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THE 2008 PRO-IP ACT: THE INADEQUACY OF THE PROPERTY PARADIGM IN CRIMINAL INTELLECTUAL PROPERTY LAW AND ITS EFFECT ON PROSECUTORIAL BOUNDARIES

“There has been a paradigm shift. . . but governments have not kept pace. And the attitudes and the priorities of the law enforcement community do not yet reflect the scope and sale that IP crime has now assumed in today’s economy.”¹

“There is an asymmetry of interests whenever the choice is between the propertization of intellectual property and maintenance of the public domain.”²

“We are not addressing theoretical concerns with [the Pro-IP Act], nor are we making grandiose policy proclamations. We are synthesizing real-world experiences of our many constituents who develop and monetize intellectual property. . . to vindicate those property rights.”³

1. Richard Cotton, General Counsel, NBC Universal, Address at the ABA 22nd Annual Intellectual Property Conference: Our Economic Future at Risk: The Next Steps in the Fight against Intellectual Property Theft (April 13, 2007), in ABA INAUGURAL NATIONAL INSTITUTE ON CRIMINAL ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS, A-5 (2007).

2. Richard A. Posner, *Do We Have Too Many Intellectual Property Rights?*, 9 MARQ. INTELL. PROP. L. REV. 172, 181 (2005).

3. 154 CONG. REC. S7280-01 (daily ed. July 24, 2008) (statement of Senator Patrick Leahy introducing the Pro-IP Act).

I. INTRODUCTION

Criminal penalties are perhaps the most common form of law enforcement, but in the field of IP, they have been the exception.⁴ Even in the 1970s, globalization and technological development signaled the explosion of counterfeited and pirated goods, but the presumption for remedies remained civil sanctions.⁵ However, with the formation of the industry lobbying groups that pressured Congress for change, the last 20 years have seen the enhancement and expansion of criminal IP laws.⁶ In continuation of this trend, on September 26, 2008, Congress passed the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (“The PRO-IP Act”), reaffirming its mandate to protect the IP rights of United States industries and businesses.⁷ The PRO-IP act enhances and consolidates criminal penalties in copyright and trademark law, most notably by creating a new and uniform forfeiture and impoundment provision to serve as civil and criminal sanctions for counterfeiting and piracy offenses.⁸

However, such provisions blur the fundamentally different purposes and rights of trademark and copyright law, especially in counterfeiting where an individual can violate both laws. In trademark, counterfeiting is defined as “a spurious mark which is identical to, or substantially indistinguishable from, a registered trademark” affixed to goods.⁹ In copyright law, using a counterfeit label — “an identifying label or container that appears to be genuine, but is not” — is a criminal offense.¹⁰ Therefore, it is possible for an individual to violate both copyright and trademark criminal counterfeiting laws. For example, selling illegal copies of a music record that is labeled with a counterfeit mark of the recording company is both a copyright and trademark

4. 4 JAY DRATLER JR. & STEPHEN M. MCJOHN, INTELLECTUAL PROPERTY LAW: COMMERCIAL, CREATIVE, AND INDUSTRIAL PROPERTY §13.04 (2008).

5. *Id.*

6. *See generally id.*

7. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, 122 Stat. 4256 (to be codified in scattered sections of 15 U.S.C., 17 U.S.C., and 18 U.S.C.).

8. *Id.*

9. 15 U.S.C. § 1127 (2006).

10. 18 U.S.C. § 2318 (2006).

counterfeiting offense. Reproducing such counterfeit trademarks and copyrights is both a form of IP piracy, broadly defined as “the unauthorized and illegal reproduction or distribution of materials protected by copyright, patent, or trademark law,” can also implicate both IP infringements.¹¹

Despite such similarities in criminal IP problems, trademark and copyright law are rooted in different purposes and the legislation behind each used different justifications and policy considerations. The question arises whether such consolidation of IP criminal penalties are appropriate in light of this history. Because the PRO-IP Act confers upon the federal government an increased role in detecting and enforcing IP laws, a legal realm traditionally rooted in the civil arena, governmental authorities should be conscious of these differences because the government not only reflects society’s normative values of the law, but also have the power to define the boundaries of the law.

The first part of this article discusses the common-law and historical development of Congress’s initiatives against copyright and trademark counterfeiting as well as the United States government’s response in the twenty-first century to illustrate how the 2008 PRO-IP Act arises out of this legal tradition. The second part of this article explains the provisions of the new Act and its amendments of the existing criminal IP statutes and how Congress uses the PRO-IP Act to advance its policy of protecting IP owners. This article next examines the underlying assumption known as the “property paradigm,” which shapes Congressional policy of the PRO-IP Act and is reflected in the Act’s emphasis on forfeiture and restitution as criminal enforcement tools. Finally, this article concludes that the use of these penalties blur the boundaries between civil and criminal IP proceedings, raising problematic implications for the Department of Justice’s prosecutorial authority and ultimately undermining its role as guarantor of IP rights but also protector of public access.

11. BLACK’S LAW DICTIONARY 1186 (8th ed. 2004). Pirated trademarks today have also been used in the context of “cyberpiracy”- refers to the deliberate, bad-faith, and abusive registration of Internet domain names utilizing distinct or famous trademarks in violation of the trademark owner’s rights, often forcing the owners to pay for the right to engage in electronic commerce under their own brand names. 15 U.S.C. § 1125 (2006).

II. BACKGROUND

The legal history of copyright and trademark counterfeiting demonstrate the different purposes and justifications for legislative regulation and serves as a backdrop for the modern convergence of criminal IP statutes and the government's increasing shift toward approaching IP violations with criminal penalties. This section first contains a short history of the legal development of criminal IP law, then briefly outlines the criminal IP statutes in place today. This section finally summarizes the federal government's major initiatives to enforce criminal IP law leading up to the passage of the 2008 PRO-IP Act.

A. History of Copyright and Trademark Counterfeiting

Although the PRO-IP Act seeks to converge and standardize criminal penalties for IP offenses, copyright and trademark law have had two very different legal histories. In the latter twentieth century, however, both areas in enforcement increasingly converged as criminal penalties became broader and harsher for all types of IP infringement.

1. Copyright

Copyright protection in United States common law was rooted in the protection of the artistic and literary rights of individuals. In seventeenth century England, the term "piracy" was widely used to describe the unauthorized printing of books.¹² Indeed, with the invention of the printing press in the sixteenth century, book piracy flourished and the government's attempt to stem this piracy trade played an important role in the development of modern copyright law.¹³ In 1710, Parliament enacted the Statute of Anne¹⁴ to prevent book piracy by granting authors the exclusive right to print

12. Justin Hughes, *Copyright and Incomplete Historiographies: Of Piracy, Propertization, and Thomas Jefferson*, 79 S. CAL. L. REV. 993, 1009 (2006).

13. PAUL R. PARADISE, TRADEMARK COUNTERFEITING: PRODUCT PIRACY, AND THE BILLION DOLLAR THREAT TO THE U.S. ECONOMY 15 (1999).

14. Statute of Anne, 1710, 8 Ann., c. 19 (Eng.), available at <http://www.copyrighthistory.com/anne.html>.

and distribute their works.¹⁵ The Statute was a response not only to domestic piracy but also the threat of pirated imported books from Scotland, which joined in union with England in 1707, and, unlike England, did not have an official publisher's guild that controlled the printing rights of authors.¹⁶

In the late nineteenth century, as an industrial and colonial leader, Britain's piracy problems expanded globally. The United States freely pirated British books and sheet music and was often the worst offender.¹⁷ Over 90% percent of sheet music that came into Britain from the United State was pirated reprints of English copyrighted works.¹⁸ To counter the problem of music piracy, in 1881, England's Music Publishers Association (MPA) was created to monitor English copyright and established its own internal force of investigative agents and one thousand volunteers.¹⁹ The 1905 case of *Chappel & Co v. James Fisher & Co* was one of the first cases in which the domestic infringers were given criminal penalties.²⁰ The MPA, through the British crown prosecuted the defendant music company for selling 300,000 illegal copies of sheet music.²¹ One of the defendants, James Frederick Willets, known as the "Pirate King", was leader of a group called the People's Music Publishing Co, which had "the lofty, but illegal goal" of providing music to the public cheaply through pirated works.²² Willets was sentenced to nine months in prison with no hard labor and the other defendants received shorter sentences.²³

The United States, by contrast, from its foundation provided for copyright protection. The United States Constitution Article I, section 8, clause 8, expressly provided Congress with the right to protect and encourage the creation of scientific and artistic

15. Anne E. Forkner et al., *Pretty Woman Meets the Man Who Wears the Star: Fair Use After Campbell v. Acuff-Rose Music and American Geophysical Union v. Texaco*, 54 J. COPYRIGHT SOC'Y U.S.A. 719, 722 (2007).

16. Martina Gillen & Gavin Sutter, *Legal Protection of Copyright Mechanisms*, 51 J. COPYRIGHT SOC'Y U.S.A. 729, 748 (2004).

17. PARADISE, *supra* note 13, at 22.

18. *Id.* at 16.

19. *Id.*

20. *Id.*

21. *Id.*

22. *Id.*

23. PARADISE, *supra* note 13, at 16.

endeavors by granting artists and inventors exclusive rights to their works for limited times.²⁴ As a result, Congress was endowed with the authority to protect the rights of copyright owners and provide penalties for the violation of their rights. Since 1897, criminal penalties have been a part of United States copyright law, which designated performances and representation of copyrighted dramatic and musical works as misdemeanors.²⁵ The Copyright Act of 1909 extended the scope of misdemeanors to all works if done “willfully” and “for profit”, which created the “state of mind” requirement that distinguishes most criminal offenses from civil causes of action.²⁶ The 1976 Copyright Act retained such provisions, but also introduced the first felony penalties for repeated culpable infringement of copyright in motion pictures and sound recordings.²⁷ The 1982 Piracy and Counterfeiting Amendments Act created the first felony offenses for first time offenders of copyright infringement of motion pictures and sound recordings.²⁸ Ten years later, as a response to the rising computer software industry, Congress passed an amendment that expanded felony penalties to cover all kinds of copyrighted works.²⁹ Like all the previous acts, however, the penalties only redressed violations

24. U.S. CONT. art. I, § 8, cl. 8. Interestingly enough, one of the founding fathers, Thomas Jefferson himself, expressed disapproval of any notions that individuals should be given an exclusive right over their work.

[A]n idea, which an individual may exclusively possess as long as he keeps it to himself; but the moment it is divulged, it forces itself into the possession of everyone, and the receiver cannot dispossess himself of it Inventions then cannot, in nature, be a subject of property.

Hughes, *supra* note 12, at 1029 (citing Letter from Thomas Jefferson to Isaac McPherson (Aug. 18, 1813), in 6 THE WRITINGS OF THOMAS JEFFERSON 175, 180 (H.A. Washington ed., 1857)).

