OFFICE OF THE UNITED STATES INTELLECTUAL PROPERTY ENFORCEMENT COORDINATOR

JANUARY/FEBUARY 2012 EDITION

Intellectual Property Spotlight



Contents

Introduction.....1
International Enforcement.....2
Securing Our Supply Chain.....3
Electronics and Media.....3
Trade Secrets and Counterfeit Goods.....4
Training and Outreach.....5

Introduction

On Jan 24, President Obama called for the creation of a Trade Enforcement Unit in his State of the Union Address. On Feb 28, he signed an executive order creating the Interagency Trade Enforcement Center to investigate unfair trading practices in countries like China. As President Obama stated during his State of the Union Address, "Our workers are the most productive on Earth, and if the playing field is level, I promise you—America will always win."

U.S. law enforcement and government agencies were very active in Jan and Feb in several investigations and prosecutions against intellectual property theft, including online piracy and counterfeit goods. These included the Megaupload case, one of the largest criminal copyright cases ever brought by the United States.

Throughout Jan and Feb, U.S. government officials also organized and participated in wide variety of training and outreach activities designed to support IP law enforcement and educate the public about IP rights. Many of the events involved officials from foreign governments, highlighting the international cooperation in IP rights enforcement.

Victoria A. Espinel
U.S. Intellectual Property Enforcement Coordinator

International Enforcement



President Obama Signs Executive Order Establishing New Trade Enforcement Unit

On Jan 24, in his State of the Union Address, President Obama called for "the creation of a Trade Enforcement Unit that will be charged with investigating unfair trading practices in countries like China." On Feb 28, President Obama signed an executive order to create the Interagency Trade Enforcement Center, a panel designed to investigate unfair trading practices in countries like China. The Center is another example of the Administration's commitment to the American worker. As President Obama pledged during his State of the Union Address, "Our workers are the most productive on Earth, and if the playing field is level, I promise you —America will always win."

Operation Global Hoax II Nets Tens of Thousands of Counterfeit Products

The National Intellectual Property Rights Coordination Center, led by ICE Homeland Security Investigations (HSI), and the World Customs Organization (WCO) concluded Operation Global Hoax II, an effort to fight counterfeit goods that began in Nov 2011. Enforcement agencies in 43 countries targeted mail facilities and express courier depots to combat the flow of illicit counterfeit and pirated products. The two-month operation detained over 30,000 parcels and seized over 150,000 counterfeit or pirated items, including toys, pharmaceuticals, electronic goods, DVDs, watches, and apparel. In the U.S., authorities seized over 21,000 items worth over $7.3 million. (ICE-HSI, Customs and Border Protection (CBP), WCO)

British Piracy Student Fights Extradition to the United States for Copyright Infringement Charges

On Jan 13, Britain's Westminster Magistrates' Court ruled that a British citizen could face extradition to the United States to face criminal charges of copyright infringement. Richard O'Dwyer is the founder of TVShack.net, a website that provided links to pirated films and television shows. The British Home Secretary approved the extradition on Mar 13, but O'Dwyer's attorneys filed an appeal on Mar 23. The 23-year-old student faces up to five years in U.S. federal prison. (ICE-HSI)

Europol Joins the IPR Center

On Jan 24, the European Police Office (Europol) joined the National Intellectual Property Rights Coordination Center (IPR Center), becoming the Center's 20th partner agency and 4th international partner alongside the International Criminal Police Organization (INTERPOL), the Mexican Revenue Service, and the Royal Canadian Mounted Police. The alliance strengthens the IPR Center's international partnerships and information sharing on intellectual property crime.

Operation Fake Sweep

In the months leading up to Super Bowl XLVI, a nationwide enforcement operation targeted counterfeit game-related sportswear. Dubbed Operation Fake Sweep, the investigation was a cooperative effort between law enforcement agencies and the National Football League, and it netted 50,703 phony Super Bowl items with street value estimated at **$5.12 million**. In addition, Operation Fake Sweep collected 22,570 counterfeit items relating to other major sports, such as Major League Baseball, the National Basketball Association, and the National Hockey League.

The operation also involved the seizure of over 300 websites engaged in counterfeiting and online piracy. A defendant was charged with one count of criminal copyright infringement in connection for illegally streaming content on 9 of those seized websites.



John Morton, Director of U.S. Immigration and Customs Enforcement (ICE), summed up the success of Operation Fake Sweep by declaring that "[o]ur message is simple: abiding by intellectual property rights laws is not optional; it's the law." (ICE-HSI, CBP, U.S. Postal Inspection Service, Indianapolis Metro P.D., Ind. State Police, DOJ CCIPS, USAOs D. Colo., D. Md., D. Minn., W.D. Mich., S.D.N.Y., S.D. Tex., W.D. Tex.)

