

January 1995

Overview of Recent Changes in Mexican Industrial Property Law and the Enforcement of Rights by the Relevant Government Authorities

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Recommended Citation

Bill F. Kryzda and Shaun F. Downey, *Overview of Recent Changes in Mexican Industrial Property Law and the Enforcement of Rights by the Relevant Government Authorities*, 21 Can.-U.S. L.J. 99 (1995)
Available at: <https://scholarlycommons.law.case.edu/cuslj/vol21/iss/17>

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Overview of Recent Changes in Mexican Industrial Property Law and the Enforcement of Rights by the Relevant Government Authorities

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I. RECENT HISTORY OF MEXICAN INDUSTRIAL PROPERTY LAW

A. *Organic Powers from the Mexican Constitution of 1917*

The Mexican Constitution of 1917 grants the federal government the power to grant rights to inventors, pursuant to Articles 28 and 89 (Section XV), and the power to regulate commerce, pursuant to Article 73 (Section X). These powers are vested in the Mexican Congress.

B. *The Protectionist Period*

1. Developments in the 1970s and 1980s

During the statism period of the 1970s and 1980s Mexico's industrial property laws were extremely protectionist. The Law of Inventions and Marks of 1976 ("La Ley de Invenciones y Marcas") and the Law for Recordation of Technology Transfer and the Exploitation of Patents and Marks of 1972 ("La Ley Sobre el Registro de la Transferencia de Tecnología y el Uso y Explotación de Patentes y Marcas") provided almost no protection to foreign rights holders. Needless to say, these laws did not promote the transfer of technology or foreign investment.

2. The Placement of Mexico on the U.S.T.R.'s Priority Watch List

This lack of protection for industrial property rights inside Mexico did not go unnoticed in the United States. In 1989 the U.S. Trade Representative placed Mexico on the "priority watch list" provided by "Special 301" in order to retaliate against inadequate protection and enforcement of industrial property rights. The United States subsequently removed Mexico from the list after it began to improve protections afforded to industrial property as part of the government's overall plan to open the Mexican economy to international competition and the world trading system.

C. *Recent Movement Towards Economic Liberalization*

Mexico made a giant step forward in the protection of Industrial Property upon implementing the Law for the Promotion and Development of Industrial Property (hereinafter referred to as "Industrial Property Law") ("Ley de Fomento y Protección de la Propiedad Industrial"), which took effect on June 27, 1991. The Law abrogated the

protectionist Law of Inventions and Marks of 1976 and the Law for Control and Recordation of Technology Transfer and the Exploitation of Patents and Marks of 1982 and prepared Mexico for the commitments that would later be required upon the execution of the North American Free Trade Agreement (NAFTA).

II. RECENT CHANGES IN MEXICAN INDUSTRIAL PROPERTY LAWS IN 1994

A. *General Comments*

Mexico further amended the Industrial Property Law with amendments designed to satisfy the commitments made as a result of the signing of NAFTA and to correct deficiencies in the 1991 Industrial Property Law. The amendments, to be discussed below, further strengthened the protection of industrial property rights in Mexico and created an independent entity dedicated to the enforcement of industrial property rights, the Mexican Institute of Industrial Property (“Instituto Mexicano de la Propiedad Industrial”), referred to by members of the profession as the “IMPI.”

B. *Patents, Utility Models, and Industrial Designs*

1. Changes Related to Patents

Amended Article 16 of the Industrial Property Law defines patentability in an all-inclusive manner reversing the previous restrictive listing of what was patentable similar to the Foreign Investment Law where previously such law stated a general rule that Mexican investment of one-fifth percent was required. Now the new law states the reverse, i.e. all investments can be one hundred percent foreign except for a few listed exceptions. Consequently only the following items shall not be patentable including essentially biological processes for production, reproduction and propagation of plants and animals; biological and genetic material as found in nature; vegetable and animal varieties of all classes and species of vegetables, and the human body and the living organisms contained therein. This definition satisfies the requirements of NAFTA Article 1709 related to patents and exclusions from patentability.

