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INTELLECTUAL PROPERTY

2nd NATIONAL CONGRESS ON INTELLECTUAL PROPERTY (Part II)

Editorial



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This newsletter on the 2nd National Congress on Intellectual Property - which will take place at the rectory of Lisbon's Universidade Nova on 29 and 30 September 2010 - brings together a number of articles written by some of the participants and speakers from this congress.

With its theme "Culture, Innovation, Heritage and Science", the 2nd Congress on Intellectual Property will, without doubt, be a notable milestone of a scientific nature in the theoretical debate on the legal-technical issues of intellectual property. It will certainly also be a forum for the exchange of ideas and experiences of great practical value for professionals who deal with the defence of rights relating to the invention, creation and commercialisation of innovations of an intellectual nature.

This newsletter tackles topics as important and as current as counterfeiting in the fashion industry - something which has caused so much harm not only to fashion producers but also to the textile industry that works for them, specifically in Portugal - and specific questions in the field of customs that have arisen in relation to the cross-border trafficking of counterfeit goods.

The means of defending intellectual property rights provided for by the

law and the issue of the calculation of damages and the amount of compensation to be awarded when these rights are infringed are also analysed in this newsletter.

These are all topics of great importance and current relevance in the defence of intellectual property and they will be the subject of in-depth analysis at the congress itself.

We repeat our invitation to all those interested in attending and participating in the 2nd National Congress on Intellectual Property to register for the congress - which they can do using the form referred to below - and we welcome everyone in the sure knowledge that that we will get the best out of the debate on the engaging materials that appear in the programme.

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EDITORIAL CONTENTS

Editorial

Vasco Marques Correia

Counterfeiting Attacks the Fashion Industry
- Defend Yourself!

Rita Sáragga Leal

Counterfeiting and Customs-related
Problems

Rogério M. Fernandes Ferreira

The Defence of Intellectual Property

Rita Moutinho da Costa

Diana Miranda

Damages in Intellectual Property

Manuel Lopes Rocha



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Counterfeiting Attacks the Fashion Industry – Defend Yourself!

We live in a country with a strong textile industry and it is becoming essential to increase the competitiveness of textile companies and to raise the profile of the designers who work with them.

The Portuguese textile industry traditionally known for its cheap labour has, with the support of fashion designers, taken a significant qualitative leap onto international catwalks and this has made the designs and styles the target of copies. The appearance of inventions and designs by Portuguese designers opens the way to sustainability not only here in Portugal but also on an international level for this important domestic sector of activity.

The protection of design and innovation is, therefore, becoming more and more important and such protection can only be achieved by putting a stop to imitation of its products, so that the unique and the original is recognised as an intellectual asset. Banning copying for a specific period of time allows those in the business to reap what they have sown, bringing an ever greater incentive to research, create and innovate.

As a result, the concept of fashion law is emerging as a way of protecting the designs and styles of the designers and

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the innovations of the textile industry. The problem of counterfeiting affects not only the designers and producers but also the domestic and international economies.

Fashion is not just the epicentre of the textile and footwear industries. It is also the centre of a great number of other activities that have a connection to it. Every season new designs and styles are presented that are important to the fashion industry. Huge amounts of money are invested in this sector and yet the domestic and international legislation for the protection of a wide range of intellectual property types is rarely used to ensure its protection.

The fashion industry legally employs around 2.7 million people, most of whom are women. The growth in counterfeiting has caused the loss of 270 thousand jobs, including 125 thousand in EU countries. Controlling this type of activity is not easy especially since criminal organisations with international reach may be behind these operations.

The East is the main centre for forgery. The “Chinification” of products has increased to such a degree that the authorities there have started to create tools to defend against it. A growing effort is being made to limit these types of infringements but it is not enough. The risk of copying is ever-present: during the creation of the collection, in computer programs, in technical information, in the manufacture and dyeing and of the textiles. The fight against these practices requires the hiring of teams of specialised lawyers and even the use of private detectives to infiltrate the heart of these organisations in order to show that these copies are being produced and sold illegally.

