

Report Q204

in the name of the Ecuadorian Group

Liability for Contributory Infringement of IPRs

Indirect infringement consisting of the offering or supply of appropriate means leading to the commitment of acts that indirectly infringe an intellectual property right, particularly with respect to territorial Patents.

As a consequence of the current development of trade and industrial relations, the intellectual and industrial property rights constitute immaterial assets granting rights that are considered intangible and may have unsuspected value in the future. Due to such reason, the importance of trademarks, patents and other similar elements are not only evident in the legal field, but they also have a great economic significance for the producer because his prestige is consolidated through them, as well as for the consumer because they represent a uniform quality guarantee of the products.

In order for said rights to become effective, our legislation assumes the registration of both trademarks and patents, through which the titleholder thereof acquires a series of rights, including the exclusive and to a certain point monopolistic use right, which is the most important right that can be acquired with the registration of both trademarks and patents.

I) Analysis of current legislation and case law

(1) Nonetheless, in order for said rights to be observed, the national legislation, which is based on the Andean Community Legislation, establishes that the titleholder of a protected intellectual property right may file a legal action with the corresponding national authority against any person infringing his right, being likewise able to act against any person carrying out acts showing an imminent infringement.

In the case of trademarks, for example, the Intellectual Property Law protects those trademarks that are notoriously known worldwide, by stipulating in its Article 222 that the cancellation of a trademark registration may be requested, upon petition of the legitimate titleholder, when such trademark is identical or similar to a trademark that was notoriously known or which was highly famous at the time the registration was requested. Said Article does not tolerate the infringement of the property rights of notoriously known trademarks even if the same are not registered; therefore, it provides for the action to cancel those trademarks that are identical or similar to notoriously known trademarks, even if they have been registered in the country. The notoriousness referred to in the national regulations is applicable worldwide and not solely limited to the Andean Community countries.

In the case of patents, the national legislation establishes that the titleholder of a patent shall have the right to file a legal action for damages and losses due to unauthorized use of an invention or utility model, during the period included between the date in which it becomes public and the date in which the patent is granted. The indemnity or compensation referred to in the law shall only be applicable with respect to the material covered by the granted patent, which shall be calculated in line with the exploitation actually carried out by the defendant during the above-mentioned period.

In addition, the Andean Community Legislation establishes that the granting of a patent right shall not entitle the titleholder thereof to prevent a third party from executing commercial acts with respect to a product protected by the patent, if said product has been previously introduced in the commercial market of any country by the titleholder of the patent or by another person authorized by the titleholder or economically related thereto. The following is even specified: it is understood that two persons are related when one of them may exercise on the other, either directly or indirectly, a decisive influence with respect to the exploitation of the patent, or when a third party may exercise such influence on both persons.

(6) (10) Even in cases of infringement, the national legislation stipulates that the claimant or titleholder of an intellectual property right may request to the corresponding national authority that the following measures be taken:

- 1) Cessation of the acts that constitute infringement of the rights.
- 2) Indemnification for damages and losses.
- 3) Removal of the commercial elements related to the products and which result in infringement, including containers, packaging, labels, printed material or publicity; what is more interesting is the fact that this measure can also be requested with respect to materials or means leading to the commitment of the infringement.
- 4) Prohibition to import or export the infringing products or means.
- 5) Destruction of the products, among others.¹

The statute of limitations for an infringement action is two years from the date in which the titleholder learns of the infringement, or five years from the date in which the infringement is committed for the last time.

(2) Furthermore, the law contains measures that make the act of infringement of intellectual property rights coercive and of a more protective nature. Such measures are precautionary, borderline and punitive, and may be requested by the claimant in accordance with each infringement case; thus, if the titleholder of a trademark registration having well-grounded causes to suppose that the importation or exportation of products infringing his registration is going to take place, he may request to the corresponding national authority the suspension of this customs operation.²

On the other hand, in addition to the previously mentioned measures, the national and community legislation also contemplates actions for unfair competition.

(2) With respect to infringements committed through digital communication networks, the person having joint and several liability shall be the operator or any other natural or juridical person who controls the computer system interconnected to said network, through which the communication, reproduction, transmission or any other act that infringes the intellectual property rights is allowed, induced or facilitated, provided that said person knows or has been warned of the possible infringement, or has been unable to ignore it without gross negligence on his/her part.³

Recently, Ecuador typified the intellectual property crimes and included the same in the Criminal Code, for the purpose of penalizing those persons committing said crimes.

