

Online Counterfeiting: Combating the Exploding Worldwide Threat

Policing and Protecting Brands to Enforce IP Rights Against
Counterfeiters and Secondary Infringers

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Today's faculty features:

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Online Counterfeiting: Combating the Worldwide Threat

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Agenda

- Scope and nature of the problem
- Laws and remedies
- Assessing your company's risk
- Building and operating an enforcement program
- Examples of enforcement actions
- Enlisting help from law enforcement
- Recent developments

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SCOPE AND NATURE OF THE PROBLEM

Counterfeit Trademark

- A spurious (i.e., not genuine) mark identical with or substantially indistinguishable from a registered mark
 - Trademark Act of 1946, as amended, 15 U.S.C. §1127; see also 15 U.S.C. §1116(d)

Trademark Counterfeit Goods

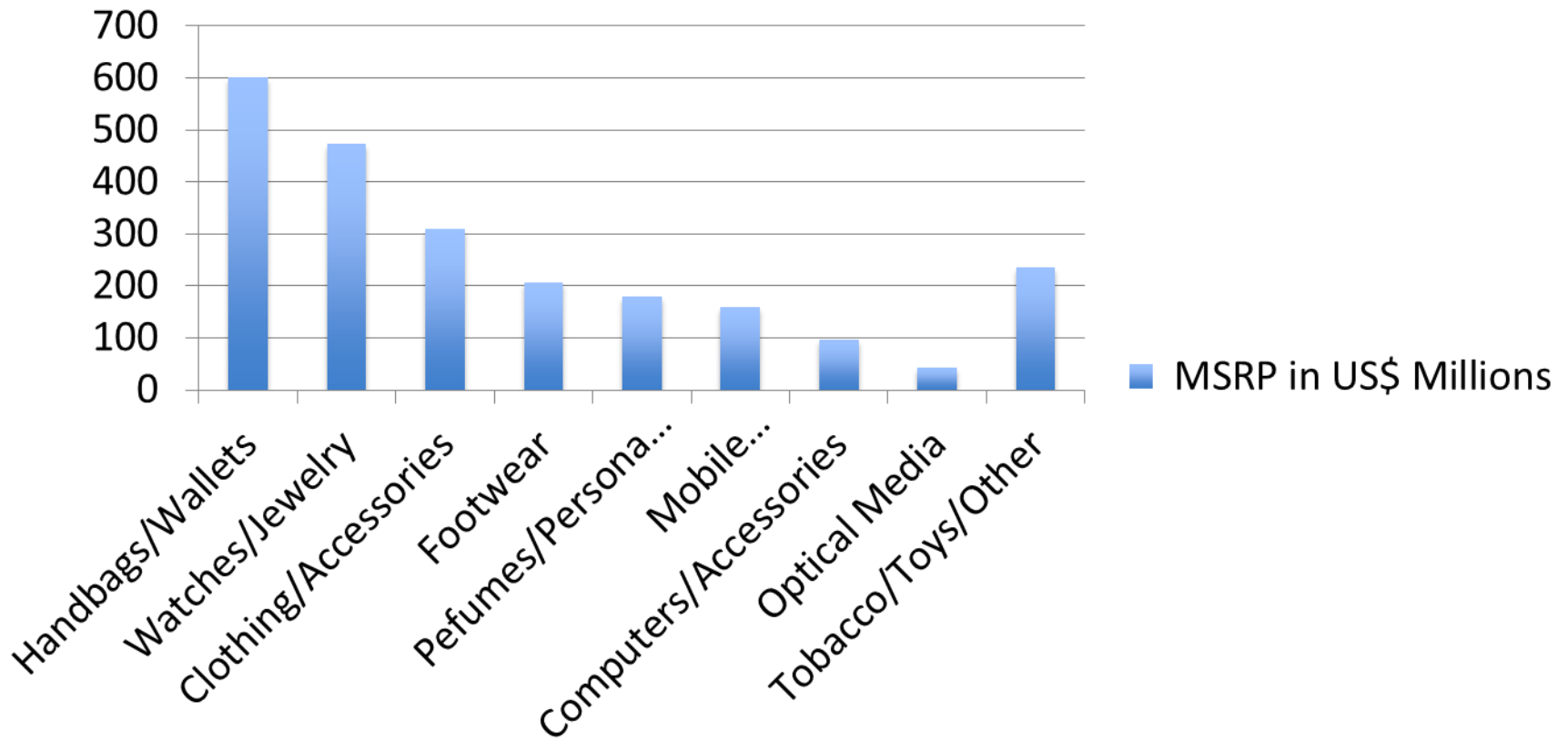
- Any goods or packaging bearing without authorization a trademark identical to or which cannot be distinguished from a validly registered trademark
 - TRIPS Agreement Article 51 n. 14(a)

