RECENT DEVELOPMENT OF INDUSTRIAL PROPERTY RIGHTS IN MEXICO

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INTRODUCTION

The focus of this paper will be on the recent developments in Mexico in the area of Industrial Property rights. However, the order of the outline indicated in the Program will be changed slightly to discuss simultaneously the application of the Paris Convention and recent decisions of our courts on this subject.

I. EXPERIENCES WITH THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY AND WITH BILATERAL TREATIES

Mexico has been a member of the Paris Convention for the Protection of Industrial Property since its revision of Brussels of 1900 and up to the Stockholm Revision of 1967.[1] Mexico is not a party to any other bilateral treaty on this subject, but is a member of the Agreement of Lisbon for the Protection of Appellations of Origins and Their International Registration of October 31, 1958.[2]

On February 10, 1976, the new Mexican Law of Inventions and Marks[3] was enacted. Two sets of provisions of this law, Articles 127 and 128,[4] immediately concerned the owners of Industrial

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1. UNITED INTERNATIONAL BUREAUX FOR THE PROTECTION OF INTELLECTUAL PROPERTY, MANUAL OF INDUSTRIAL PROPERTY CONVENTIONS, Geneva, 1974.

2. UNITED INTERNATIONAL BUREAUX FOR THE PROTECTION OF INTELLECTUAL PROPERTY, MANUAL OF INDUSTRIAL PROPERTY CONVENTIONS, Geneva, 1974.

3. Law of Invention and Marks, published in the Official Daily of the Federation of Feb. 10, 1976 [hereinafter LIM].

4. In substance, Article 127 provides the following:

Every mark of foreign origin or owned by a foreign individual or corporation, which is designed to protect articles manufactured or produced in national territory, must be used associated with a trademark originally registered in Mexico.

Both marks must be used in a manner equally noticeable.

The provision of Article 91, Section XVII of this Law will be applicable to the mark originally registered in Mexico.

Property rights.

Even though the LIM does not define what is to be understood as "foreign origin" as used in Article 127, the introduction of the bill to Congress indicated that a trademark of "foreign origin" is one which is first registered abroad and thereafter registered in Mexico. Many industrial groups considered that this provision would erode the rights derived from trademark registrations and would eventually result in loss of their trademarks. Furthermore, it was thought that the LIM was contrary to Articles 2 and 6 *quinquies* of the Paris Convention because equality between nationals and foreigners was being breached in that a trademark should be protected "as is" in other countries.

Article 128 of the LIM should have become effective on February 9, 1978, but due to an amendment of the LIM, its operative date was postponed until February 9, 1979. This amendment of the LIM authorized the then Ministry of Properties and Industrial Developments to annually suspend, if necessary, the entering into force of this provision.[5]

In 1979, several appeals disputing the validity of Articles 127 and 128 were filed by three companies. These appeals were filed before Federal District Courts in Mexico City, claiming that the particular provisions of the LIM were contrary to the Paris Convention and to the Political Constitution of the United States of Mexico. In essence, the arguments of the appeals were the following:

1. Nationals of any country member of the Paris Union, as re-

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In substance, Article 128 provides the following:

The acts, agreements or contracts which are made or entered into with regard to the royalty bearing or free license to use a mark registered originally abroad, or which is owned by a foreign individual or corporation, must specify the obligation that such mark will be used or associated with a mark originally registered in Mexico and owned by the licensee.

If this obligation is not complied with, the Bureau of the National Registry of Transfer of Technology will refuse the registration of the act, agreement or contract.

The obligation of using marks in association as set forth above must be complied with within a period of one year from the registration of the act, agreement or contract, or from the moment in which the foreign mark begins to be used if no act, agreement or contract has been entered into which authorizes its use.

If this obligation is not complied with the act, agreement or contract will be void and its registration will be cancelled.

For justified reasons, the Ministry of Industry and Commerce may extend for one year as a maximum the period established in the foregoing paragraph.

5. Article Twelfth Transitory of the LIM; Amendment of Article Twelfth Transitory of the LIM, published in the Official Daily of the Federation of Dec. 29, 1978; Decrees granting extension to comply with the association or linking requirement, published in the Official Daily of the Federation of Feb. 6, 1978, Dec. 13, 1979, Dec. 30, 1980, Dec. 9, 1981, Dec. 6, 1982, Dec. 20, 1983, Dec. 11, 1984 and Dec. 5, 1985.

gards the protection of Industrial Property, enjoy in all other countries of the Union the advantages that their respective laws grant or may grant in the future to nationals.

