
**THE 10 THINGS EVERY PRACTITIONER SHOULD
KNOW ABOUT
ANTI-COUNTERFEITING AND ANTI-PIRACY
PROTECTION**

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Abstract

This article discusses the global problem of counterfeiting and piracy and the ensuing negative impact on the global economy. The main thesis proposes that companies are not faced with the issue of “if” their goods will be counterfeited or pirated, but rather it is a matter of “when.” Strategies are presented that every corporation and practitioner in the legal field can use to combat the growing counterfeiting and piracy problem. Recommendations include identifying and registering intellectual property. This discussion is followed by practical guidance as to how to utilize the federal and international agencies that already have programs in place to combat the international flow of counterfeit and pirated goods. Various federal civil and criminal statutes are discussed in depth, presenting both their strengths and practical shortcomings. Pending U.S. federal legislation is discussed to provide an overview of powerful statutory tools still in the developmental stage. Pending legislation may be further modified by trade associations and private lobbying interests to strengthen the impact needed to help reduce the ever-increasing international counterfeiting and piracy problem.

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I. Counterfeiting and Piracy Pose a Substantial Threat to Intellectual Property and International Trade

Global intellectual property theft and commerce in pirated and counterfeit goods continue to grow to alarming proportions, creating a threat to economies worldwide.¹ Counterfeiting has evolved from a localized cottage industry concentrating on the copying of high-end designer goods into a sophisticated black-market industry involving the manufacturing and sale of counterfeit versions of an unimaginable number of products.² Counterfeiting on such a global scale has a broad negative effect on companies that produce legitimate goods.³ Consumers are also harmed when they unwittingly purchasing counterfeit goods.⁴ Governments are harmed by the decrease in tax revenues and future investment.⁵

One example of the serious nature of counterfeiting is the significant increase in the manufacturing and distribution of counterfeit pharmaceuticals.⁶ This presents special concerns because of the safety risks to the public.⁷ The Office of the U.S. Trade Representative states in their 2006 annual report that the proliferation of counterfeit pharmaceutical manufacturing in China and Russia is steadily on the rise, and similar increases are occurring in many more countries.⁸

Likewise, the U.S. Chamber of Commerce estimates that intellectual property theft costs domestic companies between \$200-\$250 billion a year in lost revenues and has resulted in a loss of 750,000 jobs in the United States.⁹ Counterfeit goods make up an

1. See OFFICE OF THE U.S. TRADE REPRESENTATIVE, SPECIAL 301 REPORT (2006) [hereinafter SPECIAL 301 REPORT], available at http://www.ustr.gov/assets/Document_Library/Reports_Publications/2006/2006_Special_301_Review/asset_upload_file473_9336.pdf.

2. *Id.*

3. ORGANISATION FOR ECONOMIC CO-OPERATION & DEVELOPMENT, THE ECONOMIC IMPACT OF COUNTERFEITING 22 (1998) [hereinafter ECONOMIC IMPACT OF COUNTERFEITING], available at <http://www.oecd.org/dataoecd/11/11/2090589.pdf>.

4. *Id.* at 23.

5. *Id.* at 22-23.

6. See World Health Organization, Counterfeit Medicines, <http://www.who.int/mediacentre/factsheets/fs275/en/> (last visited Apr. 4, 2007).

7. *Id.* See generally Donald deKieffer, *Trojan Drugs: Counterfeit and Mislabeled Pharmaceuticals in the Legitimate Market*, 32 AM. J. L. & MED. 325 (2006).

8. SPECIAL 301 REPORT, *supra* note 1.

9. U.S. CHAMBER OF COMMERCE, WHAT ARE COUNTERFEITING AND PIRACY COSTING THE AMERICAN ECONOMY? 1 (2005), available at <http://uschambercounterfeitingandpiracy.notlong.com>.

estimated five to seven percent of the total world trade, resulting in lost economic opportunities domestically and abroad.¹⁰ The problems of counterfeiting and piracy go beyond the mere manufacturing, distribution, and sale of unauthorized goods.¹¹ Nearly all industries are affected, from apparel and footwear, high-tech industrial goods, medicines, automotive, food and beverages, and cosmetics to copyrighted works, including entertainment and business software, movies, music, and books.¹²

The U.S. Commerce Department also estimates that the U.S. automotive industry has been particularly hard hit by counterfeiting, as that industry could conceivably hire an estimated 200,000 additional workers if the sale of counterfeit auto parts were curtailed.¹³ Counterfeiting and piracy have eliminated jobs in heavy manufacturing industries such as farm and industrial equipment, consumer goods industries such as clothing and footwear, and pharmaceuticals.¹⁴

Few industries have been harder hit by piracy than the software sector. The Business Software Alliance (BSA) estimates that worldwide, 36% of the software installed on computers in 2003 was counterfeit.¹⁵ BSA estimates that a mere 10% reduction in worldwide computer piracy rates could add \$400 billion to the lawful, taxable, global economy.¹⁶ That would lead to the generation of over 1.5 million jobs, as well as \$64 billion in additional taxes.¹⁷

II. Identify and Protect Your Trademarks and Copyrights

As set forth in greater detail below, the U.S. Customs and Border Protection agency (CBP) has the authority to exclude from entry and seize counterfeits of goods protected by copyright and trademark

10. *Id.* at 2; ECONOMIC IMPACT OF COUNTERFEITING, *supra* note 3, at 23-25 (discussing estimates and difficulty of estimating the economic impact of counterfeiting).

11. U.S. CHAMBER OF COMMERCE, *supra* note 9, at 6, 10.

12. *Id.* at 3.

13. *Id.* at 8, 10.

14. *Id.* at 10.

15. U.S. CHAMBER OF COMMERCE, *supra* note 9, at 10 (*citing* BUSINESS SOFTWARE ALLIANCE, FIRST ANNUAL BSA & IDC GLOBAL SOFTWARE PIRACY STUDY (2004), *available at* www.bsa.or.jp/file/PiracyStudy_E.pdf).

16. BUSINESS SOFTWARE ALLIANCE, EXPANDING THE FRONTIERS OF OUR DIGITAL FUTURE: REDUCING SOFTWARE PIRACY TO ACCELERATE GLOBAL IT BENEFITS 6 (2005), *available at* <http://www.bsa.org/idcstudy/pdfs/WhitePaper.pdf>.

17. U.S. CHAMBER OF COMMERCE, *supra* note 9, at 10.

registrations.¹⁸ A brief overview of basic U.S. copyright and trademark law is provided to help the reader appreciate how to obtain registration and seek anti-counterfeiting protection under the aegis of the CBP if the situation warrants. In order to utilize the CBP, intellectual property owners must first register their trademarks and copyrights with the appropriate U.S. government agency.¹⁹ These agencies include the U.S. Patent and Trademark Office (USPTO) for trademarks and service marks, and the U.S. Copyright Office for copyrightable subject matter.²⁰ Once registered, an intellectual property owner can then seek to obtain the importation protection provided by the CBP pursuant to the relevant enabling federal statutes.²¹

A. Basics of Copyright Protection

A copyright is a form of intellectual property that is secured automatically when an original work entitled to copyright protection is created.²² Under basic copyright law, a work is “created” when it is fixed in a tangible medium of expression for the first time.²³

Registration in the U.S. Copyright Office is a legal formality intended to make a public record of a given copyright.²⁴ Importantly, with respect to anti-counterfeiting issues, prior registration is a threshold step that permits the owner of a copyright to record the registration with the CBP for protection against the importation of counterfeit copies.²⁵

The display of a copyright notice on goods is no longer required under U.S. law to obtain copyright protection, but it is still quite beneficial to display the proper notice on the packaging of the goods

18. *See, e.g.*, 15 U.S.C. § 1124 (2006); 19 U.S.C. §§ 1526(a-b), 1595a(c)(2)(c).

19. *See, e.g.*, 15 U.S.C. § 1124 (2006) (prohibiting the importation of goods which “copy or simulate a trademark registered in accordance with the provisions of this Act”).

20. 19 C.F.R. § 133.1(a) (2007) (recordation of trademarks); 19 C.F.R. § 133.31(a) (recordation of copyrights). *But see* 19 C.F.R. §§ 133.11 (allowing for the recordation of a “name or trade style used for at least 6 months”).

21. *See, e.g.*, 19 C.F.R. § 133.21-133.27; U.S. Customs and Border Protection, Directive 2310-008A, Trademark and Tradename Protection (2002), *available at* <http://www.cbp.gov/linkhandler/cgov/toolbox/legal/directives/2310-008a.ctt/2310-008a.doc>.

22. 17 U.S.C. § 102(a); U.S. COPYRIGHT OFFICE, CIRCULAR 1: COPYRIGHT BASICS 3 (2006) [hereinafter COPYRIGHT BASICS], *available at* <http://www.copyright.gov/circs/circ01.pdf>.

23. 17 U.S.C. § 102(a); COPYRIGHT BASICS, *supra* note 22, at 3.

24. COPYRIGHT BASICS, *supra* note 22, at 3.

25. 19 C.F.R. § 133.31(a).

themselves.²⁶ Prior copyright statutes in the United States did in fact require the display of copyright notice to secure copyright protection, but the use of the copyright notice still remains important to maintaining copyright protection for older works.²⁷ Displaying copyright notice today remains tactically important for several reasons. It puts the public on notice that the work is protected by a copyright, identifies the copyright owner, and shows the year of first publication.²⁸ Importantly, a defendant in a copyright infringement suit shown to have access to works published with the proper notice of copyright may be prevented from claiming the status of an “innocent infringer” in an attempt to mitigate actual or statutory damages.²⁹

B. Basics of Trademark Protection

Trademarks generally consist of a word, phrase, symbol, or design, or a combination thereof, that identify the source of the goods of one party from the goods of another.³⁰ A service mark is accorded the same legal status as a trademark under U.S. law, except that a service mark identifies and distinguishes the source of a service rather than a product.³¹

In the United States, one can establish rights in a trademark based on the legitimate use of the mark in commerce.³² Owning a trademark registered on the Principal Register in the USPTO provides several advantages, as it provides: (1) constructive notice to the public of the registrant’s claim of ownership of the mark; (2) a legal presumption of the registrant’s ownership of the mark and exclusive right to use the mark nationwide on or in connection with the goods and/or services listed in the registration; (3) the ability to bring an action concerning the mark in federal court; (4) the use of the U.S. registration as a basis to obtain registration in foreign countries; and (5) the ability to file the U.S. registration with the CBP to prevent importation of infringing foreign goods.³³

26. 17 U.S.C. § 401(a) (notice “may be placed” on copies).

27. COPYRIGHT BASICS, *supra* note 22, at 4.

28. *Id.*

29. 17 U.S.C. §§ 401(d), 504(c)(2); COPYRIGHT BASICS, *supra* note 22, at 4.

30. 15 U.S.C. § 1127; 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION §4:12 (2007).

31. U.S. Patent & Trademark Office, Trademark, copyright or patent?, http://www.uspto.gov/web/offices/tac/doc/basic/trade_defin.htm (last visited Apr. 6, 2007); *see* 15 U.S.C. § 1127; 1 MCCARTHY, *supra* note 30, §4:14.

32. 1 MCCARTHY, *supra* note 30, §16:1.

33. U.S. Patent & Trademark Office, Should I Register My Mark?,

III. Record Your Copyrights and Trademarks with Customs Agencies and Communicate with Agents for Border Protection

The first line of protection against the unlawful importation and exportation of counterfeit goods is invariably the customs services of any given country. Most countries, as well as the European Union, have procedures for recording registered trademarks, copyrights, and even corporate names, with customs agencies, which have the authority to seize and prevent the importation or exportation of goods bearing trademarks or copyrighted materials without the owners' written permission.

For example, trademark owners who duly register their rights with the USPTO and copyright holders who register their works in the U.S. Copyright Office may request that the U.S. Customs and Border Protection (CBP) agency collect and retain information specific to those recorded rights for a specified time, during which the CBP will actively monitor imports in order to prevent the importation of counterfeit goods.³⁴

As indicated above, in order to invoke the power of the CBP to protect a trademark or copyright, one must first record the U.S. copyright or trademark registration number.³⁵ Similar recordation schemes exist globally and intellectual property owners should utilize those forms of recordation when counterfeiting is likely to occur.³⁶

IV. Establish Internal and External Monitoring and Enforcement Programs

For companies engaged in international trade or manufacturing, monitoring for counterfeit goods and enforcement of intellectual property rights against infringers and counterfeiters is a vital step in the prevention and efforts to stop counterfeiting. Without a reliable program for monitoring and reporting counterfeit products, infringement can adversely affect the trademark and the company's business without the brand owner's knowledge of the damage until after it has occurred. Such programs should include both internal monitoring by company employees, officers, and distributors, and

<http://www.uspto.gov/web/offices/tac/doc/basic/register.htm> (last visited Apr. 6, 2007).

34. *Id.*; see also, 19 C.F.R. §§ 133.1, 133.31.

35. 15 U.S.C. § 1124. Trademarks, trade names, and copyrights may be recorded at <https://apps.cbp.gov/e-recordations/>.

36. See generally, TIMOTHY P. TRAINER & VICKI E. ALLUMS, PROTECTING INTELLECTUAL PROPERTY ACROSS BORDERS (2006).

external monitoring by investigative agencies and customers.

The most important part of an internal monitoring program may be to educate employees, especially sales staff, distributors, and employees who are engaged in international licensing and manufacturing activities. They should be made aware that the gray market fosters the development of the black market and that any defect in the supply chain will make it harder for the intellectual property owner to proceed (through civil or criminal enforcement) against counterfeiters. Auditing the supply chain may also be useful. Sales trends should be monitored by segment and geographic areas to discover tell-tale dips or trends. Also, conducting a periodic review of manufacturers' and competitors' activities is a prudent step.

External monitoring includes educating consumers and customers to purchase genuine articles and report all fakes. In addition, law enforcement training should be part of any external monitoring program. For example, brand owners in New York City periodically meet with the New York Police Department to review brand books and educate the police with respect to identifying counterfeits. Intellectual property owners should also consider hiring investigators to periodically monitor competitors and the marketplace for counterfeit merchandise. Investigations of common counterfeit goods channels such as flea markets should be performed regularly. Of special concern to companies in the consumer goods area are online flea markets and auction sites through which gray market and counterfeit goods are often sold.³⁷ These sites should be continuously monitored.³⁸

New techniques and technologies are being developed and adopted to aid in monitoring efforts. These include electronic watermarks for computer programs that enable recognition of unlicensed copies and determination of their source, use of RFID (Radio Frequency Identification) chips in packaging and goods to enable tracking, and extensive online monitoring programs to discover and trace companies offering counterfeit goods over the Internet.³⁹ Other

37. See, e.g., Complaint, Tiffany (NJ) Inc. v. eBay Inc., No. 04 CV 4607 (S.D.N.Y. 2004), available at <http://cyberlaw.stanford.edu/attachments/Tiffany%20eBay%20complaint.pdf>; Katie Hafner, *Seeing Fakes, Angry Traders Confront eBay*, N.Y. TIMES, Jan. 29, 2006, § 1 at 1.

38. Auction monitoring services are available from MarkMonitor (<http://www.markmonitor.com/resources/>) and NameProtect (<http://www.nameprotect.com/auctionmonitoring.html>).

39. See, e.g., *id.*; FRANK THORNTON, ET AL., *RFID SECURITY* (2005); see also David Hechler, *How Adidas' IP Enforcer Kicked Counterfeiting in China*, IN-HOUSE COUNSEL ONLINE, May 25, 2007, at <http://www.law.com/jsp/ihc/PubArticleIHC.jsp?id=1179997531348> (discussing Adidas' use of difficult to

useful programs presently include establishing and publicizing anti-piracy or anti-counterfeiting hot lines which consumers can call to report possible counterfeit goods for sale.⁴⁰

The following are some of the companies that offer monitoring services of the marketplace or the Internet for counterfeit goods. Intellectual property owners should also discuss services employed by other companies in the same field.

