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**Cancellation of the registered trademark "Calvin Klein".**

In April of year 2000, the Supreme Court of Chile brought to termination three cancellation action lawsuits involving the registered trademark "CALVIN KLEIN", two in class 24 and one in class 25. In this manner, the Supreme Court affirmed the sentences rendered by the Arbitral Court of Industrial Property, a special court of second instance, that accepted the appeal and the cancellation actions filed by Mr. Calvin Klein and Calvin Klein Trademark Trust, thus cancelling the three mentioned registrations in the name of the Chilean company Michelangelo S.A.C.I.

The challenged registrations were granted between 1979 and 1982. Since approximately 1983 Michaelangelo had made ample use and publicized the trademark "CALVIN KLEIN," in Chile, for which he copied in detail the labels, logos, models, posters, etc., just as used in the United States. Michelangelo and their local licensees commenced to denominate themselves Calvin Klein Chile, usurping the commercial name of Calvin Klein, Inc., and their related companies.

The cancellation actions were initiated in 1994 and 1996. In their defense Michelangelo did not refute any of the facts asserted by the plaintiffs and solely limited the defense to challenging the cancellation action on the basis of the statute of limitation of cancellation actions. The defense alleged that the prescription period (statute of limitations) for the cause of action had been timely met. The Department of Industrial Property, in the first instance (prosecution level of the case), adopted, sim-

ply and purely, the allegations of the defense and applied the prescription norms in effect retroactively to the date of the concession of the registrations, pursuant to which the cancellation action could not be initiated after the passing of two years from the date of the registration grant, provided the trademarks had been in use in the country. The Department, in the first instance, found the two factors properly established and dismissed the cancellation actions.

The plaintiffs, Mr. Calvin Klein and the firm Calvin Klein Trademark Trust, appealed before the Arbitral Court of Industrial Property. In October of 1999, the Court accepted the appeals and revoked the sentences issued in the first instance, thereby rejecting the prescription exception and accepted the cancellation actions. Re-establishing a long and accurate line of jurisprudence of previous similar cases, the Arbitral Court sustained that the use of the trademark in bad faith did not provide the defendant with the ability to sustain the affirmative defense of prescription exception. The Arbitral Court deemed that Michelangelo did not limit itself to the pure and simple use of the trademark "CALVIN KLEIN", but rather continuously used the same typography and figurative elements as utilized by the North American trademark with the products as well as the publicity, directly copying, utilizing the same packaging and photographs of models, etc., which placed in threat the good faith of the consumers, who are induced to error or deceit with respect to the quality and specially the origin of the products they acquire. "In addition to violating the principles of honest mercantile competition, taints the use of the trademark and impedes the allegation of prescription," was established in the sentences. In con-



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formity with the same, the use of the trademark by Michelangelo presented reprehensible characteristics that violate the principles of fair competition, etc.

In conjunction with establishing the necessary criteria of good faith use, the Arbitral Court rejected the application of the extraordinary 10 year statute of limitations (prescription period) contemplated under the Civil Code. It is worth noting that the defense argued that the trademarks were acquired by adverse possession, and therefore, the cause of action terminated due to the correlative prescriptive expiration, maximum period of which is 10 years in Chile. In its report to the Supreme Court, the Arbitral Court sustained that the extraordinary prescription pursuant to the Civil Code does not apply to matters of Industrial Property, which is governed by a special legislation that contemplates a prescription *sui generis*, very specialized and self-efficient, inspired by the Paris Convention and that avoids the consolidation of illegitimate registrations that many times originate from what is known as “trademark piracy.” S&K

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### **Domain names and unfair competition**

In an important decision, where for the first time the Chilean antitrust organisms issued a decision regarding the possible implication against free competition that derive from the registration of a third party’s commercial trademark as a domain name in the National Domain .cl, the Central Preventive Commission (the Commission), accepted a claim initiated by the North American company Avon Products, Inc., against Lady Marlene S.A., a local company, who had registered in its own name the domain name “avon.cl”.

In the decision under analysis, firstly, it was determined that the fact that revocation of domain name procedure is expressly contem-

plated in the Regulations that rules the function of the institute that administers these names in Chile, NIC Chile, (see article in this newsletter), does not constitute a bar for the antitrust organisms to issue a decision with reference to the possible unfair competition implications such conduct may involve.

Upon continuation, the Commission concluded that the registration as domain names of trademarks belonging to third parties that benefit from fame and are renowned, constitutes an act of undue value and achievements benefits of others that can limit the development of virtual market activities for said third parties and additionally be a factor of error or confusion for the potential Internet users, these acts constituting an attempt against fair competition.

