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INTERNATIONAL PROPERTY RIGHTS INDEX 2021

CRIMINAL PROTECTION AND INTELLECTUAL PROPERTY IN URUGUAY

CASE STUDY BY: FUNDACIÓN RIOPLATENSE DE ESTUDIOS, URUGUAY

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INTRODUCTION

The legal protection of intellectual property has been a topic of discussion and a generator of conflict for many years. Even in recent times, the global Covid-19 pandemic caused a resurgence of this dispute; governments proposed elimination of protections on the production of vaccines, with the aim of making them reach the largest number of people. This division reached its peak when it became the central point of the agenda in monthly United Nations (UN) meetings between the end of 2020 and the beginning of 2021, in which a diversity of positions emerged from different countries. Property rights remain in the middle of the international political scene, mixed with discussions of geo-strategy, health, and world economy, and reinforce the centrality that this issue occupies in the development of 21st century societies.

As this paper intends to show, it is clear that this is not an issue concerning only companies and entrepreneurs, or the production process in isolation. Rather, it is at the very heart of societies and their wealth, since concrete and accurate legislation on intellectual property rights can mean an efficient and effective vehicle for the transparent perception of costs and benefits, and design a correct incentives mechanism.

In order to shed light and add value to this discussion, this study will begin with an introduction and review of the general situation of property rights at the global level. After a brief historical review, the focus will be on the particular case of Uruguay, its experience and its present, practical case studies, and analysis of implemented policies. The core of the study will consist in the description of the criminal protection of the intellectual property, analyzing the different types of criminal offenses, their elements, and their specific punishment.

Finally, the conclusion will summarize the evidence previously presented to affirm the clear and categorical importance of intellectual property rights in modern economies, and how criminal protection over it can serve to enhance its results.

It will be shown that infringements of intellectual property rights not only reduce the revenue of affected businesses, but also provoke adverse social and economic effects including job loss, reduction of investment, and disincentives on innovation. Thus, an important section of this paper will be devoted to the analysis of crime related to Intellectual Property, why it needs to be taken seriously by every country, and what Uruguay did against it.

GLOBAL SITUATION OF PROPERTY RIGHTS

Innovations created by natural and legal persons, such as inventions, brands, works of art, and scientific solutions contribute to the economic and social growth of a country.

Intellectual property is a legal right that protects inventions, designs, artistic works, symbols, names, and images created by a natural or legal person, such as companies. In this way, the author of an invention is recognized by the authenticity of his work, granting him benefits of commercial exploitation, property, and protection.

The Paris Union Convention for the Protection of Industrial Property was signed in Paris on March 20, 1883 and was designed specifically for industrial property. This convention created a priority right applicable in all countries of the European Union. The priority period within which the application must be filed is not fixed in a uniform manner for all industrial property rights. It is twelve months for patents for inventions, and six months for designs, models, and marks.

The Madrid Agreement of April 4, 1891 emerged from this Convention too, which has been amended on several occasions. The Madrid Protocol applies between members of the European Union, and it offers the holder of a mark the possibility of obtaining the protection of his mark in several countries by filing a single application for registration directly with his national or regional office. In addition, this system simplifies the subsequent management of the mark because changes or a renewal of the registration can be registered by a simple and unique procedure with the International Bureau of the World Industrial Property Organization (WIPO).

In addition, other agreements have been born which originate from a realization in the United States of the considerable economic importance of intellectual property. In this regard, on April 15, 1994, member states of the World Trade Organization (WTO) adopted agreements on intellectual property rights that affect trade. It is the most comprehensive multilateral intellectual property agreement to date.

According to the WTO, intellectual property rights are divided into two areas; copyright and rights related to copyright, and industrial property.

Regarding the first category, copyright involves the rights of authors of literary and artistic works like musical compositions, paintings, books, writings, sculptures, films, and computer programs. These are protected by copyright, for a minimum period of 50 years after the death of the author. The purpose of protection of copyright and related rights is to encourage and reward creative work.

Industrial property can be divided into two areas: signs and inventions. The protection of distinctive signs, in particular trademarks and geographical indications. The protection of these signs aims to stimulate and ensure fair competition and to protect consumers by enabling them to make informed choices between various goods and services.
services. The protection may last indefinitely, provided the sign in question continues to be distinctive.

