

Republic of Chile
Free Competition Defense Court (TDLC)

Ruling No. 38/2011

Santiago, December 22, 2011

Proceedings: Non-litigious
Case number: NC No. 396-11
Applicant: RTC S.A.
Subject: Application concerning the right to import
the goods indicated

(I) Factual and procedural background

A. Application submitted by RTC S.A.

1. On July 28, 2011, RTC S.A. submitted an application to this Court, seeking a ruling on its legal right to import and market alarms and accessories for automobiles under the mark "Némesis".
2. RTC S.A. states that, over a year ago, it imported and marketed "Némesis" mark alarms and other accessories for vehicles, acquired from companies belonging to the Global International Corp. S.A. group, linked to the Colombian company Alarmas Némesis Ltda, the owner of said mark in Colombia and Ecuador, there existing – in the view of RTC S.A. – a close relationship between the companies from which it acquired the goods and the mark owner.
3. RTC S.A. states that it marketed Némesis mark goods in the knowledge and belief that it was acquiring authentic goods; it positioned said mark on the local market; and it is important to determine the identity of the creator of the Némesis mark in order to establish whether the commercial link established between RTC S.A. and the above-mentioned companies is legitimate.
4. RTC S.A. notes that any move to prevent the importation and distribution of well-known foreign goods on the domestic market would limit free competition, giving rise to market abuse and dominance. RTC S.A. therefore requests that the Court issue a ruling in its favor concerning its legitimate right to buy, import and market alarms for automobiles and other accessories for land vehicles under the mark "Némesis".
5. In support of its submission, RTC S.A. adduces the following documents: (i) a copy of the legal mandate to represent RTC S.A.; (ii) the professional permits of the representatives in the proceedings; (iii) a copy of Fernando Urra's law degree; (iv) a certified copy of the Act of Registration of Certificates and Powers issued abroad, before the notary Cosme Gomila, to which the following documents are attached: (a) a letter written by Nubia Gómez Rivera certifying that don Antonio López Suarez is the holds a

- majority interest in "Alarmas Némesis Colombia"; (b) a certificate attesting to the existence of legal representation or a certificate of registration of documents for "Alarmas Némesis", issued by the Bogotá Chamber of Commerce and dated August 3, 2010; (c) Registration Certificate No. 179896 01 N "Némesis", class 12, Panama; (d) Registration Certificate No. 286338 "Némesis" for anti-theft alarms for cars in Colombia; (e) Deposit Number Assignment Certificate No. 16792 "Némesis Car Security System", class 9, Colombia; (f) Registration Certificate No. 179897 01 N "Némesis", class 9 in Panama; (g) a copy of the ruling granting Registration No. 179897 01 N "Némesis", class 9, in Panama; (h) a copy of the ruling granting Registration No. 179896 01 N "Némesis", class 12, Panama; (v) a copy of Registration Certificate No. 3809-06 "Némesis" (mixed), class 9, dated October 13, 2006, in Ecuador; (vi) a copy of Registration Certificate No. 4304845 "Némesis" (mixed), class 12, dated April 21, 2007, in China, and; (vii) a copy of Registration Certificate No. 4304846 N (mixed), class 12, dated March 21, 2007, in China.
6. On page 34, dated August 2, 2011, the procedure under Article 31 of Decree Law No. 211 (DL 211) was initiated, the mandatory publications being made in the August 11, 2011 edition of the '*La Tercera*' daily newspaper and in the Official Gazette on August 10 of the same year. Official notification thereof was also sent to the National Economic Prosecutor's Office, the National Institute for Intellectual Property (INAPI) the National Consumer Service (SERNAC) and the Confederation for Production and Commerce (CPC).

