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VII Intellectual property, Licensing

The Industrial Property Law as amended on August 1994, was the last of a series of amended laws that ameliorated the obstacles to foreign investment of earlier versions.

The Industrial Property Law created the "Instituto Mexicano de la Propiedad Industrial" (IMPI), or Mexican Patent and Trademark Office (MPTO), an independent government agency devoted to the registration and enforcing of intellectual property rights. The content of the law may be summarized as follows:

A. Patents

A patent is a right granted to an individual or to an assignee to exclusively exploit an invention for a non-renewable twenty-year term, beginning from the date of filing of the related application.

An invention must meet the following requirements to be patentable:

1. It must be novel, and not be comprised in the state of the art, where state of the art is defined as the technical information generally available to the public through a written or oral description, through working, or through any publication in Mexico or abroad. There is no 1055 of novelty if an invention is exhibited nationally or internationally at a recognized industrial or trade show, of if the inventor or assignee starts using it, provided that the patent application is filed within a twelve months term counted from the date of disclosure, and the applicant provides documents about the disclosure;

2. It must be the result of an inventive activity not readily deduced from the state of the art, nor may it be evident or obvious to an expert;

3. It must be capable of industrial application, that is, it must be useful towards the manufacture of a product, or to be used within a process for any type of economic activity; and

4. It must be a human creation that allows the transformation of matter or energy in a manner which may be used to satisfy a concrete need.

The following inventions are not patentable:

1. Biological processes for production or reproduction of plants or animals,
2. Biological or genetic material as found in nature,
3. Animal breeds,
4. The human body and the parts or organs thereof,
5. Vegetal varieties (These are protected by the Vegetal Variety Law discussed below.),
6. Software, and
7. Business methods

Patent law incorporates the first-to-file principle. Mexico is a party of, among others, the Paris Convention, TRIPS, the Patent Cooperation Treaty, and UPOV. Thus, the date of filing a patent application in another member country is treated as the date of filing in Mexico if the applicant claims convention priority

There is no explicit obligation to work an invention, but the law does provide that anyone may apply to the MPTO for a compulsory license if the patent is not worked for more than three years following issuance of the patent application, or four years following the filing of the application, provided that the applicant or patentee has no valid reason for the failure to work the invention.

The MPTO may also issue emergency licenses on patented pharmaceutical products, provided that the Mexican Council of General Health acknowledges a disease as of priority attention. The MPTO sets the amount of the royalties to be paid to the patentee, and the term of the emergency license.

B. Utility models

Utility models are objects, utensils, apparatus or tools, that as a result of a modification to their arrangement, configuration, structure or form, perform a different function with respect to the parts forming them, or represent advantages with respect to the usefulness of the parts.

Utility models may be registered with the MPTO if they are absolutely new and capable of industrial application. Protection is granted for a non-renewable term of 10 years from the date of filing.

C. Industrial designs

Industrial designs include industrial drawings and industrial models. Industrial drawings are any combination of figures, lines or colors, incorporated to an industrial product as an ornament, giving it a peculiar aspect of its own. Industrial models, provided that they do not imply technical effects, are three-dimensional models that serve as molds to manufacture industrial products, and give a special appearance.

Industrial designs may be registered with the MPTO and are granted protection for a non-renewable term of 15 years if they are new, and are used as a type or mold, to make industrial products.

D. Trade secrets

Trade secrets, or *"secretos industriales,"* are defined as any information capable of industrial application, maintained in confidence, which may be useful to obtain or to maintain a competitive advantage in the performance of economic activities; the confidentiality of which, the owner has taken measures to preserve by labeling information as "confidential," "secret," or in another similar manner, and has executed confidentiality agreements with all the individuals and entities that have access to the confidential information. An industrial secret must necessarily relate to the nature, characteristics, or purposes of products, to production methods or processes, or to the means or forms of distribution or marketing of products, or to the rendering of services.

