



Enforcement Case Study in Post-TRIPS Argentina and Brazil



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1. Introduction

Because of the obligations undertaken by WTO (World Trade Organization) Members in the TRIPs Agreement (Trade Related Aspects of Intellectual Property Rights) of 1995, Argentina and Brazil initiated a long and complex process to comply with the minimum standards set by this Treaty. Such a process required new national legislation and the pertinent implementing regulations, administrative reorganization of IP Agencies, and the crucial judicial decisions interpreting and enforcing the new minimum IP standards. In spite that more than 10 years have elapsed since the Agreement was ratified, the modernization process is not completed, due to a variety of reasons including among them ideological biases against the role that IP plays in development. Although progress has been made, IP holders face many uncertainties as to whether TRIPs minimum standards will be enforced.

We will first briefly review TRIPs basic obligations, in particular those applicable to changes that Argentina and Brazil had to introduce as a result of the Treaty. We will afterwards provide insights into the new legislation approved and the controversies arising from same, the restrictions that continue to hamper the implementation process, including among others the legal loopholes, administrative delays, restrictive interpretations, judicial developments, and measures at the borders.

We will encourage understanding and reflection on the several pending issues through the analysis of the precedents and controversies and by means of adequate questions.

We anticipate our conclusion in the sense that protecting IP in Argentina and Brazil is a complex matter that still requires a lot of efforts that are worthwhile to be undertaken to foster creativity, contributing to narrowing the technology gap and promoting economic and social objectives.

2. The IP legal situation in Argentina and BRAZIL pre-TRIPs.

Traditionally IP was seen as a very technical matter with specialized international treaties governing each branch of same, but which did not have specific mechanisms for dealing with international disputes as to their compliance. The inclusion of IP issues in the Uruguay Round of Multilateral Trade Negotiations (1986/1995) had to overcome the opposition of several developing countries, including Argentina, Brazil and India. However, it was a much needed development in view of the fact that the object of free trade agreements is lifting or reducing barriers that hamper legitimate international trade, but not promoting the circulation of counterfeit and pirated products. On the other hand, there was a clear need to count with an international mechanism to settle interpretative and compliance disputes, rather than a unilateral approach to trade sanctions.

At the time TRIPs was approved (1995) Argentina and Brazil were members of several of the Conventions administered by WIPO (World Intellectual Property Organization), which TRIPs details in Articles 1.3. and 2. In the case of the Paris Convention for the Protection of Industrial Property (1967), Argentina had only ratified the Lisbon Act of 1958, but not the Stockholm Act of 1967. Nevertheless, and according to TRIPs, Article 2, it is mandatory to comply with the substantive parts of the latter.

To illustrate on the long overdue need to count with a Treaty such as TRIPs, it should be noted that Argentina's Patent Law N° 111 had been approved in 1864, i.e., it was more than one hundred and twenty years old and had not been updated. It contained a lapsing provision requiring that all inventions had to be actually worked in the country in a two year period as from the granting date. As this was not feasible for obvious reasons, there were very few patents in force. The compulsory licensing provisions of the Paris Convention that Argentina had ratified were never incorporated in the national legislation. There was no need for them as patents lapsed in such a short time.

Or take the case of Brazil which had abrogated all patents for the pharmaceutical and other industrial sectors since the 1970's.

Article 2 of the Paris Convention (1883-1967) and other specific IP treaties impose the National Treatment (NT) obligation. According to the same there should be no discrimination against foreigners as compared with the IP rights of a member country's own nationals. The NT principle is also included in TRIPs, Article 3.

Neither Argentina nor Brazil accorded an open IP better treatment to their nationals than to foreigners. However, there was a reversed form of discrimination in the sense that the provisions forbidding patents in certain fields -although the same for nationals and foreigners- affected in fact mostly the foreign companies who needed protection in Argentina and Brazil, but could not obtain same due to the exclusion, while the national inventors in these countries could obtain patents for their inventions in the industrialized world. These differences helped make more attractive for creative foreigners those markets with better protection and less interesting those with little or no protection.

Although the situation was much better in relation to registered trademarks, foreign notorious signs that had not complied with the strict territorial requirements registration were the object of frequent infringements, creating confusion among consumers and promoting counterfeiting.

The fixing of damages in infringement litigations was –and as we will see continuous being- a matter of big concern to IP holders as they seldom compensate for the injuries suffered.

Full IP categories, such as trade secrets, had no specific protection.

The concept that IP rights should be effectively protected in the positive legislation, but also, and as important, efficiently enforced at the national level and at the borders, was not in the public agenda.

The Courts had only limited authority to order injunctive relief, including expeditious remedies to prevent infringements. This concept was non-existent and constitutes one of the several positive developments post-TRIPs.

QUESTIONS:

- 2.1. In spite of resistance to negotiating TRIPs, was this Treaty, a much needed IP development in countries like Argentina and Brazil?
- 2.2. Do the National Treatment obligations of the IP treaties secure that foreigners receive the same IP protection as the one enjoyed by the nationals of any member country? Is this N T obligation enough attraction for creative foreigners?
- 2.3. May nationals of a country with a lower level of IP protection have access to the better treatment of their IP rights offered by another member country? Does this help attracting creative foreigners to countries with a higher form of protection?

3. Areas where major changes became mandatory, post-TRIPs.

TRIPs mandates minimum IP standards of protection for its Members. According to its Article 1, Members may implement in their domestic laws more extensive protection than the one required by this Agreement, provided that such protection does not contravene its provisions. Therefore, at least a minimum level of IP protection should be afforded to IP right holders regardless of where the creative work takes place.

Important differences in the level of protection in the countries continue to exist as TRIPs mandates only a minimum level of protection and even then there are interpretative differences on the obligations imposed by the Treaty.

TRIPs Article 4 includes the Most-Favor-Nation Treatment (MFNT) according to which any IP advantage favor, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members. Exceptions are only those stated in the same Article 4. These do not include privileges that may be included in international agreements related to customs unions, free trade areas or regions.

TRIPs Article 4 constitutes a deterrent to the always present temptation to offer IP protection advantages only to those forming part of the agreement, as for example to the nationals in the regional common market MERCOSUR. If advantages are granted, they must also be extended to the nationals of all the other WTO Members. There have been informal comments that in view of this Article several proposals made in the regional common market were not accorded as they would also favor foreigners.

The main TRIPs areas of impact in Argentina and Brazil -regarding its Part II on: "Standards Concerning the Availability, Scope and Use of Intellectual Property Rights"- may be briefly summarized as follows:

- 3.1. In the field of **Copyrights and Related Rights**: Computer programs as literary works under the Berne Convention (1971).

3.2. In the field of **Trademarks**: The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of another undertaking (Art.20, first paragraph).

3.2. Protection of **Geographical Indications**: It was a field receiving little if any attention in the region.

3.3. **Patents**: The provisions that patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced, provided the inventions are new, involve an inventive step and are capable of industrial application (Art. 27); exclusions regarding plants and animals (Art 28); and compulsory licensing (Art 31) have generated the strongest controversies.

3.4. **Protection of Undisclosed Information**: The whole issue of trade secrets and in particular the protection of undisclosed test or other data necessary for the registration of medicines and agricultural chemical products (Art 39) are new IP categories and TRIPs interpretation is a matter of intense debate.

In addition to the relevance of the substantive provisions on each IP category included in the above mentioned Part II, TRIPs brings very innovative norms for IP protection in the region in Part III on: “Enforcement of Intellectual Property Rights.” Gorlin² states that there are two ways to enforce TRIPs. At the national level, Article 41 is the most important text in the enforcement obligations. It sets out the basic obligations of all WTO members in the areas of civil, criminal and border enforcement. According to this Article 41, procedures at the national level shall be available so as to permit: effective action against any act of infringement of IP rights. Effective action must include expeditious remedies to prevent infringement and remedies which constitute a deterrent to further infringements.

In addition to the obligations of TRIPs members to enforce the Agreement in their respective countries and at the borders, there is another important form of international enforcement, totally new for IP matters, not previously dealt with by the Conventions administered by WIPO. It is included in Part V: Dispute Prevention and Settlement. Article 64 deals with the consultations and dispute settlements of controversies among World Trade Organization (WTO) members. Governments may make use of the settlement procedures in force in WTO to resolve IP disputes. Private parties must complain to their respective governments who are the only ones that may launch the settlement procedure. Countries have made use of this mechanism for interpretative and enforcement issues. Should a country not observe the decisions taken according to the WTO procedures, trade sanctions may apply. In other words, TRIPs Treaty is enforceable at the international level, it has “teeth.”

² Jacques J. Gorlin, Ph.D: “An Analysis of the Pharmaceutical-Related Provisions of the WTO TRIPs (Intellectual Property) Agreement”, pages 9/10, Intellectual Property Institute (1999) ISBN N° 1 874001 68 5

QUESTIONS

- 3.1. Does TRIPs mean a **uniform** IP level of protection for all countries or only a **minimum** IP level for all Members?
- 3.2. Did TRIPs mean significant changes for IP protection in Argentina and Brazil?
- 3.3. Did the innovations needed to implement TRIPs impact mostly the availability, scope, and use of IP rights or were those required for enforcement of these rights in the countries and at the borders, to permit effective action against infringements, equally important?
- 3.4. What does effective action in the countries against infringements mean?
- 3.5. What can a private party being affected because a TRIPs obligation is not observed in Argentina or Brazil do?

