

**Council for Trade-Related Aspects of
Intellectual Property Rights**

Original: Spanish

REVIEW OF LEGISLATION

Replies by Ecuador to Questions Posed by Japan¹

The following communication, dated 3 November 1998, has been received from the Permanent Mission of Ecuador.

1. Please explain which article of the Copyright Law of Ecuador provides for the protection of works, phonograms and performances of other WTO Members and which article provides for the exceptions or exemptions from national treatment and most-favoured-nation treatment as permitted in Articles 3 and 4 of the TRIPS Agreement.

Ecuador's new Intellectual Property Law, enacted by Law No. 83 of 5 May 1998 (hereinafter called the "Intellectual Property Law") provides for the protection of works, phonograms and performances by Ecuadorian citizens and foreigners, whether or not domiciled in the country, pursuant to Article 5 (copyright and protection without formalities), Article 20 (exclusive rights), Articles 87-91 (performers' rights), and Articles 92-96 (rights of phonogram producers).

Decision No. 351 of the Commission of the Cartagena Agreement, of 17 December 1993 (hereinafter called "Decision 351"), provides for the protection of the works, phonograms and performances in Article 4 (protected works), Article 11 (moral rights), Article 13 (economic rights), Articles 34-36 (performers' rights), and in Articles 3 and 4 of the TRIPS Agreement.

2. Please explain whether the Copyright Law of Ecuador protects computer programs, including programs in both source code and object code.

Article 8(k) in Section II of the Intellectual Property Law on the "Subject-Matter of Copyright", provides copyright protection for computer programs. Articles 28-32 in Section V contain special provisions on computer programs, stating that they are considered literary works and protected as such. This protection is granted independently of whether or not they are stored in a computer and regardless of the form in which they are expressed, namely in man-readable form (source code) or in machine-readable form (object code), and it covers both operating and application programs, including flow charts, plans, users' manuals, and generally those elements that determine the structure, sequence and organization of the program. The Law therefore fully protects all computer programs.

3. Please explain whether the following subject matters are patentable: (1) plants and animals, and (2) plant and animal varieties.

¹ IP/C/W/111.

Article 121 of the aforementioned Law gives patent protection to all inventions, either for products or processes, in any field of technology provided that the invention is new - in other words, it is not already part of the state of the art - involves an inventive step (Article 123) and is industrially applicable (Article 124). Article 125(b) states that material that already exists in nature cannot be considered an invention. Accordingly, Chapter II, Section I, Article 126(c) of the Law expressly excludes the following from patentability: "Plants and animal breeds, and also essentially biological processes for breeding plants or animals".

Article 7(c) of Decision No. 344 of the Commission of the Cartagena Agreement, of 21 October 1993 (hereinafter called "Decision 344"), states that animal breeds and species may not be patented.

Matters that are not specifically excluded from patentability under Ecuador's current legislation may be patented provided that they meet the conditions laid down for patentability.

4. Please explain how the obligation under Article 34.1 and 34.2 of the TRIPS Agreement regarding the shift of the burden of proof in civil proceedings for patent infringement related to a process patent is implemented.

This obligation is enforced by the last sentence of Article 302 of the Intellectual Property Law, which states that "where the case relates to violation of a process patent, the burden of proof of the lawfulness of the process used for the manufacture of the product shall be on the defendant". The aforementioned provisions of Article 34 of the TRIPS Agreement are also covered by Decision 344, Article 51, third paragraph.

5. Please explain the remedies which the judicial authorities order regarding the infringement of copyright and related rights, patents, industrial designs, trademarks and lay-out designs (topographies) of integrated circuits, including injunctions, damages, destruction or disposal of infringing goods, materials or implements for their production.

Article 308 of the Intellectual Property Law provides that, in order to prevent the infringement or continued infringement of any of these recognized rights, judges may order provisional or precautionary measures for the urgent protection of the said rights, in particular:

- Immediate cessation of the unlawful activity;
- suspension of the activity consisting in use, exploitation, sale, offering for sale, importation or exportation, reproduction, communication, or distribution, as appropriate; and
- any other measure that would prevent the continued violation of rights.

An order may be issued to confiscate the income earned by means of the infringing activity, property guaranteeing payment of indemnification, the goods or merchandise violating an intellectual property right, and also in respect of the equipment, apparatus and means used to commit the infringement, and the original that served for the reproduction or communication.

Retention may be ordered in respect of moneys owed for exploitation or remuneration.

A ban on leaving the country may be ordered where the defendant has no domicile or permanent establishment in Ecuador.