25. Act of January 6, 1897, ch. 4, 29 Stat. 481, 482 (repealed 1909).

26. Copyright Act of 1909, ch. 320, § 28, 35 Stat. 1075, 1082 (repealed 1976).

27. 1976 Copyright Act, 90 Stat. 2541, 2586 (current version at 17 U.S.C. § 506(a) (2006)).

28. Piracy and Counterfeiting Amendments Act of 1982 § 3, 96 Stat. 92 (codified as amended at 18 U.S.C. § 2319 (2006)).

29. Act of Oct. 28, 1992, 106 Stat. 4233 (codified as amended at 18 U.S.C. § 2319).

of the owner's reproduction and distribution rights.³⁰

2. History of Trademark Counterfeiting

The history of trademark protection in common law and the United States has traveled a different path than copyright law. Trademarks can be traced back as far as 4000 years ago in trading societies such as China, Egypt, Greece, and Rome, in which manufacturers marked their goods to identify their source.³¹ In England, criminal penalties for counterfeiting trademarks extends as far back as 1206 when King John proclaimed an assize³² of bread, making it illegal for bakers to adulterate their bread by mixing beans into the dough.³³ To enforce such measures, Parliament passed a law requiring every baker to have a unique mark for his type of bread.³⁴

Unlike copyright law, the United States Constitution did not provide for express protection of trademarks.³⁵ Trademarks were enforced through traditional guilds in early colonial America. In 1791, however, Samuel Breck petitioned the Second Congress for the exclusive right to use certain marks on sailcloth.³⁶ As a response, Thomas Jefferson, who had originally opposed the IP Clause in the Constitution, proposed the creation of a Federal trademark statute that conferred an exclusive right to use a trademark and establish a trademark registration system.³⁷ Congress, however, rejected the idea, and until 1870, merchants and business owners used a system of registration to protect their business marks.³⁸ In 1870, Congress passed the first trademark act, grounding the basis of protection in the IP clause of the

30. *See id.*

31. David D. Mouery, Comment, *Trademark Law and the Bottom Line-Coke Is It!*, 2 BARRY L. REV. 107, 112 (2001).

32. An Assize was a decree or edict rendered by the King in one of his court sessions. WEBSTER'S UNABRIDGED DICTIONARY 126 (2d ed. 2001)

33. PARADISE, *supra* note 13, at 15.

34. *Id.*

35. *Id.* at 17.

36. ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 1-1 section 1.01[2] (2007).

37. *Id.*

38. *Id.*

Constitution.³⁹ Nine years later, however, in a series of the famous Trade-Mark Cases, the Supreme Court declared that the IP clause could not serve as the basis for protecting trademarks and held the 1870 Act unconstitutional:

The ordinary trade-mark [sic] has no necessary relation to invention or discovery. . . . If we should endeavor to classify it under the head of writings of authors, the objections are equally strong. . . . The writings which are to be protected are *the fruits of intellectual labor*, embodied in the form of books, prints, engravings and the like. The trade-mark may be, and generally is, the adoption of something already in existence as the distinctive symbol of the party using it. At common law the exclusive right to it grows out of its *use*, and not its mere adoption. By the act of Congress this exclusive right attaches upon registration. But in neither case does it depend upon novelty, invention, discovery, or any work of the brain. It requires no fancy or imagination, no genius, no laborious thought. It is simply founded on priority of appropriation.⁴⁰

Thus, trademark laws were considered to fall under a different purpose and authority than the IP clause. In 1881, Congress responded to the Court by passing an amended the trademark act under the Interstate Commerce Clause.⁴¹ The 1881 Act was then incorporated into the 1946 Trademark Act, popularly known as the Lanham Act,⁴² which laid the foundation of modern trademark law; however, it made no mention of counterfeiting and only provided a civil suit of damages.⁴³ The Lanham Act was

39. PARADISE, *supra* note 13, at 17 (citing *In re Trademark Cases*, 100 U.S. 82 (1879)).

40. *Trademark Cases*, 100 U.S. at 94.

41. LALONDE, *supra* note 36, at 1.01. As a result, Federal trademark law only applies to those marks circulating in interstate commerce, and States have their own local trademark law. *Id.*

42. The Lanham Act was named after Representative Fritz G. Lanham of Texas.

43. PARADISE, *supra* note 13, at 18.

significant in this respect, because unlike other countries at the time, the United States was the only industrialized country with a substantive body of law to address the problem of product counterfeiting.⁴⁴

The late 1970s saw an explosion of counterfeited American goods globally, and law enforcement authorities struggled to enforce the Lanham Act despite its lack of criminal penalties. As a result of the proliferation of commercial counterfeiting, the International Anti-Counterfeiting Coalition, a private coalition created in 1982 and led by Levi Strauss & Co, lobbied for greater protection.⁴⁵ As a result, President Ronald Reagan signed the Trademark Counterfeiting Act in 1984,⁴⁶ which criminalized trademark counterfeiting and imposed penalties such as prison terms, fines, treble damages, and attorney's fees.

3. Convergence of Modern Day Criminal Intellectual Property Law

In 1996, criminal provisions in copyright and trademark law were united through the Anti-Counterfeiting Consumer Protection Act.⁴⁷ This law signaled a major development in criminal IP enforcement as it expanded the Federal government's power to enforce IP laws.⁴⁸ The act designated copyright infringement, counterfeiting, and piracy as predicate offenses under the RICO (Racketeer Influenced and Corrupt Organization) provisions.⁴⁹ This classification had several implications for law enforcement officials because they could now (1) prosecute not just individuals but large scale organizations and (2) instigate the seizure and forfeiture of nonmonetary personal and real property of the

44. *Id.*

45. *Id.* at 24

46. *Id.*; Pub. L. No. 98-473, Tit II, §1503(a) (codified in 18 U.S.C. § 2320).

47. 4 DRATLER JR. & MCJOHN, *supra* note 4, at § 13.04[1]. (citing Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386).

48. *See id.*; 18 U.S.C. §§ 2318-20 (2006).

49. 4 DRATLER JR. & MCJOHN, *supra* note 4, at § 13.04[1]; *see also* 18 U.S.C. § 1961 (“[R]acketeering activity means . . . any act which is indictable under . . . [18 U.S.C. §2318-20].”).

infringers.⁵⁰ The act also opened up the possibility of treble damages and attorney's fees for an owner who could prove a civil RICO violation involving copyright crimes.⁵¹

At the same time, Congress continued to amend criminal penalties for counterfeiting and piracy problems specific to trademark and copyright law in the context of the Internet. For example, the 1997 No Electronic Theft Act extended criminal sanctions to Internet piracy.⁵² It defined criminal copyright infringement regardless of profit motive, which abrogated the criminal "for profit" requirement in the 1909 Act.⁵³ Furthermore, it broadened the definition of the "financial gain" infringement in a civil context, so that the statute no longer immunized individuals for infringement for noncommercial personal or family purposes, such as students who downloaded songs or movies for free.⁵⁴

50. 4 DRATLER JR. & MCJOHN, *supra* note 4, at § 13.04[1].

51. *See* 18 U.S.C. § 1964(c) ("Any person injured in his business or property . . . shall recover threefold the damages he sustains and the cost of the suit, including a reasonable attorney's fee."). Treble damages, awarding triple the actual damages and/or attorney's fees, is used in the context of civil damages in intellectual property law. In trademarks, treble damages were first introduced in the 1984 amendment to the Lanham Act. *See* 15 U.S.C. § 1117(b)(2006). Treble damages are damages that punish the offender's willful state of mind, deter counterfeiting, and help recoup the trademark owner's losses. *See* 15 U.S.C. § 1117 (2006).

52. 4 DRATLER JR. & MCJOHN, *supra* note 4, at § 13.04[1] (citing No Electronic Theft Act, Pub. L. No. 105-147, 111 Stat 2678, 2678-2680).

53. *Id.* § 13.04[1] at 7 (codified in 17 U.S.C. § 506(a)(2) (2006)). The authors point to 1997 House Report that suggests that "de minimis" copying for private, noncommercial purposes is not criminal", but given that 'de minimis' still holds misdemeanor liability, person who copies for private, noncommercial purposes is still criminal in theory. *Id.* (citing H.R. REP. NO. 105-339, at 8 (1997)). Indeed, this has occurred in reality when in January 2004, the Recording Industry Association of America (RIAA) announced 500 "John Doe" lawsuits against unnamed college students who used "peer-to-peer" networks to download copyrighted songs. Kim. F. Natividad, Note, *Stepping It Up and Taking It to the Streets: Changing Civil & Criminal Copyright Enforcement Tactics*, 23 Berkeley Tech. L.J. 469, 473 (2008). This fits into Dratler's hypothetical of a college student who makes more than 1 copy of a record or movie in 180 days that can have a total retail value of \$1,000 for their own personal enjoyment.

54. 4 DRATLER JR. & MCJOHN, *supra* note 19, § 13.04[1] at 4.

B. Criminal Intellectual Property Provisions

Such developments have resulted in today's criminal IP statutes, which define criminal copyright infringement as (a) done for the purpose of commercial advantage or private financial gain; (b) by reproducing more than one copyrighted record in the span of 180 days that have the total retail value of \$1,000; or (c) by making any commercially distributed item on computer, knowing that it was intended for commercial distribution.⁵⁵

The criminal penalties for these offenses are atypical, because they calibrate the punishment to the culpability of the infringer's state of mind.⁵⁶ A violation under subsection (a) can result in a maximum one year prison sentence and a fine; however, if an offender makes more than ten copies with a total retail value of at least \$2,500, he can face a maximum five years' imprisonment.⁵⁷ For an offense committed under subsection (b), the infringer faces the same penalties, but can face a maximum of three years in prison for making more than ten copies with a total retail value of \$2,500.⁵⁸ For an offense committed under subsection (c), the infringer faces a maximum three years in prison and a fine.⁵⁹

Producing and trafficking counterfeited goods, also a criminal offense, is defined as knowingly use counterfeit labels, packaging, and goods.⁶⁰ Section 2320 outlines the criminal penalties for counterfeiting: one who (1) affixes counterfeit labeling and packaging onto copyrighted goods and traffics them in interstate commerce internationally or (2) traffics counterfeited goods and services can face a maximum \$2 million fine and a maximum prison sentence of ten years.⁶¹ If a person is convicted of both offenses, he can face up to \$5 million in fines and a maximum twenty year prison sentence.⁶² Like the copyright forfeiture

55. 17 U.S.C. § 506(a)(1)(A)-(C) (2006). The IP criminal statutes are 17 U.S.C. § 506 (2006) and 18 U.S.C. §§ 2318-2320 (2006).

56. *See* 18 U.S.C. § 2319(b)-(d) (2006) and 18 U.S.C. § 2319A (2006).

57. § 2319(b)(1).

58. § 2319(c)(1).