B. Report of the National Economic Prosecutor's Office

7. On pages 48 et seq., dated September 2, 2011, the National Economic Prosecutor's Office provides background information and states, in summary, that, in accordance with prior rulings of the Free Competition Defense Court and the preceding anti-monopolies bodies, it considers that the applicant RTC S.A. is not violating free competition legislation by importing genuine "Némesis" mark goods.
8. The National Economic Prosecutor's Office further states that it subscribes to the opinion expressed by the TDLC in Ruling No. 26/2008 concerning the need for a mechanism that provides an alternative to legal proceedings and that is designed to verify the genuine nature of goods imported by third parties distinct from official distributors and that provides certainty with regard to their legal marketing in the country.

C. Report of the National Institute for Industrial Property

9. On pages 43 et seq., dated August 19, 2011, the National Director of the National Institute for Industrial Property (hereinafter, INAPI) states that, in accordance with the Nice international classification, alarms and accessories for automobiles fall under classes 9 and 12.
10. The report further states that the INAPI database contains the following applications and registration which are for the "Némesis" mark or which include the sign "Némesis" in order to distinguish alarms for automobiles and accessories for automobiles of classes 9 and 12: (i) Application

- No. 911.234 "Némesis" (mixed), to distinguish vehicles in general, the applicant being Inversiones Dasa Group Sociedad Anónima; (ii) Application No. 911.235 "Némesis" (mixed), to distinguish a commercial establishment, the applicant being Inversiones Dasa Group Sociedad Anónima; (iii) Application No. 942.814, "Dasa Némesis" (mixed), to distinguish devices and instruments of various classes, the applicant being Inversiones Dasa Group Sociedad Anónima; (iv) Application No. 942.816 "Dasa Némesis" (mixed), to distinguish vehicles in general, the applicant being Inversiones Dasa Group Sociedad Anónima; (v) Registration No. 837.944 "Némesis Car Security System" (mixed), to distinguish devices and instruments, the owner being Inversiones Dasa Group Sociedad Anónima; (vi) Application No. 935.202 "Némesis" (word) to distinguish alarms for automobiles, systems, radios and electronic equipment, class 9, the applicant being Automotores Gildemeister S.A.
11. Referring to Article 19*bis* E of Law No. 19.039 on Industrial Property The report also states that Chilean legislation enshrines the international exhaustion of intellectual property rights, making parallel imports possible.

D. Report of the National Consumer Service (SERNAC)

12. On pages 54 et seq., dated September 2, 2011, SERNAC provides background information, stating that the applicant must comply with the provisions of the Law on Consumer Protection concerning information, publicity and safety, in order to ensure that consumers are not misled. SERNAC also points out that, for the aforementioned reasons, RTC S.A. must comply with the requirements of Articles 45 and 46 of the abovementioned Law with regard to the incorporation of Spanish-language manuals and the obligation to inform the competent authority of the existence of any dangers or risks that the company may have identified.
13. In conclusion, the report states that if the application has been accepted by the TDLC it shall not represent a potential threat to consumer welfare, provided that new competitors are allowed to enter the market; others are not prevented from importing the same mark; the safety requirements are complied with; and accurate information is provided.

E. Public Hearing

14. Page 63 contains the publication in the December 1, 2011, edition of the Official Bulletin of the summons to the public hearing provided for in Article 31(2) of Decree Law No. 211.
15. Page 83 contains a certificate issued by the Rapporteur for the proceedings attesting that the hearing, in which the representative of the applicant took part, was held, and that a determination had been made but had yet to be made public.

(II) Discussion

16. RTC S.A. requests a ruling by this Court with regard to its legal right to import and market alarms and accessories for automobiles under the mark Némesis, stating that over a year ago it imported and marketed alarms and

other accessories for vehicles of said mark, which goods it acquires from companies belonging to the Global International Corp S.A. group, linked to the Colombian company Alarmas Némesis LTDA, the owner of the mark in question in Colombia and Ecuador.

