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INTELLECTUAL PROPERTY**Brand Owners Should Assert Their Rights
As Victims During Counterfeiting Prosecutions**

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I. Introduction

The production and distribution of counterfeit pharmaceutical products is an increasing threat to public health and safety. Counterfeit pharmaceuticals raise significant public health concerns because their safety and effectiveness is unknown. A counterfeit drug may contain the wrong or no active ingredient, the right active ingredient but at the wrong dose, or even toxic ingredients.¹ They are often processed under poorly controlled and unsanitary conditions and manufactured in countries with little consumer regulation. Counterfeit

¹ See *Counterfeit Medicine*, FDA.gov, <http://www.fda.gov/drugs/resourcesforyou/consumers/buyingusingmedicinesafely/counterfeitmedicine/default.htm> (last visited July 9, 2014).

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drugs also provide funding for other criminal activities and are often associated with international organized crime units. As the ability to sell counterfeit drugs anonymously through the Internet and directly to consumers grows, trafficking in these products becomes an increasingly significant concern.

Counterfeit pharmaceuticals not only endanger public health, but also deprive legitimate wholesalers and retailers from lawful sales and damage the reputation of the brands they replicate. When the drugs fail to work as promised, the pharmaceutical manufacturer gets blamed—destroying the goodwill these companies have spent years building in their valuable trademarks. As a result, many pharmaceutical companies have initiated “brand integrity programs” designed to combat this threat. For example, some companies have hired private investigators to purchase drugs from suspected counterfeiters. After determining that the drugs are counterfeit, the company shares this information with the law enforcement community. Law enforcement may then choose to use this information to conduct its own investigation, which may or may not lead to criminal prosecutions and convictions. When there is a prosecution, the pharmaceutical company has another arrow in its quiver—the ability to assert its rights as a victim during criminal counterfeiting prosecutions.

This article will examine victims' rights in criminal prosecutions in state and federal courts, discuss benefits and limitations of victims' rights, and suggest best practices for brand integrity departments.

II. The Benefits of Asserting Victims' Rights

A victim is defined in federal court as “a person directly and proximately harmed as a result of the commission of a Federal offense.”² As the lawful owner of the pharmaceutical trademark, the pharmaceutical manufacturer is a victim of trafficking in counterfeit versions of its products, and may therefore assert certain rights guaranteed by both federal and state laws.³ These rights include, among others, the right to be notified of, heard in, and “not [. . .] excluded from” criminal prosecutions of those who have counterfeited the company’s product.⁴ As a victim, the pharmaceutical company also has the right to confer with the prosecutor assigned to the case and the right to receive restitution from the defendant.⁵ The company or the government may assert these rights.⁶ Moreover, the court and the government have an independent and affirmative duty to ensure that crime victims are afforded their rights.⁷

Congress created victims’ rights to address the troubling concern that the criminal justice system focused too heavily on the defendant, often ignoring or failing to adequately address the interests of the victim.⁸ As the Ninth Circuit articulated, “[t]he criminal justice system has long functioned on the assumption that crime victims should behave like good Victorian children—seen but not heard.”⁹ In an effort to change this belief, Congress enacted the victims’ rights statutes and included—significantly—the right “to be reasonably heard” and the right “to be treated fairly and with respect to one’s dignity.”¹⁰ These rights are underutilized but extremely valuable to brand integrity programs, like those implemented by pharmaceutical companies, because they make these companies “independent participants in the criminal justice process.”¹¹

Additionally, a pharmaceutical company victim has the right to “full and timely restitution.”¹² Restitution provides pharmaceutical companies with a powerful weapon they can use to help recover full compensation for the losses caused by the defendant’s counterfeiting, without bothering with the expense and burden of filing their own civil action. In fact, “the losses covered by the restitution statutes are quite broad, in many cases

broader than the recovery a victim could hope to obtain in a private civil action.”¹³ Indeed, once the court finds that restitution is proper, it must order restitution to “each victim in the *full amount of each victim’s losses* as determined by the court and without consideration of the economic circumstances of the defendant.”¹⁴ This can include both investigative costs and attorneys’ fees.¹⁵ While this may not repair the damage to the pharmaceutical company’s reputation or image caused by counterfeiting, it is a step in the right direction towards making the company whole.