Securing Our Supply Chain

Electronics and Media

DOJ Charges Seven Leaders of Megaupload with Online Copyright Infringement

On Jan 5, seven individuals and two corporations were indicted for their respective roles in running an international organized criminal enterprise allegedly responsible for massive worldwide online piracy. The action is among the largest criminal copyright cases ever brought by the United States and directly targets the misuse of a public content storage and distribution site to commit and facilitate intellectual property crime. On Jan 20, law enforcement also executed more than 20 search warrants in the United States and eight countries, seizing approximately **$50 million** in assets and targeting sites where Megaupload has servers. In addition, a federal court ordered the seizure of 18 domain names associated with the alleged Mega conspiracy.

The conspirators' content hosting site, Megaupload.com, advertised as having **more than one billion visits to the site, more than 150 million registered users, 50 million daily visitors and accounting for four percent of the total traffic on the Internet**. The estimated harm caused by the conspiracy's criminal conduct to copyright holders is well in excess of **$500 million**. The conspirators allegedly earned over **$175 million in illegal profits** from advertising revenue and selling premium memberships. Several foreign law enforcement agencies assisted, including, including those from New Zealand, Hong Kong, the Netherlands, the United Kingdom, Germany, Canada, Australia, and the Philippines. (FBI, ICE-HSI, DOJ CCIPS, Criminal Division Office of International Affairs, Organized Crime and Gang Section, and Asset and Money Laundering Section, USAO E.D. Va.)

Texas Defendant Sentenced to Nearly 5 Years in Federal Prison for Software Copyright Infringement

On Feb 28, a defendant was sentenced following his 2011 guilty plea on charges of copyright infringement. The defendant illegally reproduced copies of Adobe System Inc.'s software and sold it via Internet download. The economic loss due to the infringement was estimated to be between $400,000 and $1 million. (ICE-HSI, FBI, Wichita Falls Police Department, USAO N.D. Tex.)

Defendants Sentenced for Online Piracy

In Jan, two of the founders of NinjaVideo.net were sentenced for their roles in the illegal distribution of pirated high-quality online content. On Jan 6, a federal judge ordered Hana Amal Beshara to serve 22 months in prison and repay nearly $209,827 that she personally obtained from her work at NinjaVideo.net. On Jan 20, Matthew David Howard Smith was sentenced to 14 months in prison and ordered to repay $172,387. Three other individuals involved in the operation of the NinjaVideo site have also pled guilty and been sentenced. The website was seized during the first phase of Operation In Our Sites, a sustained law enforcement initiative to protect consumers by targeting counterfeiting and piracy over the Internet. (ICE-HSI, DOJ CCIPS, USAO E.D. Va., CBP)

Defendant Sentenced for Selling Counterfeit Microelectronics

On Feb 22, a defendant was sentenced to 20 months for conspiring to sell counterfeit integrated circuits to the U.S. military, defense contractors, and other entities. The sentencing followed the individual's guilty plea to federal charges of trafficking in counterfeit goods and conspiracy to distribute counterfeit integrated circuits and to commit mail fraud. (ICE-HSI, Naval Criminal Investigative Service, USAO DC)

Defendant Convicted on Charges of Trafficking Counterfeit DVDs

On Jan 13, an individual was tried and found guilty by a federal jury on charges relating to the trafficking of more than 30,000 DVDs with the counterfeit trademarks of Dolby Laboratory Licensing Corporation, a company responsible for sound quality for DVDs and movies. The individual faces up to a maximum sentence of 35 years in federal prison. (ICE-HSI, CBP, USAO C.D. Cal.)

Trade Secrets and Counterfeit Goods

Defendant Sentenced for Trade Secret Theft Conspiracy

On Jan 12, a defendant was sentenced for his role in a plot to steal trade secrets from Dow Chemical. The defendant had been a Dow research scientist and conspired to misappropriate the company's trade secrets to various Chinese companies. The court imposed a prison term of 60 months, a $25,000 fine, and forfeiture of $600,000. (CCIPS, FBI, USAO M.D. La.)

Florida HSI Special Agents Seize $2 Million Worth of Counterfeit Luxury Goods On Feb 1, ICE-HSI seized 5,512 items—including purses, wallets, scarves and perfumes—that falsely exhibited trademarks of high end fashion companies. The items had a manufactured suggested retail price (MSRP) of nearly $1.2 million. On Feb 13, ICE-HSI seized more than 6,200 various items bearing fraudulent trademarks and worth a total MSRP of $825,570. (ICE-HSI)

Counterfeit Jewelry Seized at Arizona Gem Show

On Feb 8, ICE-HSI seized an estimated $1 million in counterfeit jewelry at a gem show and arrested two men. HSI special agents seized more than 2,500 pieces of jewelry and nearly $35,000 in cash. (ICE-HSI, CBP, Arizona Attorney General's Office)

Defendant Sentenced for Selling Counterfeit Airbags

On Feb 16, a defendant was sentenced to 37 months in federal prison for trafficking counterfeit airbags. The defendant had pled guilty to five counts of trafficking in airbags bearing fake trademark emblems of brands such as Honda, Toyota, Audi, and BMW.