Finally, the Commission cautioned Lady Marlene S.A., to voluntarily cancel the domain name Avon.cl, thereby not exposing themselves to pecuniary sanctions that could vary between US\$26,600 and US\$266,000. S&K

## Revocation action of domain names

The process of registration and assignment of domain names under the primary domain “.cl”, has been delegated by the International Assigned Number Authority (IANA) to the Department of Computer Science of the University of Chile (NIC-CHILE), establishing the policies of the domain assignments in “.cl”. In this context, in September of 1997, NIC-CHILE issued the Reglamento de Asignación de Nombres de Dominio en .cl, (“the Regulation”), [Domain Name Assignment in .cl Regulations], applicable to all of the petitions of domain names in “.cl”.

Said regulation, as amended in 1999, contains a provision for a “Revocation Action,” whereby all persons, natural or juridical, that deem that their rights have been infringed upon by means of a domain name assignment, may petition for the revocation of said concession. This cause of action is presented before the NIC-CHILE, is subject to a process of mediation and arbitration, and the maximum period of the statute of limitation for exercising the right to a claim is three years as from the date the controversial domain name assignment was granted. The fundamental basis for this claim is the bad faith of the applicant or abusive inscription, which is an essential element to establish during the procedure.

The inscription of a domain name is considered abusive under the following conditions:

- 1.- Where the domain name is identical, or deceptively similar, to a product or service trademark over which the plaintiff has rights, or a name for which the plaintiff is known.
- 2.- Where the domain name applicant has no rights or legitimate interest with respect to the domain name.
- 3.- Where the domain name is inscribed and utilized in bad faith.

Likewise, bad faith is considered present, without this list being exclusive, when:

- 1.- Circumstances exist that indicate that a domain name has been inscribed with the objective of transferring it at an excessive price.
- 2.- The domain name was inscribed with the intention of restraining the owner of the product or service trademark from exhibiting the trademark in the corresponding domain name, provided this pattern of conduct is established.
- 3.- The inscription of the domain name was made for the sole purpose of interrupting or affecting the business of the competition.
- 4.- The attempt to attract for lucrative purposes Internet users to their web sites or to any other location on line, creating confusion with the trademark of the plaintiff.

Finally, the following elements will help to establish the absence of bad faith on the part of the domain name applicant, without this list being exclusive:

- 1.- That the applicant is using, or will use, the domain name with the good faith intention of offering goods or services under this name.
- 2.- Where the applicant is locally known by this name, even if he is not the owner of the registered trademark of that name.
- 3.- If the applicant is exercising the legitimate non-commercial use of the domain name without the intent of obtaining a commercial profit or deceiving the consumers.

As of the date of the publication of the instant Newsletter, NIC-CHILE has notified

that the following revocation claims have been initiated, without there being any jurisprudence with respect to the same:

mit.cl  
libreriaandresbello.cl  
rossignol.cl  
tradewings.cl  
aspirina.cl  
elsitio.cl  
nintendo.cl  
nintendo64.cl  
gameboy.cl

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### **Assignment of domain names on the internet**

In Chile some authorities have made a series of commentaries regarding the function of the domain name administrator in our country (NIC-Chile). In all fairness, it is necessary to point out that our country has been in the avant-garde concerning the regulation of domain name assignments. Effectively, Chile was the first to create arbitration, and thereafter mediation, as medium for the resolution of controversies, tools which have demonstrated to be very effective.

It is effective that abuses have been committed by Cyberpirates that have attempted to obtain a profit through the inscription of famous commercial trademarks and/or names of personalities, but nonetheless, NIC Chile has taken all of the regulatory measures necessary to impede, or at least limit, this type of conduct. The regulation presently in effect authorizes all foreign or national persons, corporations, companies that deem their rights affected to present a form of opposition against the corresponding domain name application. For this course of action a 30 day term has been established which runs from the date of the publication placed at NIC's web site.

Moreover, having confirmed that several domain names that correspond to famous trade-

marks and names of third persons had already been assigned, in 1999 NIC Chile amended the regulations and established a revocation action (see previous article in this newsletter). The preceding has opened the door for several national and foreign companies to initiate the necessary procedures in order to recover their domain names, as in the cases of Aspirina, El Sitio, Librería Andres Bello and Rossignol, to name a few. Consequently, it is evident that our regulations provide for the re-establishment of rights through effective means that do not imply excessive cost.

NIC Chile has been recognized worldwide for its excellence and effectiveness in the handling of the technical and administrative conflicts, a quality that no other country in the continent holds. Further yet, NIC Chile was recommended by the world authority in the matter ICANN (Internet Corporation for Assigned Names and Numbers) in order to advise the State of Palestine in the launching of their TID Geographics Top Lever Domain Name TLD:

Notwithstanding the above, NIC Chile has become an example for the rest of the domain names administrators of the continent, who have slowly been adopting similar necessary measures for the improvement of their systems making them safer and simultaneously more dynamic. S&K

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## Parallel imports

### General Background

The issue of parallel imports, or exhaustion of rights, as it is also known, has a growing importance in the international market, and implies to a certain extent, a limitation upon industrial property rights, specifically that of trademark and invention patent owners.

We shall briefly analyze this subject matter in connection with trademark cases.

