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THE PRINCIPLE OF PRIMACY OF REALITY IN JUDICIAL PRECEDENT ON INDUSTRIAL PROPERTY OF THE COURT OF JUSTICE OF THE ANDEAN COMMUNITY

By Hugo R. Gómez Apac

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INTA retained a professional legal translation service, whose linguists are accredited by their relevant professional translation associations, to translate this author’s article from Spanish to English. While members of The Trademark Reporter (TMR) Committee have taken steps to ensure that the author’s intended meaning is preserved in the English translation, readers should consider only the original Spanish version of this article as authentic, and as faithful to the author’s voice. Because of language limitations, the TMR Committee has undertaken an adapted peer review and editorial process with regard to the Spanish version of the article. In order to maintain consistency of style between the original Spanish article and the English translation, INTA staff has minimally conformed the English translation to the TMR's standard style guidelines.

This article reflects the author’s personal position, which may or may not coincide with the official position of the Court of Justice of the Andean Community.

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The purpose of this paper is to explain, when answering requests for Preliminary Interpretation of Decision 486 — General System on Industrial Property, how the Court of Justice of the Andean Community (hereinafter, the TJCA) has acknowledged the application of the principle of primacy of reality in the analysis to be made by Andean industrial property offices in order to grant or deny registration as a trademark of a distinctive sign written in a language other than Spanish.

1. The Andean Community, Andean Community Law and the TJCA

To have a clear understanding of the judicial precedent that will be analyzed hereunder, it is pertinent to briefly explain what the Andean Community is, the characteristics of Andean community law, and the role of the TJCA as the foremost interpreter of said law.

The Andean Community, created by the Cartagena Agreement of 1969, is a supranational entity made up of Bolivia, Colombia, Ecuador, and Peru, to promote fair and harmonious development of the aforesaid countries by means of economic and social integration and cooperation, physical integration, gradual synchronization of economic and social policies, and liberalization of commercial exchange, among other measures, for the purpose of gradually creating a common market.

Within the Andean Community there are agencies and institutions that make up the Andean Integration System. The leading agency of this system is the Presidential Andean Counsel, whose members are the Heads of State of the four member

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1 Elizabeth Salmón Gárate argues that with the improvements introduced by the Trujillo Protocols (dated March 10, 1996, in effect since June 3, 1996) and of Cochabamba (May 28, 1996, in effect since August 25, 1999), the Andean Community acquires the status of a supranational organization as a result of the following characteristics:

a) Primacy of common interest over individual interests of the Member States.

b) Transfer of sovereign jurisdictions (legislative, judicial, and executive) of Member States to the Andean Community.

c) Immediate applicability of Andean laws.

d) Direct effect of Andean laws.

e) Primacy of the Andean legal system (supranational) over any internal law of the Member States.

f) The presence of an agency that represents the (national) citizens of the Member States: the Andean Parliament.

g) The existence of a judicial agency in charge of interpretation and compliance of the Andean legal system: the TJCA.

countries, meeting once a year to issue policies (directives) to guide and evaluate the integration process.

There are two legislative agencies, the Andean Counsel of Ministers of Foreign Affairs (hereinafter, the CAMRE) and the Commission, which issue general legal rules called “Decisions.” While the CAMRE issues Decisions on foreign policy of member states, operation of community agencies (such as the TJCA Statute, the Regulation of the Office of the General Secretary, etc.), and other matters, the Commission issues Decisions on commerce and investments and other necessary matters in keeping with the objectives of the Cartagena Agreement (such as customs matters, double taxation, normalization, free competition, dumping and subsidies, intellectual property, etc.).

The executive body is the Office of the General Secretary, which functions permanently, exclusively in the interests of the sub-region. Its headquarters are in the city of Lima (Peru), and it is headed by a General Secretary elected by consensus of the CAMRE for a five-year period, who may be reelected once. This agency issues Directives containing rules as well as its decisions.

The judicial agency of the Andean Community is the TJCA, which is made up of four Justices, appointed by each member country for a six-year period, who may be reelected one time. This Court also functions permanently and is based in the city of Quito (Ecuador). The TJCA has jurisdiction to hear actions for nullification against Decisions issued by the CAMRE and the Commission, the Directives of the Office of the General Secretary and other community laws and regulations; actions of breach (of the obligations established in the legal system of the Andean Community) against a Member State; motions due to omission or inactivity against the CAMRE, the Commission and the Office of the General Secretary; requests of Preliminary Interpretation submitted by national judges when the latter are going to apply an Andean community rule in a legal process; labor disputes that arise among the agencies and institutions of the Andean Integration System and its employees; and the possibility of carrying out arbitration functions to hear certain disputes by means of arbitration.2

Article 1 of the Treaty Creating the TJCA states that the legal system of the Andean Community is made up of the Cartagena Agreement and modifying protocols, the Treaty Creating the TJCA and modifying protocols, the Decisions of the CAMRE and of the Commission, the Resolutions of the Office of the General Secretary and the Industrial Complementarity Agreements and others

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2 There are other agencies and institutions of the Andean Integration System that are not relevant to this paper.
adopted by the member countries among themselves within the framework of the Andean integration process.