Pursuant to Article 309 of the Law, immediate cessation of the unlawful activity may include the following:

- Suspension of the infringing activity or prohibition of the infringer from resuming it, or both;
- provisional closure of the premises or establishment, which shall be ordered where the infringing merchandise or unlawful copies represent a substantial part of the usual business of the infringer;
- withdrawal of the merchandise, unlawful copies or infringing objects from the market, and their judicial deposit;
- disablement and, where necessary, destruction of moulds, plates, printing blocks, instruments, negatives, plants or parts thereof and other material intended for the use of patented inventions, the printing of marks or unauthorized reproduction or communication, or anything used predominantly to facilitate the removal or disablement of any technical protection or electronic information device, whose main purpose is acts in violation of any intellectual property rights;
- any other measure that proves necessary for the urgent protection of intellectual property rights, given the nature and circumstances of the infringement.

The judicial authorities may order such measures when they receive a complaint, provided that it is accompanied by evidence that allows them reasonably to presume the actual or imminent infringement of intellectual property rights recognized by the Law.

6. Please explain whether the amount of damages which judicial authorities order the person who has infringed intellectual property rights to pay the right holder is adequate compensation for the injury the right holder has suffered, and what criteria and the way for calculation are adopted in order to decide the amount for compensation.

The amount which the judges order a person who has infringed intellectual property rights to pay is certainly adequate compensation. Article 303 of the Law provides that indemnification for damages shall cover losses sustained and the loss of profit caused by the infringement. The amount of the unrealized income is determined according to the following criteria *inter alia*:

- Profits that the owner would have earned if the violation had not taken place;
- the profits that the infringer earned as a result of the violation;
- the price, remuneration or royalty that the infringer would have had to pay the owner for lawful exploitation of the infringed rights; and
- reasonable costs, including fees for professional advice and assistance incurred by the owner in relation to the dispute.

Based on these criteria of equity, the amount of compensation to be paid by the infringer is calculated in each particular case.

7. Please explain whether the amount of damages which judicial authorities order the person who has infringed intellectual property rights to pay the right holder includes investigation expenses and appropriate attorney's fee.

Article 289(g) of the Intellectual Property Law states that, where there is infringement of rights recognized by the Law, the following may be claimed *inter alia*: "the total value of procedural costs", and Article 303(d) provides that, in calculating how much the infringer must pay in

compensation to the owner of the right in the form of damages, the following must be taken into account: "the reasonable costs, including for professional advice and assistance fees, incurred by the owner in relation to the dispute".

8. Please describe to what extent the amount of damages has been estimated by courts since 1 January 1996. Please also explain whether the amount of damages was adequate compensation for the injury the right holder had suffered, and how such civil procedures were consistent with Article 45 of the TRIPS Agreement.

At present, no data are available concerning the amounts estimated which the courts have ordered infringers to pay since 1 January 1996 in the form of compensation for damage and injury caused as a result of infringement of intellectual property rights.

Nevertheless, it should be pointed out that the judicial authorities have always based themselves on criteria of equity (such as those contained in Article 303 of the current Law and indicated in the reply to question 6), when ordering an infringer to pay adequate compensation to the right holder for the injury suffered, including reasonable costs incurred by the owner in relation to the dispute, notably fees for professional advice and assistance.

Consequently, civil proceedings have always been fully consistent with the provisions of Article 45 of the TRIPS Agreement and continue to be so.

9. Please explain the kinds and amounts of penalties (imprisonment or fines) in criminal cases. Please also explain whether these penalties are consistent with Article 61 of the TRIPS Agreement which requires provisions for a sufficient deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity.

Article 288 of the Intellectual Property Law provides that the violation of any of the intellectual property rights established by the Law shall give rise to the institution of civil and administrative proceedings, without prejudice to any criminal action that may be initiated if the act has been categorized as an offence.

Chapter III of the Intellectual Property Law concerns "Offences and Sanctions" and Article 319 thereof states that any person who infringes recognized rights, by stocking, manufacturing, using for commercial purposes, offering for sale, selling, importing or exporting any of the following shall be punished with imprisonment for three months to three years and a fine of 500 to 5,000 constant value units (UVC):

- (a) A product covered by an invention or utility model patent obtained within the country;
- (b) a product manufactured by means of a process covered by a patent obtained within the country;
- (c) a product embodying an industrial design registered within the country;
- (d) a new plant variety registered within the country, and also its reproductive or vegetative propagating material;
- (e) a lay-out design (topography) registered within the country, a semiconductor circuit incorporating such a lay-out design (topography) or an article incorporating such a semiconductor circuit;

- (f) a product or service that uses an unregistered mark identical or similar to a well-known mark or mark of high renown that is registered within or outside the country;
- (g) a product or service that uses an unregistered mark identical or similar to a mark registered within the country; and
- (h) a product or service that uses an unregistered mark or geographical indication identical or similar to a geographical indication registered within the country.