Information in the public domain, information which may be obvious to a technician, or information which must be publicly disclosed by law or by court order, is not considered an industrial secret.

Any confidential information shall not be deemed to be in the public domain if such information is disclosed to an authority for the purpose of obtaining permits, registries, authorizations, or similar materials.

The protected information must be set forth in documents, electronic or magnetic media, optical discs, microfilms, films or other similar instruments.

Trade secrets may be transferred or licensed to third parties. Individuals with access to industrial secrets may not reveal them without justified cause or consent from the owner or licensee. Individuals or entities hiring employees, or contracting services from competitors, with the purpose of obtaining industrial secrets, may be liable for damages. Individuals that had access to an industrial secret due their employment or professional activity, are liable for the non-authorized use or disclosure of the industrial secret, provided that they were expressly warned about the confidential nature of the information.

Mexican law only provides one explicit manner for enforcement of trade secrets, which is to file criminal charges with the Federal General Attorney.

E. Integrated circuits

Integrated Circuits are protected as follows:

1. Integrated circuits are products in final or intermediate form, having at least one active element, and one or more interconnections to form an integral part of the body, the surface, or a piece of semiconductor material, destined to have an electronic function.

2. Topography or layout is the three-dimensional disposition, having at least one active element, with one or all of the interconnections of an integrated circuit for use within it.

3. Original topography or layout is the topography or layout of an integrated circuit that is the result of the creative effort of the inventor, and which is not obvious or common among creators or among manufacturers of integrated circuits at the time of invention.

Protection is afforded to the topography and/or layout of integrated circuits which are original and have not been commercially worked anywhere in the world.

There is a two-year grace period from the date of first use. Any original combination of a previously-known layout may be protected. The term of protection is 10 years from the date of filing.

The owner of a Certificate of the Topography of an Integrated Circuit has the right to stop others from reproducing the circuit in whole, or in part, and has the right to stop the importation, sale, or distribution, without authorization.

There is no infringement if the protected topography or layout of an integrated circuit is used for:

a) Evaluation, analysis, or academic purposes, not for profit;

b) Creating a different original topography or layout;

c) A third party who, independently and prior to the publication of the registration in the Industrial Property Gazette, created an identical topography.

If a third party in good faith is importing, reproducing, distributing, or selling integrated circuits, incorporating protected topography or layouts, there will be no infringement until after the infringer is notified in writing by the owner of the certificate. The infringer may finish his supplies in stock provided that a reasonable royalty is paid to the owner of the certificate. A protected topography of integrated circuits must bear the legend "(M)" or "(T)," plus the name of the owner.

F. Trademarks and service marks

A trademark is defined as a visible sign or symbol that distinguishes products or services from others of the same species or class in the marketplace.

Accordingly, trademarks may be:

1. Any name or visible design, including color designs, provided that they are sufficiently distinctive to distinguish products or services from others of the same class;

2. Three dimensional forms;

3. Trade name and corporate names;

4. Individual's names, unless there is a homonym previously registered, or there is no consent of the individual from whom the name was taken.

Some marks are non-registrable, such as:

1. Words or designs that are not sufficiently distinctive;

2. The proper, technical, or commonly-used names of products or services, as well as words which are the usual or generic designation of the products to be covered;

3. Descriptive names or designs;

4. Geographic designations, if they may mislead the consumers, or any name designating the place of manufacture of products or the rendering of services; as well as names of places known for the manufacturing of certain products;

5. Names, figures or designs that are well-known (as provided by the article 10 bis of the Paris Convention) or famous in Mexico;

6. Any name, form, or design, confusingly similar or identical to a previously registered name, trade, service mark, or design, used to cover the same products or services;

7. The translation to other languages of non-registrable words; and

8. Colors by themselves. Color designs are registrable.

Trademarks and service marks, with the exception of well known and famous marks, must be registered in order to obtain exclusive right of use.

