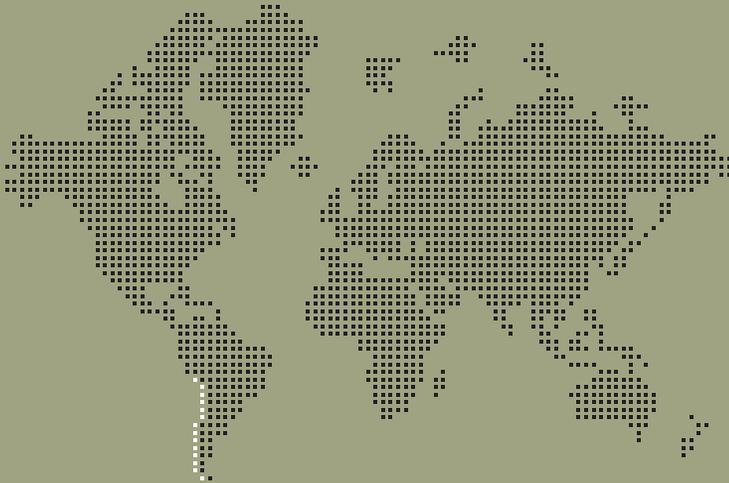


Contributing firm
Marinovic y Cia Abogados



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Legal framework

The legal framework for the protection of IP rights in Chile consists of several legal instruments, the most important being the Political Constitution of the Nation of 1980. Article 19(25) of the Constitution grants all people “copyright in their intellectual and artistic creations of any kind, for the time stated by the law, which shall not be less than the owner’s lifespan”. The third paragraph of this provision protects “industrial property over... patents, trademarks, models, technological processes or other analogous creations, for the time stated by the law”.

Article 583 of the Civil Code guarantees the legal protection of intangible assets. Article 584 states that any work arising from talent or ingenuity is the property of its author and shall be governed by the Copyright Law (17,336) and the Industrial Property Law (19,039). The former protects rights which arise simply from creations.

These belong to authors of works created in the literary, artistic and scientific domains, regardless of the form of expression and the related rights determined by the law. In other words, the law ensures the principle of automatic protection, independent from any registration. The Industrial Property Law protects trademarks, patents, utility models, industrial designs and drawings, blueprints or topographies for integrated circuits, geographical indications and denominations of origin. Both laws provide for legal actions against the unauthorized use of these protected rights.

Chile is also a member of both the Berne Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property.

In response to the growing problem of piracy, the government has put a bill designed to tackle illegal commerce before Congress. The bill would provide harsher penalties for criminal organizations that carry out acts of piracy and set out more serious penalties for infringing activities than are provided for in the Industrial

Property Law. For example, the bill would invoke Article 293 of the Penal Code, which provides that infringers may be imprisoned for between 61 days and five years, and set out fines ranging from \$11,000 to \$45,000. The Industrial Property Law does not prescribe imprisonment for this crime; it provides only for fines of between \$1,400 and \$57,000. Similarly, the bill suggests new investigative tools such as supervised deliveries and undercover agents for the prosecution of infringing activities. Although the draft bill was approved by the Senate, some provisions were rejected by the Chamber, so a mixed committee has been formed in order to agree a final draft.

Border measures

Through the promulgation of Law 19,912 on October 24 2003, Chile amended its legislation to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights. This grants customs authorities the power to suspend, by means of a writ, the import of products that are counterfeit or that infringe copyright (as

determined after a simple inspection). In such cases, Customs must inform the rights holder so that it can file a legal action within five business days to maintain the suspension measures ordered by Customs. This law appears to be an effective measure that has helped to prevent the entry into Chile of millions of counterfeit goods from all over the world, in particular Asia. The efficiency of Customs in this area reflects its growing concern regarding the enforcement of border control legislation. Rights holders themselves are playing an essential part by organizing, through their local attorneys, seminars and training courses for police and customs officials.

Criminal prosecution

The Copyright Law and the Industrial Property Law provide for criminal penalties against infringers. The Copyright Law provides for imprisonment (from between 61 and 540 days) and a fine of up to \$3,800 for infringers. The Industrial Property Law provides only for fines ranging from \$1,400 to \$57,000. Both laws also empower courts to order the destruction of counterfeit merchandise. At the time of writing, a bill to amend the Copyright Law was passing through the Chilean Congress. This would increase penalties for certain activities and identify new crimes, thus making the legislation consistent with international treaties signed by Chile – in particular, the free trade agreement with the United States.

