

# 12 International Harmonization of National Laws and Policies for Effective Prevention and Suppression of Intellectual Property Violation<sup>(\*)</sup>

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*The present interconnected global economy not only benefits legitimate businesses but also fosters the problem of intellectual property infringement to become a global phenomenon of the 21st century. Due to the pervasiveness of intellectual property violation, which greatly damages economic prosperity and increasingly harms public security, a conception of intellectual property rights has shifted from economic and civil matter to criminal paradigm in the view of law enforcement. In the last decade, many countries have improved their intellectual property legislations to provide for greater civil remedies as well as stiffer penalties. Nevertheless, statistical data shows that the trend of intellectual property infringement is still on the rise. Therefore, it is a pivotal time to consider more on strategies towards the effective intellectual property enforcement.*

*This report intends to offer a practical aspect rather than a legislative review. Fighting the threat of intellectual property crime requires concerted action from all countries. Appropriated legislation has to be in place and in line with international standard and practice. Consistent policy in enforcing the laws is vital to effective implementation. The objective of the report is to reveal all serious consequences of intellectual property crime and its link with organized crimes and terrorism and then explore innovative solutions to strengthen the intellectual property enforcement regime. To achieve this goal, the report begins by revealing all facts in support of the argument that intellectual property crime is not a victimless crime. It further examines the relationship between intellectual property crime and other criminal activities, especially organized criminal groups. An analysis of factors that make intellectual property crime an attractive illegal business, and any root causes that undermine the effectiveness of law enforcement are included. At the end, the report recommends a variety of measures to strengthen existing enforcement tools and practices, as well as proposes alternative instruments for the better enforcement of intellectual property.*

## I Introduction

It is well recognized that intellectual property right is one of the most valuable assets, which contribute greatly to the development of economic system in each country. A strong protection of intellectual property leads to substantial investment from foreign countries and, at the same time, encourages local innovation in the country to be able to compete in the global market. Given the exorbitant rise of intellectual property violation, at present the issue of enforcement of such laws becomes a great concern to all countries. However, the unique character of intellectual property coupled with the disparity of national laws and policy regarding intellectual property creates a challenging task for law enforcement in combating intellectual property violation effectively.

The report observes the current shift from

favoured civil based enforcement towards more criminal enforcement in some countries. This new trend is a result of the alleged relationship between intellectual property crime and organized crime syndicates as well as terrorist groups. Therefore, the use of criminal enforcement which is believed to have more deterrent effect becomes should be further explored.

## II International standard on the enforcement of intellectual property rights

There have been continued efforts to harmonize national intellectual property laws and practices towards an agreed level universally. One way of harmonization is to negotiate multilateral agreement dealing with a particular subject. In this regards, the Paris Convention for the Protection of Industrial Property of 1883 is the

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oldest multilateral Convention concerning intellectual property rights. It has established minimum standard to protect industrial property in its broadest sense covering patents for inventions, utility models, industrial designs, trademarks, trade names, marks of origin, inventor certificates, and unfair competition.<sup>(\*1)</sup> Following in 1886, the Berne Convention for the Protection of Literary and Artistic Works was successfully negotiated with the aim to protect the right owners of literary and artistic works to control and receive payment for the use of their creative works.<sup>(\*2)</sup> However, these two international agreements, besides providing the seizure of counterfeit products, remain silent on other aspects of industrial property enforcement. In 1994, the issue of intellectual property enforcement was first explicitly mentioned in international instrument: the Agreement of Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, hereinafter referred to as “TRIPS”, in the framework of GATT, the General Agreement on Tariffs and Trade.<sup>(\*3)</sup> TRIPS establish minimum standard for legal enforcement measures, including requirements for administrative measures and border measures.<sup>(\*4)</sup> The provisions on intellectual property rights enforcement under TRIPS include both compulsory and optional obligations.<sup>(\*5)</sup> The dimension of criminal enforcement is also firstly stated at the international level in TRIPS.