Typically this problem may present itself in two forms. In a first scenario, the owner of a trademark authorizes a licensee or subsidiary to manufacture its products, which later on are acquired by a third party in a foreign country and exported to the native country of the owner of the trademark (grey market) and, a second scenario, an independent importer purchases the products from a foreign company, which are thereafter sold in the importation country competing in the marketplace with the authorized distributor.

On the other hand, the exhaustion of rights refers to the legal reach of the rights of the trademark owner in order to determine, restrict or impose conditions - generally territorial - for the commercialization of the products that bear said trademark once the products have been lawfully placed in the marketplace directly by a third party or with the owner's consent.

### The Chilean Case

In Chile, the international exhaustion of rights has been recognized, establishing that restrictions cannot be imposed against the importation of goods once they have been placed for circulation in the marketplace by the owner of the trademark. However, the difference in Chile with what is internationally understood as parallel imports, is that the issue has been presented from the perspective of the conflict

between the rights of a registered trademark owner in Chile, that normally has never manufactured the product and that on many occasions is or was simply the importer or distributor of the product, and the "legitimate" owner of the trademark, but who does not have said trademark registered in Chile and who wishes to import legitimate goods into the Chilean territory.

These are the sorts of cases that have come before the antitrust organisms in Chile, which are responsible for safeguarding that the norms created for preventing conducts that attempt against the principles of free competition are complied with.

In effect, the jurisprudence of the antitrust organisms has been reiterated, clear and, at this stage conclusive, implying that the products protected under a commercial trademark can be imported by any interested person in commercializing them, provided said products are legitimate in their origin.

The same jurisprudence has also noted that although the registration of a commercial trademark in itself does not constitute a reprehensible conduct from the perspective of the free competition norms, the owner of said registration cannot impede a third person from marketing said products in Chile, since said conduct would constitute an attempt against free competition, as long as the said trademark had been placed on the imported products by the legitimate foreign manufacturer or producer.

The antitrust authorities have also not refrained from entertaining issues involving parallel imports, even when the Industrial Property Department is faced with the cancellation action of a trademark, where the ownership has been claimed, since said organisms are not interested in the validity or cancellation of the registered trademark, but in the objective of said registrations, meaning, if they have been accomplished precisely in order to interfere with the commercialization of the imported products with the same trademark.

Moreover, a case exists where the act of an attorney in sending a legal letter to the alleged infringer, (the foreign company, product importer), notifying that the use of a precise trademark violated the rights of the owner of the trademark registration in Chile, was qualified as an attempt against free competition, and there were warnings of imposing possible legal sanctions.

### Conclusion

The issue of parallel imports in Chile, even though it has been formally dealt with from the free competition perspective, in practice it has been one of the more expedite avenues to prevent the illegitimate owners of trademark registrations in Chile from interfering with the importation and commercialization of foreign manufactured products by those individuals who appear to be the true owners of the trademarks.

Resolution N°562 of 2000 of the Resolutions Commission, [Comisión Resolutiva.]

Decision N°1080 of 1999 of the Central Preventative Commission, [Comisión Preventiva Central].

Id. Decision N°1080.

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### Imitation of label

A criminal action was presented against the corporation Difem Pharma S.A., for the marketing of a product known as “Tutti,” a dishwashing detergent which utilized a label on the container similar to that of a product belonging to Unilever N.V., also a dishwashing detergent, known as “Quix Ollas y Sartenes.” The trademark registration belonging to Unilever is combined, that is, there is protection over the word as well as the label. On the other hand, the defendants had the registration of the trademark “Tutti,” solely for the protection of the word and the label was not registered.

Factors which exacerbated the situation included the fact that it involved products of the same nature, marketed through the same channels, generally supermarkets, which are placed on the shelf side by side in containers of the same color.

The legal claim was principally initiated on the basis of the infringement caused by the malicious use of an identical or similar trademark with another previously registered in the same class.

The main objective sought in the litigation of these matters is to generate the adequate persuasion of the court with reference to the harm sustained by the owner of the trademark as a result of the criminal actions, and moreover, the confusion to the consumers, who upon the rapid purchase of the product may fall subject to confusion concerning the determined products that have similar qualities in relation to their distinctive features, in this particular case the labels.

The Court resolved to indict against the legal representatives of the company Difem Pharma S.A., for utilizing an imitation of the design of the combined trademark “Quix”, in the same class, in the marketing of their product Tutti, circumstance where said design is protected by a registration belonging to Unilever N.V.

Likewise, the seizure of the products “Tutti” stocked at the warehouses of the defendants and the commercial establishments in the city of Santiago was ordered.

Thereafter, the parties reached a settlement that basically contemplated the acknowledgment by the part of Difem Pharma of the rights of Unilever over its trademark and label, and they agreed not to utilize in the future the label which formed the subject matter of the litigation.

This case reveals the importance of registering a label and how the Chilean Courts are opening the possibilities of going after the imitation of the labels. S&K