WAYS TO COMBAT COUNTERFEITERS

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Counterfeiting is a serious problem that affects us all. The global counterfeit market already accounts for at least an 8% of world trade according to some conservative figures.

This problem causes huge economic losses not only for IP Intellectual Property (IP) owners but to all related legitimate businesses; affects tax revenues of Governments; discourages foreign investments; deceives consumers; dissuades the creation of employment; poses an incredible threat to health and safety of the general population; and deters innovation and growth in all countries.

Mexico is one of the most affected countries by this widespread problem, thus IP owners interested in enforcing their rights should start by developing a strategy intended to tackle the problem at different levels; it is of utmost importance to identify the most efficient ways of enforcing IP rights, so as to apply cost-effective measures that should provide satisfactory results.

A tailor-made anti-counterfeiting program would be the most efficient tool to combat this serious and rising problem, which should be directed to reducing the presence of counterfeits as a first step, and aim to restore the market for original products as the long term objective, i.e., high levels of counterfeiting and piracy could significantly be reduced by implementing efficient programs that include aggressive enforcement of IP rights.

THE OBJECTIVES FOR AN ANTI-COUNTERFEITING PROGRAM

The overall objective -as well as the appropriate legal measures- would depend on the nature of each specific case, but whatever the case may be a successful anti-counterfeiting program must involve undertaking several measures according to different goals.

It is well-documented that indifference or tolerance towards street vendors selling counterfeit products will eventually encourage others to join such activity, as there is no apparent risk but only increased profits. Still, IP owners that decide to aggressively enforce their rights can significantly reduce the presence of counterfeits affecting them.

Mexico has a huge informal economy conformed by thousands of street vendors located throughout the country, which not only do not pay taxes but also usually sell counterfeit products of all types. Therefore, it is important to direct efforts intended to reduce the availability of counterfeits by diminishing their presence on the marketplace.

Afterwards, all efforts should be directed to locate the source, supply chain and channels of distribution of counterfeits, so as to aggressively attack them whether they are imported or locally produced. It is very important not only to combat domestic production and distribution of counterfeits, but also to steadily combat the introduction (either legally imported or contraband) of foreign-made counterfeits, since once such products enter the country they atomize and are scattered throughout the Mexican territory, a situation that significantly increases the difficulty to deal with the issue.

Eventually, the above-mentioned efforts should provide positive results that would allow the IP owner to reinstate control of the marketplace with their genuine products. Still, it is important to mention that, even when reaching this goal, IP owners should continue to monitor the presence of counterfeits and enforcing their IP rights, thus adopting a zero-tolerance campaign towards counterfeiters.
MEXICAN LAW AND REGULATIONS

The legal actions that may be an important part of an anti-counterfeiting program are established in the Mexican legislation, which stipulates several legal procedures for the enforcement of IP rights against counterfeiters: administrative infringement actions, criminal actions and other legal actions established in specific laws, as well as the different authorities directly involved in the anti-counterfeiting efforts, such as the Mexican Institute of Industrial Property (IMPI) and the General Prosecutor’s Office (PGR), and other relevant authorities that may collaborate with said efforts, such as the Mexican General Customs Administration (AGA), the Federal Commission for the Protection from Sanitary Risks (COFEPRIS), and different police corporations like the Federal Investigation Agency (AFI), the Tax & Customs Inspection Unit (UAIIFA) and the Federal Police.

In such respect, it is well worth mentioning that Mexican Law and Regulations do not provide means by which a trademark owner can officially request the government department responsible for customs control, to regularly monitor and intercept any counterfeit goods bearing a fake or forged trademark; i.e., AGA has no legal obligation to enforce intellectual and/or industrial property rights by its own means.

Although there is a plan for launching a Customs Trademark Registry, as a larger collaboration effort between AGA and IMPI to combat counterfeiting, for the time being there is no legal provision in Mexican Legislation that enables Customs Authorities to keep a record of the registered trademarks and their authorized licensees and/or distributors and/or importers.

Even more so, the Customs Authorities cannot order the seizure of counterfeit or infringing products by itself, and may only take action if it receives an order from a competent Authority, i.e., the IMPI, PGR or a Judge.

The nature and seriousness of counterfeiting problems may vary depending on the specifics of each industry, thus it is indispensable to understand the characteristics and particulars of each case, so as to be in a position to effectively employ the correct means to reach all the previously established objectives.

In this sense, we can safely consider that administrative and/or criminal actions that result in raids may be most useful weapons in the short or medium-term to strike counterfeiters, still we should have in mind that these tools may become less effective in the long run, as it is highly probable that counterfeiters will develop more sophisticated methods for evading these actions.

Notwithstanding the above, raids are the most powerful instruments included in anti-counterfeiting campaigns, since as previously mentioned, they should help to reduce the presence of counterfeits in the Mexican market and have proven successful in shutting down clandestine manufacturing facilities and warehouses, while discouraging retailers and distributors from distributing counterfeits, which at the end results in a significant reduction in counterfeits availability in the market.

Likewise, raids and border measures implemented at some customs offices have been regarded as being very effective because they have a significant outcome with a lower cost, mainly because they effectively interrupt the counterfeits supply chain and they deal with a “sitting target” (the offending merchanides that are waiting for customs clearance), that usually involves very large volumes of counterfeit goods.

It is very important to be ready to enforce IP rights, starting at Mexican Customs by monitoring and obtaining the seizure of counterfeit goods before they enter Mexico through several strategic ports of entry, and if deemed viable, coordinating efforts with the relevant authorities in order to seize offending products in order to put end to this illegal activities, even with the filing of criminal action and arrest of the people involved. It is safe to conclude that the key for a successful anti-counterfeiting program is the well-structured network that enables not only to monitor and detect the import/export operations involving trademark counterfeited goods, but also to take the appropriate legal measures depending on the nature of each specific case.
ACT AGREEMENT: A FUTURE ANSWER FOR THE GLOBAL PROBLEM?

Recent press releases announced the U.S. government proposal for an Anti-Counterfeiting Trade (ACT) Agreement. This important initiative supported by a group of trading partners including Mexico, Canada, the European Union, Japan, Switzerland, South Korea, New Zealand and other countries, is intended to provide common standards for anti-counterfeiting enforcement and legal framework so that law enforcement agencies, judges and right holders have the necessary tools to effectively combat this problem.

According to the announcement, the ACT Agreement would include international cooperation and sharing of information between law enforcement authorities, such as Customs and other relevant agencies, and enforcement practices that promote strong intellectual property protection in coordination with right holders and trading partners.

This kind of actions demonstrate that many countries have already realized that isolated efforts would not be sufficient to combat this growing problem, so the plan now is to provide a multinational structure intended to sum international anti-counterfeiting efforts intended to surpass borders and attack an international problem with global solutions.

Although the launch of negotiations for the proposed Agreement are expected to start before the end of the year, we sincerely hope that they might be successful so that it could be implemented as soon as possible.

Certainly, it is great news that Mexico is involved in this international effort, still it is mandatory for the Mexican Government to include this problem on its primary agenda, so as to have a real opportunity to successfully combat counterfeiters, thus it would be essential to amend the domestic law in order to establish a suitable legal frame that may allow IP owners to be better suited to enforce their rights against illegal activities.

Particularly, it would be of paramount importance to amend the Mexican Customs Law, so that the customs authorities may have the legal faculties to seize the imports of counterfeit products ex officio, and also, to amend the contents of article 223 of the Industrial Property law, so that the crimes referred therein may be pursued by the judicial authorities ex officio.