

IP NEWSLETTER

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Supreme Court on Warning Letters

On September 28, 2018 the Free Competition Court sanctioned Trefimet S.A, a Chilean company, for the exercise of acts of unfair competition against Mr. Oscar Morales with the goal of achieving, preserving or increasing a dominant position in the market of thermal lances, a product mainly used in refineries of the mining industry. Trefimet manufactures thermal lances and holds two patents thereon. Mr. Morales worked for Trefimet but left the company and obtained his own patent for a kind of thermal lance which he began selling shortly thereafter. Subsequently and within the context of public bids for these products, Trefimet sent letters to potential purchasers asserting the thermal lances of Mr. Morales infringed its patents, and warning about the potential liabilities attached to the purchase and use of these products. In the letters it was also made clear that Mr. Morales's patent did not insulate him from infringement as it only provided a right to exclude others, not necessarily a right to practice his invention.

The Free Competition Court sided with Mr. Morales, it concluded that the letters of Trefimet to potential purchasers amounted to unfair competition acts because Mr. Morales did have an affirmative right to practice his patented invention, and because it was not proved that his lances infringed Trefimet's patents. Accordingly, the assertions in the letters were false, and had been used to achieve, preserve or increase a dominant position in the market of thermal lances, in violation of the Free Competition Law.

Trefimet appealed and the Supreme Court on June 8th of this year, accepted the appeal and reversed the decision. In doing so it established the Free Competition Court had erred in attributing the warning letters sent by Trefimet an unfair competition connotation, as the law neither forbids communications between sellers and purchasers, nor forbids informing about the potential exercise of judicial actions, which actually may serve the desirable purpose of solving conflicts outside Courts.

More importantly, the Supreme Court also established that in judging the alleged unfair competition connotation of a warning letter, the Free Competition Court must stick to the facts, and cannot expand its analysis to include assessment of intellectual property legal issues, such as infringement or the nature of patent rights, these matters being the province of Intellectual Property Courts.

This ruling can be welcome by intellectual property owners as the precedents of the Supreme Court, even if not binding for other cases, do bear a special weight and tend to be followed by lower Courts.

Relevant Trademark Decision

On June 24, 2020, the Industrial Property Court revoked the first instance decision that

accepted the registration of the trademark
rejecting



for classes 29 and 31,

the opposition claim of Union Des Associations Europeennes de Football (UEFA), based on its famous

trademark
and 41.



registered in Chile for classes 4, 9, 12, 16, 25, 28, 29, 32, 36, 38, 40

The National Institute of Industrial Property (INAPI) initially rejected the opposition claim stating that there were conceptual differences between both trademarks, and even though the distribution of the graphic and word elements on the labels were similar, it considered that they presented decisive differences in order to counteract those similarities. Therefore, the trademarks had their own appearance and identity as a whole, which, in the words of INAPI, made them distinguishable to consumers.

The Industrial Property Court revoked INAPI's decision, ruling that between



and



there are graphic and phonetic similarities which are determinant for peaceful coexistence in the market. This is due to the evident similarities in the expressions CHAPIÑONES and CHAMPIONS, also between the figurative elements that contain circular figures similar to a soccer ball and between the disposition and distribution of its components in the labels.

The court ends up recognizing the fame of the opposing mark; therefore, the acceptance of the trademark applied for will produce confusion, error, or deception that the Industrial Property Law intends to prevent.

Modifications to the Regulation for the Operation of the Registration of Domain Names .CL

NIC Chile informed modifications to the Regulation for the Operation of the Registration of Domain Names .CL. This modification seeks to grant NIC Chile greater powers to face the recent increase of cases of phishing and other abusive practices that affect users of various services, both in the public and private sector.

With this modification, NIC Chile will have the power to deactivate or suspend a domain name when it is in the presence of a "DNS (Domain Name System) abuse". A "DNS abuse" is understood to be any intentional deceptive activity in the operation of the domain (phishing, malware, botnets, etc.) and/or any form of abuse of the domain name registration mechanisms. For the time being, the new measure of deactivation or suspension of the domain is still new, so the criteria regarding its application is not thoroughly defined yet.

