IP protection efforts in Southeast Asia and Eastern Europe.

Statistics from recent years show that these efforts are now beginning to show real results: an increasing number of intellectual property investigations, arrests, and seizures,⁶ and joint U.S./WCO and INTERPOL investigative operations.⁷ All evidence points to future increases in these enforcement efforts.

Cause to Reevaluate the Current Strategy?

While civil remedies are important tools for enforcing IP rights, is it time for IP holders to consider referring cases to the National Intellectual Property Rights Coordination Center (IPR Center) or to the appropriate U.S. Attorney's Office? Such referrals carry significant advantages:

- Investigative techniques that are not available to private litigants, like undercover operations, wiretaps and other electronic surveillance.

¹ U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement, *Intellectual Property Rights: Fiscal Year 2010 Seizure Statistics — Final Report*, 9 (January 2011), <http://www.ice.gov/doclib/news/releases/2011/110316washington.pdf>

² Robert Cockburn, Paul N. Newton, E. Kyeremateng Agyarko, Dora Akunyili & Nicholas J. White, *The Global Threat of Counterfeit Drugs: Why Industry and Governments Must Communicate the Dangers*, PLoS MEDICINE (2005), <http://www.plosmedicine.org/article/info%3Adoi%2F10.1371%2Fjournal.pmed.0020100>; see

U.S. Chamber of Com., *What Are Piracy and Counterfeiting Costing the American Economy?*, 2 (2005), <http://www.uschamber.com/ncf/initiatives/counterfeiting.htm> (citing U.S. Customs and Border Protection, press release, May 29, 2002, "Fighting the Fakers," *The Engineer*, April 16, 2002 and Philip Broussard, "Dangerous Fakes," *World Press Review*, January 1999).

³ See, e.g., Office of the U.S. Intellectual Property Enforcement Coordinator, 2011 U.S. Intellectual Property Enforcement Coordinator Joint Strategic Plan, 50 (June 2011), available at http://www.whitehouse.gov/sites/default/files/omb/IPEC/ipec_anniversary_report.pdf (hereinafter "Joint Strategic Plan").

⁴ See U.S. Chamber of Commerce, *supra* note 2, at 2.

⁵ See 2011 Joint Strategic Plan, *supra* note 3 at 1. the Fakers," *The Engineer*, April 16, 2002 and Philip Broussard, "Dangerous Fakes," *World Press Review*, January 1999).

⁶ See *id.* at 3; Global Intellectual Property Center, *Getting More Than You Bargained For*, 1 (June 2010), http://www.theglobalipcenter.com/sites/default/files/documents/15653_GIPCcounterfiet_Fin.pdf (hereinafter "Getting More Than You Bargained For").

⁷ See *Getting More Than You Bargained For* at 9.

- Criminal and civil forfeiture of ill-gotten assets.
- International investigations conducted by law enforcement, thus avoiding the legal roadblocks and ethical pitfalls facing private litigants when gathering evidence abroad.⁸
- Greater deterrent effect than private enforcement, especially given the increasing criminal penalties associated with IP crimes.⁹

- Leveraging government resources to protect IP rights.

Federal agencies and prosecutors are actively looking to partner with IP holders to identify potential targets for prosecution.¹⁰ They will rely on IP holders to explain, for example, the product and the relevant market, the distribution channels, how the counterfeit product differs from the genuine article, how to detect a counterfeit product, and how the counterfeit-

ing activity harms the innovator and the public. Absent cooperation, law enforcement will be hard-pressed to independently develop the necessary evidence or an appreciation of the harm the counterfeit product presents.

It would behoove the savvy IP holder to examine its current strategy for protecting its intellectual property rights and consider whether a partnership with law enforcement makes sense.

⁸ For example, blocking statutes in France and Britain impose penalties upon nationals for complying with a foreign court's discovery request. See *In re Anschuetz & Co.*, 754 F.2d 602, 614 n.29 (5th Cir. 1985). European data and privacy protection laws often require notice to potential targets and may limit the ability of a private litigant to gather and export evidence from abroad.

⁹ See Victoria Espinel, *Concrete Steps Congress Can Take to Protect America's Intellectual Property* (Mar. 15, 2011), <http://www.whitehouse.gov/blog/2011/03/15/concrete-steps-congress-can-take-protect-americas-intellectual-property> (recommending stiffer penalties for IP violators).

¹⁰ See, e.g., Dep't of Justice, *Reporting Intellectual Property Crime: A Guide for Victims of Counterfeiting, Copyright Infringement, and Theft of Trade Secrets*, available at <http://www.justice.gov/criminal/cybercrime/AppC-ReportingGuide.pdf>