

Client Alert

Latham & Watkins
Litigation Department

Copyright and Trademark Reform: Enactment of the Prioritizing Resources and Organization for Intellectual Property Act of 2008

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On October 13, 2008, President Bush signed the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (the PRO-IP Act),¹ amending US federal copyright and trademark law and effectively increasing government oversight of US intellectual property enforcement efforts. The product of a truly bipartisan effort,² the PRO-IP Act was passed by unanimous consent in the Senate and by an overwhelming majority of 381 to 41 in the House at the end of September. Though a controversial provision authorizing the US Attorney General to prosecute civil copyright cases was excised from the bill before it was presented to the President, the legislation as enacted significantly bolsters federal efforts to regulate the protection of American-owned intellectual property.

This *Client Alert* describes the main provisions of the PRO-IP Act, and highlights some of the objectives and criticisms surrounding the more controversial aspects of the legislation.

Counterfeiting and Piracy: A Global Economic Threat

The impetus behind the introduction of the PRO-IP bill stemmed from congressional concern over the effects of piracy, counterfeiting and infringement on, primarily, the US

economy. In presenting the bill that would become, with amendment, the PRO-IP Act to the Senate Committee on the Judiciary, Senator Leahy stated that intellectual property "is critical to our fiscal health and to our continuing dominance of the world economy. This valuable property is also terribly vulnerable; by its very nature, it is subject to numerous types of thievery and misappropriation."³ He further noted that "Americans suffer when their intellectual property is stolen, they suffer when those counterfeit goods displace sales of the legitimate products, and they suffer when counterfeit products actually harm them, as is sometimes the case with fake pharmaceuticals and faulty electrical products."⁴

Companies that regularly face numerous small and large scale infringements, both on US soil and abroad, will benefit most from the PRO-IP Act, as it enlarges the scope of trademark and copyright infringement enforcement efforts on the international stage. As such, proponents of the Act include pharmaceutical firms, software companies, print publishers, and music and film studios, as well as labor unions and industry groups whose leaders seek to protect jobs impacted by international counterfeiting and piracy enterprises.

Examination of the Relevant Provisions

Establishment of Executive Office Enforcement

One of the more controversial features of the PRO-IP Act is the creation of an "Intellectual Property Enforcement Coordinator" (referenced as the "IPEC" in the Act, but commonly referred to as the "Copyright Czar") who would serve within the Executive Office of the President.⁵ Appointed by the President and confirmed by the Senate, the IPEC would report to the President and Congress regarding domestic and international intellectual property enforcement programs,⁶ facilitate the issuance of policy guidance to departments and agencies on basic issues of policy and interpretation,⁷ would chair a newly created interagency intellectual property enforcement advisory committee⁸ and, along with the committee, would coordinate the development, and facilitate the implementation, of a "Joint Strategic Plan against counterfeiting and infringement."⁹

The objectives of the Joint Strategic Plan are, in part, to reduce counterfeit and infringing goods in the domestic and international supply chain, to strengthen the capacity of other countries to protect and enforce intellectual property rights, to work with other countries to establish international standards and policies respecting protection and enforcement of intellectual property rights, and to identify and address structural weaknesses, flaws or impediments to effective enforcement against the financing, production, trafficking or sale of counterfeit or infringing goods.¹⁰

Enhanced Federal Investigative and Forensic Resources

From inception, the House and Senate intellectual property bills were designed to boost the resources and tools available to the US federal

government in its efforts to police and remedy all types of intellectual property infringement. The PRO-IP Act satisfies proponents' desires for the augmentation of federal resources by providing that the Attorney General shall ensure that there are at least 10 additional operational agents of the FBI designated to support the Computer Crime and Intellectual Property Section of the Criminal Division of the Department of Justice in the investigation and coordination of intellectual property crimes.¹¹ Further, the AG is to ensure that any Computer Hacking and Intellectual Property Crime Unit in the DOJ is supported by at least one additional FBI agent, and that all Computer Hacking and Intellectual Property Crime Units located at an office of a US Attorney are assigned, at a minimum, two AUSAs responsible for investigating and prosecuting-related crimes.

Further, the PRO-IP Act allocates additional funding for the investigation and prosecution of intellectual property crimes by appropriating \$10 million a year, for five years, to the Director of the FBI and an additional \$10 million a year, for five years, to the Attorney General for the Criminal Division of the DOJ.¹² Finally, the PRO-IP Act provides for an additional Justice Department grant program, which authorizes \$25 million a year, for five years, to assist state and local law enforcement entities in the "training, prevention, enforcement, and prosecution of intellectual property theft and infringement crimes."¹³

Trademark and Copyright Criminal and Civil Forfeiture Expansion

The PRO-IP Act amplifies the remedy of "forfeiture" in trademark and copyright cases to encompass, for example, not only counterfeit labels and articles to which counterfeit labels have been affixed, under trademark law, or copies or phonorecords created in violation of copyright law, but also any "property used, or intended to be used, in any

manner or part to commit or facilitate the commission of” such a violation.¹⁴ The Act also includes a provision that provides that, with respect to any seizures made under the section, “the court shall enter an appropriate protective order with respect to discovery and use of any records or information that has been seized,” and that the order “shall provide for appropriate procedures to ensure that confidential, private, proprietary, or privileged information contained in such records is not improperly disclosed or used.”¹⁵

