

**ARBITRATION AND INTELLECTUAL PROPERTY**

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**ABSTRACT:**

The first part of this article briefly presents certain basic considerations regarding intellectual property, its content and current importance as an instrument of competition in a market economy. The author then makes reference to the most controversial issues regarding arbitration in this particular field of law, that is, matters that may be subject to arbitration, validity of the arbitration clause in contracts dealing with intellectual property rights, the topic of precautionary measures and third-party intervention in arbitration proceedings, and finally, there is a discussion on the possible significance of an award in a proceeding in which damages are claimed for infringement of intellectual property rights. The article ends with a brief reflection on conflict resolution mechanisms for domain names on the Web. The topics discussed are illustrated by legal precedents in Andean Community law and decisions handed down by Colombian judges.

**What are intellectual property rights?**

Briefly stated, intellectual property rights are rights that entitle their holder to the exclusive exploitation of the item or subject matter that they protect. In fact, the distinctive characteristic of this type of rights is that their holders are invested with a *ius excludendi alios*, that is to say, with a right that excludes third parties from the respective entitlement or from its different forms of use or commercial exploitation. Anyone wishing to make use of an exclusive exploitation right will have to obtain authorization from its holder, as that is precisely the essence of exercising the right: authorizing or allowing third parties to use it or work it commercially or, in other words, prohibiting its use without the holder's consent.

**Which are the intellectual property rights?**

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Intellectual property includes two large subdivisions: copyrights and industrial property. Copyrights protect literary, artistic and scientific works and the rights derived from copyrights include the protection of performing artists, broadcasting entities and sound recording producers.

The rights comprising industrial property are: a) invention patents, b) utility models, c) industrial designs, d) industrial secrets and e) distinctive commercial signs of products, services, merchants or business establishments, that is to say, trademarks (goods or services), commercial slogans (words, phrases or captions used to supplement a trademark), denominations of origin (geographical indications formed with the name of a country: Café de Colombia, Champagne from France, Jerez from Spain), and trade names and insignias. Industrial property likewise includes the topic of trade secrets or know how and the legal system governing unfair competition.

In general terms and for the purposes of this article, we could say that intellectual property comprises copyrights, technical creations (patents and utility models), aesthetic creations (industrial designs), distinctive signs (trademarks, slogans, trade names, and insignias), trade secrets and unfair competition in business<sup>2</sup>.

### How are these rights acquired?

Copyrights arise from creation. That is to say, creation is the means of acquiring the ownership governed by copyrights. Registration of the works is merely for declarative and advertising purposes, but is not constituent of the right.

Patents, designs and trademarks must be granted by the State. Technical or aesthetic creation or the use of a trademark is not sufficient. Intervention of the State to grant the patent or the respective registration of the design or trademark is required in order to become the holder of the right. Without the title granted by the State, one is not the holder of the right regarding these three items included within the concept of industrial property. On the contrary, trade names and insignias are acquired through use and their registration is merely for advertising purposes.

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<sup>2</sup> Decisión 486 of the Andean Community Commission contemplates unfair competition related to industrial property. In fact, article 258 of said regulation states that “Any act carried out in respect of intellectual property in the course of trade that is contrary to honest commercial practices shall be considered unfair.” And article 259 goes on to mention types of unfair competition related to industrial property: act intended to create confusion, acts aimed at discrediting a competitor and false indications to mislead the public regarding the quality and characteristics of goods.

Confidential information or trade secrets are protected as long as they are kept secret and their system of protection is the discipline of unfair competition, because secrets do not grant exclusive exploitation rights.

#### Current importance of intellectual property rights

Intellectual property rights are elements of a market economy system and, as such, they are instruments of competition and therefore, also, advantageous legal situations protected by national, community and international legislation. Consequently, the exercise of an intellectual property right within the limits of its legal content does not imply a restriction of competition; any restriction to the resulting competition would be illegal only when said exploitation exceeds its legal content. For example, the concession, during the validity of an intellectual property right, of licenses that may be exclusive and territorially restricted, and the imposition on the licensee of justified obligations and restrictions, is considered to be part of the legal content of such right; on the contrary, the obligation imposed on the licensee not to use the know how object of the license after the termination thereof will not be justified if the know how has become part of the public domain for any reason other than contractual nonperformance on the part of the licensee.

#### Which matters are subject to arbitration?

In order for a matter to be subject to arbitration, it must meet the following requirements: a. That the conflict be determined or determinable; b. That the question be litigious; c. That it be capable of settlement, and d. That the litigious matter have an economic component.

