

Combating Intellectual Property Infringement at the Border

A Look at the Systems in Brazil, Argentina, and Uruguay

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Brazil, Argentina, and Uruguay, all Mercosur members, are three significantly varied economies with differing approaches to controlling infringement of intellectual property rights (IPR) at the border. This article examines the systems in each, with particular emphasis on border measures and customs activities.

Brazil

Brazil is the largest country in South America with an area bigger than 8.5 million square kilometers (km), an area slightly smaller than the United States. Brazil's land boundaries total 16,885 km and are shared with every South American country except Chile and Ecuador—thus bordering 10 other South American countries, namely: Argentina (1,261 km); Bolivia (3,423 km); Colombia (1,644 km); French Guiana (730 km); Guyana (1,606 km); Paraguay (1,365 km); Peru (2,995 km); Suriname (593 km); Uruguay (1,068 km); and Venezuela (2,200 km). The Brazilian coastline is 7,491 km long, and the country's exclusive economic marine zone is 200 nautical miles long from the shore. Besides its size and extension of its land borders and coastline, Brazil also has 4,702 airports (with paved and unpaved runways) and 34 maritime ports (tonnage and container ports).

The Brazilian population is estimated to be 205,716,890 people—ranking fifth in size worldwide—whose average age is 29 years. Fully 87 percent of the population lives in urban areas, including the major cities of São Paulo (19.96 million); Rio de Janeiro (11.836 million); Belo Horizonte (5.736 million); Porto Alegre (4.034 million); and the capital city, Brasília (3.789 million).

Brazil is the largest economy in Latin America and has been an open economy since 1990. Brazil is one of the emerging countries known as BRICS (Brazil, Russia, India, China, and South Africa) and is the gateway to Mercosur, the trade block formed by Brazil, Argentina, Uruguay, Paraguay,¹ and Venezuela.

Piracy Becomes a Priority

With a booming economy, an urban and relatively young population eager to have access to consumer goods—from unsophisticated ones to luxury goods—and very high taxation over products in general, it is not difficult to figure out that the country would be seen as an ideal market for pirated goods and counterfeits. On top of all this, add the fact that policing Brazilian borders, ports, airports, and its coastline is a gigantic, and almost impossible, task.

This is a picture very different from the “old days”—the decades from the 1960s to the 1990s—where importation of

almost any and all goods was prohibited under the military dictatorship due to its policy of protecting the national industry. According to this policy, whenever there was a national equivalent product (or good), the foreign product could not be imported. Under this policy, a Chanel perfume would compare to a national perfume, Brazilian sparkling waters would compare to Perrier, and national whiskey would compare to Scotch blends. This policy caused a big headache, not only for the Brazilian appreciators of fine whiskey, but mainly for the trademark owners.

Many of the world's most famous marks were pirated during this period in Brazil. Those that were not registered in the country did not stand a chance of prevailing in a trademark dispute against a Brazilian business. Those registered in Brazil were eventually cancelled due to nonuse, because local production was required to keep trademark registrations alive. This requirement raised many questions on how to produce Perrier sparkling water or a Scotch whiskey locally in Brazil, yet these questions were simply ignored by the Brazilian Trademark Office (INPI)² in the same manner the agency ignored the Paris Convention, to which Brazil was the fifth country to adhere (even before the United States).

During this period, two strong businesses were growing in Brazil and in some neighboring countries under the “legal” piracy of international marks—legal because they were eventually registered in the names of local companies. These businesses were nicknamed by intellectual property professionals as “marktraffic” and smuggling.

As it is commonly said, everything is twofold. The “marktraffic” became so huge and so open that Brazilian courts had no other alternative but to accept the prohibition of importation of foreign goods as a force majeure cause to avoid cancellation of a registered mark due to nonuse, and to apply the provisions of the Paris Convention in many other cases. Smuggling, in turn, became so common that smugglers felt confident to associate with other criminals and started to smuggle goods more dangerous than perfumes and whiskey, such as drugs and weapons.