LEGAL PROTECTION OF FASHION

The legal framework for the multi-

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level protection of fashion through trademarks and patents of the designs and styles is contained in both industrial property (Decree-Law 143/2008 of 25 July, as amended), and also in copyright (Decree-Law 63/85 of 14 March, as amended). These protections are often cumulative and we should not forget, on another level, advertising law and the right of personal portrayal. Neither should we forget that many of these rules form part of unified EU law.

These days the registration of a design/stylel or a trademark or a patent is relatively simple. In Portugal, the INPI (National Institute of Industrial Property) has put a stop to the bureaucracy that existed previously by simplifying the process with its “online trademark” and “online patent” services.

Decree-Law 143/2008 has simplified and improved access to industrial property by individuals and companies and it continues the effort to reduce the time needed to allow the registration of industrial property. A number of formalities which placed an unnecessary burden on those using the industrial property system have been eliminated. A range of simplifications have been introduced that make the industrial property system more accessible and easier to understand for both individuals and companies. New services have been set up with the objective of creating incentives for innovation. Finally, foreign investment is promoted through direct access to the Portuguese industrial property system for those interested in it or for the holders of industrial property rights

regardless of the country in which they are established or domiciled.

With these measures to simplify access to industrial property it is hoped that not only the textile industry but also Portuguese designers will protect their brands, designs/styles and patents, both here in Portugal and abroad.

ESTABLISHMENT OF AN EU OBSERVATORY ON COUNTERFEITING

As pointed out previously, counterfeiting and piracy or other violations of intellectual property rights such as copyright and trademarks, designs or patents are a problem that has been growing in importance. These illegal practices have had a devastating effect on the economy, in particular, on the creation of jobs and on our health and safety. In April 2009, the block formed by the 27 countries of the EU strengthened its position against counterfeiting and set up the European Observatory on Counterfeiting and Piracy.

The structure of the Observatory will be light and flexible and each Member State of the EU will have a representative with close ties to the private sector.

The Observatory will provide a forum

for debates between the members of the European Parliament, the Member States, companies, specialists in intellectual property rights, researchers and enforcement authorities, executive bodies in order to analyse problems in a practical way. As a result, it is intended to be a recognised source of know-how on counterfeiting and piracy and a central resource for a better and more efficient application of the law.

The Observatory will provide a stimulus for the fight against counterfeiting and piracy by gathering information and by fostering improved communication between the enforcement authorities which should explore and spread successful strategies from the private sector. Finally, it has the objective of raising public awareness. In many cases consumers are often not aware that when they buy a fake product there is a good chance that at least part of the money will go to organised crime or child labour.

AN INTELLECTUAL PROPERTY COURT

On 23 April 2010, the Council of Ministers gave general approval to a bill for the creation of an Intellectual Property Court.

This measure is aimed at ensuring a better redistribution of cases so as to

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reduce the number of cases pending in the commercial courts.

This means that the Industrial Property Code will be altered to change the court that has jurisdiction to hear matters related to industrial property. This will amount to an important strengthening of preventive activity in the fight against counterfeiting, since the business of counterfeiting is undertaken with growing spontaneity and often without the knowledge that a crime is being committed.

If we wish to solve the problems of counterfeiting, we have to attack the "world of the fake". If we do not, the consequences for the textile and fashion industries will be catastrophic. The solution lies in action by the new Intellectual Property Court as well as in the involvement and commitment of lawyers and other agents who specialise in this area of the law.



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Counterfeiting and Customs-related Problems

1. The range of harmful effects associated with counterfeiting and piracy is vast and its real impact on economic development is highly significant.

The infringement of intellectual property rights immediately amounts to a non-tariff commercial barrier. This barrier makes access to markets in countries that are victims of counterfeiting more difficult, if not impossible, for companies from other countries (or even from the country

itself) that hold intellectual property rights. This is particularly so in the case of small and medium-sized companies that have limited economic and financial resources.

Counterfeiting and piracy have very serious consequences for all socio-economic systems, both inside and outside the EU. They make innovation less attractive and so they put a brake on public and private investment and on technical and scientific research. This has harmful effects on economic

development and more concretely on the job market, especially for those who are more highly-qualified.