4. National legislations

Argentina did not follow the path to review all the pertinent legislation in order to adapt the same to TRIPs minimum standards, but went piecemeal. The main changes were in the field of patents of invention through Law 24,766 and amendments according to Decree 260 of 1996. Brazil issued Law 9279 (1997) which deals with the different branches of industrial property. It may be evaluated as more comprehensive than the partial amendments made in Argentina. However, Argentina has a constitutional provision that is more in favor of applying ratified treaties even when the national legislation is inconsistent with the international obligations.

4.1. Argentine National Constitution. Article 17 of the Argentine Constitution, approved in 1853, determines that every author or inventor is the exclusive owner of his work, invention or discovery according to the term the law determines. Juan Bautista Alberdi, the Father of the Argentine Constitution, wrote that this principle was set in the Constitution to fight plagiarism that may affect intellectual property. The latter, he added is no monopoly, but property.³ Notwithstanding this firm constitutional right, the Courts had declared that there are no absolute rights, but subject to reasonable regulations and therefore accepted the weakening of the property right principle.

In 1994, the Argentine Constitution was reformed. The provision of Article 17 mentioned above was maintained. One of the amendments introduced is Article 75.22 that determines that ratified treaties are above national laws. This was a major step to comply with treaties which during a long time had been considered on an equal juridical hierarchical level as the national laws. Therefore, the Courts have declared that in case of conflict between national norms and treaties, the latter should prevail. This constitutional principle has allowed the Courts to apply TRIPs provisions in cases where the national laws were not in conformity

³ Juan Bautista Alberdi, Sistema Económico y Rentístico de la Confederación Argentina, según la Constitución de 1853, selección en Economía y Constitución, por José María Ibarbia, (1990), Editorial Plus Ultra, B.A.

with the Agreement.⁴ Notwithstanding this very important constitutional principle, the words of the treaties are subject to interpretation by the Courts which may generate very controversial judicial decisions.

4.2. Brazilian National Constitution. Brazil's Constitution (1998) includes IP protection in Article 5, Paragraphs XXVII to XXIX.⁵

The Constitutional situation is different in Brazil from Argentina because ratified treaties have the same level of legal hierarchy than the national laws.⁶ The new law prevails over the previous norms. Therefore, conflicts between treaties and the national legislation -when they arise- might be resolved by Courts giving prevalence to the national norms over the international ones.

QUESTIONS

4.2.1. Does the principle that a treaty ratified is not superior to any other national law offer adequate legal security?

4.2.2. Does the principle that an international ratified treaty is above national laws secure the national observance of the treaty?

4.3 Argentina: Copyrights and Related Rights. The applicable legislation is Law 11.723 issued in 1933 as amended.

⁴ Argentine Supreme Court, Case: "Unilever vs. INPI on Rejection of Patent Application", in JA, 2001-I-413. Case Dr. Karl Thomae Gessellschaft mit Beschränkter Haftung vs. INPI, in Derechos Intelectuales, Vol.9, page 219.

⁵ Brazil's Constitution: ART 5, PARAGRAPHS XXVII TO XXIX in ENGLISH

The Federal Constitution of Brazil

TITLE II - FUNDAMENTAL RIGHTS AND GUARANTEES

CHAPTER I - INDIVIDUAL AND COLLECTIVE RIGHTS AND DUTIES

Article 5. All persons are equal before the law, without any distinction whatsoever, Brazilians and foreigners residing in the country being ensured of inviolability of the right to life, to liberty, to equality, to security and to property, on the following terms:

XXVII - the exclusive right of use, publication or reproduction of works rests upon their authors and is transmissible to their heirs for the time the law shall establish;

XXVIII - under the terms of the law, the following are ensured:

a) protection of individual participation in collective works and of reproduction of the human image and voice, sports activities included;

b) the right to authors, interpreters and respective unions and associations to monitor the economic exploitation of the works which they create or in which they participate;

XXIX - the law shall ensure the authors of industrial inventions of a temporary privilege for their use, as well as protection of industrial creations, property of trademarks, names of companies and other distinctive signs, viewing the social interest and the technological and economic development of the country;

<http://www.v-brazil.com/government/laws/constitution.html>

⁶ Supreme Court, Extraordinary Appeal N° 80.004-SE /Revista Trimestral de Jurisprudência 83/809)

After the TRIPs ratification (1995), Villalba⁷ points out that there have been only partial amendments to law 11.723. These are: Law 24.870 that extends the copyright term of protection to authors from fifty to seventy years, counted as from 1 January of the year following the author's death; Law 25.006 establishing a protection term of 20 years for photographic works, counted as from first publication, for cinematographic works the term is fifty years as from the death of the last collaborator determined in Article 20 of Law 11.723 (Article 34 of Law 11.723); and Law 25.036, which: (a) includes in Article 1 of Law 11.723 as protected works: computer programs and compilation of data and other material, in accordance to TRIPs Article 10, (b) it allows both physical persons as well as legal entities whose employees were hired to write a computer program to become right holders of same (Law 11,723 Article 4 d), (c) it allows to make only one safeguard copy of the licensed computer program (Law 11.723, Article 9), (d) it includes licensing for use or reproduction as one of the legitimate forms to work intellectual property on computer programs (Law 11.723, Article 55 *bis*), and (e) it determines that the regulations will deal with the requirements to register computer programs (Law 11.723, Article 57 *in fine*).

Main problems in the area of copyrights are in the field of civil as well as criminal enforcement in Courts. According to the International Intellectual Property Alliance in their 2007 Special 301 Report on Argentina,⁸ estimated trade losses due to piracy in Argentina amounted to \$ 301 million of U.S. dollars,⁹ out of which \$215 corresponded to business software and \$82 million to sound recordings & musical compositions. The recording industry reports that music piracy remains at 60% of the total market - with no signs of recovery. The Business Software Alliance (BSA) informs that illegal business software use remains quite high, especially in small and medium-sized organizations. The Argentine government has shown no indication that it is legalizing its software use. There is increasing illegal importation of computer hardware parts and components.

4.4. Brazil: Copyrights and Related Rights. Brazil ratified TRIPs by Decree 1355/94. Copyrights and Related Rights Law was dealt with in Law N° 9,610 of 1998. There is also a Software Law N° 9,609 of 1998.

The International Intellectual Property Alliance 2007, Special 301 Report on Brazil,¹⁰ states that: "*As a statutory matter, Brazil has implemented its substantive copyright obligations, complying with, and even beyond, those required by the TRIPs Agreement. These include protection of temporary copies, and pre-established statutory damages...*" (which is not the case in Argentina). However, and in spite of the positive action of the National Council to Combat Piracy and Intellectual Property Crimes (CNCP), as from 2005, IIPA reports that Brazil has one of the highest piracy rates in the region.¹¹ Estimated trade losses due to

⁷ Carlos Alberto Villalba: "Panorama del Derecho de Autor en la Argentina", in *Derechos Intelectuales*, Volume 8 (1999), Editorial Astrea, Bs.As.

⁸ Internacional Intellectual Property Alliance 2007 Special 301 Report on Argentina in: <http://www.iipa.com/rbc/2007/2007SPEC301ARGENTINA.pdf>, last visit 6 June 2007.

⁹ Losses in Entertainment Software and in Motion Pictures are not included as they were not available.

¹⁰ International Intellectual Property Alliance 2007 Special 301 Report on Argentina in: <http://www.iipa.com/rbc/2007/2007SPEC301BRAZIL.pdf>, pages 224/225, last visit 6 June 2007

¹¹ *Ibid*, page 212

copyright piracy are 850.8 millions of US dollars, out of which 497 millions correspond to the business software sector.

QUESTIONS

4.4.1. Do the main copyright and related rights problems in Argentina and Brazil refer to enforcement aspects or are they more related to their availability, scope and use?

4.4.2 Which are the most affected sectors by copyright piracy in said countries?

4.5. **Argentina: Trade Marks** - The applicable Law is N° 22,362, effective from 1 February 1981. A rule of implementation thereof is Government's Decree N° 558 of 24 March 1981. There has been no amendment to adapt the legislation to TRIPs, however, and in view of the 1994 Argentine Constitution provision already commented, the Federal Civil and Commercial Courts - that are competent in civil industrial property litigations - have applied TRIPs, particularly allowing preliminary injunctions (TRIPs, Article 50), in cases of evident infringements.

Substantive statutory problems remain in the old trademark law 22.363, such as the lack of Certification and Collective Marks, and it should be updated.

However the main problems are related to massive counterfeiting. In a press release of the Tax Authorities,¹² they indicate that the most affected industries are in the textile sector (clothes and sport shoes), food and beverages, perfumes, machinery and spare parts, agro raw materials and medicines. Estimated trade losses due to trademark piracy for Argentina are not available. In IPSOS Report on the Consumption of Counterfeit Products,¹³ it is concluded that 66% of respondents openly declares that they buy in the informal market. The lower the socio-economic level of respondents, and the younger ones, the greater the number of informal market purchases. 9 out of 10 respondents say they are able to distinguish between originals and counterfeits. 6 out of 10 decide to buy counterfeits, even when they are aware they are fake products. Most informal purchases -as answered by those interviewed in this survey- are in the apparel sector (35%), CDs (31%), and food/drinks.