Preliminary measures

Crimes relating to the infringement of the Copyright Law are known as ‘of public action’ – that is, they can be reported by any person. Once they have been reported to the police or the prosecutors of the public ministry, a seizure order request is filed before a guarantee court. However, in the case of a flagrant crime, police officers are authorized to seize the infringing goods immediately without the need for a judicial order. The new Chilean criminal system establishes that crimes against industrial property rights are ‘of public action, after private instance’. In practice, this means that all police actions for the seizure of counterfeit products must be carried out after the trademark owner has denounced the infringement. In both cases, the granting of preliminary legal measures is fairly expeditious and seizure can take place within minutes of the relevant order being issued.

Remedies

Remedies are not specifically mentioned within the scope of the criminal actions

described in the Copyright and Industrial Property Laws. The Copyright Law establishes that as compensation for damages, the court may order the sale or delivery up of the infringing articles. The Industrial Property Law is less clear in this area: Article 28 establishes only that the indicted parties must pay the legal expenses and damages caused to the trademark owner. However, remedies and indemnifications during a criminal lawsuit can be obtained under the general procedural rules through the timely filing of a civil action. The results will depend on the infringer’s assets.

This notwithstanding, a positive aspect of the new Chilean criminal system is that it expressly stipulates that such lawsuits can be concluded through a settlement consisting of:

- payment of compensation; and
- forfeiture of the infringing merchandise by destruction or donation to charity.

Civil enforcement

Article 85 of the Copyright Law offers the possibility of filing a civil lawsuit against infringers under the provisions of the Civil Procedural Code’s summary lawsuit. In practice, the civil provisions are not often used in this way, as civil lawsuits tend to be slow moving, which goes against the need for speedy results in anti-piracy and copyright protection actions. Thus, actions of this kind are not effective against piracy and/or for obtaining possible compensation or damages.

Preliminary measures

The Copyright Law does not provide for specific civil actions that owners may file before civil courts. It establishes only that in cases of copyright infringement, the civil judge shall proceed swiftly and summarily, according to the general rules. However, under these regulations, it is possible to file applications for preliminary measures such as a prohibition against entering into acts and contracts (sales prohibition) and seizure of goods.

If passed, the amending bill would grant rights holders the possibility of seeking:

- cessation of the illicit activity by the infringer;
- compensation for patrimonial and moral damages; and
- publication of the ruling in a national newspaper.

Likewise, the bill would empower civil courts to institute preliminary measures such as:

- ordering the immediate suspension of the sale of the infringing products;
- prohibiting parties from entering into acts and contracts; and
- retaining the infringing goods.

This would constitute a significant advance on the current situation.

Finally, the bill establishes formulae for calculating the damages suffered by the rights holder. Whether the bill will have any effect on civil actions filed in relation to copyright infringement remains to be seen.

The Industrial Property Law was last amended in 2005 (Law 19,996). Among the changes introduced was a chapter dedicated to civil remedies for rights holders, which included the following measures:

- suspension of infringing acts;
- indemnification for damages incurred; and
- other measures necessary to prevent the infringement from continuing, along with publication of the ruling.

However, even though these provisions have been in force since 2005, few actions of this kind have been filed before the courts. On the contrary, rights holders have consistently preferred to file criminal actions to enforce their rights.

Remedies

The Copyright Law indirectly establishes the damages available for rights holders when it states that infringing material must be delivered up in order for damages to become effective. In contrast, the bill specifically sets out formulae for calculating damages, based on:

- the infringer’s earnings;
- the equivalent of a possible licence payment; or
- earnings that the rights holder failed to receive as a result of the infringement.

The Industrial Property Law contains a specific article on the subject with similar calculation methods. To date, such measures have not been particularly effective. A civil lawsuit for infringement under the Industrial Property Law may take several years and there is no certainty that the infringer will be able to pay the damages. Criminal actions may result in lower penalties such as prison sentences or fines, but these are more effective deterrents in practice.

Anti-counterfeiting online

Unauthorized internet commerce

The use of internet broadband services has

“ Rights holders themselves are playing an essential part by organizing, through their local attorneys, seminars and training courses for police and customs officials ”

increased significantly in Chile, providing new opportunities for criminal activities. Recent and unreleased movies are the products greatest in demand over the Internet. Pirated copies can be purchased from local websites or downloaded from foreign-run operations. Infringers can access movie download sites and exchange such files at cybercafés. However, as there is no express legislation dealing with these illegal online activities, interested parties must rely on the criminal provisions of the Copyright Law relating to the reproduction and distribution to the public of theatrical or other protected works. It is expected that amendments to the Copyright Law will introduce new regulations relating to the Internet – in particular, with regard to the responsibilities of internet service providers for illegal copyright activities.