Nevertheless, in order to strengthen the framework of intellectual property rights enforcement to better tackle the growing counterfeit problem worldwide, there has been an on going effort among highly intellectual property concerned countries to negotiate a new plurilateral treaty, so called “Anti-Counterfeiting Trade Agreement (ACTA)”.<sup>(\*6)</sup> According to the Sixth Round of Negotiations hosted by the Republic of Korea in Seoul from 4 to 6 November

2009, the meeting agreed to conclude the proposed ACTA agreement by 2010.<sup>(\*7)</sup>

### III Trend of intellectual property infringement globally

The data from the World Custom Organization (WCO) shows that the trend of counterfeit is no longer limited to luxury brand name goods but shifts to the products posing potential safety and healthy risk such as pharmaceutical and automobile parts, etc. According to WCO, more than 12 million of counterfeit food and drink products were intercepted in 2008, which represents an increase of 2,500 % over the year 2007.<sup>(\*8)</sup> The World Health Organization (WHO) estimates that 10% of all available pharmaceuticals worldwide are counterfeit and expects the problem to double by 2010 as international criminal networks become more sophisticated. These data reflect a real story of counterfeiting in harming people’s lives and safety. Unfortunately, generally the public is still misled by regarding counterfeit as economic crime affecting only rich company selling luxury brand names and prefers to leave the problem as a duty of brand owners to protect their own properties rather than responsibilities of the public at large. This perception is arguable in the current circumstance as there are evidences showing the following facts:

#### 1 Counterfeit is not a victimless crime

On the contrary, several stakeholders are affected by counterfeit crime ranging from the direct right owner to the State as of losing tax revenue from the sale of counterfeit products.

(\*1) See G. Gregory Letterman, *Basics of International Intellectual Property Law*, 8, 13, (Transnational Publishers, Inc.) (2001).

(\*2) See Letterman, *supra* note 1, at 143.

(\*3) See Claudio Dordi, *Impact of counterfeiting on international trade; Comments on Anti-Counterfeiting Trade Agreement (ACTA)*, available at <http://www.ip-watch.org/files/PE406968EN.pdf> (Last visited December 7, 2009).

(\*4) TRIPS, Part III-Enforcement of Intellectual Property Rights, Article 41- 61.

(\*5) See Dordi, *supra* note 3.

(\*6) The Anti-Counterfeiting Trade Agreement- Summary of Key Elements under Discussion, available at [http://www.ustr.gov/sites/default/files/uploads/factsheets/2009/asset\\_upload\\_file917\\_15546.pdf](http://www.ustr.gov/sites/default/files/uploads/factsheets/2009/asset_upload_file917_15546.pdf) (Last visited December 7, 2009).

(\*7) Press release, available at [http://www.mofa.go.jp/announce/announce/2009/11/1197207\\_1146.html](http://www.mofa.go.jp/announce/announce/2009/11/1197207_1146.html)

(\*8) See Customs and IPR Report 2008, World Customs Organization, available at <http://www.wcoomd.org/files/1.%20public%20files/PDFandDocuments/Enforcement/IPR%202008%20EN%20web.pdf>, at 2 (Last visited December 7, 2009).

## **2 A threat of counterfeit to consumers' health and safety**

As nowadays counterfeiting is found in a variety of products affecting health and safety of consumers, the problem of counterfeit is coming closer to our day to day living. So far, hundred thousands people were reportedly dead because of taking counterfeit medicines worldwide.

## **3 The relationship between intellectual property crime and other criminal activities**

There are many examples suggesting that intellectual property crime has strong connection with other types of crime. Discovered cases show that smuggling of illegal migrants is the source to provide workers for counterfeit business. Those undeclared workers will not obtain basic employment standards required by labour law.<sup>(\*9)</sup> Violence, coercion and corruption are always involved in this illegal operation.<sup>(\*10)</sup> There are evidences that criminal organizations have been using counterfeit operation to launder profit from its primary crime such as drugs trafficking, arms trafficking, human trafficking, and smuggling of immigrants, etc. Moreover, a number of terrorist groups has turned to utilize intellectual property crime to fund their terrorist activities.