There are several proposals to improve the situation consisting mostly of introducing amendments in Law N° 22,362 regarding criminal procedures. Another area of concern is the fixing by the Civil Courts of low damages in litigations that do not compensate the injury the right holder suffers when an infringement takes place.

¹² AFIP (Argentine Tax and Customs Administration), press release n° 2140, 22 February 2007, on Resolution AFIP 2216 of 2007.

¹³ IPSOS Mora y Araujo: "Report on the Consumption of Counterfeit Products" (2006), TN 0211-06, B. A.

4.6. **Brazil: Trade Marks** - Industrial Property Law N° 9,279 issued in 1996 and effective as from 15 May 1997 contains the provisions regarding Trade Marks, Certification Marks and Collective Marks. This new Industrial Property Law brought substantive changes to the trade mark law in Brazil. Among the changes introduced are a more clear concept of what may constitute a trademark, registration of three-dimensional marks, certification marks and collective mark, recognition of prior users rights (in particular of those who used the marks in good faith in Brazil for at least six months prior to filing of the application), substitution of the former notorious mark by the concepts of famous marks and well-known marks, and extension of the non-use period from two to five years. Applications for renewal are now examined as to form only.¹⁴

The Brazilian National Institute of Industrial Property (INPI) has a huge backlog of unresolved trademark applications. In this respect, it may be stated that TRIPs, Article 62.2 ordering that “...*Members shall ensure that the procedures for grant or registration, subject to compliance with the substantive conditions for acquisition of the right, permit the granting or registration of the right within a reasonable period of time so as to avoid unwarranted curtailment of the period of protection,*” has not been observed. There is however a new policy to update INPI’s information technology to help resolving the backlog, but it will take time to normalize the administrative procedures.

In the third report on Combating Piracy and Intellectual Property Crime, issued by Brazilian CNCP,¹⁵ it is stated that according to INTERPOL, piracy is the crime of the century. It has become the most profitable, yielding US\$ 522 billion a year as compared with drug trafficking estimated in US\$ 360 billion. The report indicates that: “*In addition to combating organized crime, there are reasons for unremitting combating piracy, including the risks it poses for the country’s image, the economy, and the health and safety of consumers.*”¹⁶ Seizures of counterfeited products amounted to more than US\$ 300 million in the first nine months of 2006. Notwithstanding, the progress being made, there is a strong demand of right holders for better enforcement measures.

QUESTIONS

- 4.6.1. What are the main problems in the field of trademark protection in Argentina and Brazil?
- 4.6.2. Which are the most affected industrial sectors?
- 4.6.3. Does counterfeiting damage only trademark right-holders?

4.7. **Argentina: Geographical Indications** - TRIPs Article 22 defines geographical indications as those that identify a good as originating in the territory, a region or locality of that territory, where a given quality, reputation or other characteristic of the good is

¹⁴ Manual Industrial Property BV: “Manual for the Handling of Applications For Patents, Designs and Trade Marks Throughout the World”, Amsterdam, Holland, (1997) Supplement 78, Brazil, page 25.

¹⁵ National Council for Combating Piracy: Third Report on Activities, Brazil 2006, in: http://www.mj.gov.br/combatepirataria/servicos/documentos/3o_relatorio/Third_Report_of_Activities_CNCP_2006.pdf, last visited 4 June 2007

¹⁶ Ibid, page 13.

essentially attributable to its geographical origin. In the region there are products that use these indications as if they were a generic attribute, but were not originated in the territory, region or locality that built the attribute, reputation or characteristic. There are cases in which words suggesting geographical indications were registered as trademarks belonging to private individuals.

According to Schiavone,¹⁷ Law N° 25,163 (1999) on wines and Law N° 25,380 (2000), as amended by Law N° 25,966, on agricultural and food products, were issued in order to comply with TRIPs minimum standards and to establish a national registration procedure for the protection of Argentine products in the world markets. However, Law 25,380 is not fully operative as the regulatory implementing norms have not been approved. She concludes: *“Under these conditions there is no protection at the national level- TRIPs direct application is not possible, as it was the case with other IP subject matters, because it requires the existence of registries- nor in the international scenario (for Argentine products), as TRIPs, Article 24.9 states that there shall be no obligations under the Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country.”* In 2006, the Secretariat of Agriculture created a Registry by Resolution 202/06. Seven applications for Argentine products have been filed. There are problems in observing the foreign (mostly European) geographical indications, as they have become generic names in the national market. The problem is further aggravated by the lack of Collective and Certification trade marks.

4.8. Brazil: Geographical Indications - The innovations made by the Brazilian Industrial Property Law 9279/96 are considered by expert Sousa Borda¹⁸ in general as positive. The main Brazilian producers have ceased using geographical indications as generic terms. According to Law 9279/96, Article 176 geographical indications in Brazil consist of indication of source or designation of origin. However TRIPs, Article 22 indicates that geographical indications identify a good as originating in a territory, it does not limit the protection to geographical names.

Geographical indications are recognized by INPI’s declarative administrative decision, according to Resolutions INPI 75 (2000). It is thus advisable for right holders to register geographical indications protected in their country of origin with INPI, Brazil to facilitate enforcement in case of infringements. Article 6 determines the documents that must be filed, among them the official document of the geographic area, the regulations for its use, the characteristics of the product or service, among others. Article 10 determines that the application will be published for the knowledge of third parties and possible observations within sixty days. If the application is finally granted, it will be valid for an undetermined period of time. Brazilian geographical indications have also been granted. In March 2001, an old dispute between Brazil and the European Union was solved: *“Cognac”* was

¹⁷ Elena Schiavone, “Indicaciones Geográficas”, in *Derechos Intelectuales*, Volume 10, pages 16/38, (2003) Editorial Astrea, B.A., Argentina.

¹⁸ Ana Lucia de Sousa Borda, Buffet Danneman, Seimsen, Bigler & Ipanema Moreira: “Análisis of Geographical Indications, Certification and Collective Trademarks. Protection in Brazil and Relevante in Internacional Context”, in *Derechos Intelectuales*, Volume 10, pages 65/111 (2003), Editorial Astrea, B.A., Argentina.

recognized as an IP right for the “Bureau National Interprofessionnel du Cognac,” while the Brazilian producers could continue with the use of the term: “*Conhaque*.” Other geographical indications granted so far are “*Vale Dos Vinhedos*” for wines, “*Regiao Do Cerrado Mineiro*,” for coffee, and “*Pampa Gaúcho*,” for bovine meat. Sousa Borda thinks that INPI’s Resolution 75 is restrictive in its requirements to recognize geographical indications.¹⁹

While TRIPs Article 23.1 states that legal means should be provided to prevent use of a geographical indication identifying wines or spirits not originated in the place indicated by the geographical indication in question, “... *even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as “kind,” “type,” “style,” “imitation or the like,”*” Law 9279, art 193 does not consider an offense the use of such expressions if the true origin of the product is consigned.

QUESTIONS

4.8.1. In order to facilitate enforcement of geographical indications, is registration of same recommended?

4.8.2. What are the main obstacles to such a registration in Argentina and in Brazil?

4.9. Argentina: Patents - It is in the field of patents where the main controversies have taken place, in particular due to the requirement of TRIPs, Article 27, indicating that patent shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced. According to the old Argentine Law N° 111 (1864) on Patents of Invention, pharmaceutical compositions were not patentable. However, pharmaceutical process patents were patentable, although in practice they could not be enforced in the Courts. The controversies on how to implement TRIPs minimum standards in the pharmaceutical field were so overwhelming that the legislative debates tended to forget that the new norms would be applicable to all kind of inventions. As a result, four conflicting laws, starting with Law N° 24,481 (1995), and several decrees were approved until finally Decree 260 of 1996 consolidated the text of the laws and approved the implementing regulations.²⁰

In 1999/2000, the US requested consultations with Argentina at WTO, on several aspects of the latter’s patent legislation which were inconsistent with TRIPs. A partial agreement was reached between the two countries (2002).²¹ Issues resolved that are still applicable can be summarized as follows: (a) Argentine INPI cannot issue compulsory licenses based on

¹⁹ Ibid, page 110.

²⁰ For a detailed discussion on the different laws and decrees read: Felix Rozanski, “New Argentine Legislation on Patents of Invention”, in *Derechos Intelectuales*, Volume 7, (1996), Editorial Astrea, B.A.

²¹ Document WT/DS171/3, WT/DS196/4, IP/D/18/add.1, IP/D/22/add.1, 20 June 2002, ref (02-3427).

anticompetitive practices before the corresponding National Commission on Competition Defense rules that the right holder has breached the Law on Defense of Competition (N° 25,165); (b) According to Article 36.c of the Patent Law 24.481 as amended, and a 36 of the Regulations (Decree 260/1996), the right holder will be able to oppose imports by third unauthorized parties of products patented by him in Argentina. His authorized licensee may import provided the product has been marketed abroad with the authorization of the right holder; (c) Argentina would amend its patent law to make it compatible with TRIPs in relation to the rights conferred by patents covering processes (TRIPs, Article 28.1.b); as well as in relation to the reversal of the burden of proof in civil procedures on process patents covering products (TRIPs, Article 34); and (d) the Argentine patent law should allow preliminary injunctions in patent infringement cases according to the requirements set in this agreement. Law N° 25,859 (2004) was approved to implement the agreement reached in those issues that required legislative action. It should be noted however that there was no agreement on the interpretation of TRIPs Article 39 on “Protection of Undisclosed Information,” as we will see later on.

