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Re.: Trademarks for Pharmaceuticals in Mexico: A two registrations system

Dear Colleagues:

Due to conflicting legislation, intellectual property rights may be limited, replaced or become irrelevant due the existence of parallel registrations, with a different subject matter, that in one way or the other affect IP rights.

One of those cases is related to trademarks for pharmaceutical products.

Under the applicable general rule in Mexico, the right to the exclusive use of a trademark for any goods, including pharmaceuticals, is obtained through its registration at the Mexican Patent and Trademark Office (MPTO) on a first-to-file basis.

The Industrial Property Law expressly stipulates that the owner of a trademark covering a pharmaceutical product has the exclusive right to use it and may file actions to prevent others from using that same or a confusingly similar mark to identify the same or similar products.

However, having a registered trademark covering pharmaceutical products is no guarantee whatsoever that the registered owner will be able to use the trademark in Mexico.

The distribution and sale of pharmaceutical products, as well as certain other goods such as herbicides, pesticides, etc., require authorization from specialized government agencies. In the case of pharmaceutical products, the Federal Ministry of Health (MH) is in charge of authorizing the distribution, sale importation and/or manufacture of medical devices, medicines and other

pharmaceutical products through a health “registration”. In the case of pesticides, herbicides and other similar products, the “registration” is issued by the Ministry of Agriculture.

It is customary everywhere for Health authorities to decide which pharmaceutical products merit approval for distribution and sale to the public. However, the MH not only authorizes the distribution and sale of the product itself, but also its name, i.e. its trademark.

The MPTO considers the distinctiveness of a trademark as the most important rule or test to determine the registrability of a trademark. The MH takes other factors into consideration, such as the possible association of the mark with an active ingredient or disease, and the possible confusion of the product’s name to others previously authorized by it. The problem here is that having a trademark registered with the MPTO is irrelevant for the MH when considering the name of a pharmaceutical product. The MH may decide that a proposed trademark is confusingly similar to another previously authorized, regardless of the opinion of the MPTO, and reject the registration

There are a large number of precedents from the Courts indicating how to analyze the similarity of two trademarks, but they are all related to the trademark registration procedure at the MPTO, not at the MH.

When there is a conflict with a previously registered trademark at the MPTO that bars a registration, it is possible to overcome it by filing a cancellation action, executing a coexistence agreement, obtaining a consent, waiting for it to lapse due to non-renewal or non-use, etc. The situation at the MH is very different: there are no cancellation actions available under the General Health Law and the registration of a given name may become indefinite. There are cases of authorized names that are no longer in use but remain in the MH’s records as valid and in force; in most cases it is up the MH to remove a name from its records at its own discretion.

The current situation may lead to the absurd situation where the trademark registrant is not allowed to use its trademark due to lack of authorization from the MH, but at the same time, it may prevent the holder of the MH’s registration to sell its pharmaceutical product by claiming trademark infringement. Of course, at the end of the day, the trademark owner is on a more disadvantageous position, since its registration may eventually become vulnerable to a cancellation action but the MH registration is not.

The remedy of course, is to register a trademark at the MPTO and at the HM.

The MPTO has no authority over the HM, and it may not order the removal of a Health registration.

There have been some creative attempts to cancel HM's registration by trademark owners, using legal remedies provided by the General Administrative Regulations. However, there are not yet any clearly applicable precedents. The registration of the name of a product and the product itself at the HM is not available for foreign entities, which do not have a permanent place of business in Mexico. Foreign entities are not allowed to obtain directly an authorization from the HM to manufacture, import, distribute or sell a pharmaceutical product in Mexico. Only Mexican entities or foreign entities with a permanent place of business in Mexico are allowed to apply. As a result, the holder of the HM's authorization to manufacture, import, distribute or sell a pharmaceutical product is generally a subsidiary or a distributor of the foreign manufacturer, regardless any trademark or patent rights such manufacturer may have in Mexico.

In the worst-case scenario, when the distribution agreement with the Mexican party is terminated for any cause, a former distributor could refuse or condition the transfer of the MH's authorization to a new distributor or to a subsidiary of the manufacturer. In order to prevent this from happening, it is important to include provisions in any license or distribution agreement, that upon the termination of such agreement for any cause, the permit or registration at MH will be transferred to the manufacturer or new licensor or distributor and to provide heavy penalty clauses or bonds in case of non-compliance, to dissuade the old Mexican distributor from attempting to keep or "seize" the MH's registration.

No legislative amendments are expected for the time being, so trademark owners should not expect a solution arising from an amendment to the law. The MPTO may not help trademark owners to obtain the necessary authorizations from the HM, so the only available remedy would be from the Courts.

If you have questions in connection to these issues, do not hesitate to contact us.

Sincerely,

Jaime Delgado

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