In essence, the legal frame of reference to determine whether a matter may be decided by arbitration is to know whether or not it is capable of settlement. Even matters that, *prima facie*, may seem irreconcilable, are in fact reconcilable, for example, the civil action arising from a crime, or even the pecuniary consequences of a practice that restricts competition or the financial effects of administrative actions in accordance with the judicial decisions of the Colombian Council of State.

#### What would be a matter for arbitration within the realm of intellectual property?

In Colombia, there is no specific legislation on arbitration in matters related to intellectual property and arbitral doctrine on this issue is scarce. Notwithstanding this and aware of the fact that industrial property is governed largely by public order regulations and that these



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cannot be submitted to arbitration, we believe that the following aspects related to intellectual property can be the object of arbitration:

1. Intellectual property rights for creations protected by copyright (literary, artistic, scientific works and software) and specifically those related to entitlement, validity, scope, infringement and all problems related to licenses may be submitted to arbitration. There are no restrictions in this field for the above-mentioned matters to be decided by arbitral justice, except, as indicated further on, problems related to non-pecuniary rights.

2. On the subject of patents, industrial designs and know how, topics related to entitlement, scope of the rights, their infringement and all matters related to the contractual aspects of these rights may be subject to arbitration. Arbitral justice would have no jurisdiction, however, in the matter of the validity of rights on patents and industrial designs, since this is a topic governed by public order regulations and in which the legislator, in the Colombian case, has specifically stipulated the jurisdiction of the Council of State<sup>3</sup>. With regard to know-how there would be no restriction, especially considering that this specific industrial property right is protected by the discipline of unfair competition.

3. With regard to trademarks, we believe that entitlement, scope, infringement and licenses may be the subject matter of arbitration; not so the issue of validity<sup>4</sup>. Regarding trade names and insignias, they would all be arbitrable, including the issue of validity of the right.

4. Generally speaking, we could say that on the subject of intellectual property all exploitation rights of protected works or creations are susceptible of arbitration, but not the non-pecuniary right of the authors or creators, since this is considered part of the fundamental right to a person's integrity and personality and is furthermore, an inalienable right. And as we know, inalienable rights are not capable of arbitration<sup>5</sup>. Only interests that can be settled

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<sup>3</sup> Cfr. Article 75 of Decision 486 of the Andean Community Commission and articles 567 and 580 of the Colombian Commercial Code.

<sup>4</sup> Cfr. Article 172 of Decision 486. Article 596 of the Commercial Code is the internal legal regulation which determines the competent authority, in this case the Council of State.

<sup>5</sup> "Non-pecuniary rights, to the extent that they presume an extension of the author's personality, will be excluded from possible arbitration. Nothing prevents – in the view of international practice where arbitration is allowed in patent, license or trademark matters – the autonomy of free will from also covering these rights. But at this moment in time, since this is an inalienable right, it does not seem susceptible of arbitration". ELENA MARTINEZ GARCIA, *El arbitraje como solución de conflictos en propiedad intelectual*, Valencia, tirant lo Blanch, 2002, p. 79.



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may be compromised and only available rights are reconcilable, and this cannot be stated regarding the non-pecuniary rights of authors or creators.

5. On the subject of copyrights, it is necessary to make a distinction between individually exercisable rights and collective rights. Consequently, conflicts related to economic exploitation rights (reproduction, public communication, distribution, assignment) authorized by the author through legal transactions are arbitrable matters; likewise, legal conflicts that arise between the author and his managing company and between the latter and third parties or users may be the object of arbitration<sup>6</sup>, except, of course, when related to non-pecuniary rights, as previously indicated.

6. On the subject of trademarks, the much discussed marketing agreements and their effects can be an arbitrable matter. It should be recalled that in these agreements the trademark owners, in accordance with the legislation of member countries of an economic community, that is trademark holders, sign an agreement of acceptance and tolerance so that their distinctive, identical or similar signs, can compete in the same market as long as distinctive elements are introduced into their signs in order to prevent the consumer from mistaking or confusing the origin of the products<sup>7</sup>.

7. Regarding unfair competition, we should ask ourselves whether the scope of the rules on competition could be subject to arbitration. We should recall here that in order to be arbitrable, a matter must be capable of settlement, have an economic component and be renounceable. Although the dividing line between the legal system governing unfair

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<sup>6</sup> It is important to note here that the legal acts which govern the legal relationship between an author and his management company and between the latter and users and third parties, may be acts with general uniform and pre-established conditions, among these an arbitration clause. This clause, even if not discussed with the author or users, is valid as long as its content is not abusive. We should recall here that adhesion contracts are contracts as long as they entail a meeting of the minds.

