

## **PREVENTIVE MEASURES IN THE COMPLIANCE OF INTELLECTUAL PROPERTY RIGHTS IN MEXICO.**

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### **I. PREVENTIVE MEASURES.**

#### A) Introduction

The preventive measures, as known in several modern procedural systems, are those which purpose is to guarantee or assure the efficiency of the main process' result.

The Industrial Property Law, establishes a regime regarding preventive measures –which includes the injunction relief-, applicable to situations related to this matter.

Said law provides only one special procedure, which covers, patents, trademarks, advertising, unfair competition and copyrights, even though this last matter is not of mercantile nature. In countries such as Spain and Germany, the law establishes different procedures for each of the intellectual property's disciplines.

The foregoing analysis intents to approach the preventive measure figure, from the Mexican doctrine, legislation and jurisprudence point of view. Thus, we will analyze the problematic that arises from the application of said figure, and from the impact that has been generated in practice.

#### B) Purpose of the preventive measure.

The duty of judging and executing requires time, sometimes a lot or too much. The value of the preventive measures resides in the fact that, it counteracts the defect produced due to the time involved in the litigation.

#### C) Characteristics of the preventive measure.

For authors such as Calamandrei, the preventive measures have the following characteristics:

- a) Instrumental. The measures are instruments of the substantial right. The substantial right is guaranteed by the same, in a preventive manner.
- b) Temporality.

c) Variability. As per the *rebus sic stantibus* principle, the same may be modified, if the measure no longer serves its duty.

In Mexico, the measures are not restricted to the attachment (“embargo”), it also contemplates the cease of the illicit conduct, among others. Consequently, the measure pretends to execute with anticipation, a resolution that has not been issued, which is essential to the subject matters, such as intellectual property, in which prompt and expedite actions are necessary.

The purpose of protecting the industrial and intellectual property, this is, the human creativity, is manifested in several areas such as science, technology, art or literature. Said purpose is projected in the commercial sphere. The preservation of said legal figure, -in this case immaterial- is plainly justified, due to the relative simplicity with which a trademark or invention may be usurped –through acts such as the simple use-, for example, the reproduction or public communication –or a piece of work-, or in general, through illicit acts, contrary to law.

In the past, the compliance of industrial and intellectual property rights was not seen as a priority. The world’s legislations regarding industrial property and copyrights, including the Mexican, were only concerned about the substantive law. The adjective law was left in a secondary level.

#### D) GATT, NAFTA, TRIPS and preventive measures.

From a Mexican perspective, the international treaties of free trade, such as the “General Agreement of Tariffs and Trade” (GATT) or the North America Free Trade Agreement (NAFTA), recognized for the first time, the need of protection standards for the compliance of intellectual or industrial property rights.

The general purpose of these treaties is the impulse and preservation of the international trade, within an intellectual and industrial property rights protection frame.

NAFTA and TRIPS (Trade Related Aspects of Intellectual Property Rights, hereinafter TRIPS) –which is the specific agreement deriving from the GATT, focused to intellectual property- establish very specific dispositions in the compliance of these rights. The referred treaties seek that the compliance procedures are fair, equitable, not exaggeratedly expensive or complicated and that the same are not to long or delaying (article 41 (1) and (2) of the TRIPS and 1714 (1) and (2) of the NAFTA). Likewise, the same establish standard norms that the member countries shall follow, in order that the procedures for the repression of crimes guarantee the above (article 41 and subsequent of the TRIPS and 1714 and subsequent of the NAFTA).

Within the above context, the “preventive” measure arises –as per the NAFTA calls it- or “provisional” measure –as per TRIPS-. The preventive measure is the NAFTA and TRIPS’ central figure.

What types of measures may be used?

Within industrial property, there may be many preventive measures, depending on the number of different predictable types of illicit. In general terms, the patent, trademark and copyrights illicit, have certain similarity.

