

CAFTA changes trademark regimes across Central America

While some argue that the inclusion of external IP policy in US trade agreements puts added pressure on negotiating nations, the fact remains that this strategy works since it protects US interests and benefits local economies. The agreement signed with the Dominican Republic and Central American countries is a case in point

As part of its long-term plan of creating a Free Trade Area of the Americas, the United States is building smaller trade blocs through bilateral and multilateral free trade agreements. The first such agreement was the North American Free Trade Agreement with Canada and Mexico, which came into force on January 1 1994. Central America, with its market of 35 million consumers, was the next logical step, not least because collectively the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua represent the second largest US export market, with annual trading figures of \$16 billion a year. Although the United States' primary concern is to protect the interests of US companies, the IP provisions included in free trade agreements also benefit the local economies.

History

In 2001, almost 10 years after the end of the civil war in El Salvador, the president at the time, Francisco Flores, sought closer trade relations with the United States. El Salvador's "Trade Not Aid" campaign grew in strength and became the subject of interest from other Central American governments. The lobbying proved successful as on January 17 2002, at the Annual Assembly of the Organization of American States, President Bush announced his intention to negotiate a free trade agreement with the Central American countries.

True to its word, the United States, led by its trade representative (USTR), started negotiations with the Central American countries' respective ministries of economy in Costa Rica in January 2003 on what later became known as the Central American Free Trade Agreement.

Towards the end of the negotiations, the Dominican Republic expressed its interest in joining the agreement. Its petition for accession was unanimously accepted and the agreement took on its current name of the Dominican Republic-Central America Free Trade Agreement with the United States (DR-CAFTA). It regulates a wide range of economic and legal topics, including, among many other things, access to the market, technical obstacles to trade, cross-border services, customs management and trade facilitation, e-commerce and intellectual property.

Current state of play

Following the successful conclusion of the negotiation stage, the DR-CAFTA countries were faced with the difficult job of actually ratifying the agreement. The DR-CAFTA requires the member countries to implement certain other international treaties, including a number of IP-related accords, before it can come into effect. During 2004 and 2005, the governments of each DR-CAFTA country heavily lobbied their respective legislatures to ratify the agreement, with mixed results. El Salvador was quickest off the mark, ratifying the agreement by December 17 2004. However, just when it seemed that the United States and El Salvador were set to implement the agreement, US Commerce Secretary Carlos Gutierrez announced that his government required additional amendments to local legislation in each country. El Salvador again took the lead by approving and amending 14 laws by December 2005, which were reviewed and accepted by the USTR in February 2006, allowing the DR-CAFTA to come into effect between the United States and El Salvador on March 1 2006. Honduras and Nicaragua followed suit on April 1 2006. On July 1 2006 the USTR announced that Guatemala had complied with all the legislative changes to enable the DR-CAFTA to become effective.

The agreement remains a work in progress for the other countries. The Dominican Republic will not be ready until August 2006 and no one is quite sure when Costa Rica will ratify, despite promises made by President Arias during his election campaign.

Importance of intellectual property

Current figures regarding exports to the United States from the DR-CAFTA region stand at around \$6.5 billion a year; this will grow to

CAFTA trade figures – annual exports to the United States

| Country | CAFTA ratified? | Exports prior to CAFTA \$ | Exports with CAFTA \$ | Increase |
|--------------------|-----------------|---------------------------|-----------------------|-------------------------|
| El Salvador | Y | 1.6 billion | 2 billion | 21% |
| Honduras | Y | 2.2 billion | 2.7 billion | 25% |
| Guatemala | Y | 1.6 billion | 2.4 billion | 47% |
| Costa Rica | N | 731 million | 928 million | 27% |
| Nicaragua | Y | 384 million | 537 million | 40% |
| Total | | 6.515 billion | 8.565 billion | 32% (average) |

Source: Romero Pineda & Asociados

CAFTA trade facts

Second largest US export market in Latin America

Tenth largest US export market in the world

In 2004, US exports to CAFTA grew 16% compared to 5% overall growth

Courtesy of Romero Pineda & Asociados



Nicaragua

Ratification of the DR-CAFTA has seen the implementation of the following amendments to the Trademark Law:

- The definition of 'geographical indications' is now extended.
- Smell marks are now protectable.
- The recordal of licence agreements is no longer mandatory.
- Trademark Registry resolutions are now subject to new remedies, such as revision, replacement and reformation.
- Measures against infringement of trademark rights have been strengthened, and guarantees and conditions for preliminary injunctions have been established.
- Provisions protecting appellations of origin have been strengthened.
- Recordal of a registrant's change of address is now subject to a fee.
- Seizure of infringing goods has been included among the available preliminary injunctions.
- The court will be authorized to condemn the infringer on payment of costs and reasonable attorneys' fees.
- The registrar will conduct mediation on any matter submitted to the Trademark Registry when requested by an interested party.