Authentix – www.authentix.com – Authentix Serialized Authentication Solution – coding and tracking product

Envisional – www.envisional.com – Internet monitoring (searches and analysis)

GenuOne – Internet search and monitoring

I-OnAsia – www.ionasia.com.hk – investigation and analysis of counterfeit activities and coordinating enforcement actions in China

IPRGuard – www.iprguard.de – online brand monitoring and protection

LegitiName – www.legitiname.com – online brands protection

MarkMonitor – www.markmonitor.com – Internet monitoring and proactive protection services

NameProtect – www.nameprotect.com – Internet monitoring and analysis

Unisys Guardian Anti-Counterfeiting Solutions – www.unisys.com/services – a suite of services and tools for identifying, assessing, and avoiding confusion including: assessment and strategic planning, RFID services, data management and synchronization, packaging strategies, etc.

VeriSign and Cyveillance – www.cyveillance.com – Internet monitoring, analysis and protection services

Some online auction sites have established programs that permit brand owners to report listings that infringe on their intellectual property rights. eBay Inc., for example, has established a Verified Rights Owner (VeRO) Program.⁴¹ Yahoo Auctions provides an auction abuse form for reporting suspected auction abuses.⁴²

replicate labels containing non-sequential serial numbers).

40. See, e.g., Business Software Alliance, Report Piracy, <http://www.bsa.org/usa/report/> (last visited Apr. 13, 2007) (providing links to online piracy reporting site and telephone hotlines).

41. eBay, eBay Help: Community Standards : Policies and conduct : eBay's Verified Rights Owners (VeRO) About Me Pages, <http://pages.ebay.com/help/community/vero-aboutme.html> (last visited Apr. 13, 2007). See generally Brad Stone, *EBay Says Its Crackdown on Fraud Is Showing Results*, N.Y. TIMES, June 14, 2007 at C9.

42. Yahoo!, What should I do if I find content that is illegal or inappropriate?, <http://help.yahoo.com/l/us/yahoo/auctions/abuse/abuse-03.html> (last visited Apr.

Overstock.com auctions will remove listings that violate its Prohibited Items Policy (including counterfeit goods).⁴³ Ubid.com monitors its site by randomly purchasing products to verify their authenticity and Bid4Assets.com has a team of account managers who review auction listings and bidding activity for signs of illicit merchandise and activity.⁴⁴

Finally, companies should develop and follow a policy for how to deal with evidence of counterfeiting and gray market activities. In some instances, notice and take-down provisions will result in the removal of listings of fake goods from online sites. However, *ex parte* seizure orders under U.S. or international laws may be most effective at combating counterfeit goods.

V. Establish a Plan of Civil and/or Criminal Enforcement

The sale of counterfeit goods is a global problem affecting a wide range of product categories, including designer fashions, personal care goods, pharmaceuticals, cigarettes and automotive parts.⁴⁵ The presence of counterfeit products undermines the brand image and perceived product quality of legitimate goods and creates significant health and safety concerns for consumers.⁴⁶ In order to combat this growing problem, brand owners must implement multi-pronged global programs that include efforts to pursue counterfeiters in civil as well as criminal proceedings.

A. Civil Enforcement Strategies

1. Pre-Filing Investigations

It is important for brand owners contemplating an action for trademark or copyright counterfeiting to conduct a comprehensive pre-filing investigation into the activities of the alleged counterfeiter. As much information as possible should be gathered about the targeted infringer, the infringer's business activities, and the scope of the infringer's counterfeiting scheme. A proper investigation can

13, 2007).

43. Cf. Emily Favre, Note and Comment, *Online Auction Houses: How Trademark Owners Protect Brand Integrity Against Counterfeiting*, 15 J.L. & POL'Y 165, 176-177 (2007).

44. Cf. *id.* at 169, n. 22, 175-76 (Bid4Assets.com is proactive in policing for counterfeit materials, in part, because of its relationships with law enforcement agencies.).

45. U.S. CHAMBER OF COMMERCE, *supra* note 9, at 2-3.

46. See, e.g., World Health Organization, *supra* note 6.

yield important information and assist the brand owner in determining whether to bring an action at all, and if so, whether to seek a seizure or early injunctive relief should be sought, who to sue, and in what judicial district to file.⁴⁷ The failure to conduct a proper pre-complaint investigation can lead to the accumulation of unnecessary legal fees. Most seizure orders also require obtaining a bond, so it is vital for both practical and legal reasons to obtain good intelligence early.

2. Cease and Desist Letters Or *Ex Parte* Seizure Orders - When Should A Letter Be Sent?

Many brand owners start a potential counterfeiting action by sending a cease and desist letter, advising the recipient that its counterfeiting activities are illegal and demanding that the recipient immediately stop selling all infringing merchandise. This often makes good business sense, especially where a dispute has the potential of being resolved without litigation. Furthermore, the practice of sending cease and desist letters can be useful in litigation, by demonstrating that the brand owner regularly and rigorously polices its marks.⁴⁸ However, several factors should be considered before sending a cease and desist letter.

First, a cease and desist letter may result in the commencement of a declaratory judgment action by the prospective defendant or may result in the disappearance of the goods or the counterfeiter from the jurisdiction.⁴⁹ If a brand owner has determined that there is a particular forum in which it wants to litigate, and the defendant is not likely to choose the same forum, then a good tactic can be to file a

47. For example, a party filing suit has an obligation under Rule 11(b) of the Federal Rules of Civil Procedure ensure that factual contentions, for example, factual contentions underlying the basis for personal jurisdiction have or are likely to have evidentiary support.

48. As cease and desist letters provide written notice to a potential defendant that it is engaging in unlawful activity, courts routinely cite to such letters as evidence of willfulness when a defendant continues to sell infringing merchandise after receipt of the letter. Therefore, cease and desist letters have proven to be useful in proving willfulness for an enhancement of damages and an award of attorney's fees under the Lanham Act. *See Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 168-69 (4th Cir. 2006) (plaintiff's cease and desist letter sent to defendant, but defendant continued to use trademarks, damages awarded by trial court, award vacated on appeal and remanded for findings of six relevant factors for assessing damages under Lanham Act); *Audi AG v. D'Amato*, 469 F.3d 534, 551 (6th Cir. 2006) (change of web site content after receiving cease and desist letter not sufficient to absolve liability for award of attorneys fees rather than as basis for statutory damages).

49. 28 U.S.C. § 2201; FED. R. CIV. P. 57.

complaint in the preferred forum simultaneously with sending the cease and desist letter, as forum selection disputes are usually resolved under a first-to-file rule.⁵⁰

Second, if the investigation reveals that counterfeit goods are about to be moved out of the jurisdiction, or if there is fear that a warning letter will precipitate that flight, a party should seek immediate relief. Section 34(d) of the Lanham Act provides for the grant of an *ex parte* seizure order for both the counterfeit goods and documents relating to them where the intellectual property owner can show that such an order is necessary.⁵¹ To gain such an order, the owner must establish that (1) any action less drastic than a seizure order would be inadequate, (2) it has not publicized the requested seizure, (3) the owner is likely to succeed in an action for counterfeiting, (4) immediate and irreparable injury will occur without an order, (5) the challenged goods are likely to be in a specified location, and (6) a weighing of the balance of harms favors the brand owner.⁵²

3. Choosing The Proper Defendant

Determining whom to sue is as important as choosing where to sue, if not more so. As counterfeiting often involves individuals, small companies, or “fly-by-night” Internet web sites, a brand owner must determine if it is cost-effective to litigate against these types of defendants. Litigation is expensive and time consuming, and brand owners may be limited by budgetary constraints. Often these cases are evaluated not only on the basis of protecting a valuable mark, but whether the case has any possibility of a significant monetary recovery. On the other hand, a brand owner must also be conscious of the fact that if it enforces its mark too selectively, it may become

50. *See generally*, PHC, Inc. v. Pioneer Healthcare, 75 F.3d 75, 79 (1st Cir. 1996) (“The more difficult question is whether PHC could reasonably have anticipated a claim against it under section 43(a) of the Lanham Act and therefore brought a declaratory judgment to forestall it.”); Beverly Jewelry Co. v. Tacori Enters., 2006 U.S. Dist. LEXIS 85359 at *7 (N.D. Ohio Nov. 13, 2006) (“...under the so-called first to file rule, ‘when identical suits are pending in two courts, the court in which the first suit was filed should generally proceed to judgment.’” (quoting Plating Resources, Inc. v. UTI Corp., 47 F. Supp. 2d 899, 903 (N.D. Ohio 1999))); Daimler-Chrysler Corp. v. General Motors Corp., 133 F. Supp. 2d 1041, 1042 (N.D. Ohio 2001) (“[T]his Court follows the rule that the court in which the case was first filed should determine whether to retain jurisdiction.”); Mfr’s Hanover Corp. v. Maine Sav. Bank, 225 U.S.P.Q. 525, 579 (S.D.N.Y. 1985) (“The threatening letter posed a “clear and present danger” of litigation...[the declaratory plaintiff’s] seemingly real fear of litigation appears reasonable.”).

51. 15 U.S.C. § 1116(d).

52. *Id.* at § 1116(d)(4)(B).

subject to equitable defenses such as acquiescence, waiver, laches, and estoppel.⁵³

This particular problem has become more acute with the recent proliferation of counterfeiting on the Internet. Instead of, or in addition to, suing an individual or web address that can be readily abandoned, a brand owner may determine that it is better to bring suit against an established enterprise, such as the hosting company or Internet service provider (ISP), on the theory that such entities have profited from the counterfeiting activities of the web sites they host.⁵⁴ In one closely watched case, for example, Tiffany & Co. sued Internet auction site eBay claiming that eBay should be held accountable for the counterfeit products sold through the auction site.⁵⁵ Such a case is more difficult to win than a case brought against the party actually responsible for the counterfeiting because the brand owner must show that the ISP knew, or should have known, that counterfeiting was taking place.⁵⁶ In addition, ISPs may avoid liability from claims of copyright infringement under the Digital Millennium Copyright Act if, upon notice, they remove or cut off the infringing sites or items.⁵⁷

4. Choosing The Forum In Which To Litigate

Just as choosing your target is important, so too is deciding where to bring an action. If you litigate in a district where the defendant's headquarters is not located, for example, you may not be able to force

53. See generally, MCCARTHY, *supra* note 31, at §§ 31:1, 31:2, 31:41.

54. See, e.g., Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., 543 U.S. 913 (2005) (holding that liability exists for inducing copyright infringement). Cf. Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1995) (holding that copyright owners stated claim for contributory and vicarious copyright infringement where operators charged fee for admission to swap meet where bootlegged records were sold). The elements of vicarious infringement are (1) the right and ability to supervise the infringing conduct and (2) an obvious and direct financial interest in the copyright infringement.

55. Complaint, Tiffany (NJ) Inc. v. eBay Inc., No. 04 CV 4607 (S.D.N.Y. 2004), available at <http://cyberlaw.stanford.edu/attachments/Tiffany%20eBay%20complaint.pdf>; Hafner, *supra* note 37. It is expected that the *Tiffany* case will be tried in 2007.

56. See, e.g., *Fonovisa*, 76 F.3d 259; *Hard Rock Cafe Licensing Corp. v. Concession Serv., Inc.*, 955 F.2d 1143 (7th Cir. 1992); *Gucci Am., Inc. v. Hall & Assoc.*, 135 F. Supp. 2d 409 (S.D.N.Y. 2001); *A & M Records, Inc. v. Abdallah*, 948 F. Supp. 1449 (C.D. Cal. 1996). See also, ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK, ONLINE AUCTION SITES & TRADEMARK INFRINGEMENT LIABILITY (2003), available at <http://www.abcnyc.org/pdf/report/Online%20Auction%20Sites%20Final%20Report.pdf>.

57. See, e.g., *Hendrickson v. eBay, Inc.*, 165 F. Supp. 2d 1082 (C.D. Cal. 2001). See also, 17 U.S.C. § 512(c) (2007).

the individual employees responsible for the counterfeiting activity to testify at trial, as they may not reside in the district you have chosen and may not be within the subpoena power of the court.⁵⁸ This makes *de bene esse* depositions of these individuals, in effect, trial depositions, at a point where you may not have enough information to conduct an effective trial deposition. This also allows the defendant to bring its best witnesses to trial, and leave their weakest witnesses home.

5. Proving Bad Faith - How You Do It and How You Prevent Your Bad Faith Case From Being Undermined

Judges are human, and when you cast your defendant in a bad light, you always have a better chance of coming out with a favorable result, including larger monetary recoveries. But counterfeiters are clever, good at covering their tracks, and often appear to be innocent. “How was I supposed to know the goods were counterfeit?” is a familiar refrain, and in this age of high quality counterfeits, sometimes this argument is appealing on its face. Showing deliberate intent to counterfeit or finding that proverbial smoking gun in discovery is often difficult. More and more, the way to prove bad faith is by showing “willful ignorance” or “willful blindness.”

Simply put, “willful blindness” is the deliberate failure of the accused counterfeiter, such as a retailer, to heed warning signs.⁵⁹ The law in this area has been slow to develop, but in recent years, courts have started to rely more heavily on evidence of willful blindness. In *Tommy Hilfiger Licensing, Inc. v. Goody’s Family Clothing, Inc.*, Judge Beverly Martin gave one of the best articulations of the factors looked at in determining willful blindness — there must be a “high probability of illegal conduct” and the defendant must have purposely contrived to avoid learning of the illegal activity.⁶⁰ In *Goody’s*, the court found such a high probability of illegal conduct where Goody’s officials purchased Hilfiger brand T-shirts on the secondary market knowing that counterfeit merchandise is often offered on the secondary market.⁶¹ Goody’s

58. *See, e.g.*, *U.S. Catholic Conference v. Abortion Rights Mobilization, Inc.*, 487 U.S. 72, 76 (1998) (“the subpoena power of a court cannot be more extensive than its jurisdiction”); *United States v. Morton Salt Co.*, 338 U.S. 632, 641-42 (1950).

59. *Cf.* BLACK’S LAW DICTIONARY 1600 (6th ed. 1990).

60. *Tommy Hilfiger Licensing, Inc. v. Goody’s Family Clothing, Inc.*, No. 1:00-CV-1934-BBM, 2003 WL 22331254 at *18 (N.D. Ga. May 9, 2003).

61. *Id.* at *19-22.

officials knew Hilfiger did not sell merchandise to the tier of clothing stores to which Goody's belongs, and importantly, Goody's officials requested written releases from the supplier documenting product authenticity and authorization to sell but did not obtain such releases.⁶² Goody's actions indicated that it suspected illegal activity, yet failed to take the steps necessary to allay its suspicion—in short, a prime example of “willful blindness.”⁶³

An interesting sidelight on the willfulness issue is whether the brand owner should allow itself to be engaged by the counterfeiter before the infringing goods are purchased by the retailer. A favorite tactic of retailers who purchase on the secondary market is to try to draw the brand owner into the review process, as a way of trying to avoid a subsequent charge of bad faith. In *Gucci America, Inc. v. Daffy's, Inc.*, the court found no willfulness on the part of the retailer, in part because it had shown a sample of the product to an employee at a Gucci outlet store, and the Gucci employee had identified the product as real.⁶⁴ The best advice to a brand owner is to make sure all of its employees are aware that they should not engage anyone in this kind of exchange, or make any attempt to determine the authenticity of a product. All such approaches to a brand owner should be immediately referred to legal counsel.

6. Discovery Techniques

Often when cases get mired in discovery in the U.S., and legal fees start to mount, brand owners get frustrated with the litigation process. As stated earlier, counterfeiters are good at hiding things, and discovery can sometimes be futile and is always expensive. However, persistence and creativity in the discovery process can often be rewarding, and can sometimes break open the case.

In *Nike, Inc. v. Top Brand Co., Ltd.*, for example, plaintiffs were faced with a defendant, the operator of a screen printing business, who disclaimed any involvement in a large counterfeiting enterprise.⁶⁵ During his deposition, he claimed he was merely a financier and produced false information regarding his involvement.⁶⁶ The plaintiffs then subpoenaed the defendant's

62. *Id.* at *21.

63. *Id.* at *19-22.

64. *Gucci Am., Inc. v. Daffy's, Inc.*, No. Civ.A.00-4463, 2000 WL 1720738 (D.N.J. Nov. 14, 2000).

