

ANTI-COUNTERFEITING MEASURES IN LATIN AMERICA - THE BRAZILIAN FOCUS

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Over the last decade, Latin American nations have put considerable effort into demonstrating their willingness to overcome the increasing amount of counterfeit activity in the region.

These efforts were intensified particularly after the US Trade Representative (USTR) released a warning, by inserting Argentina and Brazil in its “priority watch list” and by applying even greater restrictions to Paraguay, as subject to Section 306 of the 2003 Special 301 Report of the US Federal Trade Commission, which brought strong standards for Intellectual Property protection and enforcement worldwide.

In fact, the constant raise in counterfeiting and organized crime activities in the region have led to an important mutual effort carried out by Argentina, Brazil, Paraguay and Uruguay - the issuance of Resolution 5, of June 2003, which brought basic provisions for reciprocal cooperation in combating piracy; a shared endeavor to control counterfeiting and illegal imports on the triple frontier, which figured as an amendment to the Regional Protection Plan of 1999, implemented as part of the South American Common Market (Mercosur) created in 1991.

Among the recommendations of the provisions to combat “piracy”, defined therein as the ‘unauthorized reproduction of products in violation of intellectual property rights’, are the upgrade of intelligence agencies, with creation of government offices and departments entirely focused on combating counterfeit, the expansion of security and interaction between police control and IP organizations, as well as the coordination, with assistance of the local and regional IP associations, of educational programs for judges, customs authorities, police and citizens in general.

These concentrate efforts have entailed several changes in the Brazilian anti-counterfeit scenario, hereinafter commented in this article, which aims to provide guidance on the proceedings for border and port measures in Brazil.

Brazil experienced a long and hazardous economic crisis during the late 70's and 80's which contributed to the growth of the informal market, which has benefited from the low enforcement of Intellectual Property laws and regulations and lack of adequate legal remedies for combating infringement.

The enforcement of rules, is in fact a complex problem when we consider the long extension of our borders - Brazil holds frontiers with other ten Latin American countries, within a total territory of 14,691 sq km, with a coastline of 7,491 km, through which counterfeit products most often reach our markets - mainly from Paraguay and seaports that welcome the products illegally imported from China. A slight amount of counterfeit goods is indeed produced within the Brazilian territory and it is rare to find records in Brazil of the seizure of counterfeit goods intended to export.

All these facts have led to the need for and creation of steady and relevant innovations in the Brazilian IP Legal System, starting with the promulgation of the Brazilian Industrial Property Law which became effective in 1997. Border and Customs directives have also been issued by the respective Brazilian Secretariat, allowing for the administrative apprehension of millions of counterfeit goods, culminating with the seizure, on October 2003, of over 150,000 packages of counterfeit cigarettes that were produced in Paraguay.

These provisions allow Customs Authorities' to seize, at entry points, all counterfeit goods or goods which carry infringing marks, either *ex officio* or upon request of any lawful party. If the IP owner reports a certain cargo as being suspect, Customs shall initiate an administrative proceeding to verify the information provided and the goods are submitted to clearance formalities.

If well informed and advised by the legitimate owners of IP properties, Brazilian Customs authorities can contribute effectively to stop counterfeiting, through the steady monitoring of shipments and cargos. It is necessary, however, that IP owners do their homework and inform all or most border, custom and seaport authorities of their IP rights, by recording dossiers with customs, border patrols and seaports, so as to provide the authorities with knowledge as to the trademarks and trade dress rights held.

Despite the informality of this recordal (there has been so far no specific regulation for this proceeding nor has it yet been subject to an official fee), same currently represents a very important role in the anti-counterfeit endeavor, as it allows the officers and authorities to recognize IP rights and identify potentially infringed marks, as well as to make contact with the empowered legal representative of the IP owner in Brazil, who can take immediate action to advise the IP owner and take, on a speedy basis, the steps required by law to allow retention of counterfeit goods.

If there is enough evidence of infringement, Customs' officers can carry out searches and inspections at the importer's establishment, prepare technical reports to identify merchandise, search price ranges, and take any necessary measures to support the IP owner in the confirmation and evidencing of the reported IP violation.

Upon notice and seizure, Customs must notify the IP owner's legal representative, within a period of 10 days (renewable for one successive equal period), to file the necessary claim for obtaining an injunction authorizing the seizure and possible destruction of the infringing goods, which can be made by the same authorities *in loco*.

In addition, Customs must inform the importer of the seizure, upon interruption of the clearance of the goods shipped or as soon as the merchandise has been cleared, by communication of the terms of withholding and beginning of tax proceedings. In any case, the importer will be summoned to present additional documents and information to aggregate value to the investigations.

The suspect merchandise shall be kept under provisional seizure until the conclusion of the inspection procedure, no matter whether it has been cleared or not. In the meantime, the Customs' Authorities may request disclosure of documents to the importer, for the purpose of ascertaining relevant facts that will add conclusive information to the investigation. The Brazilian Customs' regulations will allow Customs to retain all suspect shipments for a maximum period of ninety days, counting as from the date the Authorities receive the formal notification of the potential violation.

Customs Authorities shall alert the reporting party to take the necessary steps to institute a criminal or civil action, so as to maintain the seizure of the shipment. In any event, the shipment will be withheld for a maximum of ninety days, extendible for an equal period, under duly justified circumstances. The shipment shall be ultimately retained or destroyed upon confirmation of the civil wrong or upon failure of the importer to present his defense in the lawsuit. Otherwise, unless an enforceable injunction has been issued by Courts, the shipment shall be released.

Finally, it is important to mention that, following the provisions of the TRIPS agreement (art. 53, item 1, 1C), the Customs' authority may request that the reporting party (generally the IP owner) posts a refundable bond, so as to cover damage that an importer may unjustly suffer. Alternatively, the IP owner may be requested by the Courts to deposit the bond in question, at the beginning of the lawsuit. The bond shall apply especially in case the IP owner does not have a subsidiary company or assets in Brazil to guarantee a possible damages payment.

In sum, the Brazilian Customs' Legal System does not yet provide a formal procedure in which the IP owner may register its trademark or other intellectual property and does not yet maintain a central processing unit that allows communication in between all seaports and border units, so that the IP owner and his legal representatives must still endeavor to evidence ownership of its properties in each of the most important ports and airports and to keep in constant contact with these authorities in order to monitor and safeguard his rights, and subsequently to lodge individual motions before the local ports and airports in order to trigger the monitoring procedure to detect illegal goods.

As a final remark, for action that is really effective in cost and time, it is recommended that IP owners record all their marks at once at all available agencies. At the same time, IP owners should carry out countrywide investigations for infringement hot spots. By concentrating efforts in these measures and taking immediate action against counterfeiting, the IP owner shall guarantee the best available protection in Brazil until new regulation provisions are issued and enforced.