The protection of diverse types of industrial property stimulates innovation, design, and creation of technology. The second category contains inventions (which are protected by patents), industrial designs, and trade secrets. The main purpose is to provide protection for the results of investment in the development of new technology, giving the incentive and means to finance research and development activities. In the case of patents, the protection is given for a term of 20 years.

A functioning intellectual property regime should also facilitate the transfer of technology in the form of foreign direct investment, joint ventures, and licensing.

However, intellectual property is a right that can be violated, thus incurring a criminal offense typified by the legal regime of the country where the act occurs.

In Argentina, the law 1,723 on intellectual property regulates this issue, defining it in their first article: “The right of ownership of a scientific, literary or artistic work, includes for its author the power to dispose of it, to publish it, to execute it, to represent it, and expose it in public, to dispose of it, to translate it, to adapt it or to authorize its translation and to reproduce it in any way.”

Likewise, in Title VI, in the section Crimes Against Property, article 172 establishes the penalty of fraud, establishing that, “Anyone who defrauds another with an assumed name, simulated quality, will be punished with imprisonment from one month to six years, false titles, lied influence, breach of trust or pretending to be assets, credit, commission, business or negotiation or using any other trick or deception.”

In addition, the aforementioned Argentine law — 1,723 — establishes in article 71 that “it will be punished with the penalty established by article 172 of the Penal Code, which in any way and in any way defrauds the intellectual property rights recognized by this Law.”

Within the framework of this law, article 72 mentions several crimes against intellectual property such as fraud, kidnapping of illicit publishing, falsification of intellectual works, illicit reproduction and illicit copies, establishing penalties from one month to six years in case of rape.

Also, if we dive into the European Union’s law, Europol is the European Union’s law enforcement agency. Headquartered in The Hague, the Netherlands, it assists the 27 EU Member States in their fight against serious international crime and terrorism. Europol identifies trade in counterfeit and substandard goods as one of the areas with immediate impact from the COVID-19 crisis. Organized crime groups involved in illicit activities related to counterfeit and substandard goods have proven to be highly adaptable in adjusting their business model by shifting product focus and marketing. In 2020, Europol’s Intellectual Property Crime Coordinated Coalition experienced an increase of 10% of the contributions received compared to 2019.

Europol considers intellectual property crimes as « the breach of any intellectual property rights ». It lists several crimes such as: 1) Counterfeiting, which is the manufacture, importation, distribution and sale of goods which falsely carry the trademark of a genuine brand without permission and for gain or loss to another; and, 2) Piracy, characterized by the unauthorized copying, use, reproduction, or distribution of materials protected by intellectual property rights.

As we previously mentioned, the United States of America (US), considers the economic importance of intellectual property. In that sense, the Office of Intellectual Property Enforcement (OPE), advocates for the effective protection and enforcement of intellectual property rights (IPR) around the world. But mostly the OPE team works closely with U.S. ambassadors and diplomats serving worldwide to ensure that the interests of American rights holders are represented overseas, highlighting the integral role that IPR protection plays in supporting global innovation and economic growth.

IPR promotes strong intellectual property rights systems, whose main objectives are: to deter access to counterfeit and pirated goods that can harm consumers; to ensure that the interests of American IP rights holders are protected abroad; to promote IP protection and enforcement as vital for economic development.

US enforces strong IPR protection because it is aware of the importance of the economic consequences of IPR. IPR are essential to creating jobs and promoting economic prosperity, opening new markets for US goods and services and fostering investment in innovation and development.

According to the US State Department, IP-intensive industries account for 38% of GDP, 52% of merchandise exports, 27.9 million jobs, and 46% wage premiums.

Deepleving, the IP Crime’s annual cost to the US economy represents US$180 billion for theft of trade secrets, US$18 billion from pirated US software, and US$29 billion in displaced legitimate sales due to counterfeit and pirated goods, based on the Office of International Intellectual Property Enforcement of the US Department of State.

