

Trademark Litigation 2020



Panama

MORAN IP

Hugo Moran R

WTR[™]

A Global Guide

M O (R) A N I P

Attorneys at Law

We believe in brands...

PH Prime 507, Office 7.5, Santa Maria Business District,
Panama city, Republic of Panama.

T. (507) 308-0330 | (507) 308 308-0331.

www.moranip.com

trademark@moranip.com | brandprotection@moranip.com



Author
Hugo Moran R

Legislative framework and causes of action

In Panama, the following laws regulate different trademark litigation cases:

- Law 35 Regarding Industrial Property (10 May 1996), modified by Law 61, known as the Industrial Property Law (5 October 2012);
- Law 45 Regarding the Consumer's Defence and Protection of Competition (31 October 2007);
- Executive Decree 85 (4 July 2017), which governs Law 35 (10 May 1996), modified by Law 61 (5 October 2012);
- Executive Decree 123 (26 November 1996), which rules customs measures, modified by Executive Decree 466 (20 October 2015);
- the Criminal Code; and
- the Criminal Procedure Code.

Criminal action

Panama has a service economy, which revolves around the maritime, port and logistics sectors. Panama is a multi-modal logistics hub as a result of:

- its geographical position;
- the expansion of the Panama Canal;

- the Colon Free Zone (the largest trade zone in the Western Hemisphere and the second largest trade zone globally);
- its services of aggregate value;
- the digital platform; and
- its auxiliary maritime services.

These activities have been classified as state matters in the National Logistics Strategy of Panama 2030, a document issued by the Logistics Cabinet. Such activities have turned Panama into a country of transit for all kinds of merchandise. When it comes to counterfeits, imitations or brand adulterations, the most effective and economic action for brand owners is criminal action. The Criminal Code has classified as criminal actions the manufacture and sale of products that infringe brands, as well as the circulation, import, export and transit of products with counterfeited, imitated or altered brands. Article 268 of the Criminal Code (classified in Title VII: Crimes Against the Economic Order; Chapter IV: Crimes Against Intellectual Property Rights; and Section 2: Crimes Against Industrial Property Rights) defines such infringing conduct as follows:

Article 268: The person that counterfeits, alters or imitates a brand, a commercial name or an expression or sign of advertising will be punished with four to six months of prison.

The same punishment will be applied to those who commercialise or puts in circulation or imports or exports a product, or the same is in transit in the country or offers or provides services with an imitated, altered or counterfeited brand.

Criminal action does not require a private action (eg, a criminal complaint against an individual), because the law establishes that this kind of crime is prosecutable at the initiative of the court or prosecutor. In this way, the simple filing of the written or anonymous complaint forces the Prosecutor's Office to begin an investigation and conduct the necessary action to prosecute the individual responsible for the IP crime.

Alternative dispute resolution

According to the Criminal Procedure Code, the criminal judge is obliged to invite the parties to resolve their disputes through alternative dispute resolution. As such, Panamanian law establishes the following alternative dispute resolutions:

- withdrawal of criminal action;
- mediation and conciliation;
- prosecutorial discretion; and
- plea bargains.

Litigation venue and format

Investigations into crimes against industrial property rights are carried out by the Superior Prosecutor's Office Specialised in Crimes against Intellectual Property Rights and Computer Security.

The Accusatorial Criminal System became effective in Panama on 2 September 2016. This new system has implemented effective and rapid criminal action. The jurisdictional entities in charge of supervising the actions of the Prosecutor's Office and deciding the criminal complaints are the guarantee judges, the trial courts and the appeal courts.

The Prosecutor's Office is in charge of conducting investigations in order to prove

the existence of the acts that are punishable by law and the authors of those acts. The Prosecutor's Office receives support from the Intellectual Property Crimes Division of the Judicial Investigation Directorate and the Special Unit of Sensitive Information, which form part of the National Police. At any time during the investigation, the divisions of investigation can be authorised by the Prosecutor's Office to carry out investigation activities (eg, surveillance, follow up and controlled purchases), which will ensure the effectiveness of the criminal action. Once the Prosecutor's Office has gathered sufficient evidence regarding the crime, it will formulate the accusation before the guarantee judge and the accused parties will be informed of the development of the investigation against them. After the formulation of the accusation, the Prosecutor's Office has six months to conclude the investigation.

Once the investigation is complete, the oral trial begins before the trial court. The Prosecutor's Office must defend or justify its accusation against the infringing party before the trial court. Once the accusation stage concludes, the parties present their theory about the case, look at the evidence that they consider appropriate and finalise their allegations. Once the allegation stage is over, the judges will deliberate, without interruption, until they issue a sentence.

Administrative action regarding border measures for brand infringement is under the competence of the Customs National Authority.

The applicable procedure is as follows:

- Once the merchandise is seized at the port, the authority will notify the brand owner within five days to inform them about the retention.
- The brand owner can request samples of the seized products.
- If the product infringes the brand owner's rights, the brand owner must file a written opposition against the transit of the merchandise within five days following the delivery of the samples.
- The authority must conduct an inventory and appraisal of the infringing merchandise (ie, the cost, insurance and freight value) and fix the bond amount that must be consigned by the brand owner for possible damages.