<sup>7</sup> Article 159 of Decision 486 states the following: “Where registrations of an identical or similar mark exist in the Subregion in the name of different owners for the identification of the same goods or services, the marketing of the goods or services identified with that mark in the territory of the Member Country concerned shall be prohibited, except where the owners of the said marks enter into agreements allowing such marketing. In the event of such agreements having been entered into, the parties shall take the necessary precautions to avoid misleading the public as to the origin of the goods or services concerned, which shall include matters relating to the identification of the origin of the goods or services in question in appropriate and prominent characters for the proper information of the consuming public. The said agreements shall be registered with the competent national offices and shall conform to the standards governing business practices and the promotion of competition.”



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competition and that of practices that restrict competition has diluted<sup>8</sup>, it is clear that when a topic of unfair competition is discussed, in most cases, one is controverting a subjective right of a particular nature, the infringement of which results in an indemnification for damages; in the latter case, supra-individual interests are discussed and there is no reference to indemnification, but rather to sanctions due to infringement of the rules of competition law, imposed by the competent authority. In summary, matters related to the infringement of the legal system governing unfair competition offer no obstacle to being subject to arbitral justice; the opposite occurs in the case of the violation of antitrust legislation, since this field is imbued with and governed by public order regulations. Although in the latter case, it should be added that the economic effects or damages caused to a competitor resulting, for example, from abuse of a dominant position in the market, can be an arbitrable matter. What is not arbitrable is the determination of a conduct as infringing of the system that governs restrictive practices of competition, since this is an attribution of specialized bodies of the executive branch<sup>9</sup>.

8. Abuse of a dominant position is a particularly sensitive topic in the field of ownership of intangible or goods, since intellectual property rights are generally considered to be monopolies from a legal point of view, given that by exercising them, competition is restricted with respect to those rights; hence, control over the monopolistic effects of intellectual property rights cannot be the object of arbitral justice; that is to say, control of the abusive exercise of an intellectual property right is the responsibility of the entities entrusted with overseeing competition in the market<sup>10</sup>. For example, censuring of the different forms of abusive exercise of a patent (fixing of excessive prices with respect to market size, refusal to supply a market within reasonable conditions, discrimination regarding conditions for use of a patent, hindrance of productive commercial activities) is a

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<sup>8</sup> *“The protection against unfair competition thus takes on a supra-individual and collective aspect [...] The development of private competitor protection into a comprehensive instrument for protecting competitors, consumers and the general public can be seen as one of the most important advances achieved in unfair competition law in recent decades. By overcoming the competitor perspective and including the interest of consumers and the general public, these laws against unfair competition have become comprehensive market regulations”*: GERHARD SCHRICKER. “Twenty-five years of protection against unfair competition”, en *International Review of Industrial Property and Copyright Law (IIC)*, vol. 26, No. 6, Max Planck Institute for Foreign and International Patent, Copyright and Competition, 1995, pp. 786 y 787.

<sup>9</sup> In Colombia, judges, by virtue of the exercise of the so called people’s actions can take cognizance of restrictive competitive practices as the legislator established that the right of competition was a collective right protectable for these actions. Cfr. Law 472 of 1998.

<sup>10</sup> Against arbitral award Cellular Trading de Colombia Ltda. and Cell Point Ltda. v. Comcel S.A., Bogotá, 18th of March of 2002, arbitrators: MIGUEL CAMACHO OLARTE, BEATRIZ LEYVA DE CHEER and GUSTAVO CUBEROS.



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matter for the competition authorities. The problem with the competition system is that the identification of alleged abuses is only possible through an examination of the anticompetitive effects of the practices examined in the market and it is necessary to identify the attendant factors under which these behaviors take place, that is to say, examination of the market characteristics. The abuse of a contractual dominant position is something very different, which can be tried and censured by arbitral justice<sup>11</sup>.

9. We could also add here that arbitrators are empowered to resolve reconcilable conflicts such as those related to the existence of an intellectual property right, its infringement, the quantum of the damage caused by the infringement, etc, and in respect of which the parties have the power to decide and waive, but they do not have the decision-making authority of the coercive power of the State. In other words, executory proceedings - where the existence of the right is not discussed - are a matter for ordinary jurisdiction, and it is here that the coercive power of the State can be clearly and patently seen. “Peace and public order are endangered if individuals, even if they act as conciliators or arbitrators, are directly allowed to have coercive power. It is not conceivable for the exercise of jurisdiction, as a State function, to be permanently and generally transferred to arbitrators and conciliators. Neither is it admissible to extend arbitrable matters to issues that transcend the parties’ ability to decide and with regard to which no qualification is possible”<sup>12</sup>. In other words, all aspects related to the enforcement of an award fall under ordinary jurisdiction<sup>13</sup>.

