

PARALLEL IMPORTS UNDER MEXICAN LAW

By Jaime Delgado

As a result of the North American Free Trade Agreement (NAFTA) and other free trade agreements, international commerce in Mexico has increased exponentially. But the question of parallel imports into Mexico has, for many years, remained unresolved.

The liberalization of commerce, which started in the early 1990s, led our legislators to issue new rules in favor of free trade. The Law of Industrial Property of 1994 establishes that the right of exclusive use granted through a trademark registration is not effective against any person who markets, distributes or sells a product bearing a registered trademark if that product has been lawfully introduced in commerce by the owner of the registered mark or by his licensee. This includes the importation into Mexico and the subsequent use, distribution, or marketing of genuine products bearing the trademark, regardless of the place of manufacture.

This regulation places the burden on the trademark owner to verify the uniformity of the quality of his products, independently of where they are manufactured by him or by his licensees. Consumers are assured of the right to buy goods at the lowest possible price. It is up to the trademark owner to make sure that his licensees or distributors do not violate any territorial limitations placed in their respective agreements.

In commerce between the United States and Mexico, it is not uncommon for merchants to acquire goods in the United States, which are available under discount. Those products are then imported into Mexico and may compete with those manufactured locally under a license or imported by a distributor.

It is considered, as in some other jurisdictions, that the proper function of a trademark is to guarantee the identity of origin of a trademarked product. This allows the consumer to purchase a certain product identified with a trademark from the best and cheapest supplier, provided of course, the goods are genuine, that is that the goods were manufactured and subsequently placed in commerce by the trademark owner himself or by any of his licensees. Therefore, it is up to the trademark owner to police his licensees or distributors to comply with any limitations imposed for the sale of products outside their own territory or within their own territory but which are to be exported into Mexico.

Preliminary Measures Against Infringers

The registered owner of a patent, an industrial design or model, a trademark or tradesman or a commercial slogan may take certain preliminary measures *ex parte*, without prior notice to the defendant in order to stop any infringement of IP rights. Such action may be filed administratively, at the Mexican Institute of Industrial Property, generally known as IMPI.

A petition for an administrative declaration of infringement should indicate: the name of the petitioner or of the attorney; an address within Mexico to hear notices; the name and address of the defendant; the object of the petition; a statement of the pertinent facts; and the applicable law.

Once the petition is admitted, the defendant will be served a summons to file an answer within a 10-day term. Once the term to file an answer has lapsed and all evidence offered by the parties has been heard, the IMPI will issue an administrative decision. If the defendant is found guilty, a fine will be imposed. The IMPI does not have any authority to award damages.

Prior to the service of summons to the defendant, the petitioner may request any of the following preliminary measures:

- An order that the infringing products be withdrawn from the market;
- An order that any object, packaging, containers, stationary, advertising material, and similar items be withdrawn from the market including any labels, signs, etc., as well as any utensils or tools used to manufacture, obtain, or process any infringing product;
- Prohibition of the marketing and use of the infringing product;
- An order for the seizure of infringing products;
- An order for the infringer to suspend the rendering of services or actions which may be deemed an infringement; or
- Closure of a plant or place of business.

To issue such preliminary measures, the petitioner must prove that it is the owner of a protected industrial property right, that an infringement is imminent that irreparable damage may be suffered, and that evidence may be destroyed or hidden.

The petitioner must post a bond to guarantee the payment of damages if his action is unsuccessful. The defendant will have a 10-day term to file any objections and may post a counter bond to lift the preliminary measures. The IMPI will issue a decision declaring or rejecting a declaration of infringement and may impose a fine; it will also decide on the disposition of the seized products. The petitioner may also file an action in court to demand the payment of damages. Damages are assessed, as a minimum, at no less than 40% of the retail price of the infringing products. The plaintiff may demand a larger sum but the evidence required is quite cumbersome and in most cases only the minimum is requested. The court may also order any of the preliminary measures indicated above.

A registered licensee has the authority to file any infringement action unless it was specifically agreed in the license agreement that filing infringement action in court or at the IMPI are exclusive for the owner of the IP RIGHTS.