Counterfeiting and piracy are also powerful allies for the "parallel economy". They contribute to the appearance and development of an underground economic system which runs parallel to the legal system and is usually under the control of organised crime.

The phenomena of counterfeiting and

INTELLECTUAL PROPERTY

piracy also have repercussions in terms of consumer protection. The quality of products is at issue and this can also amount to a serious risk to public health and consumer safety when we are dealing with sensitive products, the greatest example of which is medicines. So it is understandable that the crack-down is far more severe when the counterfeiting of products that have a direct impact on public health is at issue.

Finally, counterfeiting and piracy, can lead to serious environmental damage. In addition to the failure to respect the standards of quality of the copied products themselves, at times the manufacturing processes do not respect the applicable environmental regulations. And in the final phase of the economic cycle, the disposal of counterfeit products may have environmental costs far higher than those of the products that were copied, because, in many cases, they were manufactured with inappropriate materials.

All this means that the system for punishing counterfeiting and piracy must be constructed so as to not only deprive those responsible for selling these goods of the economic benefits of their operation, but also to punish them with criminal or administrative sanctions. The objective of this is to provide an effect deterrent to repeating their infringements.

In Portugal in 2009, a total of 10 610 627 counterfeit items were seized. Of these items, around 33% came from the pharmaceutical sector, 30% from the textile sector and 14% was made up of electronic equipment.

2. In the Portuguese legal system it is the Directorate-General of Customs and Excise (DGAIEC) which has the jurisdiction to “exercise control over the external border of the European Union and over domestic customs territory, for tax and economic purposes and for the protection of society”.

Circular 91/2004 of 13 September from the Directorate-General of Customs and Excise is the most recent administrative instruction on the issue. It seeks to summarise and clarify the way the procedures provided for by Council Regulation (EC) 1383/2003 of 22 July work.

Decree-Law 28/84 of 20 January, as amended, on anti-economic offences and offences against public health, makes provision for the crime of fraud in relation to goods. This is a “public crime” meaning it does not require a complaint by any individual for the public prosecutor to proceed and it punishes anyone who circulates counterfeit goods or pirated goods of a different nature or of quality and quantity inferior to those they claim or appear to have. This piece of legislation also provides, as additional applicable sanctions, that the goods seized may be destroyed or declared as a loss in favour of the Exchequer.

Even more specific is the Industrial Property Code (known as the CPI and approved by Decree-Law 36/2003 of 5 March). Under Section III on infringements, the Code gives the customs authorities the power to take customs action to hold back or suspend the customs clearance of the goods which present signs of an infringement under the Code. The

Industrial Property Code also covers a multiplicity of crimes and offences. The one which stands out is the crime of sale, circulation or concealment of products or articles, where the person who sells, circulates or conceals has knowledge of the situation. It should be noted that all the crimes provided for Industrial Property Code are “semi-public” in nature, which means the injured party must make a complaint before the public prosecutor can proceed. Finally, it is important to note that this Code also makes provision for appropriate injunctions to be issued to prevent any imminent infringement or to put a stop to an existing infringement of industrial property rights.

3. What direction should the fight against counterfeiting and piracy take in the future?

In the light of the transnational dimension of this phenomenon and the continuing improvements in the techniques used by the infringers to escape customs controls, it seems to be of the utmost importance to create networks of operational contacts between the customs authorities and other public bodies on the one hand, and companies and business associations on the other hand, with a view to obtaining up to date information on new counterfeiting and piracy practices.

On the EU level, it seems indispensable that even greater levels of cooperation between the Member States be reached so that the respective customs authorities that manage the common exterior border can establish themselves as the EU’s “fighting force” in this battle.



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An anti-counterfeiting group operating on a national level was recently created by Ministerial Order 882/2010 of 10 September. The role of this group, which has multidisciplinary jurisdiction, is to take joint action with a view to prevent and suppress counterfeiting. The group brings together six bodies including the Food and Economic Safety Authority, the Directorate-General of Customs and Excise, the National Republican

Guard, the National Institute of Intellectual Property, the Judicial Police and the Public Safety Police and also has a view to facilitating cross-border cooperation.

And, as always, it has become important not to lose sight of a fair balance between enabling international trade and the fight against this type of fraud.

