

## NONUSE CANCELLATION OF USED TRADEMARKS IN VENEZUELA

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In Venezuela, it is possible for registered trademarks in large scale commercial use to be cancelled for nonuse. Conversely, a Venezuelan trademark registration that has never been used can survive an attack for nonuse by adhering to the letter of Venezuelan law.

Venezuelan courts aim for compliance with existing law and do not alter the law to provide for commercial realities. In *Mobil Tankers Co., S.A. v. Mene Grande Oil Co.*,<sup>1</sup> the U.S. Court of Appeals for the Third Circuit examined the procedures applied in Venezuelan Civil Courts while considering whether or not to retain jurisdiction over an admiralty suit. The Court concluded that

the more important question is whether the relinquishment of jurisdiction would best serve the ends of justice. . . . However, the relinquishment of jurisdiction could result in serious detriment to Mobil's and Socony's causes of action. It would relegate the libellants to a foreign forum in which the procedural remedies are far less conducive to the fair administration of justice than those available under our admiralty rules. The mode of trial, the lack of adequate pre-trial procedures, and the limitation on the manner in which expert testimony may be offered do not comport with our concepts of fairness.<sup>2</sup>

Venezuelan attorneys believe that the Court of Appeals was wrong in its analysis, but the case illustrates the differences between U.S. and Venezuelan court procedures. Additionally, it emphasizes the point that it is better to try to comply with Venezuelan law to avoid litigation.

The current Venezuelan Industrial Property Law of September 2, 1955, contains its nonuse provision in Article 36(d): "The registration of a trademark shall be without effect . . . (d) when it ex-

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1. 363 F.2d 611 (3d Cir. 1966).

2. *Id.* at 614.

pires for lack of use for two consecutive years." Article 36(d) is unusual because of the accepted interpretation that a two year period of nonuse is not curable by subsequent use. This interpretation stems from the meaning of the word "caduque" (expire) in Article 36(d) and from cases such as *Carlo Erba S.A. v. Farma S.A.*<sup>3</sup>

The *Carlo Erba* case dealt with a petition filed on August 12, 1981, to cancel the March 5, 1974, registration of the IBUSPRIN trademark covering pharmaceuticals on the grounds of nonuse. The Registrar stated that the burden of proving lack of use of the trademark was on the petitioner. The petitioner placed in evidence a letter from the Ministry of Health dated February 10, 1981, stating that a health license had only recently been requested for "IBUSPRIN". The Registrar ruled that because no health license had been granted during the eight years that had elapsed since 1974 when the IBUSPRIN registration was issued, and since the IBUSPRIN registration covered pharmaceutical products which needed health licenses before they could lawfully be distributed, the IBUSPRIN trademark could not have been legally used in Venezuela. The IBUSPRIN trademark was accordingly declared to have expired for lack of use under the terms of Article 36(d) and was ordered cancelled.

In *Aida Prato Romero v. The Seven-Up Company*,<sup>4</sup> the Registrar issued a decision (later reversed on other grounds) cancelling the SEVEN-UP trademark for lack of use. The SEVEN-UP trademark was registered under trademark number 13082 on July 23, 1941, by the Seven-Up Company to cover beverages. The Seven-Up Company licensed the trademark to Industrial Embotelladora de Bebidas C.A. in 1956, but failed to register the license at the Trademark Office. When Aida Prato Romero petitioned to cancel the Seven-Up trademark, Embotelladora Green Sport de Orient C.A. was bottling Seven-Up and was also the owner of the health license for the beverage. In the decision cancelling the SEVEN-UP trademark for nonuse, the Registrar held that since there was no record of any license of use from the Seven-up Company to Green Sport, the use by Green Sport did not inure to the benefit of the Seven-Up Company, even though Green Sport owned the health license. Since there was no health license in the name of the registered owner, there was no legal use of the trademark in Venezuela.

The cases clearly demonstrate that a) the petitioner in a nonuse

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3. Boletin No. 280, p. 105.

4. Boletin No. 209, p. 284.

cancellation action in Venezuela has the burden of proof; and b) the absence of a health license required to distribute a particular product is considered *prima facie* evidence of nonuse.

In order for the use of a trademark to benefit the registered owner and protect the trademark registration from a cancellation petition under Article 36(d), the use must be made directly by the registered owner. If the registered owner is a foreigner, legal use would mean exportation to Venezuela of products bearing the trademark in question. Proof of such legal use would include original, signed "accepted" invoices or original customs receipts. If a health license or other permit is needed, the health license must be in the same name as the owner of the Venezuelan trademark. If use is made by a licensee, the license must be recorded both at the Office of the Superintendent of Foreign Investments ("SIEX") (when the registered owner is not a Venezuelan company) and at the Trademark Office. It is important to note that only public or private documents as defined by Article 124 of the Civil Code are admissible as evidence and that steps must be taken to obtain and preserve such documents.