Both treaties provide the possibility that the measure is adopted, without having heard the other party (article 50 (2) of the TRIPS and 1716 of the NAFTA). Likewise both contemplate the authority’s capacity to require the demanding party –as per TRIPS- or solicitor –as per NAFTA-, to present the necessary evidence to accredit, presumably (“with a sufficient degree of certainty), that the same is holder of the infringed right, and that certain suppositions have been complied with, tending to evidence that the right had been or is being subject to an infringement. With regards to the procedure, the treaties refer to the notification proceeding, the defendant’s opportunity to review the measures, once imposed, in order that the same are modified or revoked; the deposit of a bond to guarantee possible damages; the obligation of initiating an action with regards to the merits of the matter, for which a maximum term of 20 business days has been established; the obligation of the demanding party or solicitor to pay an “adequate” compensation, if the complaint is not filed or if it loses the merits of the action.

#### E) Measures within the Border region.

An action contemplated in both treaties, is the measure in the border area. Through the same, the custom authorities of states members of the TRIPS and NAFTA, shall order the suspension of the merchandises dispatch for their free circulation, provided however that, the infringement is evidenced, a “sufficiently detailed” description of the merchandises is presented, the posterior presentation of a complaint and a guaranty bond.

The treaties establish the obligation on behalf of the authorities, regarding the prompt notification of the measure and the passive subject’s right to request a revision of such measure.

The differences in the measure’s procedure within the border region, are with regards to the custom authorities intervention. In order that the custom authorities maintain the suspension, the same shall be informed within the following 10 business days, as of the date in which the solicitor was informed of the measure’s dispatch, that the same presented a complaint, or that the competent authority to learn about the matter has carried out whatever is proper, or has adopted provisional measures that prolong the custom’s suspension, regarding the dispatch

of merchandises (articles 51 and 55 of TRIPS and 1718 (1), (6), (7) and (8) of NAFTA).

The custom authorities may impose measures within the border region, acting by itself, without the request of any party, and the same is empowered to request the holder of the right, all the information that the same may provide within the development of the action. Likewise, the authority shall notify both the holder and the importer of the execution of the measure. Likewise, the treaties confer the solicitor the right to inspect the products, which were retained by the custom authorities; the importer may also request the inspection. Finally, the procedure provides the importer's right to obtain an "adequate" indemnification, in cases where the complaint is not presented, and when the action is resolved in its favor.

#### F) Mexican Law.

The preventive measures of intellectual property procedures are regulated by the Industrial Property Law.

The Industrial Property Law's antecedents are constituted in the 1976' Inventions and Trademarks Law and in the 1991' Industrial Property Development and Protection Law.

The procedures of the 1976' Law established preventive measures in a very reduced manner. In fact, the same limited to the attachment of goods, which, was issued as a result of an inspection visit, carried out by the authority, at the request of the party.

In Mexico, the 1994 reform, constitutes a transcendental event in the history of intellectual property. Mexico has been target of many criticisms and pressures as to the inefficiency of its compliance system, regarding intellectual property rights.

It is evident that the amendment carried out by the Mexican government, and incorporated to the Industrial Property Law, was gestated by virtue of the compromises subscribed by Mexico, within the international sphere. NAFTA had been signed and ratified a few months before.

In previous paragraphs, we mentioned the preventive measures, according to the NAFTA and TRIPS standards. It was said that both procedures provided dispositions applicable to measures, among others, referring to the causes and effects, to the grounds and budgets, and to the procedure that rules them. None of the treaties mentioned concrete measures, exception made to that adopted in the border regions.

The Mexican government complied with the obligations assumed in NAFTA. Thus, it modified the administrative procedures chapter, maintaining the administrative

infringements system and establishing civil and criminal actions, which gave as a result, the current system, in which the holder may choose three types of different actions, this is, administrative, civil and criminal, which differences depend on the level of gravity of the illicit conduct.