Internet security

There are few practical regulations relating to internet security. However, this should change once the bill is passed. In compliance with the Chile-US free trade agreement, the new statute will establish several provisions regarding the Internet, specifically in relation to the limitation of internet service providers' liability (Chapter III of the bill). These provisions will benefit service providers in cases of copyright infringement, provided that they meet certain requirements established by the law (eg, they refrain from interfering with technological protection measures).

Online investigation strategies

The Internet has also become an efficient tool for planning strategies designed to combat piracy. After an investigation, these strategies can lead to the dismantling of

important storage, reproduction and commercialization centres for all kinds of counterfeit goods.

Preventive measures/strategies

Use of local counsel and investigators

The presence of local counsel to represent a rights owner is essential. This representative must be provided with enough power to litigate in a lawsuit. His or her tasks are not limited to coordinating protective actions before the prosecutors; he or she must also keep the authorities (Customs and police) up to date with new forms of piracy for any given product. In turn, investigators monitor the local market, imports and facilities for the reproduction and/or storage of products, among other things.

Controlling contractual relationships with third parties

It is essential that mark owners control the quality of locally manufactured licensed products. This task must:

- be carried out by the local agent for the protected property; and
- focus not only on ensuring that products are made within the parameters defined in the licence agreement, but also on controlling the volume of products to be sold for the purpose of calculating corresponding royalties.

Lack of compliance with these standards and the manufacture of products post-licence may result in legal actions.

Effective use of technology, authentication and monitoring

Piracy is a dynamic field; it changes every day and counterfeiters are increasingly able

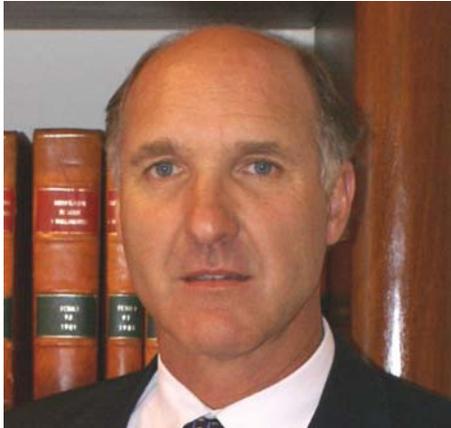
to copy original products. For this reason, new technologies, both to prevent and to detect counterfeiting, constitute a significant tool for stakeholders. Water stamps, holograms and codes can make it more difficult – though not impossible – for counterfeiters to act. Thus, providing Customs and police laboratories with technological elements is an essential step towards protecting IP rights.

Cooperation with anti-counterfeiting agencies

Seminars and training courses must be provided for the different agencies combating piracy and counterfeiting. A good working relationship between the representative/attorney on one hand and Customs, police and prosecutors on the other results in increased efficiency in the fight against piracy. [WTR](#)

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Antonio Marinovic is a senior partner of Marinovic y Cia Abogados. He specializes in civil and criminal matters related to copyright and trademark infringement. He has been responsible for designing and implementing anti-piracy campaigns across Chile and several other Latin American countries. In particular, he has managed the anti-piracy campaign for the Business Software Alliance in Chile for nearly 12 years and is currently responsible for the protection of IP rights in Chile of various companies in the cinematographic, apparel, merchandising and video games industries. He has assisted Congress in the modification of the Chilean Trademark and Copyright Laws and has also closely worked with local authorities (Customs, police and prosecutors) in the implementation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

Mr Marinovic graduated from the University of Chile and is a member of the Chilean Bar Association, the Latin American Copyright Institute and the Inter-American Association of Industrial Property.



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Luis I Olmedo is a partner of Marinovic y Cia Abogados and has been responsible for the prosecution of thousands of criminal copyright and trademark actions. He has assisted Congress in the modification of the Copyright and Trademark Laws and has worked closely with local authorities in the implementation of TRIPs.

Mr Olmedo graduated from the Gabriela Mistral University before obtaining a postgraduate diploma in IP law from the University of Chile and the Franklin Pierce Law Center in Concord, New Hampshire. He was selected by the US State Department for the international leadership visitor programme in IP rights in 2005. He is a member of the Chilean Bar Association and the Licensing Executives Society.