Dominican Republic

Although the DR-CAFTA has not yet been ratified, the Dominican Congress is considering the following amendments:

- A licence will be granted automatically if the relevant administrative authorities make no response within 120 days. Such licences will have the same effect and validity as one approved by the relevant authorities.
- A fine in the amount of between 10 and 50 times the national minimum wage is now an injunctive remedy against any party who intentionally uses in commerce a mark or trade name considered to be identical to, or a reproduction, copy or a fraudulent imitation of, a registered mark or name without the consent of the owner; or any party who uses in commerce a false geographical indication (GI) or GI liable to deceive the public as to the origin of the product or service or the identity of the producer, manufacturer or retailer of the product or service.

Costa Rica

Although the DR-CAFTA has not yet been ratified, it is expected that the new Congress will discuss the legislative changes needed in relation to IP provisions within the next few months.

Guatemala

Ratification of the DR-CAFTA has led to the following changes to Guatemala's trademark laws:

- The definitions of 'appellations of origin', 'geographical indications' and 'trademarks' have been extended.
- Sound, smell and certification marks are now protectable.
- A notice for publication in the *Official Gazette* must now list the goods and services protected.
- Notices for publication will also be issued following recordal of assignments, licence agreements and changes of name and/or domicile of the mark owner.
- An application for registration of a mark may now be filed electronically.
- The recordal of licence agreements is no longer mandatory.
- The registration of trade names is no longer mandatory.
- The state of Guatemala alone can own national appellations of origin and it will grant the corresponding permits to the producers, manufacturers or craftsmen who conduct their activities in the place designated by the appellation.
- New preliminary injunctions have been established.

Honduras

Honduras has implemented the DR-CAFTA, but it has not made substantial changes to its trademark laws. It has ratified the following international treaties:

- the World Intellectual Property Organization (WIPO) Copyright Treaty;
- the WIPO Performances and Phonograms Treaty;
- the Patent Cooperation Treaty; and
- the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure.

\$8.5 billion once the DR-CAFTA becomes effective in all countries. A rise in trade brings with it a likely increase in abuse of IP rights, which goes some way to explaining why the IP negotiations were so important to the overall deal. Intellectual property has been a sensitive issue for the United States and the DR-CAFTA signatory countries for a number of years. For example, the USTR has been closely examining El Salvador's IP developments since the early 1990s. During that time, El Salvador has taken a number of steps to upgrade its trademark, patent, copyright, design and trade secret protection. First, in 1994 it enacted a new IP Law and ratified the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works. A second upgrading step was the ratification of the World Trade Organization agreements, including the Agreement on Trade-Related Aspects of Intellectual Property Rights in 2000. Implementation of the DR-CAFTA marks a third step.

El Salvadoran example

The DR-CAFTA has required numerous changes to the trademark laws of participating countries. As a leading member of the DR-CAFTA, El Salvador has been quick to push through a number of key changes to its laws to comply with the agreement's requirements.

It has updated the categories of mark that can be protected. Sound and certification marks now have mandatory protection, while smell marks are voluntary. Likelihood of olfactory confusion is

a new rule to consider when examining an application or a search result. Sound marks will be examined under the existing rule regarding likelihood of ideological confusion.

The recordal of trademark licence agreements is now voluntary rather than mandatory, as was the case previously. Recordal is recommended, however, as it will prove useful should a mark owner seek to demonstrate use of its mark through evidence of use by a licensee. Agreements that are duly legalized and translated into Spanish can be enforced against third parties, including authorities and infringers, even when they have not been recorded.

Changes in the rules governing other types of agreement have also been made. For example, the registrar will accept a coexistence agreement as signed by the parties and will not examine it to assess whether it creates a likelihood of confusion.

Cancellation for non-use, which was previously abolished in 2002, has been reintroduced to allow total or partial cancellation of a mark not used during the preceding five years. A cancellation action can be filed only if five years have elapsed since the date of registration. A mark will be considered to be in use when the goods or services it covers are found in commerce, the goods are exported from El Salvador or the services are provided abroad but originated in El Salvador. Importantly, mark owners will not need to file proof of regular use.