59. § 2319(d)(1).

60. § 2318(a) (defining counterfeit labels, documentation, or packaging); § 2320(a),(e) (defining counterfeit marks in connection with goods and services).

61. § 2320(a).

62. *Id.*

provisions under 17 U.S.C. § 506, the Act also orders that all forfeited counterfeit goods be destroyed.⁶³ Furthermore, the trafficker can be ordered, in addition to these fines, to pay restitution to the victim, and the victim can provide a “victim impact statement” that could later be used in determining the defendant’s sentence.⁶⁴

C. The Lure of Counterfeiting and Piracy in the 21st Century.

In the twenty-first century, the occurrence of counterfeiting and piracy has exponentially increased through the Internet. A popular number cited among industries, governmental authorities, and legal scholars is that IP violations result in an annual loss of \$250 billion to UNITED STATES industries.⁶⁵ Offenses ranging from selling fake Louis Vuitton bags to illegal copies of Harry Potter translated into multiple languages to counterfeit HIV drugs can be committed with one click in anonymity. Such proliferation is easy to explain — IP offenses are particularly profitable.⁶⁶ Piracy and counterfeiting are especially lucrative in a society dominated by relatively low cost consumer electronic products.⁶⁷

With the expansion and awareness of such offenses, industries and law enforcement authorities have sought to characterize IP infringement as more than just an economic offense and have

63. § 2320(b)(2).

64. § 2320(d)(1). Forfeiture is the divestiture of property without compensation. BLACK’S LAW DICTIONARY 677 (8th ed. 2004).

65. 154 CONG. REC. S7280-01, S7286 (daily ed. July 24, 2008) (statement of Sen. Arlen Specter); U.S. GOV’T ACCOUNTABILITY OFFICE, INTELLECTUAL PROPERTY: FEDERAL ENFORCEMENT HAS GENERALLY INCREASED, BUT ASSESSING PERFORMANCE COULD STRENGTHEN LAW ENFORCEMENT EFFORTS 7 (2008) [hereinafter GAO REPORT 2008]; Michael M. Dubose, *Criminal Enforcement of IP Laws in the 21st Century*, 29 COLUM. J.L. & ARTS 481, 483 (2006). However, this \$ 200-250 billion has not been substantiated nor been proven by any agency or industry, and has been criticized as being unsubstantiated and grossly exaggerated. See Julian Sanchez, *750,000 Lost Jobs? The Dodgy Digits Behind the War on Piracy*, ARS TECHNICA, Oct. 7, 2008, <http://arstechnica.com/articles/culture/dodgy-digits-behind-the-war-on-piracy.ars>

66. See DuBose *supra* note 65, at 483 (“For criminals distributing and selling infringing or counterfeit goods, the internet is where the money is.”).

67. *Id.*

sought to align it with other commonly recognized crimes. One popular analogy used to illustrate the economics of infringement is drug trafficking.⁶⁸ As an example, several scholars and experts calculated that the 2007 market value of a single kilo of cocaine is approximately \$24,000 and guarantees at least 300% profit.⁶⁹ In contrast, individuals can merely use a \$500 computer to create a worldwide distribution network of pirated software and movies at little risk of detection, which can yield profit margins up to 900% because of the small virtual cost it takes to download and package the pirated goods.⁷⁰

Industry investigators and legal authorities have also linked pirated and counterfeited goods to large scale organized crime groups and even terrorism.⁷¹ Counterfeited goods often fund gangs and organized crime. In 1991, David Thai, leader of the Vietnamese Gang, “Born to Kill”, earned over \$13 million from sales of counterfeit watches in New York’s Chinatown by controlling their sale and killing competitors.⁷² In the 1993 World Trade Center bombings, authorities investigated twenty alleged counterfeiters with suspected links to the leader behind the attacks, Sheikh Omar Abdel Rahman, and whether the sale of counterfeited T-shirts and sportswear were used to finance the bombings.⁷³

1. Agency Initiative

Because of the pervasiveness and diversity of counterfeited goods, enforcement of such criminal penalties has involved the interest of not only the Department of Justice (“DOJ”) but also agencies such as the Food and Drug Administration (“FDA”), Customs and Border Protection (“CBP”) and the United States

68. See *id.* at 484; John G. Malcolm, Content Protection in a Digital Age (Presentation Slides) in CENTER FOR CONTINUING LEGAL EDUCATION, ABA INAUGURAL NATIONAL INSTITUTE ON CRIMINAL ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS D-8 (2007).

69. DuBose, *supra* note 65, at 484.

70. *Id.*; Malcolm, *supra* note 68.

71. See DuBose, *supra* note 65, at 484-85; see generally PARADISE *supra* note 13 (especially the Chapter 4 discussion on “knockoffs” in developing countries and correlation to organized crime).

72. PARADISE, *supra* note 13, at 21-22.

73. *Id.* at 22.

Trade Commission (“USTC”).⁷⁴ Interagency coordination has become the key focus of the Federal government’s response in combating counterfeiting and piracy.⁷⁵ This Article focuses mainly on the DOJ as a reflection of the government’s policy of criminal IP enforcement.

The DOJ’s enforcement of the IP laws is mainly carried out through the nation’s ninety-four U.S. Attorneys’ offices, but also through its Computer Crime and Intellectual Property Section (“CCIP”). CCIP, based in Washington D.C., is comprised of specially trained prosecutors who focus on IP crimes.⁷⁶ The CCIP section today serves mainly as an overseeing organization for Computer Hacking and Intellectual Property (“CHIP”) units of the U.S. Attorney’s Office.⁷⁷ As of 2004, the DOJ has thirty five of its own CCIP attorneys who serve as the coordinating hub for national and international efforts against IP prosecution.⁷⁸

The Computer Hacking and Intellectual Property (CHIP) units were created in July 2001 by the DOJ to combat high technology crimes, such as industry hacking.⁷⁹ Pioneered in San Francisco by FBI director Robert Mueller and the U.S. Attorney’s office of the Northern District Court of California, the CHIP units main goals are to prosecute computer crimes, including copyright and trademark violations and to serve as legal counsel for their district concerning IP law and cybercrime.⁸⁰ Today, each U.S. Attorney’s Office has its own CHIP section where at least one government prosecutor specially trained in IP matters who works closely with local law enforcement to detect and monitor computer crimes. As

74. GAO REPORT 2008, *supra* note 65, at 1.

75. *Id.* at 1-2.

76. *Id.* at 16.

77. *Id.* at 20.

78. U.S. DEP’T OF JUSTICE, REPORT OF THE DEPARTMENT OF JUSTICE’S TASK FORCE ON INTELLECTUAL PROPERTY, at 13 (October 2004), *reprinted in* ABA INAUGURAL NATIONAL INSTITUTE ON CRIMINAL ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS (2007).

79. U.S. Dep’t of Justice: CHIP (Computer Hacking and Intellectual Property) Fact Sheet, <http://www.usdoj.gov/criminal/cybercrime/chipfact.htm> (last visited Mar. 25, 2009).

80. U.S. Dep’t of Justice: Attorney General Remarks Cybercrime Announcement, <http://www.usdoj.gov/criminal/cybercrime/chipagsp.htm> (last visited Mar. 25, 2009).

of 2007, there are 101 CHIP attorneys in the Attorney’s office.⁸¹

In 1999, Congress also created the National Intellectual Property Law Enforcement Coordination Counsel (“NIPLECC”) in order to improve the coordination of law enforcement agencies.⁸² The NIPLECC was an interagency committee comprised of various federal executive department heads such as the director of the United States Patent and Trademark Office (“USPTO”), the Assistant Attorney General of the Criminal Division, the Commissioner of Customs, and the Under Secretary of Commerce for International Trade.⁸³ The council was intended to act as the central hub for collecting, analyzing and disseminating to the agencies IP related complaints from the private sector, including copyright and trademark infringement.⁸⁴ Prior to the PRO-IP Act, however, the NIPLECC was often criticized as inefficient and ineffective in creating a coherent interagency mandate to enforce IP laws, and was subsequently repealed by the PRO-IP Act.⁸⁵

Together, the CCIP, CHIP, and NIPLECC along with the FBI and CBP cooperated to implement and develop the “STOP! (Strategy Targeting Organized Piracy) Initiative in October 2004.⁸⁶ The STOP initiative’s goals was “to prosecute organized criminal networks that steal creative works from U.S. businesses and develop international interest in and commitment to the protection of intellectual property.”⁸⁷ The STOP initiative resulted in

81. GAO REPORT 2008, *supra* note 65, at 20.

82. Treasury and General Government Appropriations Act § 653, 113 Stat. 430, 480 (repealed 2008); *see also* GAO REPORT 2008, *supra* note 65, at 36-37.

83. THE NAT’L INTELLECTUAL PROP. LAW ENFORCEMENT COORDINATION COUNCIL, REPORT TO THE PRESIDENT AND CONGRESS ON COORDINATION OF INTELLECTUAL PROPERTY ENFORCEMENT AND PROTECTION 3 (2008), *available at* http://www.cybercrime.gov/NIPLECC_Report_2008_Final.pdf [hereinafter NIPLECC REPORT].

84. *Id.*

85. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 305(a), 122 Stat. 4256, 4270 (2008).

86. *Finding and Fighting Fakes: Reviewing the Strategy Targeting Organized Piracy: Hearing Before the Subcomm. on Oversight of Government Management, the Fed. Workforce, and the District of Columbia of the S. Comm. on Homeland Security and Governmental Affairs*, 109th Cong. 76, 77 (2005) (statement of Laura Parsky, Deputy Assistant Att’y Gen., Criminal Division, Department of Justice).

87. *Id.*

international large scale action against piracy and counterfeiting networks, such as the notable Operation Fast Link and Operation Sitedown.⁸⁸ In both operations, at least twelve countries were involved, including France, Canada, Sweden, Denmark, Netherlands, Singapore, Australia, Germany, and Israel.⁸⁹

Operation Fastlink was the first and largest global enforcement action taken against online piracy.⁹⁰ In April 2004, the FBI and international law enforcement agencies simultaneously coordinated 120 searches in 27 states and 11 foreign countries targeting “warez” piracy sites, websites that release illegal copies of movies, software, and computer games for downloading by disabling and removing the embedded copyright protections.⁹¹ The illegal copies had an estimated value of \$50 million.⁹² Out of the 175 group members who were arrested, 56 have been prosecuted, 12 of which were felony convictions, and the latest defendant was sentenced to eighteen months in prison.⁹³ Approximately a year later, Operation Sitedown, an umbrella operation for three separate undercover investigations based in Chicago, Illinois, San Jose, California, and Charlotte, North Carolina⁹⁴ conducted eighty searches and arrested the operators of

88. *Id.* at 79-80.