Argentina is not a member of the Patent Cooperation Treaty (PCT) administered by WIPO, while Brazil is a member of this treaty. As a result foreign patent applicants have a shorter time to decide on whether or not to file patent applications in Argentina maintaining their priority foreign application date. On the other hand, inventors domiciled in Argentina do not enjoy PCT benefits to file their patents in their member countries.

One of the most serious problems affecting inventors is the fact that INPI has not been able to examine the patent applications in a reasonable time and has a very big backlog. A patent application may take from eight to ten years, as an average, before a positive or negative decision is reached. In the meantime the patent applicant is not allowed to defend his right against infringers. Bills submitted to Congress to address this situation were not considered.²² As from 2005, INPI has taken different measures to reduce the backlog and the long time it takes to resolve each case. The Patent Office has continued increasing the number of patent applications resolved. The number of patents granted in 2006 amounted to 2027, vs. 558 in 2005. It takes about an average of 8.5 years to approve a pharma patent and an average of 5 to 7 years for non-pharma patents. INPI approved 135 pharma patents in the first seven months of 2006 vs. 31 during same period of 2005. Nevertheless, in spite of the progress, there are still about 2500 pending pharma applications waiting for examination. At an approval rate of 200 per year, it may take about 10 years to clear the backlog. This situation is not consistent with TRIPs, Article 62.2 which states that the granting of the right should be made within a reasonable period to avoid unwarranted curtailment of the period of protection.

TRIPs, Article 27 states that patents shall be available for any invention, provided that they are new, involve an inventive step, and are capable of industrial application. The interpretation of the novelty and non obviousness requirements may be discretionary and it has been used to reject patent applications in the pharmaceutical field that had, for example,

²² Argentine Senate File 230/2006 Bill submitted by Senators M. Riofrio and C.Gioja insisting on a former bill submitted in 2003 by J.L.Gioja, File 2313/2003.

been granted in Europe or in the US. This situation creates uncertainty as to the objectivity of the examination procedures.

An issue that is the source of profound concern is the actual possibility of obtaining preliminary injunctions in patent infringement cases after the amendments made by Law N° 25,859 (2004). According to the latter, the Courts must make sure special requirements detailed in the norm are complied with before granting a preliminary injunction, among these: allowing the defendant to participate in the proceedings of granting or not the preliminary injunction (when according to Article 198 of Civil and Commercial Procedural Code, this type of preliminary measures is taken by the Courts without intervention of the defendant, or *inaudita altera parte*), and the appointment of an official expert who must inform the Court if he considers that in the case the patent is attacked as void by the defendant, the likelihood is that the Court will find the patent valid, as well as if he thinks that there is a reasonable probability that the patent is infringed by the defendant. These, among other requirements, are believed to make the application of TRIPs Article 50 - that requires that the judicial authorities shall have the authority to order prompt and effective provisional measures to prevent IP infringements from occurring- unlikely as complying with the special requirements introduced by Law 25,859 may take a long time. It should be reminded that TRIPs Article 50 is crucial in TRIPs enforcement.

4.10 Brazil: Patents - Siemsen²³ reminds us that Brazil questioned the role of patents in developing countries as from 1964 and involved UNCTAD in the debate. In 1969 it issued an Industrial Property Code (Decree/Law 1005) excluding pharmaceutical and food inventions from obtaining patents, an exclusion that was confirmed in the Industrial Property Code of 1971 (Law 5772). But, on the other hand, Brazil signed the WIPO/ Patent Cooperation Treaty (1970) and was one of the first countries to ratify same. We should remember that Argentina is still not a PCT member. After TRIPs, the new Industrial Property Code Law 9279 (1996, effective since 15 May 1997) not only ended these exclusions, but also allowed -as a transitional measure of only one year- to file application patents for chemicals, pharmaceuticals and foodstuffs that had been patented abroad before the new law came into force, but that had not been marked by the patent owner anywhere in the world (Law Articles 229/231). In this case, the patent in Brazil would be valid for the remaining protection term in the country of first application and under the same conditions as in the country of origin.

Another interesting feature of the Law is that patent term is 20 years as from filing, in accordance with TRIPs, Article 33, but the term of protection shall not be less than 10 years from the date of grant. This provision has practical consequences in view of the very serious backlog Brazilian INPI has in processing the applications. Although INPI has hired new examiners, is incorporating information technology, and there progress in examination is taking place, it will take time before the situation is normalized. National inventors have complained that they obtain granting of their patents in industrialized countries while they cannot get a definition in the country of origin of the invention. This creates uncertainty as regards developments and marketing of the inventions, and affects investments.

²³ Peter Dirk Siemsen, Patents and Industrial Property in Brazil, in *Derechos Intelectuales*, Vol. 8 (1999) pages 45/51

In addition, as the controversies over pharmaceutical patents continue, a Provisional Measure 2,006 of 1999, later converted into Law 10,196 (2001), amending the Industrial Property Code Law 9279 with Article 229C, established that patent applications dealing with pharmaceuticals must, prior to their granting by INPI, be reviewed by the Health Agency ANIVISA, which may observe or agree with the patent request. This very peculiar intervention of the Health Agency – which in the rest of the world is concerned with safety, efficacy and quality of medicines - has created controversies with INPI's technical examination of the applications and interpretative different opinions in essential requirements such as novelty of the invention. Whenever the IP Coordination Group objects to a patent application, the procedure is in practice paralyzed. The matter is being discussed in the Courts. It may be argued that the situation is inconsistent with TRIPs Article 62.1, that state that procedures and formalities should be reasonable.

It should be also remembered that the compulsory licensing provisions for patents of invention contained in the Industrial Property Code Law 9279, Article 68.1. According to the same a compulsory license may be granted on the basis of lack or insufficient manufacturing of the patented product or the integral use of the patented process. Leonardos²⁴ discusses whether this article violates TRIPs, Article 27, as to the prohibition on discrimination based on whether protected products are imported or produced locally, taking into account that said Article 27 should be read in conjunction with the Paris Convention Article 5 (A), concluding that the matter may only be clarified by a WTO Panel. The matter was raised in a consultation manner according to WTO Dispute Settlement Procedures (TRIPs Article 64). A mutually agreed solution was arrived between the Governments of the US and Brazil.²⁵ According to the same, Brazil would, prior to a decision applying Law 9279, Article 68.1, maintain a constructive dialogue with the US. Brazil has not issued compulsory licenses on this ground; however, Decree 6,108 of 4 May 2007 granted the first compulsory license in favor of the Government who is authorized to order either the manufacturing or the importation of a drug to fight AIDS. This Decree fixes a 1.5% royalty for the inventor on the prize the Government will pay to the supplier. There are many legal controversies dealing with this Decree, in particular taking into account the clear requirements set in TRIPs, Article 31 that must be fulfilled in order that compulsory licenses are granted. The general evaluation is that this type of measure creates a negative precedent that will further affect TRIPs enforcement.

²⁴ Gustavo Starling Leonardos, “Brazilian Jurisprudence on the Application of the Industrial Property Law and TRIPs”, in *Derechos Intelectuales*, Volume 8 (1999), pages 53/69

²⁵ WTO (WT/DS 199/4)

QUESTIONS

4.10.1 What are the consequences of the persistent delays in deciding on patent applications filed in Argentina and Brazil?

4.10.2 Is there concern over the objectivity of the examination procedures for patent applications in Argentina and in Brazil? In the affirmative, why?

4.10.3 Once the patent is granted, does the Argentine requirements that the presumed infringer and an official expert participate in the procedures before the Court may order a provisional measure to prevent the infringement speeds or delays the judicial decision?

4.10.4 In cases of compulsory licenses, are there TRIPs requirements that must be fulfilled?

4.11 Argentina: Protection of Undisclosed Information - It should be pointed out that TRIPs, Article 2.1. indicates that Members shall comply with Articles 1-12 and 19 of the Paris Convention (1967) and in Article 39.1 mandates that in the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention (1967), Members shall protect undisclosed information (Article 39.2) as well as health registration data submitted to governmental agencies (Article 39.3).

The legal concept of unfair competition has expanded well beyond the older causes of trademark infringement and palming off (the selling of own goods as belonging to another, misrepresentation), in order to also cover misappropriation (selling other people's values as own),²⁶ and malicious competition (lawful commercial activity undertaken solely, or at least primarily, for malicious or predatory purposes).