As a general rule, registration is granted to the first applicant; however, an earlier user, in Mexico or abroad, may file a cancellation action against a registration. Trademarks may be registered for 10 renewable years from the date of filing of the application with the

MPTO. Use of a trademark may not be discontinued for more than three consecutive years without justification; otherwise, the registration would be vulnerable to a cancellation action.

Trade or service marks cover only specific goods or services within a single class of products according to the international classification provided in the Nice Arrangement. There are no multiple-class applications

G. Collective trademarks

Legal entities formed by producers, manufacturers, business-people, or service providers, may register collective trademarks in order to distinguish their products or services from those of non-members. A collective trademark may not be transferred to third parties, and its use is reserved for the members of the applicant entity.

H. Commercial slogans

Commercial slogans are phrases or legends that have the purpose of announcing businesses or commercial, industrial or service establishments to the public, to easily distinguish them from others of their kind. Commercial slogans must be registered in order to obtain exclusive right of use. Commercial slogans may be registered for up to 10 renewable years from the date of filing of the registration application.

I. Trade names

The visible names of commercial, service or industrial premises, are protected without need for registration, provided that they are used in Mexico. The protection covers the geographic zone of the effective clientele of the business using the trade name, and may be extended throughout the country if there is massive and constant diffusion of the name on a national level.

A user may apply for publication of the trade name in the Gazette of the MPTO to establish a presumption of good faith in the use of the name.

Trade names are not protected for a specific class of goods or services. The publication is valid for 10 years and may be renewed.

Trade names are becoming less common every day, and are being replaced by service marks. Unlike service marks, trade names may not be filed on intent-to-use basis, and might not provide automatic protection throughout the country.

J. Appellations of origin

Appellations of origin are names of geographic regions used to designate a product that originates from said region, and whose qualities or characteristics stem exclusively from the region. Mexico is a party to the Lisbon Convention. The Mexican state is the owner of the appellations of origin. The use of an appellation of origin requires a license issued by the MPTO.

K. Royalty payments

Mexican law does not provide any specific rules governing minimum or maximum royalties. Tax authorities, however, have the right to adjust the taxable profit of the payer if such royalties are excessive and do not reflect "market value."

L. License agreements

Trademark and patent licenses are business agreements and parties may freely stipulate most of the provisions, including governing law, forum, arbitration, and royalties, as well as time, place, and currency of payment.

Licensees may file actions against trademark and patent infringement, unless the license contains an explicit stipulation prohibiting the licensee filing such actions. Licensees are fully valid and enforceable between the parties without recording the agreement with the MPTO

However, recordation with the MPTO is required so that the use of the licensed trademark or patent inures to the benefit of the registrant or patentee.

Only Mexican patents, patent applications, registered trademarks, trademark applications, and trade secrets, may be licensed.

The license, and in general, all documents to be filed with Mexican government agencies, must be fully translated into Spanish. To record license agreements, the MPTO usually asks that the license agreements be notarized, authenticated with the Apostille included (or legalized by a Mexican consul). However, it is possible to record a non-notarized license, although the procedure may take longer.

Generally, licensing practices may have significant antitrust implications, i.e., including efforts by the seller or licensor to restrict by territory, purchases and sales of the licensee

M. Enforcement of patents and trademarks

1. Administrative action

Filing an administrative infringement action with the MPTO is the most common way to handle a trademark or patent infringement.

An infringement action involves a full administrative trial. The MPTO takes approximately one year to issue a trademark infringement decision (for patents it may take from one to five years, depending on the case).

The MPTO has authority to issue preliminary measures at the beginning of the procedure. The preliminary measures may include a preliminary cease order to the infringer, the seizure of infringing products, and in some cases, the seizure of machinery used to manufacture the infringing goods.