(5) It is important to mention that in most of the countries that are governed by the Roman law (civil law) system, it has been decided not to tolerate any third party that has used a protected intellectual property right, even if such person acted in good faith. This has been

¹ Decision 486 of the Cartagena agreement. Common Regime over Industrial Property. Article 241.

² Decision 486 of the Cartagena agreement. Common Regime over Industrial Property. Article 250.

³ Intellectual Property Law. Article 292.

done in order to protect the titleholder's right, even in spite of the duration and importance of the exploitation subject to litigation.

(7) From a point of view of harmonizing the Intellectual Property rights at an international level, it is important to take into account that the undue use of protected intellectual property by third parties not holding said rights, whether done in good faith or in bad faith, impairs the protection acquired, which also occurs when the infringement is direct or indirect.

(1) Decision 486 of the Andean Community of Nations, which is applicable to Ecuador as a member country, contemplates the community regulation that protects the Intellectual Property rights and does not tolerate any infringement thereof, regardless of whether this is done in good faith or in bad faith.

With respect to industrial property protection, this Andean regulation contemplates a treatment no less favorable than the one granted to their nationals and to the countries that are members of the World Trade Organization (WTO) and Paris Agreement; therefore, their intellectual property rights are likewise protected under said Decision.

This community regulation makes a distinction between intellectual property rights acquired through registration, and rights that are acquired solely through use.

In the case of copyrights, the community ruling stipulates that registration of the works shall not be necessary in order to be protected. These works shall be protected as of the moment of their creation, and registration thereof is merely a declaration of the [author's] rights, rather than a constitutive act.

(4) With respect to tolerance of any infringement of the Intellectual Property Rights, it should be indicated that in order for our legislation to consider and further accept any such tolerance in relation to both the applicable national regulation and the Andean regulation, it would be necessary to clarify certain points such as the good or bad faith with which the infringement acts are being carried out, the period of time during which the rights have been infringed, etc.

(9) The acquisition of certain rights through tolerance must remain subject to conditions that are related in particular to the duration of such tolerance and the attitude expressed by the third party taking advantage of a prior intellectual property right without authorization from the legal owner.

With respect to the period of time, it would be important to determine the time that would be necessary to legalize the acquisition of an intellectual property right, which is in principle infringing the rights of third parties, as well as from what moment should such time be calculated, and which legal action by the legal titleholder of said right could interrupt said terms.

The right to compete is a mercantile right that allows the manufacturers to put their products in the market and make them available to the consumers; for which purpose, certain rules must be followed in order to make the trade business a clean way to sell their products. If the trade is well handled, the competition allows the consumers to choose among similar products the product they like the most without any further testing.

The protective purpose of the exclusive intellectual property rights arises from the main characteristic that a sign must have to be considered as such, which characteristic is distinctiveness. Distinctiveness allows the consumer to differentiate a product or service from another one, thus protecting the consumer's right to select the product that most properly meets his needs. On the other hand, if the manufacturer of the products is protected, he will be given the certainty that his products will not be mistaken with others of the same type that are also placed in the market.

In relation to trademark issues, most of the legislations provide protection to the consumer rights as well as to the exclusive intellectual property rights, to the extent required to prevent the registration of a trademark that is similar or identical to another one that has already been registered, even if there is no objection from the titleholder of the registered trademark. This is done not only to protect the rights acquired by the previously registered trademark, but also to avoid any confusion that might occur among consumers.

Due to the above, on several occasions the doctrine and jurisprudence have established that in order to carry out a trademark comparison, the following must be taken into account: cultural conditions, experience, and social level of the public to whom the trademarks are to be made available, particularly taking into consideration the point of view of the average consumer.

In addition to the consumer protection granted by most of the laws related to trademarks, it is necessary for the legislations to likewise contemplate rules aimed at regulating the operation of the markets through the implementation of figures designated to create a fair trade environment.

In order for the unfair competition not to affect either the consumer rights or the exclusive intellectual property rights of industrialists and traders, several regulations have been created both in the States and at supranational level. Such is the case of the TRIPs, which regulate issues pertaining to the intellectual property rights related to trade. Furthermore, with respect to the Protection of Industrial Property, the Paris Agreement stipulates the obligation of the contracting States to ensure an efficient protection against unfair competition, specifying that unfair competition is any competitive act contrary to the honest industrial or commercial uses. In addition, the following is expressly prohibited: any acts capable of creating confusion, false asseverations tending to cause discredit, and any indications that may lead to errors regarding the merchandise's characteristics.

