



NEW TRADEMARKS LAW IMPOSES ADDITIONAL REQUIREMENTS TO MAINTAIN REGISTRATION

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On December 16, 2009, Puerto Rico's Trademarks Law was repealed and a new Trademarks Law was enacted. The primary purpose of the new Trademarks Law is to modernize the trademarks protection system. To this end, the law expands the definition of "trademarks" to include, for example, product design, sounds and smells, and trade dress. It also specifies what categories of trademarks are not eligible for registration and protects famous trademarks from blurring and tarnishment.

Rights to a trademark arise from either their use in commerce or registration with the bona fide intention of using the trademark in commerce. Thus, it is not necessary to register a trademark in order to obtain protection under the law, although it evidently makes proving ownership of the trademark easier. The new Trademarks Law provides that any person that uses a trademark which is the same as or similar to a protected trademark, and which causes confusion or a false impression as to the origin of the goods or services, shall be liable in a civil proceeding to the actual owner of the trademark, who may request an injunction and damages, as set forth in greater detail below.

The new Trademarks Law changes the registration procedure for trademarks that are not currently used in commerce in Puerto Rico. The old law provided that a trademark would remain registered for a period of 10 years, whether or not it was actually used. The new law provides that a person that has a bona fide interest in using a trademark in commerce in Puerto Rico, but is not currently using such trademark, may register the trademark, but within 5 years from the registration, the registrant must provide a sworn statement, with supporting evidence, that the trademark is being used, or it will be cancelled. The registrant may, however, request a one year extension.

REGISTRANTS OF TRADEMARKS USED IN BUSINESS AT THE TIME OF REGISTRATION MUST SUBMIT A SWORN STATEMENT, WITH SUPPORTING EVIDENCE, THAT THE TRADEMARK IS BEING USED BETWEEN THE 5TH AND 6TH YEAR FROM THE DATE OF REGISTRATION AND BETWEEN THE 9TH AND 10TH YEAR FROM THE DATE OF REGISTRATION, TOGETHER WITH A REQUEST FOR RENEWAL OF TRADEMARK REGISTRATION, AS A CONDITION FOR THE RENEWAL.

If these requirements are complied with, the trademark registration will be valid for a period of 10 years, and may be renewed continuously for additional 10 year periods. In addition, a renewal may be sought within 6 months after expiration of the registration.

Although it is not entirely clear whether trademarks that are currently registered under the old law must file their sworn statements regarding the use of the trademark five years from the date of their initial registration, or five years from the effectiveness of the new law, and regulations have not yet been issued, we urge all our clients to determine when their filings were made, and to be prepared to make the appropriate filings when necessary.

Among the trademarks not eligible for registration are trademarks which are the same as, or substantially similar to a famous or notorious trademark of any country that is known by the relevant market segment in Puerto Rico, even if not used in Puerto Rico. It will be interesting to see what happens if the similar trademark had been registered in Puerto Rico under the old trademarks law, and has become known locally in connection with a different product. For example, there is an established car rental company that uses the same name and logo as one of the largest retailers in the United States.

The new Trademarks Law provides remedies for trademark infringement. The plaintiff can choose between damages, determined in accordance with the criteria set forth in the law, or statutory damages in the amount of no less than \$750 and no more than \$30,000. It is worth noting that if the court determines that the infringement involved bad faith, it can impose treble damages. Likewise, the court can reduce damages, in its discretion, if it determines that the defendant did not know and did not have reason to know or believe that its actions constituted an infringement of the plaintiff's trademark rights. Statutory damages are subject to increase or decrease depending on the foregoing factors.

The new Trademarks Law also protects web domain names, providing that the registrant of a domain name will

be liable to the owner of a trademark if the registrant intended in bad faith to benefit from the trademark, or registered or uses a domain name that causes confusion with an existing trademark or, in the case of a famous trademark, causes confusion or diminishes the distinctive character of the trademark. The plaintiff may seek that the court issue an order canceling the domain name, or assigning it to the plaintiff, and may seek the damages provided for trademark infringement discussed above.

Finally, any person who, without consent, uses a famous trademark, or a substantially similar trademark, in business in Puerto Rico, is subject to an injunction if such use could cause a diminishing of the distinctive nature of the mark (known as blurring) or negatively affect the reputation of the mark (known as tarnishment), even in the case of different services or products and where there is no confusion, and no damages. If the owner of the famous trademark can prove that bad faith was involved, it can seek the remedies provided for trademark infringement discussed above. Notwithstanding the foregoing, famous trademarks can be used without liability (i) for advertising purposes in order to compare or describe competing products or services, (ii) non-commercial uses of the trademark and (iii) use of the trademark for journalistic purposes, commentary, criticism, or parody.

The above summary is intended for information purposes only. It cannot be considered a legal opinion, and it does not intend to consider all the tax and legal considerations that could be relevant to any particular person or entity. It should also be noted that the changes discussed herein were recently enacted, and that the PR Treasury has not yet issued regulations, tax forms or interpretative announcements on such changes.

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Nikos Buxeda-Ferrer is a graduate, cum laude, of Harvard University and earned his law degree at Stanford Law School, where he was editor of the Law and Policy Review.

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Mr. Buxeda-Ferrer is experienced in drafting and negotiating documentation related to complex corporate and securities law transactions, such as mergers and acquisitions, private placements, preferred stock issuances, the organization of Puerto Rico mutual funds, debt issuances and restructurings and loan financings.

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