

## LINKING FOREIGN WITH MEXICAN TRADEMARKS: BOON OR BANE?

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At the close of 1975, the Mexican Legislature enacted a new Law of Inventions and Trademarks which superceded the 1942 Law of Industrial Property.<sup>1</sup> The new law became effective on February 11, 1976, and, in effect, reenacted the majority of the substantive and procedural provisions and requirements of the 1942 law. Nevertheless, the 1976 law contained a few surprises.

The most significant, far-reaching and controversial of the innovative provisions created by the 1976 Law was the requirement to link trademarks owned by foreigners, or "of foreign origin",<sup>2</sup> with trademarks originally registered in Mexico. This paper is an attempt to offer some guidance to the trademark practitioner by criticizing the pertinent language of the law, followed by a discussion of some policies underlying the obligation, and concluding with some official clarification of this unique requirement.

The relevant provisions of the new law are:

*Article 127.* All marks of foreign origin or which may correspond to a foreign physical or juridical person, which are intended to protect articles manufactured or produced in national territory must be used in conjunction with a mark originally registered in Mexico.

Both marks must be used in the same noticeable manner.

The provisions of article 91, section XIII, of this law will be applicable to the mark originally registered or to be registered in Mexico.

*Article 91.* The following cannot be registered as a mark:

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\* Member, Uthhoff Gómez, Vega and Uthhoff, International Patents and Trademarks, México D.F.; J.D., University of Chicago, 1965.

1. Law of Inventions and Trademarks (*Ley de Invenciones y Marcas*) in Official Daily of Mexico (*Diario Oficial*), Feb. 10, 1976 [hereinafter cited as 1976 Law]. The 1976 law entered into force on February 11, 1976. By transitory article 2 of the 1976 law, the Law of Industrial Property of December 31, 1942, was abrogated. *Id.* trans. art. 2.

2. A "foreign origin" trademark is a trademark first used or registered in a country other than Mexico, whether by a Mexican or by a foreign physical or juridical person.

XIII. Simple or compounded words in living foreign languages and those compounded with artifice so that by their manner of writing or of pronunciation they will seem to be foreign terms, when the mark applied for is to be used for articles or services which the applicant produces or performs exclusively in [Mexico] or in any other Spanish-speaking country:

*Article 128.* The acts, agreements or contracts which are made or entered into with regard to the concession of the onerous or gratuitous use of a mark registered originally abroad, or which is the property of a foreign physical or juridical person, must specify the obligation that such mark will be used in conjunction with a mark originally registered in Mexico and which is the property of the licensee.

When this obligation is not complied with, the Bureau of the National Register of Transference of Technology will refuse the registration of the act, agreement or contract.

The obligation of linked marks established in the preceding paragraph must be complied with within a period of one year dating 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.

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

For justifiable reasons the Ministry of Industry and Commerce may extend for one year as a maximum the period established in the third paragraph.<sup>3</sup>

*Article 131.* For purposes of articles 127 and 128, the character of Mexican or foreigner will be determined in accordance with the provisions of the Law to Promote Mexican Investment and to Regulate Foreign Investment.<sup>4</sup>

#### TRANSITORY ARTICLE TWELVE

Parties to the acts, agreements or contracts already registered in the National Register of Transfer of Technology, in

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3. 1976 Law, *supra* note 1, art. 127; 91, section XIII; 128. Article 129 of the 1976 law provides for the application of sanctions established under articles 225-30. These sanctions apply whenever there is a failure to adhere to the obligations prescribed in articles 127 and 128.