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3. 1º article, Law 11,723 — Argentina’s Legal Regime of Intellectual Property.
4. 172º article, Chapter IV. Scams — Argentina’s Penal Code.
5. 71º article, Law 11,723 — Argentina’s Legal Regime of Intellectual Property.
6. 72º article, Law 11,723 — Argentina’s Legal Regime of Intellectual Property.
7. Complete data can be found in European Parliament (2021): “Propriété intellectuelle, industrielle et commerciale”.
I. CRIMINAL PROTECTION GRANTED TO INTELLECTUAL PROPERTY

In the first place, it is important to highlight that Uruguay has a long history concerning the protection of intellectual property rights. This includes the Civil Code of 1869, Section 33 of the 1934 Constitution, ratified international treaties, and other regulations that will be detailed below.

Specifically, as regards criminal protection, we can trace back origins to Law N° 9.739 dated December 17, 1937, known as “Copyright Law”. Such legal rule established a broad regulation to protect the “moral rights of authors of all literary, scientific or artistic creations”. Likewise, it recognized ownership rights on expression of ideas, science or art. Said concepts arise from Section 1 of the aforementioned law.

Particularly speaking about the criminal protection of intellectual property, we refer to Section 46 of said law, that established a set of criminal punishments. The aforementioned Section was modified by subsequent laws, firstly, by Section 23 of Law N° 15.913 dated November 27, 1987, and after that, by Section 15 of Law N° 17.616 dated January 10, 2003.

Law N° 17.616 introduced significant amendments to the original wording, among which we can highlight the expansion of the list of protected intangible assets: incorporating the criminal protection of computer programs, phonograms (recorded sound), videograms, and the so-called “related or neighboring rights”, in consistency with international regulations.

Likewise, it cancels mandatory registration with the National Library as a requirement for the sheltering of rights and proof of ownership of rights, thus revoking the previously required formality.

II. TYPES OF CRIMINAL OFFENSES AND THEIR ELEMENTS

As a preliminary consideration, the types of criminal offenses that will be described below are intended to protect legal rights of copyright owners, both in moral and economic aspects.

We will detail the types of criminal offenses in force in the matter, which are listed in Paragraphs A, B, D and E of Section 46 of Law N° 9.739, as amended by Law N° 17.616.

PARAGRAPH A

NUCLEAR VERBS AND PUNISHMENT

In Paragraph A of Section 46, the type of criminal offense includes the nuclear verbs publish, sell, reproduce, cause to be reproduced, distribute, store and make available to the public. The assets mentioned are an unpublished or published work, a performance, a phonogram or broadcast.

The punishment established for those who are engaged in this type of conduct is a minimum of three months in prison and a maximum of three years in a penitentiary.

Specifically, this Paragraph states as follows: The person who publishes, sells, reproduces or causes the reproduction by any means or instrument — totally or partially —, distributes, stores for the purposes of distribution to the public, or makes it available in any form or by any means, seeking a personal gain or to cause an unjustified damage, an unpublished or published work, a performance, a phonogram or broadcast, without the written authorization of the relevant owners or its successors and assigns, or attributes it to themselves or to a different person rather than the actual owner, infringing what is established in this law, shall be punished with a penalty of three months in prison or three years in a penitentiary.
As we can see, there are several nuclear verbs, which complicates their application.

**Offender**
The offender committing this crime has a general and unconditional nature, since it is not specifically characterized.

**Victim**
The victim of this crime is the owner of the rights over the assets listed in the specific crime. Both moral and economic rights of the victim are recognized in relation to their protected rights.

**Material Object**
The material object of the crime are the items listed in the type, that is to say, an unpublished or published work, a performance, a phonogram or a broadcast.

**Mens rea**
The subjective element of this crime is made up by the willful misconduct and the subjective reference ‘to obtain a personal gain or to cause an unjustified damage’.

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**PARAGRAPH D**

**NUCLEAR VERBS AND PUNISHMENT**

Paragraph D of Section 46 includes the nuclear verbs alter or delete in connection with the electronic information placed by owners of copyrights or related rights to make the management of their economic and moral rights possible. Moreover, it includes the nuclear verbs distribute, import, and communicate, in connection with the copies of works, performances or phonograms. Knowing that the electronic information placed by the owners of copyrights or related rights has been deleted or altered without authorization.

