



International Trademark Association
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**COMMENTS OF THE
INTERNATIONAL TRADEMARK ASSOCIATION
ON PROPOSED
REVISIONS TO THE ARGENTINE TRADEMARK LAW
(BILL 3531-D-07)**

July 18, 2008

Acknowledgements

These comments were prepared with the assistance of the following INTA committees:

Legislation & Regulation Committee – Latin America & the Caribbean Subcommittee

Anti-counterfeiting and Enforcement Committee – Latin America & the Caribbean Subcommittee

Bill 3531-D-07

ARTICLE 1

The proposed article includes four modifications to the existing article 31 of the Argentine Trademark Law (No. 22.362):

- **Increase of criminal sanctions: Fines in the current law, which are denominated in Australs (now pesos), range from A1,368,000 (equivalent to US\$45) to A206,189,000 (US\$6,827). The proposal is to increase fines to 25,000 pesos (US\$ 8,278) to 350,000 pesos (US\$115,900). Imprisonment, which under current law ranges from a minimum of three months to a maximum of two years, would increase to three months minimum to six years maximum.**

INTA welcomes the increase in the penalties as provided for in the proposed amendment. 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 Agreement on Trade-Related Intellectual Property Rights (TRIPS). Thus, INTA recommends that both imprisonment and fines be available as penalties, with the court having the discretion as to which penalties to impose.

- **Establishment of criminal offence for those who purchase products or services bearing a counterfeit or fraudulently imitated registered trademark**

INTA has not adopted a policy position for or against making the purchase of counterfeit goods a criminal offense as contained in the proposed subsection (e) of the draft Bill. While we sympathize with the intention shown here to aggressively address the counterfeiting problem, we have significant doubts as to whether proposed subsection (e) as drafted could be uniformly and effectively enforced and whether it could be implemented in practice in a useful way. Moreover, subsection (e) might inadvertently divert Argentine administrative resources from higher priority anti-counterfeiting enforcement aims.

- **Inclusion of criminal offence for those that use a registered trademark to create a domain name or internet address when the registrant has current knowledge that the trademark belongs to a third party.**

INTA opposes this proposed amendment contained in subsection (f) of Article 1 of the draft bill as it has the dangerous potential to subject rights holders to criminal liability for legitimate acts. Under the proposal the bad faith standard is that the defendant knew or should have known that the trademark belongs to a third party. This, we believe, may be too broad a standard. In the United States, for example, this is handled civilly under the Anti-Cybersquatting Consumer Protection Act (ACPA) and administratively under the Uniform Domain Name Dispute Resolution Policy (UDRP). Under ACPA, there are

several factors that a court may consider when determining whether bad faith was involved, including “the trademark or other intellectual property rights of the person, if any, in the domain name” and “the person’s prior use, if any, of the domain name in connection with the bona fide offering of any goods or services.” Moreover, INTA suggests that cybersquatting can be regulated more effectively through a separate legislative act. Sources containing model principles can be found in the above mentioned ACPA and UDRP.

- **Establishment of a process to periodically update fines by the judge ruling on a case in accordance with the Argentine Reference Stabilization Index at the time a judgment is rendered.**

Under current law and administrative procedures, judges do not have the authority to adjust statutory fines in accordance with the Argentine Reference Stabilization Index. As a result, given the impact of inflation over time, the fines imposed can become economically insufficient to serve as a deterrent. INTA believes this is a good step forward in imposing fines that have a deterrent effect. However, INTA suggests that the bill include a provision that would require the government to develop a calculation method that leads to fines against counterfeiting commensurate to the harms caused by them, and impose sanctions, such as contempt of court, for failure of counterfeiters to pay such fines. An example of such a formula is that of the US Criminal Code, which multiplies the value of a counterfeited item (calculated at retail value) by the number of items counterfeited.

ARTICLE 2

- **Landlord Liability: inclusion as a criminal offense the acts of those who lease facilities for the sale of infringing products at a commercial scale.**

INTA welcomes the inclusion of Art. 2 which calls for criminal liability of landlords, and recommends the addition of “who knowingly” lease property to tenants that sell counterfeit goods. INTA recommends that landlords that have knowledge that their tenants, other temporary occupants or stall holders deal in counterfeits and take insufficient action in response to this knowledge should be held contributorily liable in order to meaningfully deter illegal traffic in counterfeits.