4. *Id.* art. 131. This law entered into force on May 8, 1973. Law to Promote Mexican Investment and to Regulate Foreign Investments (*Ley Para Promover La Inversión Mexicana y Regular la Inversión Extranjera*) in Official Daily of Mexico (*Diario Oficial*), Mar. 9, 1973 [hereinafter cited as 1973 Investment Law].

which use has been authorized of the marks to which article 127 of the present Law refers, must comply with the provisions of that article and of article 128 within the term of two years, counting from the date when the present Law goes into force. Failure to comply with these precepts will cause the act, agreement or contract to cease to produce effects, without prejudice to the application of the appropriate administrative sanction. The Ministry of Industry and Commerce may extend for one additional year the period of two years to which this article refers when justifiable reasons exist.<sup>5</sup>

The Mexican legal requirement for linking trademarks was derived from a similar provision in Argentina's Patent and Trademark Law.<sup>6</sup> Aside from that source, there are no precedents or administrative interpretations to which the practitioner initially could turn for guidance.<sup>7</sup>

#### I. TECHNICAL CRITICISMS OF THE LINKING OBLIGATION

Soon after promulgation of the 1976 law, practitioners and clients not only in Mexico, but also in foreign countries began to question the meaning and the intended scope of most of the new law's key terms. Viewed simply from the standpoint of legislative craftsmanship, the legislation draws no plaudits. Articles 127, 128, 131, and transitory article 12 are replete with undefined terms, vagueness, and ambiguity. The observations that follow illustrate the confusion.

##### A. *Foreign Origin Trademark*

Initially, one is confronted with the question of what was intended by the phrase "foreign origin trademark". This phrase could be construed to mean a trademark conceived by a foreigner or one conceived originally in a foreign country. Other constructions could denote a trademark *used* first by a foreigner, *used* first in a foreign country, *registered* first by a foreigner, or *registered* first in a foreign country. Perhaps the phrase has still other meanings not denoted by its language. Furthermore, article 127 employs the phrase "marks of foreign origin", whereas article 128 makes use of the phrase "mark registered originally abroad". The question is whether these phrases are equivalent or whether they have distinct meanings.

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5. 1976 Law, *supra* note 1, trans. art. 12.

6. It is interesting that on August 15, 1977, the Argentine government repealed its Patent and Trademark Law because of its restrictive terms, which were causing a severe economic impact upon foreign investments in Argentina.

7. *But see* section III *infra*.

### B. *Foreign Physical or Juridical Person*

The legislative meaning of "foreign physical or juridical person" is not clear. A foreign physical person would appear to be a fairly definable status, although one can only surmise why the 1976 law made no cross-reference to the Mexican Constitution<sup>8</sup> or to the Law of Nationality and Naturalization.<sup>9</sup> Yet, the question remains as to what constitutes a "foreign juridical person". The obtuse reference to the 1973 Investment Law does not define either foreigners or Mexicans. The closest one can come to finding a relevant definition of a foreign juridical person, is in article 2, which states that a "foreign investment" is one performed by "foreign juridical persons; . . . foreign physical persons . . . foreign economic units without juridical personality; and . . . Mexican enterprises in which foreign capital has a major participation or those in which foreigners have, through any title whatsoever, the power to determine the management of the enterprise." Even the last-mentioned provision raises difficulties. One may question whether Mexican subsidiaries that are duly formed and chartered under Mexican law,<sup>10</sup> and which are, nonetheless, wholly or substantially owned by foreign parent companies, must link trademarks owned by the foreign parent companies with a Mexican trademark. For example, if a Mexican subsidiary firm owned the trademark, the firm would not know whether such a circumstance would cause the mark to be a "foreign-origin" mark or if the subsidiary would be disqualified from owning a Mexican trademark.

### C. *Mark Originally Registered in Mexico*

The reference to a "mark originally registered in Mexico" poses the problem of whether the mark must inevitably be one owned by a Mexican registrant, or whether it might be permissible for the mark to be owned by a foreigner. It is possible that a Mexican origin mark may be required to be *registered* first in Mexico prior to being registered elsewhere, or the 1976 law may require that the mark first be *used* in Mexico. Then again, it may be that both conditions are required. Were

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8. Constitution of Mexico (*Constitución Política de Los Estados Unidos Mexicanos*) art. 30 (1917 as amended) (O.A.S. transl. 1972) [hereinafter cited as MEX. CONST.]. Article 30 defines which citizens are to be considered Mexicans by birth and by naturalization.

9. Law of Nationality and Naturalization (*Ley de Nacionalidad y Naturalización*) in Official Daily of Mexico (*Diario Oficial*), Jan. 20, 1934. See *id.* ch. 1, art. 1-6.