89. Press Release, U.S. Dep’t of Justice, Justice Department Announces Eight Charged in Internet Piracy Crackdown: First Indictments Arising from Charlotte FBI Undercover Investigation for Operation FastLink and Site Down (July 28, 2005), *available at* www.cybercrime.gov/OpSiteDown8Charge.htm.

90. *Id.*

91. Press Release, U.S. Dep’t of Justice, Operation Fastlink Defendant Sentenced for Online Software Piracy (Sept. 7, 2006), *available at* www.cybercrime.gov/abellSent.htm. “WareZ” sites are underground online communities who obtain copyrighted products before they are made available to the general public and distribute them to the public for free downloads. *Id.*

92. Press Release, U.S. Dep’t of Justice, Justice Department Announces International Internet Piracy Sweep: “Operation SiteDown” Attacks Organized Piracy Networks in 10 Countries (June 30, 2005), *available at* <http://www.cybercrime.gov/OperationSiteDown.htm>.

93. Press Release, U.S. Dep’t of Justice, Member of Music Piracy Group Sentenced to 18 Months (Sept. 19, 2008), *available at* <http://www.cybercrime.gov/gitartsSent.pdf>.

94. Press Release, U.S. Dep’t of Justice, 19 Indicted in \$6.5 million “RISCISO” Software Piracy Conspiracy, at 2 (Feb. 1, 2006), *available at* http://www.usdoj.gov/usao/iln/pr/chicago/2006/pr0201_01.pdf.

least eight major “warez” sites, known to sell pirated software including “Adobe Photoshop” and movies such as *Mr. and Mrs. Smith*.⁹⁵ Among the items seized were 118 computers, 13 laptops, and 4,567 counterfeit CDs and DVDs.⁹⁶

Both operations reflected the government’s common methodology in enforcing the law.

In both operations, FBI agents either had informants or created decoy websites that attracted the warez site operators.⁹⁷ Secondly, coordination with foreign law enforcement was absolutely necessary; because of the international and highly organized distribution network among the offenders, the warez participants could easily delete files with one keystroke once a warning had been communicated.⁹⁸ Defendants were not only from the United States but also other countries such as the United Kingdom and Australia.⁹⁹

This operation has not been without controversy. On June, 22, 2007, the DOJ extradited and prosecuted Hew Raymond Griffiths, the Australian ringleader of the oldest software piracy known as “DrinkorDie” that made \$50 million annually by selling pirated software. It was the first extradition case in the United States for online piracy crimes, and Griffiths, who pleaded guilty, was sentenced to fifty-one months in prison.¹⁰⁰ Thus, the successful

95. Press Release, U.S. Dep’t of Justice, Justice Department Announces International Internet Piracy Sweep: “Operation SiteDown” Attacks Organized Piracy Networks in 10 Countries (June 30, 2005), *available at* <http://www.cybercrime.gov/OperationSiteDown.htm>.

96. Press Release, U.S. Dep’t of Justice, Five Additional Defendants Charged with Violating Copyright Laws as Part of Operation Copycat (Apr. 6, 2006), *available at* <http://www.cybercrime.gov/soaresCharge.htm>.

97. Press Release, U.S. Dep’t of Justice, 19 Indicted in \$6.5 million “RISCISO” Software Piracy Conspiracy, at 2 (Feb. 1, 2006), *available at* http://www.usdoj.gov/usao/iln/pr/chicago/2006/pr0201_01.pdf.

98. Dubose, *supra* note 65, at 491-92.

99. Press Release, U.S. Dep’t of Justice, Justice Department Announces Eight Charged in Internet Piracy Crackdown: First Indictments Arising from Charlotte FBI Undercover Investigation for Operation FastLink and Site Down (July 28, 2005), *available at* www.cybercrime.gov/OpSiteDown8Charge.htm.

100. *See* Press Release, U.S. Dep’t of Justice, Extradited Software Piracy Ringleader Pleads Guilty (Apr. 20, 2007), *available at* <http://www.usdoj.gov/usao/vae/Pressreleases/04-AprilPDFArchive/07/20070420griffithsnr.pdf>.

extradition of a foreign defendant, a difficult process as most nations are not willing to extradite their own citizens,¹⁰¹ was applied to an IP infringement case for the first time, demonstrating the government's increasing willingness to treat IP violations as serious criminal offenses.

The DOJ's willingness to undergo this sensitive process also demonstrated how the Federal government was willing to use heavy criminal sanctions to effectively enforce its IP laws. Statistical data also reflects this policing. In 2007, the DOJ filed 217 IP cases —usually in criminal copyright and trademark offenses — and sentenced 287 defendants, reflecting an “upward trend” of a thirty-five percent increase from 2006, and a ninety-two percent increase from 2005.¹⁰²

2. Legislative Response

In the last two years, Congress and executive agencies have continued to respectively legislate and enforce criminal IP development. The most notable attempt was Attorney General Alberto Gonzales's May 2007 proposal to Congress entitled the Intellectual Property Protection Act.¹⁰³ The Department of Justice's proposal of its own bill by itself demonstrated the executive's concern in taking a more active role in IP issues. The bill sought to (1) harmonize the forfeiture and seizure proceedings for all areas of IP, including trademark counterfeiting and unauthorized motion pictures and songs, (2) provide restitution for any loss incurred by IP owners, (3) ban importation and exportation of counterfeited goods into the United States, and (4) impose harsher penalties for repeat offenders under the Copyright Act.¹⁰⁴ These sections are very similar to the forfeiture provisions

101. U.S. ATTORNEYS' MANUAL, TITLE 9: CRIMINAL RESOURCE MANUAL § 603 (2006), available at http://www.usdoj.gov/usao/eousa/foia_reading_room/usam/title9/crm00603.htm

102. NIPLECC REPORT, *supra* note 83, at 33.

103. Letter from Richard A. Hertling, Principal Deputy Assistant Att'y Gen., U.S. Dep't of Justice, to Nancy Pelosi, Speaker, U.S. House of Representatives (May 14, 2007), available at <http://politechbot.com/docs/doj.intellectual.property.protection.act.2007.051407.pdf> [hereinafter Intellectual Property Protection Act]

104. *Id.* at §§ 4(a)-9(a), 13(a)

in the 2008 Act. Although this bill did not progress beyond a committee referral, many of its provisions were later grafted onto the legislative drafts of the Intellectual Property Enforcement Act of 2008.¹⁰⁵

This bill is also notable because it proposed more radical changes in criminal IP enforcement; it sought to criminalize attempts to infringe copyright and trademarks and authorize wiretaps to investigate potential counterfeiting operations.¹⁰⁶ Such provisions were controversial, because legal theories and investigative tools traditionally reserved exclusively to the realm of criminal law were grafted into IP enforcement issues, which demonstrated a significant shift in the government’s perspective of IP law from a civil to a criminal focus.¹⁰⁷

III. THE 2008 PRO-IP ACT

The Prioritizing Resources and Organization for Intellectual Property Act of 2008 (“PRO-IP Act”) was a culmination of all these historical, legislative, and executive developments of criminal IP law. While the Act’s provisions may not come as a radical change in criminal IP enforcement, it serves as a useful focal point to analyze the shifting conception of IP offenses from an economic to criminal paradigm. The first subsection describes the legislative history of the PRO-IP Act and the second subsection explains in detail the provisions of the new Act.

A. Legislative History

Senator Patrick Leahy of Vermont introduced the PRO-IP Act on July 24, 2008 to enhance the criminal penalties in all areas of IP

105. See Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, 122 Stat. 4256, 4257, 4259, 4261-62 (to be codified in scattered sections of 15 U.S.C., 17 U.S.C., and 18 U.S.C.).

106. See Intellectual Property Act, *supra* note 103, at §§ 4(a), 13(a).

107. Bradley J. Olson et al., *The 10 Things Every Practitioner Should Know About Anti-Counterfeiting and Anti-Piracy Protection*, 7 J. HIGH TECH. L. 106, 143 (2007) (“It remains to be seen whether [the Act] develops any traction in Congress in view of its sweeping changes to the status quo in the realm of criminal and civil copyright infringement enforcement.”) .

laws including counterfeiting and computer crimes.¹⁰⁸ The bill was a consolidated and amended version of an earlier House Bill that had been introduced in mid-2007 by Representative John Conyers of Michigan.¹⁰⁹

The bill itself was relatively uncontroversial; however, a few opposing remarks and the amendment itself demonstrate the potential shortcomings and issues behind the notion of criminal IP enforcement. First, the initial draft of the bill contained a provision that would have allowed the Attorney General to file a civil action on behalf of the aggrieved party.¹¹⁰ Senator Leahy, who had previously proposed this provision in an earlier 2004 PIRACY Act,¹¹¹ claimed that the purpose of such a provision was that “a criminal sanction [was] simply too severe for the harm done.”¹¹² Yet, all of the Senators and Representatives in the Congressional Record indicated the need to provide greater criminal sanctions for counterfeiting and piracy.¹¹³ The Senator’s marks were interesting when considering Congress’s overall unanimity on the pressing need to enhance criminal sanctions to deter the ever increasing pervasiveness and harm of IP infringement.¹¹⁴ The opposition to the bill was sparse, but it provided some insight into the issues of using criminal sanctions to counter the counterfeiting and piracy problem. In the House, Representatives Chris Cannon of Utah and Zoe Lofgren of

108. 154 CONG. REC. S7280-01, S7280 (daily ed. July 24, 2008) (statement of Sen. Leahy).

109. *See generally* H.R. REP. NO. 110-617 (2007).

110. S. 3325, 110th Cong. § 101 (2008) (“In lieu of a criminal action under section 506, the Attorney General may commence a civil action in the appropriate United States district court against any person who engages in conduct constituting an offense under section 506.”).

111. *See* S. 2377, 108th Cong. (2006).

112. 154 CONG. REC. S7280-01, S7281 (daily ed. July 24, 2008) (statement of Sen. Leahy).

113. 154 CONG. REC. H10229-02, H10236 (daily ed. Sept. 16, 2008) (statements of Rep. Coble and Rep. Berman).

114. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, 122 Stat. 4256, 4279 (to be codified in scattered sections of 15 U.S.C., 17 U.S.C., and 18 U.S.C.) (“It is the Sense of Congress that . . . effective criminal enforcement of the intellectual property laws against violations in all categories of works should be among the highest priorities of the Attorney General.”).

California expressed concerns about the possibility of an overreaching application of the forfeiture provisions as an “extraordinary assertion of Federal authority” over the personal lives of citizens and their personal belongings, because it would allow for the potential seizure of personal property like a family computer in which a student may have downloaded copyrighted songs.¹¹⁵

Despite such objections, the bill was amended once and easily passed on September 26, 2008 in both houses and was signed into law October 13, 2008.¹¹⁶

B. Provisions of the Act

The PRO-IP Act comprises five titles. Title I enhances penalties for civil IP, Title II enhances penalties for criminal IP laws, Title III creates a new interagency advisory committee that repeals the NIPLECC and establishes a joint strategic plan against counterfeiting and piracy, Title IV establishes a Federal grant program to local law enforcement agencies to combat IP crimes, and Title V mandates reports by the United States Government Accountability Office (GAO) on ensuring the IP rights of American manufacturers and auditing the interagency committee to prevent the inefficient overlap of resources in enforcing IP laws. In discussing the specific criminal sanctions and their implications, this Article focuses mainly on the first two Titles of the Act.

