



Intellectual Property

A Practice Focus

Getting Tough, Tough, Tough on Pirates.

Aimed at the global counterfeit threat, the Pro IP Act is still battling domestic opponents.

BY DOUGLAS W. KENYON AND R. DENNIS FAIRBANKS

To paraphrase a line from a favorite song, you don't always get what you want but, sometimes, you get what you need.

The Recording Industry Association of America almost certainly did not get all that it wanted when the House of Representatives passed the Prioritizing Resources and Organization for Intellectual Property Act on May 8. What remains to be seen is whether the RIAA and other proponents of the legislation will get what they claim to need, or anything at all.

According to the House Judiciary Committee report, the purpose of the Pro IP Act is "to improve intellectual property enforcement in the United States and abroad." To achieve that, the bill would make multiple changes, mainly to copyright and trademark law.

Supporters argue that these modifications are necessary to combat the growing threat of global counterfeiting and piracy. They point to the loss of high-paying jobs, the health and safety risks of counterfeit goods, and the involvement of organized crime in counterfeiting. They have made their case in the House, but so far they haven't gotten satisfaction in the Senate.

GETTING TOUGHER

The Pro IP Act would modify the Copyright Act, the Lanham Act, the federal criminal code, and other statutes. Key changes include the following:

- The defense to copyright infringement that an inaccuracy in the copyright registration rendered the registration invalid, thereby foreclosing the possibility of statutory damages, would be limited to cases where the registrant knew that the information was inaccurate, and the Register of Copyrights would have refused registration had it known.

- The registration prerequisite for copyright enforcement would clearly apply only to civil, not criminal, violations.

- A second offense of any one of three major criminal copyright acts would be defined as a repeat offense for purposes of enhanced damages.

- In addition to importation, the export of counterfeit or pirated goods would be a violation of the Copyright and Lanham acts. The U.S. Sentencing Commission would also consider whether the two-level enhancement in the sentencing guidelines that applies to criminal infringement involving manufacturing, importing, or uploading infringing items should also apply to exporting such items.

- Courts, for the first time, could impound as evidence records documenting the manufacture, sale, or receipt of items involved in alleged trademark violations.

- The statutory damages for use of a counterfeit mark would double.

- Absent extenuating circumstances, courts would be required to enter treble damages and attorney fees against defendants found liable for intentionally either inducing others to commit or providing goods or services to facilitate acts of counterfeiting.

- The maximum penalties for trafficking in counterfeit goods would rise where the defendant knowingly or recklessly caused or attempted to cause serious bodily injury or death.

- An intellectual property enforcement representative would be established within the Executive Office of the President to produce a strategic plan for combating counterfeiting and piracy, to coordinate IP enforcement across federal agencies, to advise the president and Congress on such efforts, and to report to Congress on implementation of the strategic plan. However, the IP representative would not be permitted to exercise direct control over enforcement.

- A new Intellectual Property Advisory Committee—replacing the old National Intellectual Property Law Enforcement

Coordination Council—would also participate in the development of the strategic plan.

- An Intellectual Property Enforcement Division would be created within the Office of the Deputy Attorney General to coordinate the Justice Department's efforts.

- At least 10 additional IP attachés would be appointed to serve in U.S. embassies or other diplomatic missions.

- In each of fiscal years 2008 through 2012, \$25 million would go to state and local law enforcement for activities combating IP violations.

ECLECTIC INTERESTS

Not surprisingly, many of the proponents of the Pro IP Act—including the RIAA, Motion Picture Association of America, U.S. Chamber of Commerce, National Association of Manufacturers, and Copyright Alliance—represent entities that own vast amounts of intellectual property. The legislation is also supported by the International Brotherhood of Teamsters and other organizations representing workers. As Teamsters general president James Hoffa pointed out in the December hearings before the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property, “the entertainment industry, where much of the piracy damage is done, is one of the most unionized industries in the world.”