Nonetheless, within a mercantilist system it may occur that the competition could affect the exclusive Intellectual Property rights, without this being necessarily considered unfair competition.

The purpose of some of the competitors' behaviors is to prevent new competitors from accessing the market, or cause the withdrawal of some competitors that are already operating in the market. Said behaviors may include product simulation, false or deceiving publicity, commercial bribes, and violation of industrial secrets, among others.

These acts not only affect the competition rights of producers or traders, but they mostly affect the Intellectual Property rights of the titleholders in such a manner as to discredit a trade name, trademark, industrial secret and others. However, opposite to these unfair competition practices there are also limits to the intellectual property rights such as weakening of the trademark right, limitations arising from the atypical use by third parties, etc.

There are several authors who in relation to competition and intellectual property rights affirm that the international rules regarding Intellectual Property promote monopolistic income and, therefore, a peaceful coexistence between Intellectual Property rights and regulations promoting free competition is not possible.

Within a capitalistic system, in which the free market dominates, it is extremely difficult to establish the limits between each one of these rights, since even if there is a legislation to protect both rights, there would be competition conflicts within the States between entities promoting free competition and entities defending intellectual property.

(9) (11) We consider that the legal consequences of a direct or indirect infringement of the intellectual property rights must be penalized not according to the affected right, but rather according to the damage caused by such infringement, since as much damage can be caused to a trademark as to a patent, depending on the type of infringement. This means that

the intellectual property rights must be equally protected and the legal consequences for the infringers of said rights must not differ according to the type of right, but rather according to the damage caused to the titleholder by each infringement.

(10) On the other hand, what we must consider is not whether the infringement is direct or indirect, but rather the damage caused by the infringement, in order to be able to determine the civil penalty related to the indemnification for damages and losses, as well as the fault or fraud of the infringer, in order to be able to determine the criminal penalty, regardless of whether the infringement is committed directly or indirectly.

(12) The Governments and NGOs should initiate campaigns to inform the general public regarding the value and utility of the Intellectual Property in commercial corporations. With better knowledge of the Intellectual Property principles, the legislators will be able to enact laws in favor of the trade, without this representing an attempt against the Intellectual Property rights.

Therefore, the Laws related to Intellectual Property and Competition should never be in conflict; on the contrary, their purpose should be to jointly contribute to the economic progress and serve the public interests of both producers and consumers.

Summary

Indirect infringement consisting of the offering or supply of appropriate means leading to the commitment of acts that indirectly infringe an intellectual property right, particularly with respect to territorial Patents.

As a consequence of the current development of trade and industrial relations, the intellectual and industrial property rights constitute immaterial assets granting rights that are considered intangible and may have unsuspected value in the future, which has increased the importance of trademarks, patents and others, not only in the juridical field, but also in the economic field.

I) Analysis of current legislation and case law

(1) In order that the rights of the titleholder are observed, the national legislation stipulates that said rights must be registered and establishes that the titleholder of a protected intellectual property right may file a legal action against any person infringing his right, being likewise able to act against any person carrying out acts showing an imminent infringement.

In the case of trademarks, the Intellectual Property Law protects those trademarks that are notoriously known worldwide, and stipulates that the cancellation of a trademark registration may be requested, upon petition of the legitimate titleholder, when such trademark is identical or similar to a trademark that was notoriously known or which was highly famous at the time the registration was requested. Said Article does not tolerate the infringement of the property rights of notoriously known trademarks even if the same are not registered; therefore, it provides for the action to cancel those trademarks that are identical or similar to notoriously known trademarks, even if they have been registered in the country. The notoriousness referred to in the law is applicable worldwide and not solely limited to the Andean Community countries.

In the case of patents, the national legislation establishes that the titleholder of a patent shall have the right to file a legal action for damages and losses due to unauthorized use of an invention or utility model, during the period included between the date in which it becomes public and the date in which the patent is granted.

In addition, the granting of a patent right shall not entitle the titleholder thereof to prevent a third party from executing commercial acts with respect to a product protected by the patent, if said

product has been previously introduced in the commercial market of any country by the titleholder of the patent or by another person authorized by the titleholder or economically related thereto.

(6) (10) In cases of infringement, the national legislation stipulates that the claimant or titleholder of an intellectual property right may request to the corresponding national authority that several precautionary measures be taken.⁴

(2) The law contains measures that make the act of infringement of intellectual property rights coercive and of a more protective nature. Such measures are precautionary, borderline and punitive, and may be requested by the claimant in accordance with each infringement case.⁵

On the other hand, in addition to the previously mentioned measures, the national and community legislation also contemplates actions for unfair competition.

