



**International Trademark Association**

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**Comments on Bill 333/99**

**to the**

**Special Anti Piracy Commission of the House of Representatives**

**in the**

**Brazilian Congress**

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## **1. GENERAL COMMENTS**

After reviewing the various anti-counterfeiting bills pending consideration before the Brazilian Congress, INTA focused its analysis and comments on certain provisions contained in Bill 333/99 (Kandir Bill). The choice of this bill is appropriate given its expected consideration by Congress due to its seniority status and having been one of the first bills introduced in Congress, on March 18, 1999, by Deputy Antonio Kandir, calling to improve intellectual property (IP) laws.

Although Bill 333/99 contains a number of amendments to the Brazilian Industrial Property Law (Law nº 9.279 of May 14, 1996) which applies to all aspects of industrial property rights including, patents, utility models and industrial designs, this analysis addresses just the trademark, geographical indications and unfair competition related proposals contained in article (Art. 1) of the bill.

INTA strongly supports the key objective of the Kandir Bill, which calls for increasing criminal sanctions for industrial property rights crimes in Brazil. The Association considers this to be essential to any legislation in order to significantly deter intellectual property theft.

INTA notes that for trademark infringements in Brazil's current statute provides inadequate jail sentences. Furthermore, in actual practice, criminal proceedings against counterfeiters rarely result in conviction or jail. Indeed, counterfeiters often benefit from Law 9099/95 under its provisions relating to "criminal infringement of minor offensive potential," which result in reduced sentences or probation and can lead to the suspension of prosecution or substitution of criminal penalties.

Since the Commission also is reviewing subsequent bills whose provisions are wider in scope than Bill 333/99, INTA would like to take this opportunity to include an annex to these comments which contains the enforcement provisions of INTA's Model Law Guidelines. Measures such as express ex officio authority for local customs to suspend trans-shipment of suspect counterfeit goods, are those that INTA considers essential to significantly strengthen standards that will lead to more effective national IP enforcement regimes. We hope the Commission will consider these proposals, in particular those not included under Bill 333/99, which are highlighted text in the annex, as a guide when formulating legislation to combat trademark counterfeiting.

## **3. ANALYSIS OF BILL 333/99 Art 1**

Bill 333/99 contains two articles. This analysis applies only to article 1, which introduces five amendments to articles 183-185, 187-196 and 202 of section V under "Crimes against Industrial Property" of the Brazilian Industrial Property Law (Law no. 9.279 of May 14, 1996). The amendments and INTA's comments follow.

### **3.1. Increased terms of imprisonment**

**The penalties for infringement of trademarks, titles of establishment, advertising signs or slogans, geographical and other indications and for unfair competition**

**crimes, as per articles 189, 190, 191, 192, 194 and 195 of the mentioned law, shall be increased to imprisonment for two (2) to four (4) years. Currently, such penalties are from one (1) to three (3) months for some of these articles, and from three (3) months to one (1) year for the others.**

INTA welcomes the increase in the penalties as provided in the Bill. The proposal is in line with INTA's recommendations for governments to enact legislation and promulgate regulations that go beyond minimum enforcement standards contained in Article 61 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

However, INTA notes that current penalties are not sufficient under the standards of Article 61 of TRIPS, which requires members to provide effective means of enforcement of trade-related intellectual property rights. The current periods of imprisonment for IP crimes under the Brazilian Law are too short, and often are not enforced and thus are not a deterrent to such crimes.

Brazil's Law No. 9099/95, article 61, classifies all crimes for which penalties of imprisonment are equal or less than one (1) year as "*criminal infringements of minor offensive potential*".<sup>1</sup> This provides alternate sentences or probation to infringers, including the suspension of prosecution. Moreover, the severity of criminal punishment and the constitutional rights that courts must balance vis-à-vis the punishments imposed by a suspect's conviction further complicate the matter. Consequently, in many situations the threat of criminal prosecution does not discourage infringers.

As a result, counterfeiters, and in general organized crime groups that participate in counterfeiting benefit from ineffective laws that allow trademark counterfeiting to be a low-risk activity. INTA strongly supports the increase in penalties which will bring greater deterrence through the threat of long-term incarceration.

### **3.2 Compulsory fines and imprisonment**

**For the articles mentioned in item 3.1 above, payment of a monetary fine and imprisonment shall become mandatory, replacing alternative penalties.**

Article 61 of TRIPS provides for imprisonment and/or monetary fines. This gives authorities the option of providing only fines and not imprisonment as a penalty. INTA's position is that there should be provisions for both imprisonment and fines to be imposed as criminal sanctions for knowing or willful trademark counterfeiting with the court having the discretion as to which penalties to impose.