The Criminal Procedural Code contemplates the remedy action necessary to repair damages caused by the crime of the infringing party which must be defended by the brand owner

- The bond amount is fixed at 1% of the appraisal of the merchandise retained. The bond will be returned to the owner three months after its consignment if the importer or consignee of the infringing merchandise files a claim for damages.
- Once the brand owner consigns the bond, the administrative authority must send the file to the Prosecutor's Office and put the seized merchandise under its care in order to begin an investigation into a crime against IP rights.

Damages and remedies

The Criminal Procedural Code contemplates the remedy action necessary to repair damages caused by the crime of the infringing party which must be defended by the brand owner.

The sentence issued by the trial court only admits the annulment appeal.

For the calculation of indemnity for damages, the Industrial Property Law, at the discretion of the brand owner, establishes the following criteria:

- the benefits that the brand owner could have foreseeably obtained if the infringement had not occurred;
- the benefits obtained by the infringing party as a result of the infringing acts;
- the price that the infringing party would have paid to the brand owner if there had been a contractual licence, taking into account the commercial value of the infringing merchandise and the contractual licences already granted;
- the value, without authorisation, of the manufactured products on the illicit market; and
- any other measures of legal value filed by the brand owner.

The parties may file an appeal against the first-instance sentences, which will be decided by the Superior Court of Justice. The decision terminating the second instance allows for an appeal.

Penalties

The judge may impose the following penalties on infringers:

- a fine of between \$10,000 and \$200,000, applicable to infringers, accomplices and persons who cover up the crimes:
 - in the event of recidivism, the penalty may be four times the maximum fine imposed; and
 - in the case of companies operating in the Colon Free Zone or free trade zones existing in Panama, the applicable fine will be equivalent to 25% of the monthly commercial activity of the company – the fine will never be less than \$75,000;
- a suspension of the right to trade or exploit the industry for a three-month period – in case of recidivism, the penalty will be applied for a one-year period;
- a suspension for three months or cancellation of the operation permit granted by the Colon Free Zone Administration – in case of recidivism, the penalty will be applied for a one-year period; and
- the destruction of counterfeit products, unless the brand owner consents to donation following the removal of the illegally adhered brand. Likewise, the court will order the destruction of machinery used for the infringement of the brand right.

Precautionary measures

The judge may order the following precautionary measures to ensure the effectiveness of enforcement of the sentence:

- an immediate end to the infringing acts;

- retention of infringing products, or materials or implements intended to be used in the infringement (including documents related to the infringement);
- suspension of the import or export of infringing products;
- suspension of the operation permit granted by the Colon Free Zone, free zone or processing zone for the existing export in Panama – such suspension will be lifted by consignment by the infringer of a bank, monetary or insurance bond or public debt securities of the state, while the bond amount will be proportional to the estimated damage caused; and
- retention of infringing goods that are in customs formalities or in transit to any part of the national territory.

The judge that orders precautionary measures will order the consignment of a bond to guarantee compensation for damages. The bond amount must not exceed 50% of the appraisal of the merchandise. In the practice, bonds are fixed at between 20% and 30%.

Providing information

The judge may, by an independent motion or at the request of the brand owner, order the infringer to provide any information in their possession concerning any person involved in any aspect of the infringement and regarding the means of production or distribution channels of the infringing goods, as well as the identification of third parties involved in their production and distribution channels. This information must be available to the brand owner, maintaining the confidentiality of intimate or sensitive data that is irrelevant to clarifying the issues in litigation and which may not be disclosed. If the infringer refuses to provide the requested information, the judge may punish them for contempt of court.

Reimbursement of an attorneys' fees

In cases of trademark counterfeiting proceedings, the judge can, at the conclusion of proceedings, order that the winning party be paid reasonable court costs and attorneys' fees.

Evidencing the case

Brand owners have the right to participate in a criminal action as victims or plaintiffs.

During the investigation phase before the Prosecutor's Office, the Industrial Property Law establishes the legal figure of the intervening party, in which the brand owner may actively participate, filing expert evidence and testimonies. Brand owners must assist the Prosecutor's Office in proving the crime. Fundamental evidence required includes expert analysis of the brand in order to prove whether the product is a counterfeit, imitation or alteration of the original brand. An expert is appointed by the brand owner, who must prove through a certification issued by the brand owner that they are competent to determine whether the product infringes the brand owner's industrial property rights.

During the oral trial, the brand owner can only intervene as a plaintiff in order to adduce evidence.

In cases of civil action for inappropriate use of industrial property rights, the fundamental evidence is the national registration of the infringed brand. It is also necessary to conduct expert analysis of the brand in order to prove the acts of infringement, as well as evidence of use and any other evidence that the owner deems appropriate. To determine the fine that the infringer must pay to the state and the amount of compensation for damages in favour of the brand owner. Jurisprudence has established that the accounting expert evidence is mandatory and must be filed by the brand owner. The judge, by his or her own motion, may also designate accounting experts.