These changes in the smuggling business made the authorities, still under the military government, react and more vigorously attempt to tackle smugglers. The awareness acquired by Customs, federal police, and federal highway police officers about the smugglers' modus operandi helped them figure out a more effective strategy to police Brazilian borders and territory. But knowledge is not enough if an adequate number of officers dedicated to the activity are not available. This is still a problem today. The dimension of the country, the extension of its borders and coastline, and the

number of airports and ports require a number of enforcement officers that seems very unlikely to be reached.

Due to the volume of goods smuggled into the country, for some time pirated goods were not a priority to Customs officers. In Brazil, Customs is linked to the Internal Revenue Service (the Secretaria da Receita Federal, or SRF), and Customs officers are, in fact, tax auditors, with the same background as the auditors that sit in the offices but with different training and skills. It was only after local authorities noticed that trademark piracy is detrimental to tax collection and is always associated to other crimes, that Customs awareness about it developed and piracy turned into a priority. Pressure from the United States and the fact that Brazil is a member of the World Trade Organization and, therefore, bound to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS agreement) also helped to raise awareness about piracy.

Within these circumstances and as a result of a Parliamentary Investigation Committee of the Brazilian House of Representatives, the Brazilian National Council to Combat Piracy (CNCV) was created on October 14, 2004. CNCV's main objectives were and still are to coordinate governmental policies and projects to tackle piracy within the country. Many government authorities and representatives of nongovernmental entities have seats on the CNCV board. Currently, many antipiracy projects are conducted by CNCV in partnership with local (state and municipal) government authorities and private entities.³

Current Customs Regulation

Customs are controlled by SRF, and only a couple of years ago Customs officers were authorized to carry guns on duty. Before this authorization was granted, many Customs officers complained that it was almost impossible to fight organized crime responsible for smuggling, piracy, and other criminal activities at the country's borders without the right to protect themselves. They also revealed that at some Brazilian ports they could not even go out to the warehouses and through the storage patios at night without running the risk of being shot by criminals acting within the port premises. Fortunately, this picture has changed significantly during the last 10 years.

Currently, Brazil is a member of the World Customs Organization (WCO), and Brazilian Customs has a centralized coordination called General Coordination of Customs Administration (COANA). Nevertheless, Brazilian Customs still does not have a nationwide system to block pirated goods and counterfeits from entering the country. Brazil also does not have a Customs code in place, but does have what is called "Customs Regulation,"⁴ which has provisions governing seizure of goods that infringe third parties' IPR. The Brazilian Customs Regulation is TRIPS compliant and is so "for the good and for the bad"—more often for bad than for good.

Provisions of the Customs Regulation strictly observe the TRIPS commands in relation to works protected by copyright⁵ and trademarks,⁶ providing protection against goods that violate such rights, but do not provide the same protection for other IPR, such as patents,⁷ utility models, and industrial designs. The Customs Regulation also observes

TRIPS' command that Customs may seize pirated goods and counterfeits (provided they infringe copyright or trademark rights) *ex officio*, but seizure must be further sustained by an order from a competent authority, obtained by the owner of the IPR⁸ in Brazil, within a 10-day term from the date on which seizure was reported, and this term must be extended for an additional 10-day period.

As mentioned, the Brazilian Customs Regulation is TRIPS compliant mainly in regard to those limitations. The expression "competent authorities" in the original English text of the TRIPS agreement was interpreted as referring to a "court authority" or "judge." The word "complaint" also in the original English text of the agreement was translated as the Portuguese word "*queixa*," which is a Brazilian legal technical word for "criminal complaint."⁹ Fortunately, the Customs Regulation did not interpret the word "*queixa*" as referring to criminal proceedings and thus limited interpretation of "competent authority" to civil judges. In any event, this does not make things easier.