Where government authorization is necessary to distribute a product, such as pharmaceuticals, pesticides, beverages, foods and most cosmetics and perfumes, the trademark owner must be certain that the authorization is either in its name or in the name of the recorded licensee. The owner must also ensure that the license was obtained within two years of the trademark's initial registration. Lack of the license or existence of a license which is not attributable to the registered owner (either directly or through a recorded license) "constitutes proof of nonuse as a matter of law".<sup>5</sup>

In those instances where no government approval is required, the burden of proving nonuse is extremely difficult to sustain because of its negative nature. This burden may be impossible to overcome since discovery of the registrant's records is extremely limited. Consequently, if the trademark is for a class of goods that does not require a government permit, an unused trademark may be impossible to cancel for nonuse even where there is no legal use. When filing trademark applications in Venezuela, it is advisable to keep this fact in mind and attempt to obtain coverage for specific goods which do not require government approval.

The fact that Venezuela is a member of the Andean Common

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5. See *Trademark User Requirements in Latin America*, 74 TMR 142.

Market carries additional consequences for foreign trademark owners. It creates the possibility of another dangerous nonuse situation if the plaintiff succeeds in shifting the burden of proof to the registrant. Decision 24 of the Andean Pact<sup>6</sup> which became effective in Venezuela on January 1, 1974, established a common "regime" for foreign investment, trademarks, patents and licenses and the payments of royalties. Trademark and patent licenses are directly affected by Decision 24 which also has an impact on the question of use.

Article 18 of Decision 24 provides that any trademark license must be examined, approved by and recorded with the "competent authority." In Venezuela, the competent authority is SIEX which was established in 1974 to regulate and administer Decision 24.

The regulations of Decision 24 provide that to have effect in Venezuela, any agreement must be authorized by and registered with SIEX if it has as its objective "to use or otherwise exploit the trademarks and the distribution of products identified by trademarks owned by foreigners." As a consequence of Article 62, the use of a trademark in Venezuela by a licensee will not inure to the benefit of the trademark owner unless SIEX has approved and recorded a license. This conclusion is a matter of Venezuelan law, such that actual use by a person under an executed but unrecorded license will not overcome that result. Furthermore, as indicated above, subsequent use does not revive a registration that has expired for lack of legal use under Article 36(d). Consequently, recording a license at SIEX after the nonuse will not revive a void registration. For example, the REVENESCENCE registration of September 29, 1956, was ordered cancelled by Decision No. 2917 of July 13, 1984, despite the fact that a license had been recorded at SIEX on March 12, 1982.

The records of SIEX are not officially open to public inspection, but it is relatively easy and inexpensive to determine whether a trademark license was recorded. If a hostile third party discovers that a foreign registrant has not recorded a license with SIEX, the trademark can be attacked for nonuse because subsequent use does not cure previous nonuse.

In addition to the Andean Pact and SIEX rules, Article 4 of the Industrial Property Law states that licenses must be recorded at the Trademark Office in order for use by the licensee to inure to

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6. The text of the Andean Pact can be found at 8 I.L.M. 910 (1969).

the benefit of the trademark owner. To record a license at the Trademark Office, it is necessary to first record that license at SIEX. Therefore, if licenses are not recorded at *both* SIEX and the Trademark Office, the trademark can be attacked for nonuse after two years. Since subsequent legal use does not cure the defect caused by nonuse, it may be ineffectual to register a license if the registrations are over two years old. Several cases of cancellation alleging failure to record license agreements and consequent nonuse are presently being litigated in Venezuela, although no decisions have been issued. Some of these cases may eventually be decided against foreign trademark owners who did not record their licenses with SIEX as required.

Under present law, the following options are available to foreign trademark owners to resist attempts to cancel their registered trademarks for nonuse:

1) Produce evidence of use by the foreign trademark owner by showing that the product was imported into Venezuela. This approach is risky because it can be very difficult to find proper evidence of use where existing registrations are concerned. This approach is only advisable if the foreign trademark owner could obtain the necessary "accepted" invoices showing the trademark in question and if he could establish that the health licenses in the name of the trademark owner had been in existence during the entire registration period. The registrant in the REVENESCENCE case followed this approach but failed in his efforts because no health licenses had been obtained.

2) Rely on use by a licensee and reregister any void trademarks, making certain that the proper licenses are recorded and health licenses are in the name of the trademark owner or recorded licensee. Failure to take all of these steps could lead to cancellation as occurred in the SEVEN-UP case where the trademark was registered, health licenses had been obtained, but there was no license between the trademark owner and the owner of the health license.

3) Refile whenever the registration approaches vulnerability, that is, every two years, if only a few trademarks are involved. This is less expensive than preparing and filing license agreements.

4) Adopt a wait and see attitude and accept the risks of potential cancellation actions until it is determined if the draft acts will be approved.

In conclusion, trademark owners need to be aware that Venezuelan law creates situations where a trademark which is being used

**can be cancelled for nonuse, while a trademark not being used may not be cancelled.**