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### *LEGAL FRAMEWORK*

Although a number of international treaties and the Mexican Constitution touch on aspects of anti-counterfeiting law, the main domestic laws are as follows:

- the industrial Property Law;
- the Federal Criminal Law;
- the Copyright Law; and
- the customs Law.

### *BORDER MEASURES*

Stopping goods at the point of entry into Mexico is an efficient way to fight the trade in counterfeit goods and secure their detention. However, pursuant to the Customs Law, Customs officers are empowered to stop the import and export of counterfeit goods only once an order has been issued by the Federal Court, the

Institute of Industrial Property or the federal prosecutor's.

Although customs officials' power are somewhat limited by the Customs Law at present, several amendments are likely to be passed in 2008 which will allow them to stop goods when there is a suspected violation of the IP laws. The planned amendments will grant Customs a certain amount of time to assess the authenticity of the seized goods and to contact the relevant IP rights holders.

Notwithstanding the current-legal limitations, customs officials and the Institute of Industrial Property are in the process of developing their own investigative departments dedicated to the enforcement of IP rights.

In addition, the customs authorities and institute are working on a pilot programme for an 'early alert' anti- counterfeiting system. The system will employ a database containing relevant information gathered from the official docket of a number of registered trademarks to help with the identification of counterfeits by customs officials and to expedite contact with rights holders. Customs is also developing a database that will include information about licensees and authorized importers and ports.

It is hoped that the new systems will:

- improve communication channels between Customs and rights holders;
- ensure that rights holders receive samples of the detained goods in a more timely fashion; and
- help with the identification of infringers.

## *CRIMINAL PROSECUTION*

The federal prosecutor at the Attorney General's Office investigates alleged IP felonies with the support of the Federal Investigations Agency and the federal police. The federal prosecutor has the authority to use force during raids related to IP rights. However, the federal prosecutor must obtain a search warrant from the Federal Court and can intervene only in cases regarding the falsification of goods for which IP rights are held.

The proceedings begin with the mandatory filing of a special type of criminal complaint (known as a '*querrela*'). Because IP rights can be enforced only by their owners, rights holders must maintain good channels of communication with the relevant authorities.

While the federal prosecutor carries out an investigation, the goods in question can be seized without the need for a search or warrant order if they are available in public places. However, if they are stored on private property a search or warrant order must be obtained in advance.

Once an investigation has been carried out, the federal prosecutor will indict the case before a federal court.

A raid instigated by the federal prosecutor may take anywhere between 15 and 45 days, depending on the premises that must be searched and their distance from Mexico City. Indictments may be issued within 48 hours of the execution of a search and warrant order if any suspects are detained; this term may be increased if the request relates to an organized crime investigation. If no suspects are detained, an indictment may be issued within approximately two months. During that time, the seized goods are stored in government warehouses while further inquiries are made.

## *DAMAGES*

In criminal proceedings, damages are awarded only after the criminal court has:

- determined that a crime has been committed;
- held that the defendant has caused damage to the rights holder; and
- issued a final decision.

### *CIVIL ENFORCEMENT*

The Industrial Property Institute and the National Copyrights Institute are the two federal agencies empowered to act with regard to administrative infringements. The former oversees actions relating to infringements of trademarks and patents. It also deals with copyright infringement, but only when carried out on a commercial scale. The National Copyrights Institute oversees all other copyright infringements. Both the Industrial Property Law and the Copyright Law state that the two agencies may act as administrative courts, meaning that they are authorized to hear counterfeiting, piracy and, where relevant, unfair competition cases. Both agencies are empowered to intervene in some alternative dispute resolution procedures in connection with IP rights. Where preliminary measures are requested (eg, seizure or restraining orders), the rights holder must pay a bond. In addition, it must provide a safe warehouse for the storage of seized goods throughout the proceedings and until any destruction order is granted.

The Industrial Property Institute typically grants preliminary injunctions quickly - on average, 15 working days elapse between a request and a raid. However, if the case requires it, action can be immediate. It can take between eight and 15 months for the institute to issue a decision on an infringement action, depending on the Litigation Department's backlog.

Due to the nature of border measures, a suspension order preventing the circulation of goods will usually be issued within 24 hours and may be executed

the day after the filing of the petition.

#### *DAMAGES*

In the case of administrative infringement, a judicial precedent indicates that claims for damages and losses must be brought separately before a civil court and only after a final decision on the action has been obtained. However, a civil action to claim damages can take years.