Copyright Pirated Goods

- Copies made without consent of the right holder in the country of production that infringe copyright or related rights in the country of importation.
 - TRIPS Agreement Article 51 n.14(b)

Market Value of Seized Counterfeits

2012 IPR Seizures by US and EU Customs



Other Counterfeited Items

- Counterfeit cell phones
- Air purifiers (false UL certification)
- Fire hose nozzles (false UL certification)
- Automobiles and components
- Diagnostic equipment
- Manufacturer retail coupons

Challenges to Enforcement

- Concealed identities of infringers
- Concealed locations of infringers
- Global reach from countries with poor laws and enforcement
- Resilience of infringers to disruption
- Dependence on intermediaries for enforcement

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LEGAL PROHIBITIONS AND REMEDIES

Civil Prohibitions and Remedies

- Trademark Act of 1946 as amended, 15 U.S.C. §1114 - §1118 and §1125(a)(1) and (b)
- Copyright Act of 1976 as amended, 17 U.S.C. §501- §504
- Copyright Protection and Management Systems, 17 U.S.C. §§1201- 1205
- State anti-counterfeiting, record bootlegging, true name and address statutes, and criminal simulation laws

Key Anticounterfeiting and Antipiracy Remedies

- Seizure of counterfeit marks and goods and copyright infringements
 - Trademark Act, 15 U.S.C. §1116(d)
 - Copyright Act, 17 U.S.C. §503(a)
 - Fed. R. Civ. P. 65
- Destruction of counterfeit and infringing articles
 - Trademark Act, 15 U.S.C. §1118
 - Copyright Act, 17 U.S.C. §503(b)
- Enhanced damages and statutory damages for use of counterfeit marks and for willful copyright infringement
 - Trademark Act, 15 U.S.C. §1117(b) and (c)
 - Copyright Act, 17 U.S.C. §504(c)(2)

Border Control Remedies

- Trademark Act of 1946 as amended, 15 U.S.C. §1124 and §1125(b)
- Copyright Act of 1976 as amended, 17 U.S.C. §602 - §603
- Tariff Act of 1930 as amended, 19 U.S.C. §1526(a)

Criminal Prohibitions and Penalties

- Trafficking in Counterfeit Goods or Services, 18 U.S.C. §2320
- Trafficking in Counterfeit Labels, 18 U.S.C. §2318 - §2319B and §2323
- Copyright Act of 1976 as amended, 17 U.S.C. §505

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ASSESSING YOUR BUSINESS RISK

Risk Factors Checklist

- Digital or physical format
- High ratio of retail price to cost of goods
- Quality difficult for consumer to ascertain
- Manufacturing in China
- Shipping through Hong Kong and UAE
- Distribution channels
- Contractual or other legal obligation to enforce

Assessing Your Risk

- Interview supply chain managers, sales representatives, distributors, and licensees
- Review supplier manufacturing records
- Inspect conventional and discount retail channels
- Monitor trade publication advertising
- Monitor online marketplaces, cyber lockers, and peer-to-peer services
- Make and inspect test purchases

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BUILDING AND OPERATING AN ENFORCEMENT PROGRAM

Developing an Enforcement Strategy

- Review findings of risk assessment
- Identify key intellectual property for enforcement
- Identify priority problems for enforcement
- Set clear objectives and measurements
- Secure funding and personnel appropriate for program

