

INTA SUBMISSION ON THE NATIONAL INTELLECTUAL PROPERTY STRATEGY FOR CHILE

for the Instituto Nacional de la Propiedad Industrial (INAPI)

July 17, 2015

Introduction

The International Trademark Association (INTA) welcomes the opportunity to submit comments at the request of INAPI to the National Intellectual Property Strategy for Chile.

INTA is the global association of trademark owners and professionals dedicated to supporting trademarks and related intellectual property in order to protect consumers, and to promote fair and effective commerce. INTA's members are more than 6,600 organizations from 190 countries worldwide.

INTA congratulates INAPI for notable achievements in its protection of intellectual property with:

- The new draft IP law, replacing Law No. 19.039, aimed at creating stronger protection and enforcement of IP rights, as well as a significantly more efficient procedure for registration of trademarks.
- The "One Click Trademark Renewal" online tool, which has greatly improved INAPI's process of Trademark registry renewals, and;
- PROSUR, and INAPI's commitment to harmonization and international cooperation in the region.

INTA believes that building on the momentum of the achievements thus far, INAPI can take further steps to improve current enforcement efforts and to address new trends in IP infringements, particularly those relating to trademarks. The comments below are strategic recommendations for your consideration to promote trademarks in Chile.

CONSIDERATIONS

1) *Increase government public awareness campaigns to educate consumers.*

Consumer education on the adverse impact of counterfeiting on the economy and public health is crucial to curbing the demand for counterfeit goods. A strong government supported education program or campaign at national and state levels

would make a meaningful impact on the attitude of both consumers who are consciously purchasing fake products as well as those who do so unknowingly but without adequate knowledge of the risks. Therefore, INTA is in strong support of the recent public awareness initiative launched by governments like “Por Un Mexico Original” in Mexico and “Yo le juego limpio” a Colombia in Colombia.

Involving industry or supporting industry efforts in the implementation of the education program is essential, particularly since trademark owners, who can be cautious about having the spotlight shone on their counterfeit problems, can pool information and examples for these public education initiatives. Initiatives should also include approaches to educating consumers online and in areas where they are most exposed to counterfeiting sales. INTA recently launched its public awareness initiative targeted at teens in May 2012. The Unreal Campaign aims to raise awareness of the harms of counterfeiting and value of trademarks through the campaign (www.inta.org/unrealcampaign). Some of our materials have been translated into Spanish and are promoted throughout Latin America with Unreal events held in Colombia, Mexico, and Costa Rica to date.

2) *Support of Innovation and the Value of Trademarks, in particular with SMEs and MNCs*

Beyond exposing the dangers of counterfeiting, a strong national awareness program to educate the public about the value of intellectual property rights, its connection to people’s everyday lives, economy and jobs, and why IP needs to be protected online and offline is needed now more than ever. INTA recommends that the INAPI and other government agencies to utilize the findings of the INTA/ASIPI Trademark Impact Study, which measures the value of trademark-intensive industries on the economies of Latin America countries, by incorporating them into public awareness initiatives and linking them to the effects of IP infringement and demonstrating evidence of the positive impact of IP on the Chilean economy. Moreover, INTA recommends that INAPI, as one of the most advanced offices in the region, leverage its role as a leader to promote IP rights, systemic harmonization, and an amelioration of trademark registration procedures throughout Latin America through cooperation agreements such as PROSUR, the Pacific Alliance and the Trans-Pacific Partnership.

It is pertinent that the National IP Strategy for Chile emphasize the importance of IP-related education, in particular innovation and the value of IP in encouraging innovation. Intellectual Property is important to Multinational National Corporations (MNCs), but holds particular value to the growing number of Small and Medium Enterprises (SMEs) in Chile. INTA suggests the INAPI also provide experts readily available to support local SMEs looking to sell their products abroad, as well as guidelines for SMEs enforcing their rights against counterfeit and IP infringement. Finally, INAPI should work in conjunction with local IP associations to encourage SMEs to register trademarks and educate them on IP

enforcement mechanisms, such as dispute resolution and preemptive avoidance of conflicts with IP rights holders.

INTA recommends that INAPI work with brand owners not only in Chile, but also on a regional and international scale to share best practices and experiences. For example, Informational Workshops for the Examiners at INAPI on essential elements of IP protection and industry specific issues within IP protection will encourage trademark owners to contribute and invest more into economies with an understanding of the value of Intellectual Property. Moreover, brand owners are more likely to introduce newer and more innovative products into markets where there is stronger level of respect and protection for trademark rights.

3) *Improve anticounterfeiting measures within Chile and at its borders.*

Counterfeiting is the most serious form of trademark infringement impacting economies and the health and safety of the public. Recent reports estimate that the trade in counterfeit (and pirated) goods is as much as 1.13 quadrillion Chilean pesos worldwide. In Chile, the 2015 counterfeit trade is valued at 272 trillion pesos. This problem spans across all sectors. In 2010, police in Chile seized 69,866 counterfeit goods items valued at \$427,670. Among the counterfeit goods seized were counterfeit cigarettes, fake clothing and counterfeit auto parts. The problem also effects the economy in many ways. The European Trade Commission reported that up to 35 percent of revenue for the audiovisual industry in Chile is lost each year to piracy.

The exponential growth in counterfeits in Chile has far-reaching effects. The Chilean government loses tax revenue on counterfeit goods. Legitimate trademark owners in Chile lose sales revenue as a result of counterfeit products. The goodwill associated with well-known brands suffers due to the consumers' false association of the brand's products with the inferior quality of the counterfeits. Moreover, the health and safety of Chilean consumers are at risk if they purchase counterfeit goods, which are often of substandard quality compared to the genuine product. When making purchases online, consumers are often cheated into believing that they are buying from a legitimate retailer but receive fake and possibly harmful goods from an illegitimate source. Counterfeit goods in Chilean create substantial health and safety risks since they are not subject to consumer product safety standards such as those required for a certification mark.