10. General Law of Mercantile Associations (*Ley General de Sociedades Mercantiles*) in Official Daily of Mexico (*Diario Oficial*), Aug. 4, 1934. See *id.* art. 1-24.

a foreign firm to assign title to a trademark to a Mexican individual or company, the mark thereafter could be considered a Mexican mark. Conversely, if a Mexican assigned title to a mark to a foreigner, it could be that the mark would become a foreign-origin mark.

#### D. *Articles Produced In National Territory*

It is not clear whether trademarks alone are subject to compulsory linking, or whether service marks are included as well.<sup>11</sup> Suppose that goods, articles or products are manufactured abroad, protected by a foreign owned trademark and are “of foreign origin”. If these goods are then imported for sale in Mexico, it is unclear whether this mark requires linking. Suppose such goods are manufactured in Mexico but destined for exportation and sale abroad. The question is whether these foreign owned or foreign origin marks must be linked.

#### E. *In The Same Noticeable Manner*

What does “in the same noticeable manner” require? The concept could be simply visual, in that the foreign and Mexican marks be of equivalent size and prominence. Apparently, the legislators had a rather simplistic understanding of the use of trademarks on products or articles and envisioned the use of merely a single mark. In many cases, however, a firm uses its “house mark”, such as “Ford” or “General Electric”, on all its products. In addition to the “house mark”, one or more “product specialty” trademarks, such as “Mustang” or “Model 360”, usually appear to designate a line of products. Furthermore, trademarks are devised in a variety of forms including names, denominations, designs, and logotypes. It is difficult for one to assure equivalent prominence between a word and a design, or between a design and a logotype. It appears impossible for one to link a *single* Mexican trademark with all the various denominations, designs, and logotypes of foreign origin or foreign ownership appearing on a single product. On the other hand, the 1976 law may require that *one* Mexican mark be linked with *each* foreign mark. Moreover, one could argue that it is possible to comply with the requirements by linking a single Mexican mark with the “house mark” or principal trademark of foreign origin. While all of these variations are possible, it is unclear as to whether they are permissible.

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11. The 1976 law continues to permit the use and registration of *service* marks as well as *trademarks* under articles 87 and 89. Article 127 refers only to “marks” used to protect “articles”, but other articles, such as 91, section XIII, refers specifically to services as well as products. Still others, such as 128, 131, and transitory article 12 are silent and, hence, ambiguous on this point.

### F. Registered

The law speaks of a “mark originally *registered* in Mexico”, Suppose an applicant applies in good faith to register a new trademark in Mexico in the name of a Mexican owner on January 1, 1977. Thereafter, the applicant applies to register the same mark in the United States on February 1, 1977. If the United States grants the registration of this mark on June 30, 1977, while Mexico grants its registration on July 1, 1977, the question arises as to whether this mark was originally registered in Mexico.

### G. Time Periods for Compliance

The time periods established for compliance with the linking obligation are not only unclear but also defectively stated. The third paragraph of article 128 refers to an *obligation* established in the preceding paragraph; yet, the preceding paragraph establishes no such obligation. Rather than impose an obligation, it prescribes the penalty for failure to comply with the obligation established in the *first* paragraph of article 128. Hence, one cannot identify which antecedent obligation is intended. It could refer to the obligation to conform trademark licenses with the new requirement to embody a linking clause, or it could refer to the fundamental linking obligation itself. This obligation is *not* established by article 128, but rather by article 127, which sets forth no accompanying time period for compliance. If the above interpretation is correct, then article 127 makes more sense, but still leaves the license obligation in article 128 open ended. In this respect, transitory article 12 is somewhat clearer in prescribing the two year term for compliance with both articles 127 and 128 in cases of trademark licenses already registered with Mexico’s National Registry of Transfer of Technology prior to February 11, 1976. Yet, the meaning of “registered” in the context of transitory article 12 still is unclear. It could refer to the time of applying for registration, the time of paying the official fees for inscribing the approved registration, the time of issuance of the official record of registration, or the time of receipt of the official record.

The foregoing issues are fairly illustrative of the interpretational problems that are raised by the inartful language employed in the 1976 law.<sup>12</sup> These enumerations by no means exhaust the list of problems, inconsistencies, and areas of vagueness.