Guard, the National Institute of Intellectual Property, the Judicial Police and the Public Safety Police and also has a view to facilitating cross-border cooperation.

The Defence of Intellectual Property

This year we celebrate the 300th anniversary of the Statute of Anne, originally entitled “An Act for the Encouragement of Learning, by Vesting the Copies of Printed Books in the Authors or Purchasers of such Copies, during the Times therein mentioned”. This Statute is recognised by many as being the first law for the protection of intellectual property as it is now understood, granting to authors as it did the exclusive right to reproduce their literary creations.

After years of judicial neglect and concealed remoteness from the European judicial scene, today in Portugal we find ourselves faced with a framework of legal rules that allows more effective protection of copyright.

We are speaking of the changes introduced by Law 16/2008 of 1 April which transposes Directive 2004/48/CE, of the European Parliament and Council of 29 April 2004, known as the “Enforcement Directive”, into Portuguese law.

Alongside the means for the defence of intellectual property that already existed, a set of protective measures especially designed for the speedy and efficient protection of holders of copyright have emerged in the administrative, civil, criminal and arbitral areas.



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Now that two years have passed since Law 16/2008 of 1 April came into force, we can say from personal experience, in the light of the judicial successes we have achieved in more than 95% of the innumerable cases brought, that we are moving inexorably towards a greater respect for copyright. This has been a difficult journey involving public awareness, dissuasion of the practice of acts that infringe copyright and punishment in cases where these rights are infringed, in a joint effort with those working in the administration of justice, the courts, legal agents and lawyers.

In fact, we have had a front row seat for the speedy implementation by the Portuguese Courts of the preventive measures required under the new wording of the Code for Copyright and Associated Rights (known as the CDADC). This implementation has had excellent results in respect of the prevention of infringement of copyright by offenders, the gathering of evidence of such infringements and as a deterrent to new infringements in this field.

In terms of concrete action, the CDADC provides for the adoption of preventive measures aimed at ensuring the preservation of evidence and providing detailed information on the origin and distribution networks for the goods and services involved in the infringement in question. The CDADC also makes



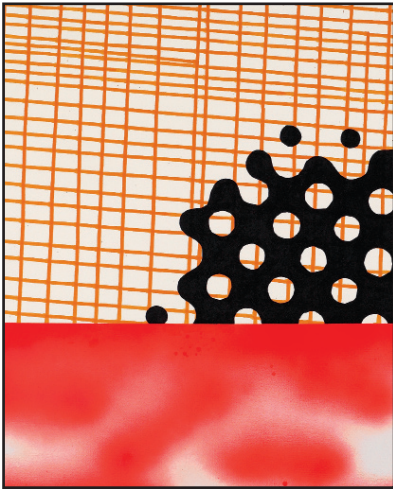
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provision for putting an end to the infringement of an existing right, for the prevention of an imminent infringement and also for measures aimed at maintaining the guarantee of the possibility of compensation/damages for the holder of the rights infringed or about to be infringed, through the seizure of real or personal property including bank balances.

However, the application of such preventive measures depends on the procedural steps taken by the interested parties. It falls to these parties to demonstrate the pre-existence of a valid copyright or associated right (or of a private industrial property right) and the occurrence of an infringement by a third party or the well-grounded fear of an imminent infringement. Only in cases in which the court is asked to order the preventive measure without giving notice to the offending party, the applicant must also show the real probability of serious harm that is difficult to remedy and is caused by the anticipated slowness of the court proceedings (known as *periculum in mora*).

There is, therefore, a clear difference in the requirements that must be met for a “normal” preventive order - as defined in the Portuguese Civil Code - to be made, and for a preventive order under the CDADC. In the latter case, the requirements are far less demanding.

INTELLECTUAL PROPERTY



As above, the CDADC has also made it possible for courts called upon to consider the issue to order injunctive relief in respect of existing or imminent infringements. Such relief may include a temporary injunction on the exercise of specific activities or professions, the withdrawal of the right to take part in fairs or markets or even the temporary or permanent closure of any establishment

connected to the infringement in question.

