

## Advisory Committee on Enforcement

**Thirteenth Session**  
**Geneva, September 3 to 5, 2018**

### THE INTERFACE OF IP ENFORCEMENT AND COMPETITION LAW

*Contributions prepared by Brazil and Peru*

1. At the twelfth session of the ACE, held from September 4 to 6, 2017, the Committee agreed to consider, at its thirteenth session, among other topics the “exchange of information on national experiences relating to institutional arrangements concerning IP enforcement policies and regimes, including mechanism to resolve IP disputes in a balanced, holistic and effective manner”. Within this framework, this document introduces the contributions of two Member States, Brazil and Peru, on administrative approaches to address the interplay of IP enforcement and competition law.

2. The two contributions discuss the practices of the relevant national competent authorities, the Administrative Council for Economic Defense (CADE) of Brazil and the National Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI) of Peru, in reconciling the objectives of IP laws and competition rules. On the basis of case law examples, the contributions discuss the limitations of unfair competition laws in relation to the exercise of IP rights as well as interventions of competition rules in cases when the IP system is being abused to prevent competitors from entering or remaining in a market. The Brazilian contribution considers the relationship between IP and competition law by reviewing CADE’s approach to balancing these two legal domains in three landmark cases: one dealing with the enforcement of industrial design rights in the automobile parts industry; another representing an instance of sham litigation in the medical drug market; and the final case looking at the implications of IP for competition in the event of a merger between two large companies from the seeds and pesticides market. In addition to discussing a relevant national case, the Peruvian contribution highlights the institutional set-up of INDECOPI as a single administrative authority with competences not only in the area of IP protection but also in unfair competition matters.

3. The contributions are in the following order:

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## THE INTERSECTION BETWEEN INTELLECTUAL PROPERTY RIGHTS AND ANTITRUST LAW IN BRAZIL

*Contribution prepared by Ms. Paula Azevedo, Commissioner, Administrative Council for Economic Defense, Brasilia, Brazil\**

### ABSTRACT

Antitrust law and intellectual property (IP) law must be reconciled in order to achieve common goals such as stimulating economic development, promoting innovation and encouraging competition. However, the interaction between these two areas of law is not always simple and requires a careful balance to ensure that the shared objectives are attained. In the context of the new economy, where innovation, knowledge and IP play a central role in the competition between market players and in defining the limits of the relevant market, there is a growing awareness of the need to balance IP rights and competition rules. The Administrative Council for Economic Defense (CADE), Brazil's competition authority, has been tasked with investigating and deciding cases in which IP rights were exercised in an allegedly abusive manner and, in so doing, has developed a framework for analyzing the intersection between IP rights and competition law.

### I. INTELLECTUAL PROPERTY, COMPETITION AND ANTITRUST

1. Intellectual property (IP) and antitrust law have common objectives: to stimulate economic development, promote innovation and encourage competition. However, they deploy different methods to achieve these objectives, which may seem contradictory at first.
2. Antitrust law stimulates economic development by promoting competition and preventing unlawful monopolies and abuses of dominance and exclusionary practices, whereas IP stimulates innovation by creating exclusive rights, which, in as far as they prevent the use of the protected intangible goods by unauthorized third parties, could be seen as restricting competition.
3. In the past, these two fields of law have often been considered incompatible. However, the debate has since evolved and antitrust and IP laws are now seen as complementary, even though there may be constant tension between these two fields.
4. A dynamic analysis of the market shows that IP is not harmful to competition. Rather, exclusive rights granted under IP laws stimulate competition between undertakings and provide incentives for investments in research and development (R&D). Therefore, a balanced interplay between IP law and antitrust law is necessary to achieve the common goal of economic growth and consumer welfare.

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\* The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

5. This is particularly true in the context of the new economy – understood here as the markets that have transitioned from a manufacturing-based to a digital and knowledge-based economy<sup>1</sup> – where innovation, knowledge and IP play a central role in the competition between market players and in defining the limits of the relevant market. IP and antitrust must coexist side by side and be regarded as equally important, even though on a case-by-case basis, one may outweigh the other. This does not imply, however, that interactions between the two areas of law would always be conflict-free. Since the Brazilian digital and knowledge-based economy is only beginning to take shape, there is growing concern regarding the balance and the weight that will be given to IP considerations by the competition authority and vice-versa.

6. As the following paragraphs show, cases involving abuse of IP in knowledge-based markets (such as agricultural products) and innovation-driven markets (such as auto-parts) have been increasing. Confronted with this reality, it is important to note that an insufficient application of antitrust law in cases of alleged abuse of IP rights may restrain competition, whereas an excessive or overly prescriptive application of antitrust law could have negative effects on innovation. Therefore, antitrust authorities must be conscious of the stakes at hand when dealing with such cases.

