

Country correspondents

The Country correspondents section of *World Trademark Review* is a feature in which leading firms from countries across the globe take a detailed look at a specific topic affecting trademark owners

Anti-counterfeiting

In this issue the correspondents consider various aspects of the fight against counterfeiting

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Anti-counterfeiting in Mexico

Mexico is a large consumer and producer of counterfeits. However, this should not discourage brand owners from devising anti-counterfeiting programmes, as Mexican legislation provides the necessary tools

With a population of over 107 million, Mexico is the 14th largest economy in the world. This position was reached thanks to sustained high rates of economic growth for over a decade, which were due to, among other things:

- notable changes in public policies; and
- several reforms to an ever-evolving legal system.

In contrast to its strong economic performance, Mexico is also considered to be the world's fourth-largest producer and consumer of counterfeit and pirated products – a fact that poses a significant challenge for the IP owners, lawyers and enforcement agencies that have to deal with the issue. According to the Institute for the Protection of Intellectual Property and Legal Commerce – a Mexican trade group – counterfeiting and piracy are a \$12.5 billion a year business in Mexico. Mexican buyers account for 9% of all pirated US goods sold worldwide, according to the Washington-based International Intellectual Property Alliance (IIPA). Losses due to copyright piracy in Mexico, as reported by IIPA members, amounted to \$1.25 billion in 2005. And in Mexico, 58% of all clothing sold is contraband or pirated, as are:

- 60% of sound recordings;
- 55% of software;
- 30% of cigarettes and 90% of cigars; and
- 66% of sports shoes.

(See <http://www.iccwbo.org/bascap/id7888/index.html>.)

Counterfeiting causes huge economic losses not only for IP owners, but also in various related areas. It:

- affects tax revenues;
- discourages foreign investment and employment creation;
- deceives consumers;

- presents a major threat to the health and safety of the general population; and
- deters innovation and growth in much-needed areas that would help not only the economy, but also several key areas of national development.

Large-scale criminals, such as drug-traffickers and terrorists, are increasingly involved in counterfeiting as a short-term, low-risk means of financing their illicit activities (see <http://www.icc-ccs.co.uk/bascap/article.php?articleid=270>).

A number of measures have proven to be effective against counterfeiting.

Focused attention

In order to deal effectively with this matter, IP owners must first realistically determine the risks and threats that piracy and counterfeiting present to their businesses. Each product and/or service has unique characteristics that should be addressed specifically; this assessment should be done on a case-by-case basis.

Once the potential or actual damages caused by counterfeiting have been identified, it is important to assess, from a cost/benefit point of view, the results that are to be achieved by:

- attacking one of the many aspects of the problem at a time; or
- designing a comprehensive, tailored anti-counterfeiting programme that can last for several months or years, or even be a permanent effort.

In this sense, we believe that a comprehensive and well-designed anti-counterfeiting programme should include the following three aspects:

- design a strategy to disrupt the supply chain of pirated goods from the producer to the final consumer;

- gather information so as to discover the source of the counterfeits and pirated goods, be it domestic or foreign, in order to undertake more focused actions against the producer and/or importer; and
- send strong public statements that should reinforce the general perception about the relentless enforcement of IP rights (backed up by the two previous aspects).

Legal remedies

Mexican legislation provides several procedures for the enforcement of IP rights against counterfeiters. They include administrative infringement and criminal actions, and other legal actions provided under specific laws. A number of non-judicial bodies are involved in the anti-counterfeiting effort; they include the Mexican Institute of Industrial Property (IMPI) and the General Prosecutor's Office, as well as other relevant authorities that may collaborate in such efforts, including:

- the Mexican General Customs Administration;
- the Federal Commission for Protection from Sanitary Risks; and
- various police departments, including the Federal Investigation Agency, the Tax and Customs Inspection Unit and the federal police.

Mexican law and regulations do not provide a means by which a trademark owner can officially request Customs to monitor and intercept any counterfeit goods bearing a fake or forged trademark. This means that the customs authorities have no legal obligation to enforce intellectual and/or industrial property rights *ex officio*. In fact, Customs cannot order the seizure of counterfeit or

infringing products *ex officio*. It may take action only if it receives an order from a competent authority (ie, IMPI, the General Prosecutor's Office or a judge).