10. In Colombian law, arbitral decisions on the subject of intellectual property are scarce, but there have been cases related to nonperformance in legal relationships governed by copyright

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<sup>11</sup> Abuse of a contractual dominant position generally occurs between non competitors, while that of a market position has or can have an impact between competitors; but the general interest of free economic competition is involved here. The former can be judged and censured by any permanent or transitory judge, in the case of arbitrators; on the other hand, with regard to the abuse of a dominant position in the market there is, so to speak, not a diffuse but a specialized control as it can only be declared by specialized entities or bodies of the public sector or, in the Colombian case, by the judges, but through the exercise of a special action of a constitutional nature. On this point, see ERNESTO RENGIFO GARCIA, *Del abuso del derecho al abuso de la posición dominante en el mercado*, Bogota, Externado de Colombia University, 2nd ed., 2004, p. 401 et seq.

<sup>12</sup> Constitutional Court. Ruling C-330 of March 22nd, 2000, Opinion prepared by Justice: CARLOS GAVIRIA DIAZ.

<sup>13</sup> Cfr. Articles 40 Dec. 2279 of 1989 and 96 Law 23 of 1989. Per this last regulation “aspects of performance demanded by judgments in awards must be processed through ordinary jurisdiction”.



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which have been the subject matter of arbitral awards<sup>14</sup>; interpretation problems surrounding an exclusivity clause imposed by a record producer on an artist<sup>15</sup>; whether or not to apply the theory of lack of foresight in contracts between artists and their record label<sup>16</sup>. On the other hand, conflicts related to patents or trademarks have not been yet been tried by arbitral justice.

### The arbitration clause in a contract for industrial property rights.

We will refer to a discussion which occurred in Colombian law with regard to the use of a trade name, as it may well be extended to other industrial property rights and especially to commercial distinctive signs. In an oral proceeding for protection of a trade name before ordinary jurisdiction<sup>17</sup>, the defendant filed a demurrer based on the existence of an arbitration clause, considering that, because there was such a clause signed between the parties in conflict, ordinary legal proceedings had been replaced by arbitral justice.

The plaintiff argued, essentially, that the legal proceedings should be conducted before the ordinary court system, given that in a controversy regarding a trade name the consumers would have to intervene as they would be affected by the confusion created in the market by the presence and concurrent use of two similar trade names and, in any case, that the controversy could not be submitted to arbitration by virtue of the fact that it involved the collective rights of consumers, which the parties lacked the authority to decide on, since they are not subject to settlement.

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<sup>14</sup> Lisa Galvis versus EMI Colombiana S.A, award of December 6, 2000, arbitrators: RAMIRO BEJARANO, GILBERTO PEÑA and CARLOS BARRERA; Sonolux versus Jorge Ramírez Carreño and another, awards of April 16, 1999, sole arbitrator: ALFREDO VÁSQUEZ VILLARREAL and Laboratorios California S.A. versus System Software Associates Inc. and S.S.A. Colombia S.A., award of January 19, 2001, arbitrators: LUIS FERNANDO SALAZAR, LUIS FERNANDO ALVARADO and GUILLERMO ZEA.

<sup>15</sup> Aura Cristina Geithner versus Sonolux, award of June 13, 2001, arbitrators: DIEGO MUÑOZ TAMAYO, LUIS CARLOS RODRÍGUEZ HERRERA and ALIRIO GÓMEZ LOBO.

<sup>16</sup> Yolanda Rayo versus Sonolux, award of February 28, 2003, sole arbitartor: ENRIQUE CALA BOTERO.

<sup>17</sup> Oral proceeding for trade name protection of Humana S.A. Compañía de Medicina Prepagada versus Humana Vivir S.A. E.P.S. processed in the first instance before the 16th Civil Court of the Circuit of Bogotá.



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The defendant argued that rights protected by industrial property, such as trade names, are personal, individual, private law rights, of an economic content, pertaining to their holder and that obviously, in the event of an infringement, the legal system offers their holder the procedural instruments for their protection<sup>18</sup>. This is a personal, individual, private law right to the point that the owner can sell it, transfer it, and use it as collateral.

According to the defendant, by protecting the individual personal right of the holder of a trade name, consumers are also protected, since what a trade name seeks is for the consumer public to distinguish one merchant from others in the market and to prevent it from being confused or misled. In fact, the main purpose of distinctive signs is to distinguish products, services or merchants. Consequently, by protecting or recognizing a trade name as the property of the true producer, merchant or businessman, the consumer public is protected from any possibility of confusion or deceit. The purpose of a trade name as a type of commercially distinctive sign is precisely to distinguish, in order to identify as well as to avoid confusion or deceit among third parties.