Relaxed Copyright Registration Requirements

With respect to threshold copyright registration requirements, which are often criticized as being unduly burdensome in the US, the PRO-IP Act permits a plaintiff to bring an infringement action based on copyright registrations which contain inaccurate information (unless such information was included with knowledge that it was inaccurate and the inaccurate information, if known, would have caused the Register of Copyrights to refuse registration),¹⁶ and eliminates completely the registration requirement for a copyrighted work before the Justice Department can bring a criminal infringement action.¹⁷

Trademark Damages Doubled

The PRO-IP Act significantly enhances damages available under the Lanham Act’s anti-counterfeit provisions. Though the Lanham Act currently provides for treble damages where there is intentional use of a mark by one who knows that such mark is a counterfeit, the Act extends the treble damage award where the violation consists of providing goods or services necessary to the commission of an intentional use under the current statutory scheme, with the intent that the recipient use the goods or services in the proscribed manner.¹⁸ Further, the Act doubles the current statutory damage

scheme with respect to minimum and maximum awards in actions involving counterfeit marks.¹⁹ At the highest end of the spectrum, the Act escalates the maximum statutory award for willful use of a counterfeit mark from \$1 million to \$2 million per counterfeit mark, per type of goods or services sold, offered for sale or distributed.²⁰

Conclusion

While the PRO-IP Act appreciably impacts the enforcement of intellectual property law by the US federal government, despite the removal of some of the more exacting provisions prior to enactment, it can be expected that Congress will continue to monitor the effects of international counterfeiting and infringement and act accordingly. The Act specifically mandates that the US Comptroller General conduct a study to help determine how the federal government could better protect the intellectual property of manufacturers by quantifying the impacts of imported and domestic counterfeit goods on the overall economy of the United States.²¹ The Act further requires the Comptroller General to conduct an audit, within two years of enactment, reporting on possible legislative, administrative or regulatory changes that the Comptroller recommend be taken by or on behalf of the IPEC or the Attorney General to better achieve the goals of the Act and to “enhance the efficiency and consistency with which federal funds and resources are expended to enforce, investigate or prosecute intellectual property crimes.”²²

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Latham & Watkins LLP will monitor the effect the enactment of the PRO-IP Act has on copyright and trademark law both in the US and on the international stage, and can advise clients on the impact of the legislation as it relates to their particular businesses and industries.

If you are interested in further discussion of the issues raised by the PRO-IP Act or would like to obtain a copy of the text of the Act, please contact Perry Viscounty, Mark Finkelstein, Jennifer Barry or Sara Goldfarb.

Endnotes

¹ Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403 (2008).

² In both Congressional houses, intellectual property issues are referred to the Judiciary Committees and, within those committees, to subcommittees with jurisdiction over intellectual property. The House version of the bill was sponsored by House Judiciary Committee Chairman John Conyers (D-MI) and co-sponsored by eight additional Democrats and 10 Republicans, including ranking Republican Judiciary Committee member Lamar Smith (R-Texas). The Senate bill that would become the PRO-IP Act was sponsored by Judiciary Chairman Senator Patrick J. Leahy (D-VT), and received support across party lines from Senators including Arlen Specter (R-PA), George Voinovich (R-Ohio), John Cornyn (R-Texas), Hillary Rodham Clinton (D-NY), Evan Bayh (D-Ind.) and Dianne Feinstein (D-Calif). The significant bipartisan support facilitated the swift progression of the bills through Congress.

³ See 154 Cong. Rec. S 7280 (daily ed. July 24, 2008) (statement of Sen. Leahy).

⁴ Id.

⁵ See Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 301 (2008).

⁶ See id. at § 301(b)(1)(E).

⁷ See id. at § 301(b)(1)(D).

⁸ See id. at § 301(b)(3)(A). The interagency intellectual property enforcement advisory committee would be composed of Senate-confirmed representatives from various departments and agencies, including the Department of Justice (as discussed further below), the United States Patent and Trademark Office, The Food and Drug Administration, the United States Copyright Office, the Office of the United States Trade Representative, the Department of State, the Department of Homeland Security, and the Department of Agriculture. The primary function of the advisory committee is to develop the Joint Strategic Plan against counterfeiting and infringement under Section 303 of the Act, discussed above.

⁹ See id. at § 303.

¹⁰ See id. at § 303(a)(1)-(5).

¹¹ See Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 402(a)(1) (2008).

¹² See id. at § 403(a)(1)(A)-(B).

¹³ See id. at § 401(b).

¹⁴ See id. at §§ 201-207.

¹⁵ See id. at § 206(a).

¹⁶ See id. at § 101.

¹⁷ See id.

¹⁸ See id. at § 103.

¹⁹ See id. at § 104.

²⁰ See id.

²¹ See id. at § 501.

²² See id. at § 502.

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