Title I provides for the enhancements of civil IP laws. First, it amends the civil infringement provisions found in 17 U.S.C. § 411, which required the registration of the copyright as a prerequisite for instituting a civil action.¹¹⁷ The new amendment relaxes the registration requirement by allowing a “certificate of registration . . . regardless of whether [it] contains any inaccurate information” to satisfy the registration prerequisite for commencing a civil action.¹¹⁸ The Act also amends 17 U.S.C. §

115. 154 CONG. REC. H10229-02, H10237 (statements of Rep. Cannon and Rep. Lofgren).

116. The final vote tally was 381-41. Final Vote Results for Roll Call 664, <http://clerk.house.gov/evs/2008/roll664.xml> (last visited Mar. 25, 2009).

117. 17 U.S.C. § 411(a) (2006).

118. 122 Stat. at 4257.

411 to expressly pertain only to *civil* infringement actions, therefore obviating the registration requirement for criminal actions.¹¹⁹ Second, the Act extends the scope of 17 U.S.C. § 503, which provided impoundment of the infringing goods by authorizing not only the seizure of the infringing copies and “articles by means of which such copies may be reproduced”, but also the seizure of all records “documenting the manufacture, sale, or receipt of things involved” in the infringement.¹²⁰ Third, the Act amends the Lanham Act provision for statutory and actual damages: (1) treble damages for trademark counterfeiting are extended to individuals who provide the goods and services necessary for an infringer to sell goods with counterfeited trademarks¹²¹ and (2) the minimum and maximum statutory damages are doubled.¹²² Finally, the Act amends 17 U.S.C. § 602, by extending the definition of the infringement of “copies or phonorecords” to cover exportation in addition to importation, as provided in the previous Act.¹²³

Title II of the Act enhances criminal penalties for infringement of all areas of IP. First, the Act expressly designates criminal copyright infringement “a felony,” replacing the more ambiguous term of “offense,” effectively eliminating IP misdemeanors.¹²⁴ Furthermore, the Act creates additional penalties for bodily harm and death resulting in criminal trafficking of counterfeited goods; an offender who “knowingly or recklessly causes or attempts to cause serious bodily harm” from intentionally trafficking counterfeited goods could receive a maximum of twenty years’ imprisonment in addition to any fines.¹²⁵ An offender who “knowingly or recklessly causes or attempts to cause death” from intentionally trafficking

119. See § 411 (originally only registration and infringement actions).

120. 122 Stat. at 4258 (amending 17 U.S.C. § 503(a)(1) (2006)).

121. § 103, 122 Stat. at 4259 (amending 15 U.S.C. § 1117 (2006)).

122. § 104, 122 Stat. at 4259. The statutory minimum is doubled from \$500 to \$1000, the maximum is doubled from \$100,000 to \$200,000, and for willful counterfeiting cases, the statutory maximum is doubled from \$1 million to \$2 million. *Id.*

123. § 105, 122 Stat. at 4259-60.

124. § 208, 122 Stat. at 4263 (amending 17 U.S.C. § 506 (2006)).

125. § 205, 122 Stat. at 4261 (amending 18 U.S.C. § 2318 (2006)).

counterfeited goods could be imprisoned for life or fined.¹²⁶

Secondly, Title II repeals 17 U.S.C. § 509, which originally outlined the forfeiture and impoundment procedures for copyright infringement. A new section provides more detailed provisions on civil and criminal forfeiture.¹²⁷ In both cases, the forfeiture extends to not only the counterfeiting items and all property used to commit the offenses, but also any property “constituting or derived from any proceeds obtained directly or indirectly as a result of the commission of” any criminal or civil counterfeiting offense.¹²⁸ However, unlike civil forfeiture, criminal forfeiture involves the seizure of property only after an individual’s conviction and presumes mandatory destruction of the forfeited property at the end of the forfeiture proceeding.¹²⁹

Furthermore, the new section mandates that the convicted offender must also pay restitution to “any victim of the offense as an offense against property.”¹³⁰ The Act also mandates restitution across the board for all IP crimes including unauthorized recordings of motion pictures and trade secrets under the Economic Espionage Act.¹³¹

Title III outlines the Federal efforts against counterfeiting and infringement by creating an Intellectual Property Enforcement Coordinator (“IPEC”), appointed by the president, to oversee an interagency IP enforcement advisory committee.¹³² Title III expressly repeals the NIPLECC.¹³³ The new IPEC advisory committee includes the heads of the departments and agencies involved in the original NIPLECC.¹³⁴ The agency’s goal is to create a joint strategic plan that identifies the problems in domestic and international counterfeiting and creates solutions to enforce

126. *Id.*

127. § 206, 122 Stat. at 4262-63 (to be codified at 18 U.S.C. § 2323).

128. *Id.* at 4262.

129. *Id.*

130. *Id.*

131. §§ 201, 207, 122 Stat. at 4261-62.

132. § 301, 122 Stat. at 4265.

133. § 305(a)(1), 122 Stat. at 4270 (“[The NIPLECC] is repealed effective upon confirmation of the IPEC by the Senate and publication of such appointment in the Congressional Record.”).

134. § 301(b)(3), 122 Stat. at 4266.

the United States' IP rights.¹³⁵ The IPEC is responsible for submitting to Congress an annual progress report on the findings of the joint strategic plan.¹³⁶ This report is to include, among other things, performance measures to monitor results of enforcement and to develop "metrics" to measure "the effectiveness of the Federal Government's efforts to improve the laws and enforcement practices of foreign governments against counterfeiting and infringement."¹³⁷

Title IV provides more specific changes within the Department of Justice. It provides \$25 million between the fiscal years of 2009 and 2013 for the DOJ to make grants called "IP-TIC grants" (Intellectual Property Theft and Infringement Crimes) to eligible state and local entities to assist them in investigating IP crimes, to provide specialized training, and to promote the sharing of information and analyses between federal and state agencies concerning investigations and prosecutions of criminal copyright infringement.¹³⁸ Title IV also seeks to improve investigative and forensic resources to enforce criminal IP laws by adding more specialized personnel in the CHIP and CCIP units of the DOJ and U.S. Attorney's Office.¹³⁹ Within the DOJ, at least ten more specialized FBI agents would be added to the CCIP, and at least one specialized FBI agent and at least two specialized Assistant United States Attorneys would be added in the CHIP units of the U.S. Attorney's office.¹⁴⁰ Title IV further requires that the FBI and Attorney General submit an annual report including the number of investigations, arrests, prosecutions, and any imposed penalties in order to provide annual evaluations on the government's progress in enforcing IP laws.¹⁴¹

Title V, the final title, mandates that the GAO conduct a study to "help determine how the Federal Government could better protect the intellectual property of manufacturers" by gathering data on

135. § 301(b)(1), 122 Stat. at 4266.

136. § 304, 122 Stat. at 4266-67.

137. §§ 303(e)-(f), 304, 122 Stat. 4268-70. This is closely tied to general policy of numerical goals, which has been criticized by the Department of Justice. See GAO REPORT 2008, *supra* note 65 at app. V at 6.

138. § 401(b)(1), 122 Stat. at 4271.

139. § 402(a), 122 Stat. at 4272.

140. *Id.*

141. § 404, 122 Stat. at 4274.

the impacts of imported and domestic counterfeited goods on the manufacturing industry and overall economy of the United States.¹⁴² Because the Federal government seeks an interagency approach to enforce IP laws, the GAO would also be responsible for ensuring minimal overlap of materials, facilities, and resources between the respective federal agencies.¹⁴³

IV. ANALYSIS

The criminalization of IP offenses represents a difficult intersection of views on property rights, harm, and societal condemnation, and it is important to examine such assumptions in order to understand the implications of the PRO-IP Act. The PRO-IP Act demonstrates Congressional use of the property paradigm to morally justify criminalizing IP offenses as reflected in the Act's emphasis of forfeiture and restitution, remedies often designated for traditional property offenses. However, the application of traditional property sanctions to criminal IP law blurs the boundaries between civil and criminal IP proceedings, resulting in uneasy implications for the DOJ's prosecutorial independence and authority to implement a balanced IP policy between the IP owner and the general public.

A. The Property Paradigm and the PRO-IP Act

The PRO-IP Act's enhancement of criminal sanctions demonstrates Congress' underlying assumption that IP and the rights created under it are like those under traditional property law. Congress' "propertization" of IP rights is nothing new; ever since the conception of providing criminal sanctions to IP violations, Congress has used the language of "theft" in trademark and copyright and describe infringers as "pirates."¹⁴⁴ "Theft" seems to be a rhetorical tool for Congress that allows it to evoke the norms

142. § 501, 122 Stat. at 4277.

143. § 502, 122 Stat. at 4278-79.

144. 154 CONG. REC. S7280-01, S7280 (daily ed. Sept. 15, 2008) (statement of Sen. Leahy) ("This valuable property is also terribly vulnerable; by its very nature it is subject to numerous types of thievery and misappropriation. The Internet . . . is . . . an unparalleled tool for piracy.").

of social and moral condemnation seen in criminal property offenses.

Throughout the PRO-IP Act, the language of theft pervades Congress's justifications for passing the bill.¹⁴⁵ Supporters of the PRO-IP Act decried copyright and trademark counterfeiting as causing the loss of thousands of jobs and millions of dollars in revenue.¹⁴⁶ By using the language of theft and loss, Congress implicitly assumed that (1) IP owners have the right to capture all external benefits that derive from their IP, and (2) that any potential loss of this benefit is analogous to depriving the IP owner use of his "property."

Several differences between traditional and IP exposes the weaknesses of the assumption that IP functions like property. First, the rationale for property law is based on the fundamental difference between IP and real property. The purpose of granting property rights to property owners is to allow them to capture the full benefits derived from the use of that property.¹⁴⁷ For example, the owner of a house should be allowed to use it and live in it the way he pleases (excepting those uses that would harm society) without the public impinging on his enjoyment. But this right to exclude the public in order to sustain the owner's incentive to invest in developing efficient uses of his property and thus increase social welfare does not apply as neatly onto copyright and trademark counterfeiting offenses.¹⁴⁸

Unlike traditional property, IP in the form of information and

145. See 154 CONG. REC. E2141-01, E2141 (daily ed. Sept. 27, 2008) (statement of Rep. Blackburn) ("[T]hese industries are suffering from rampant theft of their intellectual property online."); 154 CONG. REC. S9583-02, S9589 (daily ed. Sept. 26, 2008) (statement of Sen. Leahy) ("Intellectual property is the lifeblood of our economy, and protecting that property from theft . . . is important.").