Asserting victims’ rights in counterfeit pharmaceutical prosecutions affects how prosecutors and law enforcement view these kinds of cases. A pharmaceutical company’s assertion of its rights increases the government’s awareness of the counterfeit trafficking crimes, its understanding of counterfeit pharmaceutical issues, and its willingness to focus on these types of cases. This, in turn, could lead to more investigations of counterfeit pharmaceutical operations and more convictions.

The victims’ rights platform also serves as a vehicle to engage more broadly with prosecutors on the underlying facts of the crime. The right to confer can and should include the right to learn about who was involved and how the brand was counterfeited and sold. For brand protection departments that gather and leverage information as part of a comprehensive investigative program to protect the brand, this engagement and access to information can be invaluable.

Asserting victims’ rights also sends a clear message to the criminal defendant and criminal syndicates that the brand owner is fighting back. Seeking meaningful punishments serves as a specific and general deterrent to future counterfeit traffickers. A vocal and aggressive brand owner’s assertion of its rights enhances this effect by sending a clear message to the criminal community that trafficking in the brand owner’s product will have serious consequences.

In short, companies that work with prosecutors to impose meaningful sentences and are awarded significant restitution amounts will send a message to counterfeiters and would-be counterfeiters that trafficking in these companies’ branded products is *not* a risk-free proposition.

III. Victims’ Rights In State Court

Victims have rights under certain state laws as well. These laws vary by jurisdiction, but nearly always include some right to be heard and to seek restitution. The California Constitution, for example, recognizes that “[t]he rights of victims of crime and their families in criminal prosecutions are a subject of grave statewide concern” and declares, “ensuring that crime victims are treated with respect and dignity[] is a matter of high public importance.”¹⁶ Thus, California law provides victims with the right to be notified, present, and heard at all crucial stages of the criminal proceedings.¹⁷ The victim may submit a victim impact statement, provide information about its losses to the probation de-

² Crime Victims’ Rights Act, 18 U.S.C. § 3771(e).

³ See *id.*; Mandatory Victim’s Restitution Act, 18 U.S.C. § 3664A; Victim and Witness Protection Act, 18 U.S.C. § 3663; Cal. Const. art. I § 28; N.Y. Code Crim. P. §§ 390.30(3)(b), 42.10.

⁴ 18 U.S.C. § 3771(a) (specifically, the victim may be heard at “any public proceeding in the district court involving release, plea, sentencing, or any parole proceeding”).

⁵ *Id.* The CVRA also guarantees victims the right to be reasonably protected from the accused, the right to proceedings free from unwarranted delays, and the right to be treated fairly.

⁶ *Id.* § 3771(d)(1).

⁷ *Id.* § 3771(b)(1) (“[T]he court shall ensure that the crime victim is afforded [their] rights. . . .”); *id.* § 3771(c)(1) (government personnel “shall make their best efforts to see that crime victims are notified of, and accorded, [their] rights”).

⁸ See Marcus A. Asner & Gillian L. Thompson, *Restitution From the Victim’s Perspective—Recent Developments and Future Trends*, 26 FED. SENTENCING REP. 59, 59 (2013).

⁹ *Kenna v. U.S. Dist. Court for C.D. Cal.*, 435 F.3d 1011, 1013 (9th Cir. 2006).

¹⁰ 18 U.S.C. § 3771(a).

¹¹ *Kenna*, 435 F.3d at 1013.

¹² 18 U.S.C. § 3771(a)(6).

¹³ Asner & Thompson, *supra* note 8, at 62.