7. The task of balancing IP and antitrust law is far from trivial. However, progress in this respect is visible through the growing awareness of the complexity of relevant cases as well as efforts to adequately deal with such complexity. The aim of this paper is to shed some light on how CADE has developed in addressing questions of antitrust law in relation to IP rights.

## **II. INTELLECTUAL PROPERTY UNDER THE BRAZILIAN ANTITRUST LAW**

8. CADE is the Brazilian Antitrust Authority, responsible for competition issues under Law 12.529/2011 (the Antitrust Law). CADE was created in 1994 and is a federal administrative agency of the executive branch. It has jurisdiction over unilateral abuse of dominance, mergers, collusive and exclusionary practices. The law gives CADE jurisdiction over any acts carried out in Brazil and abroad that have actual or potential effects in Brazil (for example, a cartel carried out abroad, with the objective and effect of fixing prices in the Brazilian market). Its decisions are administrative in nature and subject to judicial review.

9. With respect to IP matters, the Antitrust Law stipulates that the exercise of IP rights in an abusive manner constitutes an antitrust violation (Article 36, §3, XIV and XIX). Furthermore, in the context of merger cases, the Law also allows CADE to decide on the compulsory licensing of IP rights in order to mitigate the harmful effects of a proposed transaction (Article 60, §2, V). Therefore, IP-related issues may come under scrutiny in the context of merger filings, as well as investigations into horizontal agreements (such as cartel investigations) or into a potential abuse of a dominant position.

10. In practice, CADE has expressly recognized the possibility that IP rights could be exercised and licensed in an abusive and anticompetitive manner and has already confirmed its jurisdiction over such cases. This jurisdiction, however, is not without limits and does not, for example, give the agency the authority to overrule an IP license that was legally issued by the National Institute of Industrial Property (INPI).

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<sup>1</sup> For more, see Richard Posner, “Antitrust in the New Economy”, *Antitrust Law Journal*, v. 68, 2001, p. 925-944, p. 926.

### III. LANDMARK ANTITRUST CASES INVOLVING IP IN BRAZIL

11. Since 1994, antitrust investigations involving IP have mainly dealt with the abusive exercise of IP rights, sham litigation and tying arrangements<sup>2</sup>. IP rights have also been at the core of certain merger cases<sup>3</sup>.

12. In order to illustrate the intersection between antitrust and IP law, three landmark cases will be summarized below. In the case *Associação Nacional dos Fabricantes de Autopeças (ANFAPE) v Volkswagen do Brasil Indústria de Veículos Ltda., Fiat Automóveis S.A. and Ford Motor Company Brasil Ltda.* (ANFAPE case)<sup>4</sup>, the IP-related issue took place in the automobile parts market and questioned the lawfulness of the industrial design rights enforced by the three greatest automobile assemblers in Brazil. In this case, CADE clearly asserted the limitations of its jurisdiction while, at the same time, highlighting the anticompetitive effects that certain uses of IP rights may have on the market, analyzing in detail the relationship between antitrust law and IP. In the case *Associação Brasileira das Indústrias de Medicamentos Genéricos (Pró-Genéricos) v Eli Lilly do Brasil e Eli Lilly and Company* (Eli Lilly case)<sup>5</sup>, the discussion involved IP-related sham litigation in the medical drug market. Eli Lilly, a worldwide pharmaceutical company, had obtained an unlawful monopoly by filing unreasonable judicial claims and using unreasonable and untruthful enforcement methods. In this case, CADE identified and fined the company for the abuse of IP rights.

13. CADE set out the criteria for identifying sham litigation and emphasized that the practice of sham litigation, when associated with IP, had the potential to cause even more harm to competition. In the case involving *Bayer Aktiengesellschaft and Monsanto Company* (Bayer-Monsanto case)<sup>6</sup>, IP was a central issue in the merger filing. The parties were prominent companies in the seeds and pesticides markets. When approving the operation with restrictions, CADE emphasized the need for remedies that could mitigate the concentration of IP rights held by the companies which would grant them significant market power.

#### A. THE ANFAPE CASE

14. Recently, CADE ended a decade-long investigation into the use of industrial design rights on automobile body parts by original equipment manufacturers (OEMs) in the aftermarket.

15. The ANFAPE case was filed by the National Association of Independent Manufacturers of Automobile Parts (ANFAPE) against OEMs Volkswagen, Fiat and Ford. The plaintiff alleged that the defendants had abused their dominant position and their IP rights in automobile parts market by exercising their industrial design rights in the aftermarket, thereby effectively monopolizing that market. Certain OEMs had filed claims before the judiciary to enforce their IP and preclude the independent manufacturers from marketing auto parts without seeking licenses for the industrial design. ANFAPE argued that the cases filed had the intention of preventing the independent manufacturers from effectively competing in the aftermarket and asserted that the industrial design was restricted to the primary market.