The punishment established is from three years in prison to three years in a penitentiary.

Specifically, this Paragraph states:

The person who produces, imports, sells, leases or otherwise puts into circulation devices or products or their components or tools, or provides any service aiming at preventing, circumventing, eliminating, deactivating or evading, in any way, the technical devices that the owners may have arranged to protect their respective rights.

**Offender**
As in Paragraph A, the offender of this crime has a general and unconditional nature.

**Victim**
Similarly, the victim of this crime is the owner of the rights over the assets listed in the specific crime.

**Material Object**
The material object of the crime are the devices arranged by the owner to protect his/her rights.

**Mens rea**
The intent of this crime is formed by the subjective reference ‘aiming at preventing, circumventing, eliminating, deactivating or evading, in any way, the technical devices that the owners may have arranged to protect their respective rights.’

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**PARAGRAPH B**

**NUCLEAR VERBS AND PUNISHMENT**

Paragraph B of Section 46 includes the nuclear verbs produce, import, sell, lease, otherwise puts into circulation, regarding the devices or products, their components or tools or to provide any service aiming at preventing, circumventing, eliminating, deactivating or evading, in any way, the technical devices that the owners may have arranged to protect their respective rights.

The punishment established for those who engage in this type of conduct is a minimum of three months in prison and a maximum of three years in a penitentiary, being identical to the punishment in Paragraph A.

Specifically, this Paragraph states: The person who produces, imports, sales, leases or otherwise puts into circulation devices or products or their components or tools, or provides any service aiming at preventing, circumventing, eliminating, deactivating or evading, in any way, the technical devices that the owners may have arranged to protect their respective rights.

**Offender**
As in Paragraph A, the offender of this crime has a general and unconditional nature.

**Victim**
Similarly, the victim of this crime is the owner of the rights over the assets listed in the specific crime.

**Material Object**
The material object of the crime are the devices arranged by the owner to protect his/her rights.

**Mens rea**
The intent of this crime is formed by the subjective reference ‘aiming at preventing, circumventing, eliminating, deactivating or evading, in any way, the technical devices that the owners may have arranged to protect their respective rights.’

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The punishment established for those who produce, import, sell, lease, or otherwise puts into circulation, regarding the devices or products, their components or tools or to provide any service aiming at preventing, circumventing, eliminating, deactivating or evading, in any way, the technical devices that the owners may have arranged to protect their respective rights.
CASE LAW AND APPLICATION

I. INTRODUCTION

As discussed above, the rules regarding the criminal protection of intellectual property rights in the Uruguayan legal system have experienced several changes over time. Some of them are extremely significant; for example, the amendments introduced to the types of criminal offenses, the requirement (or not) of formalities — such as the registration with a Registry — to make legal protections effective, etc.

This has triggered, to put it simply, some confusion among legal characters regarding provisions applicable to a specific case, at a given moment, as well as the coexistence of different interpretative criteria on the same matter.

The legal precedent discussed infra illustrates this point.

II. THE FACTS

The issues of fact that gave rise to this case are the following:

a. In the framework of a criminal proceeding, an attorney (‘BB’) assumes the defense of the defendant, succeeding a colleague (‘AA’), who had served as defense attorney in previous procedural stages;

b. On October 13, 2000, upon substantiating an appeal against one of the Court’s rulings, BB filed a forensic brief containing verbatim statements made by his predecessor in the answer to the information (included in the same record), which he transcribed without the authorization of AA and without quoting the source;

c. Upon verification of such situation, AA appeared to complain against his colleague, giving rise to successive actions;

d. Through Judgement rendered by the Court of Original Jurisdiction of Young N° 14/2005, August 3, 2005, the defendant was acquitted;

e. Through Ruling entered by the Court of Appeals on Criminal matters, Part 3 N° 160/2006 on June 30, 2006, the Final Judgment of the Court of Original Jurisdiction was revoked and, instead, BB was sentenced to four months of imprisonment, as the perpetrator of the crime of attribution of authorship without consent, provided for in section 46 of Law N° 9.739, as amended by Section 23 of Decree-Law N° 15.913;

f. by virtue of the cassation lodged by the defense attorney, through Ruling N° 194/2007, on October 11, 2007, the Uruguayan Supreme Court of Justice — highest judicial body in Uruguay — affirmed the Judgment of the Court of Original Jurisdiction and ordered the acquittal of BB.