Additionally, specific provision is also made to give the court the power (which we understand in practice to mean “power/duty”) to order the offending party to pay a compulsory fine for each day the infringement identified continues or for new infringements.

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The aim of this provision is to ensure that the courts’ preventive orders are respected.

In this encouraging scenario, it only remains for us to call upon all those involved in the administration of justice to continue to work towards the protection of intellectual property.



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Damages in Intellectual Property

Copyright is a law of the courts. One of the best examples of this is the issue of damages which is not only complex in copyright, but also in other branches of intellectual property. Among the innovative aspects of Law 16/2008 of 1 April is the establishment of a totally new framework for damages. Those familiar with the courts know very well that when it came to offences against intellectual property assets in Portugal, crime actually did pay. At the end of years and years of procedural battles, when the decision finally arrived, two or three hurried lines were reserved for the issue of damages and restitution for the infringement, sometimes accompanied by a few strange “calculations” in which the rights holder almost always came

out the loser. As is obvious, with the laws and practices that Portugal had until around two years ago, it would be impossible to believe you were in a knowledge society or one that promotes culture. It is obvious that it is not easy to calculate losses in this area, where for example we have even witnessed an ongoing undervaluation of works protected by copyright. But this is also a political question. If we wish to have a coherent policy of promotion of innovation and culture, we must defend the designers and inventors and develop a legal and practical framework in which there is both restitution and also punishment for infringements. Both these options are now contained in recent supranational instruments such

as the TRIPS agreement of 15 April 1994 (art. 45) and the European Union “Enforcement Directive” (2004/48) which was transposed into Portuguese law by Law 16/2008 of 1 April.

This directive, which is the source of our law, opened up the first crack in the usual terms under which damages were awarded even in IP cases. In fact, in allowing consideration of the profits made by the infringer in establishing the damages for the injured party, the EU legislator changed the way in which damages are calculated. This means that the injured party is not merely awarded damages which put them back into the position they were in prior to the infringement. Damages in civil



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liability also have a role as a deterrent and a punishment as Adelaide Menezes Leitão observes (in *The Protection of Intellectual Property Rights in Directive 2004/48/CE, Information Society Law, Volume VII, page.194*). Since copyright suffers from “profit-making offences”, it is the ideal area to benefit from this new type of damages.

However, there are domestic precedents or precursors for this new type of damages in IP in Portugal. One example relates to the revenue from shows that are put on illegally. These cases involve the calculation of damages for the injured author under the previous version of article 211 of the Code for Copyright and Associated Rights (known as the CDADC), the punitive damages provided for in the distance contracts law and the improper use of the compulsory financial penalty in practice, often making up for the absence of punitive damages that our current law now apparently wishes to address. As is obvious, it falls to the injured party to bring sufficiently detailed evidence to the court. The greater the detail, the easier it will be for the courts to give judgment. However, in adapting their decisions, the courts must take certain principles into consideration and one of these, perhaps the most important, is the principle that the infringer must not retain any illegal profit. This choice, made by the Portuguese legislator in the wake of the directive, takes form in the new wording of article 211 of the

CDADC, in particular in no. 6 of that article (and also in article 338-L of the Industrial Property Code). How should we interpret this new provision which suggests cumulative criteria to the judge? The Digital Millennium Copyright Act contains a set of guidelines for the interpreter to determine a level of compensation he or she considers fair and which amounts to a deterrent to further infringements. Article 211 (6), with its obvious punitive tendency, provides guides to interpretation. We are not certain that without them the criteria would accumulate in the courts in practice, as it is certain that here we would always have a “natural” cumulation, the seizure of undue profits and the usual damages.

The important judgment of the Oporto Court of Appeal on 27.11.2009, given in case number 6702/08-2, proves that the new provision in article 211 (6) has been understood by the courts. Besides, in his public statements, the President of the Supreme Court of Justice has for a long time openly defended the inclusion of the idea of punitive damages in the law. The important study by High Court judge António Abrantes Galdes, *Damages for Infringements of Intellectual Property Rights* presented in the specialisation course on Themes of Jurisdiction of the Commercial Courts that took place at the Centre for Judicial Studies on 31 May of this year should also be noted.