

ECUADOR

Q214 “PROTECTION AGAINST TM DILUTION”

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Dilution shall be understood as the vanishing of the distinctive character, or the advertising value of a mark, of a name or other identifying commercial factor, the appearance of a product, or the presentation of products and services, or of a celebrity or fictitious person notoriously known.

In fact, a dilution claim may be raised to protect the trademark distinctiveness, even in the absence of any likelihood of confusion or competition.

The Andean Community Industrial Property Regime (Decision 486) and the local Intellectual Property Law include some provisions to address dilution issues that may affect trademarks - registered trademarks and well known marks even if they are not registered.

However, there are no clear rules regarding the standard of proof required for a dilution claim or which types of uses are not covered by the dilution provisions.

Dilution as a trademark registration bar:

On regard to third parties prior rights, the Andean Community Law -Decision 486-, article 136 provides that: “Symbols may **not be registered** as trademarks if, with respect to third party rights, they: (...)

h) Constitute a reproduction, imitation, translation, transliteration or transcription, total or partial, of a **well-known distinctive mark**, whose owner is a third party, whichever may be the products or services whereupon the mark applies, when its utilization may be liable for causing risk of confusion or of association with such third party, its/his/her products or services; an unfair utilization of the prestige of the mark; or the **dilution** of its distinctive strength or of its commercial or advertising value.”

Under this provision, well-known marks will be protected in situations involving the same or different goods or services. However, the extension of the privileged protection is related to cases where the interests of the trademark owner may be damaged or when the exceptional knowledge of the mark involves this kind of protection.

The Ecuadorian Intellectual Property Law states that it cannot be **registered** as a mark the symbol that “violates the rights of third parties, in particular those that may cause damages to a title holder as a consequence of **dilution** of its marks distinctive strength or commercial value”. This prohibition applies to both, registered or well known marks -article 196, a) and d)-

Dilution claims in Post-registration remedies:

When a notorious mark is registered as domain name, or electronic mail address by a third party, the national authority will order the cancellation or modification of such a record if it causes confusion, damages the distinctive

character of the notorious mark o gives an unfair advantage to the third party. (Decision 486, article 233)

In addition, the local IP law states that the Trademark Office shall cancel a trademark registration, upon request of the legitimate owner, when said mark is identical or similar to a trademark that has been widely-known according to the enforced law of the moment when the application for registration was filed.

As a practical issue, the owner of a well-known mark may provide evidences of the notoriety taking into account that Decision 486 includes an illustrative- not exhaustive- list of specific criteria that shall be considered in the determination of the notoriety.

Factors included are:

- a) the extent of knowledge among the members of the relevant sector in any Andean Member Country (Ecuador, Colombia, Bolivia, Peru);
- b) the duration, scope and geographical extension of its utilization in any Andean Member Country;
- c) the duration, geographical scope and extension of its promotion within or outside any Andean Member Country, including advertising in fairs, exhibitions or other events, with respect to the products or services, of the establishment or of the activity towards which it applies;
- d) the value of the investment in promoting the establishment, activity, product or service to which it applies;
- e) the figures on sales and income of the proprietor in what refers to the mark whose character of well-known or famous is alleged, both at the international level, and in the Andean Member Country where protection is sought;
- f) the degree of distinctiveness inherent to or acquired by the mark;
- g) the book value of the mark as an entrepreneurial asset;
- h) the volume of the orders from persons interested in obtaining a franchise or a license on the mark in a specific territory; or,
- i) the existence of significant manufacturing activities, purchases or storage by the proprietor of the mark in the Member Country where protection is sought;
- j) aspects of international trade; or
- k) the existence and length in time of the enforceability of any registration or application for registration of the distinctive mark in the Member Country or abroad.

Dilution claims in infringement action:

The Ecuadorian IP local law states a similar prohibition **against the use in trade** of an identical or similar mark to a previously registered one, when such use may cause confusion or some economic or commercial damage to its title holder, or cause a **dilution** of its distinctive strength.- Article 217- .