17. Based on settled case law of this Court and its predecessors, the Honorable Resolution Commission and the Preventive Commissions, created by Decree Law No. 211, it was found that, although the registration of a specific commercial mark in Chile protects the owner from any attempt by third parties to use the corresponding distinctive sign illegally, such registration does not empower the owner to prevent those third parties from importing and marketing genuine goods of the same mark in Chile.
18. The abovementioned opinion, previously established through various Decisions and Rulings of said Commissions, as well as by Judgment No. 30 and Resolutions Nos. 5 and 21 of this Court, is fully applicable in the present case, given the terms of the application.
19. Article 19bis E of the Law on Industrial Property, incorporated by Law No. 19.996, of 2005, states that "*The right conferred by the registration of a mark shall not empower its owner to prevent third parties from using said mark with regard to goods legally marketed in any country under this mark by said owner or with his express consent.*"
20. It has been established through the aforementioned settled case law of the competition bodies and of this Court that authentic and genuine goods may be directly and legally imported, even where the corresponding marks are registered in Chile by third parties.
21. The foregoing does not prevent the owner or licensee of a mark from protecting the rights granted to him by that mark, such owner/licensee being empowered to bring the corresponding civil or criminal mark actions if the third party importer has brought illegally-marketed or counterfeit goods into the country. Any violations in this regard shall be criminal, civil, commercial or mark-related in nature, and shall differ in nature from those referred to in Decree Law No. 211. In no way should it be understood that the owner is empowered to use a registered mark to prevent the entry of legitimate competitors, with the aim of attaining, maintaining or strengthening a dominant position, such a position constituting anti-competitive behavior, as established by Judgment No. 62 of this Court, inter alia.
22. This application and other similar proceedings brought before this Court highlighted the need for a mechanism other than legal proceedings that is designed to verify whether goods imported by third parties other than official distributors of said goods are genuine; and that expeditiously provides certainty with regard to the legal marketing of said goods in the country. Such a mechanism would help to increase levels of competition, transparency and information in the national markets. In light of the above, it would be advisable to issue rules facilitating the certification of the genuine nature of imported goods, in particular in the case of marks registered in Chile by third parties distinct to the importer.

In light of the above and of Articles 1, 2, 18(2), 31 and 32 of Decree Law No. 211, application formulated on page 11 is determined as follows:

RTC S.A. has not violated free competition rules by importing and marketing alarms and accessories for automobiles under the mark Némesis, to the extent that said goods are genuine and legally marketed and acquired by the applicant in any country.

These proceedings shall be notified, closed and a record thereof provided to the Minister of Economy, Development and Reconstruction and the National Economic Prosecutor:

Case No. NC 396- 11

Issued by the bench: Mr. Tomás Menchaca Olivares, presiding, Ms. Andrea Butelmann Peisajoff, Mr. Radoslav Depolo Razmilic, Mr. Julio Peña Torres and Mr. Javier Velozo Alcaide. Authorized by the Legal Secretary Mr. Alejandro Domic Seguich.

Government of Chile

Standing Committee on Patents (SCP)

Ref.: Note C.8343

Response to request for information (with annex)

- (i) Exceptions and limitations in respect to patent rights: The National Institute of Industrial Property (INAPI) of Chile notes that since there have been no changes in national legislation, it does not consider it necessary to make any changes to the information contained on the website at <http://www.wipo.int/scp/es/exceptions>.

As regards "*(ii) exhaustion of rights*", INAPI is not aware of any decision or judgment dealing with the exhaustion of patent rights. However, in its understanding, the same criterion used for trademarks (followed in Decision No. 38 of the Tribunal for the Defense of Free Competition, annexed) should be applied in accordance with the stipulations of Article 19 *bis* E of Law No. 19039 on Industrial Property, which provides for the international exhaustion of industrial property rights.

Finally, as regards "*Acts for obtaining regulatory approval from authorities*", "*Compulsory licensing and/or government use*" and "*farmers' and/or breeders' use of patented inventions*", INAPI notes that it has no knowledge of any cases in which these exceptions have been applied.

- (ii) Technology transfer: INAPI uses the tool "*INAPI Proyectata*", which reports some success stories regarding technology transfer and patents. They can be viewed at the following link: <http://www.inapiprojecta.cl/609/w3-propertyvalue-2473.html>.