## **4 Factors that make counterfeiting an attractive illegal activity**

Counterfeiting is regarded as a low risk-high return crime. Comparing with other criminal activities, counterfeiting yields far more profit and is very easy to enter into this illegal business. For example, drugs dealer may make 100% profit margin from selling cocaine while counterfeiter can earn up to 900% profits from the sales of pirated computer software.<sup>(\*11)</sup> In addition, counterfeit offence carries much lower sentence

worldwide.<sup>(\*12)</sup> Taking the narcotic crime for illustration, penalty for drug trafficker in most country ranges from a long jail term up to life imprisonment and eventually death penalty in some countries while counterfeiter would likely to receive monetary fine and short term imprisonment or even as lenient as probation. Moreover, public perception that intellectual property crime is a white crime supports a soaring of consumer demand for counterfeit products. Lastly, with the emergence of internet, online distribution channel of counterfeit goods is introduced, in which sellers and buyers are anonymous and the access is surprisingly easy.

## **IV Overview of the intellectual property enforcement system in selected countries**

In consideration of the intellectual property's enforcement regime, it is normally divided into three approaches: civil enforcement, criminal enforcement, and administrative enforcement.<sup>(\*13)</sup> The report reviews these three aspects of enforcement in the U.S., Japan and Thailand.

### **1 The United States of America**

The U.S. enforcement system to protect intellectual property rights has relied on civil remedy. Nevertheless, in recent years, its strategy has changed to focus more on criminal enforcement. The effort to fight against intellectual property crime, especially when criminal organizations involve, can be viewed through a number of law amendments and enactments. For instances, various intellectual property crimes<sup>(\*14)</sup> are included as predicated offenses punishable under the Racketeer Influenced and Corrupt Organizations Act (RICO).

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(\*9) See Michael Blakeney, International proposals for the criminal enforcement of intellectual property rights: international concern with counterfeiting and piracy, 9, I.P.Q. 2009, (2009).

(\*10) See ECAP II European Commission/European Patent Office, available at [http://www.ecap-project.org/fileadmin/ecapII/pdf/eu/pr\\_enforcement/customs\\_handbook/2\\_impact\\_on\\_counterfeiting\\_and\\_piracy.pdf](http://www.ecap-project.org/fileadmin/ecapII/pdf/eu/pr_enforcement/customs_handbook/2_impact_on_counterfeiting_and_piracy.pdf), at 17, (Last visited November 9, 2009).

(\*11) See Zachary A. Pollinger, *Counterfeit Goods and Their Potential Financing of International Terrorism*, Michigan journal of business, Volume 1, Issue 1, January 2008. Available at <http://michiganjb.org/issues.shtml>, also see the International Anticounterfeiting Coalition. Available at <http://www.iacc.org> (Last visited November 9, 2009).

(\*12) See Michael M. DuBose, *Criminal Enforcement of Intellectual Property Laws in the twenty-first Century*, 483-484, 29 Colum. J.L. & Arts 481.

(\*13) See Christopher Heath and Laurence Petit, *Patent Enforcement Worldwide: A Survey of 15 Countries*, 5, IIC studies in Industrial Property and Copyright Law, 2nd ed., (HART Publishing) (2005).

(\*14) Namely counterfeit labeling, 18 U.S.C. § 2318 ; criminal Copyright infringement, 18 U.S.C. § 2319 ; trafficking in recordings of live musical performances, 18 U.S.C. § 2319A ; and trademark counterfeiting, 18 U.S.C. § 1961 (1)(B).

## 2 Japan

Japanese system relies on amicable resolution and civil settlement. Nevertheless, increasing global recognition of the need for criminal enforcement brought about the change in intellectual property laws in Japan. Recently the laws have been amended to raise penalty for intellectual property offenses. However, infringers were usually not served real imprisonment term as courts mostly ordered suspension of imprisonment for some certain periods.