INPI Database Searches

Because there is no nationwide system or procedure for Customs officers to use or follow when inspecting goods suspected of infringing copyright or trademark rights, they run a search within the INPI database (using the same tools and retrieving the same information available to the general public) in an attempt to find the legal representatives for the IPR owners¹⁰ in Brazil. Although the intention of the officers is good, this course of action has many flaws. First, it reveals the common assumption that a given copyrightable character,¹¹ for example, is also registered (or at least applied for) as a trademark¹² in Brazil. Second, it assumes that the INPI database is accurate in relation to the particulars of the attorneys representing the trademark owners, which is absolutely not true.¹³

Assuming that there is an applied for or registered trademark and that the information about the attorney for the trademark owner in the INPI database is correct, Customs will successfully notify the attorney about the seizure of the infringing goods. Once the attorneys are able to confirm that the apprehended goods actually infringe the client's rights, they have a 10-day term to request a court order to support and make the seizure final. This initial 10-day term can be extended for an additional 10-day term, but the short 20-day term is not the only obstacle to overcome.

Information on the local company importing the infringing goods is considered confidential and protected by Brazilian tax legislation. Based on this legislation, Customs will refuse to disclose any particulars about the importing company whose merchandise was seized, either to the IPR owner or attorneys. The solution? The IPR owner has to file a civil lawsuit¹⁴ against Customs before a Federal Circuit. This lawsuit must have a request for an injunction to immediately sustain the seizure until a favorable decision (for the IPR owner) in the lawsuit becomes invulnerable to appeals and the seizure is declared final. According to the Brazilian Code of Civil Procedure, civil lawsuits may also include a request for damages, but because the first lawsuit is filed against Customs it cannot include such a request. Consequently, should the IPR owner

intend to collect damages from the importer, another lawsuit, this time against the importer alone, will have to be filed.

Training Sessions

In the absence of a system that can be used by Customs nationwide, many IPR owners started using other strategies. With the rise in awareness of piracy and its evil effects over the economy and the country's international reputation, Customs officials became very cooperative with IPR owners and eager to receive any information about original products and methods used by IPR owners to tackle piracy worldwide. IPR owners directly or through their representatives in Brazil, including local antipiracy nongovernmental organizations, initiated training and educational sessions at Customs precincts designed to provide Customs officers with as much information as possible on their original products, indication of methods, and tips to identify counterfeits and knockoffs of their products, and to provide Customs with contact information it could use in case pirated goods and counterfeits were found. Normally, these training sessions took—and still take—place at Customs precincts in different ports, airports, and cities, but many of them took place in Brasília, at the COANA, with the objective of spreading the information on a given product in just one training session to Customs precincts all over the country.

These sessions are still a valuable resource that are and can be used by IPR owners in Brazil. Customs officers are very receptive to these trainings and very serious and enthusiastic about their mission to fight organized crime, and this, of course, includes copyright and trademark piracy. Training efforts are worthwhile, but IPR owners must bear in mind that, in order for these efforts to continue to be effective, they will have to act whenever and wherever pirated goods are found and seized by Customs in different parts of the country, even those farther away from the main cities. Ignoring apprehensions of pirated goods by Customs officers who were stimulated to act after training sessions will have the exact opposite effect of discouraging them to search for pirated versions and counterfeits of the original merchandise.

Special Task Forces

Many Customs precincts are very well organized and have special task forces against piracy. Porto de Santos in the state of São Paulo, probably the biggest and most important maritime port in Brazil, has a very skilled and effective special task force against piracy. This task force raided cargo ships within Brazil's exclusive economic marine zone, even those

ships that were not heading to Porto de Santos, and also formerly seized goods based on patent rights.¹⁵