ARTICLE 3

- **Trademark Infringement: In all cases it should be understood as stated in article 16 of TRIPS Agreement with regard to the legal presumption *iure tantum* that the use, in the course of commercial operations, of identical or similar signs for goods or services which are identical or similar to those already registered, causes confusion and authorizes and justifies the criminal action.**

Article 16.1 of TRIPS provides that likelihood of confusion shall be presumed when an identical sign is used for identical goods or services. However, Article 16.1 of TRIPS

does not mandate the application of criminal sanctions in every case where confusion exists. Therefore, INTA discourages the adoption of article 3 of the draft bill as it does not distinguish between deliberate acts and those cases where merely unintentional confusion exists, which should in principle not be subject to criminal liability. Additionally, INTA is of the view that that the requirement of “commercial scale” or “commercial operations” should be eliminated.

ARTICLE 4

- **Corporate representative’s liability: Criminal liability should be extended to all persons involved in the offence, such as representatives, managers or by any other title, regardless of the liability of those who formally appear as the legal representative of the corporation.**

INTA understands that this proposed amendment would provide that in the event that the offense is made through registered or unregistered corporations, the criminal liability described in Articles 1 and 2 shall be extended to all persons directly involved in the offense, such as representatives and managers.

Since the term “offense” is not specifically defined, INTA cautions that this article might in theory apply to cases where criminal liability is currently not applicable (i.e., cases where the element of intent does not exist). In addition, INTA notes that under Argentine Law, managers and representatives of unregistered corporations already bear full, jointly and unlimited liability for the acts done by the corporations they represent.¹

Moreover, this article of the draft bill does not amend the existing trademark law and thus would stand as an independent legislative act. Therefore, INTA foresees that this inconsistency might raise problems of interpretation of both the existing trademark law and this new draft bill, if passed. In this respect, since this article penalizes the conduct of those involved in the offense when made by registered or unregistered corporations, it seems more appropriate that this conduct be included as a subsection of current Article 31 of the Argentine Trademark Law.

ARTICLE 5

- **Imposition of fines to decision makers: When it is established that individuals other than the real owners of the corporation (i.e. the decision makers of the corporation) are used to conceal the liability referred to Art. 1 and Art 2, the fines set forth herein shall be duplicated both in their minimum and maximum.**

¹ Section 23 of the Argentine Companies Law 19,550 provides that: “The members and those who contract on behalf of the [unregistered] companies shall be severally liable for the corporate operations, without being able to invoke benefit of Article 56 nor the limitations having their grounds in the by-laws of the company”

The increase in the application of fines might be seen as helpful to increase the deterrent level in counterfeit activities. However, INTA notes that the term “real owners” is loosely defined, and therefore may create uncertainty regarding the persons to which it will apply. In this respect, the proposed amendment does not distinguish between counterfeiting crimes and disputes of mere confusion that are essentially of a civil nature. Thus, the effects of article 5 are potentially applicable to managers, representatives, and/or shareholders of legitimate companies who may occasionally infringe the rights of a third party without the intention to falsify a mark. For this reason, INTA recommends against its adoption.

ARTICLE 6

- **When the beneficiary of the activities stated in Article 1 and 2 is a corporation, its directors, managers, representatives and/or shareholders shall be jointly and fully liable for the payment of the fines imposed and for the recovery of damages resulting from the infringing activities.**

This proposed amendment does not distinguish between counterfeiting crimes and disputes of mere confusion that are essentially of a civil nature. Thus, the effects are potentially applicable to managers, representatives, and/or shareholders of legitimate companies who may occasionally infringe the rights of a third party without the intention to falsify a mark. For this reason, INTA recommends against its adoption.

