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GENERIC NAMES

THE COURTS GRANTED AN INJUNCTION AGAINST A CHILEAN TELECOM COMPANY (CTC) PREVENTING THE USE OF THE GENERIC EXPRESSION "TELEFONICA" AS A COMMERCIAL TRADEMARK.

During the last quarter of 1999, the Advertising Self-Regulatory Body (CONAR) as well as the Court of Appeals of Santiago prohibited CTC (Compañía de Telecomunicaciones de Chile S.A.) to use the expression "TELEFONICA" as its trademark or commercial name. Both judgments ordered that the word "TELEFONICA" be used in conjunction with an additional term so that it could indicate the source of the services. Both decisions were confirmed by the respective higher Courts, that is, the "Tribunal de Etica Publicitaria" (Tribunal of Advertising Ethics) and the Supreme Court.

Until these decisions were rendered, the jurisprudence was inclined towards the rejection of a trademark application for a generic expression so that it could be freely used by anyone. This rationale was sustained by the dissenting votes of two of the Supreme Court judges who did not concur with the affirming sentence.

The decisions commented in this article not only considered that a generic expression should not be registered as a trademark, but also that it should not be "de facto" appropriated. On this point, CONAR determined that since a generic term is not capable of being registered, on an ethical perspective, no competitor should obtain possession of a generic word through an advertising campaign that adopts said word as a trademark or commer-

cial name in such a manner that the consumers are induced to believe that all the telephone services originate from one single company and that only one telephone company exists. The Court of Appeals followed this rationale and in fact deemed that said possession was an attempt against the principles of fair competition pursuant to the guarantees established in Article 19, N° 21 of the Constitution (the freedom to pursue any economic activity).

Both judgments also acknowledge that in the Southern part of the country, the plaintiff, "TELEFONICA DEL SUR", is known as plainly "TELEFONICA" and therefore, the use of this expression by CTC would mislead consumers in this region. The Court further declared that the plaintiff's property rights were threatened by CTC, which seems a contradiction considering that the judgment itself concludes that a generic term cannot be appropriated by anybody.

It is difficult to predict whether the judgments commented herein will constitute precedent or if the Court will apply a more conservative approach in future cases where each competitor will be free to use a generic term as long as exclusive use over such term is not pursued. However, regardless of the discretion adopted by the Courts in the future, the cases mentioned above are worthy of being highlighted because:

- 1) They elaborate on the "de facto" possession or ownership of generic terms as an attempt against the principles of fair competition;
- 2) The Court of Appeals found that the conduct of CTC breached the Chilean Constitution and;
- 3) The Court of Appeals recognized CONAR as an authority in the advertising arena. S&K

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Unbalance in the Intellectual Property Laws

Article 19, N° 25, of the Constitution of the Republic of Chile guarantees to all persons the right of authorship over intellectual and artistic creations, and also industrial property rights over patents, trademarks, models, designs, technological processes and other analogous creations. Various laws regulate these diverse “creations.” Nevertheless, although in all these cases the objective is to protect a predominantly intellectual activity, and notwithstanding the specific and diverse characteristics of each, strong differences in the treatment of these matters by the laws are clear.

In analyzing the norms of Law N° 17.336, regarding the right of authorship or Intellectual Property; Law N° 19.039, regarding Industrial Property, and Law N° 19.342, regarding Plant Breeders’ Rights, three important areas can be found where remarkable unbalances exist:

- Acknowledgment of the property right.
- Procedural matters.
- Sanction of violations and infringements.

Regarding the acknowledgment of the property right, it is worth noting that Law 17.336 recognizes “intellectual property” and Law N° 19.039, recognizes “industrial property,” although the treatment of these matters is openly different in each of these texts. As a matter of comparison, Law 19.342 does not make any mention of the property right in matters of “plant breeders’ rights.” Upon debating the law project in Congress an Executive representative established that the right of plant breeders does not consist of an intellectual property right, but of a special right. However, representatives of the parliament greeted this law as a new contribution to the institutions of “intellectual property”. What is certain is that the law does not touch this issue.

The differences regarding procedural matters

are evident, in that, while the industrial property law and its regulations contain detailed rules over the trials concerning oppositions, cancellation or nullity actions of patents, trademarks, etc., in the first judicial instance as well as the second, and creates special tribunals for this effect, the law regarding intellectual property does not contain any procedural rules, except concerning a small detail, leading to the conclusion that any litigation concerning this matter should be brought before an ordinary civil court. On this point, the law regarding “plant breeders’ rights” results the most vague concerning procedural matters: a procedure for oppositions against an application, of an administrative nature, is established, whereas, in matters concerning cancellation actions against a registered right, “general norms” are applicable. Although this should be deemed an ordinary civil procedure, in a recent specific case jurisdiction was recognized to the Servicio Agrícola y Ganadero [Agricultural and Games Services] and its Comité Calificador de Variedades [Plant Variety Evaluation Committee], which completely appears to be in conflict with the legal rule.

Sanctions for violations and infringements.

In the area of sanctions against violations and infringements of intellectual and industrial property rights and those of plant breeders’ rights, there also exists an important difference to the detriment of the owners of patents, commercial trademarks, utility models and industrial designs.

Law 17.336 of Intellectual Property includes corporal punishments for the violation of certain rights, that may include imprisonment in the lesser degree (61 to 540 days), with the increase of degree of punishment in the event of reiteration (imprisonment of up to 3 years), plus a pecuniary fine.