Porto de Paranaguá also has a very efficient group of Customs officers. This port houses the Paraguayan warehouse—a concession granted by Brazil to Paraguay, because the latter does not have a maritime port—which was believed to be immune to inspection by Brazilian Customs; this was a very common misconception. The Paraguayan warehouse, as well as the goods transported from the warehouse to Paraguay, can be and is inspected by Brazilian Customs officers; the goods can be apprehended, if the case may be, while in transit within the Brazilian territory. Periodic inspections by Brazilian Customs officers in Porto de Paranaguá at the Paraguayan warehouse destroyed the immunity misconception and apprehended many pirated goods and counterfeits that would likely illegally enter Brazil through its land border with Paraguay. On more than one occasion, representatives of the Paraguayan importers (who are the administrators of the warehouse) argued that the trademark registered in Brazil was not registered in Paraguay. In such cases, Brazilian Customs and courts accepted the argument that Brazil and Paraguay are member countries to the Paris Convention, which grants protection to unregistered trademarks under specific conditions.¹⁶

Toward a Nationwide System of Regulation

In an attempt to create a nationwide system of IPR—specifically trademark rights—the Brazilian CNCP decided to create the National Trademark Owners Directory (DNTM) and issued Resolution No. 01 of May 13, 2011. The main objective of this directory is:

to assist authorities in the following procedures:

- I. obtaining copies, manuals or product information documentation for the purpose of analyzing counterfeit goods seized by police authorities;
- II. obtaining complaints and documents for initiating police investigation or preparation of detailed reports in relation to operations designed to tackle commerce of counterfeit goods;
- III. obtaining reports regarding the authenticity of products apprehended or seized by public authorities;
- IV. receiving assistance and guidance for disposal or destruction of counterfeit goods seized;
- V. deciding about ongoing apprehensions of goods suspected of counterfeiting by any inspection agencies; and
- VI. meeting other demands arising from law enforcement agencies and inspections related to actions to combat piracy and infringement of intellectual property rights relating to trademarks.

In CNCP Resolution No. 01/2011, a trademark owner is defined as “a business that holds one or more registered trademarks with the INPI.” This definition is somehow inconsistent with Brazilian trademark law,¹⁷ which in article 130 establishes that a “trademark owner or *applicant* has the right to . . . safeguard the material integrity and reputation” of its mark. On the other hand, only the owner of a trademark registration is entitled to file lawsuits arguing trademark

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infringement.¹⁸ Therefore, the inconsistency appears to be in the trademark law itself.

Registration in the DNTM is free of charge and is effective for an undetermined period of time. The information about ownership of the registered trademark and about authorized licensees must be consistent with the same information in the INPI database.¹⁹ Any changes in the information submitted by the trademark owner or its representatives or attorneys in DNTM must be communicated within 30 days from the date when the change took place. In its final part, CNCP Resolution No. 01/2011 stresses that the DNTM is only a tool to facilitate contact between trademark owners and law enforcement agencies; its use by said agencies and their officers is not mandatory; and the INPI is the only governmental agency to be consulted in order to confirm the information inserted in the DNTM.

Although CNCP Resolution No. 01/2011 was issued on May 13, 2011, the DNTM system has not yet been released and is not in place,²⁰ and there is no information as to when it should be ready to be used. Recent news indicates that there is a tendency that the INPI will take over responsibility of hosting and keeping the system, receiving and updating the information from interested trademark owners. The system may be a helpful tool for law enforcement officers, but it will not be effective against pirated goods that infringe copyrighted works, to mention just one of the IPR left out of the DNTM. It would be better if a more effective system, like the one in place in Argentina, were adopted by Brazil.

Argentina

Argentina has a border with Brazil and is also a member country to the Mercosur trade block. Argentina has Customs rules for apprehension of pirated goods and counterfeits that are better structured than Brazil. It has a nationwide system that covers the entire country. This system is called "Sistema de Asientos de Alerta." The Argentinian Border Trademark Protection System was created through Resolution AFIP No. 2216/07 and is a system available not only to copyright and trademarks owners, but also to IPR owners in general.