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12. Unfortunately, the language is no more precise in its original Spanish form.

## II. POLICY ISSUES UNDERLYING THE LINKING OBLIGATION

In addition to the foregoing technical criticisms of the language of the law, both practitioners and their clients have questioned and challenged the underlying policy rationale propounded for enacting the trademark linking obligation. Such a course of action was necessitated by considerable economic ramifications. Although the rationale is unavailable in official publications, conversations with senior officials in Mexico's Ministry of Industry and Commerce who are proponents of the law have disclosed three principal policy objectives for linking trademarks.

The first is that linking will facilitate the penetration of Mexican products into the Mexican market by virtue of the "coat-tail" effect of associating Mexican trademarks with the more widely known foreign trademarks. It is thought this circumstance will assure the survival of the Mexican trademark in the event that a foreign licensor might terminate the Mexican licensee's right to use the foreign mark. Secondly, it is thought that the "coat-tail" effect of linking trademarks will facilitate the penetration of Mexican goods into foreign markets. Finally, generally speaking, linking will have the effect of defending the Spanish language and the Hispano-American culture.

With as impartial an evaluation as possible, the objectives underlying the foregoing policies are probably no more nationalistic and chauvinistic than the protectionist economic practices of most nations. Promoting the development of national industry and encouraging the acquisition of foreign technology are on a par with the establishment of tariff barriers and the exclusion of designated foreign goods.

Yet, policy questions and problems remain. It is questionable whether the requirements and procedures prescribed by articles 127, 128, and 131 of the 1976 law are consistent with and calculated to achieve the three foregoing national objectives. One wonders if the proponents of the law fully considered the consequences of the substantial economic costs of complying with the linking requirements. Such costs are seen in the need to scrap old inventories of non-complying goods, to redesign the linked trademarks and their labels, packages, and containers, and to create and apply for the registration of new linking Mexican marks. Additionally, there exists the need to modify or draft anew the various trademark license agreements in order to embody the linking obligation. For example, the projected costs of compliance by the pharmaceutical industry alone was es-

timated to be \$400,000,000.00 in Mexican currency, which is equivalent to \$33,333,333.33 in United States currency before devaluation. The economic realities involved generate genuine concerns as to whether some foreign companies simply will opt to terminate sales in Mexico and look instead to domestic or other foreign markets for their products. There is always the possibility that they will at least curtail business expansion in Mexico. Regarding the three Mexican policy objectives mentioned earlier, critics were quick to point out certain legal and practical fallacies inherent in the linking requirements.

#### A. *Penetrating the Mexican Market*

The majority of Mexican firms using foreign owned or foreign origin trademarks on Mexican made products are subsidiaries of *foreign parent companies*, and thus, a unity exists in their control and management. Therefore, the termination of trademark licenses between parent and subsidiary is not realistic, because such cancellation normally is not in the economic interests of either parent or subsidiary. In any event, continued Mexican market penetration is a decision that is reached invariably through deliberation and common agreement between the parent and the subsidiary. The decision, incidentally, is one which the subsidiary is seldom in a position to disobey. Pragmatically speaking, the advancement or retrenchment of product marketing by Mexican subsidiaries will not be influenced significantly by linking trademarks, but rather, will be determined by the economic benefits perceived by the parent-subsidiary companies. Furthermore, the instances of trademark cancellations *not* involving parent and subsidiary are believed to be fewer than ten in recent decades. The majority of these instances were unjustifiable cancellations in which the Mexican licensees were able to obtain indemnification through lawsuits. Thus, the sizeable economic cost of linking appears to be grossly disproportionate to the negligible harm anticipated in those rare cases of trademark license cancellations.