Against these diverse supporters is arrayed an eclectic range of opponents, including public interest groups, technology companies, and the Bush administration. Although some, such as the Electronic Frontier Foundation, oppose the entire bill, others quarrel only with individual provisions.

That distinction matters because the sponsors of the House bill have already been able to eliminate or modify certain provisions to reduce opposition without sacrificing support. The bill passed the House by a 410-11 margin.

CONTENTION OVER COMPILATIONS

The Intellectual Property Subcommittee cut the most controversial provision before the bill even reached the House floor. It would have permitted courts to “make either one or multiple awards of statutory [copyright] damages with respect to infringement of a compilation, or of works that were lawfully included in a compilation, or a derivative work and any preexisting works upon which it is based.” Right now, statutory damages for infringement of a compilation of copyrighted components top out at \$150,000 for the whole work, rather than \$150,000 per component. In more concrete terms, the provision would have increased the potential liability for illegally copying the Rolling Stones’ “Forty Licks” CD from \$150,000 to \$6 million (\$150,000 x 40 songs).

Other than the RIAA, the content industries were only lukewarm in their support of this provision. Consider the example set by the Coalition Against Counterfeiting and Piracy, a group of more than 500 companies and trade associations. A proposal made by the coalition is the basis for many of the Pro IP provisions—but not the compilation provision.

When coalition chairman Richard Cotton, who is also executive vice president and general counsel of NBC Universal, testified in December, he specifically expressed support for most of the major Pro IP provisions. But he did not mention the compilation provision. During a subsequent roundtable discussion with the

associate register of copyrights, a representative of the Magazine Publishers of America expressed its preference for the current law on compilations. Magazine publishers, it should be noted, find themselves on both sides of copyright infringement litigation.

Opposition to the provision, on the other hand, was vigorous. Gigi Sohn, president of Public Knowledge, spent a majority of her testimony before the Intellectual Property Subcommittee arguing against it.

In addition, Public Knowledge—along with the Library Copyright Alliance, Association of Public Television Stations, Printing Industries of America, Computer & Communications Industry Association, NetCoalition, Consumer Electronics Association, and Center for Democracy and Technology—issued a white paper attacking the provision.

Technology companies did not like the chilling effect that the potential damages awards might have on innovation. In his personal blog, William Patry, senior copyright counsel for Google and a former copyright counsel to the House of Representatives, referred to the compilation provision as “one of the most gluttonous in the whole bill.”

When the Intellectual Property Subcommittee approved the legislation in March, Public Knowledge issued a statement expressing its pleasure that the compilation provision had been deleted. It now appears to accept, if not support, the House bill. The Copyright Alliance, the RIAA, and other proponents also issued statements expressing their satisfaction with the bill as passed. No major proponent publicly expressed displeasure that the provision had been deleted, although certain lawmakers vowed to revisit it.

DISSENT LINGERS

On the road to passage in the House, attempts were also made to alter the enforcement coordination provisions to reduce the Bush administration's opposition. In particular, the section specifying that the IP enforcement representative may not exercise direct control over enforcement activities was added.

But those efforts were less successful. The Justice Department supports the enhancements to civil and criminal IP laws but is decidedly less enthusiastic about the House pointing out that the department's efforts have not met the increasing threat of IP crime or about Congress creating an IP czar and mandating changes to the department's internal structure.

Whether the administration's objections are enough to derail legislation with such broad support and little remaining visible opposition is unclear. Perhaps the greatest remaining threat to the Pro IP Act is the institutional inertia of Congress in an election year, especially a presidential election year.

The closest thing to a companion bill, the Intellectual Property Enforcement Act of 2007, still sits in the Senate Judiciary Committee. Hearings last November constitute the last action taken on that bill. As the summer wears on and the party conventions approach, will proponents of the legislation get what they need before time runs out?

Douglas W. Kenyon is a partner and R. Dennis Fairbanks is an associate in the Raleigh, N.C., office of Hunton & Williams. They can be contacted at dkenyon@hunton.com and dfairbanks@hunton.com.