65. *Nike, Inc. v. Top Brand Co., Ltd.*, 216 F.R.D. 259 (S.D.N.Y. 2003)

66. *Id.* at 268.

banking institution.⁶⁷ The bank records helped plaintiffs uncover the money trail, piece together the whole story, and obtain admissions from t-shirt and hang-tag manufacturers hired and paid by the defendant along the way.⁶⁸ At his second deposition, the defendant, faced with a mountain of evidence, had no choice but to admit his involvement.⁶⁹ The judge later awarded sanctions against the defendant and his attorney for increasing the time and cost of discovery.⁷⁰ The sanctions barred the defendant from challenging the plaintiff's damage claims.⁷¹ As a result, the court ultimately awarded statutory damages award of over \$20 million.⁷²

Moreover, a plaintiff can effectively utilize electronic discovery to retrieve information from a defendant's computer system that defendant may be attempting to withhold, alter, or destroy. For example, in *GTFM, Inc. v. Wal-Mart Stores, Inc.*, the plaintiffs GTFM (FUBU), Nautica, and Polo sought electronic discovery and ultimately, after nearly a year, were able to show that Wal-Mart had purged key documents stored in its computer system.⁷³ The plaintiffs were allowed to conduct an on-site inspection of Wal-Mart's computer records and facilities to ascertain whether extraction of the requested information about goods bearing plaintiff's trademarks was possible, and the judge awarded \$110,000 to cover costs and attorney's fees.⁷⁴

7. Considerations in Approaching Monetary Damages Claims

In addition to injunctive relief and seizures, the Lanham Act provides for various forms of monetary relief for acts of counterfeiting.⁷⁵ A plaintiff can receive the defendant's profits (up to three times), plaintiff's actual damages (up to three times), statutory damages, costs of the action, and attorney fees in exceptional cases.⁷⁶

67. *Id.* at 264.

68. *Id.*

69. *Id.* at 273.

70. *Id.* at 273-77.

71. Nike, Inc. v. Top Brand Co., Ltd., 216 F.R.D. 259, 276 (S.D.N.Y. 2003)

72. Nike, Inc. v. Top Brand Co. Ltd., No. 00 CV 8179 (KMW) (RLE), 2006 U.S. Dist. LEXIS 76540 at *9 (S.D.N.Y. Oct. 6, 2006).

73. *GTFM, Inc. v. Wal-Mart Stores, Inc.*, No. 98 Civ. 7724, 2000 WL 335558 (S.D.N.Y. Mar. 30, 2000).

74. *Id.*

75. See generally MCCARTHY, *supra* note 31, at §§ 30:88-30:95.

76. 15 U.S.C. § 1117. See *Aladdin Mfg. Co. v. Mantle Lamp Co.*, 116 F.2d 708 (7th Cir. 1941). As long as the award would not result in a double recovery (*e.g.*, the calculation is not based on the same sales), a prevailing plaintiff may recover the defendant's profits as well as plaintiff's actual loss. *Id.* Cf. *Nutting v. Ram*

It is important for plaintiffs to determine as early in the litigation process as possible what damages they seek, because each damages category requires different types of proof.

8. When To Seek Statutory Damages

Before the Lanham Act was amended in 1996 to provide for an award of statutory damages in counterfeiting cases, courts made awards solely on the basis of a defendant's profits or plaintiff's actual damages.⁷⁷ Proving defendant's profits or plaintiff's actual damages, however, was often difficult, given the typical defendant's poor or nonexistent records.

Recognizing the problem brand owners were experiencing in proving damages in counterfeiting actions, Congress amended the Lanham Act to provide for an award of statutory damages.⁷⁸ Plaintiffs can now elect statutory damages to recover monetary compensation while avoiding the burden of proving actual damages or the defendant's profits.⁷⁹ A court may award statutory damages between \$500 and \$100,000 per counterfeit mark per type of goods or services sold, but for willful use of the counterfeit mark, the court may award up to *\$1 million* per counterfeit mark per type of goods or services sold.⁸⁰ In copyright infringement actions, the Copyright Act provides for statutory damages of between \$750 and \$30,000 for infringement, which can be increased to up to \$150,000 if the infringement is shown to be willful.⁸¹

A claim for statutory damages can be a powerful tool, particularly where the conduct is egregious but the quantities involved are relatively small. Further, when a court determines the amount of statutory damages to award to a brand owner, it may interpret the phrase "per mark" to mean per federal registration, even if the marks that are the subject of registrations overlap.⁸² For example, in

Southwest, Inc., 69 Fed. Appx. 454 (Fed. Cir. 2003) (because plaintiff's own lost profits and defendant's profits are mutually exclusive, plaintiff is barred from a double recovery).

77. See Anti-Counterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386; MCCARTHY, *supra* note 31, at §§ 5:10, 30:95.

78. S. REP. NO. 104-777, at 10 (1995). See Anti-Counterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386; MCCARTHY, *supra* note 31, at §§ 5:10, 30:95.

79. 15 U.S.C. § 1117(c)

80. *Id.*

81. 17 U.S.C. § 504.

82. *Cf.* Tommy Hilfiger Licensing, Inc. v. Goody's Family Clothing, Inc., No. 1:00-CV-1934-BBM, No. 2003 WL 22331254 at *18 (N.D. Ga. May 9, 2003) (In cases involving multiple marks, "courts have been inclined to either award the

Goody's, Hilfiger received a \$2.5 million statutory damage award when five of its federally registered marks were infringed.⁸³ The judge awarded Hilfiger half of the maximum statutory award available for willful infringement of these five marks.⁸⁴

It is important to note that the term "type of goods" has never been specifically defined by the courts. If a brand owner narrowly defines the "type" of goods that are being counterfeited, it may increase its chances of getting a larger award. For example, instead of "apparel" being a type of good, a brand owner should identify the specific articles of apparel on which the brand owner's mark appears, *e.g.*, shirts, socks, and sweatpants. In *Nike, Inc. v. Variety Wholesalers, Inc.*, Nike was awarded \$900,000 in statutory damages, representing \$100,000 for each "type" of item upon which Nike's marks appeared.⁸⁵

Where it is evident that a defendant did not make a large profit from the sale of the counterfeit goods or where plaintiff brings suit against an individual, a small retail establishment, and/or an independent Internet web site, plaintiff may wish to pursue a claim for statutory damages, and forego the expense of gathering the necessary evidence to prove defendant's profits or its actual damages.⁸⁶ Additionally, by electing statutory damages, plaintiff will be in a much better position to have the case determined at the summary judgment stage, or force a settlement, and save the expense of litigating the case through trial.⁸⁷

9. When To Seek Defendant's Profits and Actual Damages

Proving profits and actual damages can be difficult and will increase the cost of litigating the action. Nevertheless, where a defendant is an established retailer/distributor/supplier suspected of

maximum award without multiplication or to lower the per mark award." (quoting *Louis Vuitton Malletier v. Veit*, 211 F. Supp. 2d 567, 585-86 (E.D. Pa. 2002)). See generally JEROME GILSON, 2 TRADEMARK PROTECTION & PRACTICE § 5:10[4][b][v][B] (2006).

83. *Tommy Hilfiger Licensing*, No. 2003 WL 22331254 at *28-29.

84. *Id.*

85. *Nike, Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352, 1374 (S.D. Ga. 2003).

86. See, *e.g.*, 2 GILSON, *supra* note 82.

87. See, *e.g.*, *Phillip Morris USA Inc. v. Shalabi*, 352 F. Supp. 2d 1067, 1076 (C.D. Cal. 2004) (granting plaintiff's summary judgment motion and awarding statutory damages in the amount of \$10,000 per defendant); *Phillip Morris USA Inc. v. Felizardo*, 2004 WL 1375277 at *7 (S.D.N.Y. 2004) (granting plaintiff's summary judgment motion and awarding statutory damages in the amount of \$62,500).

willfully selling large quantities of counterfeit merchandise and there is quantifiable harm, the plaintiff should consider this option. Under the Lanham Act, the judge has the discretion to treble the damages and lost profits, so an award of damages and/or profits could well exceed the amount that might be recovered on a claim for statutory damages.⁸⁸

An award of a counterfeiter's profits is measured by the counterfeiter's sales (plaintiff's burden of proof) less reasonable costs attributable to those sales (defendant's burden of proof).⁸⁹ Further, and in addition, a plaintiff can collect his actual damages, calculated as the profits the plaintiff would have earned if it had sold the same goods.⁹⁰ A plaintiff's lost profits are calculated by estimating revenue lost due to the defendant's infringing conduct and subtracting what it would have cost the plaintiff to generate that revenue.⁹¹ Usually, a brand owner's profit margin is much higher than the counterfeiter's, so a claim for actual damages can be lucrative.⁹²

The dilemma facing brand owners in seeking actual damages is that a brand owner has to disclose the inner workings of its financial business to the court.⁹³ Specifically, during discovery, a plaintiff will likely have to disclose how it calculates profits on the sale of its own goods and other confidential business information. However, if the plaintiff's profit margin is higher than the counterfeiter's profit margin, it is often a good idea to go after actual damages, as this will maximize the plaintiff's damages award.

10. Pick Your Cases to Maximize Your Return

Of course, the aim of every brand owner is to stop counterfeiting activity, ferret out the culprits, and find out where the goods are coming from. However, a brand owner ultimately wants to recover

88. *See* 15 U.S.C. § 1117(a); *Symantec Corp. v. CD Micro, Inc.*, 286 F. Supp. 2d 1278, 1281-82 (D. Or. 2003) (defendant realized profits of \$3 million from the sale of counterfeit products and the court trebled these profits to the final award of \$10 million after applying the requirements of the Lanham Act and finding the defendant's infringement willful).

89. 15 U.S.C. § 1117(a).

90. *Id.*

91. *See id.*

92. *GTFM, Inc. v. Solid Clothing, Inc.*, 215 F. Supp. 2d 273, 308 (S.D.N.Y. 2002) (awarding plaintiff \$5.3 million, representing defendant's net profits from sales of goods bearing plaintiff's trademarks, and an additional \$1.4 million representing plaintiff's lost profits plus attorneys' fees).

93. *See generally*, 5 MCCARTHY, *supra* note 31, at § 30:79 (plaintiff must make prima facie case of reasonably forecast profits).

money as well, whenever it can, or eventually it will run out of capital to chase down counterfeiters. The key is in making informed decisions every step of the way, picking your targets well, fighting hard in litigation, and maximizing your monetary claims. Also, gathering as much information as possible prior to filing suit is important, because once you file, it is difficult to simply walk away.

B. Criminal Enforcement of Intellectual Property Rights

1. Available Criminal Sanctions

In addition to civil remedies, intellectual property owners may, with the assistance of the appropriate authorities, seek a range of criminal law sanctions for the intentional infringement and counterfeiting of federally registered trademarks and copyrights, as well as information held as a “trade secret,” to ensure sufficient punishment and deter future criminal activity by others. As enumerated in U.S. Department of Justice materials,⁹⁴ there are significant U.S. federal criminal statutes protecting certain intellectual property rights, which include the following:

Counterfeit Trademarks – The Trademark Counterfeiting Act provides up to ten years of federal imprisonment and up to a \$2 million dollar fine, or twice the gross gain or gross loss, against a defendant who “intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services.”⁹⁵

Counterfeit Labeling – The counterfeit labeling provisions under 18 U.S.C. § 2318 prohibit trafficking in “counterfeit labels” that are intended and designed to be affixed to or accompanying, phonorecords, computer program copies, motion picture copies, audiovisual works, literary works, visual art, documentation, or packaging, or the illicit trafficking in counterfeit documentation or packaging for computer programs.⁹⁶ This statute provides for up to five years imprisonment and a \$250,000 fine, or twice the gross gain or gross loss.⁹⁷

Criminal Copyright Infringement – Copyright infringement is a felony punishable by up to three years imprisonment and a \$250,000

94. U.S. DEP’T OF JUSTICE, PROGRESS REPORT OF DEPARTMENT OF JUSTICE’S TASK FORCE ON INTELLECTUAL PROPERTY 82 (2006) [hereinafter TASK FORCE], available at [www.cybercrime.gov/2006IPTFProgressReport\(6-19-06\).pdf](http://www.cybercrime.gov/2006IPTFProgressReport(6-19-06).pdf).

95. 18 U.S.C. § 2320(a); TASK FORCE, *supra* note 94, at 82.

96. TASK FORCE, *supra* note 94, at 82.

97. *Id.*

fine under 17 U.S.C. § 506(a) and 18 U.S.C. § 2319 when a defendant willfully reproduces or distributes at least one or more copies of phonorecords or one or more copyrighted works with a total retail value of more than \$2,500 within a 180-day period.⁹⁸ Here again, the maximum penalty is increased up to five years of imprisonment if the defendant acted “for purposes of commercial advantage or private financial gain.”⁹⁹ Misdemeanor copyright infringement with imprisonment less than one-year can occur where the value of the copyrighted work exceeds \$1,000 but is equal to or less than \$2,500.¹⁰⁰

Theft of Trade Secrets – The Economic Espionage Act contains two separate provisions that criminalize the theft of trade secrets. The first provision, 18 U.S.C. § 1831(a), prohibits the theft of trade secrets for the benefit of a foreign government or agent, and is punishable as a felony conviction with up to 15 years of federal incarceration and up to a \$500,000 fine.¹⁰¹ The second provision, 18 U.S.C. § 1832, prohibits the theft of commercial trade secrets, and is punishable by up to ten years federal imprisonment and up to a \$250,000 fine.¹⁰² Notably, this federal statute provides a unified statutory definition of “trade secret,” which includes all types of information that the owner has taken reasonable measures to keep secret and which has independent economic value.¹⁰³

2. Assisting in the Prosecution of Intellectual Property Crimes

Criminal prosecution of counterfeiters will typically be the responsibility of federal government prosecutors. There are, however, a number of things that intellectual property owners can do to assist them in their efforts. Prosecutions of intellectual property crime depend on cooperation between intellectual property owners and law enforcement. Without information sharing, prosecutors can neither determine the most effective overall enforcement strategies, nor meet the burden of proof in a given case. The U.S. Department of Justice (DOJ) suggests the following steps:¹⁰⁴

Conduct a Thorough Investigation – Internal or external

98. TASK FORCE, *supra* note 94, at 82.

99. *Id.*

100. *Id.*

101. *Id.*

102. *Id.*

103. 18 U.S.C. § 1839(3); TASK FORCE, *supra* note 94, at 82. *Cf.* Uniform Trade Secrets Act § 1(4) (1985).

104. TASK FORCE, *supra* note 94, at 84.

monitoring programs should have the ability to conduct thorough background investigations. These investigations generally encompass a variety of investigative steps, including interviewing witnesses, acquiring counterfeit goods, conducting surveillance of suspects, and examination of computers and other evidence.

Document All Investigative Steps – All internal investigations should maintain a record of investigative steps employed. This record can later be presented to law enforcement and entered into evidence, if necessary.¹⁰⁵

Preservation of Evidence – Any physical, documentary, or digital evidence acquired in the course of an investigation should be preserved using generally accepted forensic techniques for later use in a legal proceeding.¹⁰⁶

Contact Law Enforcement Agencies Without Delay – Intellectual property owners can maximize the potential for obtaining legal remedies by contacting law enforcement agencies as soon as possible after detection of potential crimes.¹⁰⁷ Early referral is the best way to ensure that all investigative avenues, such as the execution of search warrants and possible undercover law enforcement activities, are fully explored.¹⁰⁸ Early communication with law enforcement authorities also allows intellectual property owners to coordinate civil proceedings with possible criminal enforcement.¹⁰⁹

Assist in the Identification of Stolen Intellectual Property – Intellectual property owners should assist law enforcement officers in the identification of stolen intellectual property.¹¹⁰ Law enforcement may call upon an owner representative or expert to examine items obtained during an investigation to determine their origin or authenticity.¹¹¹ Additionally, prosecutors will typically seek testimony from the owners at trial. Moreover, in certain investigations, law enforcement agents may wish to have an intellectual property owner present during the execution of a search warrant to help the agents identify specific items to be seized.¹¹² In those circumstances, the owner's activities will be strictly limited to those directed by supervising law enforcement agents.