16. CADE held that the Brazilian IP Law (Law 9.279/1996) did not limit the enforcement of industrial design rights to the primary market. As registrations had been obtained lawfully and the means used to enforce the IP rights were reasonable, the OEM's practices could not be

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<sup>2</sup> See the table of cases in the annex to this contribution.

<sup>3</sup> See the table of cases in the annex to this contribution.

<sup>4</sup> Administrative Process 08012.002673/2007-51, decided on February 14, 2018.

<sup>5</sup> Administrative Process 08012.0011508/2007-91, decided on June 18, 2015.

<sup>6</sup> Concentration Act 08700.001097/2017-49, decided on February 7, 2018.

characterized as sham litigation. For this reason, no abuse in the exercise of the IP rights was identified and the case was closed.

17. In principle, CADE stated that the mere existence of industrial design rights, as currently provided under the law, could produce harmful effects to competition in the aftermarket. However, CADE understood that its jurisdiction was restricted to cases in which an abuse of IP rights was identified. Absent such an abuse, any anticompetitive effects arising from the application of the law could only be attributed to the law itself. In these cases, the agency is precluded from taking action since it cannot override the current IP legislation.

18. This case illustrates CADE's balanced approach when addressing the intersection of IP and antitrust law. Bearing in mind this intricate interface and conscious of its own limitations, the agency demonstrated, through the ANFAPE case, that it does not favor antitrust law over IP, but rather that its approach is to examine the legality of the IP enforcement and the effects that this enforcement could have on the market.

## B. THE ELI LILLY CASE

19. In the Eli Lilly Case, the Brazilian Association of Generic Medication Industries filed a complaint against Eli Lilly of Brazil and Eli Lilly and Company, alleging that the defendants had practiced sham litigation by unlawfully enforcing patents in the medical drug market. The plaintiff claimed that the defendants were creating artificial barriers to competition by filing suits against public institutions, such as the INPI, in order to obtain unlawful exclusivity over a medical drug used in cancer treatment.

20. CADE's ruling identified an abuse of IP rights in Eli Lilly's conduct. According to CADE, the claims filed by the defendants fulfilled the three requirements for establishing sham litigation, as developed by case law: (1) implausibility of the claims, (2) provision of erroneous information and (3) unreasonableness of the means used. The agency highlighted the importance of careful scrutiny in sham litigation cases involving IP rights due to the high potential of such cases to cause very harmful effects on competition.

21. CADE addressed the complex interface of antitrust and IP law, noting that even patents lawfully granted by the designated government agencies did not preclude the possibility that these IP rights could be abused in enforcement proceedings.

22. In the Eli Lilly Case, the defendants' patent application had been rejected by INPI. As a result, Eli Lilly had filed several suits against INPI, which led to the suspension of the patent application review by the Office. During the suspension of the review, Eli Lilly requested a modification of the scope of the patent registration to include a pharmaceutical product in addition to the process that had been originally filed. Given that INPI was barred from analyzing the requested modification as a result of a judicial decision, Eli Lilly filed a separate suit on grounds of misleading information, requesting exclusive marketing rights (EMR) over the pharmaceutical product as foreseen by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). Consequently, Eli Lilly's injunction was successful and the company was awarded a temporary EMR for eight months.

23. CADE found the defendants guilty of sham litigation for the following reasons: (i) the suits filed by Eli Lilly were manifestly unreasonable in the sense that they were not credible and had no chance of succeeding, since the patentability of the pharmaceutical product whose IP was being enforced had never been analyzed by INPI; (ii) the defendants omitted relevant information, such as the suspension of the patent review and the modification of the patent scope, from their submissions filed in the judicial suits; and (iii) the means used to enforce the

IP rights were deemed unreasonable since the same claim had been filed in several different courts<sup>7</sup>. The defendants had obtained an unlawful monopoly, harming competition, by filing various judicial claims to avoid the practical effects of the refusal to grant the requested patent in order to obtain EMR.

24. This ruling, in contrast to the ANFAPE case, exemplifies an instance where CADE applied antitrust rules in a case involving the abuse of IP rights. The defendants' conduct in the Eli Lilly case had clearly been abusive and the resulting unlawful monopoly had caused serious harm to competition.

