

AMENDMENTS TO THE CHILEAN INDUSTRIAL PROPERTY LAW

On July 5th, 2021, Law No. 21,355 was published in the Official Gazette. The new law amends Law No. 19,039 on Industrial Property and Law No. 20.524, which creates the National Institute of Industrial Property (the “New Law”).

The legal modifications **entered into in force on May 9th, 2022**, through the publication of its administrative regulations.

In this site, we provide you with relevant information and practical recommendations regarding the modifications made to the new Industrial Property regime in Chile.



New kinds of trademarks

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According to the new legal text, a Trademark will comprise, "any sign capable of distinguishing goods or services on the market".

This implies an extension of the traditional concept of Trademark, allowing the possibility of registering **olfactory trademarks, tridimensional figures, animated or moving trademarks, pattern trademarks, combination of colors and position trademarks**, among others.

- **Three-dimensional trademarks** are particularly useful in the perfume and liquor industry and in all commercial activities in which the packaging of a product or its shape has a distinctive function. Therefore, it is advisable that every product manufacturer reviews his portfolio of the products offered in the market, in order to detect the possibility of applying for the registration of this type of trademarks.

- **Olfactory trademarks** are particularly useful in the retail services industry and in those establishments where the customer's experience can be complemented or enhanced with a specific scent that can later be associated with that particular establishment. Therefore, it is advisable to review whether the use of a specific scent in these establishments is relevant enough to seek its registration as a trademark.

- Prior to registering an industrial design, it is advisable to consider the convenience of registering the aforementioned design as a **three-dimensional trademark**, since trademark registrations can be renewed indefinitely, whereas an industrial design registration will have a maximum duration of 15 years.

Mandatory use of trademarks

Trademarks registered in Chile will be required to have a real and effective use in the marketplace, as a condition to maintain their validity. In this way, Chilean legislation will be aligned with international standards in this matter; trademarks registered for purely defensive purposes should cease to exist, as well as those that aim to block the entry of competitors.

The new regulation introduces the possibility to file a non-use cancellation action against a valid registration granted, or renewed, under the New Law, based on the lack of real and effective use in the national territory within five years from the date of its registration, or from the last use that can be attested. The accreditation of said use will be the responsibility of the owner of the trademark registration.

- The lack of use cannot be proven, since it refers to a fact that has not occurred. Therefore, the owner of a trademark registration will have to prove its use. In such a scenario, it is highly necessary to **preserve evidence that allow proving such use** in case a non-use cancellation action is filed by a third party.
- The New Law does not require the use to be necessarily massive or widely known. However, a low-intensity use could be more difficult to prove; therefore, **safeguarding evidence** becomes even more necessary.
- The evidence must be aimed to the **commercial use of the trademark before consumers**, whether they are companies (B2B models) or natural persons (final consumers).
- Considering that applicants will be able to defend themselves against a trademark opposition by claiming the cancellation of the registration due to its lack of use, it is highly advisable to make sure that **there is evidence of use of the trademark on which the opposition is based** before it is filed.

Trademarks renewal

The validity term for trademark registrations will remain of 10 years from the date of granting. Notwithstanding the foregoing, the new regulation allows their renewal from 6 months prior to their expiration date, and up to 6 months after such date.

The renewal application must be paid immediately according to the current number of classes to be renewed, and it will be possible to complement the Official Fees paid if the list of products or services is amended and re-classified due to Office Actions. It is important to mention that a surcharge of 20% will be applicable for each month of delay with respect to the expiration date, counted from the expiration date.

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Loss of distinctiveness

The New Law contemplates the possibility of claiming the cancellation of a trademark registration when it has lost its distinctive character, i.e., has become the usual or generic designation of a product or service.

This phenomenon is known as "genericide" and occurs when a trademark, given its recognition and high presence within the market in which it operates, becomes the common denomination by which consumers refer to the products or services it tends to identify, losing its strength or ability to distinguish a specific business origin.

- The registered trademark must always be used with the indications that show this circumstance, that is, with **the phrase "marca registrada", the initials M.R. or the registered trademark symbol (®)**. All those indications must be in Spanish to comply with Chilean law.
- We recommend including the aforementioned indications on packaging and all types of physical and digital advertisement of products or services.