105. TASK FORCE, *supra* note 94, at 84.

106. *See id.*; FED. R. EVID. 803(6).

107. TASK FORCE, *supra* note 94, at 84.

108. *Id.*

109. *Id.*

110. *Id.* at 85.

111. *Id.*

112. TASK FORCE, *supra* note 94, at 85.

Share the Results of Internal Investigations or Civil Lawsuits With Law Enforcement – Intellectual property owners should also provide law enforcement with information gathered as a result of internal investigations into instances of intellectual property theft.¹¹³

Furthermore, unless the proceedings or information have been ordered sealed by a court, owners may generally provide law enforcement with evidence or materials developed during civil intellectual property enforcement actions, including court pleadings, deposition testimony, documents, and written discovery responses.¹¹⁴

Participate in Law Enforcement Task Forces – Federal, state, and local law enforcement agencies and prosecutors have formed task forces to combat intellectual property crime and to promote information sharing between government and industry.¹¹⁵ Examples include Secret Service Electronic Crimes Task Forces and FBI “Infragard” chapters.¹¹⁶ Additionally, many areas have “high-tech crime” task forces that investigate intellectual property thefts.¹¹⁷ Members of the intellectual property owners’ community are encouraged to participate in these organizations to establish law enforcement contacts that will enable law enforcement to quickly respond to incidents of intellectual property theft and other crime.¹¹⁸

Help Train Law Enforcement Authorities – In addition, intellectual property owners can greatly assist in the protection against counterfeiters by educating law enforcement officials about the intellectual property owners’ brands, product lines and mechanisms for determining whether suspect goods are, in fact, counterfeit. Effectively trained law enforcement officials, who are on the look-out for counterfeit goods, can supplement an intellectual property owner’s external monitoring program.

VI. Resources at State, Federal, and International Levels

A. State Intellectual Property Resources

Intellectual property owners generally first report intellectual

113. TASK FORCE, *supra* note 94, at 85.

114. *Id.*

115. *Id.*

116. *Id.*; Electronic Crimes Task Force Website, <http://www.ectaskforce.org/> (last visited Apr. 14, 2007); InfraGard – Guarding the Nation’s Infrastructure, <http://www.infragard.net/> (last visited Apr. 14, 2007).

117. *See* TASK FORCE, *supra* note 94, at 85. *See also*, William Overend, *Cyber Crime Fighters Escape Funding Cut*, L.A. TIMES, Nov. 10, 2002, § 2 at 8.

118. TASK FORCE, *supra* note 94, at 85.

property crimes to local and state law enforcement officials, *i.e.*, local police departments, sheriff's departments and state police authorities. In certain jurisdictions, particularly those facing endemic counterfeiting crimes, special federal and state task forces have been created to investigate and prosecute intellectual property criminals. For example, the Southern California High-Tech Task Force is a jointly funded federal and state law enforcement group formed to identify and investigate high-technology crimes, including counterfeiting crimes involving software and other forms of technology.¹¹⁹ The task force is comprised of investigators/examiners from local, state, and federal agencies who have received specialized training in the identification and investigation of counterfeiting and piracy.

The New York City Police Department's Organized Crime Investigation Division ("OCID") was formed for the purpose of gathering and analyzing intelligence information for combating organized crime.¹²⁰ However, the responsibility of OCID has been expanded to include to investigations involving counterfeit goods and related crimes, and a specialized unit within OCID, the Trademark Counterfeiting Unit, was created.¹²¹ OCID investigators work closely with federal and state law enforcement agencies as well as private organizations, such as the International Anti-Counterfeiting Coalition and private companies, to fight counterfeiting in New York City.

B. Intellectual Property Resources

A variety of organizations and agencies can assist an intellectual property owner in protecting against counterfeit and pirated goods.¹²² Assistance in protecting intellectual property within the United States is provided by the Federal Bureau of Investigation (FBI), the U.S. Department of Justice (DOJ) Criminal Crimes and Intellectual

119. See, *e.g.*, Overend, *supra* note 117.

120. New York Police Department, Organized Crime Control Bureau, <http://www.nyc.gov/html/nypd/html/occb/ocid.html> (last visited Apr. 8, 2007).

121. See Press Release, Recording Industry of America, Recording Industry Helps Local Law Enforcement Uncover Illegal Music Operations (Sept. 20, 2001), available at <http://www.riaa.com/news/newsletter/press2001/092001.asp> (last visited Apr. 8, 2007); Press Release, U.S. Dep't of Justice, Six Charged with Trafficking in Counterfeit Computer Software (Feb. 26, 2003), available at <http://www.cybercrime.gov/maArrest.htm> (last visited Apr. 8, 2007); see generally Adam Fifield, *The Knockoff Squad*, N.Y. TIMES, June 23, 2002, § 14 at 1.

122. See www.StopFakes.gov for a listing of links to organizations included herein and for information about additional resources.

Property Section (CCIPS), and U.S. Customs and Border Protection.¹²³ The FBI investigates criminal counterfeiting and piracy.¹²⁴ CCIPS implements DOJ's national strategies for combating intellectual property crimes worldwide.¹²⁵ CBP enforces intellectual property laws at U.S. borders.¹²⁶

The federal government also provides assistance to IP owners seeking to protect their intellectual property beyond United States.¹²⁷ The National Intellectual Property Rights Coordination Center works to investigate and interdict movement of counterfeit goods through U.S. borders.¹²⁸ The International Trade Commission investigates claims regarding intellectual property rights violations through imported goods, including allegations of trademark infringement, and may issue exclusion orders enforced by CBP.¹²⁹ The ITC also operates a Trade Remedy Assistance Office that provides information to small businesses concerning remedies available under U.S. trade laws and assists eligible small businesses in preparing and filing a Section 337 complaint.¹³⁰

In addition to coordinating U.S. trade policy, the Office of the United States Trade Representative publishes reports, most notably the Special 301 Report that identifies countries presenting IP challenges.¹³¹ The Department of Commerce's U.S. Commercial Service supports U.S. exports through Country Commercial Guides

123. Who Can Help Me Protect My Intellectual Property?, http://www.stopfakes.gov/sf_who.asp (last visited Apr. 13, 2007).

124. *Id.* Suspected counterfeit or pirated products for sale on the Internet can be reported to the FBI Internet Fraud Complaint Center via at www.ic3.gov.

125. Who Can Help Me Protect My Intellectual Property?, *supra* note 123.

126. *Id.*

127. *Id.*

128. *Id.* Particular emphasis is given to investigating major criminal organizations and intellectual property violations occurring through the Internet. *Id.* See also U.S. Immigration and Customs Enforcement, National Intellectual Property Rights Coordination Center, <http://www.ice.gov/pi/cornerstone/ipr/index.htm> (last visited Apr. 13, 2006).

129. Who Can Help Me Protect My Intellectual Property?, *supra* note 123. See also, 19 U.S.C. § 1337(d-f) (power to issue exclusion orders and cease and desist orders); 19 C.F.R. § 12.39 (enforcement of exclusion orders by CBP); U.S. INT'L TRADE COMM'N, STRATEGIC PLAN FY 2006-2001 (2006) [hereinafter STRATEGIC PLAN], available at http://www.usitc.gov/ext_relations/about_itc/Strategic_Plan2006_2011.pdf (last visited April 12, 2007).

130. Who Can Help Me Protect My Intellectual Property?, *supra* note 123; U.S. International Trade Commission, Trade Remedy Investigations, http://www.usitc.gov/trade_remedy/trao/ (last visited Apr. 13, 2007).

131. SPECIAL 301 REPORT, *supra* note 1; Who Can Help Me Protect My Intellectual Property?, *supra* note 123; see also Office of the U.S. Trade Representative, USTR Reports & Publications Home, http://www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html (last visited Apr. 13, 2007).

that often include an overview of the IPR of foreign countries and country-specific intellectual property rights toolkits available at www.StopFakes.gov.¹³² The Office of Intellectual Property Rights of the U.S. Department of Commerce International Trade Administration works with U.S. firms to help them protect their intellectual property rights abroad.¹³³ However, the U.S. government cannot provide U.S. companies with legal advice or advocate on a company's behalf when a matter is before a court or administrative agency.

Further assistance is provided by inter-governmental organizations including Interpol, the World Trade Organization, the World Intellectual Property Organization (WIPO), the World Customs Organization (WCO), and the Intellectual Property Rights Experts' Group (IPEG) of the Asia-Pacific Economic Cooperation.¹³⁴

VII. Enforce Your Intellectual Property Rights Internationally

Counterfeiting and piracy are international in scope, and companies whose products are threatened by counterfeiting face the daunting challenge that IP rights and anti-counterfeiting laws are limited geographically. The procedures for obtaining trademark rights, obtaining customs border protection, and challenging infringers vary by country. Thus, in support of their worldwide marketing and intellectual property development programs, trademark owners must understand and develop tactical, country-by-

132. Who Can Help Me Protect My Intellectual Property?, *supra* note 123. See U.S. Commercial Service, www.buyusa.gov/home/export.html (last visited Apr. 13, 2007).

133. Who Can Help Me Protect My Intellectual Property?, *supra* note 123. Department of Commerce experts can frequently suggest strategies to evaluate intellectual property rights problems abroad and liaise with U.S. embassies around the world to pursue a course of action for resolution of the problems. *Id.* In many cases, the U.S. government can provide companies with information to assist in navigating a foreign government's legal system, including lists of local investigative firms and attorneys, and share experiences and expertise in that country. *Id.*

134. *Id.*; World Intellectual Property Organization, www.wipo.int (last visited Apr. 16, 2007); World Trade Organization, <http://www.wto.org> (last visited Apr. 16, 2007). The Small and Medium-Sized Enterprises division of WIPO has numerous case studies on file and provides information on commercializing intellectual property. See World Intellectual Property Organization, Small and Medium-Sized Enterprises (SMEs), <http://www.wipo.int/sme/en/> (last visited Apr. 16, 2007). Information on the WCO is available at <http://www.wcoomd.org/ie/En/en.html>. For more information on IPEG including information enforcing IP rights in individual member countries, see www.apecipec.org/servicecentres/default.asp.

country strategies to establish and enforce their trademark and other intellectual property rights.

Even companies whose products are sold in single markets must remain vigilant, and pursue and challenge counterfeiting operations in other countries that could threaten those primary markets. Although beyond the scope of this article, the proliferation of and limited protections afforded against the distribution of gray market goods in the U.S. also requires intellectual property owners to utilize and police international manufacturing and licensing agreements.

It is essential for intellectual property owners who manufacture and distribute goods that are prone to counterfeiting to enforce their intellectual property rights in those countries that are likely to be the source of counterfeit goods. While this can seem like a Herculean task, the prevalence of counterfeiting activities in particular countries and regions, often based on the types of products being counterfeited, allows companies to focus their efforts on a few select countries.

One place to begin should be the Priority Watch list established in the 2006 United States Trade Representative (USTR) Special 301 Report.¹³⁵ This report is an essential guide to rights owners in countries and regions where counterfeiting is prevalent, and should help alert intellectual property owners as to potential problems in these countries.¹³⁶ The Special 301 Report identifies extensive counterfeiting activities or inadequate laws or enforcement in the following countries: Russia, China, Argentina, Belize, Brazil, Egypt, India, Indonesia, Israel, Lebanon, Paraguay, Turkey, Ukraine, and Venezuela.¹³⁷ Intellectual property owners should build a strong network of foreign associates in these countries with experience in monitoring, investigating, and enforcing intellectual property rights.¹³⁸

The following are a few brief notes on the state of the law and anti-counterfeiting procedures in Europe, Eurasia, and China. For more detailed information, we surveyed a number of law firms active in intellectual property protection and anti-counterfeiting efforts in these and other countries (see Appendix A). They provided specific information regarding applicable laws, procedures, and enforcement strategies in a number of countries. Intellectual property rights owners should confirm the status of the law and procedures in every

135. SPECIAL 301 REPORT, *supra* note 1, at 16-30.

136. *Id.* at 15.

137. *Id.* at 16-30.

138. The International Trademark Association is a leading resource for locating foreign associates for trademark matters. See International Trademark Association, www.inta.org (last visited Apr. 13, 2007).

country in which they have manufacturing facilities or partners, or in which they do business. The following is offered as a starting point for strategic planning.

A. Europe

Although the European Union (EU) has simplified the enforcement of intellectual property rights (“IPR”) between and within its member countries, the lack of consistent strong protection under the EU banner makes enforcement somewhat challenging. The European Union is, however, considering a draft directive entitled “Criminal Measures Aimed at Ensuring the Enforcement of Intellectual Property Rights.”¹³⁹ While this draft is not expected to be reviewed until September 2007, some intellectual property organizations have already expressed concern that the scope of the directive may be too broad and should focus on counterfeiting issues.¹⁴⁰ European Commission surveys of intellectual property enforcement should also be reviewed for changes in the law.

B. Russia and Eurasia

The Special 301 Report identifies Russia as a Priority Watch country due to its lack of enactment and enforcement of strong laws against counterfeiting.¹⁴¹ Neither Russia nor the other Eurasian countries pose as pervasive a threat as do China and Asia. However, the growing economies of Russia and Eurasia and the interest in the purchase of brand name consumer products make both counterfeiting hot spots. New intellectual property laws are being discussed and steps are being taken to tighten intellectual property protection, but the aid of a local firm is essential to help navigate the laws and obtain protection and enforcement.¹⁴²

139. European Parliament & Council Directive on Criminal Measures Aimed at Ensuring the Enforcement of Intellectual Property Rights, COM (2005) 276 Final (Dec. 7, 2005).

140. See, e.g., THE LAW SOCIETY OF ENGLAND & WALES, PROPOSAL FOR A DIRECTIVE ON CRIMINAL MEASURES AIMED AT ENSURING THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS (2006), available at <http://www.lawsociety.org.uk/secure/file/157008/e/teamsite-deployed/documents/templatedata/Internet%20Documents/Non-government%20proposals/Documents/ipcriminalsanctions310806.pdf>.

141. SPECIAL 301 REPORT, *supra* note 1, at 26.

142. Cf. Sergey Budylin & Yulia Osipova, *Is AllOfMP3 Legal? Non-Contractual Licensing Under Russian Copyright Law*, 7 J. HIGH TECH. L. 1 (2007) (discussing the enforcement of copyright law in Russia).

C. China and Hong Kong

The scope of the counterfeiting problem in China and Hong Kong is daunting. The U.S. government estimates intellectual property right violations cost rights-holders more than \$60 billion annually.¹⁴³ Furthermore, certain types of goods are especially prone to counterfeiting in China.¹⁴⁴ International Data Corporation estimates that 90 percent of software used in China in 2004 was unlicensed and that 15 to 20 percent of all brand products sold in China are counterfeit.¹⁴⁵ Even if the intellectual property owner does not sell any products in China or Hong Kong, these countries should be at the top of any monitoring list insofar as the U.S. government estimates that 75 percent of seized counterfeit goods originate from China or Hong Kong.¹⁴⁶

China and Hong Kong have long been criticized for having lax laws and difficult and inconsistent enforcement through its courts. However, under the TRIPS agreement signed by China to participate in the World Trade Organization, China has an obligation to provide an adequate deterrent, as well as civil and criminal remedies for IP violations.¹⁴⁷ One result is improved and more consistent enforcement in the courts.¹⁴⁸ China now has general courts, specialized intellectual property courts, and administrative tribunals.¹⁴⁹ Additionally, government leaders have greater

143. Warren Giles & John Rega, U.S., EU to Fight Counterfeits From China, Russia, <http://www.bloomberg.com/apps/news?pid=10000100&sid=aTSjqimKzYc&refer=germany> (last visited Apr. 13, 2007).

144. See ECONOMIC IMPACT OF COUNTERFEITING, *supra* note 3, at 19-21 (showing the counterfeited goods seized most often from China and other countries).

145. Julius Meinitzer, *Role Reversal*, INSIDE COUNSEL, May 30, 2006, available at http://www.insidecounsel.com/issues/insidecounsel/15_199/global_views/488-1.html (last visited Apr. 13, 2007).

