

Uruguay

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Legal framework

The regulations governing industrial property in Uruguay, especially with regard to the fight against counterfeiting, are as follows:

- the Trademark Law (17011/1998);
- Decree 34/999 of February 3 1999;
- the Agreement on Trade-Related Aspects of Intellectual Property Rights; and
- the Paris Convention for the Protection of Industrial Property.

Border measures

Transit

The Customs Code defines ‘transit’ as “the process through which merchandise subject to customs control is transported within the customs territory, regardless of whether it is destined to go abroad”. As no import of the merchandise takes place, no local tax is levied.

Goods in transit differ from other goods with regard to the taxes levied. However, the regime for counterfeit goods is the same, regardless of whether the goods are in transit or offered for sale at a store in Montevideo. In both cases the goods are in the Uruguayan territory and therefore Uruguayan laws apply to them.

Articles 81 to 84 of the Trademark Law refer to the applicable criminal actions regarding counterfeiting that allow for seizure in certain specific cases.

Article 83 applies to counterfeit goods in transit, where merchandise originates from abroad and is destined for another country. However, merely by the goods being within Uruguay Customs’ jurisdiction, despite no tariffs being paid, the principle of territoriality implies that national regulations should apply.

Therefore, if this merchandise is counterfeit, it shall be retained and seized, and the offenders shall be subjected to the punishments established by law. The fact that the counterfeit goods were manufactured abroad is no grounds for

exemption. Neither is it any defence that that the merchandise has not yet entered the country or is not destined for Uruguay, as offenders generally argue.

Criminal proceedings for counterfeit goods in transit follow the same regime as those for merchandise found in Uruguay. The criminal complaint is filed and any necessary expert reports are carried out. A decision is then taken, in accordance with Article 84 of the Trademark Law, as to whether the merchandise should be destroyed or donated. In case of donation, all references to the infringed trademark must be removed.

Free zones

Free zones, established by Law 15,921, are fenced areas of national territory that fall outside the jurisdiction of Customs, which merchandise from foreign countries may enter and leave without payment of duties.

There are 13 free zones in Uruguay. All have land connections to Argentina, Brazil and Paraguay and also to the port of Montevideo, making the traffic of products

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easy. They were designed to promote investment, expand exports, increase the use of the national workforce and encourage international commerce.

However, although they have a special system with reference to taxes, everything that takes place within the free zones is governed by Uruguayan law, as they continue to form part of the national territory. Therefore, any trademark crime that occurs in a free zone is still subject to the Trademark Law; free zone users that produce, falsify, adulterate or imitate a registered trademark that belongs to another person will be dealt with appropriately. Similarly, anyone that knowingly produces, stores, distributes or commercializes counterfeit goods will be subject to the penalties set out in the Trademark Law.

A common situation in free zones is where a direct or indirect user acquires counterfeit merchandise and brings it into the free zone, intending to introduce it onto the Uruguayan market at a later date or sell it abroad. This merchandise differs from counterfeit goods found elsewhere in Uruguay only in that taxes have not been paid thereon. However, there is no distinction between the juridical treatment and application of the Trademark Law: counterfeit goods in free zones have no privileges and are treated exactly like any other counterfeit good. In view of this, Articles 81 to 83 of the Trademark Law apply and it is possible to seize such merchandise.

Parallel imports

Parallel imports are allowed in Uruguay. Article 12 of the Trademark Law states that:

“Free circulation of marked goods legitimately introduced in the market by the owner or by duly authorized agents shall not be obstructed or impeded on the grounds of the registration of said trademarks, provided said goods and their containers or packing are not significantly altered, modified or damaged.”

In order to meet these requirements, parallel imports must be of genuine merchandise and importers must pay taxes in the country to which the goods are introduced. In addition, neither the product nor its packaging may be significantly altered, modified or damaged.

Criminal prosecution

Claims for trademark infringement may be made only by rights holders registered in Uruguay, which must make a criminal claim or launch a civil action as appropriate. According to the Trademark Law, liability for infringement extends to those that commercialize, distribute, store, import, buy in auction or pay customs taxes on counterfeit goods. Article 81 establishes that “[t]hose wanting to profit or cause damage by manufacturing, falsifying, adulterating or imitating someone else’s registered trademark will be punished with between six months in prison and three years under penitentiary arrest”. Article 81 further establishes the pursuit of profit or causing damage as conditioning factors of trademark crimes.

The ‘pursuit of profit’ is defined as the intention to obtain an economic benefit; while ‘causing damages’ describes cases where a trader manufactures counterfeit products based on a competitor’s trademark

with the intention to cause that competitor to lose value in its trademark.

The significant terms used in Article 81 are as follows:

- ‘Use’ is defined as the sale of goods under a trademark by a party which is not the holder and is not authorized by the holder to do so.
- ‘Manufacture’ is commonly interpreted as referring to the person or persons that create a counterfeit product and identify it with a brand that they do not own. It is important to highlight the situation of licensees authorized by the rights holder. While this is not common, there are cases where international brands authorize Uruguayan licensees to produce goods that meet a range of requirements established by contract. In this case the goods are legitimate, because they are manufactured with the rights holder’s endorsement. However, if the licence is rescinded or the terms of authorization are terminated, the same merchandise that was once legitimate becomes counterfeit and may be seized as such.
- ‘Counterfeit’ is defined as an identical, unauthorized copy of an original product. It also applies to products for which there is no legitimate model, but which bear registered trademarks without authorization. Such cases can pose practical problems where judges request the original model for the purposes of comparison and no such model exists.
- ‘Adulterate’ is the alteration of certain elements of the trademark. Goods bearing adulterated trademarks are counterfeit and can be seized. However,

where major alterations have been made, resulting in the creation of a new and distinct product, such adulteration does not constitute a crime.