146. E.g., 154 CONG. REC. S7280-01, S7286 (daily ed. July 24, 2008) (statement of Sen. Specter) ("[R]oughly 78 percent of world trade every year is in counterfeit goods. That is the equivalent of as much as \$512 billion in global lost sales. Of that amount, U.S. companies annually lose between \$200 billion and \$250 billion in sales. . . . According to the U.S. Chamber of Commerce, overall intellectual property theft costs 750,000 U.S. jobs a year.").

147. See Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1037 (2005).

148. *Id.* at 1051.

ideas cannot be “depleted”; more than one person can use the product without degrading its use.¹⁴⁹ Thomas Jefferson, who believed that no individual should have IP rights, wrote:

[an idea’s] peculiar character, too, is that no one possesses the less, because every other possesses the whole of it. He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mines, receives light without darkening me. . . . Inventions then cannot, in nature, be subject to property.¹⁵⁰

In a more contemporary critique against using the property paradigm in the context of IP law enforcement, Judge Posner reiterated this point as he argues that IP is distinguishable from real property in the critical aspect that its “public good aspect” can be shared without reducing its value.¹⁵¹

The second problem of using the property paradigm in IP law is that the language of “loss” cannot be applied analogously between real property and IP, especially in the context of counterfeiting. Lost potential sales and its harm to the economy are justifications for criminalizing IP counterfeiting. But while one can analogize a lost sale to shoplifting, the harm to the copyright owner is much less certain because the owner still retains the ability to sell the information.¹⁵² Thus, lost sales reaffirm the Jeffersonian argument that ideals cannot truly be “owned” in the sense that traditional

149. Posner, *supra* note 2, at 178.

150. Hughes, *supra* note 12, at 1030.

151. Posner, *supra* note 2, at 178.

152. Geraldine Szott Moohr, *The Crime of Copyright Infringement: An Inquiry Based on Morality, Harm, and Criminal Theory*, 83 B.U. L. REV. 731, 756-57 (2003). Professor Moohr argued that while one instance of shoplifting causes relatively small harm to a proprietor, and the penalty is therefore proportionately small, the goal of the law is to prevent the damage caused by the aggregation of shoplifters. This is similar to counterfeiting of intellectual property in that one counterfeiter does not create significant economic harm, whereas many counterfeiters of the same property can wreak havoc. The significant distinction between the two is that real property has a finite inventory, while the holder of intellectual property retains the ability to use the property counterfeited. *Id.*

property can be physically contained and excluded from the public. Furthermore, diverted losses evoke thorny policy decisions with socioeconomic considerations. To “calculate” the harm to the IP owner through the diverted sales, prosecutors must encounter such problems. For example, among consumers who purchase or sell counterfeit Louis Vuitton bags are those who would not be able to purchase the real product.¹⁵³ How does one distinguish between those who are able to afford the IP owner’s goods and those who could never have access to those goods because of their economic position?

B. Forfeiture and Restitution: Property remedies for a Property Offense

The PRO-IP Act’s emphasis of forfeiture and restitution as criminal tools demonstrate the use of the property paradigm in criminal IP offenses. In addition to expressly mandating restitution for all IP criminal offenses, the PRO-IP Act creates a new, simplified IP forfeiture provision that is brought to the forefront of IP criminal enforcement.¹⁵⁴ The new forfeiture section provides civil and criminal forfeiture provisions that both allow for the “seizure of properties obtained directly or indirectly as a result of an offense.”¹⁵⁵ However, the blurring of civil and criminal processes in IP law creates problematic implications for the DOJ’s prosecutorial boundaries.

Forfeiture is essentially a property remedy. Historically, forfeiture was recognized under English common law, in which property that was the indirect or direct cause of death was forfeited by the Crown and “distributed for pious uses.”¹⁵⁶ In colonial America, property was seized in connection to felonies or treason

153. See Posner, *supra* note 2, at 179 (“[O]wners of intellectual property have . . . appropriate[ed] the term “piracy”. . . to describe unauthorized copying, even though there is a huge difference between copying one’s intellectual property and taking someone’s physical property.”).

154. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 206, 122 Stat. 4256, 4262-63 (to be codified at 18 U.S.C. § 2323).

155. *Id.* at 4263.

156. Douglas Kim, Note, *Asset Forfeiture, Giving up Your Constitutional Rights*, 19 CAMPBELL L. REV. 527, 531 (1997).

— a concept expressly recognized and limited by the Constitution.¹⁵⁷ Thereafter, civil forfeiture proliferated, but criminal forfeiture was not recognized as a crime fighting strategy until 1970, when Congress enacted the forfeiture provisions in the RICO statutes with the aim to deprive criminal organizations of their illegally acquired property and goods.¹⁵⁸ In 1996, the RICO statute's forfeiture provisions were expanded to include products of IP violations.¹⁵⁹

Today, forfeiture plays important functions in the enforcement of IP offenses: (1) it removes items from stream of commerce; (2) it forfeits the tools and equipment used to commit further IP crime; (3) it prevents reinvestment into criminal enterprise; and (4) it serves as a powerful deterrent by reinforcing the message that crime does not pay.¹⁶⁰ In general, the criminal forfeiture proceedings begin after the offender has been convicted. Criminal forfeitures for copyright and trademark counterfeiting offenses, therefore, seem to fit into the forfeiture's rationale of punishing the guilty individual and deterring others, because part of the punitive deterrence requires that "the fruits of the crime" be destroyed.

A potential problem with the PRO-IP's forfeiture provisions, however, is that the Act expands the scope of allowable seizures to "any property constituting or derived from any proceeds obtained directly or indirectly as a result of the commission of an offense."¹⁶¹ Determining what constitutes the "proceeds" from IP crimes could be anomalous and unprecedented in scope, because extending the scope of the forfeiture provisions implicates the possible property interests of innocent individuals. For example, a video store owner who sells counterfeit DVD movies could not

157. *Id.* at 532 (citing U.S. CONST. art. III, § 3, cl. 2).

158. Arthur W. Leach and John G. Malcolm, *Criminal Forfeiture: An Appropriate Solution to the Civil Forfeiture Debate*, 10 GA. ST. U. L. REV. 241, 250 (1994).

159. See Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, § 3, 110 Stat. 1386 (amending 18 U.S.C. § 1961(1)(B)).

160. U.S. DEP'T OF JUSTICE, PROSECUTING INTELLECTUAL PROPERTY CRIMES MANUAL 288 (3d ed. 2006) available at <http://www.usdoj.gov/criminal/cybercrime/ipmanual/ipma2006.pdf> [hereinafter DOJ IP MANUAL]; see also Leach, *supra* note 158, at 266.

161. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 206, 122 Stat. 4256, 4262.

only have his personal computer seized as well as any income derived from his business, but also the family computer he purchased as a result. One concerned citizens group called Public Knowledge testified in the Act's 2007 Congressional hearings that "the expansion of forfeiture provisions also risks disproportionate penalties [T]he bill casts too broad a net, offering up for forfeiture materials . . . that may have only a fleeting connection to the offense."¹⁶² Unlike typical criminal searches and seizures, the fruits of crime may not be immediately apparent. Thus, when executing a search warrant or forfeiture application, enforcement officials would have to either engage in discretionary seizures or would have to search deeper than the initial warrant requires. This unwarranted expansion endangers both parties—the prosecution faces violating the defendant's Fourth Amendment rights against unreasonable searches and seizures and the defendant's expectation of privacy is injured.

The PRO-IP's new emphasis of restitution also emphasizes the PRO-IP's property paradigm. The PRO-IP Act mandates restitution for all types of criminal IP offenses once an individual has been convicted.¹⁶³ Restitution requires that an offender compensate the victim for the loss and "restore . . . [him or her to the] prior state of well being."¹⁶⁴ Federal law requires that the defendant pay restitution in offenses involving the loss or destruction of property including any offense committed by fraud or deceit.¹⁶⁵

However, restitution has always been a thorny and controversial issue in criminal IP law due to the difficulty in calculating the IP owner's loss. In IP counterfeiting offenses, determining restitution is particularly difficult and susceptible to fail. The victims first have to be identified and distinguished between those who were defrauded and those who knew the items were counterfeit.¹⁶⁶ A

162. *Prioritizing Resources and Organization for Intellectual Property Act of 2007: Hearing on H.R. 4279 Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 110th Cong. 72 (2007) (statement of Gigi Sohn, President, Public Knowledge).

163. 122 Stat. at 4260-64 (amending scattered sections in 18 U.S.C.)

164. DOJ IP MANUAL, *supra* note 160, at 275.

165. 18 U.S.C. § 3663(c)(1) (2006).

166. DOJ IP MANUAL, *supra* note 160, at 281.

further distinction has to be made between those were harmed by conduct that was the basis of the offense and those who were harmed by conduct that was not part of the offense.¹⁶⁷ Second, the loss has to be calculated by the victim's loss and not the defendant's gain.¹⁶⁸ Courts have used the offender's inventory, the total retail value of the infringing material, or the amount of statutory damages that the victim could have obtained from the defendant in a civil case.¹⁶⁹ However, these calculations actually look to the victim's loss in context of the defendant's earnings, and presume that the hypothetical loss of the copyright or trademark holder is equivalent to the defendant's earnings.

Hence, emphasizing forfeiture and restitution reinforces Congress's characterization of IP crimes as property offenses. If criminal IP punishment is any indication of the social harm that Congress seeks to prevent, the message here is that counterfeiting is condemned because it diverts sales from the IP holder, which in turn, violates the holder's "property" rights to exclude the public and maximize external benefits that derive from their use.

C. Prosecutorial Authority within Blurred Boundaries

The PRO-IP Act's emphasis of forfeiture and restitution to enforce criminal IP laws creates problematic implications for the federal government's future role in IP law, especially the DOJ, which has the role of implementing legislative policy, thus reflecting societal norms. First, prosecutorial boundaries are undermined as forfeiture provisions give incentive for DOJ prosecutors to become more involved in private civil proceedings. Second, the DOJ's prosecutorial independence is undermined as the PRO-IP Act upsets the fundamental balance sought in IP law, the protection of IP owners and the general public's access to the

167. *Id.* (citing to *Hughey v. United States*, 495 U.S. 411, 413 (1990)). For example, if the element of an offense is only the possession of a stolen credit card, then victims who were harmed by the use of that credit card may not be entitled to restitution for that offense. *Id.*

168. *Id.* at 284.

169. *Id.* at 285-86. (citing *United States v. Martin*, 64 F. App'x 129 (10th Cir. 2003); *United States v. Chay* 281 F.3d 682 (7th Cir. 2002); *United States v. Manzer*, 69 F.3d 222 (8th Cir. 1995)).

owner's IP.