The referenced legal system is autonomous and independent of the laws of the member countries, it has its own legal sources, precedence among the aforesaid sources and its own legal principles. The Andean Community Law has the following characteristics:

a) **Direct application**: Decisions and Resolutions, once approved and published in the Official Gazette of the Cartagena Agreement, enter into effect in the territories of member countries without the need for any special procedure or approval process, receipt or incorporation of such laws within national laws. The aforesaid laws may establish a subsequent effective date or that their incorporation into national law requires an express document in which the effective date will be indicated.

b) **Direct effect**: Andean community laws, once they enter into effect, are binding on the member countries, and the citizens of the latter may demand compliance before national administrative and judicial authorities. To that effect, if an Andean law acknowledges a right for citizens of the member countries, they may demand that the competent authorities acknowledge, respect and protect the referenced right.

c) **Primacy**: the Andean legal system prevails over the legal system of member countries. This entails that in the event of conflict of an Andean law and a national law, the former will prevail. This does not mean that the Andean law repeals the national law, but rather that the latter should not be applied, given the preeminence of Andean law. Member countries cannot adopt or use any measure that is contrary to an Andean law or that in any way hinders its application.

Regarding the protection of the Andean legal system, the TJCA, as foremost interpreter of the aforesaid law, is charged with ensuring its uniform implementation in the four countries of the

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5 Article 3 of the Treaty Creating the TJCA.

6 Article 2 of the Treaty Creating the TJCA.

7 Article 4 of the Treaty Creating the TJCA.
Andean Community. For the performance of this duty, Article 32 of the Treaty Creating the TJCA provides that this international court will interpret by preliminary interpretation the laws that make up the referenced legal system.

2. Preliminary Ruling by the TJCA

The Preliminary Ruling (hereinafter, the IP) is the procedural mechanism of collaboration by which the TJCA ensures the interpretation and application of the legal system of the Andean Community.

The IP functions basically as follows. If the court of the national judge who is going to decide a dispute in which an Andean law is going to be applied is the only court or the court of last resort, the judge has the obligation to suspend the proceeding and to request that the TJCA interpret the aforesaid law. Once the Preliminary Ruling is received from the TJCA, the aforesaid authority can issue the respective judgment. On the other hand, if the national judicial authority that is going to hear the dispute is not the only court or court of last resort; i.e., the decision may be challenged before a higher court, the Preliminary Ruling is not compulsory, but rather discretionary, and therefore judgment may be issued without receiving the Preliminary Ruling from the TJCA.

The TJCA has interpreted⁸ that “national judge” means any national authority created by a law of a permanent nature that, with autonomy, independence, and impartiality is going to resolve a dispute between two parties in which an Andean law is going to apply, respecting due process and adequately stating the grounds for his decision, which is compulsory for the aforesaid parties. To that effect, it has concluded that national judges are not only the judges of the Judicial Branch of the member countries, but also the national administrative authorities who comply with such requirements. Thus, it has acknowledged how national judges can request the IP from the Andean industrial property offices to resolve disputes between two parties, such as the conflict between the company that requests registration of a distinctive sign as a trademark and the company that opposes the aforesaid request because it deems that such sign is identical or similar to its previously registered trademark.

The TJCA has repeatedly recognized in judicial precedent⁹ that the trademark and patent offices of the National Institute for the Defense of Competition and Protection of Intellectual Property

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(Indecopi) of Peru, the Superintendence of Industry and Commerce (SIC) of Colombia and the National Service of Intellectual Property (Senapi) of Bolivia may request Preliminary Interpretation in their capacity as national judges. The TJCA has not yet had the opportunity to deliver an opinion regarding the Ecuadorian Institute of Intellectual Property (IEPI) of Ecuador.

It is important to specify that with the Preliminary Ruling, the TJCA does not resolve the dispute being heard by the national judge, nor does it evaluate the facts of the internal process or interpret the content and scope of national law. The TJCA interprets community law objectively, specifying the content and scope of the Andean law, which entails identifying and giving content to the legal concepts and institutions contained in Andean laws.

