

**Report Q203**

in the name of the Paraguayan Group  
by Gladys BAREIRO DE MODICA

**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.*

*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.*

Our trademark Law No. 1294/98 only distinguishes civil and criminal infringements. Counterfeiting is considered as a criminal infringement.

The word "PIRACY" is considered as an infringement only in the copyright law.

In case of civil infringement, the liability is only for damages (monetary compensation).

In case of counterfeiting, the penalty is imprisonment and fine.

The monetary compensation is established by the Judge.

- 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)?*

In the civil jurisdiction, the only theories applicable are: lost profits and "damnum emergens".

These theories are based on the ground of violation of property ownership.

- 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.

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

No.

- c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors profitability? If so, how?*  
No.
- d) *Do the Courts take into account price erosion? If so, how?*  
No.
- 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?*  
Yes, The sales which would otherwise have been made by the trademark owner are the sales which matter.
- f) *Do the Courts treat parallel imports differently ? If so, what is the legal basis for this differentiation?*  
In Paraguay parallel imports are not considered neither civil nor criminal infringements.
- 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?*  
Not known.
- b) *How are the profits defined and how are they calculated?*  
The profits are defined and calculated on the basis of account books which show the level of sales made by the trademark owner, the importer, the distributor or the licensee in the country.
- c) *What shares of the profits are attributed to the trademark owner and any licensees?*  
Not known.
- d) *Does the strength of the trademark come into play in apportioning the profits?*  
No.
- 5) *In case the monetary compensation is assessed on basis of a royalty,*
- a) *How is the royalty rate fixed?*  
The parties in a license contract agree the royalty rate.
- 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?*  
No.
- 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.*  
Not known.
- 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?*

Not known.

- 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?*

Not applicable.

*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.*

Yes, it is possible because the Criminal Procedure Code allows the "error in law", and in some cases, some infringers alleged that they did not know that they were committed infringement.

*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?*

Not known.

- 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?*

There is not any record regarding this question.

- 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?*

I find that the main problem arises when the trademark owner usually has a distributor or agent in the country and these people are reluctant to show to the Court their account books in good order, in order to evaluate the sales.

- 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.*

Not known but it should be.

- 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.*

Yes.

*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.*

No, it is insufficient because the law only admits the two theories mentioned before (lost profits and "damnum emergens").

- 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.*

As I said in point 12), it is important that the law considers other criteria in the evaluation of the compensation, such as the strength of the trademark, the investment made by the trademark owner, price erosion, damage to the trademark in a reputational sense, etc.

## **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.*

Yes.

- 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.*

I refer to my answer to point 13).

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

Paraguay is member of the Protocol of Trademarks in the MERCOSUR Agreement and it will be convenient to modify this protocol in order to include all the mentioned in point 13). I believe this is the first step in order to create an harmonised system.