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CRIMINAL MEASURES FOR ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS – SANCTIONS IN THE ANDEAN COMMUNITY

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[*] The opinions contained in this document are those of the author and do not necessarily reflect those of the Secretariat or of the Member States of WIPO.

1. ANDEAN COMMUNITY

The Andean Community, previously known as the "Cartagena Agreement"[i], currently comprises four "Member Countries": Bolivia, Colombia, Ecuador and Peru.

These four countries, both jointly and separately, are subject to various intellectual property regulations which both for a general study and one of a more specific nature – as is the case with sanctions against the infringement of intellectual property rights – should be classified in two categories, in accordance with their legal nature and legislative origin.

The first consists of the "Decisions" of the "Commission", approved by this body of the Andean Community, pursuant to the legislative authority granted to it by the Treaty establishing that Organization; these are standards which can be referred to as "community laws"; and the second consists of the laws or legislative decrees approved by Bolivia, Colombia, Ecuador and Peru, in accordance with the standards of their individual domestic laws, i.e. the "national laws" of each one of these countries.

Indeed, as is the case with infringement of intellectual property rights, the community standard does not contain sanctions of a criminal nature, except with regard to the comments we will make subsequently on a provision which does not apply, and similarly it is necessary to note two particular features: firstly, both in terms of the community or supranational nature of the rules issued by the Organization's competent authorities, and in terms of the doctrine and case law of the Andean Tribunal, when we refer to "Decisions" of the Andean Community, it should be noted that we are referring to standards with "specific identity and autonomy"[ii], whose legal value is that of compulsory compliance and direct application in the territory of the Member Countries[iii], these being principles through which the Decisions prevail over the domestic law of each of the countries dealing with the subjects which they regulate; and secondly, in accordance with the provisions of the same Decision, the industrial property subjects which are not regulated by this community standard are governed only by the legal rules established by their own domestic law[iv].

2. COMMUNITY LAWS

The "Commission", as the legislative authority of the then Cartagena Agreement – now the Andean Community –, began its law-making activity on subjects relating to intellectual property, through the approval of the well-known Decision 85 entitled "Common Regime on Industrial Property" which, in different chapters, regulated patents; industrial designs; and marks.

Subsequently, during the process of legislative development in this area Decisions 311 and 313 were approved; Decision 344 was then issued, which added, to the previous chapters, others with provisions on industrial secrets and appellations of origin. Finally, Decision 486 was approved – currently in force – which adds the following chapters: general provisions; layout designs of integrated circuits; commercial slogans; collective marks; certification marks; notices or signs; geographical indications; well known distinctive signs; claims; actions for infringement and unfair competition related to industrial property.

Furthermore, in the period between the approval of Decision 344 and Decision 486, the "Common Regime on Copyright and Related Rights" was incorporated through Decision 351.

With this standard, the Andean Community regulates the scope and subject matter of such protection; the owners of moral and economic rights, the duration and limitation of and exceptions to protection, computer programs and databases; their transfer and assignment of rights; related rights; collective management; competent national offices; procedural aspects; and supplementary provisions.

In particular, this Decision contains a principle which as it standsmay be understood to go beyond the legislative competence of the Community. Article 57 states that the competent national authority may order "(d) criminal sanctions equivalent to those applied to offenses of similar magnitude", i.e. that in these terms it may grant the "competent national authority" the power to order criminal sanctions, while being unaware firstly that these powers are assigned by the national laws to the criminal authorities or judges of the respective Member Countries; and secondly that the "competent national office" is only the "administrative authority responsible for the protection and application of copyright and related rights"[v]; and that therefore it may not exercise judicial functions in criminal cases in any of the Member Countries. Consequently, notwithstanding the prevalent nature of Community law, in this part it does not apply since the administrative assignment granted both by the Community law and national law to the competent national authorities cited may not be extended to criminal jurisdiction and competence which is the sole preserve of national judges, to whom these powers have been assigned in each of the four countries through the domestic laws. Contrary to the above, Article 257 of Decision 486 states, with legal certainty, that: "the Member Countries shall establish procedures and criminal sanctions for the cases of counterfeiting of marks …".