Resolution AFIP No. 2216/07 created an informative border register. The inscription in the register is voluntary, gratuitous, and valid for two years and is renewable for additional two-year periods if requested by the interested party. In light of this, registered IPR owners who use this system are informed about any imported and exported goods that are not made under the IPR owner's authorization. Such goods are retained at Customs for a period of three working days, during which the IPR owner or its representative or attorney can physically inspect the retained goods. If the interested party does not appear at Customs and the retaining term expires, Customs service will proceed with regular measures of control that apply to importation and exportation of goods. If trademark infringement is detected or Customs is suspicious of such, it may initiate administrative or legal actions applicable to the specific situation.

Argentinian practitioners have an array of real cases, and they highlight the active work by Argentinian Customs at the country's borders that evidence the efficiency of the system in combating infringement of IPR. In the majority of the cases,

the presence of a technical expert representing or accompanying the IPR owner is useful to issue an expedited opinion about the illicit nature of the goods, mainly in those cases where the IPR violation is noticeable by a regular consumer or even in such cases where the goods are legitimate but result from parallel importation.

After the infringement is confirmed, the IPR owner will first file an administrative procedure with Customs. Once this procedure is initiated, the next step is an investigation of the origin and other details of the infringement. Many times, IPR infringement is combined with other more serious crimes. The IPR owner then has to decide whether or not to be the plaintiff in the proceedings that start from this point on, in order to be informed and notified of all steps and procedures, such as inspection and any other steps where participation is required and necessary.

Argentinian practitioners in general consider the country's Sistema de Asientos de Alerta a fast and effective system, which has shown results since it was adopted by Argentinian Customs.

Uruguay

Other South American countries do not have such a good protective system for IPR owners, but appear to be satisfied with the tools they have at hand. This seems to be the case in Uruguay, whose border system has some rules, but apparently its system is not as developed as the Argentinian system.

IPR infringement in Uruguay must be conducted privately by the IPR owners. After evidence and information about the infringement in Uruguay is gathered, it is possible for an IPR owner to combat piracy and counterfeiting of its products locally. Depending on how serious the IPR violation is, the IPR owner may decide to proceed by sending a cease and desist letter to the infringer and any businesses that are selling the pirated goods and counterfeits, or by starting legal proceedings.

In order to take any measures against trademark infringement in Uruguay, it is required that the trademark is registered in the country. Submission of samples of the legitimate products and of the counterfeits is also needed, and it is advisable to provide the information gathered.

Considering the circumstances of each, the following actions can be taken:

1. Criminal lawsuit,
2. Civil lawsuit, and
3. Customs procedures before the Customs Authority.

Through the criminal lawsuit, it is possible to immediately and simultaneously apprehend counterfeits and pirated products sold in different venues. For the infringer, the apprehension through a criminal lawsuit results not only in a patrimony loss (because the products are confiscated), but also in a loss of reputation at the market and the inconvenience of being involved in a criminal lawsuit. Further, criminal prosecution has consequences that reflect and affect the infringer's civil life.

A civil lawsuit can be initiated once the infringer is identified. Usually, Uruguayan attorneys conduct an investigation on the background and economic status of the infringer to evaluate whether or not filing a civil lawsuit is worthwhile. Claims in this lawsuit include a request to compel the infringer to cease

use of the infringing product, apprehension and destruction of the infringing products and counterfeits, and also damages and compensation of losses. Losses normally include reimbursement of the profits obtained by the infringer due to the sale of the infringing products and counterfeits.

Where possible, an agreement to settle the matter is always recommended by means of a document in which the infringer undertakes to cease use of the infringing trademark and not to repeat such use in the future. In many cases, securing the court order compelling the infringer to immediately cease manufacturing and selling of the infringing product and counterfeits and settling litigation through an agreement is more worthwhile than continuing with litigation in an attempt to obtain compensation for damages and losses. If a chance of settling the litigation through an agreement arises during prosecution of the lawsuit, it is worth considering on a case-by-case basis.