#### B. *Penetrating Foreign Markets*

Although the concept may be attractive, the attainment of foreign market penetration by virtue of trademark linking appears highly questionable in view of prevalent legal norms. There appear to be two impediments hindering foreign nation acceptance of the Mexican linking obligation. First, it is highly doubtful whether Mexican law can



have extraterritorial effect unless, of course, international treaties or compacts provide for such effect. No such treaties or compacts are known to exist. Thus, no legal sanction exists to stimulate producers to display linked Mexican and foreign trademarks on products sold in foreign countries. The sole stimulus would be economic self-interest. Secondly, the principal international treaty that governs industrial property rights and duties<sup>13</sup> specifically prescribes:

Nationals of each of the countries of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specifically provided by the present Convention. . . .<sup>14</sup>

The provision from the Paris Convention can be regarded as an "equal protection" type of clause. Because the Mexican linking obligation applies only in cases of foreign origin or foreign owned trademarks, its *extraterritorial* validity and enforceability appear to be null. One may additionally question the Mexican enforceability of the linking provision because domestic laws in conflict with international treaties are deemed to be ineffectual.<sup>15</sup>

### III. CLARIFICATION OF THE LINKING OBLIGATION

Between February and October of 1976, trademark users and their attorneys diligently sought official clarification or interpretation of the linking obligation. Gradually, some officials voiced tentative, but non-official interpretations. By the end of May 1976, officials stated that trademarks should be linked, name with name mark, logo with logo mark, and design with design mark. By June, however, that interpretation gave way to the view that only *words* or *denominations* were

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13. Paris Convention, March 30, 1883, 25 Stat. 1372, T.S. No. 379. The Paris Convention was last revised at the Stockholm Conference. Paris Convention *as revised* July 14, 1967, 21 U.S.T. 1629, T.I.A.S. No. 6923. The revised Paris Convention was ratified by Mexico on September 11, 1975, (Congress) and on March 5, 1976, (Federal Executive), and was published in the Official Daily of Mexico (*Diario Oficial*) on July 27, 1976.

14. Paris Convention, *as revised* July 14, 1967, art. II, para. 1, 21 U.S.T. 1629, T.I.A.S. No. 6923.

15. Critics argue that in order obtain public acceptance of goods protected by Mexican trademarks, whether in domestic or foreign markets, public confidence must evolve from the inherent quality of Mexican goods, rather than from governmental fiat. Indeed, some officials within Mexico's Luis Echeverria's administration observed that what Mexico needs to promote the penetration of its goods into domestic and international markets is enforced quality control rather than linked trademarks.

inherently "ostensible" or "prominent" and therefore only denominations would be accepted as linking Mexican marks.

Finally in September of 1976, the Ministry of Industry and Commerce appointed a committee for the purpose of drafting a regulation to interpret the linking obligation. During the months of September and October a series of draft regulations were generated and unofficially circulated to some business associations and the "trademark bar" for critical comments. On October 14, 1976, after the exchange of four regulation drafts, the Ministry of Industry and Commerce<sup>16</sup> published the Regulations of the Law of Inventions and Trademarks on the Matter of Transference of Technology and Linking of Trademarks.<sup>17</sup>

#### A. Clarifications Accomplished by the October 14th Regulations

The regulations of October 14, clarified to some extent *who* must link trademarks and *how* that linking can be accomplished.

1. *Who Must Link.* Articles 127 and 128 of the 1976 law respectively were intended to apply to situations where a trademark is used *directly* by its owner and *indirectly* by a third party or licensee. In the first category, when a trademark is registered originally in Mexico, applied to distinguish articles made in Mexico, and used *directly* by the mark's owner, regardless of his nationality, linking is not required.<sup>18</sup> However, if a trademark is of "foreign origin" and is used to distinguish Mexican goods, then it must be used linked, irrespective of the owner's nationality.<sup>19</sup> In the second category, where a trademark is used *indirectly* by a licensee, and such trademark is either of foreign origin, or registered originally in Mexico and owned either by a foreigner or by a foreign owned or foreign controlled Mexican company,

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16. Due to a governmental reorganization, the Ministry of Industry and Commerce no longer exists. The Patent-Trademark Bureau has been transferred to the Ministry of Patrimony and Industrial Development (*Secretaría de Patrimonio y Fomento Industrial*).

17. Transitory article 1 of the Regulations provides that they are to enter into force three working days after their official publication. This results in an effective date for the Regulations of October 19, 1976. See appendix A *supra*.

