

Andean Outlook

A recurring feature
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A review and commentary on recent developments in the law of the Andean Community (Columbia, Venezuela, Ecuador, Perú and Bolivia) that relate to the field of licensing.



Licenses In Columbia: Legal Regime And Late Developments

A license agreement is the instrument through which a party called licensor, owner of a right in an intangible asset, grants to another party, called the licensee, rights to exploit, use or manufacture the intangible asset.

The Colombian legislation distinguishes corporeal or tangible assets from incorporeal or intangible assets. The former are goods perceivable by the senses, such as a house or a book, while intangibles cannot be so perceived, which is the case of, for example, industrial property rights.

In Colombia, where the regulation of these topics is very similar to the regulation in other Andean Community countries (Bolivia, Ecuador, Peru and Venezuela) the following industrial property rights may be licensed:

- Trademarks and service trademarks
- Industrial designs
- Patents of invention
- Utility models
- Layout-designs for integrated circuits
- Trade names, emblems and slogans
- Copyright in literary, artistic and musical works
- Computer programs
- Neighboring copyrights
- Domain names (Internet addresses)
- Know-how
- Trade secrets

Usually, the licensee benefits from the manufacture or use of an intangible the success of which has already been proven in the market.

In this sense, mark licensing enables the identification of the products manufactured by the licensee with a mark belonging to a third party and having good commercial repute and representation.

Patent or know-how licensing enables the licensee to incorporate inventions or technical procedures originally of others in the manufacturing of his products.

Computer program licensing enables the licensee to install the program in his computer hard drive so it can

carry out certain specific functions.

Licensors may derive the following benefits:

- Additional income from intangible assets in the nature of royalties.
- Protection of industrial property rights against possible litigations for nonuse.
- Ready compliance with the international exchange laws when transferring money abroad.
- Access for their goods or services to other markets.

Before subscribing a licensing agreement, the following should be considered:

- The financial standing and expertise of the other party to the agreement.
- That the intellectual property intended to be licensed is properly protected.
- That the terms and usages of the intellectual property rights are clearly and precisely negotiated.
- That all the industrial property rights involved are clearly defined, if possible in a separate Exhibit attached to the contract.
- Specification as to whether royalty payments will be due to the owner of intellectual property rights for their use.
- That the termination clauses for the agreement are established, considering as many events as possible.
- That an efficient and secure procedure for settling disputes between the parties is clearly specified.

In Colombia the following clauses cannot be included in licensing agreements:

- Clauses demanding the purchase of a determined technology.
- Clauses enabling the licensor to set product prices.
- Clauses restricting production volume or structure.
- Clauses prohibiting the use of competitors' technology.
- Clauses providing a partial or total call option favoring the technology seller.
- Clauses compelling the technology buyer to transfer inventions or improvements obtained from the use of such technology to seller.
- Clauses requiring royalty payment for the licensing of expired marks or patents.

1. Legal Framework

Licensing agreements are regulated in Colombia by the following decisions and laws:

- Decision 486 of the Andean Community
- Decision 351 of the Andean Community
- Decision 291 of the Andean Community
- Law 155 of 1959 and Decree 2153 of 1992 on trading practices that hinder free competition

2. Licensing agreements over industrial property rights not registered in Colombia

It is possible to enter into license agreements referring to industrial property rights not registered in Colombia. In the case of marks, patents, utility models, industrial designs and integrated circuit layout designs, Colombian law requires only that either the respective registration or the right be previously requested for their licensing.

3. Legal requirements for licensing agreements

The licensing agreement must be in writing for recordal purposes. The recordal depends on the type of contract.

International technical assistance, technical service, basic engineering and technology licensing or transfer agreements must be recorded before the Ministry of Foreign Trade.

Agreements that include industrial property rights must be recorded before the Superintendence of Industry and Commerce.

Agreements between national companies are to be recorded only before the Superintendence of Industry and Commerce.

Licensing agreements on artistic, literary works, neighboring rights and computer programs must be recorded at the Copyright Office.

4. Consequences of failure to register a licensing agreement in Colombia

- The agreement will not be enforceable against third parties, particularly in litigation cases.
- The mark may be cancelled for lack of use.
- The licensor will not benefit from tax exemptions in the event of transferring money abroad.
- The opposing party in a litigation may question the validity of the agreement.

5. Late developments in licensing

The Superintendence of Industry and Commerce is the entity responsible for solving consultations on licensing issues in Colombia.

Below we include the most recent decisions made by the Superintendence, such that those who may be interested in conducting businesses in Colombia can know the position of the entity in this field.

a. Opinion 01405270 of June 26, 2001

Thesis:

Those who may wish to use a trademark previously registered in Colombia must execute a license agreement

with the owner of the mark.

The term of a license agreement shall not exceed the validity of the trademark registration, and the agreement shall be recorded for this term or for the term specified in the agreement, which may never exceed the validity of the registration.

Regarding the use of works protected by copyright, the National Copyright Directorate grants the authorization for each form of exploitation.

Legal Grounds:

Article 162 of Decision 486 of the Commission of the Andean Community provides for that “the proprietor of a trademark registered or applied for may grant a license to one or more third parties to exploit the mark.”

“All licenses for use of trademarks shall be registered with the national competent office. Failure to register shall cause that the license not be enforceable against third parties.”

b. Opinion 01047984 of June 26, 2001

Thesis:

The person registering a trademark is the person having the right in the same. Law has established a series of actions to protect the legitimate owner of a trademark, whose right may be affected by the use of the mark in the market by a third party without authorization.

One of the defense mechanisms is the report of trademark usurpation, which is under the jurisdiction of the criminal law, and the demand of injunction measures, which is a civil action.

For the purpose of demanding injunction measures against a third party using a mark without authorization, the owner of the mark must prove his ownership with the certificate issued by the Superintendence; he must prove the unauthorized use of the mark by the third party, and he must specify the injunction measures he wishes the judge to decree.

Legal Grounds:

By virtue of Article 154 of Decision 486 of the Commission of the Andean Community, the right to the exclusive use of a trademark is acquired only through its registration with the national competent office, which in Colombia is the Superintendence of Industry and Commerce.

Nevertheless, the owner of a trademark registration may assign the rights he has in the registration or license the mark, provided that this is informed to the Superintendence and the requirements established for this purpose are met.

c. Opinion 01010101 of March 27, 2001

Thesis:

1. Article 162 of Decision 486 of the Commission of the Andean Community sets forth the following: “the proprietor of a trademark registered or applied for may license the mark to one or more third parties for them to exploit it.”

“All the licenses for use of trademarks must be reg-

istered with the national competent office. Failure to register shall cause that the license agreement not be enforceable against third parties.”

Then, the legitimate owner is who must use the trademark. Failure to use it can originate a cancellation action, to the extent that the Andean provision concerning use is not being complied with.

2. Effects of a license agreement when it has not been registered with the Superintendence of Industry and Commerce.

According to Article 1602 of the Civil Code, all contracts legally entered into acquire the force of a law for the contracting parties. Therefore, they may not be invalidated except by mutual consent or existence of legal causes allowing it.

The purpose of the recordal of the agreement before the Superintendence of Industry and Commerce is to make it public, which is what allows the parties to enforce it against interested third parties.

However, the failure to record a license agreement with the Superintendence does not exempt the parties from fulfilling their contractual obligations.