¹⁴ 18 U.S.C. §§ 3663A(a)(1), 3664(f)(1)(A) (emphasis added).

¹⁵ *Id.* § 3663A(b)(4).

¹⁶ Cal. Const. art. I, § 28.

¹⁷ *Id.*

partment, make sentencing recommendations, and request restitution.¹⁸ Similarly, New York law requires that criminal justice officials “promulgate standards for the treatment of the innocent victims of crime.”¹⁹ The victim must be notified of judicial proceedings related to its case, including the defendant’s first appearance, release on bond, plea entry, trial, and sentencing hearing.²⁰ The victim is entitled to a free copy of the police report, prompt return of victim’s property held for evidence, and restitution.²¹ Finally, New York law requires the district attorney to provide the victim “at the earliest time possible” with “an informational pamphlet detailing [the victim’s] rights,” including its right to submit victim impact statements and to testify at defendant’s sentencing hearing.²²

In sum, whether the prosecution is brought in federal or state court, victims should not hesitate to assert the rights afforded to them.

IV. Brand Owners Have Successfully Asserted Their Rights During Counterfeiting Prosecutions

Pharmaceutical brand owners have exercised their victims’ rights successfully throughout the pretrial, trial, and post-conviction process. Some file a victim impact statement explaining the losses suffered as a result of defendant’s counterfeiting activities. They may attend pretrial hearings and continue to confer with the prosecutor about major decisions in the case such as dismissal, release of the accused pending judicial proceedings, or pretrial diversion. If the prosecutor plans to offer the counterfeiting defendant a plea agreement in federal court and some state courts, the company has a right to consult with the prosecutor beforehand to make sure the agreement is fair to the victim company. The company may even enter its appearance when the court is deciding whether to accept a plea deal. If the case proceeds to trial, the company may help the prosecutor marshal the relevant facts for trial. For example, the brand owner may offer testimony identifying the seized product as counterfeit or authentic. This may be especially useful since “trademark owners [are] best suited to instruct others on differentiating between authentic and counterfeit marks and products.”²³

After conviction, the brand owner may provide information to the prosecutor or the probation department official conducting the presentencing investigation describing the impact of the counterfeiting on the company for restitution or sentencing purposes. For example, in *United States v. Shengyang Zhou*, the defendant pled guilty to trafficking counterfeit “Alli” weight loss pills.²⁴ Before the defendant’s sentencing hearing, the pharmaceutical company that manufactured and owned the Alli trademark, GSK, submitted a letter to the probation office explaining how the criminal activity affected the company.²⁵ The letter described the responses the company undertook when it learned defen-

dant was producing and distributing the counterfeit pills, which included “alerting consumers to the dangers posed by, and how to identify, the fraudulent drugs; monitoring and tracking consumer reports of the counterfeit product; and retaining the services of a public relations firm to assist with this crisis management.”²⁶ The Tenth Circuit awarded GSK restitution for these expenses, as well as lost profits, since they were “the types of expenses that you would anticipate a manufacturer of a FDA approved drug would incur if it realized that someone was out there counterfeiting its product.”²⁷

Victims of trademark or copyright infringement may also make sentencing recommendations to the court and may even testify at the defendant’s sentencing hearing. In *United States v. Brereton*, for example, the defendant committed copyright infringement by manufacturing and distributing DIRECTV access cards that allowed the holder to view DIRECTV programming without having to pay the monthly subscriber fee.²⁸ At the defendant’s sentencing hearing, DIRECTV presented an expert to testify about the income the company lost from the pirated access cards in order to determine the infringement amount.²⁹ The court relied on DIRECTV’s valuation of loss when making its sentencing and restitution determinations, which the Tenth Circuit affirmed on appeal.³⁰