However, the amendments do not satisfy the general requirements of NAFTA’s Article 1701 entitled Nature and Scope of Obligations related to intellectual property requiring each signatory nation to give effect to the substantive provisions of, among other things, the International Convention for the Protection of New Varieties of Plants of 1978 (UPOV Convention) or the International Convention for the Protection of New Varieties of Plants of 1991 (UPOV Convention). Article 16 of the Industrial Property Law now provides that plant varieties may be

submitted for patent, but further states that such shall not be ruled upon at the present time.

2. Changes Related to Utility Models and Industrial Designs

Additionally, the amendments fulfilled the basic requirements set out in NAFTA Article 1713 related to industrial designs. Articles 27 and 31 of the Industrial Property Law allow for the patent of independently created new or original utility models and industrial designs capable of industrial application, respectively. In fact, Mexico provided greater protection for industrial designs than that required in NAFTA. Article 1713 requires the parties to provide a term of protection of ten years. Article 36 of the Industrial Property Law provides that industrial designs shall be protected for a non-renewable period of fifteen years from filing date. Utility Models are now protected for ten years.

C. Trademarks, Commercial Slogans, and Commercial Names

1. Trademarks

The major NAFTA requirements related to trademarks focus on the application of certain provisions of the Paris Convention for the Protection of Industrial Property of 1967 focusing on the determination of the notoriety of a given trademark. The amended Mexican Industrial Property now provides, at Article 90, Section XV, pursuant to NAFTA and the Paris Convention for the Protection of Industrial Property, that in the determination of the notoriety of a trademark account shall be taken of the knowledge of the trademark in the relevant sector of the public. The same Article does not require that the reputation of the trademark extend beyond the sector of the public that normally deals with the relevant goods or services.

Other NAFTA requirements for trademarks focus on use as a prerequisite to registration and the system for trademark registration. NAFTA provides at Article 1708(3) that a signatory may make registrability dependent upon use, but that such actual use may not be a condition for filing an application for registration. In line with these provisions, the amended Industrial Property Law does not make use a prerequisite for registration. However, in line with NAFTA Article 1708, Mexico reserves the right to cancel the registration of a trademark if such has not been used for a period of three consecutive years after registration.

NAFTA also provides at Article 1708(4) general requirements for trademark registration systems requiring, among other things, that the applicant be given notice of the reasons for the refusal to register a trademark and a reasonable opportunity to respond to the notice. Thus, the Industrial Property Law now states, pursuant to Articles 122 and 122, that applicants shall be informed in writing of the failures of the

application and shall have two months to correct errors and omissions and to submit arguments in support of the application. Upon the payment of the corresponding fees for the application, prospective applications shall have an additional two months to respond to the rejection.

2. Commercial Slogans

NAFTA does not contain detailed provisions concerning commercial slogans. However, the amendments to the Industrial Property Law provide expanded protection. Article 100 now states that a commercial slogan shall be phrases or sentences of places of businesses or companies related to commerce, industry, or the providing of services intended to be used to advertise such products or services to the public.

3. Commercial/Trade Names

NAFTA also does not directly discuss commercial/trade names. Mexican law provides that commercial/trade names shall be protected without registration. The user of a commercial/trade name may request its publication in the official IMPI publication the Gazette ("La Gaceta"), and such publication shall establish the presumption of good faith usage.

III. TRADE SECRETS AND CONFIDENTIALITY

A. NAFTA Requirements Related to Trade Secrets

NAFTA Article 1711 specifies that all signatories must implement laws to protect trade secrets. These laws must provide legal means for any person to prevent trade secrets from being disclosed to, acquired by, or used by others without the consent of the person lawfully in control of the information in a manner contrary to honest commercial practices. Trade secrets must meet the following requirements to be protected under NAFTA:

- (1) The information must be secret in the sense that it is not, as a body or in the precise configuration and assembly of components, generally known among or readily accessible to persons that normally deal with the kind of information in question,
- (2) The information has actual or potential commercial value because it is secret, and
- (3) The person lawfully in control of the information has taken reasonable steps under the circumstances to keep it secret.

Moreover, NAFTA does not permit any signatory to limit the duration of protection for trade secrets provided that the above listed requirements are satisfied.