Although Chile has strong anticounterfeiting laws in place, more can be done to combat this serious problem. INTA has some recommendations to include in the Chilean National IP Strategy to help promote anticounterfeiting efforts in the country:

- a. Enhance and streamline customs processes and border protection to prevent the entry of counterfeit merchandise into Chilean commerce:

- i.** Expand the administrative authority of customs officials to detain and seize clearly infringing, though unrecorded merchandise.
 - ii.** Provide adequate resources for customs field operations with personnel dedicated to trademark enforcement to develop expertise, provide a focal point for training and ensure the sufficiency of those assigned to interdict counterfeit goods.
 - iii.** Allow a mechanism for providing customs with a list of known sources of counterfeit goods. This list could include convicted persons and entities. Also, give the public access to information provided to customs of known sources of counterfeit goods. Customs could add this information to its database and enhance the effectiveness of its targeting.
 - iv.** Implement a simplified procedure to deal with the daunting problem of small shipments of counterfeit goods being imported through express carrier services. The procedure should allow the customs officials to notify the importer of the suspected infringement and allow them to consent to abandoning the goods. The consent should automatically be implied from a lack of response from the declarant or other interested party, or when there is impossibility for the right holder to correctly notify the declarant at the address provided. If there is no response or the goods are affirmatively abandoned, the goods can be destroyed by customs.
- b.** Recognize and address through practical and cooperative measures the increasing challenge of the sale of counterfeit products on the Internet.
- c.** Allow for courts to seize all the proceeds of counterfeiting activity to stop the flow of funds that incentivizes trademark counterfeiting.
- d.** Provide prompt and reasonable access by trademark owners to relevant documents and information on counterfeiters for the trademark owners' use in conducting private investigations or the filing of complaints to the courts or other government agencies.
- e.** Promote information sharing between participating agencies to the extent permissible by law.
- f.** Stop counterfeits wherever they are found and ensure national laws allow customs inspectors to seize counterfeit goods in transit as an important tool in the global fight against counterfeiting.
- g.** Take the necessary actions to apply the following measures to halt the transshipment and transit of counterfeit goods in free trade zones and free ports:

- i. Prohibit the admission to, processing in, and export from the free trade zones of counterfeit goods, irrespective of country of origin of such goods, country from which such goods arrived, or country of destination of such goods.
- ii. Empower customs authorities to exercise jurisdiction before the entry and after the exit of goods into a free trade zone, and to inspect goods in a free trade zone or a free port to ensure that no offence as to trafficking in counterfeit goods is being committed.
- iii. Ensure close cooperation between national customs authorities and the special authorities of their free trade zones or free ports in order to provide the efficient enforcement of anti-counterfeiting criminal and civil laws to check the offences of trafficking in counterfeit goods.
- iv. Ensure the applicability and enforcement of anticounterfeiting criminal and civil laws to check the activities of trafficking in counterfeit goods in free trade zones and free ports that currently allow free movement of goods of any nature without regard to origin, quality, purpose, and destination of goods; and without or minimal customs treatment of such goods in transit or transshipment.

4) *Comments on Plain Packaging and Food Labeling Law*

Trademarks play an essential role in protecting consumers and promoting global economic growth. They enable consumers to make quick, confident and safe purchasing decisions, as well as encourage vibrant competition for the benefit of consumers, workers, brand owners and society at large. One of INTA's largest goals is the promotion and protection of trademarks as a primary means for consumers to make informed choices regarding the products and services they purchase.

Chile's Law of Nutritional Composition of Food and Advertising (Ley 20, 606), which defines the limits of energy, saturated fats, sugar and sodium content to be considered "in excess" in a food by enforcing the use of a warning message and a graphic design on food labels to communicate the "excess" and restrict advertising directed to children under aged 14 of foods in the "excess" category, as well as the country's consideration of Plain Packaging legislation, prohibit customers from distinguishing one set of products from another set of products, reduce the freedom of choice, and expropriate valuable trademark rights without due process.

Above all, reducing the ability to use trademarks due to the condensed space on packaging impacts the goodwill and reputation of the mark and more importantly, violates various international treaties and national laws on trademark protection, including provisions of the Paris Convention (e.g., Articles 6quiques, 7 and 10bis), the Technical Barriers to Trade Agreement (e.g., Article 2.2), and the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) (e.g. Articles 2, 8.1, 15.4, 17, 20 and 26), in particular Article 20 which states that "the use of a trademark in the course of trade shall

not be unjustifiably encumbered by special requirements such as ... use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.”

INTA’s concerns are based on the violations of international treaties and domestic laws, as well as the practical implications of plain and highly standardized packaging in impinging upon consumer choice, limiting competition, and paving the way for increased counterfeiting and trade in diverted goods. Counterfeiting is an international problem that affects all types of products from luxury goods to consumer goods, medicines, and electronics. Those counterfeit products infiltrate legitimate markets and supply chains, harming economies worldwide, posing threats to health and safety of the public, and compromising international security.

We recommend that INAPI work in conjunction with the Ministries of Health and Economy to reconsider a less drastic alternative to address health and safety goals, which do not violate international and national laws and expropriate valuable trademark rights, such as public health awareness educational initiatives.

Conclusion

INTA is pleased to have the opportunity to submit comments to INAPI as you develop of the Chilean National IP Strategy. INTA would be pleased to answer any questions that your office may have and is available to discuss our recommendations in more detail. Please contact either of the following INTA representatives:

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INTA thanks INAPI in advance for its consideration of these comments.