Moreover, within the group of Decisions catalogued in the intellectual property sphere, subsequent to the aforementioned Decisions, the Commission approved Decision 391 which contains the "Common Regime on Access to Genetic Resources". That Decision establishes the definitions of various concepts for their application, the purpose, aims and scope of the Decision, sovereignty over these resources, the access procedure, the contracts additional to the access contract, access limitations, infringements and sanctions, notifications between the Member Countries, the competent national authority, the Andean Committee on Genetic Resources and supplementary provisions.

3. NATIONAL LAWS

Since before the approval of the Decisions in force relating to copyright and industrial property, the Member Countries of the Andean Community have incorporated various laws regulating intellectual property in their individual domestic legislation; some of these laws have been maintained in force with the amendments to which they have been subject subsequent to their being issued.

Thus, in 1909 Bolivia issued the Law on Intellectual Property, the effect of which extended until 1922, when the Law on Copyright was approved, which repealed the previous law. In addition, in 1916 the Law on Industrial Privileges was approved and in 1918 the Law Regulating Marks, various articles of which were amended through the Law on Administrative Decentralization.

Similarly, in 1982 Colombia issued Law No. 23 on Copyright, which was amended in 1993 by Law No. 44.

In 1976, Ecuador approved three laws, the Law on Copyright, the Law on Factory Marks and the Law on Exclusive Patents and Use of Inventions, which were expressly repealed by the 1998 Law on Intellectual Property.

In 1996, Peru issued the Decree Law on Copyright and in the past few years, Law No. 28289-2004 to CombatP iracy, and Anti-Spam Law No. 28493-2005.

4. CRIMINAL SANCTIONS[vi]

In accordance with the Penal Code and the laws in force on the protection of intellectual property rights, the criminal sanctions for infringement of such rights are varied in the Member Countries of the Andean Community, as we will see in the following description given for each of the countries:

4.1. In Bolivia, the Penal Code expressly sanctions the infringement of copyright, including the unlawful use, publication or reproduction of a work with imprisonment of three months to two years; and, with the same penalty, the infringement of invention privilege. In the case of computer-related material, the term of imprisonment is between one and five years and for the unlawful use of computer data it is community service of one year's duration. Furthermore, the Law Regulating Marks stated that for the counterfeiting of marks or secret marks which are used officially, the penalty is imprisonment of three months to one year; and for the sale of counterfeit marks imprisonment is from one to three months. Furthermore, the Law on Industrial Privileges sanctions the falsification of such privileges with imprisonment of six months to two years.

4.2. Similarly, in Colombia the Penal Code establishes the cases of infringement of rights guaranteed by the Law on Copyright and determines the penalty for each of them: the infringement of the author's moral rights is sanctioned by imprisonment ranging between two and five years, while the infringement of economic and related rights is sanctioned by imprisonment of four to eight years. The same Code also provides for a similar term of imprisonment of four to eight years for the usurping of industrial property rights and plant varieties, imprisonment of one to four years for the unlawful use of patents; and imprisonment of two to five years for the infringement of commercial or industrial reserve.

Furthermore, the counterfeiting of the marks which are being used officially is sanctioned by imprisonment of one to five years; and the usurping of such marks and of patents by imprisonment of two to four years. Finally, the penalty for the unlawful use of patents is one to four years, including for each of the cases a fine equivalent to a different number of salaries.