The streamlined PRO-IP forfeiture provision provides the DOJ with the opportunity to use civil forfeiture proceedings in targeting criminal investigations of counterfeiting offenses.

In IP cases, the line between criminal and civil liability is thin. Criminal copyright infringement is not an independent offense; civil copyright infringement is a prerequisite for criminal liability.¹⁷⁰ In fact, the mere distinguishing factor between the criminal and civil IP offenses is that in a criminal case, the offender possesses a criminally culpable state of mind whereas civil liability is a strict liability offense.¹⁷¹

For the DOJ, civil forfeiture proceedings could provide a more efficient and effective tool in achieving its aims. There are several reasons why civil forfeiture is an attractive option for the DOJ. First, civil forfeiture proceedings are an *in rem* action, an action against the property itself; therefore, property may be seized regardless of ownership. In contrast, criminal forfeiture actions are *in personam* — against the offender — so the offender must be present in the action and the government cannot seize a third party's property. Second, civil forfeiture proceedings have a much lower burden of proof. In civil forfeiture proceedings, the IP holder only needs to prove by a preponderance of evidence that the crime was committed and that property derived from such crime.¹⁷² On the other hand, criminal forfeiture proceedings only commence once the defendant has been found guilty; therefore, the government has proven beyond a reasonable doubt that the defendant committed the crime.¹⁷³

The use of forfeiture proceedings blurs prosecutorial boundaries as civil forfeiture proceedings could easily be abused in assisting criminal prosecution. IP owners, especially those who have the resources to investigate, could first initiate a civil *in rem* action against the offending property itself.¹⁷⁴ A civil *in rem* action merely requires that the moving party present themselves to the

170. 4 DRATLER JR. & MCJOHN, *supra* note 4, at § 13.04, 5; *see also* 17 U.S.C. §1101(a) (2006).

171. 4 DRATLER JR. & MCJOHN, *supra* note 4, at § 13.04, 5.

172. DOJ IP MANUAL, *supra* note 160, at 295.

173. *Id.*

174. *Id.* at 290.

court even in the absence of the other party to request a seizure of property through means of a preliminary injunction or a temporary restraining order.¹⁷⁵ The threshold to establish the seizure of goods is relatively low,¹⁷⁶ and an IP owner who seeks further punishment (or damages) has nothing to lose by referring the case to the DOJ. The DOJ could then preserve such forfeited property that would be relevant for an ongoing or future criminal case.¹⁷⁷ The need for traditional criminal investigatory tools, such as pre-indictment seizure warrants, could be obviated as the impoundment of infringing items in civil forfeiture proceedings and may eliminate the need for the government to establish the higher burden of probable cause.

Finally, the DOJ, on behalf of the government, could initiate civil forfeiture proceedings itself as part of the criminal investigation, which implicates the balance of the private-public access paradigm in IP. This means that an Assistant U.S. Attorney (“AUSA”) has several opportunities to use civil forfeiture proceeding as a criminal tool. In the absence of an indictment, however, such involvement would be inappropriate, because an AUSA should maintain prosecutorial independence and avoid being seen as advancing special interests.

The legislative history of the PRO-IP act demonstrates that Congress recognized the danger of such blurred boundaries. In the initial draft of the PRO-IP Act, Senator Leahy, who was a career state prosecutor, intended the PRO-IP Act to include a provision that would have allowed the Attorney General to initiate civil IP actions against offenders at his discretion.¹⁷⁸ This provision was stricken without legislative comment, but the result demonstrates the controversial implications of the government representing private interests. Interestingly enough, Congress has failed to realize that the seemingly innocuous forfeiture provision could effectively achieve the same controversial end: it creates an

175. Paul S. Owens, *Impoundment Procedures under the Copyright Act: The Constitutional Infirmities*, 14 HOFSTRA L. REV. 211, 252 (1985).

176. *Id.*

177. See DOJ IP MANUAL, *supra* note 160, at 294.

178. S. 3325, 110th Cong. § 101 (“[T]he Attorney General may commence a civil action in the appropriate United States district court against any person who engages in conduct constituting an offense under section 506.”).

opportunity for the DOJ to utilize the civil forfeiture proceedings in the unique context of IP blindly favors Congress's policy objectives: to protect and strengthen American industry's IP rights at the expense of the general public's own IP rights.

D. Prosecutorial Independence amidst Unbalanced Boundaries

The blurring of civil and criminal penalties also affects prosecutorial independence, which is an important theme of the PRO-IP Act. While the DOJ is a representative of government that must follow federal policy, its independence allows it to limit or restrict Congressional policy underlying the law. The ultimate purpose of IP law is to preserve the balance between public access and IP owner rights, and the PRO-IP Act demonstrates Congress's pro-IP industry policies. Given the increasing prominence of Congress's support of IP owner rights, the DOJ now has an important role in influencing and shaping this balance.

In light of Congress's strong interest in protecting IP industries, prosecutorial independence is particularly important in sustaining a balanced governmental IP policy by limiting improper influence. U.S. Attorneys must tread a very fine line as the representative of the government's policies and as an advocate for public norms. Even though the DOJ must follow federal policy, as an advocate of societal norms, it has the responsibility to advocate the public's interest as a whole without the influence of lobbyists or other special interest groups that often advance political agendas in Congress. Political theory may be helpful in understanding the tensions inherent in the DOJ's relationship with Congress. Federal criminal statutes are often deliberately vague and overly broad, because Congress delegates power to the more specialized agencies and endows the government prosecutors with broad discretion to interpret the law and choose which policies to pursue in advancing such an interpretation.¹⁷⁹ Congress does so, because the public does not trust any "political tampering" in the criminal

179. Daniel C. Richman, *Federal Criminal Law, Congressional Delegation, and Enforcement Discretion*, 46 UCLA L. REV. 757, 762 (1999). "Freed from the need to internalize the costs of broad enactments . . . legislators can pursue such statutes without even considering their enforcement consequences." *Id.* at 772.

process and with prosecutorial independence. For example, Senators who try to intervene in a trial are seen as pursuing special interests or provide unwarranted exceptions to the law.¹⁸⁰ As a result, Congress has developed “remarkable sophistication in designing administrative structures and processes to ensure that agencies ‘produce policy outcomes that legislators deem satisfactory.’”¹⁸¹ Budget controls, reporting requirements, and the oversight process are some legislative “control” mechanisms which enhance the likelihood of favoring powerful special interest groups who want to restrain enforcement in certain sensitive areas.¹⁸²

The PRO-IP Act demonstrates these tensions between Congressional favor of specialized private interests and the sustainability of prosecutorial independence. Under Title III and IV of the PRO-IP Act, the new interagency committee IPEC would be headed by the presidentially-appointed overseer. The Act outlines comprehensive reporting guidelines for not only IPEC but also the DOJ and FBI as part of the allocation of additional resources¹⁸³ and requires detailed annual reports including statistical assessments as a key part of effective enforcement.¹⁸⁴ Legislators who initially opposed the first draft of the PRO-IP bill were concerned that the IPEC might result in political interference with the DOJ’s decisions and “improper contacts between the White House and the [DOJ] on prosecutions and investigations.”¹⁸⁵ On the other hand, other congressional members, such as Senator Tom Coburn of Oklahoma opposed the bill on the basis that the

180. *Id.* at 762.

181. *Id.* at 789 (quoting Matthew D. McDubbins et al., *Structure and Process, Politics, and Policy: Administrative Arrangements and the Political Control of Agencies*, 75 VA. L. REV. 431, 432 (1989)).

182. *Id.* at 791-93.

183. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, §§ 303-04, 122 Stat. 4256, 4265. IPEC’s annual report must include “performance measures to . . . monitor results,” and the DOJ must also submit a detailed annual report of how funds were specifically allocated and the number of arrests. *Id.* at 4268, 4274-75.

184. *Id.* at 4268-70.

185. 154 CONG. REC. S9583-02, S9590 (daily ed. Sept. 15, 2008) (statement of Sen. Kyl).

IPEC did not create enough agency oversight.¹⁸⁶

In past similar attempts, the DOJ has rebuffed Congressional attempts to control the agency. In response to the March 2008 GAO Report, which recommended that the DOJ create numerical goals to facilitate IP enforcement efforts,¹⁸⁷ the DOJ wrote: “the [DOJ] has intentionally resisted setting . . . percentage ‘targets’ as performance measures because it creates the risk that prosecutions could be initiated . . . for the improper purpose of meeting prosecution quotas or the expectations of . . . Congressional officials.”¹⁸⁸ Such disagreements demonstrate that the DOJ is not merely a rubber stamp of Congressional policies in IP law, and that the PRO-IP Act ultimately maintains the Congress-agency dichotomy, when it was amended to expressly limit the authority of IPEC so that it does not control or influence the DOJ’s prosecutorial decisions.¹⁸⁹

However, the PRO-IP Act fails to address the unresolved problems in criminal IP law that hinder the DOJ from effectively taking a role in shaping IP policy. The biggest challenge that the DOJ faces today is to effectively deter IP offenses. In doing so, it must reconcile government policy with society’s resistance to internalize IP offenses as part of its conception of criminally condemnable harm. Scholars who argue that IP offenses cannot be justified under traditional criminal theories reason that the pervasiveness of IP offenses is due to a lack of society’s moral condemnation of such behavior.¹⁹⁰ The fundamental problem is that the criminalization of IP is justified by the problem of scale. The downloading of a song by one student itself is not a condemnable social harm, but rather the fact that numerous people are downloading thousands of songs: “just as we call a billion sand

186. 154 CONG. REC. S9469-01, S9469 (daily ed. Sept. 25, 2008) (statement of Sen. Coburn) (“We are going to put \$300 million plus into this program but we are not going to force the Justice Department to tell us what they are doing with it. Until . . . there are some teeth to make the Justice Department do what we tell them to do . . . I am going to have to regretfully [reject the bill].”).

187. GAO REPORT 2008, *supra* note 65, at 32, 35 (“Without performance measures related to these statistics, it is not clear how these statistics should be assessed because it is not clear what the agencies sought to achieve.”).

188. *Id.* at 75 app. V.

189. 122 Stat. at 4270.

190. *See* Moohr, *supra* note 152, at 754-57.

particles a ‘pile,’ but not a single grain, many of us intuitively feel that the individual acts cannot be called ‘piracy,’ but the larger phenomenon can be.”¹⁹¹ Society is still not convinced that the act of posting a copyrighted song on the internet amounts to harm that society condemns, which consequently undermines Congress’s efforts to convince the public that IP offenses are morally condemnable. While criminal law often reflects and maintains the societal attitudes on the immorality of harm, “criminal law standing alone is unlikely to engender internalization of the values the law represents.”¹⁹² In other words, it is difficult to impose upon society the view that IP offenses are immoral unless society thinks that the offense is harmful to begin with.