### C. BAYER-MONSANTO CASE

25. In the filing of a merger between Bayer Aktiengesellschaft and Monsanto Company, CADE was tasked with considering IP rights-related issues as they pertained to the sale of goods and tangible assets. The relevant markets in this case were those for seeds and agricultural defensives.

26. In these markets, CADE identified a vertical chain comprised of three stages: biotechnology development; development and reproduction of seed varieties; and commercial production and sale of seeds.

27. CADE highlighted the importance of IP rights in the first stage since traits could be patented. IP also played an important role in the second stage given that the plant developers reproduced and developed new cultivars from the traits<sup>8</sup>.

28. The licensing of IP rights formed the basis for the interaction between these stages. Both Bayer and Monsanto were active in all three stages of the chain, which gave rise to serious antitrust concerns, such as an increase of barriers to entry for new players and market concentration stemming from the IP rights jointly held by Bayer and Monsanto.

29. CADE conditioned its approval of the merger on remedies that addressed the concerns for competition caused by the concentration of IP rights held by the parties. The remedies therefore included an obligation to license certain traits and cultivars held by the companies, in order to mitigate CADE's concerns over the potential effects of the merger on competition.

30. CADE's competence to mandate compulsory licensing of IP rights, envisaged by Article 60, §2, V, of the Law 12.529/2011, reveals another possible way to deal with the interface of IP and antitrust law. In merger control, CADE can intervene in advance and prevent the concentration of economic power generated by IP rights, as well as potential abuse of a dominant position by IP right holders.

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<sup>7</sup> For more information, kindly see Institute of Research on Applied Economics (IPEA) (2011), *Study on the Anti-competitive Enforcement of Intellectual Property Rights – Sham Litigation*, available at: [http://www.wipo.int/export/sites/www/meetings/en/2011/wipo\\_ip\\_ge\\_11/docs/study.pdf](http://www.wipo.int/export/sites/www/meetings/en/2011/wipo_ip_ge_11/docs/study.pdf). The study was presented at the seventh ACE session in 2011.

<sup>8</sup> In Brazil, the registration and protection of cultivars are regulated by Law 9.456/1997.

#### **IV. CONCLUSION**

31. The relationship between antitrust and IP is complex and there are still many issues that need to be addressed by the competent authorities. This is particularly true in the context of the new economy, in which innovation and IP assume a central role in the competition between market players. As new competitive strategies arise, there will be a growing number of antitrust cases involving IP rights.

32. This will certainly be the case at CADE. As new cases emerge, the agency will continue to consolidate and develop its experience in addressing the intersection between antitrust and IP.

33. A framework for addressing IP rights-related issues in the context of antitrust action as well as guidance on the limitations of antitrust law in relation to IP rights has emerged through CADE's case law. The cases reported in this paper are indicative of the path CADE will continue to follow. Bearing in mind its competencies, duties and limitations, CADE understands the intricate interface of antitrust and IP law and is committed to promoting innovation, competition, consumer welfare and economic development.

[Annex follows]

**TABLE OF CASES INVOLVING INTELLECTUAL PROPERTY IN CADE'S JURISPRUDENCE**

## CONCENTRATION CONTROL

1. Case nº 08700.007412/2017-41 – Singenta Crop Protection AG and Nidera BV
2. Case nº 08012.011178/2005-71 – Axalto Holding N.V and Gemplus International S.A.
3. Case nº 08700.001097/2017-49 – Bayer Aktiengesellschaft and Monsanto Company
4. Case nº 08012.004423/2009-18 – Sadia S.A. and Perdigão S.A.
5. Case nº 08012.003997/2003.83 – Monsanto do Brasil Ltda., Fundação Mato Grosso and Enisoja S.A.
6. Case nº 08012.003296/2007-78 – Monsanto do Brasil Ltda. and Brasmax Genética Ltda
7. Case nº 08012.003302/2007-97 – Companhia de Bebidas das Américas (AmBev) and José de Souza Cintra Cintra
8. Case nº 08012.010538/2009-41 – Becton, Dickinson and Company and 3M Company
9. Case nº 08700.005937/2016-61 – The Dow Chemical Company and E.I Du Pont de Nemours and Company
10. Case nº. 08012.001852/2001-86 – Dow Agrosciences LLC and Rohm and Haas Company
11. Case nº 08700.004957/2013-72 – Monsanto do Brasil Ltda. and Bayer S.A.
12. Case nº 08012.008656/2006-47 – Monsanto do Brasil Ltda and Cooperativa Central de Pesquisa Agrícola
13. Case nº 08012.000311/2007-26 – Syngenta Seeds Ltda. and Monsanto do Brasil Ltda
14. Case nº 08012.00233/2007-60 – Datasul S.A., Meya Computer Services Brazil Ltda. and Meya Argentina S.A.
15. Case nº-08700.002763/2014-13 – Dainippon Sumitomo Pharma Company Ltda, Dalichi Sankyo Company Ltda. and Daiichi Sankyo Brasil Farmacêutica Ltda
16. Case nº 08700.006336/2013-23 – Monsanto do Brasil Ltda. and Empresa Brasileira de Pesquisa Agropecuária