Additionally, “advertising of the mark through any means” will be considered use, “even if the goods or services covered are not actually traded” in El Salvador. This new rule allows foreign trademark owners to rely on advertising in magazines or newspapers, or on satellite or cable television or the Internet.

El Salvador has also revamped its approach to enforcement of trademark rights. Preliminary injunctions against goods in transit and seizure at the borders are now possible. These remedies will work in conjunction with the existing prohibitions on the import and/or export of infringing goods.

Other amendments to the trademark laws have mandated SVNet, the entity in charge of registration of domain names in El Salvador’s ‘.sv’ country-code top-level domain, to adopt dispute resolution procedures based on the World Intellectual Property Organization’s Uniform Domain Names Dispute Resolution Policy.

Further changes implemented by El Salvador include modifications to the criteria for calculating damages; amendments to the statute of limitations setting the relevant date as five years from the last infringement; and laying the groundwork for the future creation of special IP courts.

Opposition to the DR-CAFTA

The passage towards ratification of the DR-CAFTA has been anything but smooth in all of the countries involved. It has faced opposition on all sides. In the United States, for example, a number of non-governmental organizations and charities lobbied against the agreement, arguing that it was a bad deal for millions of farmers, workers and consumers in Central America and the Dominican Republic. The critics state that the DR-CAFTA puts the needs of US agribusiness, pharmaceutical companies and foreign investors above the basic needs of citizens in the region.

The local pharmaceutical sectors in Central America, which heavily rely on launching generic versions of branded pharmaceutical compounds, strongly opposed provisions granting greater protection to pharmaceutical compounds. New branded pharmaceuticals (many of which are developed by companies located in the United States) will be protected under the DR-CAFTA for a period of five years. Despite the likely effect on local industry, Carlos Castillo, a partner at Romero Pineda & Asociados in El Salvador who was involved in the DR-CAFTA negotiations, states: “This is a wise rule

US-Malaysia Free Trade Agreement talks start smoothly

The United States held the first round of free trade agreement (FTA) talks with Malaysia between June 12 and 16 2006. The talks were held between the USTR and officials from the Malaysian Ministry of International Trade and Industry (MITI). The negotiations involved an exchange of data and gathering of information to identify areas of potential concern. The two sides expect the formal negotiations to be completed by early 2007.

In April of 2006 MITI announced that the talks would focus on free trade in goods, services and investment. They will also be a vehicle to promote:

- the free flow of trade and investment;
- cooperation with regards to addressing impediments to trade in the areas of IP rights, standards and conformance; and
- the development of mutual recognition arrangements.

According to reports, the first round of negotiations went smoothly. The second round, which will see the two sides go through the 22 chapters of the FTA in detail, is expected to take place in July in Washington. Intellectual property is likely to be one of the key chapters discussed.

The American Malaysian Chamber of Commerce (AMCHAM) and the US software industry strongly support the inclusion of an IP chapter in the FTA. They believe that this chapter should establish adequate, comprehensive and effective standards for IP protection and enforcement in Malaysia. IP right protection is regarded as one of the main determinants for a commercially meaningful FTA which can provide significant opportunities for both the Malaysian and US industrial and business communities.

AMCHAM has, in its public submission report, highlighted several issues, including the strengthening of the enforcement provisions addressing optical disc piracy. It proposes that the Malaysian government adopt provisions similar to those found in the US-Singapore FTA, which, among other things, outline the remedies against piracy of audiovisual products over the Internet. In addition, AMCHAM takes the view that mutually agreeable benchmarks for measuring enforcement results should also be adopted based on the number of successful prosecutions and the level of deterrence of the sentences imposed, and not merely on the number of raids conducted. In addition, AMCHAM proposes that the duration of copyright protection be extended from the current life of the author plus 50 years to life of the author plus 70 years. It also strongly supports the government’s initiative to set up a specialist IP court.

In relation to the pharmaceutical industry, it is proposed that the regulatory and legal infrastructure be further enhanced. The implementation of data exclusivity, patent term restoration and patent linkage have been singled out as issues which need immediate attention.

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that will prevent the local copycats from launching their ‘generic’ version of new medical and chemical compounds.”

