

*POR JOSÉ IGNACIO DE SANTIAGO*

*CONTRIBUTING FIRM, WORLD TRADEMARK REVIEW 2009*

### *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 Office.

Unfortunately, customs officials' powers continue to be somewhat limited by

the Customs Law. Several relevant amendments are pending before the legislature and it is hoped that these amendments will be considered and passed in the first half of 2009. 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 Mexican Institute of Industrial Property are in the process of developing their own investigative departments dedicated to the enforcement of IP rights.

Customs is currently operating a pilot programme for an 'early alert' anti-counterfeiting system. The system employs 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. The system is expected to be connected to the Mexican Trademark Office database shortly so that Customs may obtain information on trademark owners' representatives quickly in order to act immediately against suspicious importations. At the same time, Customs is developing a database that will include information about licensees, authorized importers and ports.

It is expected that these new systems will:

- make for better 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 crimes 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*'). As IP rights can be enforced only by their owners, rights holders must maintain good channels of communication with the relevant authorities.

The Mexican legislature is about to pass amendments to several pieces of legislation authorizing anti-counterfeiting actions *exofficio*. Trademark owners are pushing for the speedy enactment of these amendments; however, the amendments arguably do not provide for adequate regulation to avoid abuses and eventual corruption.

From an academic standpoint, the amendments appear to be contrary to the nature of the rights that are being protected, since the justification for them is to protect consumers from counterfeiting, while rights holders take second place. This would get rid of the option of reaching an agreement whereby the counterfeiter may legitimize its situation, as currently happens in the software industry.

The amendments do not discriminate according to industry or the level of consumer harm caused. Of course, purchasing a counterfeit luxury brand is not the same as purchasing counterfeit liquor or medicine, notwithstanding that other statutes (eg, the General Health Law and the Criminal Code) regulate the latter.

By the same token, it is expected that rights holders will have to carry out extensive training sessions for the various regulatory authorities so that they are

able to identify counterfeit products. Eventually, rights holders will also have to disclose and keep updated information on their licensees.

At this stage, the participation of rights holders will still be required frequently.

In regard to criminal proceedings, 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 to 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 Mexican 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 to 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 Mexican Industrial Property Institute typically grants preliminary injunctions quickly — on average, 15 working days elapse between a request and a raid. However, action can be immediate if the case requires it. 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 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 to determine the level of damages and losses. In addition, they are advised to take Section 221*bis* 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 enable 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 this responsibility to law firms that are familiar with the rights holder's portfolio and which 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 have been 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.

#### *POWERS 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 that 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 in order 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 *querrela* 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 facilities which manufacture 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. Thus, the attitude of the rights holder 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. Rights holders may even be subject to a criminal investigation themselves.

At present, although negotiation is authorized by existing legislation, the

General Attorney's Office, Customs and other relevant authorities are against the settlement of anti-counterfeiting cases through negotiation since several abuses by local representatives have been reported. In such cases the representatives use the system to collect moneys which do not reach the rights holders, while professional counterfeiters continue with their illegal activities.

It is understandable that the authorities are reluctant to be legally 'used' to force such settlements, but the current criteria against any possible settlement fail to consider that not all counterfeiting cases involve bad faith. To date, such issues have been dealt with on a case-by-case basis, but the criteria are likely to be strengthened in the near future.

#### *CONTROL OF SEIZED GOODS*

One of the costs to be considered in an anti-counterfeiting action is that of the 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.