146. Statement of Daniel C.K. Chow, Counterfeiting in China, May 16, 2005, available at <http://www.cecc.gov/pages/roundtables/051605/Chow.php> (last visited Apr. 13, 2007).

147. Agreement On Trade-Related Aspects Of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, arts. 41-61, Apr. 15, 1994, 1869 U.N.T.S. 299.

148. Cf. SPECIAL 301 REPORT, *supra* note 1, at 21 (“While seeing some success, the United States continues to hear complaints of a lack of consistent, uniform and fair enforcement of China’s IPR laws and regulations in the civil courts.”).

149. KATHERIN ER-YU WANG, INTELLECTUAL PROPERTY COURTS IN CHINA: EFFECTS ON JUDICIAL COMPETENCY IN THE PRC AND INTERNATIONAL CORPORATE STRATEGIES (2006), available at http://www.stanford.edu/dept/publicpolicy/programs/Honors_Theses/Theses_2006/Wang_Katherine.pdf (last visited Apr. 13,

motivation to ensure enforcement.¹⁵⁰ Intellectual property owners who experience difficulties in the Chinese courts should bring this to the attention of leaders and government agencies working to ensure China's TRIPS compliance.¹⁵¹ Furthermore, as Chinese companies themselves begin to develop and protect their technologies and move into the consumer goods manufacturing, the Chinese courts appear to be increasing their focus on these problems.¹⁵² Finally, the government recently formed a National Working Group for intellectual property protection headed by Vice Premier Wu Yi, which has produced a "China's Action Plan on IPR Protection 2007" for improved protection and enforcement, in part by conducting a province-by-province review of the problem and of the Chinese courts' collective enforcement of anti-counterfeiting laws.¹⁵³

China's laws are somewhat Byzantine to the uninitiated, as many layers of courts must be navigated to obtain protection. The relevant laws and procedures include the Chinese Anti-Unfair Competition Law (for use in challenging counterfeit goods), Chinese Customs Law and the Regulations of the PR China Regarding Protection of Intellectual Property (banning the import and export of infringing goods), Criminal Law Articles 213 and 214 (providing for prison terms of up to three years where counterfeiting actions are extensive or sales are relatively large, and terms of up to seven years where very extensive), and the State Quality Control and Examination Center, which protects against the distribution of dangerous or inferior quality goods within China.¹⁵⁴

VIII. Resources of Trade Associations and NGOs

Virtually every intellectual property association and many trade associations have established anti-counterfeiting programs or committees. Generally, these associations have the following

2007). Cf. SPECIAL 301 REPORT, *supra* note 1, at 21 ("[I]tigators have found that most judges lack necessary technical training").

150. See WANG, *supra* note 149, at 14.

151. Cf. WANG, *supra* note 149, at 14 (discussing China's motivation to be seen as a good citizen in the area of IP).

152. See Robert C. Bird, *Defending Intellectual Property Rights in the BRIC Economies*, 43 AM. BUS. L.J. 317, 340 (2006) (China's Supreme Court "issued a circular instruction lower courts to address intellectual property cases expeditiously.").

153. National Working Group for IPR Protection, China's Action Plan on IPR Protection 2007, http://english.ipr.gov.cn/ipr/en/info/Article.jsp?a_no=67391&col_no=102&dir=200704 (last visited Apr. 13, 2007).

154. See generally Eu Jin Chua, *The Laws of the People's Republic of China: An Introduction for International Investors*, 7 CHI. J. INT'L L. 133, 152-53 (2006).

common functions that can aid individual companies in protecting themselves against counterfeiting.

Companies in the consumer goods, computer, entertainment media, luxury designer goods, electronic sales, and pharmaceutical fields should take advantage of industry organizations to gain information, learn strategies, and participate in programs designed to prevent and stop counterfeiting activities. In addition and reflecting the scope of the counterfeiting problem, a number of organizations have been founded specifically to aid in the anti-counterfeiting efforts on behalf of their members.

The following is a list of representative organizations that can aid trademark and intellectual property owners. Companies are advised to investigate organizations addressing their industry-specific issues and challenges.

A. Intellectual Property Organizations

Intellectual Property Owners Association (IPO)	www.ipo.org
International Trademark Association (INTA)	www.inta.org
American Intellectual Property Law Association (AIPLA)	www.aipla.org
Copyright Society of America	www.csa.org

B. Industry Organizations

Automotive Aftermarket Suppliers Association (AASA)	www.aasa.org
Business Software Alliance (BSA)	www.bsa.org
Electronic Retailers Association (ERA)	www.retailing.org
International Chamber of Commerce ¹⁵⁵	www.iccwbo.org
Motion Picture Association of America	www.mpaa.org
Recording Industry Association of America	www.riaa.org
Union des Fabricants (UDF) (French organization of manufacturers also active in Japan)	www.unifab.com
U.S. Chamber of Commerce	www.uschamber.com

155. The ICC BASCAP Initiative (Business Action to Stop Counterfeiting and Piracy) publishes periodic piracy reports available at <http://www.iccwbo.org/bascap/iccich/index.html>.

C. Anti-Counterfeiting and Counterfeiting Intelligence Organizations

Alliance for Gray Market and Counterfeit Abatement (AGMA)	www.agma.org
Coalition Against Counterfeiting and Piracy (CACP)	www.cacp.org
China Anti-Counterfeit Technology Association (CATA)	en.cps.com
Global Anti-Counterfeiting Group (GACG)	www.gacg.org
Intellectual Property Owners Association (IPO)	www.ipo.org
The International Anti-Counterfeiting Coalition (IACC)	www.iacc.org
Quality Brands Protection Committee (QBPC)	www.qbpc.org.cn

IX. New Laws, Directives, and Pending Federal Legislation

A. The STOP! Initiative

In March 2004, then-Attorney General John Ashcroft established the Department of Justice's Task Force on Intellectual Property (the "Task Force").¹⁵⁶ The Attorney General directed the Task Force to examine all of the Department of Justice's (DOJ) intellectual property enforcement efforts and to explore ways for the DOJ to increase its protection of valuable intellectual property resources.¹⁵⁷

In October 2004, after a comprehensive examination, the Task Force issued their report (the "2004 Report") with extensive recommendations for the DOJ's intellectual property enforcement, protection, and education programs.¹⁵⁸ The Task Force analyzed existing resources and proposed significant improvements in the areas of criminal enforcement, international cooperation, civil enforcement, antitrust enforcement, legislation, and prevention.¹⁵⁹

156. Press Release, U.S. Dep't of Justice, Attorney General Ashcroft Announces Creation of Intellectual Property Task Force (Mar. 31, 2004), *available at* http://www.justice.gov/opa/pr/2004/March/04_ag_199.htm.

157. *See id.*

158. U.S. DEP'T OF JUSTICE, REPORT OF THE DEPARTMENT OF JUSTICE'S TASK FORCE ON INTELLECTUAL PROPERTY (2004), *available at* <http://www.cybercrime.gov/IPTaskForceReport.pdf>.

159. *Id.* at i.

The 2004 Report contained numerous short- and long-term recommendations in these areas, designed to provide a sustained commitment to protecting intellectual property rights.¹⁶⁰

In conjunction with the release of the 2004 Report, the Bush Administration announced the Strategy Targeting Organized Piracy (STOP!) Initiative.¹⁶¹ STOP!, which involves nine federal agencies—including the U.S. Trade Representative, the Departments of Commerce (including the USPTO), Homeland Security (including both Customs and Border Protection, and Immigration and Customs Enforcement), Justice, State, and the Food and Drug Administration—was created to better coordinate the federal agencies charged with intellectual property enforcement and increase efforts to protect intellectual property at home and abroad.¹⁶² Recently, the “Coordinator of International Intellectual Property Enforcement” is taking a central role in implementing the initiative and ensuring execution of U.S. enforcement action.¹⁶³

Over the past two years, the STOP! initiative provided new federal services and assistances to U.S. companies by:

Establishing a hotline (1-866-999-HALT) to counsel businesses on how to protect their intellectual property in the U.S. and abroad. Incoming calls are fielded by specialized attorneys who work with callers on how best to resolve problems;¹⁶⁴

Developing intellectual property rights resources, including www.stopfakes.gov and brochures, to provide information and guidance to right holders on how to register and protect their intellectual property in markets around the world;¹⁶⁵

Creating “intellectual property toolkits” to guide businesses through securing and enforcing their rights in key markets;¹⁶⁶

Conducting extensive education campaigns across the country to teach small and medium-sized enterprises how to secure and protect their rights and where to turn for federal resources and assistance;¹⁶⁷

160. *Id.*

161. Jeffrey Sparshott, *Piracy Targeted by U.S. officials*, WASH. TIMES, Oct. 5, 2004, at C7.

162. Press Release, U.S. Dep’t of State, STOP Initiative Targets Piracy, Counterfeit Trade (Oct. 4, 2004), available at <http://usinfo.state.gov/ei/Archive/2004/Oct/05-501889.html> (last visited April 23, 2007).

163. Karl Schoenberger, *Spotlight on copyright policy*, SAN JOSE MERCURY NEWS, Aug. 30, 2005.

164. Sparshott, *supra* note 153, at C7.

165. See Press Release, U.S. Dep’t of State, *supra* note 162.

166. *Id.* Toolkits for Brazil, China, Korea, Malaysia, Russia, Mexico, and Taiwan are downloadable at www.stopfakes.gov.

167. INTERNATIONAL TRADE ADMINISTRATION, U.S. DEP’T OF COMMERCE, STRATEGY TARGETING ORGANIZED PIRACY (STOP!) INITIATIVE – BUILDING ON

Training U.S. embassy personnel to be effective first responders to intellectual property issues in order to identify problems abroad and assist rights holders before fakes enter the market and/or supply chain;¹⁶⁸ and

Strengthening enforcement capacity by making it easier for right holders to record their trademarks and copyrights with Customs through a web-based resource.¹⁶⁹

B. Enacted Legislation

Since 2004, the U.S. has enacted several pieces of legislation designed to further protect intellectual property rights. These new laws include the Stop Counterfeiting in Manufactured Goods Act (H.R. 32),¹⁷⁰ Intellectual Property Protection and Courts Amendments Act of 2004 (H.R. 3632),¹⁷¹ and Family Entertainment and Copyright Act of 2005 (S. 167).¹⁷²

1. Stop Counterfeiting in Manufactured Goods Act (H.R. 32)

The Stop Counterfeiting in Manufactured Goods Act (H.R. 32) modified the federal criminal law relating to the trafficking in counterfeit goods and services by prohibiting trafficking in labels, documents, or packaging that bear counterfeit marks intended for goods or services.¹⁷³ Specifically, the Act provides for:

Enhanced Forfeiture, Destruction and Restitution Provisions – Prior trademark counterfeiting law only provided for the *discretionary* destruction of the counterfeit goods themselves.¹⁷⁴

RESULTS (2007), available at <http://www.stopfakes.gov/pdf/factsheet.pdf>.

168. See Chris Israel, Remarks on “The Bush Administration’s Framework for Engaging India on Intellectual Property and Promoting Trade” (May 15 2006), available at <http://newdelhi.usembassy.gov/pr051506.html> (last visited April 23, 2007).

169. See U.S. Customs and Border Protection (CBP), Intellectual Property Rights e-Recordation (IPRR), <https://apps.cbp.gov/e-recordations/> (last visited May 16, 2007).

170. Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, 120 Stat. 285 (2005).

171. Intellectual Property Protection and Courts Amendment Act of 2004, Pub. L. No. 108-482, 118 Stat. 3912 (2004).

172. Family Entertainment and Copyright Act of 2005, Pub. L. No. 109-9, 119 Stat. 218 (2005).

173. Stop Counterfeiting in Manufactured Goods Act, *supra* note 170.

174. 18 U.S.C. § 2320. Subsection (b) formerly read: “Upon a determination by a preponderance of the evidence that any articles in the possession of a defendant in a prosecution under this section bear counterfeit marks, the United States may obtain an order for the destruction of such articles.”

H.R. 32 amends 18 U.S.C. § 2320(b), to mandate *without any discretion by the court*, both the destruction of the counterfeit goods and the forfeiture of any assets traceable to illegal counterfeiting activities.¹⁷⁵ Counterfeit goods are subject to seizure and civil forfeiture procedures under federal law, and shall be forfeited and destroyed even in the absence of a criminal conviction.¹⁷⁶ Moreover, the forfeiture provisions extend to finished goods as well as any components of goods, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature bearing a counterfeit mark.¹⁷⁷

In the case of a criminal conviction under the statute, the amended language provides for the *mandatory forfeiture* of any direct or indirect proceeds of the counterfeiters' crimes, as well as any property used, or intended to be used in the commission of, or facilitation of the offense.¹⁷⁸ This includes any assets traceable to the convicted counterfeiter's illicit earnings and any machinery, molds, matrices, casts, etc., used to manufacture counterfeit goods.¹⁷⁹

The amended statute also provides for *mandatory restitution* to the owner of the trademark, or any other victim of the crime, by any person convicted of a violation of the statute.¹⁸⁰

Amendment of the Statutory Definition of "Counterfeit Mark." – H.R. 32 also clarifies that 18 U.S.C. § 2320(e)(1) prohibits trafficking in counterfeit "labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature;" bearing a counterfeit mark, *whether or not such counterfeit marks are attached to any goods*.¹⁸¹ The amendment closes a loophole created by the Tenth Circuit's decision in *United States v. Giles*, which held that an individual who merely traffics in counterfeit marks themselves (*i.e.*, labels, patches, medallions, etc.) not attached to any goods does not violate the express terms of 18 U.S.C. § 2320.¹⁸²

175. 18 U.S.C. § 2320. Subsection (b)(1) now reads: "The following property shall be subject to forfeiture to the United States and no property right shall exist in such property: (A) Any article bearing or consisting of a counterfeit mark used in committing a violation of subsection (a). (B) Any property used, in any manner or part, to commit or to facilitate the commission of a violation of subsection (a)."

176. *Id.*

177. 18 U.S.C. § 2320(e).

178. *Id.* at § 2320(b).

179. *Id.*

180. *Id.* at § 2320(b)(4).

181. *Id.* at § 2320(e)(1).

182. *See* U.S. v. Giles, 213 F.3d 1247, 1251 (10th Cir. 2000).

Amendments of the Statutory Definition of the Terms "Traffic." – H.R. 32 expands the definitions of "traffic" and "financial gain" under 18 U.S.C. § 2320(e) to include *any* distribution of counterfeits (or possession with the intent to distribute counterfeit goods), with the expectation of gaining something of value.¹⁸³ The Act also criminalizes the importation and exportation of counterfeit goods.¹⁸⁴ These modifications of the current language of § 2320 will allow for federal prosecution of individuals engaged in the distribution of counterfeit goods that would not fall under the previous statute.¹⁸⁵

2. Intellectual Property Protection and Courts Amendments Act of 2004 (H.R. 3632)

The Intellectual Property Protection and Courts Amendment Act (H.R. 3632) expanded a previous law which prohibited trafficking in counterfeit labels for copyrighted works, to also prohibit the trafficking in genuine but unauthorized labels.¹⁸⁶ In addition, the legislation allows the government to seize the equipment used in producing the counterfeit and illicit labels.¹⁸⁷

3. Family Entertainment and Copyright Act of 2005 (S. 167)

The Family Entertainment and Copyright Act of 2005 (S. 167) amended the federal criminal code to prohibit the knowing or attempted use of a video camera, or other audio-visual recording device, to make or transmit a copy of a motion picture or other copyrighted audiovisual work from a performance of such work in a movie theater or similar venue without authorization.¹⁸⁸ This law established a maximum sentence of three years in prison for a first offense.¹⁸⁹ The legislation also requires courts to order the forfeiture and destruction of all unauthorized copies of the motion picture and any equipment used to carry out the violation.¹⁹⁰ With reasonable cause, the owner, lessee, or employee of a theater is now authorized to detain, in a reasonable manner for a reasonable time, suspected

183. *See* 18 U.S.C. § 2320(e)(2).

184. *Id.*

185. *See id.*

186. Intellectual Property Protection & Courts Amendments Act of 2004, Pub. L. 108-482, 118 Stat. 3912 (2004) (codified at 18 U.S.C. § 2318).