4.3. In Ecuador, the sanctions for infringement of intellectual property rights are established in Chapter III "On Offenses and Penalties" of the Law on Intellectual Property. In accordance with this standard, the penalty is imprisonment of three months to three years in the case of infringement of patents and marks; a similar penalty is imposed for the infringement of commercial and industrial secrets and geographical indications; the sale, import or export of counterfeit goods and the unlawful alteration or reproduction of works; by contrast, the unlawful manufacture or use of labels, stamps or packaging, the illegal reproduction of works or use of codifiers and the failure to comply with precautionary measures is sanctioned by imprisonment of one month to two years; and the sale, import or export of counterfeit goods by imprisonment of three months to three years. In each of these cases, the sanction includes

a fine ranging from 657.22 to 6,572.25 dollars or from 1,314.45 to 13,144.50 dollars according to the subject matter of the infringement.

4.4. In Peru, in accordance with the Penal Code, the infringement of copyright and related rights is sanctioned by different penalties in the form of imprisonment and fines. Thus, the illegal publication of a work is sanctioned by imprisonment of two to four years; illegal dissemination and circulation, two to six years; plagiarism and aggravated forms of commercialization of a work, by imprisonment of four to eight years; and the false authorship or illegal publication of a work, by imprisonment of two to four years. Similarly, the Penal Code establishes sanctions of two to five years' imprisonment for cases of unauthorized manufacture or illegal use of patents and for the illegal use or sale of an industrial design and unlawful use of a mark.

4.5. Having concluded the summary of the various infringements and the sanctions attached to each of them in the different bodies of laws, we consider it appropriate to add the following:

4.5.1. The aforementioned Penal Codes, Laws and Decree Laws of the Member Countries of the Andean Community, through which the various cases or forms of infringement of intellectual property rights and the penalties which have been approved for each of them are established, may contain denominations which are not reproduced exactly in the various cases of infringement, although we should understand that each of them corresponds, in similar conditions, to the same or similar objects. For example, when the standards which characterize an infringement refer in general to copyright infringement, we will assume that this is the infringement of both the moral and economic rights; i.e. those which belong to the author through whom a work has originated, i.e. a matter of "paternity", as well as the economic benefit that may be obtained from the work through the use of any of the mechanisms authorized by the Law, such as the publication, reproduction, dissemination or transfer of rights.

4.5.2. In the Member Countries of the Andean Community with the exception of Bolivia, the infringements committed against the principles established for regulating and protecting intellectual property constitute public action offenses; however, in practical terms relating to judicial litigation, the fact that these infringements are considered to be public action or private action offenses does not lead to considerable variation in the number of criminal cases brought before Public Prosecutor's Offices or the National Judiciaries, since according to the available information, the number of proceedings relating to intellectual property is very minimal in relation to the number of criminal cases registered in the courts of each of the Member Countries. Compared to thousands and thousands of trials or cases that are brought for other kinds of criminal offenses, distinct from intellectual property infringements, there are scarcely a few dozen proceedings brought for the infringement of intellectual property rights. A specific case is that of Ecuador, a country in which while the media informs us that thousands of criminal cases are taking place, pending resolution by the judicial authorities – criminal judges, criminal courts, higher courts and Supreme Court of Justice – in the judiciary document on cases brought recently[vii], we see that in 2006 scarcely 13 cases were recorded, of which a part falls within the remit of the Public Prosecutor's Office and the other within cases brought by private individuals; also in the first half of 2007, along the same lines, only four cases have been recorded; and all of them have been handled through settlement by the different criminal courts.

4.5.3. Furthermore, what appears with greater concern in this area for specific sectors of the community is the case of infringement of intellectual property rights known as "piracy" which includes the manufacture, distribution, sale, installation or use of unauthorized copies of software or computer programs. The various expressions or forms of illegal use of software have been recorded in the countries referred to, with percentages that give real cause for concern and lead to the study of corrective measures or standards and procedures that can be adopted to fight or correct this abnormality, since for reasons of various kinds such illegal use of software has become widespread in our countries, and has given rise to different reactions. While the need to reform the laws containing sanctions by increasing the duration of penalties is supported, and has been the case in Colombia where the maximum penalty is eight years' imprisonment, in other sectors the perception is different since a comparison has been made which, although it may not be real or appropriate, has support among consumers in that it notes the enormous difference in the price of lawful and illegal software, and it is considered that one way to avoid piracy, without prejudice to any illegal reforms that may be made, is to reduce the final price of products to lower levels.