17. Case nº 08012.002870/2012-38 – Syngenta Proteção de Cultivos Ltda. and Monsanto do Brasil Ltda
18. Case nº 08012.014701/2007-83 – Datasul S.A and Bonagura Processamento de Dados S.A.
19. Case nº 08700.005547/2013-49 – Syngenta Crop Protection AG and E.I DuPont de Nemours and Company
20. Case nº 08012.008943/2008-19 – Global Cosmetics Brasil Ltd., NY Looks Ltd., Mr. Alexandre de Andrade Romerroad and Hypermarcas S.A.
21. Case nº 08700.009543/2013-30 – Microsoft Corporation and Nokia Corporation
22. Case nº 08700.008655/2014-54 – WF Leblon Participações Ltda. and Simarida Comercial de Modas Ltda
23. Case nº 08700.007955/2014-16 – Brasil Plural Gestão de recursos and Brasil Plural Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

#### CONDUCT CONTROL

1. Case nº 08012.011508/2007-91 – Associação Brasileira das Indústrias de Medicamentos Genéricos (Pró-Genéricos) X Eli Lilly do Brasil e Eli Lilly and Company – Sham Litigation and Forum Shopping
2. Case nº 08012.006377/2010-25 – Associação Brasileira das Indústrias de Medicamentos Genéricos (Pró-Genéricos) X Lundbeck Brasil Ltda e Lundbeck A/S – Sham Litigation (under analysis)
3. Case nº 08012.005335/2002-67 – Editora Nova Atenas Ltda e Ponto da Arte Editora Ltda X Ediouro Publicações S.A. – Abuse of a Dominant Position and Sham Litigation (under analysis)
4. Case nº 08012.002673/2007-51 – Associação Nacional dos Fabricantes de Autopeças (ANFAPE) x Volkswagen do Brasil Indústria de Veículos Ltda., Fiat Automóveis S.A. e Ford Motor Company Brasil Ltda. – Abuse of Industrial Design Rights
5. Case nº 08012.005009/2010-60 – Hbuster São Paulo Indústria e Comércio Ltda. X PST Eletrônica S.A – Abuse of a Dominant Position (under analysis)
6. Case nº 08012.007147/2009-40 – EMS and Germed Farmacêutica Ltda. X Genzyme do Brasil Ltda. and Genzyme Corporation. – Sham Litigation (under analysis)
7. Case nº 08012.000778/2011-52 – CADE X Box 3 Vídeo e Publicidade Ltda. – Sham Litigation and Abuse of a Dominant Position

8. Case nº 08012.001315/2007-21 – Gradiente Eletrônica S.A X Cemaz Indústria Eletrônica da Amazônia S.A. – Abuse of Industrial Design Rights
9. Case nº 08012.005181/2006-37 - Videolar S.A. X KONINKLJKE Philips Eletronics N.V – Abuse of a Dominant Position
10. Case nº 08012.002034/2005-24 – CADE X Microsoft Informática LTDA. – Abuse of a Dominant Position
11. Case nº 08012.004570/2000-50 – Sociedade Brasileira de Instrução (SBI) X Microsoft Informática Ltda
12. Case nº 08012.005727/2006-50 – Alcoa Alumínio S.A X Ministério Público Federal do Estado de Minas Gerais – Sham Litigation and Abuse of Economic Power
13. Case nº 08012.001693/2001-91 – Associação Brasileira das Indústrias de Medicamentos Genéricos (Pró-Genéricos) X AstraZeneca AB e AstraZeneca do Brasil Ltda. – Ring Fencing and Sham Litigation
14. Case nº 08012.011615/2008-08 Cristália Produtos Químicos e Farmacêuticos Ltda. X Abbvie Farmacêutica Ltdae Abbott Laboratories Inc. – Sham Litigation and Abuse of Patent Rights (under analysis)

## INTELLECTUAL PROPERTY AND UNFAIR COMPETITION LAW IN PERU

*Contribution prepared by Mr. Ray Augusto Meloni García, Director, Department of Distinctive Signs, National Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI), Lima, Peru*

### ABSTRACT

This contribution addresses the competences of the National Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI) to receive and resolve specific cases relating to industrial property (trademarks) and unfair competition. The details of a specific case, Lab. Nutrition Corp. S.A.C. vs. José Abraham Villacorta Olano et al., are described to portray INDECOPI's experience in settling disputes in which the industrial property system is misused to prevent competitors from entering or remaining in the market. The legal system in Peru foresees mechanisms to resolve and sanction such cases under unfair competition law and trademark law. The administrative authority for these purposes is vested in INDECOPI through its operational and dispute-resolution bodies, namely the Unfair Competition Monitoring Commission and the Department of Distinctive Signs (DSD).

