

# Ecuador

Contributing firm  
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## Authors

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## Legal framework

Ecuador has one of the most comprehensive and advanced IP legislative frameworks in the Americas. Passed in 1998, the IP Law covers patents, trademarks, designs, utility models, trade secrets, semiconductor chips, copyrights (with sections dealing with software, digital databases and audiovisual works), neighbouring rights, unfair competition, online infringement and rights protection. The law also deals with IP rights infringement and enforcement at various levels (ie, civil, criminal and administrative), and establishes the Ecuadorian Intellectual Property Institute (IEPI), which has broad powers to promote the protection and advancement of IP rights through a variety of measures and proceedings, both *ex officio* and *ex parte*.

The IP Law has been classified as a world-class IP rights law by the US Department of State and has served as a model for many

law reform initiatives throughout the world. Its philosophy of a broad approach in favour of rights holders by way of protected subject matter, an effective set of enforcement mechanisms, the incorporation of rules to deal with online protection issues and provisions regarding deterrent fines and specific IP crimes means that the IP Law sets a standard far beyond the somewhat restrictive approach of the Andean Community legislation and other domestic laws in the region.

Since its inception, the IP Law has proved to be an effective yet balanced tool in fighting piracy and counterfeiting, and has generated a growing sense of awareness regarding the benefits of a strong IP system in fostering innovation and competitiveness.

The main regulations applicable to IP rights are as follows:

- the IP Law 1998 – Article 332 states that respect for, and compliance with, IP rights are matters of public interest. The state, through the IEPI, is responsible for the administrative protection of IP rights

and ensures that they are complied with and respected;

- the Political Constitution of the Nation 2008;
- various international IP protection agreements to which Ecuador is a signatory, including the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights; and
- Andean Community legislation relating to intellectual property.

## Border measures

The most effective way of fighting the trade in counterfeit goods is through the detention and inspection of suspicious products at the point of entry. Article 342 of the IP Law establishes that Customs (and all other officials responsible for the entry and exit of merchandise to and from Ecuador) is required to stop the import and export of goods that infringe IP rights. However, despite this legislation, Customs did not create an investigative department

dedicated to the enforcement of IP rights until 2007 and began to stop the entry of counterfeit merchandise only in that year.

The detention and prosecution process consists of three main stages:

- Customs has the authority to detain goods at the point of entry if a claim is made by a rights holder or acting on its own initiative if Customs suspects that the imported products may be counterfeit. If, following a request by an interested party to inspect suspicious goods, such officials fail to prevent the import or export of such goods, they shall be considered accomplices to the offence committed. Following a preliminary inspection, if Customs believes that the imported goods are counterfeit, it shall temporarily detain them and notify the IEPI, the rights holder and the importer of the measures taken, providing samples of the detained goods. If Customs orders such measures, it may require the rights holder to provide a security bond.
- Within five working days of receipt of the notification from Customs, the IEPI must analyze the information and samples provided and verify the IP rights. During this period, the rights holder can submit a claim to the IEPI supporting the measure taken by Customs, providing a detailed expert's report, stating that the goods infringe its IP rights (the IEPI views such proactive action favourably). The importer can also provide the IEPI with documentation in its defence. Following a review of all the evidence during this period, the IEPI will either confirm or revoke the action taken by Customs.
- If the IEPI reverses the customs measure, the goods are released. If the IEPI affirms the measure, the evidence is returned to Customs, which sends the case to the District Attorney's Office. From that point, the products are at the district attorney's disposal. He or she assesses the evidence and decides whether to initiate criminal proceedings against the importer.

Since the IP Law took effect, the number of counterfeit products imported into Ecuador has fallen. However, the trade in counterfeit goods (especially from Asia) is still prevalent in Ecuador; the IEPI, Customs and the District Attorney's Office are continuing to develop regulations and procedures to fine-tune the law and make the process more efficient. Rights holders and their legal representatives are also

taking an increasingly active role at each stage, which ensures that the matter is processed more quickly.

### **Criminal prosecution**

The IP Law establishes that the infringement of IP rights is punishable by imprisonment and a fine. It also states that the length of the prison term and/or the level of the fine can be increased if there are aggravating factors, such as whether the infringer received a tip-off or in cases where the counterfeit products are harmful to health.