## 3 Thailand

Enforcement of intellectual property in Thailand favors criminal proceeding over civil procedure. The government's strategies mostly focus on criminal enforcement. The Department of Intellectual Property of Thailand (DIP) is currently proposing a draft amendment on the Copyright Act of 1994 and the Trademark Act of 1991. The main idea of this amendment is to curb with the demand of consumers which is viewed as a factor contributing to the rise of infringement. According to the proposed amendment of both Laws, the act of buying or possessing counterfeit goods is criminalized. Additionally, criminal punishment will be extended to the landlord of property used for committing piracy act and distributing counterfeit products.<sup>(\*15)</sup>

## V Analysis of the Enforcement System

### 1 The deterrent effect of intellectual property enforcement

While civil remedy might be the best way to recover the loss of intellectual property's rights owners, it is doubtful whether civil enforcement is an appropriate tool to stop further counterfeit epidemic done by criminal syndicates, as well as terrorist groups. According to the US government officer, criminal enforcement is "warranted to punish and deter the most egregious violators:

repeat and large-scale offenders, organized crime groups, and those whose criminal conduct threatens public health and safety."<sup>(\*16)</sup>

Nevertheless, the "over-use" of criminal proceedings in Thailand is often criticized as not effective.<sup>(\*17)</sup> Resulting from the frequent raid in a flea market strategy, defendants in intellectual property cases in Thailand are mostly the owners of small shops selling counterfeit products which can be regarded as 'a small fish'. Consequently because of a small amount of seized goods and a defendant's guilty plea, court is unlikely to give an imprisonment sentence. Having chance to personally interview with 5 vendors arrested for trademark and copyrights infringement in Thailand, most of them admitted that they will continue to sell counterfeit products again after paying fine. All of them knew that if they pleaded guilty, they will not receive a real term imprisonment. One defendant, called "Noi", told that her store was raided before several times but she was not arrested at those previous raids. She believed that she will not be incarcerated for her first time offense as court usually gives a judgment of imprisonment without suspension only for the third or fourth time offender. Similar stories have been told in many reports. Therefore, it is doubtful whether the current sentencing practice has enough deterrent affect on prospective counterfeiters or is only regarded as a cost of running counterfeit business.

### 2 Factors undermining enforcement

In general, most factors that undermine the effectiveness of intellectual property enforcement are corresponding factors that attract infringers to involve in intellectual property violation. The followings are illustrations of some factors effecting intellectual property enforcement.

#### (1) Not a priority crime

Among other crimes, law enforcement often attaches less concern to intellectual property crimes. Police agency usually focuses on crimes affecting physical injuries or lives such as robbery

(\*15) See Stricter IP Laws in Thailand – A New Beginning, Patrick Mirandah Co. intellectual property law specialist, available at

[http://www.mirandah.com/Stricter\\_IP\\_Laws\\_in\\_Thailand\\_-\\_A\\_new\\_beginning.aspx](http://www.mirandah.com/Stricter_IP_Laws_in_Thailand_-_A_new_beginning.aspx) (Last visited November 18, 2009).

(\*16) See U.S. Department of Justice, Prosecuting Intellectual Property Crimes, 5-6 (3rd ed. 2006), available at <http://www.usdoj.gov/criminal/cybercrime/ipmanual/ipma2006.pdf> (Last visited October 24, 2009).

(\*17) See Paul Goldstein, Joseph Straus, *Intellectual Property in Asia: Law, Economics, History and Politics*, 311, (MPI Studies on Intellectual Property, Competition and Tax Law) (2009), See also Weerawit Weeraworawit, Asia, *Intellectual Property at the Cross-roads: The Changing IP Landscape and its Implications on Global IP Strategies/Policies, Recent Developments in Intellectual Property Law & Policy in Asia* (IPA Fordham, 3rd Annual Asian IP Law and Policy Day, New York, Apr. 2006, Working Paper).

or narcotics. As a result, the lesser resources are allocated to take care of counterfeit problem and the slimmer chance to discover this crime.

### **(2) Lack of special skill and strategic approach needed to enforce the law**

To discover intellectual property violation is more complicated than other crimes and needs special expertise from law enforcement officials which is still lacking. <sup>(\*18)</sup> Cooperation among related agencies for a holistic approach is currently not enough to strategically track down the counterfeit criminal enterprises : the ‘big fish’.