187. *Id.*

188. Family Entertainment & Copyright Act of 2005 § 102, Pub. L. 109-9, 119 Stat. 218 (2005) (codified at 18 U.S.C. § 2319B).

189. 18 U.S.C. § 2319B(a).

190. *Id.* at § 2319B(b).

violators for questioning or to contact law enforcement.¹⁹¹

In addition, this legislation established criminal penalties for the act of willful copyright infringement through distribution of certain copyrighted works being prepared for commercial distribution.¹⁹² This legislation prohibits making movies, software, games, and music available on a computer network accessible to members of the public, if the person knew, or should have known, that the work was intended for commercial distribution.¹⁹³

Finally, the legislation directed the United States Sentencing Commission (USSC) to review and potentially amend its guidelines for intellectual property crimes.¹⁹⁴ As a result, the United States Sentencing Commission amended the United States Sentencing Guidelines to provide for an additional penalty in cases involving a pre-release copyrighted work.¹⁹⁵

C. Proposed and Pending Legislation

1. Intellectual Property Protection Act of 2007

The Department of Justice has recently proposed draft legislation, known as the Intellectual Property Protection Act of 2007, to further the goals established in the 2004 Report and as a supplement to the DOJ's proposed legislation embodied in the Intellectual Property Protection Act of 2005, which failed to be enacted into law.¹⁹⁶ On May 14, 2007, Attorney General Alberto R. Gonzales, presented a comprehensive revised draft legislative proposal entitled the "Intellectual Property Protection Act of 2007" (IPPA of 2007) before members of the U.S. Chamber of Commerce's Coalition Against Counterfeiting and Piracy.¹⁹⁷ Attorney General Gonzales reiterated

191. *Id.* at § 2319B(d).

192. Family Entertainment & Copyright Act of 2005 § 103, Pub. L. 109-9, 119 Stat. 218, 220.

193. *Id.*

194. *Id.* at § 105.

195. See U.S. SENTENCING GUIDELINES MANUAL § 2B5.3 (2006).

196. Letter from Richard A. Hertling, Principal Deputy Assistant Attorney General, U.S. Dep't of Justice to Nancy Pelosi, U.S. House of Representatives (May 14, 2007), available at <http://politechbot.com/docs/doj.intellectual.property.protection.act.2007.051407.pdf>. U.S. Dep't of Justice, Intellectual Property Protection Act of 2005, available at <http://www.eff.org/IP/legislation/05-11-10dojpackage1.pdf>. See U.S. DEP'T OF JUSTICE, REPORT OF THE DEPARTMENT OF JUSTICE'S TASK FORCE ON INTELLECTUAL PROPERTY (2004), available at <http://www.cybercrime.gov/IPTaskForceReport.pdf>.

197. Press Release, U.S. Dep't of Justice, Justice Department Focuses on Efforts to Protect Intellectual Property Rights: Attorney General Urges Congress to Enact

the Department of Justice's ongoing commitment to combating intellectual property that includes measures for implementing federal resources and aggressively prosecuting counterfeiters as part of the federal Strategy Targeting Organized Piracy (STOP) Initiative.¹⁹⁸

In particular, the proposed legislation provides a broadly directed intellectual property bill that increases criminal penalties for copyright infringement, including likely controversial criminal penalties for attempted criminal copyright infringement.¹⁹⁹ The proposed legislation represents the most dramatic rewrite of copyright law since a 2005 measure dealing with pre-release counterfeiting and piracy.

The newly proposed IPPA of 2007, which as of the date of this Article does not yet have a Congressional sponsor, also includes:

Eliminating the requirement of registering a copyright with the Copyright Office prior to federal criminal prosecution for copyright infringement – Newly drafted Section 2 of the IPPA of 2007 amends 17 U.S.C. § 411 to make clear that registration of a copyright with the Copyright Office is not a prerequisite to a criminal prosecution for copyright infringement;²⁰⁰

Permitting the *ex parte* seizure of documentary evidence in civil copyright cases similar to such procedures permitted under the Lanham Act;²⁰¹

Criminalizing the act of “attempting” to infringe a copyright whether it is federally registered or not – Federal law currently provides for criminal penalties for not-for-profit copyright infringement with between one and ten years imprisonment, but “actual infringement” of a federally registered copyright is required.²⁰² The IPPA of 2007 would eliminate that requirement;²⁰³

Ensuring that exportation of infringing copies is treated as an infringement of the distribution right subject to criminal as well as civil penalties, by amending 17 U.S.C. § 602;²⁰⁴

Increasing penalties for violating the Digital Millennium Copyright Act's anti-circumvention regulations to include forfeiture;²⁰⁵

Important New Legislation (May 14, 2007), available at http://www.usdoj.gov/opa/pr/2007/May/07_ag_353.html. See Letter from Richard A. Hertling to Nancy Pelosi, *supra* note 196.

198. Press Release, U.S. Dep't of Justice, *supra* note 197.

199. Letter from Richard A. Hertling to Nancy Pelosi, *supra* note 196.

200. *Id.*

201. *Id.*

202. See 17 U.S.C. § 506(a).

203. Letter from Richard A. Hertling to Nancy Pelosi, *supra* note 196.

204. *Id.*

205. Letter from Richard A. Hertling to Nancy Pelosi, *supra* note 196.

Increasing the penalties for intending to commit criminal copyright infringement rather than actually completing the act itself – Certain copyright crimes currently require a defendant to commit the “distribution, including by electronic means, during any 180-day period of at least 10 copies” having a market value of more than \$2,500.²⁰⁶ The IPPA of 2007 provides the additional prohibition of actions that were “intended to consist of” distribution.²⁰⁷

Requiring the Secretary of Homeland Security to institute procedures to alert a performer by the Customs and Border Protection agency when “unauthorized copies or phonorecords of live musical performances... are imported into the United States.”²⁰⁸

Implementing broad forfeiture reforms that, among other things, ensure the ability to seize and obtain forfeiture of property derived from or used in the commission of intellectual property offenses such as providing for the ready seizure of computers that were used “intended to be used in any manner” to commit a copyright crime – Such computers would be subject to forfeiture, including the controversial element of civil asset forfeiture, whereby police agencies can gain additional revenue by such seizures.²⁰⁹

Creating a new penalty of “life imprisonment for using pirated software” – The proposed legislation mandates that anyone who uses counterfeit products and who “recklessly causes or attempts to cause death” can be imprisoned for life.²¹⁰ An example would be a death caused by a hospital’s use of pirated software;

Permitting a lower threshold to obtain wire intercepts (“wiretaps”) for anti-counterfeiting investigations – Under the proposed Act, wire intercepts would be authorized for investigations of U.S. citizens who are “attempting” to infringe a copyright.²¹¹

It remains to be seen whether the IPPA of 2007 develops any traction in Congress in view of its sweeping changes to the status quo in the realm of criminal and civil copyright infringement enforcement.

2. Intellectual Property Rights Enforcement Act (S. 522)

On February 7, 2007, Senator Bayh (D. Indiana) introduced the Intellectual Property Rights Enforcement Act (S.522), a “bill to

206. 18 U.S.C. § 2319.

207. Letter from Richard A. Hertling to Nancy Pelosi, *supra* note 196.

208. *Id.*

209. *Id.*

210. *Id.*

211. *Id.*

safeguard the national security and economic health of the United States by improving the management, coordination, and effectiveness of domestic and international intellectual property rights enforcement, and for other purposes.”²¹² As of the date of this article, the bill has been referred to the full Committee on the Judiciary.²¹³

Highlights of the pending bill as drafted and currently pending include:

Establishing an Intellectual Property Enforcement Network, consisting of specified representatives of various government agencies, to: (1) establish policies, objectives, and priorities concerning international intellectual property protection and law enforcement, (2) protect U.S. intellectual property rights overseas, including by creating an international task force, and (3) coordinate and oversee implementation of such policies, objectives, and priorities by relevant agencies;²¹⁴

Requiring the agencies in the Network to: (1) share the information they collect, (2) coordinate civil and criminal actions related to intellectual property rights, (3) establish formal processes for working with state and local government agencies and consulting with companies, labor unions, writers, artists, and other interested persons and groups, and (4) consult with the Register of Copyrights on law enforcement matters;²¹⁵

Urging the President and relevant agency officers, when meeting with certain foreign countries, to stress the importance of establishing and participating in the international task force;²¹⁶

Calling for other government intellectual property initiatives to be consolidated into the work of the Network to prevent duplication; and

Amending the Treasury and General Government Appropriations Act, 2000 to repeal provisions establishing the National Intellectual Property Law Enforcement Coordination Council.²¹⁷

X. Outlook for the Future

Counterfeiting and piracy will continue to threaten companies in

212. Intellectual Property Rights Enforcement Act, S.522, 110th Cong. (2007).

213. Govtrack.us, (S. 522) Intellectual Property Rights Enforcement Act, <http://www.govtrack.us/congress/bill.xpd?bill=s110-522> (last visited May 31, 2007).

214. S. 522 § 4(c).

215. *Id.* § 4(e).

216. *Id.* § 4(g).

217. *Id.* § 3.

both national and international business long into the foreseeable future. The technologies of infringement and counterfeiting have developed as quickly as the technologies designed to protect products and consumers. In addition, the steady increase in the sale of products and services via the Internet, the proliferation of online auctions, and the prevalence and difficulty in identifying genuine and counterfeit products mean that monitoring and enforcement activities will become even more important in the coming years.²¹⁸

Companies must educate employees and the public of the importance of protecting intellectual property and the dangers (both economic and actual) of counterfeit goods. Only through educated strategic planning and the establishment of intellectual property registration, protection, and enforcement programs will companies be able to combat counterfeiting and counterfeiters.

On the government side, the issues of obtaining consistent judgments and jurisdiction over companies conducting business from otherwise judgment-proof countries should encourage harmonization of the laws with regard to trademarks, counterfeit goods, and Internet marketing.

While legal and intellectual property organizations have long worked to clarify and improve intellectual property laws around the world, we believe trade associations will increasingly be successful in pressuring governments and administrative bodies to improve programs and take active steps to stop counterfeiting programs. These changes will also be stimulated by the growth of domestic industries in the Priority Watch countries, which can be expected to strengthen their intellectual property protection overall to protect these domestic industries.²¹⁹ While there is a threat of unbalanced protection, the growing importance of TRIPS and other international trade agreements should help balance protection.²²⁰

In the U.S., industry and legal interests have led the current administration to develop the new STOP! program, bringing together government, private sector, and trade partners to take concerted action in cracking down on piracy and counterfeiting.²²¹ In addition, the first cases under the Stop Counterfeiting in Manufactured Goods Act have already done much to end the trafficking in counterfeit certificates of authenticity for computer programs, and have made it more difficult for counterfeiters to avoid capture by dividing their

218. See Hafner, *supra* note 37 at 1.

219. SPECIAL 301 REPORT, *supra* note 1.

220. See WANG, *supra* note 149.

221. See Sparshott, *supra* note 161 at C7.

trademark label and product manufacturing activities.²²²

In Asia, the Asia-Pacific Economic Cooperation (APEC) leaders have adopted best practices guidelines to improve border enforcement, protect digital copies and combat Internet piracy throughout the region.²²³ This is a positive step for this region which is generally considered to be a center of counterfeiting activity.²²⁴

Perhaps more than in other areas of intellectual property protection, the degree of success in combating international counterfeiting in the future will depend on the ability of companies and governments to work together to develop monitoring and protection programs, and not on the ability of law enforcement and the courts to stop or punish counterfeiters.

222. Stop Counterfeiting in Manufactured Goods Act, *supra* note 170.

223. APEC, Intellectual Property Rights Expert Group, <http://www.apecipeg.org/servicecentres/default.asp> (last visited Apr. 23, 2007).

224. *Id.*

APPENDIX A

Summaries of Anti-Counterfeiting Law and Procedures

We contacted law firms and attorneys in several countries to ask them to provide information regarding the anti-counterfeiting laws and procedures, and their advice in utilizing these to prevent or stop counterfeiting activities in their countries. Our questionnaire included the following questions:

- (1) Does your country have an anti-counterfeiting law?
 - (a) Please identify that law by citation.
 - (b) Does this law provide for *ex parte* seizure of counterfeit goods? Seizure of documents relating to the counterfeiting activities?
 - (c) Does the law provide for seizure of counterfeit labels and certificates of authenticity?
 - (d) Does the law provide grounds for challenging the sale of counterfeit goods via the Internet?
- (2) Do you have any suggestions for investigating, preventing, or pursuing counterfeiting activities in Your Country? How difficult obtaining cooperation or court orders seize counterfeit goods, prosecute counterfeiters, etc.?
- (3) Does your country have a system for recording trademarks and copyrights with its customs service?
- (4) How effective is your country's recordation system?
- (5) Provide any other comments or suggestions regarding combating counterfeiting in your country.

We received responses from attorneys in the following countries: Brazil, Canada, China (and Hong Kong), European Union, Malaysia, Philippines, Singapore, Taiwan, United Kingdom, and Vietnam.

BRAZIL—ANTI-COUNTERFEITING LAWS AND SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): Brazil does not have a specific anti-counterfeiting law, but protection against counterfeiting can be made through the Intellectual Property Law (Law 9279, of 1996) and some complementary Normative and PTO Acts.

Provisions for *ex parte* seizure: Law 9279 allows the Customs Agency to seize, at the time of checking, any counterfeit products or products carrying false indication of source. Customs Authorities are allowed to retain the products *ex-officio* or upon request by any interested third party. Customs may also authorize the retention of shipments for 90 days for the purpose of identifying and destroying seized goods.

Provisions for seizure of documents relating to activities:

Provisions for seizure of counterfeit labels and certificates of authenticity. There is no specific provision regarding labels or certificates of authenticity; however, a broader interpretation of Law 9279 may allow such proceedings.

Provisions for challenging sale of counterfeit goods via the Internet: Brazil has no specific law regarding the matter, but the Civil Code and IP Law may give grounds for enforcement. Most measures are taken via lawsuits based on unfair competition, parallel importation, unauthorized distribution or trademark violation.

Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: The Brazilian authorities are applying considerable efforts to prevent counterfeiting in national territory. Following enactment of the new Intellectual Property Law, some administrative acts have been issued to increase the autonomy of the Customs Office. Besides, the police are increasingly active in the border region, especially at the border between Brazil, Argentina, and Paraguay, throughout which a large quantity of falsified goods have been commercialized in the past decades.

Counterfeiting in Brazil is both a criminal and a civil tort and numerous provisional and effective remedies are available, such as preliminary injunctions, search and seizure measures, precautionary measures for evidence production, police raids, etc. Judges may grant any or all of these forms of relief if initial evidence shows a great probability of counterfeiting and damage to a company or to society in general. In some cases, however, judges may summon and hear the defendant before granting an injunction.

Does Brazil have a system for recording trademarks and copyrights

with its Customs Service?: No official system is available in Brazil, even though Customs does accept “unofficial” registration of trademarks and copyrights, as well as any information to support their activities.

Effectiveness of the anti-counterfeiting system: Even though Brazil has no counterfeiting tradition (most of counterfeit goods come from China and Paraguay), the country has experienced in the past decades a high rate of counterfeiting. Only recently, Brazil has developed new laws and mechanisms able to prevent counterfeiting. Even though the effectiveness of the legal provisions is still an issue, there have been considerable efforts from our legal authorities, industry and government (a Federal Anti-counterfeiting Commission has been created) towards a more effective system.