No particular provision is stated by the local law regarding well known marks.

In addition the same law determines the applicable remedies in case of unfair competition and article 285 includes among the unfair competition acts definition: “any action susceptible to damage or **dilute** the intangible assets or reputation of a company”.

However, the law also includes some limits and exceptions to the exclusive right of use of a registered mark and there are not clear rules to identify the borderline between those exceptions and the protection available against dilution damages.

The law on trademarks contemplates several figures that consist of exceptions to the exclusive use of a registered trademark, namely, the exhaustion of rights (Decision 486, article 158) and the right to use for advertising or indication of compatibility of parts and spares, and the informative use (Decision 486, article 157). In fact, Chapter III of Decision 486 is named "Rights and Limitations conferred by a Mark", ruling under equal rank on the applicable rights and limitations over a mark.

"Article 157.- Third parties may, without consent from the proprietor of the registered trademark, utilize in market the name, domicile or pseudonym, a geographical name, or any other truthful information relating to the species, quality, quantity, destination, value, place of origin or time of manufacture of the products or of the rendering of services or other characteristics thereof; always provided that it be done in good faith, that it does not constitute utilization by way of distinguishing product trademark, and that such use be limited to identification or information purposes and may not induce the public to confusion on the source of the products or services.

A trademark registration does not confer its proprietor, the right to prohibit that a third party uses the trademark for advertising, even in comparative advertising, to offer for sale or indicate the existence or availability of products or services lawfully marked; or for indicating the compatibility or adequacy of spare parts or of accessories usable with the products of the registered trademark provided that such utilization be in good faith, be limited to the purpose of informing the public and not be likely to induce to confusion on the entrepreneurial origin of the related products or services."

Case Law: In our knowledge, to this date the Ecuadorian Trademarks authorities have not specifically dealt with any anti-dilution claim.

Some litter references to dilution issues have been made by the Ecuadorian authorities when resolving trademark opposition proceedings, or infringement claims, showing that even for the authorities it is not clear the difference among dilution (by blurring or by tarnishment) and confusion.

In an infringement action the Ecuadorian IP authority said - "This Administrative Authority has confirmed that there is a clear infringement against the plaintiff's industrial property rights over its registered trademarks –since such acts may cause dilution thereof- when they (*defendant*) are using pejorative terms that cause an actual moral damage to the titleholder." (*Aspirina vs. Andrews and Panadol packages -2005*).

Conclusion:

Dilution provisions are included in the Community Andean Decision 486 and the local Ecuadorian Intellectual Property law in some different levels: (1) Dilution as a trademark registration prohibition is provided regarding well-known and previous registered trademarks (2) Post registration remedies grounded on

dilution claims are provided to protect only "famous" trademarks; (3) In case of infringement actions, the trademark owner is protected against "risk" of dilution therefore no "actual" dilution should be evidenced in the proceeding.

In actual facts, dilution claims have not been appropriately used in Ecuador probably because of the lack of ruling about the requirements for proving a dilution claim or a clear definition of their purpose and scope.

No case law or local jurisprudence has particularly addressed these issues, thus local trademarks remain at risk from dilution, whether from dilution by blurring or dilution by tarnishment, and their owners have little guidance regarding the actions to adopt to claim for a dilution risk or actual damage.

SUMMARY

Dilution provisions are included in the Community Andean Decision 486 and the local Ecuadorian Intellectual Property law in some different levels: (1) Dilution as a trademark registration prohibition is provided regarding well-known and previous registered trademarks (2) Post registration remedies grounded on dilution claims are provided to protect only "famous" trademarks; (3) In case of infringement actions, the trademark owner is protected against "risk" of dilution therefore no "actual" dilution should be evidenced in the proceeding. In actual facts, dilution claims have not been appropriately used in Ecuador probably because of the lack of ruling about the requirements for proving a dilution claim or a clear definition of their purpose and scope.