Enforcement Program Objectives

- Reduce lost sales
- Safeguard product reputation
- Protect consumers
- Satisfy contractual obligations to licensees and distributors
- Manage legal risk arising from counterfeits

Enforcement Program Requirements

- Support from senior management
- Clear strategy and objectives
- Ongoing budget appropriate for strategy
- Authority to operate program
- Cooperation from manufacturing, marketing, and data protection teams
- Experienced enforcement team

Staffing Your IP Enforcement Team

- Assemble staff and/or vendors involved with IP with range of functions and profiles
- Business functions
 - R&D, manufacturing, distribution, sales, marketing, and legal
- Experience profiles
 - Product assurance, IP enforcement, law enforcement, Internet and information technology, and data protection

Enforcement Program Capabilities

- Protect key intellectual property
- Monitor advertising, supply, and distribution channels
- Investigate suspected infringement
- Take range of legal action
- Gather information and assess results
- Adapt to changing counterfeiting and piracy practices
- Coordinate global approach

Enforcement Program Budgeting

- Continuity and reliable funding is required for results
- Important budget items
 - Online monitoring and forensics
 - Investigators to inspect markets, identify suspected infringements and potential targets
 - Product authentication and forensics
 - Legal staff or outside counsel to take action
 - Legal action costs and expenses
 - Criminal case support
 - Training program costs and expenses
 - Trade association participation

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EXAMPLES OF ENFORCEMENT ACTIONS

Notice and Take-Down by Intermediaries

- Statutory procedures
 - DMCA safe harbors for ISPs and information location tools, Copyright Act, 17 U.S.C. §512
- Retailer and service provider programs
 - eBay Verified Rights Owner Program (VeRO)
 - Amazon Selling Policies - Prohibited Content
- Payment processors
 - VISA Merchant IP Abuse Program

Civil Litigation Examples

- Online Downloading
 - *BMG Music v. Gonzalez*, 430 F.3d 888 (7th Cir. 2005)
- Scope of Injunction
 - *Davidoff et Cie SA v. PLD Int'l Corp.*, 263 F.3d 1297 (11th Cir. 2001)
 - *SKS Merch LLC v. Barry*, 223 F.Supp.2d 841 (E.D. Ky. 2002)
 - *Capitol Records, Inc. v. Thomas-Rasset*, 692 F.3d 899 (8th Cir. 2012)
- Statutory Damages
 - *Capitol Records, Inc. v. Thomas-Rasset*, 692 F.3d 899 (8th Cir. 2012)
 - *Sony BMG Music Entertainment v. Tenenbaum*, 660 F.3d 487, 100 U.S.P.Q.2d 1161 (1st Cir. 2011), cert. denied, 132 S. Ct. 2431 (2012)
- Secondary liability
 - *Coach Inc. v. Goodfellow*, 717 F.3d 498 (6th Cir. 2013)
 - *Columbia Pictures Industries, Inc. v. Fung*, 710 F.3d 1020 (9th Cir. 2013)

Border Enforcement Actions

- *August 27 2013* - US Customs and Border Protection (CBP) and Consumer Product Safety Commission target counterfeit consumer products from China
 - Seized nearly \$4 million in counterfeit razor blades, toys, batteries, sunglasses, and markers
 - Targeted using CPSC-defined health and safety rules
- *July 31, 2013* – U.S. and China customs authorities conduct first joint IP enforcement operation
 - Seized nearly a quarter million counterfeit consumer electronics products
 - Counterfeit APPLE, SAMSUNG, SONY, UL, and BEATS BY DR. DRE trademarks

Criminal Enforcement Actions

- *2010 to Present* - Operation in Our Sites
 - Ongoing operation launched by federal law enforcement in 2010
 - 13 investigations focused on specific products
 - Targeted websites selling counterfeit and pirated products for prosecution
 - As of June 2013, over 1,700 domain names and over \$3 million seized
 - Used 18 U.S.C. § 981(k) in first ever seizure of counterfeit proceeds from Bank of China correspondent accounts