4.5.4. On the other hand, in the criminal field it is concluded that if those affected by the infringement of the rights guaranteed by the principles of intellectual property do not seek timely recourse before the competent authorities by means of a denunciation or accusation requesting proceedings and application of the criminal laws in force because they consider themselves satisfied with their claims merely through the periodic exercise of precautionary measures or the possible application of extrajudicial procedures, this fact does not mean that the characterizing and sanctioning legislation is inappropriate because, in addition, the effectiveness of the standards protecting inventions depends on other factors such as timely and appropriate litigation, and the court decision which must also be appropriate and legally valid.

4.5.5. Finally, we consider that the problems generated by the repeated infringement of intellectual property laws have given room for the consideration in some countries that, in addition to the administrative sanctions to be applied by the "competent national authorities" authorized by the Community law, and the criminal sanctions which may be imposed by the judicial authorities of each of the Member Countries, other supervisory mechanisms should be established with the aid of new provisions and the intervention of other authorities. This is the case for example with the developments in Colombia and Ecuador.

Colombia reformed the Commercial Code through Law 603 of July 27, 2000 and, with reference to the "Management Reports" stated that: "Article 2. The Colombian tax authorities may verify the state of compliance by companies with copyright rules in order to avoid a situation where taxes are evaded through the infringement of such rules"; and Ecuador, through the Inspectorate of Companies, approved a Resolution[viii] which states thatamong the points which the annual reports of companies subject to its supervision must contain, record should be given of the "state of compliance by the company with intellectual property and copyright rules". Since this provision is an additional requirement which must be included in the annual reports of company administrators, failure to comply with it could give result in a situation where the Inspectorate of Companies, as a supervisory authority, may declare *ex officio* or at the request of a party the dissolution of the company in accordance with the relevant Law[ix], without prejudice to the administrative, civil and criminal sanctions to which this omission may give rise.

5. QUESTIONS AND ANSWERS

After transcribing the text of the questions appearing in Section 5 of the Questionnaire, we have given the following responses to each of them:

5.1. What are the comparative prescribed sentencing levels?

- The criminal sanctions for infringement of intellectual property rights are not the same for similar cases in different countries of the Andean Community; while the penalty of longest duration is eight years in Colombia, in accordance with the legal reform approved in 2006, that of least duration is three months to two years in Bolivia.

5.2. Are there minimum sentences and if so, what effect do they have on enforcement, especially delaying tactics by the accused?

- All the criminal sanctions provided for in the national legislation of the four countries of the Andean Community specify a minimum and maximum duration, for the purpose of the judge being able to sanction the party guilty of the infringement with a term of imprisonment within the limits indicated, according to the seriousness of the offense or the value of the allegations raised in the case in relation to the accused parties; all this, subject to the form and conditions established in the respective national laws.

5.3. Are there incentives for an accused to assist the prosecution?

- In the cases known, the proceedings instituted before the Office of the Public Prosecutor appear to be instituted by those affected by the infringement and through the intervention of the Prosecutor; however, it is not noted that such proceedings originate through collaboration or insinuaton of the accused parties themselves.

5.4. Is it possible to prescribe sentencing guidelines, permitting courts under special circumstances to impose lesser sentences?

- In general, criminal courts and judges who are subject in all cases to the merits of an individual set of proceedings are authorized to impose lesser sentences than the maximum established by the Law, starting from the minimum term prescribed by the law for each case of infringement.

5.5. Is there a maximum?

- As stated previously, yes, in domestic legislation there are in fact maximum penalties and also minimum penalties have been established for the different cases of infringement.

5.6. Does it make practical sense to determine the sentence with reference to each infringing item?

- The determination of the sentence with reference to each infringing item or method, i.e. the clear and concrete specification of each item or method in passing sentence is always very useful for the judge; it would even make great practical sense if the countries which form part of the Andean Community, as is the case of Bolivia, Colombia, Ecuador and Peru, had in their national laws a similar reference for each of the forms of infringement of the rights protected by intellectual property.