Below is the analysis of what constitutes the determining element of the case at stake, based upon which the Uruguayan Supreme Court of Justice eventually upheld the appeal filed by the Defense of BB, thus resolving the acquittal of the defendant.

III. APPELLATE COURT RULING

A determining element arose which moved the Uruguayan Supreme Court of Justice to decide to acquit the defendant. This element was the fact that from the answer to the information prepared by AA, BB extracted some verbatim, without the consent of the author and without citing the relevant source. It was not a work registered with any Registry, being this is a necessary requirement — at the Supreme Court’s discretion — to constitute the conduct defined as criminal as is established in the regulation in force, at the time when the defendant performed the acts for which he is charged.

In this sense, the Uruguay Supreme Court of Justice held as follows: “Regarding the type of offense, the claim based on the fact that the brief filed by the colleague of your client had not been registered shall be sustained, since, absent the registration requirement, such intellectual work does not fall under the mantle of items enjoying protection in the different modalities provided for by the special Law and, thus, it also does not enjoy the criminal protection specifically enshrined in the criminal provision that is part of the aforementioned legal rule”.

PARAGRAPH E

Paragraph E of Section 46 is considered a residual legal device of Paragraph A, since it establishes a monetary fine in case the conduct defined as criminal are carried out without seeking personal gain or without intention to cause damage.

The punishment established in this case is of a minimum of 10 Re-adjustable Units to a maximum of 1500.

Specifically, this paragraph states as follows: The person who reproduces or causes the reproduction, by any means or procedure, without seeking a personal gain or without intention to cause an unjustified damage, a work, a performance, a phonogram or broadcast, without the written authorization of the corresponding owner, shall be punished with a fine of 10 RU (ten re-adjustable units) to 1,500 RU (one thousand five hundred re-adjustable units).
To understand the ruling, it is important to mention that at the time the attacked conduct occurred — that is, as of October 19th, 2000, when BB filed the brief before the Court, in which he transcribed phrases authored by AA, without AA’s authorization and without including the relevant citing — Section 46 of Law N° 9.739 was in force, as amended by Section 23 of the Decree-Law N° 15.913 (as mentioned above, currently, said Section is modified by Section 15 of Law N° 17.616). Such provision stated: The person who, by any means or instrument, totally or partially, publishes, sells, reproduces or causes the reproduction of an unpublished or published work without written authorization of its author or the author’s successor or assigns or anyone acquiring it, or who attributes it to another author, infringing any of the provisions of this law, shall be punished with three months in prison to three years in a penitentiary.

As mentioned by the Uruguayan Supreme Court of Justice and as it arises from the legal provision, for there to exist the crime described therein, it was necessary that the illegal act be performed infringing any of the provisions of this law. The Supreme Court states in the commented ruling: In this case, in the aforementioned sense, the illegal conduct provided for in the law includes a regulatory descriptive element: that the illegal act be carried out infringing any of the provisions of this law. The Supreme Court concludes as follows: Applying the above considerations to the instant case, the majority of the Supreme Court concurs on that, at the time of the commission of the act attributed to BB, the general protection established in Law N° 9.739 did not involve the national work that was not registered with the Registry existing for such purpose. This exclusion shall be considered as inherent in the type of offense contained in Section 46 of the Law with respect to the aforementioned expression (supra, Cons. VII) used by the law: something that is expressly provided for in the aforementioned rule that assigns criminal substance to the acts that infringe any of the provisions of the Law.

The Supreme Court further states as follows: In the legal wording in force when the events giving rise to the instant case occurred, Law N° 9.739, Section 6 (wording prior to the new wording given to such Section and to Section 46 by Law N° 17.616, of January 10, 2003) established: ‘To be protected by this Law, the registration with the corresponding Registry is mandatory’. From which it follows that the aforementioned registration operated as a requirement for the granting of protection over the work or creation, which further applies to all types of protection set forth in the Law, included the criminal safeguard established in its Section 46. Consequently, it must be concluded that the behavior of the defendant BB did not infringe the provisions of the Law (Section 6) so it does not have all the legal elements necessary to sustain the sentence involved in the ruling rendered by the appellate court.