The Preliminary Ruling does not constitute evidence nor is it an expert report or opinion on legal theory. It is not just an answer to a question. It is a procedural action of a non-adversarial nature.10

3. Decision 486 Approving the General System on Industrial Property of the Andean Community

The regulation of intellectual property in the Andean Community begins with Decision 85 dated June 5, 1974 approving the Regulation for the Implementation of Laws on Industrial Property. This was replaced by Decision 311 dated November 8, 1991 approving the General System on Industrial Property, which was of short duration — less than three months — given that on February 6, 1992, it was replaced by Decision 313, which was known by the same name, the General System on Industrial Property. The following year, on October 21, 1993, Decision 344 was approved with the same name, the General System on Industrial Property. This law was finally replaced by Decision 486 dated September 14, 2000, currently in effect — with over 16 years of duration — known by the same name as the three previous laws.

Decision 486 of the Commission includes all matters concerning industrial property: patents on inventions, utility models, layouts of integrated circuits, industrial designs, trademarks, collective trademarks, certification trademarks, commercial slogans, commercial names (including commercial signs or logotypes), geographical indications (denominations of origin and indications of provenance), well-known distinctive signs, actions for violation of rights, business secrets, and acts of unfair competition concerning industrial property.

10 Note on presentation of the IP request by national judicial agencies, approved by Agreement of the TJCA dated August 3, 2001.
4. The Principle of Primacy of Reality

The principle of primacy of reality is understood in different ways depending on the legal discipline in which it is applied.

In labor law, the aforesaid principle means that if there is discrepancy between what actually occurs and what is set forth in documents (such as contracts), the labor court judge must prefer the former.11 Thus, giving preferentiality to substance over form, the judge would give preference to facts based on reality to determine in a particular dispute whether or not there was an employment relationship, beyond what is (formally) expressed in the documents.

In tax law, application of the referenced principle entails that in determining the actual nature of the taxable event, the tax authority must consider the actions, situations and economic relationships that are actually carried out, pursued or established by tax debtors.12 In other words, the legal forms adopted by taxpayers do not obligate the interpreter of the law (the tax authority), who must attribute a meaning to the situations and actions that occur that agrees with the facts, when the tax law gives to understand that the tax was established in accordance with reality and not with statutory formalities.13

In competition law and consumer protection law, the principle of primacy of reality is also applied, in the sense that the administrative authority must determine the true nature of the

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11 The Peruvian Constitutional Court has indicated that the principle of primacy of reality “. . . means in the case of disagreement between what occurs in practice and what flows from the documents, the former must be preferred, i.e., what happens in the domain of the facts . . .” In: Basis 3 of the Judgment dated January 28, 2003, entered in File No. 1944-2002-AA/TC.

12 (Peruvian) Tax Code, approved by Legislative 816, in effect since April 22, 1996, Consolidated Text approved by Supreme Decree No. 133-2013-EF, published June 22, 2013:

PRELIMINARY TITLE.-

(. . .)

LAW XVI: CLASSIFICATION, EVASION OF TAX LAWS AND MISREPRESENTATION

To determine the true nature of the taxable event, the SUNAT will take into account the economic actions, situations and relationships that are actually realized, pursued or established by tax debtors.

(. . .)

13 Model of 1997 Tax Code Interamerican Center of Tax Administrations (CIAT):

Art. 7 Legal procedure of the actions (. . .)

The statutory formalities adopted by taxpayers do not obligate the interpreter of the law, who must attribute a meaning to the situations and actions that occur that is in accordance with the facts, when the tax law indicates that the tax was established in accordance with reality and not with statutory formalities.

When statutory formalities are manifestly inappropriate to the reality of the facts, and it is interpreted as a decrease in the amount of obligations, the tax law will be applied foregoing such formalities.
investigated conduct (anticompetitive conduct, acts of unfair competition or violations of consumer rights), addressing the economic situations and relationships that are actually undertaken, developed, or established. The form of legal documents used by the contracting parties does not impair the analysis made by the authority on the true nature of the underlying conduct of the aforesaid acts.¹⁴

In spite of the fact that there is a slight variation of the principle of primacy of reality according to the legal discipline in question, there is a common denominator that consists of the fact that the judge, whether an administrative or judicial authority, in a conflict between the actual circumstances and the narrative contained in legal documents or acts, must give preference to what occurs in the actual circumstances and must give preference to reality over the legal narrative that may be contained in a contract or other type of legal act.