Customs administrative proceedings are the third alternative that can be followed in trademark infringement cases. It is possible to block entrance of infringing goods and counterfeits into Uruguay using Customs administrative proceedings. Use of this alternative requires advance information on the shipping of the infringing goods to Uruguay, including the probable date of arrival in the country. Uruguayan council legislation allows apprehension and seizure of merchandise in transit through the country, and council officers constantly carry out seizures and apprehensions together with Uruguayan Customs officers.

Conclusion

Argentina and Paraguay are country members of the Mercosur that have border measures that are duly regulated and have corresponding systems in place. Intellectual property practitioners and anticounterfeiting and antipiracy private groups and associations report that the systems in place in both countries are obtaining satisfactory results in relation to apprehension and seizure of pirated goods and counterfeits at the countries' borders. Although Brazil and Uruguay have court remedies to combat IPR infringement, they do not have a border system in place, and this absence of an adequate tool weakens IPR enforcement—including through border measures—in these countries and regions. Brazil and Uruguay as member countries of the Mercosur should be encouraged by the example of Argentina and Paraguay to adopt a regulation for IPR enforcement at their borders. ■

Endnotes

1. Paraguay is currently suspended from the block due to the impeachment of President Fernando Lugo, which was considered antidemocratic by the other members of the block.

2. Instituto Nacional da Propriedade Industrial (INPI), created by Lei No. 5.648, de 11 de Dezembro de 1970, DIÁRIO OFICIAL DA UNIÃO [D.O.U.] de 14.12.1970 (Braz.).

3. Ongoing projects include: "City Free of Piracy," "Legal Fairs," "Commerce against Piracy," "Anti-Piracy Portal," and "Partnering with Internet Providers."

4. Decreto No. 6.759, de 5 de Fevereiro de 2009, D.O.U. de 6.2.2009 (Braz.).

5. In Brazil, the system is similar to the French and continental European system of "*droit d'auteur*" (right of the author), and Brazil is a member country to the Berne and Rome Conventions. Lei No. 9.610 de 19 de Fevereiro de 1998, D.O.U. de 20.2.1998 (Braz.).

6. Lei No. 9.279 de 14 de Maio de 1996, D.O.U. de 15.5.1996 (Braz.).

7. During some time, Customs at the Porto of Santos seized and apprehended products infringing patent rights, but discontinued this practice after the Public Attorney for the Porto of Santos issued an opinion considering that seizures and apprehensions based on patent rights were not supported by the TRIPs agreement.

8. From now on in the text, IPR will refer only to copyright and trademark rights, unless otherwise mentioned to include other IPR.

9. As a general rule, IPR can be enforced in Brazil through civil and criminal remedies.

10. This happens more frequently in relation to foreign IPR owners, but every now and then also in relation to Brazilian IPR owners.

11. It happened, for example, with umbrellas for kids showing the Woody Woodpecker character, also registered as a trademark in Brazil.

12. One has to remember that protection of the work (the character) is granted even without a copyright registration in accordance with the Berne Convention and Brazilian copyright law. *See* Lei No. 9.610 de 19 de Fevereiro de 1998, D.O.U. de 20.2.1998 (Braz.).

13. As mentioned, Customs officers are tax auditors in Brazil. When the wife of one of the authors received a call from a "tax auditor" seeking information about him, she got a little bit scared!

14. For which ownership of the registered trademark in Brazil is a mandatory requirement.

15. The general attorney for the Porto de Santos issued an opinion against seizure of goods based on patent rights, and Customs officers of that precinct had to cease seizures based on such IPR.

16. Protection of highly renowned marks granted by article 6bis(1) was applied, for example, in an apprehension of Smith & Wesson toy guns.

17. Lei No. 9.279 de 14 de Maio de 1996, D.O.U. de 15.5.1996 (Braz.).

18. *See id.* at art. 129.

19. As a consequence, the corresponding trademark license agreement must be registered with the INPI.

20. CNCP claims this resolution was publicly divulged by mistake.