18. Regulations on the Law of Inventions and Trademarks, art. 1, para. 1, (*Reglamento de la Ley de Invenciones y Marcas*) in Official Daily of Mexico (*Diario Oficial*), Oct. 14, 1976. For text see appendix A *supra*.

19. *Id.* art. 1, para. 2. Article 1, in effect, interprets the phrase in article 127 of the law that "[a]ll marks of foreign origin or which may correspond to a foreign physical or juridical person . . ." as requiring that "Mexican origin" trademarks owned by foreigners require no linking, but "foreign origin" trademarks owned either by Mexicans or by foreigners *do* require linking. Whether an administrative regulation can interpret a law so as to nullify a passage in that law, remains an unanswered legal question. See text accompanying notes 27 to 29 *infra*.

then such mark must be used linked to a Mexican origin trademark in the name of the licensee.<sup>20</sup>

2. *How to Link.* Linking Mexican trademarks must be “nominatives”. This means they cannot be designs or logotypes alone without denomination, or words in living foreign languages. Moreover, they must not have the appearance or sound of words in living foreign languages.<sup>21</sup> Linking marks, however, need not be in the Spanish language. For example, denominations such as “WXYZ” are acceptable if otherwise novel. Conversely, trademarks “without denomination”, service marks, commercial advertisements, and other specified circumstances of trademark use need not be linked.<sup>22</sup> Most importantly, a single linking Mexican mark can be used with one or all of the foreign owned or foreign origin trademarks requiring linking and displayed on a *single product or article*.<sup>23</sup> A single Mexican mark may also be used with all trademarks requiring linking *owned by a single owner* and displayed on as many products as the owner markets.<sup>24</sup> This is acceptable as long as the linking Mexican mark is at least as prominent as the most prominent of those marks requiring linking.<sup>25</sup> Furthermore, the linked marks must appear on the goods, products, or articles themselves, as well as on their labels, containers, coverings, and all publicity media.<sup>26</sup>

The Regulations both clarified and confused the matter of time periods in which one must comply with the linking obligation. Transitory article 2 provides:

The obligation of linking trademarks to which the second paragraph of article 1 of these regulations refers, which treats of trademarks already registered upon the entry into force of the Law of Inventions and Trademarks *and which their owners are using directly*, must comply within a term of one year counting from the date on which these regulations come into force. For justifiable causes the Ministry of Industry and Commerce can extend the indicated term by one year. Regarding trademarks already registered *which have been used by authorized users*, the term shall be that which

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20. *Id.* art. 2.

21. *Id.* art. 3.

22. *Id.* art. 4, para. 1.

23. *Id.* art. 5.

24. *Id.* art. 8, para. 1.

25. *Id.* art. 6.

26. *Id.*

the TWELFTH Transitory Article of the Law of Inventions and Trademarks establishes.<sup>27</sup>

The first paragraph in transitory article 2, actually affects a very small number of trademark users. Those users affected are basically Mexican branches or agencies of foreign companies which are not incorporated as distinct Mexican companies. For such users, the Regulations appear to extend the one year period originally established in article 128, paragraph 3, of the 1976 law from February 11, 1977, to October 19, 1977. Likewise, by reference to the two-year period ending on February 10, 1978, provided in transitory article 12 of the 1976 law; the second paragraph of transitory article 2 seems to extend article 128's one year period. According to Mexican legal theory, a regulation can implement or interpret a law, but cannot contradict or go beyond the law's terms. How transitory article 2 of the October 14th Regulations can extend the time periods established by the 1976 law remains unexplained.<sup>28</sup>

The following tables depict *when* a trademark owner must link, and the time limits within which one must comply with the law.

#### THE FUNDAMENTAL DUTY TO LINK

	<i>Foreign Origin Trademarks</i>	<i>Mexican Origin Trademarks</i>
Used <i>Directly</i> By Their Owner	YES	NO
Used <i>Indirectly</i> By a Licensee	YES	YES*

\* This duty arises only in cases of trademarks originally registered in Mexico whose *owner* is a foreigner, or a foreign owned or foreign controlled Mexican company.