The PRO-IP Act does little to bridge this gap between legislative and public perception; Congress justifies criminalizing IP offenses based on the harm it causes to American industries but is silent as to this potential problem of sanctioning such offenses. Congress’s pro-IP alignment aligns itself expressly with special interests of IP owners. It is concerned with protecting American industries’ IP and wants to ensure that law enforcement agencies effectively implement Congressional policy. The public also perceives the federal government as favoring the IP owner rather than societal interests in IP access.¹⁹³ Given the exposure and publicity of industry campaigns against infringers, IP offenses have become cast in a way that aligns Congress in the favor of big industry.¹⁹⁴

The PRO-IP Act also fails to address the DOJ’s agency specific problems that further hinder its potential to shape an effective and sustainable criminal IP policy. One problem is the low prioritization of prosecuting IP crimes. Criminal IP offenses remain low on the DOJ and FBI’s priorities—among the FBI’s six cybercrime priorities, IP enforcement ranked fifth.¹⁹⁵ If an individual is charged with several crimes, prosecutors are willing

191. Hughes, *supra* note 12, at 1072.

192. Moohr, *supra* note 152, at 776.

193. See DOJ IP MANUAL, *supra* note 160, at 340 (“The government might be portrayed as a pawn of wealthy corporate interests.”).

194. *Id.* at 316 (“IP right holders are often interested in securing economic . . . relief, but, unlike many other victims, [they] . . . have the resources to aggressively pursue that relief themselves.”).

195. GAO REPORT 2008, *supra* note 65, at 13.

to drop any IP charges in favor of more punitive sentences under other offenses.¹⁹⁶ This in turn leads to lower visibility and prosecution of IP crimes. Thus, low prioritization is a problem because it signals low allocation of time and resources to analyze and develop criminal IP law. And without a stronger articulated strategy and experience of its own, the DOJ is more susceptible to follow Congress's generalized policy without realizing its implications. This has already been seen through the failures of the NIPLECC, which was ineffective due to the lack of the agencies' prioritization and lack of agency-defined goals.¹⁹⁷ The result was a complete lack of meaningful dialogue and education of the public regarding the condemnable harm of IP crimes.

Another problem is that the executive members in DOJ have reflected their own support of the property paradigm, which has undermined the potential for a more balanced IP policy. AUSAs are instructed under the DOJ's IP manual that IP "is property as much as any tangible property" and that counterfeiting offenses "defraud unwitting customers into paying for [counterfeit] products."¹⁹⁸ Under the Bush administration, Attorney General Alberto Gonzalez proposed a 2007 IP Act directly to Congress that would have authorized wiretaps on potential counterfeiting offenses and criminalize *attempts* to counterfeit.¹⁹⁹ The impositions of such drastic criminal mechanisms onto IP laws only widen the gap between public and governmental perception of IP crime. Furthermore, a secret Anti-Counterfeiting Trade Agreement between the United States law enforcement agencies and other countries alarmed groups who have advocated for greater public IP access.²⁰⁰ The controversy is not based on the contents of the document, but the fact that the contents of the document are unknown.²⁰¹ Such secrecy is particularly disconcerting in an area where the public domain and access

196. *Id.* at 23 n.38.

197. *Id.* at 37 n.66 ("NIPLECC struggled to define its purpose. . . . This was due in part to a lack of clear expectations in its authorizing legislation.").

198. DOJ IP MANUAL, *supra* note 160, at 276.

199. Intellectual Property Protection Act, *supra* note 103, at 2, 7.

200. Nate Anderson, *Secret ACTA Treaty Emerges blinking into the Sunlight*, ARS TECHNICA, Sept. 24, 2008, <http://arstechnica.com/news.ars/post/20080924-secret-acta-treaty-emerges-blinking-into-the-sunlight.html>.

201. *Id.*

remains a crucial consideration in formulating IP laws and hurts public confidence in the government to shape a more balanced policy.

Public access to IP remains a crucial policy consideration even in the context of counterfeiting; creativity and innovation may necessarily require duplication of copyrighted or trademarked works. From Congress's perspective, the targets of the PRO-IP Act are the counterfeited goods traffickers and illegal warez website rings. To condemn IP counterfeiting automatically as felonies ignores the effects it has on to the public at large, because to criminally condemn all copying of copyrighted and trademark works for profit implicates the larger cultural paradigm that falls beyond Congress's intended purview. For example, Professor Lawrence Lessig writes that the proliferation of the "Youtube" phenomenon, in which individuals duplicate ("pirate") copyrighted and trademarked works as part of their own creative expression on the internet, demonstrates the failure of criminal IP laws to blend into the greater cultural consciousness: "it is time we recognize that we can't kill this creativity. We can only criminalize it."²⁰² Thus, by justifying the criminalization of IP rights based on the specialized private interests, Congress "give[s] little regard [to] the moral force that makes [the laws] effective in the first place."²⁰³ As a public instrument responsible for implementing the codes that society has deemed harmful and condemnable, government prosecutors must implement the PRO-IP Act that reconciles the purpose of the Act with the traditional presumptions underlying criminal law. The DOJ has the authority to decide which cases to pursue, and this discretionary power could enable the Federal government to effectively combat the harms addressed in the PRO-IP Act without undermining individual freedoms and the public's access to IP.

E. Restoring Boundaries and Balance in Criminal IP Law

In order for the government to create a meaningful progress in

202. Lawrence Lessig, *In Defense of Piracy*, WALL ST. J. (New York), October 11, 2008, at 3.

203. Moohr, *supra* note 152, at 782.

the long term effectiveness of criminal IP laws and to establish a more balanced policy of IP owner rights and public access, the DOJ needs to implement the law that targets the behavior and not the property. The key is to set clearer boundaries between civil and criminal IP sections and the DOJ must be clear to limit its role in the criminal realm.

First, the DOJ must create a more concrete basis for its guidelines in deciding which IP cases to prosecute. Currently, the DOJ's IP manual provides general factors for attorneys to consider when charging crimes such as federal law enforcement priorities, the nature and seriousness of the offense, and the adequacy of alternative remedies.²⁰⁴ However, the DOJ's press releases demonstrates the divergent nature of IP crimes ranging from the theft of trade secrets to the sale of counterfeited movies²⁰⁵ which could result in widely discretionary prosecutions without any specified policy objectives. As diverse areas of criminal IP law become more established in the government's policies, the DOJ needs to create an experienced foundation through case law on which it may build a coherent and consistent policy of deterrence in the diverse areas of IP offenses. Yet, the DOJ is relatively complacent in prosecuting IP crimes: the manual instructs that "Federal prosecution is most appropriate when the questions of IP laws are most settled."²⁰⁶ Complacency with the current law does not provide clearer insight into the problems underlying criminal IP law.

Second, comprehensive guidelines must also be established for the evidentiary and procedural boundaries of prosecuting an IP offense. The current government IP manual only provides cautionary rules on prosecutorial ethics regarding the use of private help from the IP owners.²⁰⁷ Recently, a DOJ press release on a case which the defendant, who sold counterfeit movies in a flea market, publicly acknowledged that the FBI jointly investigated the case with the United States Anti-Piracy

204. DOJ IP MANUAL, *supra* 160, at 304.

205. See U.S. Dep't of Justice, Intellectual Property News Releases, <http://www.usdoj.gov/criminal/cybercrime/ipnews.html>

206. DOJ IP MANUAL, *supra* note 160, at 305.

207. *Id.*

Operations Division of the MPAA.²⁰⁸ In light of this open reality of IP law where private and government investigations often merge, a more comprehensive study into the possible evidentiary and procedural implications of such investigatory methods in the unique context of IP law must be made. Furthermore, in criminalizing counterfeited IP goods, the ultimate end should be to punish and deter behavior. Government should actively pursue prison sentences rather than fines, as the DOJ acknowledges: “Some infringers are undeterred by civil liability. They treat civil remedies as a cost of doing business and continue their infringement after civil sanctions.”²⁰⁹ Therefore, to the extent it protects the IP rights of particular victims, the DOJ must be clear that its responsibility is to focus on the harm caused rather than the property diverted.

Finally, the DOJ and IP owners *do* need to collaborate in creating a more meaningful dialogue with the public beyond the mere prosecution of cases. While there may be collaboration between the government and IP owners when it comes to investigating IP offenses, there is a lack of communication when it comes to looking toward the future of IP law. The PRO-IP Act seeks more effective use of resources between businesses, local law enforcement, and the DOJ to implement private and governmental policies of IP law. Section IV grants IP-TIC grants for local investigators and prosecutors to create their own units in pursuing IP crime.²¹⁰ A more localized focus on IP enforcement creates a more intimate connection with the public at large and holds the potential to create more awareness and persuasively educate the public. Thus, given the extremely limited governmental resources devoted to IP enforcement,²¹¹ a new

208. Press Release, U.S. Dep’t of Justice, Eagle Pass Man Sentenced to Federal Prison for Selling Pirated DVDs (Feb. 3, 2009), *available at* <http://www.cybercrime.gov/martinezSent2.pdf>.

209. DOJ IP MANUAL, *supra* note 160, at 306. Throughout the chapter, the DOJ emphasizes that civil liability does not deter behavior. *See id.* at 306, 308.

210. Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, 122 Stat. 4256, 4271.

211. *See* CONGRESSIONAL BUDGET OFFICE, COST ESTIMATE, S. 3325, ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS ACT OF 2008 3 (2008), *available at* <http://www.cbo.gov/ftpdocs/98xx/doc9861/s3325.pdf>. According to the estimate appropriate for Title V of the PRO-IP Act, \$ 25 million would be

paradigm and balance could be achieved through a more encompassing communication through the shared resources of the general public, IP owners, and the government.

V. CONCLUSION

Unless the fundamental policies and attitudes underlying criminal IP law change, the PRO-IP Act is merely a superficial bandage that will fail to deter IP offenses and create problematic implications for prosecutorial authority. An examination of Congress's policy for protecting IP owners demonstrates that the property paradigm is ineffective in deterring IP infringement and conduct. Counterfeited products cannot necessarily be seen as loss to the IP owner, yet forfeiture and restitution are tools in which the IP owner may be entitled to capture all benefits arising from his ideas. However, these provisions further blur the boundaries between civil and criminal IP law and jeopardizes the DOJ's prosecutorial authority by allowing the manipulation of civil tools in criminal prosecution. In the long term, these uncertain boundaries undermine the DOJ's potential to shape a more balanced IP policy that reconciles Congress's and the public's perceptions of harm and that effectuates the ultimate purpose of respecting both IP owner's rights and public access to IP. Thus, while restitution and forfeiture may punish an individual offender and thwart the immediate offense, these tools fail to address the continuing problems underlying the criminalization of IP law. The existing property conceptualization of IP rights is inadequate in addressing the realities of criminal law enforcement. A new paradigm that includes the public voice is necessary in order to establish a balanced and sustainable foundation for criminal IP law.

Grace Pyun