And the fact is that in effect, in a controversy before a judge or arbitrator involving a trade name, what is resolved is a subjective legal situation of an individual nature that necessarily affects the consumer public, since commercial distinctive signs are geared towards this group. To say that, because this is so, the controversy cannot be subject to arbitral jurisdiction is to ignore the reason behind commercial signs and the foundation of arbitral jurisdiction.

Upon appeal, the Court resolved this controversy of a formal nature stating that “on the subject of distinctive signs two relationships are evident: one of an eminently private nature and another of social interest. The holder of a trade name is protected in a relationship of a private nature, from which it becomes clear that this litigation deals with relationships subject

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<sup>18</sup> *“Rights acquired without State intervention and which involve a perfect exclusive right.- This is the case of the trade name or the insignia, and its regulation appears in articles 609 and 611 of the Commercial Code. Whoever considers that use of a trade name or insignia causes them damages, “may resort to a judge to prevent such use and claim damages”. [ ]* The case deals with a petition which combines a claim for damages with a denial of rights to the respondent, since, as long as the claimant does not demonstrate in the proceedings that he was the first to use the trade name or the insignia, he has no better right to the sign, as he has no title or certificate issued by the State which ascertains the existence of the right”: MANUEL PACHON MUNOZ, *Protección de los derechos de la Propiedad Industrial*, Bogota, Temis, 1986, p. 104 and 105.



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to settlement, which creates the possibility of being resolved by an arbitration court, applying the arbitration clause”<sup>19</sup>.

Consumers or users will be protected reflectively or indirectly, when a judge determines, for example, to whom a distinctive sign belongs or if there has been an infringement of same; but the action established by the legislator is for the holder of the personal right and not to protect consumers, users or the general public.

Industrial property, as its name indicates, is a type of property governed by private law, even if one of its purposes is to protect consumers by avoiding, for example, trademark, product, service or trade name confusion. In short, as the Latin rule states, *ius privatum quod ad singulorum utilitatem spectat*.

Consumer rights are protected directly through other procedural mechanisms, such as consumer acts, public interest actions and even by the rules of unfair competition, but not through processes established by the legislator to protect individual or private rights, such as actions to protect industrial property rights. And given that in an action due to an infringement of these rights, claims of a private nature are discussed, the parties may waive the option to have a judge decide on these claims and instead permit the decision to be made by arbitrators.

It is true that, many times, by protecting an individual right, the rights of third parties are also protected. Indeed, when ordinary or arbitral justice determine, for example, that Peter, and not John, is the owner of a distinctive sign, the respective decision, despite having *inter partes* effects, also has an effect on society since it prevents consumers from becoming confused; but it is a different matter when, due to that reflective or transcendent effect of the decision, it is inexorably necessary to summon consumers to demand enforcement of their collective or individual rights. In other words, the structure of actions for protection of distinctive signs and their functionality are aimed at, directly and predominantly, protecting certain subjective individual and not collective rights, even if these are protected as a side effect.

### Precautionary measures

One of the effects of the arbitral covenant as a result of the exercise of private autonomy of those who enter into it, is the removal of the conflict from the sphere of ordinary justice. And it is precisely by reason of this removal that arbitrators are invested with legal powers to

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<sup>19</sup> High Tribunal of Bogotá, Civil Court, writ of September 8, 1999, Opinion prepared by Justice: Humberto Alfonso Niño Ortega.



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undertake their jurisdictional function, among which we should highlight the jurisdiction assumed by the arbitral court to decide litigations dealing with its own jurisdiction (Kompetenz-Kompetenz) and the possibility of ordering precautionary measures. With regard to the latter it is necessary to point out that the power that arbitrators have of ordering precautionary measures does not derive from the agreement between the parties, but from the jurisdictional function that every arbitration fulfils.

In proceedings dealing with intellectual property rights, precautionary measures are of great importance, since with the order alone and the enforcement of the measure the titleholder of the right can rest assured and satisfied. Let us imagine a situation, in the field of copyrights, in which the suspension of a work or of a musical representation containing works that are going to be performed without the authorization of their holder is requested. The decreed suspension satisfies the expectation of the titleholder to the extent that the right was not infringed. Or, for example, when a distinctive sign is infringed by being reproduced without the authorization of its titleholder and by ordering the precautionary measure the infringer is prevented from making further use of the sign in commercial channels.