In the above-mentioned case, the Unfair Competition Monitoring Commission ruled that it was an act contrary to good faith in business practice to register, on one's own initiative, distinctive signs that identified goods manufactured abroad with a view to becoming the sole distributor of these goods in the national market. The Commission therefore levied a fine and referred the evidence to INDECOPI's DSD to take action, as appropriate, in its field of competence in respect of the trademarks involved in the proceedings.

The DSD, for its part: (i) ruled that the various trademark registrations were null and void on the ground that the applicant had acted in bad faith when filing the applications; and (ii) ruled that various actions were inadmissible because they infringed industrial property rights.

### I. INDECOPI RECEIVES AND RESOLVES INDUSTRIAL PROPERTY AND UNFAIR COMPETITION CASES

1. The National Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI) is a specialized technical agency with legal personality under domestic public law and has functional, technical, economic, budgetary and administrative autonomy.

2. INDECOPI operates under the nationwide administrative competence vested in it by the Law on its organization and operations, approved as Legislative Decree No.1033, and the amendment thereto<sup>1</sup>. The Law also vested operational competence in INDECOPI's dispute resolution bodies, namely the Unfair Competition Monitoring Commission and the Commission on Distinctive Signs.

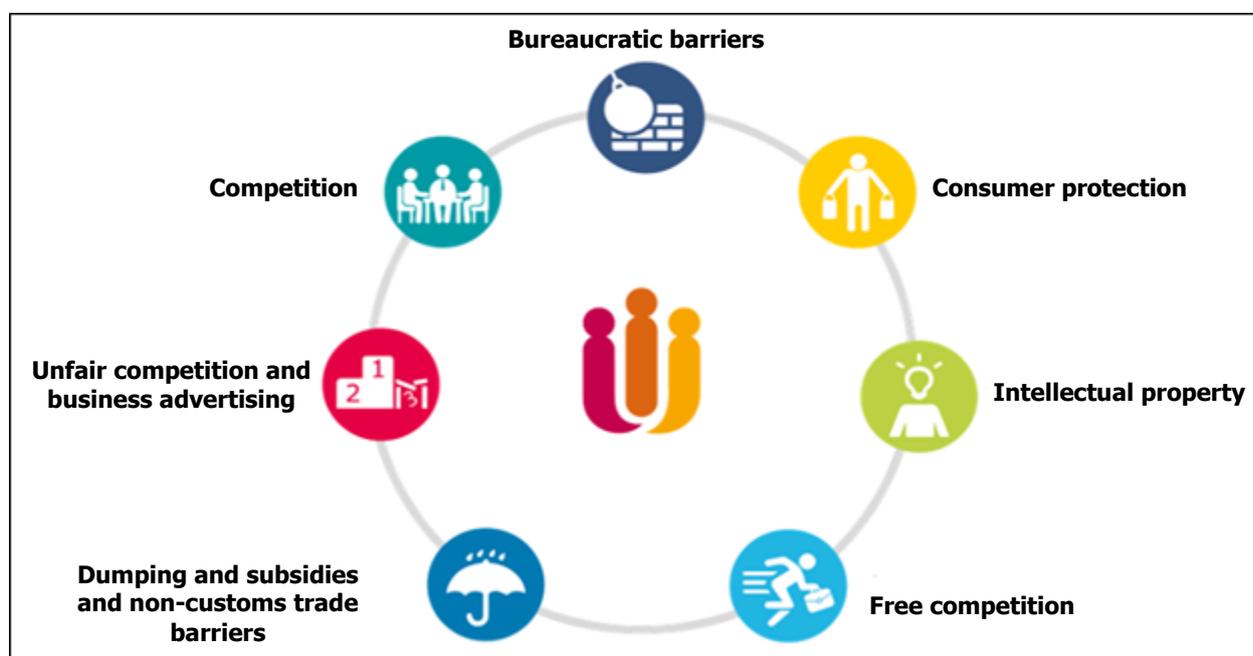
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\* The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

<sup>1</sup> Available on WIPO Lex at: <http://www.wipo.int/wipolex/es/details.jsp?id=6507>.

3. INDECOPI's remit is market promotion and the protection of consumer rights. In addition, it promotes a culture of fair and honest competition in Peru's economy, by protecting all forms of intellectual property (IP), i.e, distinctive signs, copyright and patents.