Rights holders should look to expert witnesses for determining the level of damages and losses. In addition, they are advised to take Section 221bis of the Industrial Property Law into consideration, which provides for an award of at least 40% of the retail price of the products in question.

#### *ANTI-COUNTERFEITING ONLINE*

No specific regulations apply to counterfeiting online. Rights holders should therefore use the criminal and civil procedures outlined previously against any online infringers. In certain cases relating to online auctions of counterfeit goods, rights holders may find it beneficial to contact the website administrators to request the cancellation of the infringing auctions. Experienced counsel can help with an analysis of the infringement to determine the most appropriate action and the best remedy available.

#### *PREVENTIVE MEASURES/STRATEGIES*

##### *PREPARE PRODUCTS AGAINST ATTACK*

To facilitate the enforcement of IP rights in Mexico, it is highly recommended to use marks (both hidden and visible) to allow for the rapid authentication of goods. Expedited detection of counterfeits reduces investigation and inspection costs. Retaining the confidentiality of hidden marks is essential to ensure that

they are not copied by counterfeiters.

#### *EDUCATING ENFORCEMENT AUTHORITIES*

Hosting workshops with enforcement officials in Mexico will help to focus attention on the relevant rights and facilitate the detection of suspect goods. If the rights holder does not have the capacity to organize such training programmes, it is possible to outsource the responsibility to law firms that are familiar with the rights holder's portfolio and have experience of dealing with Customs.

#### *KNOW YOUR FIRM*

As there are so many officials to be consulted in any anti-counterfeiting action, the expert opinion of a reputable lawyer is highly recommended in order to ensure that all the necessary laws and obligations are complied with. Ideally, it is best to be familiar with a firm and its lawyers before instructing them. Otherwise, use renowned firms that have expertise in the field. Taking a chance with an unknown firm can be a gamble. Law firms can be dissolved easily, leaving clients with the burden of potential damages claims.

#### *POWER OF ATTORNEY*

A non-resident rights holder wishing to take action in Mexico must authorize a local agent (typically a lawyer) to act on its behalf by way of a power of attorney certified by a public notary. This is a requirement under Section 181 of the Industrial Property Law. Further, the power of attorney must be legalized either through an apostille (where the rights holder is located in a country that is a signatory to the Hague Convention) or a consular, the latter being a more time-consuming and expensive process.

Provided it follows the legal requirements, the power of attorney can be in any format; however, as defendants often try to challenge rights of representation, details of the grantor and the source of its authority to grant a power of attorney must be expressly stated for the power to be valid.

Section 223 of the Industrial Property Law establishes that IP crimes involve the

submission of a special type of criminal complaint. Many court cases have collapsed because lawyers had the authority to file criminal complaints in general, but not *querella* complaints.

The shortcomings of the power of attorney system are that:

- most anti-counterfeiting actions must be addressed immediately, leaving no time to obtain the required notarization;and
- under domestic law, a power of attorney cannot be granted to a corporation.

#### *PLANNING AND BUDGETING*

While some IP rights holders wish to stop all potential infringements, including those at street level, others are more interested in pursuing big shipments and manufacturing facilities of goods. Some rights holders do not wish to deal with costly and time-consuming investigations and litigation, while others wish to see the perpetrators put behind bars regardless of the time and money spent. The attitude of the rights holder, then, will determine the most appropriate course of action.

Sometimes, government agencies appear keen for IP rights owners to act on counterfeiting-related information that they provide even when the result is likely to be inconsequential.

Budget is always a matter of concern. Poor budgeting will result in unexpected costs.

#### *NEGOTIATION*

Negotiation is an important consideration and should be carried out by a

qualified professional. In certain circumstances, the courts will take issue with rights holders and/or their lawyers if negotiations were undertaken incorrectly. They may even be subject to a criminal investigation themselves.

#### *CONTROL OF SEIZED GOODS*

One of the costs to be considered in an anticounterfeiting action is that of storage and transportation of the infringing goods. Ideally, control of the seized goods should be maintained at all times, but this can be costly, especially given that it can take years for an administrative infringement case to be completed. If the action chosen is an administrative infringement, the goods can be stored in a warehouse under a lawyer's control. In criminal actions, seized goods are stored in government warehouses, for which no charge is levied, but all control surrendered.