In the matter of industrial property, precautionary measures of diverse nature may be requested; for instance, in order to stop the usurpation of a trademark or any other distinctive sign, the following precautionary measures may be cumulatively requested: that the usurper be prohibited from using the distinctive sign in commercial establishments, as well as on products distributed or marketed thereat; that the respective Chamber of Commerce be informed so that the trade name given to the commercial establishment be deleted; that the usurper be prohibited from advertising products, services or establishments that carry the protected trademark by any oral, visual or written means; that the confiscation and destruction of all goods containing the protected expression or its drawing, as well as labels, signs, drawings, tags, advertising, etc., which in any way incorporate an identical or similar form of the protected trademark be ordered; that the respondent be ordered to furnish a bond for a significant amount of money in order to guarantee that he/she will abstain from using the trademark that is prohibited.

With regard to precautionary measures, it is necessary to distinguish between their adoption and their execution. The former, that is, the adoption of the content of the precautionary measure may be made by the arbitrators; on the other hand, the execution remains with the respective judicial or administrative authority.

In Colombia, the constitutionality of precautionary measures in arbitral proceedings was questioned. The Constitutional Court clarified, with respect to their legality, that “because arbitrators have been invested - temporarily - with the function of administering justice, it is



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logical, consistent and in keeping with the currently prevailing legal regulations, that, during the course of arbitral proceedings, arbitrators may - at the request of either party – decree precautionary measures, particularly when their purpose is not only to guarantee the balance between the parties in the course and development of the proceedings, but also to prevent the determinations that are adopted from becoming nugatory, and therefore that the rules that are examined be in keeping with the Constitution<sup>20</sup>

Traditional doctrine established as requirements for appropriateness of the precautionary measures the *periculum in mora* and the *fumus boni iuris*, that is, the possibility of a damage and the verisimilitude of the alleged<sup>21</sup> right; however, modern legislations, and among these the Colombian, no longer require concurrence of the mentioned requirements, but have left the determination of the events or situations in which these measures may be decreed up to the will and good sense of the legislator.

The general rule with regard to precautionary measures is that of their typification; a rule that does not apply in the field of intellectual property where, as mentioned, the most dissimilar and diverse measures are admissible, as long as they are related to the right that is being protected. Therefore, arbitral justice would be contrary to the supposed rule of the typification of precautionary measures stipulated in Decree 1818 for arbitral proceedings, that is, the registration of the action and the judicial attachment of real-estate properties, with the rule of the non-typification of precautionary measures in the case of conflicts related to intellectual property and with the practical problem that the two precautionary measures referred to above may turn out to be inapplicable or irrelevant in this type of conflicts<sup>22</sup>. But the apparent conflict is more formal than real, as article 152 of Decree 1818 did not establish a *numerus clausus* with regard to the precautionary measures that may be decreed in arbitral proceedings, but a *numerus apertus*; in fact, the regulation does not exclude the ordering and execution of other precautionary measures, which acquires great significance in the field of

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<sup>20</sup> Constitutional Court, Judgment C-431 of September 28, 1995, Opinion prepared by Justice: HERNANDO HERRERA VERGARA. The challenge of unconstitutionality fell on article 32 of Decree 2279 of 1989, equivalent to article 152 of Decree 1818 of 1998 or Statute of Alternative Conflict Resolution Mechanisms in Colombia.

<sup>21</sup> PIERO CALAMANDREI. *Providencias cautelares*, Buenos Aires, Editorial Bibliográfica Argentina, 1984, p. 69 et seq.

<sup>22</sup> For example, the premise to decree the precautionary measure of filing of the complaint, inappropriately called in the arbitral proceeding as “registration of proceeding”, set forth in article 152 of Decree 1818 of 1998 is that the “controversy falls on domain or another principal in rem right over real state or personal properties, directly or as a consequence of a different claim”. What is sought with a norm of this nature is that the application deal with rights in rem or may affect them, so that not only the nature of the claim but essentially its effects should be considered; if they imply a total or partial alteration of a main right in rem, the filing of the complaint will be according to law.



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intellectual property. Said interpretation can be easily derived from the wording of the regulation itself, which starts out as follows: “In arbitral proceedings, upon request of any of the parties, precautionary measures may be ordered subject to the rules indicated below”. That is to say that the expression “precautionary measures may be decreed” it is a general norm that is not exclusively restricted to the registration of the action and the attachment of the real-estate properties, but another class or type of precautionary measures applies<sup>23</sup>. Now then, should a restrictive criterion be adopted, then precautionary measures would not exist in arbitral proceedings, since what usually occurs is that disputes being resolved by these means, deal mostly with personal rights.