According to Cabanellas²⁷ the unfair competition regime in Argentina is one of the weakest aspects of the legal norms regulating business activities. If in other branches of commercial law, the main problems are in the enforcement of the positive norms, in the case of unfair competition main flaws are the norms themselves. Competition law has two main branches. One is antitrust -which in Argentina is regulated by Law 25,156 as amended- and the other is unfair competition. Both are complementary. However, there is no organic

²⁶ The tort of misappropriation originated in the US Supreme Court's decision in "International News Services v. Associated Press" (1918). The Court characterized the defendant's misconduct as the converse of palming off: Instead of selling its own goods as those of the complainant, it substituted misappropriation in place of misrepresentation, and sells complainant's goods as its own". While recognizing that uncopyrighted news matter could not be owned in any absolute sense after its first publication, the Court concluded that, because it could not be gathered without considerable investment of labour, skill and money, it was to be regarded as "quasi-property". The principal distinguishing characteristic of the INS type of misappropriation is that it is not concerned with protecting contractual or confidential relations to which the misappropriator is a party; nor is it concerned with preventing public confusion as to the identity of the goods or public disclosure of non-public information. The wrong is simply the appropriation of the fruits of another's investment of money, time and intellectual effort. ²⁶ Charles R. McManis: Intellectual Property and Unfair Competition, In a Nutshell, West Group, 2000, ISBN-0314-24177-9, page 9.

²⁷ Guillermo Cabanellas, "The Argentine Legal Regime on Unfair Competition. Criticism and Proposals", in Derechos Intelectuales, Volume 10 (2003), pages 113/133, Editorial Astrea, B.A.

regime on unfair competition in Argentina. There are various scattered norms, such as Law 22,802 dealing mainly with identification of goods, publicity and promotion, Law 20.680 which give the Executive Power ample powers to intervene in markets, Law 24,240 for the protection of consumers, and norms of the Penal Code, such as article 159. Cabanellas concludes that the unfair competition legislation is disordered and of little applicability.

WIPO analysis on the Protection Against Unfair Competition ²⁸ concludes that the success of an unfair competition law depends largely on what the Courts make of it. *“A few words in a general tort provision may be a sufficient basis on which to develop an efficient system of unfair competition law, while a most impressively drafted statute may give disappointing results. This does not mean, however, that an explicit and detailed regulation of an unfair trade practice is not useful; but it will remain ineffectual if it is not activated by the courts”*

Except in cases where trade marks were involved, there has been little application of the principles of unfair competition in Courts. This applies both to Argentina and Brazil. One important reason for this situation is whether an act of unfair competition can be established in the absence of proofs on fault, bad faith or gross negligence on the part of the infringer.

In countries where unfair competition has been enforced, objective standards are applied: *“In practice, however the element of fault or bad faith is often assumed by the courts. Such subjective elements (“fault” or “bad faith” are therefore not essential to the notion of fairness in competition. Indeed, with certain exceptions, rather objective standards are applied for the purpose of establishing an act of unfair competition; of course subjective conditions may be relevant for the purpose of determining the sanction applicable. Sometimes this objective approach to unfair competition law is expressly stated in the legislation, as in the Spanish law of 1991, which uses the expression, any act against good faith in an **objective** sense.”*²⁹

The Argentine law 24,766 (1996) implements TRIPs Article 39.2 on Trade Secrets and 39.3.on Health Registration Data.

Trade secrets are dealt with in Law 24,766 in articles 1 to 3. For an infringement to take place, it requires that the third party obtain or uses the trade secret in a manner contrary to honest commercial dealings. Article 11 insists that trade secrets do not grant an exclusive right and a right holder can litigate against those who have accessed to the information in a manner contrary to honest commercial uses. It includes among dishonest commercial acts acquisition of trade secrets knowing or not knowing by grave negligence that said acquisition was contrary to honest commercial uses (Article 1.c).

However, Law 24,766 does not state if there is a *juris tantum* presumption that if the trade secret –which by definition is not easily accessible- is being used by a third unauthorized party who does not give convincing explanations on how he obtained the information, then

²⁸ World Intellectual Property Organization: Protection Against Unfair Competition, Analysis of the Present World Situation, Geneva (1994)

²⁹ Ibid. Page 24

it is assumed it was not by honest means. The requirement of “grave negligence” on the part of the third unauthorized party in the acquisition of the trade secret restricts the enforcement of the protection.

In addition, Article 2 of the law limits trade secret protection to the information consigned in documents, electronic or magnetic means, optic discs, microfilms, films or similar elements. This restriction is inconsistent with TRIPs, Article 39.2

Cabanellas comments that criminal litigation in Argentina with regard to trade secrets is extremely rare.³⁰ The record of the courts in this field is poor. The evidence requirements are frequently such that it is impossible, under normal circumstances to prosecute misappropriations. Rules in the Civil Code (Article 1071 bis with a broad provision protecting personal privacy, unjust enrichment and illegal conducts (torts) that causes damages) have had little application. Contracts dealing with trade secrets have been enforced (*Ducilo S.A. v. Barcia H.J. Camara Nacional Civil Sala A*, March 25, 1971, *El Derecho*, 38, page 407). However it is of no effect as against third parties that act in good faith. In his opinion Law 24766 includes certain broad provisions they require further legal “fleshing out” to determine the extent of the rights created, and how they may be infringed by unfair trade practices related to trade secrets

On TRIPs Article 39.3, Childs writes that the most controversial aspect of same is the construction of the term “unfair commercial use”.³¹ Some countries interpret unfair commercial use to include a generic manufacturers referring to the previous registration of a similar drug to obtain a marketing approval without there first being a significant passage of time between the innovator’s and the generic manufacturer’s application. Other countries interpret that this provision means only that a subsequent applicant must not obtain the information dishonestly. USTR Office of General Counsel argues that the TRIPs Agreement understood unfair commercial use to mean that the data will not be used to sort, clear or otherwise review other application for marketing approval for a set amount of time unless authorized by the original submitter of the data. Any other definition of this term would be inconsistent with logic and the negotiating history of the provision.

The protection granted by Law 24, 766 (Articles 4 to 10) on undisclosed test or other data necessary to approve the marketing of a pharmaceutical of an agricultural product with the health agencies is under discussion. While Article 4 declares that such data will be protected against dishonest commercial use, Article 5 states that any third party may submit to the health authorities -immediately after the approval of the product for marketing in the industrialized countries or in Argentina- abridged applications with information detailed in the statute. Such information will not be considered trade secrets. While in the industrialized world there is a term that must elapse (generally between 5 to 10 or more years) before abridged marketing applications to the health agencies for marketing approvals may be submitted by third unauthorized parties, in Argentina there is no waiting period and thus third unauthorized parties make use (exploit) the information generated by

³⁰ Guillermo Cabanellas, *Trade Secrets Throughout the World*, Chapter 1, Thomson West, US, 2006.

³¹ Daid W. Childs, “WHO Prequalification Program and its Potential Effect on Data Exclusivity Laws”, in *Food and Drug Law Journal*, pages 82/83, Volume 60, 2005, Food and Drug Law Institute, U.S.

the originators immediately. Thus there is no enforcement of TRIPs Article 39.3 by the health agency in practice.

The contradictions in Law 24, 766 on data exclusivity were discussed (as already mentioned in the above paragraph 4.9.), in the consultation procedures at WIPO between the US and Argentina, and no agreement has been reached on this issue. There are ongoing litigations in Argentina of originators against imitators and the Courts will have to decide if Law 24,766 affords any protection at all.

4.12 Brazil Protection of Undisclosed Information

Law 9279 does not deal specifically with undisclosed information, except in TITLE V on Unfair Competition Crimes. In as much as the law requires in Article 195. XII that the third unauthorized party responsible of disclosing, exploiting or using a trade secret has obtained the same by illicit means or accessed by fraud, without establishing *juris tantum* objective presumptions for determining “illicit”, “fraudulent” behavior, it is uncertain whether an IP holder will be able to enforce his trade secret right against a third unauthorized party, when there is no contractual relationship. Here again we should remember that -as stated in the WIPO analysis,³² - unfair competition protection is effective in those countries where objective standards are applied: *“In practice, however the element of fault or bad faith is often assumed by the courts. Such subjective elements (“fault” or “bad faith” are therefore not essential to the notion of fairness in competition. Indeed, with certain exceptions, rather objective standards are applied for the purpose of establishing an act of unfair competition; of course subjective conditions may be relevant for the purpose of determining the sanction applicable. Sometimes this objective approach to unfair competition law is expressly stated in the legislation, as in the Spanish law of 1991, which uses the expression, any act against good faith in an objective sense.”*³³

Regarding data exclusivity for health registration (TRIPs Article 39.3), the matter is only dealt with in Law 9279, Article 195 XIV, for human pharmaceutical products. ANVISA (the Brazilian Health Agency) has not issued guidelines to protect innovators. There are litigations launched by innovators against unauthorized third parties with preliminary injunctions that have been granted and are in force. However, there are still no final Court decisions that have determined the scope of data protection in Brazil to allow an evaluation of its effectiveness. Form an administrative point of view ANVISA does not enforce it.