It should be noted that this measure is contemplated in addition to the other protection mechanisms already applied by NIC Chile, which consist in:

1. Revocation before NIC Chile - Arbitration procedure

It consists of requesting the transfer of the domain name on the grounds of having a preferential interest in the domain (early revocation action).

If more than 30 days have passed since the registration of the domain name, one can only proceed in case there is an abusive registration/use of the domain (late revocation action).

2. Verification of the holder's data upon notice of deactivation and deletion

In cases where the domain name holder's data is incomplete or inaccurate, NIC Chile, on its own initiative or at the request of a party, may require the holder to rectify the information, under the warning that the domain name will be deleted if no response is received within 5 days.

3. Reporting domain name abuse

In cases where domains have been registered through registrars, NIC Chile reports abuses through their forms for the corresponding actions. In turn, it also reports these abuses to the hosting company so that they can take the corresponding actions in case of violation of their terms and conditions.

The measures contemplated in numbers 2 and 3 may be presented alongside measure number 1, however, they may have favorable results before having to proceed with the arbitration stage of a revocation.

Citizen Participation for MinCiencia's National Policy on Artificial Intelligence.

The Ministry of Science, Technology, Knowledge and Innovation of Chile (henceforth MinCiencia) has organized a citizen participation plan to collect people's vision, perceptions, opinions and concerns about the use and development of artificial intelligence (AI) in Chile, so that they can serve as a source of information for the preparation of the base document of the National Policy on Artificial Intelligence.

This policy will be drafted by a committee of experts and will contain the strategic guidelines to be followed by the nation regarding AI during the next 10 years. It will aim to empower people in the use and development of AI tools and to participate in the debate on their legal, ethical, social and economic consequences.

The bases that the National AI Policy will address are the following:

- a) Enabling factors, that is, those elements necessary for the development of AI. For example, data, human capital and technological infrastructure.
- b) AI development and its applications, which are the proper elements of basic and applied research in AI and the development of and demand for solutions.
- c) Ethics, regulatory aspects and social and economic impacts of AI, which consider challenges in the areas of environment, labor, gender gaps, justice, democracy, among others.

MinCiencia's invites individuals and legal entities, both national and foreign, to participate through digital working groups to discuss one or more of the bases that the policy will address. The process closes on August 30th.

Our firm has been invited by MinCiencia to participate in this process, the result of which will be the presentation of an opinion document about the regulatory restrictions on data imposed mainly by copyright and personal data protection, for the training of models that apply AI.

Bill introducing a temporary measure allowing for the depreciation of intangible assets

On June 25th, the bill establishing tax measures as part of the emergency plan for economic and employment recovery entered the Chamber of Deputies. Among several tax measures, this bill contemplated the possibility of deducting the depreciation of certain intangible assets in the same year they were acquired.

In general terms, the proposed bill provides the possibility for corporate income tax payers who declare their taxes on an effective income basis that acquire intangible assets between June 1, 2020 and December 31, 2022 to depreciate them instantaneously and in full in the same year in which they are acquired.

In order to exercise this option, it is necessary that the intangible assets (1) are intended for the interest, development or maintenance of the company or business and (2) that they are among the intangible assets eligible for the system, these are

- a) Industrial property rights protected according to law No. 19,039;
- b) Intellectual property rights protected according to law No. 17,336; and
- c) A new vegetable variety protected according to law No. 19,342.

In addition, in order to control the use of this benefit, the agencies before which the intangible assets are registered must inform the Chilean IRS of the assets that are registered or transferred during the term of the benefit.

This particular amendment was not approved by the Chamber of Deputies, the Executive power reintroduced it for evaluation by the Senate Finance Committee. However, after the discussion in the chamber of the Senate House, the project as a whole was rejected.

As a result, a joint commission will be formed with members of both chambers to try to reconcile positions and reach agreement. If positions are reconciled, the modified project must be reviewed again and voted on in both Houses.

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