

## **Report Q203**

in the name of the Peruvian Group  
by Adriana BARRERA

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

#### **Questions**

##### **I) 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.*

In Peru, Decision 486 of the Andean Community and Legislative Decree 823 are the provisions that regulate infringement, counterfeiting and piracy of trademarks. Furthermore, applicable criminal law (the Criminal Code) defines trademark counterfeiting and piracy as crimes.

However, our applicable laws contain no express distinction and differentiation between infringement, counterfeiting and piracy. Rather, our laws provide that any unauthorized use of a trademark similar or identical to any other previously registered trademark is considered a trademark infringement, in its broadest sense and, therefore, would also apply to counterfeiting and piracy.

Trademark laws also provide that wilful misconduct is not required for an infringement due to unauthorized use of a trademark to exist. Infringing a trademark right unknowingly does not release the author of the infringement from liability.

Trademark laws provide that damages may be claimed, which claim is to be filed in a civil suit.

Article 243 of Decision 486, in consistency with Article 246 of Legislative Decree 823, provides the following criteria to be taken into account to calculate the compensation for damages caused by infringement, counterfeiting and piracy:

- the emerging damages and loss of profits sustained by the holder of the trademark as a result of the infringement;
- the amount of the benefits obtained by the infringing party as a result of the acts of infringement; or
- the price that the infringing party would have paid for a license under an agreement, taking into account the market value of the infringed trademark and the licenses already granted under agreements.

No provisions or case law have established criteria to determine whether the diverse types of violations of trademark rights (infringement, counterfeiting and piracy) have an impact on the monetary compensation that would be given to the holder of a trademark for damages.

- 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 liability or on the ground of violation of property ownership or some other ground(s)?*

The theory that applies in our jurisdiction to claim damages for infringement of a trademark right is the civil liability theory (tort liability), that is, it responds to the liability of the infringing party. The Peruvian Civil Code provides in its Article 1969 that any person who causes any damage to another by wilful misconduct or negligence is under the obligation to compensate the person who sustains the damage.

- 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?*

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

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

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

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?*

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

No court rulings in which judges have taken into account the criteria set forth in a),b),c),d), and e) above to calculate and subsequently order the infringing party to pay damages exist. However, applicable legal provisions do set forth a series of factors or criteria to calculate the compensation for damages, which include, without limitation:

- the emerging damages and loss of profits sustained by the holder of the trademark as a result of the infringement;
- the amount of the benefits obtained by the infringing party as a result of the acts of infringement; or
- the price that the infringing party would have paid for a license under an agreement, taking into account the market value of the infringed trademark and the licenses already granted under agreements.

In connection with question f), Peruvian laws do not consider parallel imports as an infringement due to unauthorized use of a trademark (expiry of the trademark right).

- 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?*

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

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

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

There are no case-law precedents on how to assess the damages compensation based on the loss of profits of the trademark licensee.

- 5) *In case the monetary compensation is assessed on basis of a royalty,*
- a) *How is the royalty rate fixed?*
  - 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?*

There are no case-law precedents.

- 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.*

There are no precedents. However, administrative and court authorities are entitled to grant the trademark licensee information on the background of the infringing party, should there be recidivism (criminal record of infringement of trademark rights). This information could eventually serve to be submitted to the civil judge to be used as a tool to calculate the damages claimed.

- 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?*

No court rulings on this matter exist. However, applicable laws do grant special protection to notoriously known trademarks. Therefore, when calculating the compensation for damages, the damages caused by the infringing party could be ultimately associated with the reputation of the trademark.

- 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?*

There are no case-law precedents. However, Article 1986 of the Peruvian Civil Code provides that the compensation for damages includes the consequences arising from the act that generated the damage, including loss of profits, personal damages and **moral damages**, whereby an adequate causal relationship between the action and the damage caused should exist.

*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.*

*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?*

Applicable laws and case law provide that ignorance or unawareness of the trademark or of the infringement does not release the infringing party from liability and, therefore, this factor should be taken into account when calculating the monetary compensation.

On the other hand, the level of counterfeiting and piracy would have to be an additional element to calculate damages; however, there are no civil-case precedents on this.

- 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. This type of infringement is regulated by contractual liability (breach of contract).

- 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?*

Civil judges lack knowledge of trademark law. This is why applicable laws on damages compensation in the event of trademark infringement are failed to be applied and, therefore, there is no established case law background on this matter.

- 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.*

Seizing the counterfeit goods is allowed. However, no precedents as to whether the seizure affects calculation of the damages exist as of yet.

- 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.*

There is no established case law.

*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.*

We are NOT satisfied. See Answer No. 10.

- 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.*

## **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.*

International harmonisation for famous and renowned trademarks would be convenient.

- 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.*

As indicate, there are no case-law precedents on damages compensation in trademark matters. Setting guidelines to determine the criteria to compensate damages for infringement and piracy of famous trademarks would be convenient.