¹⁴ Legislative Decree No. 1034 – Law against Anticompetitive Practices (Peru), published June 25, 2008:

**Article 5.- Primacy of reality.**

In the implementation of this Law, the administrative authority will determine the true nature of the investigated behavior, taking into consideration the economic situations and relationships that are actually alleged, developed or established. The form of the legal acts used by the contracting parties does not weaken the analysis made by the authority about the true nature of the conduct underlying the aforesaid actions.

Legislative Decree No. 1044 – Law against Anticompetitive Behavior (Peru), published June 26, 2008.

**Article 5.- Primacy of reality.**

The administrative authority will determine the true nature of the investigated behavior, taking into consideration the economic situations and relationships that are actually alleged, developed or established. The form of the legal acts used by the contracting parties does not weaken the analysis made by the authority about the true nature of the conduct underlying the aforesaid actions.


**Preliminary Title.-**

(. . .)

**Article V.- Principles**

This Code is subject to the following principles:

(. . .)

8. **Principle of primacy of reality.** In determining the true nature of behaviors, the economic situations and relationships will be considered that are actually realized, pursued or established. The form of the legal acts used does not weaken the analysis made by the authority about the true purpose of the conduct underlying the aforesaid legally permitted act.
5. Distinctive Force of Signs Based on Actual Perception of the Consumer

Subsection a) of Article 136 of Decision 486 establishes that signs cannot be registered as trademarks if their commercial use unduly affects a third-party right, particularly when they are identical or similar to a trademark previously requested for registration or registered by a third party for the same products or services, or for products or services whose use of the trademark may cause a risk of confusion or of association.15

The TJCA, by the Preliminary Ruling of the aforementioned law, has explained that the signs are not distinctive when they may generate a risk of confusion (direct or indirect) and/or risk of association on the part of the public consumer,16 as explained below:

a) **Risk of confusion**, which may be direct or indirect. The first, direct risk of confusion, which occurs when the consumer, when acquiring a certain product or service, believes he or she is acquiring another. And the second, the risk of indirect confusion, which occurs when the consumer mistakenly attributes to said product a company origin other than the real origin.

b) **Risk of association**, which is the possibility that the consumer, when differentiating the conflicting trademarks and company origin of the product, thinks that the producer of the aforesaid product and another company are economically related or linked.

According to judicial precedent of the TJCA, in order to verify whether there could be risk of confusion (direct or indirect) or risk of association between the signs in conflict (that which seeks to be registered and that of the opposition), the determining element is to put oneself in the consumer’s place and to verify whether the latter, the real consumers who acquire the products or services that the conflicting signs identify, could or could not be confused using their sense of sight and hearing and their reasoning. If the consumers would be confused, the request for registration would be rejected.

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15 Decision 486 of the Commission of the Andean Community:

**Article 136.**- Signs whose use in business will unduly affect a third-party right may not be registered as trademarks, particularly when:

a) they are identical or similar to a trademark previously requested for registration or registered by a third party for the same products or services, or for products or services whose use of the trademark may cause a risk of confusion or of association;

(. . .).

Thus, the TJCA, in determining whether there could be a risk of confusion between the conflicting signs, uses the following criteria,\textsuperscript{17} which are merely what consumers see, hear, and understand:

a) The phonetic element, which refers to the similarity of the sounds of conflicting signs.
b) The spelling, which refers to similarity of the letters of the signs in conflict regarding the way they are written.
c) The conceptual or ideological element, which is the idea or concept evoked by the signs; i.e., the meaning of the term or terms that make up the signs.
d) Graphic or figurative element, which refers to similarity of graphic elements of the conflicting signs, taking into account the markings of the drawing, design of the figure, colors or concept that the latter evoke.

In the Preliminary Ruling, the TJCA has established specific rules, which need not be explained here, for verification or comparison among word trademarks (written), among pictorial trademarks (graphic), among mixed trademarks (both word and graphic) and among different combinations using the previous three: comparison between a word trademark and a graphic trademark, between a word trademark and a mixed trademark, between a graphic trademark and a mixed trademark.

The important point for comparison among trademarks is not what businesses may establish in their bylaws, contracts, agreements, or correspondence, but what the consumers observe and understand. Put another way, in order to verify whether there may be a risk of confusion between two signs, the determining factor is the actual circumstances of the consumer public that acquires or is going to acquire the goods or services that are identified or may be identified with the conflicting signs.

