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How to claim damages for IP violations

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Mexico

How to claim damages for IP violations

The Mexican Institute of Industrial Property (MIIP) is the body responsible for determining whether an IP infringement has taken place. It issues such a determination after the conclusion of an administrative proceeding, which is prosecuted in the same way as a full trial. These administrative proceedings are governed by the Industrial Property Law, which also establishes penalties for those found guilty of infringement – penalties range from a fine or an administrative arrest to the permanent closure of the infringer's business.

According to the law, a common infringement action proceeding is initiated when the IP rights holder files an initial brief before the MIIP alleging an infringement and enclosing evidence of this.

Once the MIIP admits the claim, it notifies the alleged infringer. If requested in the brief, the MIIP may also carry out an inspection visit to the alleged infringer's premises. The alleged infringer is then granted a short term in which to file its response.

Following admission of the response, the MIIP requires both parties to file final pleadings. The MIIP will then render its final decision. If it finds that an infringement to an IP right was proved in the proceeding, it will impose an administrative penalty on the infringer (ie, a fine, an administrative arrest or the temporary/permanent closure of the infringer's business)

Additionally, the law establishes that the rights holder is entitled to claim appropriate compensatory damages under civil legislation by filing an independent action before a civil court. Compensation for material damages will be at least 40 per cent of the sale price of each infringing product or service offered and sold by the infringer. However, the law fails to state when a rights holder should file the civil action to obtain compensatory damages.

When to claim?

The lack of regulation establishing the proper time at which to file a civil action to claim damages has resulted in confusion among rights holders; some rights holders

have initiated civil actions to claim for damages before obtaining a decision from the MIIP as to whether infringement has even taken place, as well as after the issuance of an infringement action decision.

As a consequence of this lack of regulation, in 2004 the Supreme Court issued a criterion in Case 31/2003 stating that rights holders must wait until the administrative instance of litigation is definitively decided (ie, the MIIP has issued a declaration of infringement) before they may initiate a civil action to claim damages from the infringer.

This decision was supported by the Supreme Court of Justice, which argued that civil courts are not IP specialists and are thus not capable of determining whether a violation of an industrial property right has taken place. Such courts are competent only to apply civil legislation. The law clearly appoints the MIIP as the expert administrative authority that is entitled to study and prosecute infringements of industrial property rights.

As a consequence of this ruling, it is now clear that rights holders must wait until the administrative instance of litigation is definitively decided by the MIIP and a declaration of infringement is issued, in order to be entitled to initiate a civil action to claim damages from the infringer.

However, despite this ruling confusion remained over whether this criterion applied only to industrial property or whether it also applied to claims for compensation for copyright violations. Case 31/2003, in which the Supreme Court issued this judgment, was a trademark case and trademarks are classified as industrial property under Mexican law. However, cases of copyright infringement are treated differently, especially with regard to civil law.

Copyright and civil law

According to the Copyright Law, copyright infringements must be prosecuted and decided in an administrative proceeding by the MIIP (ie, exactly as must happen for infringements of industrial property rights).

However, even though administrative proceedings

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to determine copyright infringement are decided by the MIIP under, apparently, the same rules as the infringement of industrial property rights, there was a question over whether the criterion issued by the Supreme Court in 2004 applied to cases of copyright violations.

This uncertainty was based on the following:

- Both the Copyright Law and the Civil Code regulate copyrights. However, the Civil Code regulates copyrights as personal properties;
- The Copyright Law expressly contemplates that litigation proceedings for copyright violations might be prosecuted by federal courts under the application of the Copyright Law; and
- Monetary damages for copyright violations must be prosecuted by the federal courts under both the Copyright Law and the Civil Code.

In contrast, cases of industrial property rights are regulated solely by the Industrial Property Law, which states that litigation proceedings must be prosecuted and decided by the MIIP and any compensation must be prosecuted and decided by a civil court.

With regard to case law in this area, civil courts decided to admit and study civil actions that were filed for copyright violations without the prior issuance of an administrative infringement decision from the MIIP. Judges argued that they were entitled to resolve such disputes, as civil legislation establishes that copyrights are considered personal property. Several civil judges maintained that they were perfectly competent to resolve disputes related to compensatory damages for personal property.

Supreme Court clarity

However, a precedent issued by the Supreme Court

of Justice in 2008 has provided some clarity on this issue by stating that in order to request compensatory damages for copyright infringement, rights holders must have in place a prior issuance of an infringement action from the MIIP declaring the existence of a copyright violation. In this case, the Supreme Court applied the same considerations and rules governing obligatory precedents related to violations of industrial property rights (Case 31/2003).

This 2008 precedent was supported by the Supreme Court of Justice, which argued that as is the case with violations of industrial property rights, the civil courts do not specialise in IP matters. The expert in both industrial and intellectual property is the MIIP. The main purpose of the Supreme Court's 2004 criterion was to ensure that civil actions for compensatory damages are heard only after the existence of an infringement has been established; such civil actions are not designed to establish whether an infringement has been committed.

Attending to the purpose of the 2004 criterion, in 2008 the Supreme Court stated that the same conditions apply to actions to obtain compensatory damages for both industrial property rights and copyrights, even though copyrights are related to civil rights. The main purpose of such cases is to narrow the scope of the civil action simply to determining the amount of compensatory damages.

Closing the loophole

However, despite this, the Supreme Court's 2008 criterion is not yet obligatory. As a result, civil judges may still admit and study civil actions for compensatory damages in relation to copyright violations, even without a prior declaration from the MIIP. In such cases, therefore, these civil judges must still analyse whether

the defendant infringed the IP right before determining whether damages occurred as a consequence of this infringement.

As a consequence, there is an urgent need for the federal courts to establish an obligatory precedent to determine when an affected party may request a civil court to determine compensatory damages for copyright infringement, in order to have a precise and efficient system through which an affected party can request compensatory damages for IP violations from the civil courts. This should allow IP rights holders to defend rapidly their interests where their rights are infringed.

It is vital to have a clear set of criteria as to when rights holders can file an action to claim compensation for damages caused by infringement. This is both to:

- encourage rights holders to sue for damages; and
- deter offenders from infringing those rights.

This latter reason is particularly important as under the current regime, rights holders must wait for the conclusion of a lengthy administrative proceeding, which takes at least five years (including the two further instances of appeal), before they can even obtain a final

decision declaring that an infringement has taken place. After that, they must initiate a civil trial, which can take another five years (including two further instances of appeal), before they can hope to receive any compensation for the infringement. Given this, it is not uncommon for rights holders to decide not to bother to seek compensation and sometimes not even to bother initiating and pursuing an infringement action. Of course, this encourages infringers to continue and even increase their unlawful activities.

Currently, proposals are being contemplated that would improve the procedure for claiming damages. Among other things, these proposals suggest bundling the two actions together so that the MIIP would determine not only whether an infringement had taken place, but also what compensatory damages to award for this. It is hoped that rolling the two actions into one would greatly expedite the process, making it easier and faster for rights holders to seek damages for infringement. It remains to be seen whether these proposals will be implemented; it is hoped that such changes will be made soon to IP law in Mexico in order to strengthen the regime for rights holders.



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