### **(3) Corruption among law enforcement officials**

Corruption problem is another cause weakening the enforcement ability. Bribery of government officials responsible for enforcing the laws and regulations is commonly used by infringers to diminish the risk of prosecution and assist in securing their illegal business. <sup>(\*19)</sup> With the influence of corruption, bribed customs officers will turn blind eyes on illicit products at the border; market obviously selling fake will not be raided; corrupted police will not take any action upon reported of counterfeit cases. <sup>(\*20)</sup>

## **VI Strengthening the enforcement of intellectual property rights**

While globalization opens the door for more effective international trade and commerce, it has adverse affect upon traditional legal enforcement regime when exploited by criminals. In this digital era, infringers can easily operate their businesses across border. They also take advantage of jurisdictional arbitrage by choosing their counterfeit production place in a country where there is still insufficient protection of intellectual property rights and exporting to other countries. Since the emerging of TRIPS, legislations and practices in most countries have been enhanced to comply with this global standard to protect intellectual property rights. However from the rising of statistics in infringement cases as mentioned earlier, more shall be done for better

prevention and suppression of intellectual property violation. Below are approaches suggested to strengthen the intellectual property enforcement.

### **1 Strengthen the law**

A good legislation is essential to combat intellectual property violation. While intellectual property violation has already reached a stage of global problem, legislative measures, particularly penalty sanction in each country are varied widely. According to the comparative study of anti-counterfeiting policies in 14 countries conducted by OECD, the imprisonment terms provided by law for trademark violation are ranging from three months in Brazil to the maximum 10 years in the United States and Japan. <sup>(\*21)</sup> This wide range of disparity in law reflects an inconsistency of enforcement regime worldwide. Weak legislation not only has ill-deterrent effect but also creates difficulties for law enforcement in dealing with offenders. Therefore, harmonization of intellectual property laws is important to promote a legal framework in each country to the globally accepted standard which will foster the enforcement of intellectual property.

Concerning organized counterfeit crime, there are several international agreements providing extensive measures to fight with organized crime syndicates appropriately. Those measures include innovative tools such as civil forfeiture and asset recovery which are normally not provided in general enforcement regime. However, those agreements commonly require the seriousness of the underlined offences committed by criminal organizations. Whether an offense is serious or not would determine by its penalty: usually four years imprisonment either minimum sentence or maximum sentence. Therefore, sentence of intellectual property offence in each country should be raised to the level qualified for common ‘serious crime’ definition in order to have more legal measures available for law enforcement.

Other areas of law that may contribute to the effectiveness of intellectual property enforcement should also be explored such as proceeds of crime

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(\*18) Testimony of Ronald K. Noble, Secretary General of INTERPOL before the United States House Committee on International Relations, One hundred eight congress on July 16th 2003, The links between intellectual property crime and terrorist financing. Available at

<http://www.interpol.int/Public/ICPO/speeches/SG20030716.asp?HM=1>

(\*19) See The economic impact of counterfeiting and piracy, 153, (OECD) (2008).

(\*20) See *Id.* at 52.

(\*21) See *Id.* at.217, 241, 256.

legislation. In this regards, it is recommended to add intellectual property offence in the list of predicated offences under national money laundering law and law dealing with organized crime. Making intellectual property offence an extraditable offence in the extradition agreement, either multilateral agreement or bilateral agreement is also advised to provide no safe haven for counterfeiters.

## **2 Strengthen the capacity of law enforcements**

As internet and high technologies offer more sophisticated method in conducting intellectual property violation, law enforcements have to advance themselves with new counter- measures that can compliment traditional enforcement methods. Training on special techniques for building a case against counterfeit organizations is recommended.<sup>(\*22)</sup> Consistent training and regular meeting to share experiences and best practices among law enforcement personnel are necessary as well in order to sharpen their enforcement skills.