27. *Id.* trans. art. 2. In the October 14, 1976, *Diario Oficial* publication of the Regulations, the last two lines of transitory article 2 were incorrect. They were corrected by a subsequent *Diario Oficial* publication, on October 18, 1976. The corrected form is the one quoted above in the text. (emphasis added)

28. The foregoing one year time periods prescribed by paragraph 3 of article 128 of the 1976 law would seem to have been extended by transitory article 2 of the October 14, 1976, Regulations as follows: 1) in case of *direct* use by an owner, to October 19, 1977, and 2) in case of *indirect* use by a licensee, to February 10, 1978. See the critique of this apparent anomaly by referring to text accompanying notes 27 to 29.

TIME PERIOD IN WHICH TO COMPLY WITH  
THE LINKING DUTY

	I. <i>When no License Exists, but trademark registered before Feb. 11, 1976.</i>	II. <i>When a Trademark License Does Exist</i> A. License is <i>unregistered.</i>	B. License registered <i>before</i> Feb. 11, 1976.	C. License registered <i>after</i> Feb. 10, 1976.
Used <i>Directly</i> By Owner	One year from beginning use; art. 128, para. 3 [see note 24].	One year after license regist., art. 128, para. 3.	Feb. 10, 1978 transitory art. 12.	One year after license regist., art. 128, para. 3.
Used <i>Indirectly</i> By a Licensee	One year from beginning use; art. 128, para. 3 [see note 24].	One year after license regist. art. 128, para. 3.	Feb. 10, 1978 transitory art. 12.	One year after license regist., art. 128, para. 3.

### *B. Residual Clarifications*

Notwithstanding the publication of the October Regulations, many aspects of the 1976 law remained unclear and undefined. Two major ambiguities were the key terms "foreign origin trademarks" and "trademarks originally registered in Mexico".

Through a series of unofficial discussions and seminars with top-ranking officials in Mexico's Ministry of Industry and Commerce, trademark practitioners managed to extract many residual clarifications. A "foreign origin" trademark is a mark *first registered or used in a foreign country*, whether by a Mexican or by a foreign physical or juridical person. Further, a foreign *word* trademark, or a word that looks or sounds foreign, cannot constitute a linking Mexican mark. A "foreign juridical person" is a foreign company or a Mexican company whose major capital is owned and controlled or could be controlled by foreigners. A "trademark originally registered in Mexico" means a trademark that is registered first in Mexico prior to being registered in any other country. Although these definitions stress the country of first registry, if a person in good faith first applies to register a trademark in Mexico, but another country grants the registry first, such mark can still be considered a "trademark originally registered in Mexico".

#### IV. CONCLUSION

It is apparent that the linking provisions in the original February 11, 1976, legislation were drafted with an absolute lack of juridical technique. The text was replete with errors and ambiguities, while key terms went undefined. Partial clarification was achieved by the October 14th Regulations, although these clearly are not a model of outstanding draftsmanship. They raise troublesome questions about the validity of regulations which purport to extend the obligations established by the basic legislation. Additional interpretations have come through verbal discussions with the law's proponents, and it is certain that more clarifications will occur in the future. The fundamental intent of the law is now fairly apparent, but many subordinate details and unusual fact situations remain which will continue to challenge the professional expertise of the trademark bar.

Regarding policy issues, the underlying policy objectives of this law have been vigorously challenged by private industry spokesmen. Some have suggested that the linking obligation be repealed, while others have suggested that the duty be modified so as to simplify compliance and eliminate conflict with international treaty rights. In any case, there is considerable doubt about the efficacy of the linking obligation in promoting marketing of Mexican goods and the development of its industry.

Mexican practitioners have not observed a notable change in the volume of trademark applications in 1976.<sup>29</sup> In view of the need to devise new Mexican linking marks, one might have predicted an upsurge in 1976 applications, but such an upsurge has not occurred. The cause behind these statistics is not certain. It is possible that Mexico's 1976 peso devaluation may have discouraged trademark applications. Perhaps industrial property owners were waiting for clarifications of their obligations before proceeding to attempt compliance. It could also be that trademark owners were waiting to see what the trademark policies of President José López Portillo's administration would be.