The same illicit may be fought by means of two actions and procedures, and thus, two categories of measures: the ones derived from procedural codes –for the civil action- and the ones of the Industrial Property Law –for the administrative-. The administrative process, as we will see, result more convenient.

Article 199 Bis of the Industrial Property Law establishes the different measures that may be adopted in procedures of administrative declaration, which scope is very wide. The solicitor of the same, is empowered to request the competent authority, this is, the Mexican Institute of Industrial Property (hereinafter referred as IMPI, for its Mexican acronym), to order the following:

- a) That merchandises or objects that infringe rights, are removed from commerce, for being manufactured, commercialized or used in a way contrary to law;
- b) That objects, packing, containers, wrapping materials, advertising material, stationers, materials or similar, the signs, advertisements, posters, stationers or similar; or the instruments or tools destined or used in the manufacturing, preparation or obtention of objects, packing or advertisement, that infringe law **are removed** from commerce;
- c) That the commercialization of products that infringe the law, **is impeded or prohibited**.
- d) That goods and products that violate the law **are secured**;
- e) That the acts carried out by the presumed infractor, and that are contrary to law, **cease or be suspended**.
- f) That the acts carried out by third parties, and that are contrary to law, **cease or be suspended**.
- g) That the products that had been put in the market, and that had been subject to a removal or cease order **be recovered**. This obligation is directed to the presumed infractor or to one or more third parties.

The preventive measures contemplated in article 199 Bis, have a very wide scope, thus, it may be sustained that the same comply with the purpose and goal that the law and treaties have designed. Additionally, the same result innovatory, within the context of modernist theory of the preventive measures, since applying the same, may really anticipate the satisfaction of the pretension (securing).

From its analysis, we obtain the possibility of extensively adopting the same, to industrial property illicits (and copyrights, since the legislation on this matter, remits us to the administrative procedures chapter, contained in the Industrial Property Law), and to illicits about advertisement and unfair competition. Any conduct fits within the many different suppositions of the referred regulation; in general, the

cease of any act contrary to law may be ordered. Specifically, the following may be ordered: i) the prohibition of manufacturing or commercialization products or its containers, ii) the prohibition of introducing them within the commercial channels and inclusively iii) their removal, even when the same have been already put within the market.

An interesting issue is that the measures apply to both, the presumed infractor and to the third parties not related to the procedure, such as suppliers of inputs, raw materials, containers or instruments used in the manufacturing of the products; in addition to merchants, or persons rendering services, such as advertisers, among others; and in general, to any person or company that participates in the manufacturing or commercialization process of the infractor product.

Article 199 Bis I of the Industrial Property Law, mentions that in the determination of the preventive measures requested to the IMPI, the solicitor shall evidence:

1. Being the holder of the right and any of the following suppositions:
  - a) The existence of a violation to its right;
  - b) That the violation to its right is imminent;
  - c) The existence of the possibility of suffering an irreparable damage; and;
  - d) The existence of a founded fear that the evidences are destroyed, hidden, lost or altered,
2. The obtention of a bond sufficient to respond for any damages; and
3. Provide the necessary information for the identification of the goods, services or establishments with which or wherein the violation is committed, regarding the industrial property rights.

This way, the solicitor shall plainly evidence, its status as holder of the right or in general its legal interest in the business, in addition to the valid presumption that such right has been violated, that the violation is imminent, that the holder may suffer an irreparable damage, or that the evidences may be hidden or destroyed. In other words, the solicitor shall evidence the existence of a **prima facie** case.

The law is not restrictive of the forms in which the right may be proven. The holder of an intellectual property right, may do so through a title, certificate or any other mean.

Likewise, the law does not impose limitations as to how the **prima facie** case shall be evidenced. As it has been mentioned, the violation may be happening at the same time the measure is being requested, as a direct cause of the same. In this scenario, the measure is requested against the updated act, in order to suspend the same and that the infringed products are secured or removed from the market. If the violation is imminent, but the same has not been updated, the solicitor shall request that the products do not be put in the market, this may be achieved through a prohibition measure.