6. Trademark Coexistence Agreements

Trademark coexistence agreements are agreements that are usually entered into by the holders as distinctly private instruments, for the purpose of permitting the marketing of products or services of companies that have an equal or similar trademark, in which the parties to the agreement must adopt the necessary stipulations to avoid confusion among the products or services of the referenced companies.\textsuperscript{18}

Article 159 of Decision 486 regulates the concept of trademark coexistence agreements as observed below:

\textsuperscript{17} Id.

Article 159.- When in the Subregion there are registrations on a trademark identical or similar to the name of different holders, in order to distinguish the same products or services, marketing is prohibited of merchandise or services identified with that same trademark in the territory of the respective Member Country, unless the holders of said trademarks sign agreements allowing the aforesaid marketing.

In the event of reaching such agreements, the parties shall adopt the necessary measures to avoid confusion regarding origin of the products or services in question, including with regard to identification of origin of the products or services in question with prominent characters proportionate to the same for the proper information of the consumer public. Such agreements shall be recorded in the competent national offices and must be in keeping with the laws on commercial practices and the promotion of competition.

(...)

On this subject, the TJCA has indicated that trademark coexistence agreements are instruments used by businesses that compete in the market to determine that certain identical or similar trademarks can perform their (distinctive) function without causing conflicts of interest among their holders. Such agreements, however, although they resolve the conflict among certain holders of the signs, in order to have efficacy and acceptance by the competent national offices, must protect the general interest of consumers, eliminating the risk of confusion regarding the identity or similarity.19

Although according to the provisions of the second paragraph of Article 159 of Decision 486, the parties to the trademark coexistence agreement must adopt contractual stipulations necessary to avoid confusion of the consumer public regarding origin of the merchandise or services in question, the TJCA has established in judicial precedent that beyond what is stipulated by the parties in the referenced agreement, the industrial property authority must ensure that the trademarks in question are not confusing for consumers, whose interest, as public interest, is above the private interest of the parties signing the agreement.

In effect, the TJCA has explained that “signing private agreements does not constitute an automatic assumption for admitting the coexistence of trademarks, since the administrative or judicial authority must at all times safeguard the general interest, preventing the consumer from being misled.”20

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20 Id.
The TJCA has acknowledged that beyond what the coexistence agreement says, the industrial property authority must address the reality of the facts; that is, verify whether the trademarks in question in the agreement are or are not confusing for consumers. Although it is not expressly stated, it is a way of applying the principle of primacy of reality.

7. Descriptive or Generic Signs

Subsections e) and f) of Article 135 of Decision 486 deal with descriptive and generic signs as follows.

Article 135.- The following may not be registered as trademarks:

(...)

e) signs that consist exclusively of a sign or indication that may serve in commerce to describe the quality, quantity, destination, value, geographical provenance, time period of production or other data, characteristics or information about products or services for which the aforesaid sign or indication must be used, including laudatory expressions about such products or services;

f) signs that consist exclusively of a sign or indication that is the generic or technical name of the product or service in question;

(...)

A sign that consists exclusively of the generic or technical name (Subsection f of Article 135) of the product or service cannot be accepted as a registrable trademark, or signs that consist exclusively of, or have been converted to, a common or usual designation of the product or service in the common language or in the customary usage of the country. In both circumstances we would have a usual or generic designation of the product or service lacking distinctiveness. Their registration is not possible because it would affect competition by giving a sole competitor exclusive use of a generic term that describes the product or service, to the detriment of other competitors participating in the market.21

In this manner, for example, the term “chocolate” could not be registered to distinguish chocolates, or the word “fruit” to distinguish apples.

Or, if the quality, characteristics or information provided (Subsection e of Article 135) by the sign is so common to the product or service, it would not perform a distinctive function and it also would not be feasible that a sole competitor attempts to have exclusivity of an essential characteristic or quality of a certain

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product of service to the detriment of other competitors participating in the market. Consequently, a sign could not be registered as a trademark that is exclusively descriptive; i.e., if it explains, defines, or represents the qualities, characteristics, or circumstances of the product or service to be distinguished.\textsuperscript{22}

As an example, the words “air transportation” could not be registered as a word trademark to distinguish airlines, or “1 kg” to distinguish rice sold in bags of 1 kg.

8. Distinctive Marks Written in a Language Other Than Spanish

As explained in the previous section, distinctive and generic marks cannot be registered as trademarks because they lack distinctive force, if they are written in Spanish, which is the official language of the four countries that make up the Andean Community, as well as the language spoken by most of the citizens of the aforesaid countries.

But what happens if the sign is written in a language other than Spanish? Could the word mark “coklat”\textsuperscript{23} be used to distinguish chocolates in Bolivia, or “kursi”\textsuperscript{24} to distinguish chairs in Ecuador, or “kope”\textsuperscript{25} to distinguish grains of coffee in Peru?