## **3 Differentiate enforcement policies for different types of infringement**

Unlike other crimes, the level of culpability of offenders in intellectual property crimes is varied vastly depending on various factors. Therefore, using the same scale of enforcement based on any single factor may not fit all types of infringers appropriately. For individual offenders, especially those who sell counterfeit or pirated products for a day to day living, a short term imprisonment will not deter them from continuing counterfeit business as long as they have no other ways for better earning. To stop the organized criminal groups from engaging in counterfeit businesses, enforcing real imprisonment sentence is necessary to remove opportunity to further their illegal activities. Therefore, it is suggested to review the penalty scale in response of the difference between petty counterfeit crime done by individuals and counterfeit business run by organized criminal networks in order to secure deterrent penalties in intellectual property cases.<sup>(\*23)</sup>

## **4 Trace the money trail and enforcing money laundering law**

Intellectual property crime is mainly motivated by financial gain. Thus, depriving criminals of their proceeds of crime is an effective way to diminish the incentive to enter into counterfeit business. Particularly in case of crime committed by criminal organizations, asset confiscation under money laundering law is often considered as the most effective form of punishment and deterrence thereof.<sup>(\*24)</sup> Conducting money trail investigation on the profits of large scale infringement is beneficial because, in the end, it would enable law enforcement agency to forfeit all proceeds of crime based on either intellectual property laws or money laundering law. Moreover, as known that profits from counterfeiting have been used to support illegal activities of criminal organizations and terrorist groups, conducting money trail investigation will help discover such relationship so that law enforcement can completely shut down the organization and stop their other illegal activities as well.

## **5 Strengthen cooperation among all stake holders**

Active cooperation from all stakeholders in the stream of intellectual property enforcement is necessary to discover intellectual property crime and finally bring offenders to justice. Without partnerships with private sectors who are the victims or potential victims of intellectual property crime, it is difficult for law enforcement to render its duty effectively. Joint enforcement activities among related government agencies should be encouraged. Further, international cooperation, either through informal channel of INTERPOL or formal channel of mutual legal assistance and extradition should be strengthened in order to bring offender to justice regardless of jurisdiction constraint.

## **6 Limit the availability of counterfeit products**

One factor driving the rapid growth of counterfeiting is consumer's demand. In the countries where consumers can easily access to

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(\*22) See Gregory F. Treverton et al., *Film Piracy, Organized Crime and Terrorism*, 144, (the RAND Corporation) (2009).

(\*23) See Counterfeiting & Organized Crime, 19, Union des Fabricants 2003, available at [http://www.gacg.org/content/upload/documents/rapport\\_uk.pdf](http://www.gacg.org/content/upload/documents/rapport_uk.pdf) (Last visited November 11, 2009).

(\*24) See Blakeney, *supra* note 9, at 18.

open places selling counterfeit products such as flea market or street vendors, the consumption rate is soaring. Therefore, limiting the availability of counterfeit products in the market, including online channel will have great effect on the consumption of consumers.

## **7 Raising public awareness**

General misperception of counterfeiting as only harm to the wealthy business enterprises misplaces the gravity of intellectual property offences to the lesser attention they deserve. A survey conducted by RAND suggested that around 70 % of pirates said they would be less likely engaged in piracy if they know of the fact that they might support organized crime and terrorism. <sup>(\*25)</sup> Therefore, correcting public perception and raising public awareness of negative impact of counterfeiting would help reducing consumers' demand for counterfeit products.

## **VII Conclusion**

The enhancement of the intellectual property enforcement requires various approaches. Even though, this report attaches more weight on criminal enforcement, it recognizes that holistic approach should be developed to tackle the problem more effectively. Civil enforcement to award appropriate remedies to the rights owners and administrative enforcement, especially border control on suspected goods in violation of intellectual property rights should not be neglected. <sup>(\*26)</sup> With the concerted actions and strong political wills from all countries to fight with intellectual property violation, the goal of intellectual property enforcement will not be impossible to achieve.

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(\*25) See Treverton, *supra* note 22, at 140.

(\*26) See Blakeney, *supra* note 9, at 16.