It is easier to prove the updated conduct than the imminent.

Requesting measures against imminent acts, of uncertain occurrence, implies a risk, since the administrative infringements system of the law is not focused to situations of imminency, and require materialization. Thus, the IMPI provides measures against imminent acts, since the law establishes so. However, if evidences of merit are not presented, said authority may deny the infringement of merit, which will generate the obligation of the solicitor of paying damages.

Other matter of great polemic is the guaranty. The party subject to the measure has the right to raise the same, through the obtention of a counter-bond. In practice, the solicitor provides a bond for an amount that, according to its judgment, represents the value of the case, The IMPI is empowered to accept it or increase it.

In the same way, the IMPI shall set a counter-bond, as requested by the presumed infractor, for which it usually demands the double of the initial amount imposed to the solicitor.

Paying the bond, the presumed infractor may raise the measure and continue its activity.

There are some that sustain, that Mexican law is contrary to NAFTA and TRIPS, since none of said treaties, confer the right to the infractor, of presenting a counter-bond to end the measure ordered against it.

#### Procedure of the preventive measure in the Industrial Property Law.

The procedure begins with the presentation of a request, in which a formal petition of measures is directed to the IMPI, evidencing the right, exhibiting the evidence over which it bases its request, as well as the bond with which it guarantees the damage. At the moment of receiving the request, the IMPI will determine about the legality of the requested measures. The presumed infractor, does not intervene in this phase of the procedure. If the request is duly integrated, normally the IMPI responds positively toward the adoption of the measures, which usually approves, dispatches and promptly implements (between 2 and 10 days, according to the circumstances of the case).

If the preventive measure consists in a cease, prohibition or similar order, it is possible that the same is acknowledged to the defendant, through a personal notification, served with the interested person or its legal representative. If the measure consists in the securing of products, objects or instruments, the IMPI will inform the presumed infractor, after having practiced the inspection visit, in which it had investigated the products subject matter of the infraction, and the data, which allows it to learn and determine about its manufacture or commercialization. The

IMPI proceeds to secure only after the visit took place, and after having determined the existence of an illicit product. When the measure, in addition to the securing, contemplates a cease or prohibition order, the IMPI will notify it, jointly with the securing order and in its case, with the judgment summon. The same happens, when the measures are applied to third parties. The measures have effects, as of the date in which, the same are notified.

The person against whom any measure has been ordered, will have a term of ten days, to present before the IMPI, the observations with regards to such measure. Likewise, the IMPI is empowered to modify the terms of the measure, that had been adopted, taking into account the presented observations.

The solicitor of the provisional measures, will be responsible of paying the damages caused to the person against who, said measures were imposed and executed, when:

1. The definite resolution, regarding the merits of the controversy, declare that no violation existed, nor the threat of violation of the rights of the solicitor of the measure; and
2. A provisional measure had been requested, and the complaint or the administrative declaration request, was not filed before the competent authority or before the IMPI, with regards to the merits of the controversy, within a term of twenty days, as of the execution of the measure.

In the same way, article 199 Bis 4, establishes the IMPI's capacity to put, at disposition of the affected party, the bond or counter-bond originally exhibited for its foreclosure, when the administrative declaration of infringement procedure is resolved.

## **II. INVASION OF TRADEMARKS AND PRACTICAL ASPECTS.**

### **A) Causes of the piracy practice.**

The problem of counterfeiting products or services, arises with those that have acceptance and demand within the market.

- No body counterfeits products or services that will not be commercialized or demanded.
- Piracy is the price of fame, paid for being successful in the market.

The falsification is not only present in flagrant imitation of trademarks, but in altered versions, tending to confuse the consuming public. Flagrant imitation shall be understood as, an exact replica of a product.

Please bear in mind that trademarks, is a very important asset of your companies, and that in many cases, is the most important asset. The Coca-Cola trademark is worth, more than all of the company's fixed assets.