Another controversial issue related to provisions authorizing the seizure of goods infringing IP rights without a judicial order in circumstances where there is a fear that evidence will be lost. In El Salvador, the leftist opposition party organized public protests against the government’s acceptance of these provisions.

During the negotiation process, a number of members of the IP

Peruvian Congress discusses free trade agreement

The Peruvian Congress has commenced intensive discussions regarding approval of the free trade agreement (FTA) signed with the United States on December 7 2005. It is not yet clear whether the agreement will be approved by the current Congress or by the one taking office on July 28 2006 following elections earlier this year. The Peruvian authorities hope that it is the former as this will give the US Congress enough time to approve the agreement before the US elections to be held in November.

Supporters of the FTA state that it secures unprecedented assurances from the United States with regard to IP provisions. FTA negotiations between the United States and Colombia, Ecuador and Peru began in May of 2004 after the United States announced that it would not renew the Andean Trade Preferences and Drug Eradication Act. However, continuing disagreement over several critical issues, among them intellectual property, prevented a joint agreement between the countries concerned. Therefore, Peru moved ahead alone and struck a bilateral deal with the United States.

The US-Peru FTA will bring about a number of key changes to Peru's laws on trademarks and geographical indications (GIs).

Trademarks - The trademarks section starts with Article 16.2.1, which provides that marks do not need to be visually perceptible to be registered, thereby opening the possibility of registration for sound and scent marks (although these types of mark are already allowed under Andean Community Decision 486 on a Common Industrial Property Regime).

Article 16.2.2 also requires the signing parties to protect collective and certification marks. Further, it provides that GIs can be eligible for protection as either certification or collective marks. The wording of the article implies that the system of protection adopted for GIs will be very similar to the US model, where GIs are eligible to be protected through the trademark system of protection, as opposed to a separate GI register (which is currently the case in Peru).

Articles 16.2.3 and 16.2.4 restate the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) obligations adopted by both countries. Article 16.2.3 specifies that trademark rights shall not be encumbered, thereby enhancing the existing TRIPs obligations which prohibit interference with the use of trademark rights in relation to products such as pharmaceuticals (which are

also subject to requirements with respect to the use of the generic name of the product). Article 16.2.4 states that a mark owner's rights are exclusive, and that, as such, the mark owner can prevent confusing uses of identical or similar signs (including GIs).

Well-known marks are also specifically dealt with in Articles 16.2.6 and 16.2.7. The FTA broadens the protection granted to well-known marks by allowing protection of such marks even in cases where an identical or similar mark is being used on dissimilar goods and services to those covered by the well-known mark. It does not matter whether or not the well-known mark is registered.

Article 16.2.12 removes the requirement for licence agreements to be recorded by the trademark owner, allowing mark owners and licensees to protect and enforce their trademark rights without unnecessary administrative hurdles.

Article 16.3 provides for the refusal of protection of GIs should they conflict with a registered mark, pending trademark application or trademark rights acquired through use.

The FTA also requires that Peru join or ratify the Trademark Law Treaty no later than January of 2008, and requests that it make its best efforts to join or ratify the Madrid Agreement (although no deadline is established).

Geographical indications - The FTA provides a detailed framework for the procedures involved in the registration and protection of GIs. Article 16.2.4, for example, requires that the owner of a registered trademark be granted the right to prevent the use - in the course of trade by third parties - of signs, including GIs, which are confusingly similar to the registered mark. The FTA also includes a prohibition regarding the protection or recognition of a GI that could be considered as confusingly similar to a previously used, applied-for trademark registration or registered mark, thereby protecting prior trademarks against GIs.

The text also extends the definition of a 'geographical indication' to allow for the protection of geographic indicia, other than the actual names of geographic places.

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community in the DR-CAFTA region voiced concerns over the inclusion of provisions requiring the ratification of the Madrid Protocol. After much debate, the DR-CAFTA now requires only that "the countries will do their best efforts" to ratify the Madrid Protocol. All other IP treaties are subject to mandatory implementation, with each country providing a specific date or number of years by which this will be achieved.

Conclusion

Despite the opposition, it seems that the Dominican Republic and the countries of Central America see the DR-CAFTA as an essential step in the development of their economies. However, those which have not already implemented the agreement have only a limited amount of time to do so. The DR-CAFTA provides a period of two years in which signatory countries must conclude the ratification procedures. The clock is ticking and any countries left on the outside may find that it is to the detriment of their emerging economies and regional trade. [WTR](#)

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