There is a plan to reform several laws in order to create a Customs trademark registry as part of a larger collaborative effort between Customs and IMPI to combat counterfeiting. However, for the time being there are no legal provisions in Mexican law that enable Customs to keep a record of registered trademarks and their authorized licensees, distributors and/or importers.

As noted earlier, the nature and seriousness of counterfeiting problems varies depending on the specifics of each industry. Thus, it is vital to understand the characteristics and particulars of each case, so as to be in a position to deploy appropriate means to achieve the objectives previously established.

Administrative and/or criminal actions that result in well-planned raids are the most effective ways to hit counterfeiters in the short or medium term. 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.

Having said that, raids remain the most powerful instrument available against counterfeiters at the moment. They have proven successful in shutting down clandestine manufacturing facilities and warehouses. They discourage retailers and distributors from distributing fake products, which results in a significant reduction in the availability of counterfeits in the market.

Border measures are also very effective: they produce a significant outcome at a lower cost, mainly because they effectively interrupt the supply chain of counterfeit goods and deal with a sitting target (the offending merchandise that is waiting for customs clearance) that usually involves very large volumes of counterfeits.

It is important to be ready to enforce IP rights, starting at Mexican Customs, by monitoring imports into Mexico and obtaining the seizure of counterfeit goods before they enter Mexico at several strategic ports of entry. Efforts should be made to coordinate actions (including by filing criminal actions) with the relevant authorities in order to obtain the arrest of the people involved. The key for a successful anti-counterfeiting programme is the creation of a well-structured network that allows the trademark owner not only to monitor and detect import/export operations involving counterfeit goods, but



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also to take the appropriate legal measures depending on the nature of each specific case.

Goals of an anti-counterfeiting programme

As noted before, the overall objective will depend on the nature of each specific case. But in any event, a successful anti-counterfeiting programme will involve taking measures adapted to the different goals that have been set.

It is well documented that indifference or tolerance towards street vendors selling counterfeit products will eventually encourage others to take up such activity. IP owners that decide to enforce their rights aggressively can significantly reduce the presence of counterfeits affecting them.

Mexico has a huge informal economy made up of thousands of street vendors throughout the country. These vendors do not pay taxes and usually sell counterfeit products of all types. Therefore, it is important to direct efforts towards reducing these vendors' presence on the marketplace.

Considerable efforts should be made to locate the source, supply chain and channels of distribution of counterfeits so as to attack

them, whether they are imported or produced locally. It is important to combat not only the domestic production and distribution of counterfeits, but also the introduction of foreign-made counterfeits. Once imported consignments enter the country, the goods are split and scattered throughout the Mexican territory, which makes dealing with them difficult.

Eventually, these efforts should yield positive results and the mark owner will regain control of the market with its genuine products. However, even when achieving this goal, IP owners should follow a zero-tolerance policy by continuing to monitor counterfeits and to enforce their rights. Sufficient publicity should be given to the actions taken so as to send a strong message regarding the IP owners' commitment to protect their IP rights.

Legal reforms

Much has happened – or been said – lately about amending the law. There are ongoing rumours that Customs will be given the power to inspect and detain inbound counterfeit and pirated merchandises *ex officio*, while agents from the General Prosecutor's Office will be allowed to start investigations and perform raids without a prior criminal complaint from IP owners. This would clearly expedite the investigation and enforcement process. Other proposals include escalating the criminal penalties for counterfeiters. However, none of these proposals has been enacted yet, despite growing pressure from brand owners, industry coalitions and some foreign governments.

Much is expected from the pending legal reforms. However, it is worth remembering that existing Mexican legislation offers many effective enforcement options to IP owners. Notwithstanding the alarming rate at which counterfeiting and piracy activities are growing, there exist several examples of anti-counterfeiting practice, which should encourage other IP owners to take action. And successful outcomes will restore their confidence in the Mexican enforcement authorities, as well as providing tangible business results. [WTR](#)