In the case of veterinary products, fertilizers, agrochemicals and their components Law 10,603 was approved to protect undisclosed data filed with the respective health agencies. It is presumed that information files in closed envelopes is confidential (Art 2). Article 3.1 of the Law determines that the authorities will not use the results of tests or other data to favor third unauthorized parties. The term of protection for new chemical or biological entities is 10 years as from the registration or as from the liberation of the information in any country, which ever takes place first, guarantying at least one year of protection (Art 4.I.). For products not including a new chemical or biological entity, undisclosed information will be protected for five years counted in the same form and with the one year minimum

³² Ibid. Footnote 26

³³ Ibid. Page 24

protection also applicable (Art.4.II). For new data required by the authorities, the same will be protected for the remaining time of the protection ordered above or for one year as from the filing of the new data, whichever takes place last. It should be noted that new chemical or biological entity is any molecule or organism not previously registered with the health authorities in Brazil. A new chemical entity may be analogous or homologous, regardless of its use, to another molecule or organism. There is an exception to the protection granted by the law, as per Article 7. A third party may request the compulsive use of the information to register a product if the originator has not marketed his product in two years after the registration of same in Brazil. Compulsory licenses for the use of the information by third parties may also be granted in case of public interest or emergency; or if antitrust violations are committed, in which case there will be no need to pay remuneration to the originator. The reason for having excluded pharmaceuticals for human use from this law, taking into account TRIPs Article 39.3, which does not make this kind of discrimination, may be only attributed to political reasons, and may be considered inconsistent with the international Treaty.

QUESTIONS

4.12.1. What are the main limitations for trade secret protection in Argentina and Brazil in cases of access to the undisclosed information by third unauthorized parties?

4.12.2. Regarding undisclosed health registration data protection, how should the concept of “unfair commercial use” by third unauthorized parties be defined?

4.12.3. Is TRIPs Article 39.3, on undisclosed health registration data protection, different for veterinary products, fertilizers, agrochemicals and their components as for pharmaceuticals for human use, or is it the same? Does Brazil apply a different legal protection? In case the answer is affirmative, which legal regime offers a better protection? Why?

5. Enforcement: Civil Procedures

Both in Argentina and in Brazil one of the major positive developments brought by TRIPs is the application of Article 44 that mandates that the judicial authorities shall have the power to order injunctions against domestic or imported infringing products to prevent their entry into the channels of commerce, and TRIPs Article 50 that provides that the Courts shall have the authority to order prompt and effective provisional measures to prevent an infringement of any intellectual property right from occurring. Courts shall also have the authority to order these prompt provisional measures to preserve relevant evidence in regard to the alleged infringement. Pre TRIPs IP right holders had in general to wait for the final judicial decisions before relief measures were adopted. Post TRIPs Courts have made use of their authority to order preliminary injunctions in IP cases.

5.1 Civil Procedures: Argentina - In order to enforce IP rights it is necessary to litigate in Courts. There are many problems in the criminal enforcement procedures as we will see later on, therefore right holders rely heavily on enforcement by the Civil Courts. This is the case, for example, of the business software industry. Nevertheless this industry reports that

they face procedural delays before being able to obtain and conduct civil searches in business piracy cases. Extensive delays are a general problem in all Courts. The industry's conclusion is that: "*Civil actions which are brought all the way through to final judgment are too protracted to be effective.*"³⁴

TRIPs Article 45 indicates that the judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered, and his expenses. National laws may also authorize the Courts to order recovery of profits and/or payment of pre-established damages even where the infringer did not know nor had reasonable grounds to know that he was engaged in infringing activity.

Petrone reminds us that the Argentine Trade Marks Law 22,362 does not contain any express norm on compensating for damages.³⁵ Notwithstanding there is no doubt that damages must be repaired by application of basic Civil Code norms, and that they must be presumed and repaired in any trade mark infringement case. However a crucial problem is calculating the amount of damages. The jurisprudence has evolved and, for example, in the case: "*Nina Ricci vs. Lagni,*"³⁶ the Court recognized that the proof of damages is always difficult and estimated the same in 80% of the profits that the defendant made with the infringement. In other cases, estimates were based on cost/ selling price of the infringing product or net profit, and also on lost profits on the part of the plaintiff.³⁷ The dilution of the distinctive trademark value has also been taken into account.³⁸ In general, when a trade mark is infringed, there is a presumption that damages have occurred and they should be repaired.

However, the fact is that damages awarded in IP litigations tend to be in most cases very low and do not really compensate the injuries suffered by the IP holder. In addition to the difficulties in proving damages -specially when sales and accounting records do not exist or are unreliable- in many cases infringers are or become insolvent. Deterrent civil damages are not available. The main goal of litigating is to end the infringement, knowing that it is unlikely that damages will be ever recovered. The International Intellectual Property Alliance considers that this problem could be remedied if Argentina were to introduce an effective statutory damage system, which does not exist.

Even more crucial is the fact that the damages that the consumers suffer with the IP infringements are not reparable and not reclaimed.

Therefore, the crucial importance of obtaining preliminary injunctions to stop as early as possible the damage the infringement is causing, or even much better preventing this damage from starting to occur. In this respect TRIPs, Article 50 is extremely useful.

³⁴ International Intellectual Property Alliance, *ibid.* footnote 6, page 6.

³⁵ Aldo Petrone, "Repairing Trade Mark Damages", in Cuadernos de Propiedad Intelectual, Volume I-2004, pages 195/219, Ad-Hoc, B.A., Argentina.

³⁶ Civil and Commercial Federal Appellate Court, Section II, File 4,970 (10 March 1987)

³⁷ Civil and Commercial Federal Appellate Court, Section III, File 12,122, (28 October 1997) in "*Garcia y Garcia vs. Televisora Federal, Telefe*"

³⁸ Civil and Commercial Federal Appellate Court, Section III, File 7,664 (29 October 1993) in "*Cheja, Alberto Sion vs. Quimica Medical Argentina*"

Jurisprudence has determined that the Court may decide precautionary measures before or during the substantive litigation, at the request of the plaintiff or ex-officio, with the aim to secure goods or proofs, maintain a given situation, for security reasons, to satisfy urgent needs, as anticipating the guarantee of due process, and to make judicial decisions effective.³⁹

Gatti states that the specific statutes regulating different categories of IP rights may contain express norms to allow this type of preliminary injunctions.⁴⁰ This is the case, for example, of article 79 of Law 11,723 on Copyrights. However, in different cases the Argentine jurisprudence has made use of the direct application of TRIPs, Article 50, as grounds for granting the injunction, ordering, for example, that the presumed infringement of an IP right ceases immediately the questionable operation, without waiting for the final decision in the case. On the other hand, the Civil and Commercial Procedural Code contains in Chapter III, the regulations to obtain different kinds of precautionary measures. Basic requirements are the demonstration that there is a right to be preserved and that a delay will cause irreparable harm. Security to protect the defendant may be ordered by the Courts. Article 232 of the Procedure Code allows the plaintiff to request the most suitable urgent type of preliminary injunction to avoid an imminent or irreparable damage thus not restricting the type of injunctions to those specifically listed in the Code. The Procedural Code provisions are also applicable in IP civil litigations.

In view of the ample powers the Courts have to order preliminary injunctions, it is regrettable that in the case of patent litigations these judicial powers have been limited by Law 25,859 (see above under paragraph 4.9).

5.2 Civil Procedures: Brazil

Law 9279, Chapter VII on General Provisions contains norms both on criminal and on civil procedures. Regarding the latter, Article 207 indicates that civil litigation may take place independently from the criminal procedures and that the Civil Procedure Code is applicable.

Article 208 determines that the reparation of damages will be established by the benefits the IP holder would have had if the infringement had not taken place. In addition, Article 210 II indicates that the method of establishing damages should be the most favorable to the IP holder and that -among other criteria- the profits the infringer had obtained and the royalties that he would have paid if he had a licit license may also be taken into account.

The Brazilian copyright law contains a pre-established damage provisions which are among the highest in the Americas.⁴¹ The Business Software Alliance (BSA)⁴² has concentrated

³⁹ Civil and Commercial Federal Appellate Court, Section I, in “Bodegas J.E. Navarro Correa vs. Agro Industrias Cartellone on Damages”, decided on 1 November 1998.

⁴⁰ Enrique J.F. Gatti, “Preliminary Injunctions in IP Cases”, in Cuadernos de Propiedad Intelectual, Year 2004, Vol.1, pages 57/76, Editorial Ad-Hoc, B.A., Argentina.

⁴¹ Law no. 9,610 of February 19, 1998: Art. 101. The civil sanctions provided for in the following Chapter shall be applicable without prejudice to criminal sanctions. Art. 103. Any person who publishes a literary, artistic or scientific work without the authorization of the owner of the copyright shall forfeit to the latter the

most of its efforts on bringing civil enforcement actions against end users companies for software copyright infringement with some positive impact. The business software industry continues to bring civil search and seizure actions, usually followed up with the filing of civil damages suits. Courts continue to require high experts' fees and bond requirements to order searches and seizures. Nevertheless, civil actions are preferred when police are generally not needed. However, BSA indicates that there are lengthy delays in these civil litigations. In 2006 there were more than 250 civil cases awaiting judgment. For example, Nintendo of America is awaiting resolution of some cases that have been pending for at least five years.

In the case of trade marks and patent infringements civil actions among established companies are also preferred.

The comments made in the previous section on the situation in Argentina -regarding the fact that damages awarded in IP litigations tend to be in most cases very low and do not really compensate the injuries suffered by the IP holder- are also applicable to Brazil. The main goal of litigating is thus to prevent or end the infringement, knowing that it is unlikely that adequate compensatory damages will be obtained.