4. INDECOPI receives and resolves the matters relating to the following areas through its operational bodies:



5. The Unfair Competition Monitoring Commission is the body authorized to implement Legislative Decree No. 1044, the Law on the Suppression of Unfair Competition, which prohibits and sanctions acts of unfair competition and infringements of commercial advertising rules.

6. In that connection, the Final Supplementary Provision Five of the Decree provides for an exception under which consideration of acts of unfair competition involving confusion and undue exploitation of another person's reputation in connection with the granting of IP rights is confined to the related fields of IP, provided that a complaint is filed by the right holder or a duly authorized person<sup>2</sup>.

7. The Department of Distinctive Signs (DSD), for its part, is the body tasked with administering the system of trademark rights for goods or services, trade names, trade slogans and appellations of origin.

8. Through the Commission on Distinctive Signs, it is responsible for, among other things, receiving and resolving, as first-instance administrative body, dispute proceedings related to rights in distinctive signs, namely opposition, cancellation, invalidation and ownership claims.

<sup>2</sup> Final Supplementary Provision Five of the Law on the Suppression of Unfair Competition (Legislative Decree No. 1044) reads: "Acts of unfair competition relating to effects on intellectual property rights. Administrative competence for the application of this Law in determining and sanctioning acts of unfair competition in methods used for acts of confusion and acts of undue exploitation of another person's reputation, which are linked to effects on intellectual property rights, shall be assigned to the corresponding Intellectual Property Commission, in accordance with the special legislation on this subject, and only if the denunciation by a party is submitted by the right owner or by any person authorized to do so thereby". The Law is available on WIPO Lex at: <http://www.wipo.int/wipolex/en/details.jsp?id=6612>.

Moreover, its competence covers proceedings on infringement of industrial property rights and unfair competition in the area of distinctive signs.

9. The DSD applies Andean Community Decision 486 of the Andean Community on a common industrial property system<sup>3</sup>, Andean Community Decision 689 (amending Decision 486)<sup>4</sup> as well as Legislative Decree No.1075<sup>5</sup> and its applicable amendments and regulation.

10. It should be noted that, in accordance with Legislative Decree No. 1044 (Law on the Suppression of Unfair Competition), Article 98 of Legislative Decree No. 1075 provides that claims filed against acts of unfair competition involving confusion and exploitation of another person's reputation and concerning any element of registered industrial property or famous distinctive signs or trade names, both registered and unregistered, fall within the exclusive competence of the national authority with jurisdiction for industrial property, where appropriate, provided that the claims are filed by the owner of the right in question.

11. In performing its functions, INDECOPI may issue general instructions, supervise and monitor economic activities, impose penalties, order precautionary measures, order action and remedial measures, settle disputes and exercise the other powers enshrined in the Law.

## **II. UNDUE IMPAIRMENT OF COMPETITION THROUGH THE INDUSTRIAL PROPERTY SYSTEM AND LEGAL MEANS OF PROTECTION – CASE STUDY**

12. The following paragraphs present case No.138-2008/CCD on unfair competition through the infringement of a general clause (Claimant: Lab. Nutrition Corp. S.A.C.; Defendant: José Abraham Villacorta Olano et al.).

### **A. FACTS OF THE CASE**

13. In the 2000s, vitamins and food supplements identified by trademarks that were owned by US firms which did not have any trade representatives or exclusive distributors in Peru were marketed in Peru. These trademarks were not registered in Peru.

14. That state of affairs was exploited by Mr. Villacorta, who implemented a commercial strategy designed to erect barriers to access by competitors and oust them from the vitamin and food supplement market. The strategy consisted of: (i) repeatedly applying for the registration of known trademarks exploited abroad, without the owners' authorization and (ii) once registration had been granted, taking legal action against all suppliers who imported and marketed goods identified by those trademarks.

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<sup>3</sup> Available on WIPO Lex at: <http://www.wipo.int/wipolex/es/details.jsp?id=9451>.

<sup>4</sup> Available on WIPO Lex at: <http://www.wipo.int/wipolex/es/details.jsp?id=9458>.

<sup>5</sup> Resolution approving the Complementary Provisions to Decision 486 of the Andean Community Commission establishing the Common Regime on Industrial Property, available at: <http://www.wipo.int/wipolex/es/details.jsp?id=6541>.