V. Limits on Asserting Victims’ Rights

There are limits, however, as to what victims and their counsel may do when asserting their rights. Victims cannot usurp the prosecutor’s discretionary powers. Prosecutors have ultimate decision-making authority throughout the criminal proceeding and must maintain their neutrality, as “[i]t is a fundamental premise of our society that the state wield its formidable criminal enforcement powers in a rigorously disinterested fashion, for liberty itself may be at stake in such matters.”³¹ Prosecutors cannot delegate their discretionary authority or allow themselves to be unduly influenced by the victim or the victim’s attorney.³² Thus, while victims or their counsel may make suggestions and voice their opinions, they cannot make the final decisions during the criminal process. Brand owners should keep this distinction in mind when asserting their rights during criminal prosecutions, as an overreach could result in disqualification of not just the prosecutor who is assigned to the case, but the entire office.

For example, where a victim “insinuated [itself] into the prosecution of [the] case far and above merely being a victim,” the California trial court recused the entire district attorney’s office from prosecuting the offense.³³ In that case, the victim’s lawyer prepared exhibits for the prosecutor to use during the indictment, reviewed the prosecutor’s search warrant and supporting affidavit before they were submitted to a judge, and

¹⁸ *Id.*

¹⁹ N.Y. Exec. Law § 640.

²⁰ *Id.* § 641.

²¹ *Id.* §§ 646, 642, 641.

²² *Id.* § 646-a.

²³ *State v. Troisi*, 124 Ohio St. 3d 404, 409 (2010) (Lundberg, J., dissenting).

²⁴ 717 F.3d 1139 (10th Cir. 2013).

²⁵ *Id.* at 1153.

²⁶ *Id.*

²⁷ *Id.*

²⁸ 196 F. App’x 688 (10th Cir. 2006).

²⁹ *Id.* at 692.

³⁰ *Id.* at 693-94.

³¹ *Young v. U.S. ex rel. Vuitton et Fils S.A.*, 481 U.S. 787, 810 (1987).

³² See *Sedore v. Epstein*, 864 N.Y.S.2d 543, 549 (2008).

³³ *People v. Kent*, No. B164196, 2004 BL 14040 at *6 (Cal. Ct. App. Mar. 24, 2004).

even performed legal research for the prosecutor.³⁴ The trial court found, and the appellate court affirmed, that the victim “did more than assist the district attorney in the preparation against respondents; [victim] controlled traditional law enforcement and district attorney functions.”³⁵ Furthermore, because the victim’s “pervasive” involvement “permeated the entire district attorney’s office[,]” the entire office was recused along with the prosecutor.³⁶

VI. Best Practices

While there are many benefits to asserting victims’ rights during counterfeiting prosecutions, pharmaceutical companies will not want to jeopardize these rights by overstepping their boundaries with law enforcement and prosecutors. For greatest effectiveness, companies should have in place safeguards for making sure they give and receive assistance in a manner least likely to create legal or reputational harm.

Below is a list of some best practices companies should consider when asserting their rights in criminal counterfeiting prosecutions:

- Establish protocols and develop training materials for brand protection employees, investigators, and counsel describing what type of assistance may be provided to public law enforcement entities and prosecutors.
- Develop standardized procedures for asserting victim’s rights that maximize efficiency and ensure a consistent approach. Examples include designating a single point of contact within the company to coordinate and respond to witness requests and federal victim witness coordinators.
- Institute a system to track and assess opportunities for prosecutor outreach and assertion of victim’s rights and the results.
- Consider working with prosecutors in advance of filing victim impact statements with the court in an effort to promote good will and reduce factual error.
- Track and document investigative expenses that lead to criminal prosecutions in a way that ensures this information can be accurately provided to the prosecution in support of restitution requests. This documentation (which may ultimately need to be disclosed to the defense) should avoid disclosing confidential internal company information, including the company’s investigative intelligence and practices.
- Maintain documentation of attorneys’ fees for work asserting victim rights, in the event the jurisdiction allows for recovery of these expenses in restitution.

³⁴ *Id.* at *7.

³⁵ *Id.* at *8.

³⁶ *Id.* at *8.