2. Every trademark duly registered in the country of origin shall be accepted for filing and *protected as is* in other countries of the Paris Union.

3. The provisions of the LIM violate the constitutional rights of freedom, of work and commerce, due process of the law and free commercial competence, as well as creating discriminatory treatment of foreigners.[6]

The District Courts accepted these arguments and declared Articles 127 and 128 of the LIM unconstitutional. However, the Ministry of Properties and Industrial Development further appealed the decisions to the Collegiate Circuit Courts in Mexico City. The Collegiate Circuit Courts dismissed many of the appeals due to technicalities and, as a result, the merits of the appeals have not been reached.

Since 1979, the obligation to link or associate trademarks according to Article 128 of the LIM has been suspended. It appears that since the LIM was not amended on this subject during 1986, the obligation to link or associate trademarks will be postponed indefinitely. If and when the LIM is amended, in all probability, the linking or association of trademarks will be merely an option for the licensee.

The other provisions of the LIM which have caused concern are Articles 41, 42 and 48. Article 41 states in substance that the granting of a patent implies the obligation to work it in Mexico. Working must be started within three years counted from the date of patent issue. Article 42 provides that the patentee must prove working to the satisfaction of the Ministry of Industry and Commerce within two months of the start of working. Article 48 holds that the patent will lapse if, at the expiration of the term referred to in Article 41, more than one year passes without the patentee starting working and if during this term no compulsory licenses have been applied for.

In recent years, the Bureau of Inventions and Marks (BIM) has

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6. "Amparo" appeal no. 745/78 filed by the Seven-Up Company before the Second District Court on Administrative Matters, decided on Nov. 22, 1983, appeal to the Third Circuit Court on Administrative Matters, decided on Oct. 4, 1984; "Amparo" appeal no. 292/80 filed by the Seven-Up Company before the Ninth District Court on Administrative Matters, decided on May 20, 1981, pending a further appeal to the Supreme Court of Justice no. 7841/83.

declared several unworked patents to have expired. The decisions were appealed to the Federal District Courts in Mexico City, arguing the following:

1. Article 5A(3) of the Paris Convention had been violated since no compulsory licenses had been granted nor had two years passed from the date the first compulsory license was granted.

2. Article 48 of the LIM contravened the Paris Convention since instead of giving grounds for the expiration of the patent, it called for the expiration after one year of the *grant* of a compulsory licence without any *petition* for a compulsory licence.

3. The articles violated the constitutional rights of freedom of work and commerce and of due process of law.

Unfortunately, the appeals were denied by the federal District Courts and were confirmed by the Collegiate Circuit Courts thereby establishing "jurisprudence."[7]

The rationale underlying this jurisprudence may be synthesized into two factors. First, it is "public policy" that patents which have not been worked in Mexico expire and consequently enter the public domain so that third parties may freely work the inventions. Second, the burden should be on the patentee to prove to the BIM that before the patent expires there were applications for a compulsory license, or that the BIM was remiss in deciding whether to grant a compulsory license, or that the patentee had "legitimate reasons" for not working the patent according to Article 5A(4) of the Paris Convention.[8]

It appears that the Collegiate Circuit Court did not really understand the sense of the appeals, since it compared the *grant* of a compulsory license to a *petition* for its granting and, additionally, it reversed the burden of proof to the patentee for the purpose of proving that no petitions for compulsory licenses had been requested. Notwithstanding the foregoing, since about 1978, the BIM has been accepting as "legal excuses" for nonworking patents in Mexico that the patentee is a citizen or corporation from a member country of the Paris Union such that the expiration of patents cannot be decreed until two years after the date of the grant of the

7. Articles 192 and 193 of the "Amparo" Law, Regulatory of Articles 103 and 107 of the Political Constitution of the United States of Mexico, published in the Official Daily of the Federation of Jan. 10, 1936. Under our system of law, "jurisprudence" is established by five consecutive and uninterrupted decisions rendered in the same sense which binds all Circuit and Federal District Courts of Mexico.

8. Jurisprudentia, Precedentes y Tesis Sobresalientes, Tomo VIII Administrativa, Mayo Ediciones, S. de R.L., Mexico, 1983, No. 7643, page 272 and following.

first compulsory license. These "excuses" are not provided for in the LIM.

II. PROPOSED LEGISLATION

For several years, many attorneys in Mexico have been trying to convince Mexican authorities to amend the LIM to eliminate provisions which are considered obstacles to the protection of Industrial Property. Several drafts of amendments have been prepared in the last ten years and it appears that the LIM will finally be altered in the near future. The Ministry of Commerce and Industrial Development in charge of Industrial Property matters has also stated unofficially that it is preparing an amendment to the LIM.

