Intellectual Property Rights Enforcement: The U.S. Perspective

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Discussion Topics

- Why IP enforcement matters
- U.S. Government agencies handling IPR
- StopFakes.gov
- Enforcement options in the U.S.
- Trade secrets
Why IP Enforcement Matters

- **Value** of U.S. intellectual property (2011):
  - USD $5,500,000,000,000 ($5.5 trillion)
  - RMB ¥33,659,725,000,000 (¥33.66 quadrillion)
  (Source: National Crime Prevention Council, U.S. Department of Justice, quoting U.S. Chamber of Commerce)

- **Theft** of U.S. intellectual property (2011):
  - USD $250,000,000,000 ($250 billion)
  - RMB ¥1,529,987,500,000 (¥1.53 trillion)
  - American jobs lost: 750,000
Why IP Enforcement Matters

- Dilution of brands and reputation
- Health and safety concerns
- Fostering criminal enterprises
- **MONEY**: Easily made with relatively low risk
- **Many opportunities for infringement**
- Questionable components entering U.S. markets
- Health and safety: Counterfeit drugs, fast-moving consumer goods, food products
- Trademarks: Luxury goods, pharmaceuticals, electronics, toys, auto parts, and electrical components
- Copyrights: The internet as a source for movies, music, and periodicals
Why IP Enforcement Matters

- E-commerce platforms (eBay, Alibaba, Taobao): Selling counterfeit goods
The Enforcement System in the U.S.

Civil Enforcement

Administrative Enforcement

Criminal Enforcement

Border Enforcement
U.S. Government Agencies Handling IPR

• The Patent and Trademark Office works and coordinates with other U.S. Government colleagues domestically and overseas to address enforcement challenges and commercial disputes:
  ➢ Department of Homeland Security: U.S. Immigration and Customs Enforcement (ICE) and U.S. Customs and Border Protection (CBP)
  ➢ State Department
  ➢ Commerce Department
  ➢ United States Trade Representative
  ➢ Food and Drug Administration
  ➢ U.S. Postal Inspection Service
  ➢ Department of Justice and United States Attorney’s Offices, and the Federal Bureau of Investigation (FBI)
  ➢ U.S. International Trade Commission
Locations of U.S. IPR Attachés and Officers
www.stopfakes.gov
U.S. Embassy, Beijing, China: IPR Information Toolkit
http://beijing.usembassy-china.org.cn/ipr.html
United States Judiciary

- **U.S. Supreme Court**
- **U.S. Circuit Courts of Appeals**
  - 12 regional circuits: 11 circuits and the District of Columbia
  - 1 Federal Circuit (handles IPR appeals)
- **U.S. District Courts**
  - 94 judicial districts
  - Jury trials
The United States Courts of Appeals and District Courts

Geographic Boundaries
of United States Courts of Appeals and United States District Courts
Overview of the U.S. Legal IP Framework

- **Federal System**
  - Patents
  - Copyrights
  - Trademarks
  - Exclusion orders from the U.S. International Trade Commission (ITC)

- **State System**
  - State trademarks
  - Unfair competition actions (California, Massachusetts, and Louisiana)
  - Trade secrets
  - Contracts
  - Torts
1. **Civil**: Most U.S. IP enforcement cases are civil, and in federal court
   - Stop infringing conduct
   - Statutory money damages – making the victim whole
   - Equitable relief – injunctions, and seizure and destruction of infringing goods

   ♦ Patent, trademark, and copyright infringement
   ♦ Trade secrets

2. **Criminal / Border**:  
   - Prison – focus on deterrence  
   - Fines: Money  
   - Forfeiture of ill-gotten assets: Money  
   - Destruction of infringing goods and manufacturing equipment
2. **Criminal / Border (continued):**
   Border enforcement through several agencies:
   - U.S. Customs and Border Protection (CBP)
   - U.S. Immigration and Customs Enforcement (ICE)
   - U.S. Postal Inspection Service, and
   - The Federal Bureau of Investigation (FBI)
   ♦ Trademark counterfeiting and copyright infringement

3. **Administrative:** Exclusion orders through the U.S. International Trade Commission (ITC) – Section 337 proceedings
   ♦ Mostly patent infringement
US Customs Seizures

- **2010** – 19,959 with total value of $1.413 billion
  - 62% from China and 18% from Hong Kong
  - Express and Mail seizures 15,859 (80% of total)

- **2011** – 24,792 with total value of $1.11 billion
  - 72% from China and 14% from Hong Kong
  - Express and Mail seizures 19,226 (78% of total)

- **2012** – 22,848 with total value of $1.26 billion
  - 72% from China and 12% from Hong Kong
  - Express and Mail seizures 18,342 (more than 80% of total)
U.S. Customs Seizures – ‘12 vs 11’

Department of Homeland Security
U.S. Customs and Border Protection and U.S. Immigrant and Customs Enforcement
FY 2011 and FY 2012 Top Trading Partners for IPR Seizures

