

CASE STUDY

Franchise protection in Colombia



Background

Esprimere, an Italian coffee shop, has registered their trademark 'PronTissimo' (wordmark) and their logo (figurative mark) in their national IP office. It has contacted local IP lawyers in all the countries since it is planning to expand to Mexico, Venezuela, and Colombia and has applied for the registration of both trademarks in all three countries. Esprimere has a franchise agreement in place with a Colombian enterprise, Cortico SA, outlining the franchisor and franchisee rights and obligations within the Colombian territory. Aiming to increase its attractiveness, Cortico hired a local artist for a make-over of their logo. Esprimere believes that this is in breach of their franchise agreement and that the trademark is infringed.



Actions taken

The franchise agreement signed by Esprimere and Cortico contains a dispute resolution clause establishing that mediation is recommended, although not mandatory for the parties. Arbitration, however, is mandatory but should always be preceded by a face-to-face meeting.

During a meeting between both companies, Esprimere pointed out that, according to the franchise agreement, the modification of the logo is a violation. As stated in the indemnification covenant, Cortico must reimburse Esprimere for any losses suffered due to Cortico's wrongdoing. Esprimere, nonetheless granted Cortico the opportunity to remedy the breach. Cortico's response was that the agreement was not valid because it had not registered before the Superintendent of Industry and Commerce (SIC).



Outcome

Cortico did not cease in the use of the modified logo, and the franchisor called for a non-binding mediation. The mediator explained that even if the agreement had not been registered before the SIC, this would not impede the franchisor's trademark's right. But, given that the enhanced logo had only been used for two weeks, losses were not quantifiable. The parties voluntarily agreed and the settlement concluded.



Lessons learned

- IPRs must be registered in the country you are planning to use them, they are territorial rights.
- In Colombia there is no legislation on franchising. Companies should not conclude franchise agreement before registering their IPRs. If the trademark is not registered, no rights can be granted by the franchisor.
- Licenses must be in writing and registered before the SIC in order to be known and to have effects on 3rd parties. Nonetheless, this will not affect the legality of the agreement between the parties.
- Colombia and Mexico are members of the Madrid Protocol.
- In a license agreement, different clauses can be included: trademarks, know-how, patents, etc.; each one is independent from each other.
- The franchisee receives no ownership over the IPRs. The franchisor is granting only a temporary license to the franchisee.

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