Along this line of thought, the arbitrators in an arbitral proceeding dealing with a conflict related to intellectual property may order, as precautionary measures, among others, the immediate cessation of the acts that constitute the alleged infringement; the removal from the commercial circuits of the products resulting from the alleged infringement; the suspension of the import or export of the products that allegedly infringe an industrial property right; the furnishing by the alleged offender of a sufficient guarantee and the temporary shutdown of a commercial establishment if necessary to avoid the continuation of the alleged infringement of the industrial property right that is allegedly infringed. And if the conflict deals with copyrights or related rights, they may order the preventive attachment of any work, production, edition and copies; of the proceeds of the sale and rental of the works; the suspension of the performance, execution, exhibition of a play, musical work or movie, among others<sup>24</sup>.

### Third party Intervention

In matters of international commercial arbitration, third-party intervention is considered to be strange and exotic. The rule that applies here is that the arbitral covenant only applies to

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<sup>23</sup> "And to think that the law restricted the precautionary measures to only one, when through arbitration proceedings the most varied and innumerable conflicts or controversies can be settled, different from those that deal with ownership or another principal right in rem created on real-estate and personal properties, would constitute a lack of proper understanding thereof. As a sample, this Tribunal is in the presence of a conflict that addresses the validity of the decisions adopted by a Meeting of Partners, a process in which the law itself [...] contemplates as a precautionary measure the suspension of the contested acts": Arbitration Tribunal of Inversora Ulloza Ltda. v. Inversionista Fresno S.A. y Cia. S. en C., award of February 28, 1994, arbitrators: HUGO ROLDÁN VILLA, HUMBERTO RAFFO and FRANCISCO CHAVES, quoted by RAMIRO BEJARANO, *Procesos declarativos*, Bogotá, Temis, 2ª ed., 2001, p. 431.

<sup>24</sup> Cfr. Article 246 of Decision 486 of the Andean Community Commission with which a Common Regime was established for industrial property; article 56 of Decision 351 of the Andean Commission with which a Common Regime was established for copyrights and related rights.



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those who sign it and would exceptionally apply, according to French case law, to those parties which, although they did not sign the principal contract between the parties, actively participated in the negotiation, performance or termination of said contract.“ The term third party in the comparative law of arbitration and in international commercial arbitration is meaningless.”<sup>25</sup>

In Colombia, on the contrary, the law contemplates the possibility of the intervention of third parties, which may be frequent in conflicts related to intellectual property<sup>26</sup>. The Colombian Constitutional Court declared the rule regarding the intervention of third parties in arbitral proceedings constitutional, provided said participation was a voluntary act: “An arbitral award cannot involve those who did not sign or did not adhere to the arbitral covenant, but neither may third parties be allowed to obstruct the continuation of the arbitral proceeding.

In fact, the proper thing for a third party, in contrast to a necessary joint litigant, is that the consequences of the award do not obligatorily apply to it, and it is therefore reasonable for the law to allow the arbitral process to continue without its presence. Hence, if the third party decides not to take part in the arbitral proceeding, the corresponding dispute that it may have with one or both parties may be subsequently resolved in a court of law. [...] the law does not seek to extend the effects of an award to any party that did not voluntarily agree to abide by it”<sup>27</sup>.

It is essential to point out here that a necessary joint litigant is not a third party, but it is a party to the extent that it forms one of the parties within the arbitral proceeding and, consequently, will have to be summoned obligatorily. If he does not adhere to the arbitral covenant, then the effects of the arbitration or those of the arbitration clause will be declared extinguished. And this is so given that, if due to the nature of the legal situation under debate, the award must have res judicata effects for a legal person that is absent from the debate, his

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<sup>25</sup> EDUARDO SILVA ROMERO. “Reflexiones sobre el contrato de arbitraje”, in AA.VV. Estudios de derecho civil, obligaciones y contratos. Libro Homenaje a Fernando Hincapié, Bogotá, Externado de Colombia University, t. III, 2003, p. 304.

<sup>26</sup> For example, in conflicts related to copyright the concept of the impleader is usual. Whoever is sued for unlawful exploitation of a work, may implead the author who previously assigned or transferred to him the work whose ownership or authorship is being discussed in the process.

<sup>27</sup> Constitutional Court. Judgment C - 163 of 1999, Opinion prepared by Justice: ALEJANDRO MARTÍNEZ CABALLERO.



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presence appears essential and inexorable<sup>28</sup>. On the other hand, with regard to third parties (as coadjutors, ex-officio summons, registration of the suit, impleader, exclusive intervention and summons to the holder or owner), their intervention is not mandatory and the process can continue and be decided without their intervention<sup>29</sup>.