Source Economies
based on MSRP Values 2011

Source Economies
based on MSRP Values 2012
Federal Criminal Statutes for IP Infringement

- 18 USC 542 – Entry of goods by means of false statements
- 18 USC 545 – Smuggling goods into the United States
- 18 USC 554 – Smuggling goods from the United States
- 18 USC 1956 – Money laundering
- 18 USC 981 – Civil seizure
- 18 USC 982 – Criminal seizure
- 19 USC 1526 – Merchandise bearing American trademarks
Federal Criminal Statutes for IP Infringement

- 18 USC 2318 - Trafficking in counterfeit labels
- 18 USC 2319 - Criminal infringement of a copyright
- 18 USC 2319A - Unauthorized fixation of and trafficking in sound recordings and music
- 18 USC 2319B - Unauthorized recording of motion pictures in a motion picture exhibition
- 18 USC 2320 - Trafficking in counterfeit goods or services
- 18 USC 2323 - Forfeiture, destruction, and restitution
Enforcement Considerations

- **Cost:** U.S. International Trade Commission (ITC) actions are costly, but move quickly (administrative)

- **Time:** U.S. District Court for the Eastern District of Virginia “rocket docket” (civil and criminal)

- **Availability of certain tools:**
  - Temporary injunctions, and evidentiary-preservation orders (civil)
  - Seizure and destruction of infringing goods (civil and criminal)
  - Asset forfeiture (civil and criminal)
  - Exclusion orders under ITC Section 337 (administrative)

- **Efficacy:** Prison sentences as deterrent against further infringement or counterfeiting activity (criminal)
Enforcement Considerations

- **Federal courts versus state courts**
  - Broad federal jurisdiction versus restrictive state one

- **Specialized law-enforcement personnel:**
  - U.S. Immigration and Customs Enforcement (ICE) National IPR Coordination Center
  - Prosecutors with the Computer Crime and IP Section (CCIPS) of the U.S. Department of Justice
Section 337 actions: Importation of infringing articles

“The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States patent, trademark or copyright is unlawful.”

Section 337 Actions versus Civil Litigation

- 337 actions are on an expedited, accelerated schedule – faster ruling
- 337 provides for a general exclusion order
- No counter-claims allowed (e.g., anti-trust, counter-infringement)
- 337 actions do not provide for damages
- No jury trials
Section 337 Actions

- Exclusion order: Prevents the importation or sale of infringing goods
- Goods already in the U.S. can be seized and not returned
- Filed at the U.S. International Trade Commission, not federal court
- Administrative law judge decides case: No jury trials
- Administrative law procedures guide proceedings rather than federal court civil procedure laws
Benefits of an ITC Hearing

- Swift decisions – generally within 12 to 18 months
- Broad injunctive relief available
- Single *in rem* proceeding against multiple adversaries
- Customs authority (U.S. Customs and Border Protection) enforces injunction
- Consideration of complex technical and/or legal issues that may otherwise elude or confuse a jury
Trade Secrets

- Confidential information, such as a formulary, business plan, client list, or manufacturing technique
- Examples: Formula for Coca-Cola syrup; algorithm for pricing goods or services
- Extremely valuable
- Difficult to police against theft
- Forms of protection:
  - Compartmentalizing information: Splitting data into segments
  - Confidentiality, non-disclosure, and non-compete agreements
  - Written policies on handling trade secrets
Trade Secrets

- Forms of protection (continued):
  - Employee-exit interviews
  - Monitoring access to information
  - Limiting information disclosure:
    - Password-protected access
    - Secure facilities
    - Need-to-know access
    - Sign-in, sign-out procedures
Trade Secrets: Sources of Law

- State Law: Uniform Trade Secrets Act (UTSA)
  - 46 U.S. states have adopted, with modifications
- Common Law
  - Restatement of Torts (1939)
  - Restatement (Third) of Unfair Competition (1995)
  - Case Law
  18 U.S.C. 1839
Trade Secrets: Remedies

- **Injunctions**
  - Usually, injunction for the period the trade secret exists
  - May extend any reasonable period to eliminate commercial advantage
  - Affirmative acts may be compelled
- **Evidentiary-preservation orders:** Prevention of destruction of documents
- **Protective orders against disclosure of confidential information**
- **Compensatory damages**
  - Actual loss only; unjust enrichment not part of actual loss
  - Reasonable royalty fees
Trade Secrets: Remedies

- Willful damages
  - Punitive damages (may be limited)
  - Attorney’s fees
- Statute of limitations to bring suit, usually 3 years
- State law: The Uniform Trade Secret Act (UTSA) is a state law; state courts have jurisdiction for enforcement
- State court: Unlike other IP infringement actions, many trade-secret cases are tried in state courts
- U.S. federal court: Suit may also be brought in federal court to enforce the state law if there are parties in two different U.S. jurisdictions (diversity)
  - Example: Parties in California and Washington, D.C.
Thank you!

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