CANADA—ANTI-COUNTERFEITING LAWS AND SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): Section 53 and following of the *Trade-marks Act*

specifically address counterfeiting. Section 53 of the *Trade-marks Act* holds that any interested person may apply, on notice or *ex parte*, to a court for an order for the interim custody of wares. The court will grant in favour of the applicant when satisfied that the wares (1) are counterfeit and (2) either have been imported into Canada or are about to be distributed in Canada. The court may also, upon application by the trade-mark owner, make an order directing the Minister to take reasonable measures to detain the wares to notify the applicant and the owner or importer of the wares of the detention and the reasons, for the detention. This application also may be made on notice or *ex parte*. The court may “make any order that it considers appropriate in the circumstances, including an order that the wares be destroyed or exported, or that they be delivered up to the plaintiff as the plaintiff’s property absolutely.” (53.1(7)). The court may make any other that it considers appropriate, including grant an injunction, the recovery of damages or profits, and the destruction, exportation or other disposition of any offending wares, packages, labels and advertising material, if satisfied that any act has been done which contravenes the *Trade-marks Act*. (53.2) Sections 406 to 412 of the *Criminal Code* criminalize trademark forgery, passing off, as well as concealing a trademark. By definition, all these crimes require intent to deceive or defraud.” Section 42(1) of the *Copyright Act* criminalizes copyright infringement which is done “knowingly.” Trademarks are also protected by copyright, as they are artistic works; thus, Canadian copyright provisions may be used in the case of counterfeit goods. Section 7 of the *Trade-marks Act* sets out what persons other than the trade-mark holder cannot do, with respect to a trade-mark. Section 34 ff. of the *Copyright Act* provides for the full gamut of civil remedies for copyright holders when their rights are infringement.

Provisions for *ex parte* seizure: The *Trade-marks Act* provides for the interim *ex parte* custody of wares in limited circumstances. It is possible where a court is satisfied that a trade-mark has been applied to any wares that have been imported into, or are about to be distributed in Canada in a manner such that the distribution would be contrary to the *Trade-Marks Act* (ss. 53(1) and 53(5)).

Anton Pillar orders are available to seize, *inter alia*, counterfeit goods as well as documents relating to counterfeiting activities.

Anton Pillar orders are *ex parte*, interlocutory court orders requiring an individual or business to allow the Plaintiff or the Plaintiff's representatives to search its premises.

Provisions for seizure of documents relating to activities: *See above*.

Provisions for seizure of counterfeit labels and certificates of authenticity: Counterfeit labels and certificates of authenticity can be seized in the context of an *Anton Pillar* order.

Provisions for challenging sale of counterfeit goods via the Internet: There is no specific law addressing the sale of counterfeit goods via the Internet.

2. Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: In practice, most copyright offences are pursued civilly. Because Intellectual property rights prosecutions *Seem* not to be a priority area for the Crown and there are limited Crown prosecutors with expertise in this domain, to-date there have been few criminal prosecutions in this area. Most RCMP investigations follow preliminary, often substantial, investigation by the owner of the copyright or trade-mark. It is also not clear what the impact will be of the recent holding in *Celanese* that *Anton Pillar* orders should be granted only exceptionally.

Rights holders are not dependent on the Crown for criminal prosecutions to take place; it is possible in Canada for the rights holder to initiate criminal proceedings. However, a prosecution initiated by a rights holder can be stayed by the Attorney General. This option is within the Crown's discretion, and is essentially limited only by the requirement not to act in a flagrantly improper manner. The Attorney General also has the authority to take over the proceedings. Further, in the case of a criminal copyright case, the Attorney General may participate in the proceedings (e.g. call witnesses etc.) without staying or taking over the case

To date, there has been very little activity in terms of public prosecution of counterfeiters in Canada. However, there is evidence that counterfeiting is an "industry" which organized crime organizations are getting into. In these situations, there is an added impetus for the Crown to allow private original proceedings to continue, and to initiate proceedings.

3. Does Canada have a system for recording trademarks and copyrights with its Customs Service? No. There is no system for recording trade-marks and copyrights with Customs. There is a register of trade-marks, which is kept under the supervision of the Registrar which records trade-marks as well as transfers, disclaimers,

amendments, judgments and orders relating to each registered trademark (s.26 *Trade-Marks Act*). There is also a Register of Copyrights at the Copyright Office containing the names or titles of copyrighted works, the names of owners, assignees and licensees of copyright, as well as "such other particulars as may be prescribed by regulation." (54(1) *Copyright Act*) The public may access these registers.

A relatively recent development in Canada greatly facilitated border enforcement of intellectual property rights. An August 2000 policy statement issued by the CCRA stated that Customs officers are allowed to exercise public officer status previously granted under section 489(2) of the Criminal Code, thereby permitting them to seize counterfeit or goods at the border and turn them over to the RCMP. This new policy has received overwhelming support among the intellectual property rights enforcement community. Before this, without a court order, Customs officers could only seize counterfeit or pirated goods if the goods contravened the Customs Act, for example, if goods were smuggled, undervalued or misdescribed.

4. Effectiveness of the anti-counterfeiting system: In February 2000, before the August 2000 policy statement, The United States Trade Representative put Canada on its 2000 watch list due to its "ineffective border enforcement provisions as recommended by the International Anticounterfeiting Coalition. There is evidence that Canada is used as a transshipment point for counterfeit goods entering the United States, due to Canada's less stringent border enforcement policies in this area. While Canada has improved its prosecution of counterfeiting in recent years, it still has a long way to go.

5. Notes and comments: Canadian anti-counterfeiting activities to need to change in two areas. First, as discussed above, it needs to invest more in investigating and prosecuting counterfeit operations. Second, Canada needs penalties which sufficiently deter offenders from reoffending.

The sentences for criminal convictions in this area consist of fines, prison sentences, or both. If the trial proceeded summarily, the maximum penalties are \$2000 and six months imprisonment for trademarks, or \$25,000 and six months imprisonment for copyright. If the accused is found guilty of an indictable offence, the maximum penalties are two years imprisonment for trademarks, or \$1,000,000 and five years imprisonment for copyright. In addition, the goods are forfeited, and courts may order destruction or delivery up of the infringing goods in copyright cases. Despite this, some counterfeiters have stated to police that they will continue selling counterfeit goods, because the penalties are insufficient to deter them. It appears some counterfeiters keep a "fine fund," essentially absorbing criminal or

civil penalties into their “general overhead.

In the criminal context, a “proceeds of crime” strategy would provide a more appropriate deterrent. Essentially, this would allow the pursuit of the counterfeiter’s profits. However this would require major modifications to Part XII.2 of the *Criminal Code*, as counterfeiting is not currently a “designated offence” under this Part of the *Code*.

In the civil context, it might be helpful to apply common law restitution principles to the case: essentially considering the earnings of the counterfeiter as unjust enrichment which directly deprive the trademark or copyright owner of profits. Thus, those earnings should be “restored” to the trademark or copyright owner upon successful prosecution.

CHINA—ANTI-COUNTERFEITING LAWS AND SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): Trademark: Trademark Law; Regulations for the

Implementation of Trademark Law; Provisions on Protection of Well-know Marks; Interpretations of the Supreme People's Court of Several Issues Concerning the Application of the Law to the Trial of Civil Dispute Cases Involving Trademarks. Copyright: Implementing Regulations of the Copyright Law; The Interpretation of the Supreme People's Court Concerning Several Issues on Application of Law in Hearing Correctly the Civil Copyright Cases; Regulations on Custom Protection of Intellectual Property Rights; Interpretation by the Supreme People's Court in Handling Criminal Cases of Infringing Intellectual Property.

Provisions for *ex parte* seizure: Yes. Under the Trademark Law, the Administration for Industry and Commerce (AIC), upon request by trade mark owners who provide sufficient evidence of infringements, has power to confiscate and destroy counterfeit goods. For copyright cases, the Copyright Administration has similar powers. However, the Patent Administration Authority does not have any power to confiscate infringing goods under the Patent Law.

Provisions for seizure of documents relating to activities:

Provisions for seizure of counterfeit labels and certificates of authenticity:

Provisions for challenging sale of counterfeit goods via the Internet: There is no law specifically dealing with the sale of counterfeit goods via the Internet. However, such activities are covered by the existing IP law.

Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: Unregistered marks are not protected in China except for well-known marks. It is thus of utmost importance for trademark owners to register their marks as early as possible to enjoy protection under the Trademark Law. Trademark owners should also establish reputation of their marks for protection as well-known marks under Paris Convention and the Trademark Law. Registered marks and well-known marks are also protected by the Unfair Competition Law.

It is very important to let the public know the marks are trademarks. TM and ® symbols should also be put beside marks to make it clear to the public that they are trademarks (pending registration or registered) and protected by the law. Employees,

distributors, agents and general public should be educated to recognize the trademarks by means of company directives, in-house training, internal memos, notice in product brochures, advertisements, warning notices, newsletters to vendors, customers, and clients, etc. IP owners should never use their trademarks as generic words to avoid dilution.

IP owners should always keep their eyes open for infringements. They should subscribe to trademark watch service to learn of conflicting marks, and, if possible, they should set up an in-house investigators team to detect counterfeiting activities. They can also engage private investigators to conduct general surveys or specific investigations against identified infringers. Reward schemes can also be established to encourage reporting of counterfeiting goods and activities.

In China, it is not uncommon that infringers are IP owners' partners – manufacturers, distributors, joint venturers, etc. IP owners should therefore choose their partners carefully. The provisions of the contracts with their partners should be tight and non-competition clause should be inserted. The contracts should provide for the right of random checks and supervision by IP owners.

It is generally not difficult to get cooperation or court orders for seizing counterfeit goods and prosecute counterfeiters. But in China, the problem of local protectionism can really complicate things. If the counterfeiter is strong in political background and local connections, the IP owner whose rights are infringed should expect to fight an uphill battle with the counterfeiter.

If IP owners learn their marks are being infringed, they should take action immediately to minimize negative impact on sales and damage to the marks. IP owners can choose to take civil action against the infringers or complain to the authorities to urge them to take action or both. The advantage of lodging complaints to the authorities is that they have wide powers of search and seizure, and can make the infringers criminally liable. For serious cases, IP owners should consider private prosecution.

Does China have a system for recording trademarks and copyrights with its Customs Service? Yes. Trademark owners can record their registered trademarks with the Customs. Copyrights have to be registered with the Copyright Protection Center before they can be filed for recordal with Customs.

Effectiveness of the anti-counterfeiting system: China's system still has room to improve. The law does not provide enough deterrence to counterfeiters in some cases: the fines imposed or damages awarded by the courts are usually relatively small as

compared to the gains obtained by counterfeiters. Local protectionism is also one of the major defects in the system. However, the system is continually improving, and the growing number of civil and criminal IP cases demonstrates the increasing determination of the authorities to combat counterfeiting problems.

EUROPEAN UNION—ANTI-COUNTERFEITING LAWS AND
SUGGESTIONS

Anti-Counterfeiting Laws: Yes

Statutory Provision(s): Council Regulation (EC) No 1383/2003 concerning customs action against counterfeit, pirated and other infringing goods which are imported within the EU. There is also Directive 2004/48/EC which harmonises the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights.

Provisions for *ex parte* seizure: Yes. Intellectual Property right owners can notify the customs authorities under Regulation (EC) No 1383/2003 to prohibit entry into the EU and the export or re-export from the EU, of goods infringing: trade marks, copyright, patents, national or Community plant variety rights, designations of origin or geographical indications and geographical designations. The regulation permits authorities to detain any goods which are covered by a notice lodged in accordance with the Regulation. Please note, however, that there are procedural differences between the countries

Provisions for seizure of documents relating to activities: *See* 1.b.

Provisions for seizure of counterfeit labels and certificates of authenticity: Yes.

Regulation (EC) No 1383/2003 expressly covers materials such as labels and business papers / guarantee documents.

Provisions for challenging sale of counterfeit goods via the Internet: Applies on a country-by-country basis.

Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: We always recommend to our clients to notify customs authorities so as to prevent the infringing goods from reaching the market. Where the infringing goods have already reached the market, we usually involve the local government officers immediately as they have extensive powers to investigate the matter. Local government officers can also prosecute counterfeiting and piracy cases.

Does the European Union have a system for recording trademarks and copyrights with its Customs Service? Yes. *See* 1.b and c above.

Effectiveness of the anti-counterfeiting system: In our experience, the system of notification which is available to intellectual property rights owners in the UK is reasonably effective and it is generally a good way of preventing infringing goods from being released on the market. Its efficacy elsewhere in the EU is variable and depends on the enthusiasm of the local customs officers.

Notes and comments: Local government officers have sometimes complained that the right holders did not provide them with sufficient support and resources once a case had been referred to them. Companies should therefore be reminded that they need to get more involved in the investigation and prosecution of counterfeit cases. Furthermore, a recent European Union study revealed that 50% of all counterfeits entering the European Union originate in China, emphasizing the importance of establishing an international anti-counterfeiting strategy and actions.

HONG KONG—ANTI-COUNTERFEITING LAWS AND SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): Trade Marks Ordinance (Chapter 559); Trade Descriptions Ordinance (Chapter 362); Copyright Ordinance (Chapter 528); Prevention of Copyright Piracy Ordinance (Chapter 544); Patent Ordinance (Chapter 514); Registered Designs Ordinance (Chapter 522); and Common Law/Case Law for Passing Off

Provisions for *ex parte* seizure: Yes. Officers are authorized by the Customs and Excise Department (“C&E”) under the Trade Descriptions Ordinance to enter any premises other than domestic premises to seize or detain any goods for the purpose of ascertaining whether a counterfeiting offence has been committed. The C&E can also require any person carrying on a trade or business to produce documents relating to the trade or business and make copies of them. For copyright infringements, an authorized officer has even greater powers under the Copyright Ordinance: He can break into any premises including domestic premises without a warrant if the delay necessary to obtain a warrant could result in the loss or destruction of evidence or it would not be reasonably practicable to obtain a warrant. While the C&E Department may take action for trademark and copyright infringements, it will not handle patent and registered design infringements.

There is no statute providing for *ex parte* seizure for IP owners. However, based on Common Law, an IP owner whose rights have been infringed may apply *ex parte* to the court for an Anton Pillar Order to enter the infringer’s premises to seize goods and documents with evidential value.

Provisions for seizure of documents relating to activities:

Provisions for seizure of counterfeit labels and certificates of authenticity:

Provisions for challenging sale of counterfeit goods via the Internet: There is no law specifically dealing with the sale of counterfeit goods via the Internet. However, it is well covered by the existing IP law.

2. Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: In Hong Kong, passing off actions are more difficult to bring than a registered trademark infringement action. The owner must prove it has established a reputation in the mark and that damage has been or will be caused by the infringer. It is therefore highly recommended that trademark owners register their trademarks as soon as possible in order to get

full protection under the law. It is also very important to let the public know the marks are trademarks. TM and ® symbols should also be put beside marks to make it clear to the public that they are trademarks (pending registration or registered) and protected by the law. Employees, distributors, agents and general public should be educated to recognize the trademarks by means of company directives, in-house training, internal memos, notice in product brochures, advertisements, warning notices, newsletters to vendors, customers, and clients, etc. IP owners should never use their trademarks as generic words to avoid dilution.

IP owners should always keep their eyes open for infringements. They should subscribe to trademark watch service to avoid conflicting marks. If possible, they should set up an in-house investigators team to detect counterfeiting activities. If not possible or cost-efficient, they can also engage private investigators to conduct general surveys or specific investigations against identified infringers. Reward schemes can also be established to encourage reporting of counterfeiting goods and activities.

In Hong Kong, although the Customs and Excise Department is very efficient and effective in combating counterfeiting activities, it is sometimes reluctant to take action without all necessary evidence due to the liability to which they may be exposed and the bad publicity if action were taken wrongly. Moreover, it may receive hundreds of complaints a day and have thousands on hand. Thus, there is a chance that it may not be able to respond to the complaints promptly and the situation could get worse. IP owners should therefore, in addition to filing complaints to the Customs, consider taking civil action to stop the infringing acts quickly and obtain compensations which the Customs has no power to order the infringers to pay.

Does country have a system for recording trademarks and copyrights with its Customs Service? Hong Kong does not have a system for recording trademarks and copyrights with its Customs Service. However, Customs takes a proactive approach in combating counterfeiting activities. When Customs inspectors suspect that goods being imported or exported are counterfeits, they will on their own initiative conduct investigation like checking with the trademark database.