### Content of awards when an intellectual property right is infringed

As for the content of intellectual property rights, it is necessary to indicate that the emphasis placed on them has a negative connotation in the sense that nobody can make use of a right without the authorization of its titleholder and the latter, correlatively, is entitled to prohibit unauthorized uses. Thus, it is possible to compare the content of a negative covenant with the content of intellectual property rights, given that, in effect, whoever it not the titleholder of the right on intangible goods has with respect to it an obligation not to do (negative covenant) and on having infringed it, it is possible to resort to the criteria of repair or reinstatement recognized for negative covenants by classic or traditional civil law<sup>30</sup>.

In other words, if the content of an intellectual property right, markedly negative, is similar to the content of a negative covenant, it is clear that the criteria of repair when it is violated, can be applied to the violation of intellectual property rights. The creditor, that is to say, the holder of the intellectual property right, is empowered to request damages, if the debtor infringes the right and cannot undo what has been done. If it is possible to destroy what has been done, the debtor will be obligated to its destruction. In any event, the creditor will be held harmless.

Likewise, article 243 of Decision 486 of the Andean Community Commission set forth three criteria for determining the amount of compensation for damages when an industrial property right is infringed. Said criteria are: a) the consequential damage and lost profits suffered by the holder of the right as a result of the infringement; b) the total amount of the profits obtained by the infringer as result of the acts of infringement, and c) the price that the

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<sup>28</sup> Cfr. Article 149 of Decree 1818 of 1998.

<sup>29</sup> Cfr. Article 150 *ibid*.

<sup>30</sup> Concerning obligations not to do something, article 1612 of the Colombian Civil Code provides that "Any obligation not to do something is resolved under that of compensating damages, if the debtor contravenes and cannot undo that which has already been done. Being been able to destroy the matter done, and its destruction being necessary for the objective at the time of entering into the contract, the debtor shall be obligated to it, or the creditor shall be authorized to do so at the debtor's expense. If said object can be fully obtained by other means, in this case the debtor that that provides them would have a right of action. The creditor will be held harmless, in any event."



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infringer would have paid for a contractual license, based on the commercial value of the infringed right and the contractual licenses that had already been granted.

### Domain names

In addition to being a technical Web location instrument, a domain name is a distinctive medium within and outside virtual space and, therefore, its registration may conflict with already registered distinctive signs. In other words, in the case of domain names, that is to say, of the distinctive signs on the Web, when they are registered in bad faith, that is, with the intention of infringing a distinctive sign protected by industrial property, this is considered an abusive registration and enables the titleholder of the sign to commence an administrative proceeding before a controversy resolution service provider (for example, the Arbitration and Mediation Center of the Intellectual Property Organization) to obtain the cancellation of the domain name that was registered infringing its trademark right<sup>31</sup>.

In the “Uniform Domain-Name Conflict-Resolution Policy”, approved by the ICANN on August 26, 1999, an obligatory administrative procedure is set forth in case a third party claims to a controversy resolution provider that: “i. You own an identical or similar domain name to the point of creating confusion with regard to a product or service trademark on which the claimant has rights; ii. You have no legitimate rights or interests with respect to the domain name; and iii. You have a domain name that has been registered and is used in bad faith”.

But what is important is to know that there is a rapid administrative procedure before a controversy resolution service provider, which summons a group of experts to decide who is right. The registrar of the domain does not take part in this procedure, but the decision is binding on it, since it may consist of ordering the cancellation of the registered name. The claimant must be the holder of a trademark right in any country or enjoy protection in the State of residence of the claimant. In the claim, the cancellation or assignment of the domain name is requested, but there is no discussion regarding compensation for damages. If one does not agree with the decision of the group of experts it is possible to appeal before the courts of justice or promote an arbitral procedure. The legal jurisdiction in litigations between domain names handled by the ICANN and the distinctive signs of third parties will be the domicile of the registrar or the domicile of the titleholder of the domain.

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<sup>31</sup> On the point see especially ANGEL GARCÍA VIDAL, *Derecho de marcas e Internet*, Valencia, Tirant lo blanch, 2002.



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The national courts are not subject to the resolution issued by the group of experts and this is so because the administrative procedure of the ICANN does not constitute a true arbitral process. Finally, it is necessary to point out that the administrative decision of the group of experts, when it is not disputed before the national courts, is easily enforceable as there is no need to resort to the procedures for enforcement of foreign judicial decisions, that is to say, that the decision of the group of experts has binding “multi-jurisdictional” effects “.

It is observed, then, that a "delocalized" or even "deterritorialized" global problem, such as the possible conflict between the distinctive media on the Web - domain names - and traditional distinctive signs, has found a solution with global effects, to the extent that the cancellation that is ordered by a group of experts, who are part of the controversy resolution service providers, has such importance that it goes beyond the traditional legal concepts of territory and jurisdiction.