Law 19.342 concerning vegetal varieties also establishes the corporal punishment of imprisonment of the same degree as the law of intellectual property, plus a fine of the same amount.

By contrast, Law 19.039 regarding industrial property does not contemplate corporal punishment, but only a fine of 100 to 500 UTM (approximately between US \$5.100 to US \$25.000), with the possibility of doubling the fines in the event of reiteration. The project of the new law of industrial property presently presented to the Congress, doubles the amount of the maximum fine, but does not include corporal punishments (imprisonment). In cases of "major piracy" these amounts may be ridiculously low.

As asserted above, other differences among the three laws that regulate similar matters within the area of intellectual property may be ascertained. It appears prudent to harmonize all of these norms so that a uniform treatment may be applied to juridically similar situations. S&K

FERNANDO CASTRO

The Registration of Intellectual Works

The rights of an author over an intellectual work are protected by the Chilean legislation and obtained by the sole creation of said work, without the necessity of conducting any additional transactions. However, the registration of said works before the Intellectual Property Registry, in the name of its author, constitutes proof of the titular of said works. In effect, the law presumes that the author of a creation is the person identified as such in the registered work, and therefore, it is highly recommended that intellectual works be registered in the name of its author at the Intellectual Property Department.

Our legislation permits and regulates the manner in which to register, before the Intellectual Property Registry, the following works:

- Books, pamphlets, articles and manuscripts, whatever be their form and nature, including

encyclopedias, guides, dictionaries, anthology and compilations of all classes.

- Conferences, discourses, lectures, thesis, commentaries and works of similar nature, either oral as well as their written or taped versions.
- Dramatic works, drama-musical and theatrical in general, as well as choreographic and pantomimes, the development of which to be recorded in writing or other form.
- Musical compositions, with or without text.
- The radio or television adaptations of literary productions, the works originally produced by the radio or television, as well as the corresponding librettos and scripts.
- Newspapers, magazines or other publications of a similar nature.
- Photographs, recordings and lithographs.
- Cinematography works.
- Architectural projects, sketch and model, and map elaboration systems.
- The geographical spheres or armillary spheres, as well as plastic works related to the geography, topography or any other science, and in general audiovisual materials.
- Paintings, drawings, illustrations and the like.
- Sculptures and analogous figurative works of art, even where industrially applied, provided that its artistic value can be considered separate from the industrial character of the object to which it is incorporated.
- Scenographic sketches and the respective scenographies when its author is the sketch artist.
- Adaptations, translations and other transformations, when authorized by the author of the original work, if such does not belong to common cultural property.

Additionally, in 1990 the possibility to register videograms and diapositives and computer programs was expressly incorporated. S&K

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Double Examination System of Trademark Applications in Chile

Our legislation contemplates the double review system of trademark applications. The first examination is conducted by the Trademark Examiner, and is a prerequisite for accepting an application for processing. The second examination is conducted by the Head of the Industrial Property Department (HIPD), upon the expiration of the opposition period and thereby the registration is denied or granted. Substantively, the legal basis for the resolutions determined in each review are practically the same.

Upon the rejection by the Examiner to accept an application for processing, one can appeal before the Head of the Industrial Property Department (HIPD), who will render a resolution. If the HIPD affirms the non-acceptance for processing, it is possible to file an appeal recourse before a second instance court, known as the Arbitral Court for Industrial Property (Arbitral Court). Similarly, upon a resolution rendered by the Head of the IPD rejecting a registration, once the opposition period for third parties is completed, it is also possible to present an appeal recourse before the Arbitral Court.

Regrettably, it is frequent that an application that was initially denied for processing and thereafter accepted for processing through an appeal recourse before the Arbitral Court, encounters a rejection (once the opposition period for third parties is concluded) of registration issued by the Head of the IPD for the same basis as originally rejected for processing by the Examiner.

The aforementioned matter is very difficult to explain to the interested party(s), specially when the first appeal has taken several months to reach a resolution and a new appeal should be presented before the same court (Arbitral Court), pursuant to the same legal basis and which will take several months or years to reach a resolution.

The review of comparative systems for the process of trademark applications indicates that an application should be subject to a single exhaustive examination by the authority at the beginning of its processing, so that the interested party may resolve in a single proceeding whether such application is legally admissible. This is so in many countries where the Examiner indicates at the commencement of the application process all of the objections faced by an application, and if such objections are not resolved to satisfaction, the general rule is that said application cannot continue, or it is possible to present an appeal before another authority.

The project to reform the Industrial Property Law (see Sargent & Krahn Bulletin N°1), intends to partially remedy this problem by reducing the examination conducted by the Trademark Examiner to merely formal aspects of the application, leaving the review of the substantial aspects to the Head of the IPD and determining whether to grant or deny a registration. Although this is an improvement that avoids the double examination, we believe it does not resolve the fundamental problem, that is, that an interested party should be notified at the beginning of the application process whether the application faces a substantive objection from the authority, irrespective of the outcome of oppositions presented by third parties during the application process. Likewise, the applicant should not have to wait for the termination of the entire application process, which may take years, to find out that said application is rejected for reasons that well could have been notified at its commencement.

Definitely, we support the creation by our legislation of an initially complete and definite examination process for trademark applications, without the possibility of there being later denials of registration for basis which could have been notified at the commencement of the application process, thereby avoiding the waste of time and costs to the interested party and the State. S&K

ALFREDO MONTANER.