(2) With respect to infringements of rights through digital communication networks, the person having joint and several liability shall be the operator or any other natural or juridical person who controls the computer system interconnected to said network, provided that said person knows or has been warned of the possible infringement, or has been unable to ignore it without gross negligence on his/her part.⁶

Recently, Ecuador typified the intellectual property crimes and included the same in the Criminal Code, for the purpose of penalizing those persons committing said crimes.

(5) It is important to mention that in most of the countries that are governed by the Roman law (civil law) system, it has been decided not to tolerate any third party who infringes the intellectual property rights.

(7) Whether done in good faith or in bad faith, the undue use of protected intellectual property by third parties impairs the protection acquired.

(1) Decision 486 of the Andean Community of Nations, does not tolerate any infringement to the legally acquired intellectual property rights, regardless of whether this infringement is done in good faith or in bad faith.

This regulation also contemplates the principle of a treatment no less favorable than the one granted to the nationals of the countries that are members of the World Trade Organization (WTO) and Paris Agreement.

In the case of copyrights, the community ruling stipulates that the works shall be protected as of the moment of their creation, and registration thereof is merely a declaration of the [author's] rights, rather than a constitutive act.

(4) With respect to tolerance of any infringement of the Intellectual Property Rights, it should be indicated that in order for our legislation to consider and further accept any such tolerance in relation to both the applicable national regulation and the Andean regulation, it would be necessary to clarify certain points such as the good or bad faith with which the infringement acts are being carried out, the period of time during which the rights have been infringed, etc.

(9) The acquisition of certain rights through tolerance must remain subject to conditions that are related in particular to the duration of such tolerance and the attitude expressed by the third party taking advantage of a prior intellectual property right without authorization from the legal owner.

With respect to the period of time, it would be important to determine the time that would be necessary to legalize the acquisition of an intellectual property right, which is in principle infringing the rights of third parties, as well as from what moment should such time be calculated, and which legal action by the legal titleholder of said right could interrupt said terms.

⁴ Decision 486 of the Cartagena agreement. Common Regime over Industrial Property. Article 241.

⁵ Decision 486 of the Cartagena agreement. Common Regime over Industrial Property. Article 250.

⁶ Intellectual Property Law. Article 292.

The protective purpose of the exclusive intellectual property rights arises from the main characteristic that a sign must have to be considered as such, which characteristic is distinctiveness.

In relation to trademark issues, most of the legislations provide protection to the consumer rights as well as to the exclusive intellectual property rights.

In addition to the consumer protection granted by most of the laws related to trademarks, it is necessary for the legislations to likewise contemplate rules aimed at regulating the operation of the markets through the implementation of figures designated to create a fair trade environment.

In order for the unfair competition not to affect either the consumer rights or the exclusive intellectual property rights of industrialists and traders, several regulations have been created both in the States and at supranational level. Such is the case of the TRIPs, which regulate issues pertaining to the intellectual property rights related to trade. Furthermore, with respect to the Protection of Industrial Property, the Paris Agreement stipulates the obligation of the contracting States to ensure an efficient protection against unfair competition.

Nonetheless, within a mercantilist system it may occur that the competition could affect the exclusive Intellectual Property rights, without this being necessarily considered unfair competition.

The purpose of some of the competitors' behaviors is to prevent new competitors from accessing the market, or cause the withdrawal of some competitors that are already operating in the market. Said behaviors may include product simulation, false or deceiving publicity, commercial bribes, and violation of industrial secrets, among others.

Opposite to these unfair competition practices there are also limits to the intellectual property rights such as weakening of the trademark right, limitations arising from the atypical use by third parties, etc.

(9) (11) We consider that the legal consequences of a direct or indirect infringement of the intellectual property rights must be penalized not according to the affected right, but rather according to the damage caused by such infringement, since as much damage can be caused to a trademark as to a patent, depending on the type of infringement.

(10) On the other hand, what we must consider is not whether the infringement is direct or indirect, but rather the damage caused by the infringement, in order to be able to determine the civil penalty related to the indemnification for damages and losses, as well as the fault or fraud of the infringer, in order to be able to determine the criminal penalty, regardless of whether the infringement is committed directly or indirectly.

(12) The Governments and NGOs should initiate campaigns to inform the general public regarding the value and utility of the Intellectual Property in commercial corporations. With better knowledge of the Intellectual Property principles, the legislators will be able to enact laws in favor of the trade, without this representing an attempt against the Intellectual Property rights.