The penalties for trading in counterfeit goods depend on the IP right infringed. In the case of trademarks, the following actions are punishable by a prison term of between one month and two years, and a fine ranging from \$657.22 to \$6,572.25:

- the production, sale or storage of counterfeit labels, stamps or containers using a trademark registered in Ecuador (if the trademark is well known, foreign registration is sufficient for it to be protected in Ecuador); and
- the manufacture, commercialization or storage of counterfeit labels, stamps or containers with trademarks registered in Ecuador.

In addition, a prison term of between three months and three years, together with a fine ranging from \$1,314.45 to \$13,144.50, shall be imposed on parties that store, manufacture, use for commercial purposes, offer for sale, sell, import or export counterfeit products labelled with marks which are either:

- of high renown or well known, and registered either in Ecuador or abroad; or
- labelled with trademarks registered in Ecuador.

All IP infringements are prosecuted by the district attorney, either at the request of the rights holder or on the district attorney's own accord on behalf of the state, if he or she considers that a prosecution is in the public interest.

### **Civil enforcement**

The petitioner can choose whether to seek preliminary measures through the civil courts or the IEPI.

#### **Preliminary measures before the civil courts**

If the petitioner chooses to go through the civil courts, the judge:

- shall order preliminary measures, provided that there is sufficient specific

evidence that may reasonably lead to the presumption of an existing or imminent infringement of the IP right(s)

- recognized under IP law;
- shall determine whether the petitioner is the holder of the pertinent rights – if the petitioner does not provide evidence that it is the rights holder alongside the complaint, the rights holder can instead submit an affidavit to that effect; and/or
- may request that the petitioner, in view of the circumstances, pay a bond or guarantee which, in the event that the petitioner's claim is unsuccessful, will be handed over to the defendant.

The judge is empowered to order, at a party's request, such preliminary measures as may be necessary in the circumstances to provide immediate protection to:

- prevent an infringement of any of the rights recognized under IP law from occurring or continuing;
- prevent counterfeit merchandise from being introduced into the national markets; or
- preserve relevant evidence of the alleged infringement.

Preliminary measures are of particular importance to ensure:

- the immediate cessation of the illegal activity; or
- the suspension of any activity involving the use, exploitation, sale, offering for sale, import, export or distribution of infringing products.

In addition, the judge can order that any income earned as a result of the infringing activity, any infringing goods or merchandise, equipment, devices or media used to commit the infringement and any original samples used for the reproduction be seized.

The judge may also order that any income earned as a result of the infringement be frozen.

Finally, the judge can order that the defendant be prohibited from leaving the country if it does not have a permanent business establishment in Ecuador.

To stop illegal activity immediately, the court can order any of the following:

- the suspension of the infringing activity, a prohibition on resumption of the illegal activity or both;
- the provisional closure of the premises or establishment (premises or establishments will be closed if a substantial proportion of the merchandise within them is counterfeit);

- the withdrawal from the national markets of infringing merchandise or objects or illegal samples; and
- any other measure necessary to provide immediate protection to IP rights, given the nature and circumstances of the infringement.

In some cases, the rights holder can be required to pay for the storage, transportation and destruction of the counterfeit goods.

#### Enforcement

If the petitioner so requests, the judge shall accompany the officials when the preliminary measures are enforced. If the preliminary measure taken is to inspect the goods to determine whether they are counterfeit, the judge may ask experts or IEPI officials to provide technical information so that he or she can make this determination.

Once the preliminary measure has been enforced, notice of the complaint shall be served on the defendant and the judge shall order all parties to provide their evidence.

Any precautionary measures issued shall lapse if the principal complaint is not filed by the petitioner within 15 working days of the date of the order.

In the event that a provisional measure lapses due to the petitioner's inaction or omission, or where it is subsequently found that no infringement or threatened infringement of IP rights has occurred, the judge shall order the petitioner to pay damages if the defendant files a petition to that effect.

#### Preliminary measures before the IEPI

If the petitioner chooses to take action before the IEPI rather than the civil courts, it may request that the IEPI adopt the following measures:

- inspection – if during an inspection it is proven, or even only presumed, that there is an infringement of IP rights or that there are unequivocal facts pointing to the imminent possibility of such an infringement, a detailed inventory shall be made of any goods relating to such infringement, regardless of their nature. During the inspection any labels that constitute a clear infringement of IP rights may be immediately removed;
- request for information – when an infringement of IP rights is presumed to have occurred, the IEPI may require the alleged infringer to provide it with any information required to determine whether such an infringement has

occurred. Such information must be provided within 15 working days of the date of the request; or

- suitable penalties against the infringer.