Regarding words in a foreign language, the TJCA has indicated as follows:

. . . Signs made up of one or more words in a foreign language that are not a part of common knowledge are considered fanciful signs and, consequently, they may be registered as trademarks . . .

. . . On the other hand, if the conceptual meaning of the words in a foreign language has become common knowledge of the majority of the consumer public or user and, if they are exclusively generic or descriptive terms or terms of common usage related to the product or services being identified, the aforesaid signs will not be registrable . . .

. . . It is important to note that industrial property law takes into consideration what is actually happening in the market,

\textsuperscript{22} Id., pp. 155-156.


\textsuperscript{25} It means “coffee” in Hawaiian. See: Hale Kuamo’o Hawaiian Language Center & Native Hawaiian Library. Ulukau Hawaiian Electronic Library. Query: March 8, 2017. http://www.wehewehe.org/gsd2.85/cgi-bin/hdict?e=q-11000-00---off-0hdict--00-1----0-10-0---0---0direct-10-ED---4------0.1pm--11-en-Zz-1---Zz-1-home-coffee--00-3-1-00-0-4----0-0-11-00-0utfZz-8-00&a=d&d=D23365#. 
so the principle of primacy of reality applies to this legal discipline. In the case of words in a foreign language, the competent national authority must examine whether average consumers of the product or service that tries to distinguish the sign in question understand the words or not. If such consumers understand the meaning of the words, the treatment will be similar to that of the Spanish language.26 (Emphasis added.)

As can be understood, the TJCA has established that if the average consumer27 of the product or service in question knows the meaning of the word written in a language other than Spanish, the treatment will be similar to that given to the Spanish language.

If the trademark office of Ecuador verifies that the average consumer in Ecuador does not know the meaning of the term “kursi” in Somali, said term will not be generic, but fanciful, and therefore suitable to distinguish chairs. And if the trademark office in Peru verifies that the average consumer in Peru does not know the meaning of the word “kope” in Hawaiian, the term will not be considered generic, but fanciful, and therefore suitable to distinguish grains of coffee.

The TJCA expressly stated that industrial property law takes into consideration what really occurs in the market, so the principle of primacy of reality is applicable to this legal discipline.

The scope given to the principle of primacy of reality in industrial property law has characteristics and particularities that differentiate it from the application of the aforesaid principle in other legal disciplines (labor law, tax law, competition law and consumer law). In the case of industrial property law, the aforesaid principle provides guidelines to Andean trademark and patent offices so that, in matters of registration requirements and confusion of distinctive signs, they give preferentiality to what is actually occurring in the market, bearing in mind that the risk of confusion or of association, as well as what qualifies as a generic or descriptive term, depends on the actual circumstances of the consumer public (the average consumer) who will buy the products or services identified with such signs.

27 The TJCA has defined the average consumer (differentiating it from the selective consumer) as one who has current knowledge and perception, who does not examine the product or service that he/she plans to buy very thoroughly or very carelessly; i.e., the average everyday consumer of a certain type of products or services. In this respect, see Preliminary Interpretations numbers 305-IP-2014 dated March 24, 2015, and 611-IP-2015 dated July 6, 2016.
8.1 And If the Language Other Than Spanish Is an Official Language in a Member Country of the Andean Community?

In Preliminary Ruling No. 533-IP-2015 dated August 26, 2016, the TJCA explained how analysis must be carried out in cases in which the distinctive sign in the request for registration is written in a native language such as Quechua, which is an official language in the four countries that make up the Andean Community, as shown below:

... For the analysis of word trademarks containing words, phrases or sentences in certain languages of indigenous, aboriginal or ancestral peoples, such as Quechua, the competent national authority in intellectual property must consider formal aspects — in accordance with the national legal system — from a material or realistic point of view, pursuant to trademark law.

In the Plurinational State of Bolivia . . ., the Republic of Ecuador . . . and the Republic of Peru . . ., Spanish and certain languages of indigenous, aboriginal or ancestral peoples, such as Quechua, are official languages. In the case of the Republic of Colombia . . ., the languages and dialects of ethnic groups are also recognized as official in their respective territories. Although the Colombian Constitution does not explicitly recognize it as an official language in the territories where it is spoken, Quechua is an indigenous language used in the departments of Nariño, Cauca and Putumayo . . .

... From the material or real aspect, in the case of trademarks consisting of words written in Quechua or other indigenous, aboriginal or ancestral language classified as official, the analysis must take into consideration consumers’ awareness of the meaning of such words.