B. Current Mexican Protection of Trade Secrets

Based on these NAFTA requirements, Mexico substantially amended the trade secrets provisions of its Industrial Property Law. The current law, at Article 82, defines a trade secret as any information capable of industrial application maintained in confidence which may be useful to obtain or maintain a competitive advantage in the performance of economic activities as long as the owner has taken steps to protect the confidential nature of the information. An industrial secret must be related to the nature, characteristics, or purposes of a product, to methods or production processes, to means or forms of distribution of products, or to the providing of services.

The law further provides that information in the public domain shall not be considered an industrial secret, or any information that would be obvious to an expert or any information which must be disclosed pursuant to law or court order. However, confidential information shall not be considered part of the public domain if such information is disclosed to any authority for the purpose of obtaining permits, registrations, authorization, etc.

The owner of an industrial secret may transfer or license the same to a third party, and such third party is prohibited from transferring the information without the consent of the owner. Any person who, due to employment, charge, position, or in the practice of a profession or in a business relationship, has access to confidential information may not reveal the same without justified cause or without the authorization of the owner or the licensee.

In addition, any person or corporation hiring an employee who renders or has previously rendered services to a competitor to provide services as an advisor, consultant, or professional for the purposes of obtaining industrial secrets of the former employee shall be liable for the payment of damages.

IV. ENFORCEMENT OF INDUSTRIAL PROPERTY RIGHTS IN MEXICO

A. NAFTA Requirements Related to the Protection of Industrial Property

Chapter 17 of NAFTA contains various articles related to the enforcement of industrial property rights. The articles focus on general rights to be afforded to the parties, specific procedural and remedial aspects of civil and administrative procedure, the imposition of provisional measures, and criminal penalties and procedures. The numerous requirements contained in these provisions required Mexico to substantially amend its then-existing legal provisions related to the protection and enforcement of industrial property rights.

B. *Current Protection in Mexico of Industrial Property*

1. Patent Infringement

Patent infringement is defined as the manufacturing of patented products, the use of patented methods or processes, the reproduction of industrial models or designs without the consent of the owner or the respective licensee, and the offer for sale of a patented product or industrial model or design without the consent of the patentee provided the seller has knowledge that the product was manufactured without the necessary consent or license.

A patent infringement action cannot be commenced while a patent application is still pending, but once the patent is granted, liability against the infringer shall run from the date of filing.

The modified Industrial Property Law provides that infringing products may be seized pursuant to an order issued by the IMPI. The party bringing the seizure action must post a bond to guarantee the payment of damages to the defendant if the action filed is not successful.

The infringer is also civilly liable for damages and loss of income to the patent owner. The law provides that, at a minimum, the infringer should pay the owner damages equivalent to no less than forty percent of the retail price of the infringing products sold. If the infringer continues to sell pirated products after an administrative declaration of infringement, criminal liability may result.

In order to obtain an infringement declaration, the patent owner must file a petition with the IMPI along with all evidence necessary to prove infringement. The IMPI will then decide from a technical viewpoint whether or not infringement has taken place. Either party may appeal this decision, first at the district court level and later to the Court of Appeals.

2. Trademark Infringement

Trademark infringement is defined as the use, without authorization, of a trade or service mark for the same or for similar products or services and includes the use of an identical or confusingly similar mark, the sale or offer for sale of products bearing a registered trademark with knowledge that the products were manufactured without authorization from the trademark owner, and the offer for sale of products from which the original trademark has been changed, altered, or deleted.

Mexican law does not protect unregistered trademarks, but does consider that the first user of a trademark in Mexico or abroad has greater rights. Moreover, the owner of a "well-known" mark is protected under Mexican law pursuant to the above discussed modifica-

tions based on the Paris Convention and may request the removal from the trademark registry of any trademark which may be conflicting. The definition of a "well-known" mark was changed in the recent amendments. Now it is not necessary to prove that the mark was "well-known" to the general public, only that it was known to the relevant sector of the public using the product or service with which the mark is identified. The burden of proof to establish both such facts falls on the owner. No administrative action may be taken against possible infringers while a registration application is pending, but once a registration is granted, protection rights are protected retroactively to the date of filing.