It should be noted that although authorities and private organizations have differing points of view, there are signs that indicate that irrespective of the manner in which these subjects will be dealt with, the new law will address the following:

1. Product patents, including chemical compounds.
2. Method patents for pharmaceutical preparations, goods and beverages, and new industrial, agricultural and cattle breeding uses of chemical compounds.
3. Patents in the anti-pollution field.
4. Biotechnology patents.
5. Extension of the life of patents.
6. Elimination of certificates of inventions.
7. Elimination of the working requirements for patents.
8. Extension of the life of designs and models.
9. A complete revision of the chapter on trademarks to clarify many provisions which cause interpretation problems.
10. Linking of trademarks to be left optional to the licensee.
11. An increase in the penalties for infringement, with respect to prison terms as well as to fines.

In the near future, a great deal of activity between authorities and private parties will occur to reach an understanding on the bill amending the law. Mexican attorneys are confident that, in general terms, the amendment to the LIM will be positive and will provide a better instrument for the protection of Industrial Property in Mexico.

III. EXPERIENCES WITH BIOGENETIC PRODUCTS, PROTECTION OF COMPUTER TECHNOLOGY, TRADE SECRET LICENSING PROTECTION AND CROSS-LICENSING PROVISIONS IN TECHNOLOGY TRANSFER AGREEMENTS

A. Biogenetic Products

At present, biogenetic products and processes may not be protected in Mexico under the LIM.[9] As previously indicated, the granting of patents in this field presently is being considered. Additionally, Mexico is even contemplating becoming a member of the Paris Convention for the Protection of New Varieties of Plants and the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Protection.

B. Computer Technology

Computer technology may be protected in Mexico through patents and software through copyrights. Our Federal Copyright Law[10] does not expressly refer to the protection of software; however, the Secretary of Public Education has interpreted the FCL to include computer programs as works made by authors, which seemed advisable to avoid infringement. For this purpose, the Secretary ordered the publication of a resolution which confirmed that computer programs could be registered, irrespective of the means by which they were saved. As a result, even programs contained in ROM's may be registered.[11]

C. Trade Secrets

Trade secret licensing is permitted under Mexican law. The problem of protecting trade secrets is very difficult since the Penal Code does not impose great penalties for the disclosure of secrets.[12] Additionally, for an argument of an act of unjust enrichment to succeed, the extent of the enrichment and the detriment caused to

9. LIM, arts. 9, § V, & 10, § I.

10. Federal Copyright Law, published in the Official Daily of the Federation of Dec. 21, 1963 [hereinafter FCL].

11. Resolution no. 114 of the Secretary of Public Education, providing for the registration of computer programs in the Public Copyright Registry, published in the Official Daily of the Federation of Oct. 8, 1984.

12. Penal Code for the Federal District on Ordinary Matters and for all the Republic on Federal Matters, published in the official Daily of the Federation, of Aug. 14, 1931. Article 210 provides that a fine of from Mex. $5.00 to $50.00 and a prison term of from two months to one year will be imposed on whomever discloses a secret without a justified reason to the detriment of a third party.

the affected party must be proved.[13]

D. "Know-how"

Technical assistance, "know-how" and license agreements are subject to recordation by the Law on the Control and Registration on Transfer of Technology and the Use and Exploitation of Patents and Trademarks.[14] Failure to record such agreements with the National Registry of Transfer and Technology renders an agreement null and void and unenforceable by the courts.[15]

Under Article 15, Section II of the LTT, agreements will not be recorded if they contain an obligation on the part of the licensee or party acquiring the technology to assign to the licensor or supplier of the technology, either free, or for consideration, patents, trademarks, or improvements developed by the licensee or acquirer. This prohibition also applies to grant-back licenses. However, an exception to the prohibition is contemplated when the assignment or grant-back license is established in reciprocal terms or is beneficial for the acquirer or licensee.

Reciprocity in this aspect should be evaluated taking into consideration the payments, degree of exclusivity and territory as well as the benefits that result to the acquirer or licensee due to the exchange of information.[16]

13. Civil Code for the Federal District on Ordinary Matters and for all the Republic on Federal Matters, published in the Official Daily of the Federation of Sept. 1, 1932.

14. Law on the Control and Registration on Transfer of Technology and the Use and Exploitation of Patents and Trademarks, published in the Official Daily of the Federation of Jan. 11, 1982 [hereinafter LTT].

15. LTT, art. 11.

16. LTT, art. 15, § II; Regulations to the LTT, published in the Official Daily of the Federation of Nov. 25, 1982.