Raymond R. Parmer, Jr., special agent in charge of HSI New Orleans, emphasized the risk to public health and safety: "Not only do these products do financial harm to trademark holders, in this instance testing proved that had the counterfeit airbags deployed in an automobile accident, the resulting explosion and shrapnel could have seriously injured or killed occupants of the vehicle. This case represents why HSI remains so committed to an aggressive approach towards enforcing intellectual property rights laws."

(ICE-HSI, Tennessee Highway Patrol—Criminal Investigation Division, Tennessee Department of Transportation, USAO E.D. Tenn.)



CBP and ICE Release IPR Seizure Report:

On Jan 9, CBP and ICE released their FY 2011 report on IPR seizures of goods infringing trademarks and copyrights. The report shows a 24% rise in overall seizures, including an increase of more than **$11 million in counterfeit pharmaceutical seizures, an upswing of nearly 200%**.

Training and Outreach

In Jan and Feb, U.S. government officials organized and participated in wide variety of training and outreach activities designed to support IP law enforcement and educate the public about IP rights. Many of the events involved officials from foreign governments, highlighting the international cooperation in IP rights enforcement.

- **DOJ, IPR Center, and USPTO Participate in Central America IP Training:** From Feb 6-10, DOJ CCIPS and Office of Overseas Prosecutorial Development, Assistance, and Training (OPDAT) organized with INTERPOL a conference entitled "Intellectual Property Rights Training Enforcement Seminar and IP Crime Regional Planning Meeting" in Panama City, Panama. The event brought together more than 70 law enforcement officials, including representatives from Panama, Mexico, Belize, Guatemala, Costa Rica, El Salvador, and Nicaragua. The IPR Center provided instruction and shared investigative best practices, and the U.S. Patent and Trademark Office's (USPTO's) Brazil IPR Attaché also spoke at the event.
- **USPTO Hosts Training for Chinese IP Officials:** On Feb 3, USPTO conducted a training program on U.S. civil, criminal, and border IPR enforcement practices for a delegation of Chinese government officials from China's State IP Office (SIPO). The program included meetings with Chief Judge Randall Rader of the U.S. Court of Appeals for the Federal Circuit, U.S. IPR enforcement officials, and U.S. industry representatives.
- **IP Theft Enforcement Teams Continue to Provide Training to Combat IP Theft:** The IPR Center conducted numerous IP Theft Enforcement Team (IPTET) trainings during Jan and Feb, increasing cooperation and sharing best practices with state and local law enforcement agencies for IP theft investigations. To date, IPTET trainings have been conducted in Rochester, NY, Savannah, GA, and Little Rock, AR, with several more planned for the remainder of the fiscal year.
- **USPTO Presents IPR Enforcement Training for Foreign Government Officials:** During Jan and Feb, USPTO's Global IP Academy facilitated three IPR Enforcement training programs and trained a total of 58 foreign government officials from 20 different countries on IPR Enforcement issues. The programs included a Survey of IPR Courts, a program with China's SIPO on enforcement, and an IPR Border Enforcement program for Thai Customs officials.
- **DOJ IP Enforcement Grant Program:** On Jan 3, DOJ's Office of Justice Programs, Bureau of Justice Assistance (BJA) released the FY 2012 IP Enforcement Grant Program solicitation, entitled "Protecting Public Health, Safety and the Economy from Counterfeit Goods and Product Piracy: The Intellectual Property Theft Enforcement Program." Awards will be made by Sep 30 to support state, local, and/or tribal law enforcement agencies efforts against IP theft, as well as training and education about IP rights.



If you feel that you have been the victim of an intellectual property crime, you can report the crime by clicking on the button to the left, calling the IPR Center at 1-866-IPR-2060, or contacting a field office of the FBI. To help you determine what to do when reporting an intellectual property crime, see DOJ's "Reporting Intellectual Property Crime: A Guide for Victims of Counterfeiting, Copyright Infringement, and Theft of Trade Secrets." DOJ also has created forms/checklists that identify the information you will need to provide when referring copyright infringement and trademark offenses and theft of trade secrets.

If you would like to subscribe to the newsletter in the future, email IntellectualProperty@omb.eop.gov. If you would like more information about the Office of the IPEC, including a copy of the 2010 Joint Strategic Plan on Intellectual Property Enforcement, please visit our website.