Elimination of establishment trademarks

Following the international trend in this matter, the New Law eliminates trademarks that identify commercial and industrial establishments, including the possibility to renew current commercial or industrial establishments' trademark registrations as service

trademarks (classes 35 to 40), so as to respect acquired rights.

Concepts of commercial establishments under Law 19.039

| Trademarks of commercial establish... | Industrial establishment trademarks: |
|--|---|
| They distinguish the real estate or phy... | Distinguish the facilities in which the ... |

In the case of commercial establishments, since they will transform in services trademarks, they will have national protection instead of regional protection.

If a trademark for a commercial establishment is renewed as a service mark, resulting in the coexistence of identical or similar trademarks for the same services, the conflict will be resolved according to the nullity procedure, so that the regions originally covered by the plaintiff's registration are eliminated from the territorial space.

- Review in detail the **description of services** to be included in the renewal of the registrations, so as to specify all the commercial activities that were previously included and those that will be effectively used in the future, given the requirement of use that is now also applicable to these types of registrations.
- Review the existence of commercial establishments with similar names registered in another region, in order to **foresee future conflicts** for the renewal of registrations as service trademarks of national scope.
- Evaluate the convenience of waiting for the renewal of the commercial and/or industrial establishment registration or ensure its adequate protection in a more immediate way, through the filing of new applications in the corresponding classes of services.

Trademark counterfeiting

The felony of trademark counterfeiting is included by the New Law, establishing a penalty of imprisonment for a period that ranges between 61 days to three years and one day, together with fines.

- Since the New Law includes a term of imprisonment, criminal prosecution becomes **highly recommendable option in the event that cases of counterfeiting are verified**, since this should be a more effective mechanism than the collection of fines and compensation in this type of offenses.
- In addition, it is highly advisable to use the **new compensation mechanism** set forth in the New Law, since, once the counterfeit offense has been judicially evidenced, the owner of the trademark registration may request that the compensation for damages is replaced for a single compensatory sum of up to 2,000 Monthly Tax Units per infringement (equivalent to approximately USD 140,000).



Provisional patent

The New Law incorporates the possibility of requesting a provisional patent, when the applicant cannot yet comply with all the filing requirements of a definitive patent application. This provisional patent will grant its owner a priority right to file a definitive patent within 12 months, counted from the application filing date. The provisional patent application does not require filing a set of claims, instead, a clear and complete description of the invention, in English or Spanish, will suffice.

The provisional patent may be used as the basis for a national definitive patent application, in Chile or another country that is a member of the Paris Convention, or as the basis for filing a patent application in the PCT system.

- This tool is extremely useful in cases where it is necessary to make a filing in a short time, in order to secure the content of a patent application, so as not to jeopardize the ownership of such content. This situation may be relevant, for example, when negotiating a contract with a third party that implies the need to disclose all or part of the content of the respective application.
- Notwithstanding the fact that this type of application allows to omit the formalities required for the filing of definitive applications, this does not imply that the subject matter on which the protection is sought may be partially disclosed. Therefore, it will be necessary to disclose all the matter of interest in order to support the definitive patent application and to be able to enforce the legal priority that arises from a provisional patent.

Patent Usurpation

The New Law introduces the figure of the “patent usurpation”, which regulates the right of the patent’s legitimate owner to request the transfer of the registration **from whoever that has registered it in their own name without having the right to do so**, in order to “recover” the rights associated with said invention. This action must be filed during the entire validity term of a patent registration before ordinary civil courts, through a summary trial procedure.

This action may be filed by inventors themselves (persons who have innovated without having been hired by a third party) and by a legal entity whose employees have developed an invention in the performance of their salaried duties. In addition to transferring the ownership of the patent registration, it is possible to claim compensation for damages caused.