Fake products, mainly create two problems, for the companies that are holders of the trademarks, these are:

- Decrease in the sale of their products.
- Loss of the trademark's image within the market.

B) When do the same constitute a violation to the Industrial Property Law?

The altered versions, to be within the suppositions of administrative infringements of the Industrial Property Law, shall be similar to a degree of confusion, which shall confuse the consumer, with regards to the origin of the product, or discredit a registered trademark. The criteria followed to determine this similarity, are comparisons, which may be, grammatical, phonetic, orthographical, or visual.

Likewise, the problem arises with mixed trademarks, which are those that have a design and a denomination.

C) How to confront the piracy problem? (**Operativos** –similar to an enforcement action-)

To respond this question, first of all, we shall determine, how the fake product is manufactured and commercialized? These processes vary from one industry to another. **Examples.**

Once it is determined how the fake product is presented in the market, a strategic plan shall be prepared, and the concrete objectives shall be traced also.

With said plan, the priorities will be defined, with both the objectives to be attacked, and the geographic areas, in which the **operativos** shall be carried out.

Regarding the geographic area, these shall be targeted to those zones, where you have your most important sales, and generally, will be the places, where more fake products are, and in those areas where you project a future growth in sales.

With regards to the objectives to be attacked, the same are generally established in the following order of importance:

- Manufacturing companies
- Warehouses

- Distribution centers
- Shops

In order to make the **operativo** efficient, it is convenient to take the following actions:

- a) Identify where the fake product is, according to the priorities. If the product is not found, then, you shall begin actions against one or several merchants that sell the fake product, with the purpose of obtaining informants.
- b) Once you have set the objective, you shall learn about what trademarks are being counterfeited. If there are trademarks of other companies, it is recommendable to notify them, about the situation and suggest them to proceed with a joint action. The harder you hit the counterfeiter, the more probabilities you will have, that the same will not counterfeit again.
- c) Try to obtain information regarding the day in which, they have more fake product. Manufacturing companies, have one day of the week to supply the fake product, the previous day will be the best, they will have the weekly production.
- d) File the corresponding complaint before the IMPI.
- e) Verify one day before the **operativo**, that there is still some fake product within the domicile to be visited. If there is no fake product, stop the **operativo** and reschedule it for another day.

Once the **operativo** has been carried out, how do we continue the case?

To this respect we may find two options, these are:

- a) Continue with the case before the IMPI, and let this authority impose the sanctions that may proceed.
- b) Arrive to an agreement with the counterfeiter. This is the position I recommend, since it is the one that benefits the companies the most, due to the fact that:
  - The matter is rapidly ended.
  - The client avoids more legal costs.
  - Incurred costs and expenses may be recovered.
  - The fake merchandise may be obtained, for its destruction or donation.
  - You may continue with the piracy program, avoiding distractions of pending cases.

The conditions that shall be considered, in the agreements to be executed with the counterfeiters are:

- Obligate them not to illicitly use your trademarks, thus, identical or similar in a degree of confusion, and including all the client's trademarks, even those that were not being counterfeited.
- The transfer of possession of the secured fake product.
- Establish a contract penalty, in case of relapse.
- Agree an amount of money that the counterfeiter will pay, to reimburse the owner of the trademark the expenses the same incurred in.
- Obtain the counterfeiter's information.

The most important part of a program, to fight against piracy is the information. With good information, you will obtain excellent results and lots of secured fake product.

Likewise to guarantee a good result with the information, you shall assure that the same is handled with confidentiality.

There are additional measures and considerations, that have to be implemented within a program to fight against piracy, these are:

- Carry out constant **operativos**. If you carry out isolated **operativos**, the same will not have the impact you wish to obtain, your client will loose credibility before counterfeiters, and the problem will continue growing.
- Publish positive results. Send a message that you will go against all your trademarks' counterfeiters.
- Verify that your client's trademarks are duly registered, and register all the variants. The same will give a diversity of options.