

The PRO IP Act: Getting Tough With Traffickers of Counterfeit Goods

By Thomas Carey, Partner

On October 13, 2008, President Bush signed the PRO IP Act, which is aimed at deterring traffic in goods bearing unauthorized trademarks (“counterfeit goods”) and unauthorized copies of works protected by copyright (“pirated goods”).

According to the House Judiciary Report, intellectual property theft costs the United States between \$200 billion and \$250 billion annually, and results in the loss of 750,000 jobs. The report notes that counterfeit goods involve safety risks, as epitomized by the distribution in 2007 of counterfeit toothpaste containing diethylene glycol, an ingredient found in antifreeze. Fake pharmaceuticals and airplane parts also find their way to the US marketplace, resulting in further hazard.

The PRO IP Act tightens the screws on counterfeiters and pirates by making nine important changes to the trademark and copyright laws. The Act:

1. Doubles the amount of statutory trademark damages available in a civil action, with a new maximum of \$2 million for willful infringement;
2. Revises the criminal copyright statute by providing for imprisonment for up to 20 years if a violation causes serious bodily harm, and imprisonment for life if the offender knowingly or recklessly causes death;
3. Permits criminal prosecution of pirates even if there is no copyright registration in effect with respect to the work that has been pirated;
4. Authorizes the court to impound not only pirated goods, but also records documenting the manufacture, sale, or receipt of these goods;
5. Authorizes the award of treble damages not only against counterfeiters but against persons who aid or abet them. These aiders and abettors are those who provide goods or services with the intention that the recipient use them for creating the counterfeit goods;
6. Makes the exportation of pirated goods from the US an act of infringement in the same manner that importation is now an act of infringement;
7. Makes transshipment of pirated goods through the US and export of such goods from the US a criminal violation;
8. Provides that immaterial errors in a copyright office certificate of registration will not prevent the pursuit of a civil infringement claim; and
9. Calls upon courts to order the counterfeiter or pirate to pay restitution to any victim of the offense. The Act introduces procedural protections designed to avoid use of forfeiture and other remedies against innocent suppliers whose goods or services are misused.

The PRO IP Act also establishes a new Intellectual Property Enforcement Coordinator (“IPEC”), to be appointed with the advice and consent of the Senate and serve within the Executive Office of the President. This provision was resisted by the Bush administration, which viewed the required structure as a violation of the separation of powers. Nonetheless, President Bush signed the bill. The IPEC is required to chair an inter-agency IP enforcement committee and coordinate the development of a joint strategic plan against counterfeiting and piracy.

The Act also authorizes the creation of new staff positions within the FBI to focus on intellectual property crimes; directs that ten new IP attachés be posted in US embassies abroad; and authorizes a GAO study on improving the protection of manufacturers’ intellectual property.

The PRO IP Act represents an evolutionary change, strengthening the trademark and copyright laws without introducing revolutionary concepts. Still, it may provide substantial assistance to companies plagued by counterfeiters and pirates, and to law enforcement authorities charged with punishing them. ✧

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