Freitas Morais comments that preliminary injunctions are the main goals of IP litigation and are often obtained in timely fashion.⁴³ Judges ground their decisions on the Brazilian Civil Procedure Code and he adds that these injunctions were in the law even before TRIPs. Article 209.1 of Law N° 9,279 expressly authorizes the Judge to order the preliminary ceasing of the presumed infringement to avoid damages that are irreparable or difficult to be repaired, and the Courts effectively use this provision. Similar authorizations are included for copyright infringements.

It should be also noted that a broad judicial reform was announced in 2004. There are changes to be implemented that may help in gaining efficiency. The Supreme Federal Court will try to put an end to thousand of identical actions by no longer discussing issues that had been examined and decided. There are 100.000 extraordinary appeals per year and the Supreme Court will examine only those which are considered crucial. Furthermore it is expected to use more efficiently information technology to reduce the huge backlog.

copies that are seized and shall pay him the price of those that have been sold. Sole Paragraph. Where the number of copies constituting the fraudulent edition is unknown, the offender shall pay the value of 3,000 copies in addition to the copies seized. Art. 109. The public performance carried out in violation of Articles. 68, 97, 98 and 99 of this Law shall make the offenders liable to a fine corresponding to 20 times the amount that should originally have been paid.

⁴² *Ibid.* 6, pages 217 and 224

⁴³ Gustavo Freitas Morais (Dannemann, Siemsen Law Offices, Brazil), comments on the IP situation in Brazil, exchange of e mails during June 2007. The author thanks Gustavo for his several useful comments and cooperation as well as the librarian in his law offices: Miriam Stern.

QUESTIONS

- 5.2.1 In Argentina and Brazil can enforcement of IP rights be obtained through complaints to the patent offices?
- 5.2.2. When civil litigation is filed, is the main focus to obtain reparation of damages and losses the infringement causes?
- 5.2.3. Do the judges have authority to order precautionary measures to prevent or stop the IP infringement?
- 5.2.4. In the Argentine civil patent litigation are there special obstacles to obtain a preliminary injunction to prevent or stop an infringement?

6. Enforcement: Criminal Procedures

TRIPs Article 61 orders that Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity.

Although the IP legislation we have reviewed includes criminal procedures, foreseen punishments are not a sufficient deterrent and criminal courts are reluctant to apply even the existing light punishments. This is the core of the problem. In addition to the proposals of increasing punishments by amending the laws, there are initiatives to sensitize public opinion on the dangers of these criminal activities, improve information, develop security measures and coordinated action to prevent, detect and crack down piracy and counterfeiting

The 2007 Special 301 Report issued by the Office of the United States Representative states that counterfeiting has evolved in recent years from a localized industry concentrated on copying high-end designer goods to a sophisticated global business involving the mass production and sale of a vast array of fake goods. Piracy of copyrighted products in virtually all formats, as well as counterfeiting of trademark goods has grown rapidly because these criminal enterprises offer enormous profits and little risk. The USTR report includes as a notorious market dealing in infringing goods the Tri-Border Region of Paraguay, Argentina and Brazil as a hotbed of piracy and counterfeiting. La Salada in Buenos Aires, Argentina, is the largest of more than 40 large, well-established markets in Buenos Aires that are almost completely dedicated to the sale of counterfeit goods. An estimated 6,000 vendors sell fake goods to 20.000 customers daily.⁴⁴

6.1 Argentina: Criminal Procedures - Pellicori reminds us that most of the IP litigation takes place in the Civil and Commercial Federal Courts; however, there are also cases in

⁴⁴ Office of the United States Representative, USTR, 2007 Special 301 Report, pages 7 and 8.

the criminal courts.⁴⁵ He states that the intellectual creation is protected regardless of the physical support that contains the original work. Copyright Law 11,723 defends both the moral and the economic aspects of authors' rights. However he warns that penal punishments are more related to the protection of the author's moral rights, rather than to economic aspects, this being the main difference between the penal protection of intellectual property and the defense of tangible property in the Penal Code. Copyright crimes may be punished with one month to six-year imprisonment, the same penalty as for fraud. Pellicori considers that the penal jurisprudence considers that for IP crimes indicated in Articles 71 and 72 of Law 11,723, it is necessary to prove direct fraud on the part of the infringer. He objects the amendments introduced by Law 23,741 –dealing with phonograms- to Article 72 bis of Law 11,723 introducing expressly the requisite of “profit motive” or “commercial purposes in order to punish piracy activities. For crimes described in said Article 72 bis, 73 and 74 of Law 11, 723, indirect deceit is sufficient. The judicial doctrine considers that in order to determine if plagiarism exists more attention should be placed on similarities with the original rather than to differences.

Criminal copyright enforcement has always been cumbersome, costly, time consuming and lacking in deterrent impact, according to the International Intellectual Property Alliance.⁴⁶ They propose that the minimum penalty for piracy (one month) be increased to three years. However they point out that the authorities are making raids with the collaboration of the recording and film industries. Federal Police Cyber Crime division is also becoming active. Notwithstanding, the Police collaboration, “...*a criminal judge in Buenos Aires ruled against the recording companies stating that offering “P2P” downloading services (by a cyber café) and blank CD-Rs to customers is not a crime.*”⁴⁷ Even in cases where there is good cooperation from the Police, few prosecutions are pursued and there are few criminal cases that reach final judgment. They usually result in no jail time or a jail time is suspended, as intellectual property crimes are not seen as serious offenses.

Trademark owners face similar, if not worse, problems. According to Article 31 of the trademark law 22,362 punishments for counterfeiting is three months to two years imprisonment. A small fine may also be applicable. As the maximum penalty foreseen is two years, even if such a punishment were ever applied, the infringer would be exempted from effectively complying with same. Actually, according to the general Penal Code the infringer may invoke this benefit and the criminal case is ended. There are proposals to raise the punishment from six months to six years imprisonment. If the punishment is for more than three years, the convicted would be imprisoned.

INTA states that counterfeiting has grown over the years to become one of the greatest threats to established brands.⁴⁸ Whereas counterfeiting was viewed in the late 1980s as mainly affecting luxury brands, which had gained international fame, it is now a global

⁴⁵ Oscar A. Pellicori, “Intellectual Property and Penal Punishments in Argentina”, in *Derechos Intelectuales*, pages 65/86, Volume 13 (2007), Editorial Astrea, B.A., Argentina.

⁴⁶ *Ibid*, page 4

⁴⁷ *Ibid*.

⁴⁸ Internacional Trademark Association in http://www.inta.org/index.php?option=com_content&task=view&id=1539&Itemid=254&Itemid=&getconten t=1, last visited 20 June 2007.

problem touching all industry sectors. The growing trade in counterfeit goods, often linked to organized crime, threatens employment, innovation, economic growth, and the health and safety of consumers in all parts of the world. INTA believes strongly that nations, trademark offices and intellectual property organizations must work together and exchange information and ideas to eliminate the threat posed by cheap, fake goods that illegally play on the good name of legitimate trademarks.

Porcel traces back the origin of counterfeiting activities to the licensing agreements of well-known trademarks, followed afterwards by franchising and distribution agreements.⁴⁹ It is not easy to audit the many authorized dealers. When authorizations were revoked, some of those left outside the business, including suppliers, with gained know-how, felt that they could continue in the field through other means, including imitations or counterfeiting, such was the case, for example, with sport shoes.

As there is in practice no effective punishment for infringers, the illicit business is growing continuously. Porcel proposes, among other measures, that only Federal Penal Judges should be competent in processing these crimes because local criminal judges take contradictory decisions and are reluctant to affect local activities.

On the other hand, criminal judges feel that in many IP cases, lawyers use the system to pressure infringers and stop infringements, losing immediately afterwards interest in continuing with the open cases that linger endlessly until the cases are dismissed or prescribe.

Several improvement proposals are being made in addition to reinvigorating the legislation and increasing the level of penalties. Among them, appoint specialized prosecutors to make counterfeiting cases a priority, and sensitize the Courts and public opinion on the negative social consequences of treating piracy and counterfeiting lightly. Increasing the level of penalties only may not be sufficient to persuade the judges to act, as it is the case in Brazil.

6.2. Brazil: Criminal Procedures - Piracy remains a very serious problem in Brazil, notwithstanding the improvements made in the Penal Code, and through the National Council to Combat Piracy and Intellectual Property Rights that is operating since March 2005. In particular, the problems of successfully prosecuting and concluding IP criminal cases remain unsolved.

Effective 1 August 2003, the Brazilian Criminal Code was amended by Law 10,695 to increase criminal sanctions for copyright infringement raising the minimum penalty for one to two years in prison for persons convicted of illegally reproducing, distributing, renting, selling, acquiring, smuggling into the country, or storing protected copyright works with the intent to profit from reproductions. The maximum penalty continues being four years. A fine will also be applied in addition to the prison sentence. There is an increase in the number of convictions, but no effective jail-time is applied as the defendants are getting benefits such as community services or minor fines.

⁴⁹ Roberto J. Porcel, *Manual de Falsificación Marcaria, Procedimiento Penal. Su Especialidad.* (Manual on Trademark Counterfeiting, Penal Procedure. Its Speciality) (2005) Legis Argentina.