Upon completion of the investigatory process, the IEPI shall issue a resolution. If it finds that IP rights have been infringed:

- the infringer shall be fined an amount ranging from \$52.58 to \$1,840.23;
- any preliminary measures provided for by law shall be imposed upon the infringer; and
- any preliminary measures which have already been ordered may be confirmed.

If a criminal offence is presumed to have been committed, a copy of the administrative case shall be remitted to the district attorney.

#### Principal complaint

If the petitioner is seeking compensation or damages, it must go to the administrative district courts. In addition, if the petitioner has followed either of the civil procedures described above, it can submit as evidence any of the rulings made by the civil court or by the IEPI.

Compensation and damages shall include the following:

- profits that the rights holder would have earned had the infringement not occurred;
- profits obtained by the infringer as a result of the infringement;
- the price, compensation or royalties that the infringer should have paid the rights holder for the legal exploitation of the infringed rights; and
- reasonable expenses, including legal fees incurred by the rights holder in connection with the dispute.

In addition, if the plaintiff's claim is successful, a fine can be imposed on the infringer equivalent to:

- three to five times the total value of the infringed products; or
- the royalties that the rights holder would have received for the legitimate exploitation of the rights.

#### Anti-counterfeiting online

The use of the Internet is increasing in Ecuador, providing infringers with new opportunities to violate IP rights.

Article 217 of the IP Law states that trademark owners may take any legal steps to stop all or any acts prohibited by this law, regardless of whether the acts are performed through digital communication networks or

any other communications media which either currently exist or are invented in the future.

This law also states that infringements committed through digital communication networks are deemed to be committed either at the location where the computer systems are situated or in the place where the transmission is made available to the public.

#### Preventive measures/strategies

A number of strategies can be employed to prevent or reduce counterfeiting. For example:

- rights holders should use local counsel wherever possible. They have the legal experience necessary not only to initiate and pursue proceedings, but also to employ private investigators, which is essential when collecting information or locating infringing products;
- although Ecuadorian law provides many protective measures, it is still recommended that the parties and their respective counsel negotiate and use mediation wherever possible; a strong working relationship between the rights holder's representatives on the one hand and Customs, judges and the District Attorney's Office on the other will also result in increased efficiency in the fight against piracy.

A foreign rights holder wishing to take action in Ecuador must authorize local counsel to act on its behalf by way of a power of attorney, certified by a public notary. The power of attorney must be legalized by way of either an apostille (where the rights holder is located in a country that is a signatory to the Hague Convention Abolishing the Requirements of Legalization of Foreign Documents) or a consular. [WTR](#)

## Biographies

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Bernardo Tobar obtained his JD from the Catholic University of Ecuador Law School (1988) and a diploma in law from McGeorge School of Law, University of the Pacific, Austria (1989). He also received an award from the US Department of State for his role in IP rights protection in Ecuador and the establishment of a world-class IP law. He has written several articles and essays and is a frequent speaker on IP-related topics at an international level. He was president of the Ecuadorian negotiation team for the Free Trade Area of the Americas and Andean Community Intellectual Property Group in 1998. In addition to his legal practice experience, from 2003 to 2007 he was president of a multinational oil-producing company joint venture, which built and operated a privately owned pipeline. He heads the firm's business development unit and speaks Spanish and English.



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Alfonso Rivera is an associate at Tobar & Bustamante Abogados and has worked for the firm since March 2000. He holds a JD from the Catholic University of Ecuador and a postgraduate diploma from the Andean University, Simón Bolívar, Quito (specializing in procedural law). He also obtained his master's degree in intellectual/industrial property, procedural law and information law from the University of Alicante, Spain. Mr Rivera works in IP litigation and focuses on the protection of trademarks, copyright, patents, software and plant varieties. His work has particular emphasis on anti-piracy and anti-counterfeiting measures (including border measures), and he has advised many national and international companies on these matters. He is also involved in the mediation of IP disputes. In addition to his native Spanish, he speaks English, German and Portuguese.