- 'Imitate' consists of the manufacture of a product that is not similar, but is designed so as to deceive consumers.

Article 83 establishes that "[t]hose who knowingly manufacture, store, deliver or trade goods distinguished by the trademarks mentioned in the previous articles will be punished with between three months in prison and six years under penitentiary arrest". The article does not mention the pursuit of profit or the intention to cause damage as conditions for liability; it merely provides that anyone who sells counterfeit goods is aware or is assumed to be aware of that fact. The significant terms in Article 81 are defined as follows:

- 'Store' is defined as keeping counterfeit merchandise, regardless of whether it has been manufactured by the person or persons that store it and without it necessarily being marketed. This is the case for merchandise stored in a free zone, which may be seized if it is found to be counterfeit. The person deemed to be responsible will be the person that ordered the merchandise to be stored (the user).
- 'Distribute' is defined as placing counterfeit goods on the market. In certain cases the same person may be both manufacturer and distributor, but in the case of informal businesses there is generally a distributor that acts as the nexus between the manufacturer and the stall owner. This is typically the case of a person who distributes goods on consignment, going stall by stall on a daily basis.
- 'Market' is a general term that includes all the assumptions listed above and others that could match those definitions.

Article 84 establishes that: "[t]hose trademarks mentioned in the previous articles, as well as any tools used to create counterfeits, shall be destroyed or made unusable. Those goods infringing the law that have been confiscated shall be seized and destroyed unless, because of their nature, they can be assigned to state or private charity institutions." This is designed primarily to ensure that goods are withdrawn from the market, by being either destroyed or donated where possible (ie, where references to the counterfeit trademark, such as logos, labels and

embroidery, can be removed). Article 84 also refers to the destruction of all instruments used to create counterfeit goods. These might include:

- matrices used to embroider logos;
- moulds; or
- electronic instruments used to modify computer chips.

Civil enforcement

Article 87 of the Trademark Law states that "[t]hose persons damaged by the infringement of the provisions of Articles 81 to 85 hereof shall be entitled to file a corresponding action for damages against the authors and co-authors of the proscribed activities".

Article 88 provides: "Proprietors of registered trademarks shall be entitled to request a prohibition on the use of a non-registered trademark similar or equal to the one they own." Under these provisions, once any of the actions described in Articles 81, 82 and 83 are verified, the rights holder can petition for cessation of use and claim for damages caused by the unauthorized use.

Rights holders may apply for preparatory proceedings (eg, to inspect a store or seize documents), or precautionary measures (eg, to seize suspected counterfeits). However, in order to use such instruments, the rights holder must first deposit an injunction bond, which is usually high. In addition, civil courts are often too slow in issuing such measures for them to be effective. Timing is essential when dealing with counterfeiting cases. Infringing merchandise does not remain in the same place for long and can be withdrawn if counterfeiters suspect that measures are being taken against them.

Rights holders can also file for cessation of use and damages. In many cases rights holders simply want the offender to stop using their trademark and to ban future use under penalty of a fine.

Regarding damages, plaintiffs face difficulties due to their inability to evaluate the damage inflicted by counterfeiting in terms of the general scheme of tort (Articles 1319 and following of the Civil Code). It is not as simple as claiming, for example, a material verifiable damage with the goods as the object of the injury. Rather, a rights holder must prove that its sales have fallen as a result of the infringement or that consumers purchased counterfeit products as a result of confusion – both of which are difficult, if not impossible, to prove.

For this reason, the general damages regime includes a special and supplementary regime for trademarks. This

may be applied where the complaint refers to any of the actions mentioned in Articles 81 to 85 (eg, use, manufacture, counterfeit, adulterate, imitate or store). In this case it is sufficient for a plaintiff to prove that:

- it owns the disputed trademark;
- a third party has used without authorization a mark that may be confused with the registered trademark;
- damages arise from the fact that the records of the National Industrial Property Department were not consulted, making this a liability case where it is not necessary to credit fault; and
- use of a trademark without the rights holder's authorization constitutes damage – quantifying this damage is a further step and independent of the damage already generated.

According to Article 89, this special regime has a limitation period of four years from when the offence is committed or repeated, or one year from the date on which the rights holder first learned of the counterfeiting. [WTR](#)



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Virginia Cervieri is founding partner of Cervieri Monsuarez & Asociados (Uruguay), a law firm specialized in intellectual property and commercial law, particularly trademark enforcement and antipiracy and anticounterfeiting matters. She graduated as attorney in 1996. Then she specialized in Commercial Law and also holds a Master degree on Intellectual Property and Intellectual Property Rights, both from the Post Graduation Center University of Uruguay.

She has extensive experience in litigating against counterfeiters in Uruguay and working with the Uruguayan Customs to prevent the importation and transit of counterfeit goods. She is a member of the University of Uruguay's Commercial Law Department.

She is member of the Anticounterfeiting Committee of INTA, IACC and Intellectual Property Defense Permanent Commission in Uruguay