**Trademarks registered by Mr. José Abraham Villacorta Olando**

<b>Certificate</b>	<b>Title</b>
P00112148	Amino Tech
P00107184	Arginine Ornithine
P00107182	Carnitech
P00107108	<i>Cell Mass*</i>
P00111415	Creatine
P00107296	Dyma Lean
P00107183	Egg Pro Ultra
P00109181	Endorush
P00107180	Hard Fast
P00107181	Hydroburn
P00108565	ISO 100
P00107109	Lean Dessert Protein
P00106650	Massive Whey Gainer
P00107326	Mega Milk
P00108837	Myo Pro Whey
P00128977	<i>No-Xplode*</i>
P00108772	Phosphagen
P00107178	Power Tech
P00117780	Redline
P00106638	<i>Ripped Fast*</i>
P00107179	<i>Serious Mass*</i>
P00106651	Ultra Whey Pro
P00116388	Uni Liver
P00107188	X Pand
P00151075	Mega Mass
P00109180	Excite
P00121938	MRP - 52
P00114962	Thermodynam
P00107092	Tone'n Tighten
-	Carbo Plus**

Source: Ruling No. 183-2010/CCD-INDECOPII

15. Once the claim had been filed against him, Mr. Villacorta alleged, as the main argument in his defense, that registration of trademarks was a lawful exercise of his right, as trademark law was subject to the principle of territoriality.

**B. ANALYSIS OF THE EVIDENCE**

16. The proceedings revealed that, prior to the registrations, there had been commercial ties between Mr. Villacorta and Dymatize, a firm in the United States of America. It was determined on that ground that Mr. Villacorta knew that some trademarks registered at his request in Peru were protected and used in the United States of America. The licensing contract for the use of the Dymatize Nutrition trademark signed by Mr. Villacorta and Dymatize in February 2005 constituted factual evidence of the existence of commercial relations between the two, through which Dymatize supplied its products to Mr. Villacorta but did not authorize him to register the trademarks that identified these products. Moreover, Mr. Villacorta had acquired experience of the import, marketing and distribution of vitamin products and food supplements since 1991 and so knew or was likely to know that the trademarks that he had registered were used abroad. Furthermore, it was considered that the registered trademarks were fanciful and had never been

used by Mr. Villacorta, who had registered them for speculation or obstruction — all of which underpinned a finding of abuse of the law.

### C. RULING ON THE CASE

17. The Unfair Competition Monitoring Commission ruled that it was an act contrary to good faith in business practice to register, on one's own initiative, distinctive signs that identified goods manufactured abroad in order to become their sole distributor on the national market and thus eliminate competition.

18. The Unfair Competition Monitoring Commission (Ruling No. 183-2010/CCD-INDECOPI) considered that unfair competition was a "residuary institution" through which, in an industrial property rights case, a person whose right has not been registered may challenge an unfair act committed by a competitor, even when the latter had taken advantage of a distinctive sign through misuse.

19. The Commission may determine the existence of acts of unfair competition arising from the misuse of the industrial property system, as in the above-mentioned case.

20. The Commission considered that, when analyzing the registration of a trademark in isolation, the trademark authority could not have known that the behavior, in its full spectrum, might constitute an act of unfair competition.

21. According to the Commission's settled case-law, a right is abused when it is exercised for purposes other than the economic and social ones for which it was designed, thus violating third party legitimate rights and interests. In the case of trademarks, the essential purpose of granting a right in a trademark is to allow for the identification of goods and services in the market.

### D. TRADEMARK CASE LAW

22. With regard to the invalidity of the registrations mentioned during the unfair competition proceedings before the trademark authority, the Commission on Distinctive Signs and the Intellectual Property Chamber (appellate administrative dispute-resolution body), ruled that the registration of trademarks such as RIPPED FAST (File No. 254374-2005), CELL MASS (File No. 254375-2005), SERIOUS MASS (File No. 355657-2008) and NO-EXPLODE (File No. 350220-2008) was null and void.

23. The competent national trademark authority, drawing on established comparative law criteria, stated that it was an act of bad faith for a person to take advantage of the registration system to obtain a formal right in a trademark with the deliberate intention of harming a competitor.

### III. CONCLUSIONS

24. Occasionally, the industrial property system is used improperly to prevent competitors from entering, or remaining in, the market. In such cases, an economic actor uses commercial strategies designed to raise barriers to access by competitors and make it difficult for them to remain in the market. The actor repeatedly files applications to register known trademarks marketed abroad, without the owners' authorization; once registration has been granted, the

actor takes legal action against all suppliers who import and market products identified by those trademarks.

25. The administrative system in Peru combats such practices through remedial mechanisms, such as actions based on unfair competition considerations, rejection of applications to register a trademark that are filed in bad faith or likely to lead to unfair competition and invalidation on the ground of bath faith.

26. As a technical agency, INDECOPI is specialized in receiving and resolving issues involving IP and unfair competition.

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