In order to obtain the preliminary measures, the patentee or registrant must file a bond, which guarantees the payment of damages in case the infringement action is not successful. The MPTO unilaterally sets the amount of the bond and may later increase it. The patentee or trademark owner should also inform consumers of the existence of the intellectual property rights by marking products with a statement demonstrating that there is a patent; and in the case of registered trademarks, with the ® symbol, the MR abbreviation, or with the *Marca Registrada* legend.[1] Alternatively, the MPTO may accept other ways of informing of the existence of intellectual property rights.

The defendant is entitled to lift the preliminary measures by filing a counter-bond (usually twice the amount of the plaintiff's bond) and continuing business as usual.

If the infringement action were successful, the MPTO may issue a definitive ceas e order to the infringer, and may impose a fine up to the equivalent of 20,000 times the daily minimum wage in the Federal district ($75,000.00 USD approx.). The MPTO may also order the destruction of the seized products, the temporary or definitive closure of the infringing premises, and even an administrative arrest up for 36 hours. The MPTO may not award damages or attorneys fees.

The MPTO's decision may be appealed before the Federal Court of Tax and

[1] Symbols such as TM and SM used in sorne common law jurisdictions have not legal consequences at al!. The use of the ® symbol on products bearing trademarks not registered in Mexico may be deemed as trademark infringement and the MPTO may impose a fine.

Administrative Justice. The court takes from 18 to 24 months to issue a decision, and it may be subject to a final appeal (Juicio de Amparo) before a Federal Court of Appeals.

2. Civil action

Once the MPTO has issued a final infringement decision, the patentee or trademark owner may use it to file a civil claim for damages before a court of common jurisdiction.

The law provides that the patentee or trademark owner may claim at least 40 percent of the retail price of each infringing product sold by the infringer. Arguably, the rights holder has two years after the issuance of the final decision to file the action for damages.

Although the law provides for statutory damages, a recent precedent from the Supreme Court provides that the patentee or trademark owner must prove that there were actual damages or a loss of profits, and that such damages or lost profits were a direct consequence of the trademark or patent infringement.

3. Criminal charges

Counterfeiting of branded goods is considered a "*delito grave*," or serious crime in Mexico, and means that the defendant would not be entitled to be free on bail during the trial.

The criminal charges must be filed before the Federal Attorney General Office. Said Office conducts its investigation, and if it finds enough evidence to assume there is counterfeiting, it may file a criminal action with a federal criminal court. If the judge finds the defendant guilty, the trademark owner may file a claim for damages with the criminal judge.

N. Comparative advertising

Comparative advertising is allowed in Mexico if the comparison of products or services covered by a trademark is done for information purposes. When individuals use comparative advertising and publicity that is misleading, false, or exaggerated, with the purpose of discrediting or trying to discredit products, services or a competitor, the MPTO may impose fines, close the business, or place the individuals under arrest for up to 36 hours.

In addition the Consumer Protection Agency may also impose sanctions if the comparison of products were false, misleading or exaggerated, even if it does not have as a purpose of discrediting or to trying to discredit products, services, or a competitor. The sanction in this case could be a fine up to 2,000 times the minimum daily wage in Federal District.

O. Parallel imports

Any person, for their use, distribution, or commercialization, may legally import into Mexico, products covered by a registered trademark, provided that the imported goods are legitimate in the country of origin, and that the manufacturer of the goods and the owner of the Mexican trademark registration are the same entity or individual, belong to the same group, or one is licensee of the other.

On the other hand, parallel imports of goods protected by a Mexican patent are not allowed and the Mexican patentee may file patent infringement actions against importers.

P. Copyright

Copyright is protected for original intellectual creations without need for registration. There are two categories of rights related to copyright:

1. Economic rights to use or reproduce the work of the author for profit.

This right is effective during the author's lifetime and 100 years after his death. The protection of posthumous works lasts 100 years, counted from the day of first publication; and

2. Personal rights, which include recognition of authorship and opposition to any deformation, mutilation or modification made to the copyrighted work, without authorization or opposition to any action, which may decrease the value or prestige of the work, or the reputation of the author. This right is perpetual, non-transferable, non-waivable, and does not expire when an action to enforce it is not exercised.