Article 320 provides that any person who infringes intellectual property rights in any of the following ways shall be subject to the same sanction as that specified in the preceding Article:

- (i) Discloses, acquires or uses trade secrets, industrial secrets or confidential information;
- (ii) uses, in connection with goods or services or business transactions, marks or geographical indications that are not registered within the country and constitute an imitation of well-known distinctive signs or distinctive signs of high renown that are registered within the country or abroad and might reasonably be confused with the original; and
- (iii) uses, in connection with goods or services or business transactions, marks or geographical indications constituting an imitation of distinctive signs registered within the country that might reasonably be confused with the original to distinguish goods or services that could be substituted for the protected ones.

Article 321 provides that persons who, in violation of intellectual property rights, use trade names in which they have not acquired rights that are identical to trade names well-known to the public within the country or to marks registered within the country or to well-known marks or marks of high renown registered within the country or abroad shall be punished with imprisonment for one month to two years and a fine of 250,000 constant value units, taking into account the degree of financial prejudice.

Persons who, in violation of intellectual property rights, use distinctive appearances identical or similar to distinctive appearances that are well-known to the public within the country shall be subject to the same sanction.

Article 322 provides that persons who, in violation of intellectual property rights commit any of the following acts shall be punished with imprisonment for one month to two years and a fine of 250 to 2,500 constant value units (UVC), taking into account the degree of financial prejudice caused:

- (a) Manufacture, market or stock labels, seals or packages that feature marks of high renown or well-known marks registered within the country or abroad;
- (b) manufacture, market or stock labels, seals or packages that contain marks or appellations of origin registered within the country; and
- (c) separate, remove, replace or appropriate labels, seals or packages that contain lawful marks with a view to using them for products of different origin.

The same sanction shall be imposed on those who stock, manufacture, use for commercial purposes, offer for sale, sell, import or export articles that contain false information on the nature,

origin, method of manufacture, quality, characteristics or suitability for use of the goods or services; or contain false information concerning awards or other distinctions.

Article 323 states that persons who stock, manufacture, use for commercial purposes, offer for sale, sell, import or export counterfeit products identified by marks of high renown or well-known marks registered within or outside the country or with marks registered within the country shall be punished with imprisonment for three months to three years and a fine of 500 to 5,000 constant value units (UVC), taking into account the degree of financial prejudice caused.

The sanction referred to in the preceding paragraph shall likewise be imposed on those who fill containers identified by the mark of another person with spurious goods.

Article 324 provides that persons who, in violation of copyright or related rights, commit any of the following acts shall be punished with imprisonment for three months to three years and a fine of 500 to 5,000 constant value units (UVC), taking into account the degree of financial prejudice:

- (a) Alter or mutilate a work, including by the removal or alteration of electronic rights management information;
- (b) register, publish, distribute, communicate or reproduce another work, wholly or in part, as being their own;
- (c) reproduce a work;
- (d) communicate works, videograms or phonograms to the public, either wholly or in part;
- (e) bring into the country, stock, offer for sale, sell or hire, or in any other way bring into circulation or make available to third parties, unlawful reproductions of works;
- (f) reproduce a phonogram or videogram and generally any protected work, and also the performances, of performers, either wholly or in part, and with or without the outward features of the original, or bring into the country, stock, distribute, offer for sale, sell or hire, or in any other way bring such unlawful reproductions into circulation or make them available to third parties;
- (g) bring into the country, stock, offer for sale, sell or hire, or in any other way bring into circulation or make available to third parties reproductions of works, phonograms or videograms in which rights management information has been altered or removed.

Article 325 states that persons who, in violation of copyright or related rights, commit any of the following acts shall be punished with imprisonment for one month to two years and a fine of 250 to 2,500 constant value units (UVC), taking into account the value of the degree of the financial prejudice caused:

- (a) Reproduces a number of copies of a work greater than that authorized by the owner;
- (b) bring into the country, stock, offer for sale, sell or hire, or in any other way bring into circulation or make available to third parties, reproductions of works in numbers exceeding those authorized by the owner;
- (c) retransmit by any means the broadcasts of broadcasting organizations;

- (d) bring into the country, stock, offer for sale, sell or hire, or in any other way bring into circulation or make available to third parties, apparatus or other devices intended for deciphering or decoding coded signals or in any other way circumventing or disabling technological protection measures imposed by the owner of the rights.

Article 326 provides that persons who unlawfully obstruct, fail to heed or prevent the implementation of a provisional or precautionary judicial decision shall be punished with imprisonment for one month to two years and a fine of 250 to 2,500 constant value units (UVC).

Article 327 states that, in addition to those provided for in the Criminal Code, the following constitute aggravating circumstances:

- (a) The fact of the infringer having been warned of the violation of rights;
- (b) the fact of the infringing goods being a potential health hazard;
- (c) the fact of the infringements being committed in respect of unpublished works.

In the light of the foregoing, we can unequivocally state that the types and amounts of the sanctions in Ecuador's Intellectual Property Law are fully and satisfactorily consistent with Section 5, Article 61, of the TRIPS Agreement.