( . . . )

. . . In the case of distinctive signs made up of one or more words written in Quechua or another indigenous, aboriginal or ancestral language classified as an official language, if the targeted consumers of the products or services identified with such signs are aware of the meaning of the referenced words, the analysis of registrability will consider the conceptual (or ideological), phonetic elements, spelling and graphics (or figures) according to the rules established by such Court for verification of trademarks.

Whereas, if the targeted consumers of the products or services identified with such signs do not know the meaning of the referenced words, analysis of registrability will
consider phonetic elements, spelling and, as applicable, the graphics (or figures) according to the rules established by such Court for verification of trademarks.

... Technical, generic, descriptive or common usage names and expressions in Quechua or any other indigenous, aboriginal or ancestral language classified as an official language will not be registrable if the targeted consumers of the respective products or services know the meaning of such names or expressions, according to rules established by this Court for analysis of descriptive, generics, or technical signs or signs or common usage.

As can be seen from the cited text, the conceptual or ideological aspect of the distinctive sign will only be considered in analyzing the registrability if consumers are aware of the meaning of the word or words written in the indigenous, aboriginal or ancestral language other than Spanish. If consumers do not know the meaning of such words, the only elements to be considered for analysis of registrability will be the phonetic element, spelling and, if applicable, the graphic (or figurative) element.

The application of the principle of primacy of reality can be deduced from the aforementioned Preliminary Ruling. The TJCA maintained that although from the formal point of view, Quechua and other native languages are official languages in the member countries of the Andean Community, it does not follow that they are known by most of the inhabitants. For this reason, the Court indicates that, from the material or real aspect; i.e., the actual events, in the case of trademarks made up of words written in Quechua or any other indigenous, aboriginal, or ancestral language classified as an official language, analysis must take into consideration the actual knowledge that consumers have about the meaning of such words.

Obviously, this assumes that the national trademark office must verify whether the product or service — that intends to be identified with the sign written in the Quechua language — is going to be marketed in a geographical zone where the population speaks the Quechuan language. If the answer is yes, meaning that the average targeted consumer of the aforementioned product or service knows the Quechuan language, the industrial property authority cannot register the descriptive or generic terms in Quechua.

### 8.2 Determining Whether the Consumer Public Knows the Foreign Language Word

To verify whether the meaning of a word in a foreign language is known by the targeted consumer of the product or service identified with the aforesaid word, the TJCA has explained — in Preliminary Ruling No. 252-IP-2016 dated October 13, 2016 — that
the competent national authority will take into consideration the following criteria:

... The (phonetic or semantic) proximity of the foreign language with Spanish. There are languages that contain words that can be understood by any Spanish-speaking consumer. For example, the Portuguese terms for ‘rádio,’ ‘água’ or ‘família’ can be understood by the average Spanish-speaking consumer, since they are the same as the words in Spanish, and the spelling is almost the same (with minor differences). Another case are the words that have slightly different spelling but that can be understood depending on their context, such as the Italian words ‘amore’ or ‘ristorante’. The case of languages with less proximity is different, such as German or Swedish or languages that are even more dissimilar, such as Chinese . . ., Russian, Arabic or Japanese.

... The degree or intensity of instruction of the foreign language in the member country. In this case, it is pertinent to research whether the teaching of a certain foreign language is a part of public as well as private school curriculum. If so, it must be determined whether the foreign language word can be understood by the average consumer with a basic knowledge of such language, or whether comprehension of the word requires advanced level studies.

... The class of the targeted consumer of the product or service identified with the word sign written in such language. For example, if it is determined that the teaching of English is part of the curriculum of public and private schools, and that the English word that identifies the distinctive sign can be understood with basic level studies of the language, the next step is to determine whether the consumer public would have such basic level knowledge.

... The use of the foreign language word in business; i.e., whether the word is used by most businesses to describe a characteristic of the product or service, or is used in the distribution and marketing of such product or service, such as in advertising.

... Usage of the foreign language word in the wording of other distinctive signs.

... Use of the foreign language word in mass media communication — either in the news, newspapers, opinion columns, radio or television programs (series, soap operas, etc.), and others —, as well as usage in different social networks, which causes the user public to include foreign language terms in their vocabulary.
Foreign phrases that are commonly used (colloquial expressions) by the public in general.

Notwithstanding the aforementioned criteria, the competent authority, if it deems pertinent, may make surveys for the purpose of determining whether or not a certain word or words in a foreign language are known by the consumer public of the product or service in question.