If a third party has registered a trademark, such party would not have any liability derived from the use of such mark, even if the same mark is the property of another person or corporation, until the registration is removed from the registry.

Similar to the procedure provided for products that violate copyrights, infringing products may be seized pursuant to an order issued by the IMPI. The party bringing the seizure action generally must post a bond to guarantee the payment of damages to the defendant if infringement is not proven.

Infringement is considered to be an administrative infraction and is punishable with fines of up to 20,000 times the daily minimum wage, approximately \$50,000.00 (U.S.) for the initial infringement and of up to 500 times the daily minimum wage, approximately \$1,250.00 (U.S.) for each day that the infringement continues. In addition, the authorities have the right to close factories producing infringing products and stores selling the same.

The infringer is also liable to the owner for damages and loss of income. The law provides that the owner shall be entitled to no less than forty percent of the retail price of the infringing products. The IMPI may also order the seizure and destruction of infringing goods provided proof exists that such goods infringe trademark rights.

3. Other Protections Provided

The amended Industrial Property Law, at Article 213, also provides protection against a variety of other infringement actions. A few of the more prominent examples listed as administrative infractions are the manufacture or processing of products covered by a utility model or industrial design without the consent of the owner or respective licensee, the use of a registered commercial slogan or one confusingly similar without consent in order to advertise goods, services, or commercial establishments equal or similar to those for which the slogan is used and the use of a commercial/trade name or one confusingly similar without consent to cover an industrial, commercial, or service establishment in the same or similar line of business. The law provides that

infringers of these provisions shall be subject to the same fines and liability described above for trademark infringement.

4. Possible Criminal Sanctions

In line with NAFTA, the modified Industrial Property Law contains possible criminal sanctions to be used against infringers. The following actions, among others, are considered crimes: the continuation of infringement after a final resolution regarding such has been issued, the counterfeit of marks in a fraudulent manner on a commercial scale, and the disclosure or utilization of an industrial secret after receiving notice of the confidentiality of the information.

Infringers found guilty of violating these provisions may be sentenced to prison for terms ranging from two to six years. In addition, criminal offenders are fined. The fine ranges from 100 to 10,000 times the daily minimum wage, approximately \$260.00 (U.S.) to \$26,000.00 (U.S.).

C. Procedures to Follow Prior to Filing an Infringement Action

There is no doubt that Mexico is still profitable territory for pirates. Although the new industrial property law details twenty-three classes of acts that constitute administrative infractions, proving infringement, particularly in the case of street vendors, is difficult and time-consuming. A review of articles in the Mexican Industrial Property Magazine, *Urania*, indicates that there is still much pirating of clothing, video cassettes, video games, and computer software inside Mexico.

To prove infringement, rights owners must obtain samples of the infringing products. The authorities also require that the party bringing any such action provide documents related to infringing products or services, such as sales slips, invoices, shipping documents, bills of lading, insurance policies, etc., to prove that products bearing a counterfeited trademark or produced in violation of patent rights are being sold to the public or placed in commerce.

D. Statistical Information Related to the Protection of Industrial Property Rights

As mentioned earlier, the amended Industrial Property Law became effective on October 1, 1994. Thus, statistics related to the enforcement of provisions pursuant to the modified law and relevant portions designed to satisfy NAFTA commitments at this point do not provide much information as to the effectiveness of these provisions.

What is clear is that the IMPI has beefed up enforcement powers as a result of the changes and is going after pirates. The General Director of the IMPI, Jorge Amigo Castañeda, recently stated that in

1994, the IMPI and its predecessor initiated over 1,200 inspection visits to establishments and seized millions of dollars worth of goods and undertook strict policies to encourage litigation in both civil and criminal courts.

By comparison, in 1993, the predecessor to the IMPI, the Mexican Patent and Trademark Office, made only seven hundred inspection visits. However, this number seems large compared to the figures for the time period covering 1988 to 1990 prior to the passage of the Industrial Property Law of 1991. During this three-year period only three hundred and ninety five inspections were carried out. In the one-year period following the passage of the 1991 Law four hundred and twenty seven inspections occurred. These figures highlight the fact that Mexico is making strides in the protection of industrial property rights.