- In the case of companies whose employees develop inventions, it is very important that **such inventive functions or activities are expressly defined (in the labor contract) as part of the work** duties to be performed by the respective employee, so that the company can subsequently claim ownership over the invention.
- In order to adequately prove the content of the development whose ownership is disputed (the subject matter or content of the invention), it is especially relevant that all texts, tables, formulas, results of experiments, etc. containing the material that gives content to the invention that has been developed, **are recorded in duly protected files indicating a certain date**.
- To avoid jeopardizing the possibility of applying for the registration of the respective invention, the **labor contracts** of companies whose employees carry out inventive activities must include clauses that ensure the **confidentiality** of such employees in relation to the content

of the developments in which they are involved.

Supplementary Protection

The New Law reduces the term to request supplementary protection from 6 months to 60 days counted from the registration's granting. On the other hand, it limits the extension of supplementary protection to a maximum term of 5 years, regardless of the unjustified delays that can be evidenced during the proceeding.

- According to the third transitory article of the New Law, all supplementary protection requests whose resolution is currently pending will be subject to the new deadlines established by the New Law. In this sense, and in order to avoid any risks, it is advisable to file supplementary protection requests within the new 60-day deadline, even if the New Law has not yet entered into force.
- Before filing a supplementary protection request, we recommend analyzing its relevance and chances of success. In this sense, even when there may be substantial administrative delays in the processing of a patent or sanitary registration, the possibility of obtaining an additional term will be determined by the excess over five years that a patent could have taken for its registration; or over one year, in the case of sanitary registrations.



Industrial Designs and Drawings

Abbreviated proceeding

The New Law sets forth the possibility of undergoing an “abbreviated proceeding” for the application of industrial designs and drawings, according to which the applicant will be granted a “certificate of deposit” of the industrial design or drawing, **without a substantial examination of the application** (which, in any case, may be requested at a later date by the owner of the certificate or by a third party).

The certificate of deposit obtained through this new procedure will be issued **only after the verification of formal requirements**. Once granted, it will be published in the Official Gazette and will be valid for 15 years. A substantive examination may be requested throughout all its validity period.

The certificate of deposit of an industrial design or drawing obtained in accordance with the abbreviated proceeding only certifies the content of a granted design with respect to its owner but does not allow to file infringement actions so as the they correspond to a regular industrial property right. Once the substantial examination featured in the general registration proceeding is made and approved, then those actions will be available.

- If a certificate of deposit has been obtained for a design linked to a product with a high market presence or that has been commercially successful, it is advisable to request its substantive examination, in order to have a registration that will allow taking actions against possible unauthorized uses made by third parties.
- Given that the possibility of filing an opposition against the application is verified within the substantive examination procedure and after the expert's report, it is highly recommended to know the expert's opinion on the matter and the analyzed documents, in order to have them as background information to be considered in the eventual filing of the opposition, so as to be able to contribute with new arguments to the expert's analysis during the opposition procedure.

Extension of the term of protection

The New Law extends the legal term of protection of industrial designs and drawings, from the current 10 years to 15 years from the date of the filing of the application.

The New Law indicates that the owner of a registration may opt for annual payments as from the expiration of the first five-year term, so that the right subject to this type of payment will last as many years as those in which the maintenance is made, up to a maximum of 10 years over the five-year term initially paid.

- As the first transitory article of the New Law allows the extension of the validity of registrations already granted that have not completed their original term (10 years) at the time the Law enters into force, it is

highly advisable that the owners of industrial designs evaluate the possibility of **requesting such extension** for up to the maximum legal term of 15 years, particularly regarding those designs that are of commercial interest.



The New Law notably extends this concept by including **all undisclosed information that a person has under their control and that may produce a business leverage**, whether it refers to productive, industrial or commercial activities. Thus, secrecy is no longer limited to the knowledge in connection to products or industrial processes.

- An adequate protection of the right to secrecy, requires that the company can prove the safeguards adopted to protect the confidentiality of the respective information. Therefore, it is highly recommended that workers who contribute to generate this type of information or have access to it, are subject to **strong confidentiality clauses**.
- Notwithstanding the foregoing, such clauses do not adequately guarantee the existence and exercise of the right to secrecy by themselves. If all or part of the information intended to be protected

is disclosed, it will be necessary to prove the content of the knowledge or secret information, therefore, the company must have reliable recording and safeguard mechanisms in its traceability in order to prove such content.

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