In order to increase the deterrent impact of fines, calculation methods should be developed that lead to fines against counterfeiters commensurate with the harms caused by them and sanctions, such as contempt of court, for failure of counterfeiters to pay such fines. INTA also recommends that governments amend their laws to allow courts to

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<sup>1</sup> i) With regard to such crimes, the Public Prosecutor may propose the suspension of the criminal action for a period of two (2) to four (4) years, according to article 89 of the same act.

ii) Also, paragraph 1 of article no. 89 of Law no. 9099/95 provides that the suspension of the criminal action can be conditioned on administrative sanctions such as the prohibition of the infringer to leave his residential district without the Judge's authorization and the infringer's monthly personal appearance at Court to inform of and justify his activities.

award significant statutory damages against counterfeiters in recognition of situations where it is difficult for the trademark owner to prove its measurable damage. Methods of calculation should be based on the suggested retail price or domestic resale value of the legitimate product, or, in case of willful counterfeiting, up to three times of the suggested price or value should be awarded. Such statutory damages should not be in lieu of any actual damages that the trademark owner may be able to prove.

INTA recommends that right holders be allowed to recover costs incurred in the detection, investigation and prosecution of acts of counterfeiting and piracy. Costs that can be recovered by the right holder should include court costs or fees, reasonable attorneys' fees, and storage and destruction fees.

INTA also welcomes both amendments in 3.1 and 3.2 to put the Brazilian Industrial Property Law (Law No. 9.279 of May 14, 1996) on an equal footing with the Copyright Law (Law No. 9610/98), which includes penalties for imprisonment of two (2) to four (4) years and a monetary fine for copyright violations.

### **3.3 Use of terms such as “type, species, kind” with regard to wines and distilled beverages**

**According to article 193 of Brazil IP Law No 9279/96, the use of terms such as “type, species, kind” or equivalent on products, labels and other means, without clearly stating the true origin of the product, is a crime against geographical indications. The Bill adds a new paragraph to article 193, excluding wines and distilled beverages from this crime.**

INTA notes that the allowance given to wines and distilled beverages may contradict article 6, subsection III, of the Brazilian Consumer Protection Act (Law 8.078, of September 11, 1990), which establishes that consumers have the right to receive adequate, correct and clear information relative to the characteristics of the products. Therefore, INTA sees no reason to exclude wines and distilled beverages from the provisions of article 193 of the Brazilian Industrial Property Law and urges that this proposed new paragraph not be included in the final law.

### **3.4 Increased terms of imprisonment under certain circumstances**

**Law No 9279/96 provides that penalties of imprisonment for crimes against trademarks, patents and industrial designs shall be increased by one-third to one-half:**

**I – when the party is or was a representative, proxy, agent, partner or employee of the registrant or, further, of a licensee thereof;**

**II – when the altered, reproduced or imitated mark is certified as well known (by the Brazilian Patent and Trademark Office) or is a certification or a collective mark. The Bill also proposes that the same increase in penalties described in paragraphs I and II shall apply to crimes against geographical indications.**

INTA understands that this proposed amendment would provide that in the event the offense is made through a representative, proxy, agent, partner or employee of the registrant or, further, of a licensee; or it is made against a well known mark, certification

or collective mark, or against a geographical indication, the criminal liability described in 3.1 and 3.2 shall be increased by one-third to one-half.

INTA welcomes this amendment with regard to paragraphs I and II, since in these circumstances, the crime is committed willfully and in bad faith. In this sense, Article 61 of TRIPS strongly recommends the adoption of remedies to curb acts infringing intellectual property rights committed willfully and on a commercial scale.

However, INTA notes that the circumstance described under paragraph II is not applicable to geographical indications, and therefore, the reference to such paragraph should be deleted.

### **3.5 Extension of remedies**

**The Bill amends article 202 of Brazil's IP Law 9279/96, which provides that apart from the preliminary measures of search and seizure, the interested party could request the seizure of the counterfeit merchandise at its place of manufacture or storage, or the destruction of the counterfeit mark on packages or destruction of the products, in the following aspects:**

- **in addition to the interested party, the Public Prosecutor and Police Authority can also request these measures;**
- **in addition to seizure of the goods and packages, all assets used for the infringement, such as equipment, holders, dies, molds and other materials, may be seized or subject to forfeiture;**
- **such assets may be destroyed when pronounced in a decision on the merits in the case or at any time, except for the possibility of maintaining the *corpus delicti*, when the interested party does not contest the illegality of the assets or when it is not possible to prosecute the criminal action, for reason of unknown authorship.**

INTA welcomes the first proposal in 3.5 to strengthen remedies available to right holders against counterfeiters by extending authority to local customs and enforcement authorities. INTA recommends the additional inclusion of measures such as ex officio authority for local customs to suspend trans-shipment of suspect counterfeit goods..

The Association is also supportive of the second and third proposal in 3.5. INTA is in favor of a broad "counterfeit trademark" definition, to include such matters as preparation for manufacturing counterfeit goods including the preparation of counterfeit labels for such purpose, counterfeit service marks, the transportation and storage of counterfeit goods, and the organization and financing of counterfeiting activity.

