

**Report Q203**

in the name of the Argentine Group

**Damages for infringement, counterfeiting and piracy of Trademarks**

**Questions**

**1) The state of the substantive law in the countries**

- 1) *The Groups are invited to indicate, in summary form, if their national law distinguishes between different kinds of infringement, counterfeiting and piracy of trademarks and what the conditions are for liability for those different kinds of infringement, counterfeiting and piracy.*

Argentina's trademark law does not distinguish between different kinds of infringement and counterfeiting, but it does distinguish the piracy of trademarks. In the first case, a cease of infringement action –among others– is granted to the owner of the trademark. In the case of piracy, the owner may file a cancellation action. It is still discussed if in this last case the owner has an specific action for recovering the trademark.

In order for infringement to exist there must be unauthorized use of a similar registered trademark irrespective of whether or not there is bad faith. Regarding counterfeiting and piracy the additional condition of bad faith must exist although in many instances a legal presumption of bad faith exists.

*The Groups are also invited to indicate if these various forms of the violation of trademark rights have an impact on the monetary compensation to be provided to the trademark owner.*

The different forms of violation of trademark rights do not have an impact on the monetary compensation to be provided to the trademark owner.

- 2) *The Groups are asked to present in a summarised form the legal theories in their respective jurisdictions for the assessment of damages for the violation of trademark rights.*

*Is this assessment based on the ground of civil liability or on the ground of violation of property ownership or some other ground(s)?*

The assessment of damages in Argentina is based on the ground of civil liability. Although plaintiff should demonstrate that there exist an actual damage courts have stated that once the existence of an infringement is demonstrated, damages should be presumed and even if their amount have not been proved, the judge must estimate it. It is best practise to prove the amount of said damages and a nexus between the damages and the infringement.

- 3) *The Groups are asked to indicate what factors are taken into account in the assessment of damages and how the value of the trademark is used in this assessment.*

a) *Do the Courts take into consideration how strong the trademark is, both in terms of its inherent distinctiveness and popularity acquired through use and publicity?*

No, Courts do not usually take into account the strength of the infringed trademark. However, in an indirect way it could be taken into consideration while evaluating the good or bad faith of the infringer.

- b) *Do the Courts take into consideration the investment made by the trademark owner in order to make the trade mark known?*

No, in fact our law only fixes compensation for the reparation of actual damages. The investment made by the trademark owner is not taken into consideration for fixing the compensation.

- c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors profitability? If so, how?*

The Courts do not necessarily consider what direct effect the infringing activity has had on the trademark proprietors profitability.

- d) *Do the Courts take into account price erosion? If so, how?*

Argentinean Courts have not taken into account price erosion yet.

- e) *Do the Courts distinguish between actual lost sales ( i.e; the sales which would otherwise have been made by the trademark owner) and all sales made by the infringer? If so, which sales matter?*

The Courts may distinguish between actual lost sales ( i.e; the sales which would otherwise have been made by the trademark owner) and all sales made by the infringer. Case law has not settled the issue of which sale is relevant.

- f) *Do the Courts treat parallel imports differently ? If so, what is the legal basis for this differentiation?*

No, the Courts do not treat parallel imports differently.

- 4) *In case the compensation is evaluated on the basis of lost profits of the trademark owner or an account of the profits arising from infringement:*

- a) *What are the key principles?*

The key principle is that the amount of the damages should be clearly demonstrated. The amount of the lost profits should be proved and also that the customers that have bought the infringing products would have bought also the original product, and that the lost profits are due to the selling of the infringing products and not due to other reasons. If the court chooses to award compensation based on profits arising from infringement, it will be these profits which have to be proved.

- b) *How are the profits defined and how are they calculated?*

The profit is the revenue of the sales less the costs. Normally an expert accountant will calculate the profits.

- c) *What shares of the profits are attributed to the trademark owner and any licensees?*

Although our law does not fix a certain royalty amount, in our experience a normal royalty would amount between 3% and 15% of the profits. If the profit of the infringer has been demonstrated, the 100% of it should be considered as the amount of the damages. However as our law does not rule this particular matter, our Courts have not given parameters to attribute the share of the profits to the trademark owner.

