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IP LAW
FROM CIVIL TO CRIMINAL

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You receive a call from your client, who is in an agitated state: a stranger appears to be in possession of trade secrets, or someone has hacked into the computer system and obtained confidential information, or counterfeit goods are being distributed over the internet. Your client knows that you can file a civil suit if you can identify the offender, but she thinks this is more serious. She asks whether you can take a more aggressive step – is this conduct criminal? Can you get a prosecutor interested in sending someone to jail?

If the conduct is really egregious, going beyond the usual commercial intellectual property dispute, the answer, more and more, is yes. Nearly two years ago, spurred by Congress, which has increased penalties for intellectual property crimes, the Justice Department formally designated prosecution of those crimes a “priority.” Earlier this year, emphasizing that “systematic misappropriation of intellectual property has become a major concern to American businesses, artists and authors,” the Justice Department’s Computer Crime and Intellectual Property Section published a manual for federal prosecutors handling intellectual property cases.

The manual, *Prosecuting Intellectual Property Crimes*, is a useful introduction to federal criminal intellectual property law. It outlines the elements of major intellectual property crimes and analyzes the factors that inform the decision to prosecute. The Manual, along with announcements of recent prosecutions and other useful information on intellectual property crime, is available at the website of the Computer Crime Section, www.cybercrime.gov.

As the Manual makes clear, federal criminal statutes cover the whole range of the intellectual property field. Intentional violations of established intellectual property rights can amount to federal crimes. Thus, willful copyright infringement is a felony, where the defendant has infringed at least 10 copies of a copyrighted work, with a retail value of more than \$2500. 17 U.S.C. § 506(a) and 18 U.S.C. § 2319. Knowing use of a counterfeit trade or service mark that is “identical with, or substantially indistinguishable from” a registered mark amounts to the felony of “trafficking” in counterfeit goods or services. 18 U.S.C. § 2320. False representations in copyright applications, 17 U.S.C. § 506(e), and false marking of an item with the words “patent” or “patent pending,” 35 U.S.C. § 292 are also crimes.

In addition to crimes based on violations of rights under the copyright, trademark and patent laws, federal law also criminalizes certain forms of commercial espionage. Theft of trade secrets – the intentional use of stolen trade secret information related to a product used in interstate commerce – is a crime under the Economic Espionage Act of 1996, *see* 18 U.S.C. § 1832. Potentially broader is the crime of obtaining information “in excess of authorization” from a computer. This crime can be charged whenever a defendant accesses a computer used in interstate commerce “without authorization or exceeds authorized access” and thereby obtains information.

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Anyone interested in the assistance of a prosecutor must understand the factors that will inform the discretionary decision to prosecute. A United States Attorney's office will not get involved where there is a bona fide dispute over the right to use intellectual property or trade secrets, or where ordinary civil remedies are available and adequate. On the other hand, the prosecutor may act where the defendant has a history of wrongful acts – it may be helpful to show that the misconduct continued after the defendant received cease and desist letters from the rights holder – where the activity is widespread, where the defendant is judgment proof, so that civil damages are not an effective deterrent, or where the violation implicates special concerns, such as health or safety.

In addition, any party hoping to stimulate government action in an intellectual property case must be prepared to cooperate with the prosecutor. Indeed, the Economic Espionage Act specifically directs courts in trade secret cases to take action to preserve the confidentiality of trade secrets of a crime victim. On the other hand, before contacting the prosecutor, a client must be confident that the government's investigation will not backfire and uncover wrongdoing by its own employees.

Beyond deciding whether to charge a crime, prosecutors exercise discretion over who will be charged. The Manual states that in every case involving "wrongdoing by corporate agents," prosecutors will "consider the corporation, as well as the responsible individuals, as potential criminal targets." While that may be comforting to the victim of a corporate competitor, it should be a warning to every corporation whose employees might be tempted to violate a competitor's intellectual property rights. In order to minimize the chance of prosecution, a corporation should adopt a corporate compliance program and take effective remedial action when wrongdoing is discovered.

The vast majority of intellectual property disputes will not present the kind of blatant misconduct that will concern a prosecutor. In those few other cases, it will make sense to consider carefully whether to call the feds.

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