Copyright protects the following types of works: literary, scientific, technical, legal, pedagogic, didactic, musical, pictorial, design, engraving, lithographic, sculptural, plastic, architectural, photographic, cinematic, audiovisual, radio and television, software, and on any other work which could be considered comprised within the generic types of artistic or intellectual works mentioned above.

The author or his assignee has the right to the exclusive use of any protected work. Only the right to use, reproduce, distribute, broadcast and adapt a protected work may be assigned. The author's personal rights are not assignable.

As a general rule, the assignment of rights to use or reproduce a work are not perpetual; if the parties do not provide a term in the assignment agreement, the law considers the assignment to be only for a period of five years. As an exception, assignments involving literary works and software are permanent.

The author has the non-assignable right to be designated as such, and to oppose any deformation, mutilation, or change of his work. These rights pass to the author's heirs.

Copyright is protected even if it is not registered, published or disclosed.

Copyright infringement is defined as any of the following actions carried out without the consent of the author or his assignees:

1. To use a protected work;
2. To use the picture of a person;
3. To manufacture, reproduce, store, distribute, market copies of phonograms, videograms, or books protected by copyright;
4. To sell, offer for sale, store, or circulate, protected works that have been modified, adapted or deformed;
5. To import, sell, leas e, or carry on, any action to deactivate electronic protection systems of software;
6. To rebroadcast, fix, reproduce, or publish, radio broadcasts;
7. To use, reproduce, or exploit, a registered work, pseudonym or character.

Copyright infringement is punishable by fine, but if the infringement is done on a commercial scale, there may be criminal penalties as well. The MPTO is in charge of prosecuting most cases of copyright infringement.

Preliminary measures, such as the seizure of infringing material, orders to cease and desist, and orders to suspend an infringement, may be issued by the MPTO.

A suit or action can be filed while a registration application is pending.

The usual defenses against copyright infringement are:

a) That the use of the copyright is not for profit,

b) That the reproduction of the copyrighted work is different,

c) That there is a dispute as to who is the actual author or copyright holder,

d) That the work is not original or that it is in the public domain.

A civil action for damages also may be filed. The author or his assignee may put a lien on the entrance fee or income derived from the performance of a copyrighted work.

The author or his assignee may also repossess electromechanical equipment, sound systems, projection systems, or force commercial operations into receivership.

The judge in a civil or criminal action may order the seizure of all instruments used to make unlawful copies, as well as the copies of reproductions of copyrighted works. The

judge or public prosecutor may order the sale of all reproductions, and the proceeds thereof shall be paid to the author.

If the counterfeit products may not be sold to the public because the author objects, such products shall be destroyed. The criminal action has no effect on the civil action and vice versa.

Mexico is a party to the Universal Copyright Convention, the Interamerican Copyright Convention and the Berne Convention.

Q. Franchises

Please be referred to the previous Section

R. Mexican law for the protection of new varieties of plants

New varieties of plants are protected under a separate law, the Vegetal Variety Law, which was published on October 25, 1996. Mexico is also a party of UPOV:

To be protected, plants must be: (i) new; (ii) different; (iii) stable; and (iv) homogeneous

The term of protection is granted for:

- 25 years for perennial, forestry, fruit, ornamental plants, and grafts.
- 20 years for other species.

The owner has the right to the exclusive use of:

1. The breeding material for commercial production;
2. Marketing; and
3. Sales

Applications to register plant varieties are filed with the Ministry of Agriculture. Plant varieties will be identified by a specific name proposed by the breeder. The breeder's rights are as follow:

1. To be acknowledged as breeder of the plant variety;
2. To prevent the use of a plant variety without authorization;
3. To license others to use the plant variety.