Criminal Enforcement Actions

- *June 2013 - Operation Pangea VI*
 - Focused on Internet marketing of counterfeit medicines in 100 countries
 - 175 investigators coordinated by INTERPOL and World Customs Organization
 - Supported by Center for Safe Internet Pharmacies and payment processors
 - Resulted in 58 arrests and seizure of 58,000 packages containing \$41 million in counterfeit antibiotics, antidepressants, food supplements, and cancer medications
 - Shut down over 9,000 websites linked to illegal online pharmacies

Criminal Enforcement Actions

- *July 2012* –Counterfeit Coupon Bust
 - Eight-week investigation by Phoenix AZ police
 - Arrested three women for selling counterfeit manufacturers coupons online
 - Seized estimated \$40 million in counterfeit coupons

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ENLISTING HELP FROM LAW ENFORCEMENT

When to Contact Law Enforcement

- Civil and administrative actions would not be effective
- Counterfeiters and pirates are outside civil jurisdiction
- Criminal action could get greater and/or quicker results
- Evidence from internal investigation is still fresh

Law Enforcement Agencies

- Federal agencies
 - FBI, CCIPS, ICE, US Postal Inspector, Secret Service, National IPR Center
- State agencies
 - State police, state attorney general
- Local agencies
 - County sheriff
 - Local police departments

Requirements for Referring an Action

- Investigative dossier
 - Keep detailed and reliable records
 - Preserve and secure evidence
 - Document chain of custody
 - See *CCIPS Checklist for Reporting Intellectual Property Crime*
- Present targets attractive to law enforcement
 - Risk to health and safety, national security, or trade secrets
 - Potential for multiple arrests, large seizures, and deterrent publicity

What to Expect Once Your Refer

- Loss of control over investigation and case
- Forego potential for settlement and civil judgment
- Responsibility to support investigation, raids, criminal prosecution, and sentencing

Support Expected by Law Enforcement

- Briefings and training on your particular counterfeiting or piracy problem
- “Comfort” letters
- Raid support, evidentiary analysis, and valuation
- Prosecution support, including pre-trial affidavits, evidence, and expert testimony
- Sentencing support, including victim impact statements
- Publicity

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RECENT DEVELOPMENTS

Federal Laws

- FDA Safety and Innovation Act of 2012, Pub. L. 112-144
 - Authority to require drug manufacturers to notify FDA when their drugs are counterfeited
- National Defense Authorization Act of 2012, Pub. L. 112-81
 - Authority for CBP to provide information about suspected counterfeit goods with trademark owners
 - Authority for increased criminal and government contract penalties for providing counterfeit goods and services to U.S. military and national security agencies

Recent Private Sector Initiatives

- *July 15, 2013* – Online advertisers announce best practices to reduce advertising revenue to web site operators engaged in significant piracy and counterfeiting
- *February 25, 2013* - ISPs and recording and film industries launch Copyright Alert System to monitor peer-to-peer networks, send educational notices to suspected infringers, and impose sanctions short of termination

International Law Enforcement

- *Sept. 24-25, 2013* – Europol and INTERPOL launch biannual meetings to improve international investigation of online crimes
- *March 12, 2013* - INTERPOL announces new initiative to combat counterfeit pharmaceuticals
 - Nearly 30 pharmaceutical companies pledge over \$6 million to fund Pharmaceutical Industry Initiative to Combat Crime

State Law Developments

- *October 1, 2013* – First counterfeit air bag law takes effect
 - Connecticut Public Act No. 13-282
 - Makes it a felony to knowingly install, manufacture, import, reinstall or sell counterfeit automotive airbags
 - Prohibits installing a device to alter the vehicle's diagnostic system to make a counterfeit airbag appear functional
- *September 24, 2013* – Council of State Governments adopt model law to prohibit counterfeit automotive air bags
 - Supported by Association of Global Automakers Association and Automotive Recyclers Association

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CONCLUSION