Provisions should be included for the seizure of all materials and implements used to manufacture or package counterfeit goods, including imprisonment as a sanction against failure to comply with an order to disclose the existence and location of such materials and implements.

There also should be provisions to reduce or eliminate the burden on trademark owners relating to the costs of storage and destruction of counterfeit goods and to ensure that all

counterfeit goods are compulsorily destroyed, definitely removed from channels of commerce, or disposed of with the trademark owner's consent where there is no health or safety risk.

Finally, INTA recommends that provisions should be introduced to establish specialized intellectual property crimes investigation and prosecution units within law enforcement and prosecution structures.

## ANNEX

### INTA Model Law Guidelines

#### Chapter 15 Measures to Combat Trademark Counterfeiting

##### Proposal:

- 15.1** The definition of “counterfeit trademark” which is presently contained in a footnote to Article 51 of the TRIPS Agreement provides that:

*“Counterfeit trademark goods” shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation;*

This definition should be broadened to include ***such matters as preparation for manufacturing counterfeit goods including the preparation of counterfeit labels for such purpose***, counterfeit service marks, the transportation and storage of counterfeit goods, ***and the organization and financing of counterfeit activity***.

- 15.2** There should be provisions for both imprisonment and fines to be imposed as criminal sanctions for knowing or willful trademark counterfeiting.
- 15.3** In order to increase the deterrent impact of fines, ***governments should develop calculation methods that lead to fines against counterfeiters commensurate to the harms caused by them.***
- 15.4** To ensure the deterrent impact of fines imposed, ***sanctions such as penalties for contempt of court should be made available for failure to pay any such fines.***
- 15.5** Provisions should be included for the seizure of all materials and implements used to manufacture or package counterfeit goods, including ***imprisonment as a sanction against failure to comply with an order to disclose the existence and location of such materials and implements.***
- 15.6** There should be provisions giving courts the power to award significant statutory (or “pre-established”) damages against counterfeiters ***in recognition of situations where it is difficult for the trademark owners to prove their measurable monetary loss or damage.***
- 15.7** An express provision should be included for ***making information about criminal counterfeiters available to the relevant authorities in other countries.*** Also the courts should not focus their enforcement efforts only on counterfeit goods which represent a health or safety risk, but give equal attention to fighting other types of counterfeiting which cause economic or social harm.

15.8 Provisions should be included ***granting trademark owners prompt and reasonable access to relevant documents and information gathered by governments on counterfeiters for the trademark owners' use in conducting private investigations or the filing of complaints to the courts or other government agencies.***

15.9 Provisions should be included which:

- establish prohibitory regimes against exports of counterfeits;
- ***expressly*** do not require a bond to be imposed on trademark owners as a condition to processing counterfeiting cases by border authorities;
- ***reduce or eliminate the burden on trademark owners relating to the costs of storage and destruction of counterfeit goods; and***
  
- ***ensure that all counterfeit goods are compulsorily destroyed, definitively removed from channels of commerce, or disposed of with the trademark owner's consent where there is no health or safety risk.***

15.10 In order to ensure that trademark owners have sufficient time to commence a proper action pursuant to a seizure/suspension of clearance by customs authorities so that instances of counterfeits being released by the customs authorities can be eliminated, ***provisions should be introduced to require a time period of at least 20 business days or 31 calendar days from the date of suspension or seizure, whichever is longer, for trademark owners to commence such action.***

15.11 Provisions should be introduced ***to establish specialized intellectual property crimes investigation and prosecution units within law enforcement and prosecution structures, respectively.***

15.12 Sufficient resources should be allocated towards training judges and customs officials, and ***to ensure the submission of litigated trademark cases to judges specializing in or having substantial experience in trademark matters.***

15.13 Administrative enforcement should not be considered sufficient to satisfy the requirement in Article 61 of the TRIPS Agreement to provide access to criminal enforcement in counterfeiting cases on a commercial scale, nor should administrative proceedings be considered as a substitute for criminal enforcement of intellectual property rights.

15.14 Governmental authorities should 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:

15.14.1 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.

15.14.2 ***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.



15.14.3 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.

15.14.4 Ensure the applicability and enforcement of anti-counterfeiting 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.

**Rationale:**

The implementation of TRIPs Agreement requirements in national laws has proven to be insufficient to combat trademark counterfeiting and there is growing concern over the involvement in trademark counterfeiting by organized criminals connected with terrorism, drug trafficking and money laundering.

Accordingly, Proposal 15 is intended to implement the measures in the INTA Board Resolution adopted on March 7, 2005 on Measures to Combat Trademark Counterfeiting and the INTA Board Resolution adopted on November 8, 2006 on Role of Free Trade Zones and Free Ports in the Transshipment and Transit of Counterfeit Goods.

A free trade zone is a specified area within the territorial jurisdiction of a country where there is either a minimum or no customs control on entry or exit of goods. A free port is characterized by its whole harbor plants (sheet of water, quays, wharves, warehouses, factories, etc.) that are considered by law outside the customs boundaries.