- d) *Does the strength of the trademark come into play in apportioning the profits?*

No, it does not.

5) *In case the monetary compensation is assessed on basis of a royalty,*

a) *How is the royalty rate fixed?*

In this case, it will be at the judge's discretion. But if the trademark owner demonstrates that in other cases he normally licenses the trademark for a certain royalty, it is very likely that this royalty rate will be taken into account by the judge to fix compensation.

b) *Do the Courts consider whether the mark in question is one which is or was available for licence? If so, how does this affect their analysis?*

Our courts do not normally consider it.

6) *The Groups are asked to summarise what information in relation to the unlawful activities causing the violation of the trademark can be obtained by the trademark owner in administrative or judicial proceedings in order to assess the level of monetary compensation.*

The trademark owner, in order to assess the level of monetary compensation, is entitled to offer any kind of evidence. However, the infringers are not accustomed to keeping books of their unlawful activities, so there is little information available.

7) *One of the forms of the prejudice suffered by the trademark owner through the infringement is the damage to the trademark in a reputational sense (diluting exclusivity). The Groups are invited to report if this form of prejudice is considered by the Courts and what are the factors that are used in their evaluation?*

This form of prejudice has not been considered by our Courts so far.

8) *The Groups are also asked to indicate if the moral/wilful element of the violation of a trademark right, and particularly the will to profit or gain from counterfeit activities (where the goods do not originate from the trademark proprietor or are not marked with his consent) is taken into consideration in the evaluation of the damages and/or the account of profits. If so, what are the consequences?*

The moral or wilful element of the violation of a trademark right is taken into consideration only to evaluate the existence of good or bad faith in the infringement, but it is not considered in the evaluation of the damages since there are no punitive damages.

*The Groups are also asked to indicate if ignorance of the trademark and/or ignorance of the infringement is taken into consideration in the evaluation of damages or the account of the profits.*

It could certainly be taken into account.

*Finally, is the scale of the counterfeiting or piracy an additional element which influences the assessment of damages and/or account of the profits? If so, what are the consequences?*

The scale is an additional element in the assessment of damages. The larger the scale the greater the likelihood that a judge awards larger damages.

9) *Is the evaluation of damages based on the same principles in cases where the infringement also constitutes a violation of a contractual obligation, for example, a violation of a licence?*

No, it is not. There is a completely different system of evaluating the liability of violation of contractual obligations and the liability for non-contractual ones. However, the violation of a contractual obligation will be easier to demonstrate than other types of infringement.

10) *The Groups are also invited to explain the problems and practical difficulties that the trademark owners face in the assessment of the damages and/or account of the profits for the violation of trademark rights?*

The main problem is that it is almost impossible to demonstrate the actual size of the infringement, the damages and the profits of the infringer.

- 11) *In some cases the national law may provide, as a remedy for the violation of the trademark right, for the confiscation of the products bearing the illicit sign.*

*If this applies in their national law, the Groups are asked to indicate, if this confiscation influences the evaluation of the damages.*

Argentine law does not allow to confiscate the products that bear the illicit sign.

- 12) *The Groups are asked to indicate if the jurisprudence in their countries is a useful source of information and comparison on the assessment of monetary compensation for the violation of the trademark rights.*

As our law does not provide an objective system of assessment the monetary compensation in a violation of trademark rights, the jurisprudence is the major source of information in this matter.

*In this context, the Groups are invited to indicate if they are satisfied with the degree of certainty in their laws on evaluation of the compensation.*

As our law does not provide how the compensation should be evaluated it would be a great help if in the future if our law gives parameters for evaluating the compensation.

- 13) *The Groups are finally asked to explain any other issues related to the topic which would appear useful in the examination of the question.*

We can only strongly suggest not to measure the amount of the compensation as a share of the infringer's profits because this would become equivalent to a compulsory license that should be borne by the trademark owner. On the contrary, the entire profit of the infringer should be considered as one of the items of the damages.