Available defences

The infringer has the right to be guaranteed representation by a competent attorney and to file all evidence and defences established by the Criminal Procedural Code. The infringer can adduce expert opinions or analysis to prove that there is no infringement of the brand owner's industrial property rights, as well as documents and testimonies.

Destruction of infringing products

Once the crime has been accredited, the Criminal Procedural Code allows the brand owner or the Prosecutor's Office to request of the guarantee judge, during any stage of the investigation or proceedings, the destruction of the infringing products where storage is expensive.

Aggravating circumstances of crimes against IP rights

The Criminal Code establishes that imprisonment of between four and six years is applicable to this kind of crime, and will increase by between one third and a half when:

- the event is carried out by a criminal organisation;
- the event is executed by a contractor, partner, employee or ex-employee of the brand owner; and
- the acquired benefit is more than \$50,000.

Where illicit conduct endangers health, the prison term increases from one sixth to one third.

Money laundering

Pursuant to the Criminal Code, crimes against IP rights are considered to be money laundering crimes. The Prosecutor's Office is authorised to request the opening of investigations against those that personally or through another party receive, deposit, negotiate, transfer or convert titles, stocks, assets or financial resources, reasonably foreseeing activities related to crimes against IP rights, with the purpose of hiding, concealing or covering up its illicit origin. The penalty is between five and 12 years' imprisonment.

In practice, the Prosecutor's Office has started money laundering investigations against organisations and organised groups related to the sale of counterfeit products on social networks.

Administrative actions: border measures

In 2019 approximately 7 million containers (at 20 foot equivalent units) arrived at Panamanian ports, of which 80% was cargo in transit with a final destination in another country. The Industrial Property Law grants Customs the right to inspect and retain products that possibly infringe IP rights, regardless of whether they are in process with Customs or in transit to any part of the national territory.

Civil action

The Industrial Property Law establishes the actions that constitute unlawful use of IP rights:

- counterfeiting or tampering in any way with a brand;

- using products, commercial products or services in commercial advertisements or signs that use an identical or substantially similar brand belonging to another party for products or services related to that party;
- using a brand with the evident intention to imitate, under any concept, the registered brand in favour or another party;
- selling, offering for sale or allowing the sale or circulation of articles or services that have counterfeited or used fraudulent brands and that distinguish their commercial establishments using signs, stationery and distinguishing features that have counterfeit or fraudulent brands applied;



Hugo Moran R

Founding partner
hugo@moranip.com

Hugo Moran R is partner at MORAN IP. With more than 20 years' experience, he specialises in brand protection and anti-counterfeiting in Panama and Latin America.

He is a member of the Panama Bar Association, INTA and the International Anti-counterfeiting Coalition. He was recently appointed secretary of Crime Stoppers Panama and is the publisher of *The Panama Anti-counterfeiting Report*.

Mr Moran has been involved in numerous initiatives regarding anti-counterfeiting and intellectual property. In 2018 he supported the negotiations of the IP chapter of the Commercial Treaty with China and in 2019 he contributed to the new regulation in free trade zones to combat illicit trade. He was recently invited by the Panama Customs to discuss modifications to customs measures.

- using an identical or similar brand in such a way that creates confusion with a famous brand in order to identify or commercialise any product or service, or an identical or similar brand that creates confusion with a notorious brand to identify or commercialise products or services according to the group of consumers to which they are addressed;
- using a brand covering whose products or services are similar or identical to another's brand with the sole purpose of destroying or reducing the distinguishing force or commercial value of said brand, causing damage to the brand owner; and
- using without the registered brand owner's authorisation, a domain name, email address, name or designation via electronic means or other similar means used in electronic communication, when it is evident that they are destined to be used in relation to the products or services to which the brand is registered or for related products or services.

The manufacturer, introducer, retailer and all persons that in one way or another would have participated in the commercialisation of the infringement are responsible for the inappropriate use of industrial property rights.

Appeals process

The Law on the Protection of the Consumer and Defence of Competition, created the

Eighth, Ninth and Tenth Circuit Civil Courts of the First Judicial Circuit of Panama, as well as other courts across the rest of the country, as the competent jurisdictional entities of first instance in IP proceedings. In case of appeals, the Third Superior Court of Justice of the First Judicial District of Panama is competent to know the appeals to the sentences issued by the circuit courts.

Once a complaint is admitted, the competent court must notify the defendant, who must answer the complaint within five working days of notification. Once the complaint is answered, a date for the hearing will be fixed in which the parties must adduce and/or present the evidence and counter-evidence that they consider convenient, as well as their final allegations. Once the hearing has concluded, the judge must issue the sentence in first instance. **WTR**



MORAN IP

Prime 507
Office 7.5
Santa Maria Business District
Panama City
Panama

Tel +507 308 0330

Web www.moranip.com