As conclusion, as it clearly arises from the ruling entered by the Court of Appeals, the Uruguayan Supreme Court of Justice held that, in the case at stake, not all the necessary elements for the offense to be considered committed are present. The work that had been “plagiarized” by BB was not registered, and registration was necessary to obtain several protections deriving from the Law, including criminal safeguarding, according to the wording the Law had at the time the events that gave rise to the instant case took place.

As discussed supra, the solution would be different in any case taking place after the Law N° 17.616 became effective, which modified several aspects of Law N° 9.739, among them, the need to register works to have legal protection. In this sense, the Uruguayan Supreme Court of Justice explained as follows in the commented Ruling: Taking into account the date of the events giving rise to the case under analysis, the provisions of Law N° 17.616, which modified Sections 6 and 46, are not applicable to the case by virtue of what is set forth in Section 15 of the Code of Procedure. The subsequent Law eliminated the registration requirement for the works and further creations to be protected. In this sense, and from the moment this law entered into force, it would be enough for the work to have the “stamped” name of its author on it for it to enjoy the legal protection (Law N° 9.739, Section 6, as amended by Law N° 17.616, Section 4, of January 10, 2003). Deleting a requirement that is inherent in the prohibition derives, as far as the offense which motivated this case is concerned, in an scenario which is analogous to that set forth in Paragraph 1, Section 15 of the Code of Procedure which regulates the case of criminal Laws creating new offenses. So, regarding the new legal wording and the broadening of its scope of the criminal prohibition provided for in the Law, the rule of absolute non-retroactivity governs, enshrined in the in Section 15 of the Code of Procedure above mention, as well as in Sections 15 of the International Covenant on Civil and Political Rights, approved by Law N° 13.751, and of the American Convention on Human Rights, approved by Law N° 15.737. So this prevents its application to events such as those at stake in the case, which took place prior to the amending incriminatory rule.

Consequently, the Supreme Court decided to set aside the appealed Ruling and affirm the Judgment pronounced by the court of original jurisdiction thus ordering the acquittal of the defendant.
CONCLUSION

From the aforementioned case, we can conclude that, regarding the legal protection of intellectual property rights, the Uruguayan legal system, in subsequent amendments, has been broadening the scope of the element of actus reus, including specific works that were not included before.

An example is the requirement to register the work to enjoy legal protections — including criminal safeguards, as held by the ruling issued by the Uruguayan Supreme Court of Justice on the appealed Ruling — which requirement was dispensed with through Law N° 17,616.

The research line of this paper, taking into account the global view of intellectual property rights and the case of Uruguay, highlights the absolute validity of the topic under consideration. As far as Uruguayan legislation is concerned, it becomes necessary to highlight that criminal safeguards are extremely important for effective protection of intellectual property rights. The Uruguayan legal tradition contemplates protections of these types of rights from its origins, and legislation has been adapting to suit international trends. Strictly in criminal terms, types of offenses contain a wide variety of nuclear verbs, with the aim of including the broadest number of potential damages to protected legal rights.

The result of this tradition in the protection of property rights and progress evidenced in recent times, is the performance of Uruguay in the International Property Rights Index 2020 by Sary Levy-Carciente (2020), developed by the Property Rights Alliance. In this Index, Uruguay is presented as one of the leaders in the Latin American and Caribbean region, alternating second and third place with Costa Rica since 2016 and uninterruptedly until its last publication in 2020, only surpassed by Chile. At a global level, in the last decade Uruguay has oscillated between positions 36 and 46 in the ranking out of a total of 129 countries surveyed. This is a true reflection of the firm commitment regarding intellectual property, and the absence of policies or events that pose a real threat to them and their protection.

As detailed in the work carried out by the Property Rights Alliance, and as explained at the beginning, property rights are a key factor for investment and productive development in countries. The strong correlation between the International Intellectual Property Index and the Prosperity Index lead us to conclude that this is an area in which Uruguay must pay special attention, care, and work, so that it becomes one of the foundations that enhances economic growth in the coming years.

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