Effectiveness of the anti-counterfeiting system: For a system to be effective, it requires a concerted effort by the law, authorities, IP owners, IP lawyers and public. Hong Kong's system, is generally effective. The law is consistent with the highest international standards, adjustments obtained from the courts can be enforced smoothly. The authorities are efficient and effective, and dedicated to

protect IP rights. IP owners are becoming more and more aware of their rights. Awareness of and respect for IP rights among the public are increasing. Moreover, there are many IP lawyers in Hong Kong who are competent and knowledgeable. They play an important role in safeguarding the rights of IP owners, at least in a way that expensive legal costs deter infringers or potential infringers from counterfeiting or being non-cooperative. The Customs Service has also taken an active part in protecting IP rights in Hong Kong. The number of IP infringement activities has been decreasing for the past few years due to repeated and vigorous enforcement actions by Customs.

MALAYSIA—ANTI-COUNTERFEITING LAWS AND SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): Trade Descriptions Act 1972 and the Copyright Act 1987.

Provisions for *ex parte* seizure? Yes.

Provisions for seizure of documents relating to activities: Yes.

Provisions for seizure of counterfeit labels and certificates of authenticity: Yes.

Provisions for challenging sale of counterfeit goods via the Internet: No.

Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: Our government always emphasizes the need for educating the public in relation to counterfeiting issues. Educational campaigns have been held for traders who are ignorant of the consequences of dealing in counterfeit products. Further, advertisements and warning notices have been published in the local media for the purposes of educating the public. Such orders and enforcement are not difficult under the Statutes.

Does Malaysia have a system for recording trademarks and copyrights with its Customs Service? Not formally.

Effectiveness of the anti-counterfeiting system: Our laws are very much in place to target counterfeiting activities. The authorities are also stepping up their enforcement efforts against counterfeiting activities.

Notes and comments: We believe that central to a successful anti-counterfeiting strategy is establishing a long term educational and publicity drive to inform people of the dangers and evils brought about by counterfeiting practices as awareness is still very low in Malaysia.

PHILIPPINES—ANTI-COUNTERFEITING LAWS AND SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): The laws enforcing anti-counterfeiting in the Philippines are Republic Act No. 8293, otherwise “*Intellectual Property Code*”, in relation to Bureau of Customs Administrative Order No. 6-2002 (Rules and Regulations Implementing R.A. 8293, in relation to the Trade Related Aspects of Intellectual Property Rights Agreement), Bureau of Customs Special Order No. 24-2002 (Creation of an Interim Intellectual Property Unit) and Supreme Court Administrative Matter No. 02-01-06 (Rule on Search and Seizure in Civil Actions for Infringement of Intellectual Property), Republic Act No. 9239, otherwise “*An Act Regulating Optical Media, Reorganizing for the Purpose the Videogram Regulatory Board, Providing Penalties Therefore, and For Other Purposes*”.

b. Provisions for *ex parte* seizure: Under Bureau of Customs Administrative Order

No. 6-2002, there can be no *ex parte* seizure of counterfeit goods. However, there is a procedure for an *ex parte* suspension of release of goods prior to seizure. In this instance, if the Intellectual Property Rights (IPR) Holder/Owner recorded its intellectual property rights with the IPR Registry of the Bureau of Customs, the Bureau of Customs may issue on its own initiative, upon reliable information, alert or hold order against imports suspected to contain infringing goods. On the other hand, if the intellectual property rights of an IPR Holder/Owner is not registered with the Bureau, the IPR holder/owner may request in writing from the Commissioner of Customs or the District Collector of Customs for the issuance of an alert or hold order on goods suspected to be infringing.

Articles placed under Hold or Alert Orders shall be examined by the assigned customs examiner in the presence of the IPR owner/holder or his agent and the consignee or his duly authorized representative within 24 hours from receipt of notice of alert or holder order. At this point, either the hold or alert order will be lifted or the matter shall be referred to the Collector of Customs for the issuance of a Warrant of Seizure and Detention against shipment.

Nonetheless, pursuant to the same Administrative Order, the Bureau reserves the right to conduct on its own initiative random inspection of goods/shipments under existing regulations on the issuance of alert or hold orders, in connection with the discharge of its police functions over imports and exports.

Similarly, Supreme Court Administrative Matter No. 02-01-06 Provisions for the provisional *ex parte* seizure and impounding of

documents and articles in pending and intended civil actions for the purpose of preventing infringement and preserving relevant evidence in regard to alleged infringement under Republic Act No. 8293. Upon application with the appropriate Regional Trial Court and examination by the Court, where delay is likely to cause irreparable harm or where there is demonstrable risk of evidence being destroyed, the Court may issue an *ex parte* writ of search and seizure directing the infringing party to admit the persons named in the writ to search and seize any article or document specifically named in the writ.

Provisions for seizure of documents relating to activities:

Provisions for seizure of counterfeit labels and certificates of authenticity: As noted above, as long as the Court is satisfied in its examination of the applicant and the witnesses he may produce, it may order for the seizure of counterfeit labels and certificates of authenticity.

Provisions for challenging sale of counterfeit goods via the Internet: Currently, the matter of challenging sales of counterfeit goods over the Internet is not specifically covered by Philippine statutes and regulations

Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods:

Does the Philippines have a system for recording trademarks and copyrights with its Customs Service? Under with Bureau of Customs Administrative Order 6-2002, the Bureau of Customs maintains an IPR Registry where IPR Holders may record their IPR together with other relevant information that the Bureau may use for the effective implementation and enforcement of this order. Upon the submission of certain documents specified therein together with the recordation fee, the Bureau can then monitor and inspect on its own initiative suspect imports to determine whether or not they are liable to seizure and forfeiture pursuant to law. An Intellectual Property Unit in the said bureau has been created pursuant to Bureau of Customs Special Order No. 24-2002 in order to take charge of IP border control policies set forth by the Bureau of Customs.

Effectiveness of the anti-counterfeiting system: We are of the opinion that there is a further need for improvement on the enforcement of IP rights. However, our current system has led to the removal of the Philippines from the Priority Watch List of the U.S Trade Representative.

THAILAND—ANTI-COUNTERFEITING LAWS AND SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): There is no specific anti-counterfeiting law in Thailand. Nevertheless, there are anti-counterfeiting aspects to IP-related laws such as the Trademarks Act, the Patents Act and the Copyright Act. Moreover, the Penal Code and the Civil and Commercial Code also contain provisions applicable to counterfeiting.

Provisions for *ex parte* seizure: The foregoing laws, combined with the Criminal Procedure Code and the Customs Act, allow the police, Customs officials and officials of the Department of Intellectual Property to have the authority to seize counterfeit goods and documents relating to counterfeiting activities.

Provisions for seizure of documents relating to activities: *See* 1.b. above.

Provisions for seizure of counterfeit labels and certificates of authenticity: Counterfeit labels and certificates of authenticity can be seized. They are treated as counterfeit materials.

Provisions for challenging sale of counterfeit goods via the Internet: There is no law that expressly provides grounds for challenging the sale of counterfeit goods via the Internet. However, the laws mentioned above can be interpreted to be applicable to such sale.

Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: An anti-counterfeiting campaign usually has to be carried out continually for a considerable period of time to be effective. For example, one of our campaigns once went on for almost six months, during which time raids were conducted about twice a week. All targets were retailers in big shopping areas. Counterfeit goods bearing our clients' marks almost disappeared from the market after that as the vendors realized that the mark owners were very serious about protecting their marks. It is not difficult to get cooperation from the law enforcement authorities, especially if you have good relationship with them.

Does Thailand have a system for recording trademarks and copyrights with its Customs Service? We have a system for recording trademarks with Customs. However, it does not appear to be very helpful. Even if a trademark owner has their trademarks lodged with the Customs Dept., there is no guarantee that the Customs Dept. will monitor and intercept counterfeit goods for them. Most of the time, Customs officials conduct random searches. On the other hand,

Customs officials do seize counterfeit goods for trademark owners who have never lodged their trademarks with the Customs Dept. When Customs officials find a shipment of goods which they believe to be counterfeit, they contact the Department of Intellectual Property to find out who the Thai agent for the trademark owner is and then contact the Thai agent. Therefore, it is fair to say that lodging one trademark with the Customs Dept. is somewhat useless because it does not make any difference.

Effectiveness of the anti-counterfeiting system: *See 3.*

Notes and comments: Continuity is the key. For a campaign to be effective, the trademark owner must keep it going until the infringers realize that it is no longer profitable to make and/or sell counterfeits bearing that particular brand.

UNITED KINGDOM—ANTI-COUNTERFEITING LAWS AND
SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): The Trade Marks Act 1994 lays down criminal offences specific to counterfeiting and piracy in relation to registered trade marks. There is also the Copyright, Designs and Patents Act 1988 which lays down criminal offences for making or dealing with infringing articles of copyrighted works.

Provisions for *ex parte* seizure: Yes. Local government officers have powers to make test purchases and to enter premises to inspect and seize goods and documents. In addition, the Copyright, Designs and Patents Act 1988 Provisions that the copyright owner may, in certain circumstances, seize and detain an infringing copy of a work which is found exposed or otherwise immediately available for sale or hire.

Provisions for seizure of documents relating to activities: Yes.

Provisions for seizure of counterfeit labels and certificates of authenticity: Yes, under the Trade Marks Act of 1994.

Provisions for challenging sale of counterfeit goods via the Internet: Yes. The provisions of the Trade Marks Act 1994 and of the Copyright, Designs and Patents Act 1988 are capable of applying to the sale of counterfeit goods on the Internet.

Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: We always recommend that clients notify customs authorities so as to prevent the infringing goods from reaching the market. Where the infringing goods have already reached the market, we usually involve the local government officers immediately as they have extensive powers to investigate the matter. Local government officers can also prosecute counterfeiting and piracy cases.

Does the United Kingdom have a system for recording trademarks and copyrights with its Customs Service? Yes. *See* 1.b. and c. above.

Effectiveness of the anti-counterfeiting system: In our experience, the system of notification which is available to intellectual property rights owners in the UK is reasonably effective and it is generally a good way of preventing infringing goods from being released on the market.

Notes and comments: Local government officers have sometimes complained that rights holders did not provide them with sufficient support and resources once a case had been referred to them.

Companies should therefore be reminded that they should get more involved in the investigation and prosecution of counterfeit cases.

VIETNAM—ANTI-COUNTERFEITING LAWS AND SUGGESTIONS

Anti-Counterfeiting Laws

Statutory Provision(s): There is no specific Anti-Counterfeiting Law available in the Republic of Vietnam. However, the infringement of intellectual property rights relating to counterfeit goods is covered by several laws, including the new IP Law 50/2005²²⁵ and the Criminal Code.²²⁶

Provisions for *ex parte* seizure: Yes, under the Vietnam IP Law, Article 206 which states “the court shall decide to apply provisional measures (including seizure of counterfeits) at the request of the IPR holder before listening to the opinion of the party on which such provisional measures are imposed.”

Provisions for seizure of documents relating to activities: There are no official regulations relating to seizure of documents in connection with counterfeiting activities. However, documents and materials proving the counterfeiting activities include: Original or legal copy of description documents, sample and photographs of the sample or genuine products; Sample, photographs and image records of infringing products; Documents of explanation and comparison of genuine and infringing products; and Minutes, statements and other documents or materials evidencing the counterfeiting activities.

Provisions for seizure of counterfeit labels and certificates of authenticity: Yes. The seizure of counterfeit labels is provided for under Decree 175/2004/ND-CP on sanctions against administrative violations in commerce (Art. 19). Seizure of certificates of authenticity are not addressed in any laws in Vietnam.

Provisions for challenging sale of counterfeit goods via the Internet: The act of sale of counterfeit goods via the Internet would be considered as infringement of IPRs and may be subject to administrative, civil, or criminal sanctions depending on the nature and level of infringement.

Suggestions for investigating, preventing, or pursuing counterfeiting activities, and difficulties in obtaining cooperation or court orders to seize counterfeit goods: Respondent suggests the

225. Intellectual Property Law 50/2005 Provisions: Articles 211 (Acts of infringement of IPRs subject to administrative remedies), 212 (Acts of infringement of IPRs subject to criminal remedies), 213 (Intellectual property counterfeit goods), and 214 (Administrative measures and remedies).

226. Articles of the Criminal Code relating to counterfeiting include: Articles 156 (the crime of manufacturing or trading fake goods), 157 (the crime of manufacturing or trading counterfeit goods), 158 (the crime of manufacturing or trading fake goods which are foods for animals, fertilizers, veterinary preparations or insecticides), and 171 (the crime of infringement of IPR).

following actions be taken to deal with counterfeiting activities:

Investigate the sale of Counterfeit Products in the market. This investigation aims to obtain some necessary information on the infringers (name, address, owner or legal representative of the shops, whether the infringing products are available for sale, price of counterfeits, etc. This step is important in determining which further actions should be taken, to what extent, and how to organize them. In order to make sure the counterfeits or facilities and means used for their manufacture shall not be dispersed, hidden or destroyed by the infringers before they can be detained by the enforcement authorities, the investigation should be conducted under strict confidential conditions.

Obtain an expert opinion or official confirmation of IPR infringement from the National Office of Intellectual Property of Vietnam at the same time they conduct their own investigation. This confirmation can serve as the legal basis for subsequent settlement of the counterfeiting acts.

As soon as an infringer is located and the NOIPS's confirmation is available, a raid shall be organized officially by the State enforcement agency onto the premises of the infringer. In practice, it is difficult to get cooperation or court orders for seizing counterfeit goods as well as to prosecute counterfeiting due to the poorness of the knowledge and experience in intellectual property. Also, it should be noted that to date there have been a few IPR infringement cases brought before the Vietnamese courts. As a matter of fact, resorting to administrative procedures and remedies to repress IPR infringement is still regarded as more effective for the time being. Cooperation with the administrative bodies such as economic police and Market Control Forces plays a significant role in dealing with IPR infringement in general and with counterfeits in particular. In general, administrative, civil and criminal remedies are available to enforce IPRs in cases of infringement as well as in dealing with IP counterfeits. However, administrative procedures are currently the most effective way in terms of cost-effectiveness and expediency. Also, apart from asking for a monetary fine, the plaintiff cannot claim for any damages under such administrative procedures, although the monetary fines provided for under the Vietnam Law are punitive enough to prevent potential infringement (*the fine imposed shall be at least equal to the value of the discovered infringing goods but not exceed five times of that value.*)

In practice, there are a very limited number of cases brought before the court of

Vietnam and the non-punitive remedies ordered by the courts *Seem*

not to be satisfying the plaintiffs. The reason that IPR holders do not want to pursue lawsuits is the weakness of the court system in Vietnam. Especially, there is not any court specialized in intellectual property cases and the knowledge and experience in intellectual property area of the judges is very poor.

However, there is a Government plan to improve the IPR enforcement system in Vietnam, wherein the role of the court in enforcement of IPRs will be particularly appreciated and a specialized IP court is expected to be established very soon.

In addition, *only serious IPR infringement cases* can be sanctioned under jurisdiction of criminal courts. Practically in Vietnam, the settlement of IPR infringing goods via criminal procedures may be determined by the Vietnamese procedural conducting bodies that include Criminal Courts, Procureuses and Investigators depending on the seriousness of the infringements regardless of the request of the IPRs holders.

Does country have a system for recording trademarks and copyrights with its Customs Service? There is no system for recording trademarks and copyrights with its Customs Services. However, IPR holders may submit a request to Customs Office for supervising the export and import of products in which it owns the IPRs. In particular, IPR holders may provide documents proving their intellectual property rights and a list of its authorized distributors to the Customers Office. The Customs Offices send this information to most Border Gates in Vietnam for controlling the export and import of products.

Effectiveness of the anti-counterfeiting system: In practice, it is difficult to get cooperation or court orders for seizing counterfeit goods as well as to prosecute counterfeiting due to the poorness of the knowledge and experience in intellectual property. Also, it should be noted that to date there have been a few IPR infringement cases brought before the Vietnamese courts. As a matter of fact, resorting to administrative procedures and remedies to repress IPR infringement is still regarded as more effective for the time being. Cooperation with the administrative bodies such as economic police and Market Control Forces plays a significant role in dealing with IPR infringement in general and with counterfeits in particular. In general, administrative, civil and criminal remedies are available to enforce IPRs in cases of infringement as well as in dealing with IP counterfeits. However, administrative procedures are currently the most effective way in terms of cost-effectiveness and expediency. Also, apart from asking for a monetary fine, the plaintiff cannot claim for any damages under the Vietnam Law are punitive enough to

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