The criteria indicated above demonstrate that in industrial property law, it is relevant to verify the everyday situation, to verify the actual knowledge of consumers about a language other than Spanish. For example, terms in English such as “marketing,” “software,” “delivery,” “light,” etc., are understandable and commonly used by Spanish speakers, and they are generic or descriptive of the products or services that they describe.

The criteria established in Preliminary Ruling No. 252-IP-2016 take into consideration the dynamics of current societies in the usage or knowledge of languages other than Spanish. This requires the Andean industrial property offices to have a working knowledge of what actually goes on in the market, which entails knowing and understanding the targeted consumer of the products or services described with distinctive signs.

9. Conclusions

The Court of Justice of the Andean Community (TJCA) is the judicial entity of the Andean Community, a supranational organization that endeavors to bring about the economic and social integration of Bolivia, Colombia, Ecuador and Peru. The Andean Community has a legal system that is independent of those of the member countries, characterized by having its own tenets (e.g., principles of direct application, direct effect, and primacy), normative hierarchy and sources of law.

One of the primary functions of the TJCA is to ensure uniform implementation and interpretation of Andean Community law. The procedural tool for the aforesaid task is the Preliminary Ruling, a mechanism of collaboration with which the TJCA interprets the meaning and scope of a provision of the Andean legal system that will be applied by a national judge in a dispute. The Preliminary Interpretation is discretionary when the national judge that is going to resolve the dispute is not the judge of final recourse, and it is compulsory when the national judge is the sole or final recourse.

A law of the Andean Community is Decision 486 of the Commission of the Andean Community approving the General System on Industrial Property of the Andean Community, approved September 14, 2000, which regulates all matters referring to patents, utility models, industrial designs, trademarks, commercial slogans, commercial names, geographical indications, commercial
secrets and acts of unfair competition associated with industrial property.

Due to the principle of primacy of reality, in a dispute between the reality of the facts and the fiction contained in documents or legal acts, the judge must give preference to the first: reality. This principle is applied in labor law, tax law, competition law, and consumer law.

In order to verify whether between two distinctive signs there may be a risk of confusion or risk of association, the Andean trademark office has to consider what an ordinary, everyday consumer would see, hear, and understand; i.e., the phonetic elements, spelling, conceptual elements (the meaning), and graphic elements (figures) of conflicting distinctive signs. The most important aspect for comparison of conflicting distinctive signs is not what businesses might establish in their bylaws, contracts, agreements or correspondence, but what is actually perceived and understood by consumers.

In the case of trademark coexistence agreements, the TJCA has acknowledged that beyond what such agreements may say, the industrial property authority must address the reality of the facts; that is, verify whether the trademarks in question in the agreement are or are not confusing for consumers. Although it is not expressly stated, it is a way of applying the principle of primacy of reality.

According to the provisions of Subsections e) and f) of Article 135 of Decision 486, descriptive and generic signs cannot be registered as trademarks because they lack distinctive force if they are written in Spanish, the official language of the four members countries of the Andean Community.

In the case of a language other than Spanish, judicial precedent of the TJCA has indicated that signs formed by one or more words in a foreign language that are not a part of common knowledge of consumers are considered to be fanciful signs and therefore may be registered as trademarks. And to the contrary, if the conceptual meaning of the words in a foreign language has become known to the majority of the consumer public or user and, moreover, is made up of generic or descriptive words related to the products or services to be identified, the aforesaid signs will not be registrable.

In the same line of thought, the TJCA has acknowledged that, although from a formal point of view, Quechua and other native, aboriginal and ancestral languages are official languages of the member countries of the Andean Community, it does not entail that they are known by most of the inhabitants. For this reason, the TJCA states in judicial precedent that, from the material or real point of view, i.e., from the reality of the facts, in the case of trademarks made up of words written in Quechua or other indigenous, aboriginal or ancestral language classified as an official
language, the analysis must take into consideration the actual knowledge of consumers with respect to the meaning of such words.

The TJCA has acknowledged in recent judicial precedent that the principle of primacy of reality is applied in industrial property law, although with the characteristics and particularities that differentiate it from the implementation of the aforesaid principle in other legal disciplines.

Under the principle of primacy of reality, the analysis of registrability and confusability among distinctive signs must favor the reality of the facts, what is really occurring in the market. Consequently, the risk of confusion or association, as well as what qualifies as a generic or descriptive term, depends on the actual circumstances of the consumer public (under the standard of the average consumer), the recipient of the products or services identified by such signs, and the actual knowledge that the consumer public has about a language other than Spanish.