ARTICLE 7

- **Notification to Tax Administration: In all ongoing proceedings for violation of Act 22.362, (TM Law), it will be mandatory to inform the existence of such proceedings to the Tax administration who will be given the opportunity to file comments and if it desires, to be an ad-hoc party in the proceedings as an auxiliary of the Public Prosecution.**

INTA is of the opinion that the notification regarding the existence of the proceedings should be voluntary and not mandatory. The parties may elect to notify the tax authorities of the potential tax liabilities of the infringers depending on the circumstances involved. Therefore, INTA suggests that the mandatory requirement provided for in this Article 7 be replaced to make it voluntary for the parties to inform the tax authorities of the existence of the proceedings.

ARTICLE 8

- **Falsification of documents: In the case of forged documents used by the offenders to hide, the criminal code should be applied.**

Article 298^{bis} of the Argentine Criminal Code provides that:

The punishment set forth under Section 293 of this Code² shall be applied to any person who issues or accepts an invoice not corresponding to purchase agreements, lease of chattel, services contracts or construction contracts actually performed. The same punishment shall be applied to any person who unjustifiably rejects or avoids the acceptance of such invoice, whenever the service was already rendered in due form, or by retaining the merchandise already given to him.

INTA understands that the goal of this article is to penalize the party who falsifies an invoice in an attempt to reduce or alleviate his criminal liability. INTA's recommendation in this respect is that this should be treated as a crime of forfeiture of documents, and that the existing specific provisions included in the Criminal Code should apply to this conduct.

ARTICLE 9

- **Bad Faith: The statute of limitations for the cancellation of the registration of a trademark is ten (10) years, except in the cases where the mark was registered in bad faith, in which case this term will not apply.**

This change is aimed at making the statute of limitations not applicable to cases where the registration of a trademark has been made in bad faith. A similar provision to this is found in Section 6^{bis} of the Paris Convention³, to which Argentina has adhered through Law 17.011. Since treaties prevail over internal law according to the Argentine Constitution, INTA sees no need to amend Argentina's internal legislation to incorporate it.

In addition, this has been confirmed by the Argentine Supreme Court in re: *New Zealand Rugby Football Union INC v. Ceballos, Anibal G.*", decision dated April 3, 2001. Thus, the statute of limitations does not apply to limit the cancellation of marks registered in bad faith.

ARTICLE 10

- **Statute of Limitations Reset: The statute of limitations to file a civil action is five (5) years from the date the infringement takes place or one (1) year from the date when the owner of the trademark became aware of said fact, except in those cases where a criminal action was previously instituted, in which case, the statute of limitation shall start to run from the conclusion of the criminal action.**

² Any person who inserts or causes to insert in a public document any false statement related to a fact which the document is supposed to prove, in such a way that harm may result, shall be punished with imprisonment or jailing from one to six years. In case of any document or certificate falling within the scope of the last paragraph of the previous Section, punishment shall be jailing from three to eight years (Text Incorporated by Law 24,410)".

³ Article 6^{bis} of the Paris Convention reads as follows: "(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or use in bad faith".

This provision of the draft bill extends the statute of limitations from three years, as the existing legislation provides, to five years from the infringement date, and retains the one year term, counted from the date the owner of the trademark became aware of the infringement. However, this article excludes the application of those terms when a criminal action was previously instituted. In that case, the action shall be considered statute barred as of the date of the closing of the criminal action.

INTA believes that the direct result of the application of this article will be that the statute of limitations will be interrupted every time an action is filed in a criminal court. This will give brand owners more time to sue the infringer in a civil court. While this may be seen as an advantage, INTA is concerned that this may also be seen as the granting of an excessive remedy to brand owners as compared with other type of crimes whose victims will not share the same benefit.

ARTICLE 11

- **Money Laundering: The proposed article amends Article 6 of the Law No. 25.246 of the Argentine Money Laundering Law No. 25.246 to include counterfeiting**

INTA welcomes that the offenses related to the infringements described in Article 31 of the Trademark Law, in particular those deriving from counterfeiting activities, may be included as activities as to which the Argentine Government will closely scrutinize in order to prevent money laundering activities.

This provision is in line with INTA's recommendation that governments strengthen confiscation regimes that provide for the identification, seizure and confiscation of funds and property acquired through counterfeiting.