In the cases of patent, trademark and the other categories of industrial property legislated in Law 9279, are from one month to one year or a fine. The imprisonment may be commuted or suspended. The fines may be very low.

The CNCP report indicates that deterrence operations take place at strategic border spots and at trading locations.⁵⁰ It also signals the offenders' creativity, which continuously reinvent manners of eluding inspections. The Council has established a direct communication channel, which can be accessed through CNCP website⁵¹ where it is possible to submit denunciations or provide information about piracy cases, new types of counterfeiting, new selling locations and to follow up the respective investigations. It is also possible to denounce corruption in connection with actions targeted at crimes against intellectual property.

Similar to the situation already described on Argentina, police raids, when they take place, are moderately successful, but afterwards police may take a very long time to prepare the file that will be sent to the prosecutors. Even when the case is presented to the competent judge, the action rarely produces results in the criminal courts. During the period 2002-2005, the ratios of conviction for copyright infringement to the number of raids run each year have not exceeded 1%. In the very few criminal copyright criminal cases, the sentences are primarily small fines, probation and community service. Most of the cases resulted in suspensions or dismissals.

There is pending legislation (Bill 3,965/2004) to amend the Software Law (Law No. 9,609/1998) to extend the minimal prison punishment from the current one year to two years as foreseen in the amendment of the Penal Code referred above. There are other proposals on procedural measures to enhance the authority of criminal judges. There is also the proposal to increase the minimum imprisonment punishment in the Penal Code to two years and two months in order to remove the benefit of alternative and lesser sanctions such as community service.

Among the several measures proposed by the International Intellectual Property Alliance,⁵² in order to enhance deterrence through criminal prosecution and the application of deterrent penalties, it should be stressed the need to use collateral statutes –such as tax evasion, money laundering, fraud and customs violations- to fight organized crime.

⁵⁰CNCP Brazilian National Council on Combating Piracy Report for 2005/2006, December 2006, in: http://www2.mre.gov.br/dipi/II_Relatorio_versao_preliminar_Ingles_rev_final.pdf

⁵¹ www.mj.gov.br/combatepirataria

⁵² Ibid page 214

QUESTIONS

- 6.2.1. Is counterfeiting a sophisticated global business involving the mass production and sale of a vast array of fake goods? Does it affect Argentina and Brazil?
- 6.2.2. Are criminal judges reluctant to apply imprisonment punishments for IP infringements?
- 6.2.3. Does a criminal action preclude the possibility of filing civil litigation?
- 6.2.4. What are the main goals in criminal actions, as compared with civil actions?

7. Enforcement: Border Measures

One of TRIPs positive innovations is the Special Requirements Related to Border Measures, of Section 4, Part III of the Agreement. According to Article 51 a right holder who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may request for the suspension by the customs authorities of the release into free circulation of such goods. Article 54 indicates that the importer and the applicant shall be promptly notified of the suspension of the release of the goods. The importer has the right to be heard and relevant authorities shall have the authority to order the applicant to pay appropriate compensation for wrongful detention of goods (Article 56). The duration of the suspension is limited to ten working days during which proceedings leading to a decision on the merits of the case must be initiated by a party other than the defendant. In appropriate cases, this time-limit may be extended by another ten working days. The duly empowered authority may take provisional measures prolonging the suspension of the release of the goods (Article 55).

Ex Officio Action is also possible where competent authorities are required to act upon their own initiative and to suspend the release of goods in respect of which there is *prima facie* evidence that an intellectual property right is being infringed (Article 58), in which case the competent authorities may seek from the right holder any information that may assist them to exercise these powers (Article 58).

7.1 Argentina: Border Measures - Argentina amended its Customs Code by Law 25,986 including in Article 46 the prohibition of import or export when by the simple inspection of the merchandise it may be verified that it has a falsified trademark or trade name, it is a pirated copy or it infringes an industrial property right according to the national legislation. Customs will be able to suspend the operation for a maximum of seven working days in order to consult the right holder who must file with the Courts, within said term, the corresponding request for a preventive measure. In case the right holder does not act and the goods are released, Customs will inform the competent authority that deals with consumers' rights. This Article will be applied according to the regulations that must be issued. Although this Law was approved in 2004, the Executive Power implementing regulations have not been enacted. There is a pending bill to amend this Article in order to restrict the same only to counterfeit trademarks and pirated copyright goods.

Notwithstanding the pending regulations, the National Administration responsible for collecting taxes and customs (AFIP) created a special section in Customs to fight IP fraud and issued Resolution 2216 of 20 February 2007 to combat trademark infringement at the borders. It establishes an “Early Alert Records System” to assist customs officials in detecting counterfeited or pirated goods. The registration - which will be valid for a two-year period- is voluntary and without any payment. When an operation falls under the early alert system, it is stopped for three working days to allow the inspection of the merchandise with the assistance of the registered right holder.

In order to register, the right holder must present the corresponding document proving his IP right, describing the characteristics of the original goods, its position number in the Nomenclature for Foreign Trade, customs that are used for the original goods, and parties that have the authorization of the right holder to operate in import/export trade of the protected goods. Any import/export operation performed by third persons not expressly authorized by the right holder in the registration act will be stopped for three working days to allow inspection. The right holder will be notified to participate in the procedures.

This Early Alert Records System is new and it is considered a positive step in the right direction.

It should also be noted that Customs authorities have been more alert about piracy. In August 2006, they seized 1 million blank CD-R/DVD which affect the recording industry and that were fraudulently declared as “heating reflecting tiles.” Shipments of blank optical disks coming into the country are regularly inspected based on a court order issued in 2004, known as “Philips injunction.” In 2007 the Argentine Customs made a major seizure of 3 million blank CDRs/DVDs in three containers at the Port of Buenos Aires. The tip was the difference between the declared weight of the shipment versus its actual weight. The estimated retail value of the optical media seized was almost U\$S 8 million.

More activity at the borders is to be expected as Customs is showing an interest in fighting IP infringements and tax evasion.

7.2 Brazil: Border Measures - Customs may act against IP infringements. The Internal Revenue Department (SRF) Regulatory Instruction N° 206 of 25 September 2002 orders that under grounded suspicion, such as violation of legislation ruling industrial property or consumer defense which bars delivery of the merchandise or consumption in the country, merchandise shall be impounded for a ninety days that may be extended.⁵³

The National Council on Combating Piracy reports that ostensive piracy combating along the borders continue with impressive results. In Foz de Iguazu alone, the main gateway for the entry of pirated and contraband products from Paraguay (in the triple frontier with Argentina) in the second half of 2005 1,300 vehicles, including 641 buses transporting petty smugglers, were apprehended. Products that accounted for the highest value of

⁵³ BLAKENEY, Michael (Ed.) - Border control of intellectual property rights. London, Sweet & Maxwell, 2005 (Release 9, Aug. 2005).

seizures were computer items (US\$ 10.5 million), electronic goods (US\$ 9.4 million), and toys (US\$ 4.3 million).⁵⁴

In 2006, customs authorities have been very active not only at the border of Paraguay where the seizures of blank optical disks increased significantly, but also in ports like Santos and Paranaguá. Nevertheless, estimates from some commercial agencies show that over 400 million units of blank media – a key physical support for the manufacture of pirate products- entered Brazil in 2006. The main port of entry was Vitoria. The firm Ninetendo considers that counterfeit cartridge games continue to flood the country, yet no border seizures occurred in 2006.⁵⁵

QUESTIONS

7.1. Are Customs in Argentina and Brazil taking action in order to combat counterfeiting and piracy at their borders?

7.2. What must trademark holders do in Argentina in order to help the Custom authorities detect counterfeiting through the Early Alert Records System?

7.3. In Brazil, is it worthwhile for the private sector to co-operate with the National Council for Combating Piracy?

7.4. Should the authorities design more schemes to fight IP infringements at the borders, without interfering with the normal import/export operations? Which could be suggested?

8.0 MERCOSUR

This regional common market established among Argentina, Brazil, Uruguay, and Paraguay in 1991 has also as associated members Bolivia and Chile. Venezuela is in the process of joining the Mercosur as full member, but it still does not have this status. There is a general commitment to harmonize legislation, but on IP issues there has not been a real progress. There is a Protocol to harmonize IP regulations on trademarks and geographical denominations approved on 5 August 1995, but it has neither been ratified by Argentina nor by Brazil. There is no regional IP office and no common IP enforcement efforts.

As a result, innovators must seek IP protection and enforcement in each country separately duplicating efforts and costs.

One of the most negative consequences is the lack of coordinated efforts to fight piracy in the triple frontier of Argentina, Brazil and Paraguay, where piracy and counterfeiting is of the utmost concern. The U.S. Government is funding a training project through which the US Department of Justice and the U.S. Department of Homeland Security will train prosecutors, police, and customs officials from the Tri-Border Region to combat

⁵⁴ Ibid, page 50

⁵⁵ Ibid, page 223

intellectual property violations. A coordinated political effort among the Mercosur countries could be crucial to the success of this initiative.

QUESTIONS

- 8.1. Is there an harmonized legal IP regime in force in Mercosur?
- 8.2. Are there substantive differences in the enforcement remedies between Argentina and Brazil?
- 8.3. Are there coordinated efforts to fight IP piracy in the Tri-Border Region?