## **II) Proposals for the future harmonisation**

- 1) *The Groups are requested to indicate if the evaluation of damages for violation of the trademark rights should be the subject of the international harmonisation and if this harmonisation should be undertaken through an international treaty.*

It will be helpful to have an international treaty that fixes the minimum basis for the evaluation of damages and stating that each country would be entitled to improve it.

- 2) *The Groups are requested to indicate what should be, based on their national experience, the harmonised system for the evaluation of damages for violation of the trademark rights.*

It would be advisable that any future harmonised system should consider 1) the entire profits of the infringer, 2) the seizure of all the infringing goods, and 3) an amount for the compensation of the undue use itself of another's trademark, as a stand alone item.

- 3) *The Groups are invited to make any other suggestions about possible future developments of the present question.*

## **Summary**

Argentina's trademark law, does not distinguish between different kinds of infringement and counterfeiting. In order for infringement to exist there must be unauthorized use of a similar registered

trademark irrespective of whether or not there is bad faith The assessment of damages in Argentina is based on the ground of civil liability and plaintiff should demonstrate that there exist an actual damage and the amount thereof. Only exceptionally the stated rules are waived and generally there are few circumstances which would affect the analysis of actual demonstrable damages. There are no punitive damages and awards tend to be rather small. Although courts have moved a long way in the last two decades from not granting any damages to giving some (low) figures, there is still a long way to go. Contractual obligations/infringements are easier to demonstrate and therefore to obtain compensation. Further harmonization would be a welcome step forward.

### **Résumé**

En Argentine, la loi de marques ne reconnaît pas une distinction parmi les différentes sortes de contraventions et falsifications. L'existence d'une contravention est déterminée par l'usage interdit d'une marque déposée similaire indépendamment de l'existence ou l'inexistence d'une mauvaise foi. L'estimation de dommages en Argentine est fondée sur le domaine de la responsabilité civile et le demandeur doit démontrer l'existence d'un dommage réel et le montant de ce dommage. Les dispositions déclarées sont exceptionnellement désistées et généralement il y a peu de situations qui peuvent affecter l'analyse de dommages réels prouvables. Il n'y a pas des dommages et intérêts punitifs ou récompenses qui aient la tendance à se rétrécir. Bien que les Tribunaux aient changé pendant les deux dernières décennies n'octroyant aucun dommage afin de donner quelques montants (bas), il reste encore un long chemin à parcourir. Les obligations/contraventions contractuelles sont plus faciles à prouver et en conséquence elles peuvent obtenir une compensation. Une harmonisation plus approfondie sera un progrès bien accueilli.

### **Zusammenfassung**

Das argentinische Handelsmarkengesetz unterscheidet die verschiedenen Arten von Vergehen und Fälschungen nicht. Damit es sich um ein Vergehen handelt, muss eine nicht autorisierte Benützung von einer ähnlichlautenden eingetragenen Handelsmarke bestehen, gleich ob es sich um eine gutgläubige oder böswillige Handlung handelt. Die Feststellung von Schäden in Argentinien basiert auf der Grundlage der Zivilhaftung, wobei der Kläger zu beweisen hat, dass ein tatsächlicher Schaden verursacht wurde, wobei er ebenfalls den betreffende Betrag anzugeben hat. Nur ausnahmsweise wird auf die bestehenden Bestimmungen verzichtet, und im Allgemeinen gibt es wenige Fälle bei welchen die Analyse der tatsächlich beweisbaren Schäden beeinträchtigt werden könnte. Es gibt keine Strafschäden und die Urteile haben die Tendenz gering auszufallen. Trotzdem die Gerichte sich in den letzten zwei Jahrzehnten sehr stark von dem Beschluss keine Entschädigung festzulegen bis zur Festsetzung von ganz geringen Beträgen entfernt haben, gibt es noch einen langen Weg zu bestreiten. Die Vertragspflichten/Vergehen sind leichter zu beweisen und somit auch eine Entschädigung festzulegen. Eine weitere Harmonisierung wäre sehr zu wünschen.