5.7. Are there circumstances defined that result in increased or additional sanctions depending on the seriousness of the cases of counterfeiting and piracy (e.g. links to organized crime, health risks)?

- A judge may not impose sanctions more serious than those originally established, apart from in cases where owing to aggravating circumstances the Law has provided for a larger penalty, as may be the case with the reoffense of the infringement alleged. The same could happen if the law established a conviction with a penalty of greater seriousness for when the existence of "links with organized crime" are verified. In this regard, both the Penal Code and the Law on Industrial Property establish various kinds of aggravating circumstances. The Law on Industrial Property specifies such circumstances as preparation of the infringement; harm caused to health; and infringements relating to unpublished works.

5.8. Can legislation dealing with organized crime (such as asset forfeiture) be used in appropriate circumstances in this context?

- In the legislation that has been studied, there is no express reference to the relationship of those infringing intellectual property rights with "organized crime"; however, it should be concluded that any abnormal conduct by an accused person may influence the judge's final decision.

The confiscation and seizure of assets is provided for in the following bodies of law: in Colombia goods unlawfully reproduced may be seized and returned to the copyright owner, together with a criminal sentence (Article 236, Law on Copyright); and in Peru copies of unlawful origin and the devices used for the commission of the crime may be seized and handed over to the owners of the rights harmed, in the case of a guilty verdict (Article 224, Penal Code).

5.9. How is criminal responsibility of legal entities being dealt with, and which sanctions are available in that respect?

- In cases where accused persons are the legal representatives of a legal entity, it is they who by virtue of such representation would be responsible in civil and administrative terms, while criminal responsibility could be attributable to natural persons through their own acts or omissions, if they are the authors of a particular act infringing intellectual property rights. In addition, as we have said previously, in the case of companies and in a sphere other than the criminal field, we note that in accordance with the domestic laws of Ecuador, the failure of legal entities to observe the provision of including, in compliance reports, details relating to domestic intellectual property laws could result in the company being dissolved, without prejudice to other sanctions provided for in the respective national legislation and subject to the relevant procedures for each of them.

5.10. Plea agreements (plea bargains) and out-of-court settlements of criminal cases?

- In cases involving infringement of intellectual property rights, agreements may exist between the accuser and the accused, as in fact they do, both within and outside the judicial sphere, especially during the exercise of precautionary measures. For example, in Bolivia Article 71 of Law 1322 on Copyright states: "An administrative conciliation and arbitration procedure shall be established by mutual agreement between the parties prior to the ordinary hearing, under the supervision of the National Directorate of Copyright in order to resolve

civil disputes relating to the subject matter of this Law".

- In general terms, in criminal matters the person making the denunciation or accusation may desist from taking action for any reason, be it of his own volition or as a result of conditions agreed with the accused party, in the same way as may happen and does happen in any other proceedings placed before the competent judicial authorities.

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[i] CODE OF THE ANDEAN COMMUNITY, Galo Pico Mantilla, Quito, 2004, page 7, Introduction. *www.eumed.net/libros/2006c/196/index.htm*

[ii] ANDEAN CASE LAW, Galo Pico Mantilla, Court of Justice of the Cartagena Agreement, Quito, 1990, page 34ff.

[iii] Articles 2 and 3 of the Treaty establishing the Court of Justice of the Andean Community.

[iv] Article 276 of Decision 486 of the Commission of the Andean Community.

[v] Article 3 of Decision 351 of the Commission of the Andean Community.

[vi] Annex: "Criminal Sanctions in the Andean Community".

[vii] Annex: 2006-2007.

[viii] Resolution 04.Q.I.J.001, R.O 289 of March 10, 2004.

[ix] Article 369 of the Companies Law.

December 9, 2007

[Annexes follow]