Clearly, it is too early to predict whether the linking obligation will promote or impede the use of trademarks in Mexico. Additionally, it is premature to determine whether the 1976 law will foster or

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29. 9,428 trademark applications were filed in the period between January 1, 1975, and November 15, 1975, 9,466 applications were filed in Mexico in 1976, which is a difference of only 38 applications.

smother Mexico's continued industrial progress and the further penetration of Mexican goods and products into domestic and international markets. One thing is certain; both the third world as well as the industrialized nations will be watching Mexico's industrial property activities with keen interest over the next few years.

## APPENDIX A

REGULATIONS OF THE LAW OF INVENTIONS AND TRADEMARKS  
ON THE MATTER OF TRANSFERENCE OF TECHNOLOGY  
AND LINKING OF TRADEMARKS.

LUIS ECHEVERRIA ALVAREZ, Constitutional President of the United Mexican States, in the exercise of the authority conferred on me by Section I, Article 89, of the Constitution and in accordance with Articles 46, 79, 85, 127, 128, 129, 130, 131, 141, 146 and others relative to the Law of Inventions and Trademarks, and

## CONSIDERING

FIRST.—That it is convenient to make more precise the forms in which one must comply with Article 127 of the Law of Inventions and Trademarks, in accordance with which trademarks of foreign origin or which are owned by a foreign physical or juridical person, which are intended to protect articles fabricated or produced in the national territory, must be used linked to trademarks originally registered in Mexico, given that the importance of such precept requires its regulation.

SECOND.—That it is also convenient to determine the applicable law for the registration in the National Register of Transference of Technology of the acts, agreements and contracts which are executed for the purpose of the assignment or transfer of patents, certificates of invention or trademarks and licenses for use of industrial designs and models, given that the Law of Inventions and Trademarks requires the registration in said Register of such acts.

That mindful of the reasons and bases indicated, I have considered it convenient to issue the following

REGULATIONS ON THE LAW OF INVENTIONS AND TRADEMARKS  
ON THE MATTER OF TRANSFERENCE OF TECHNOLOGY  
AND LINKING OF TRADEMARKS.

ARTICLE 1.—Trademarks originally registered in Mexico which are intended to protect articles manufactured or produced in the national territory, whatever may be the nationality of their owner, can be used without necessity of linking when they are used directly by himself [the owner].

All trademarks of foreign origin which are intended to protect the articles to which the preceding paragraph refers, whatever may be the nationality of their owner, must be linked to a trademark originally registered in Mexico.

ARTICLE 2.—When the onerous or gratuitous use [by a licensee] of a trademark of foreign origin or a trademark originally registered in Mexico is authorized, whether its owner be a foreign physical or juridical person or a Mexican company in which foreign capital has a major participation or in which foreigners have the ability to determine the management of the company, it shall be used linked to a trademark originally registered in Mexico whose owner is the licensee.

ARTICLE 3.—Trademarks originally registered in Mexico which are used to comply with the provision in the second paragraph of Article 1 and Article 2 of these rules must be nominatives. In no instance shall they be constituted by simple or compound words of living foreign languages or composed artificially so that they appear foreign by their graphics or spelling.

ARTICLE 4.—Service marks, commercial advertisements and commercial names when they are not used as a trademark, are not subject to the linking obligation anticipated in Articles 127 and 128 of the Law of Inventions and Trademarks.

Assembly in-bond plants constituted to perform operations by sanction of the Rules of the Third Paragraph of Article 321 of the Customs Code and those which operate in a similar way in free zones, are excepted from the linking obligation respecting trademarks which they apply to articles manufactured, produced or assembled for companies domiciled outside the national territory and intended for exportation.

The Ministry of Industry and Commerce can also except from the linking obligation instances of companies which perform operations comparable to those cited in the preceding paragraph when in its judgment the circumstances warrant it.

Trademarks without denomination can be used without the necessity of linking.

ARTICLE 5.—When various trademarks subject to linking are used on the same article, this linking obligation, in relation to all such trademarks, is considered satisfied if is aggregated a single trademark originally registered in Mexico. The latter trademark



must be used in a form at least as prominent as the most ostensible of the trademarks subject to linking.

ARTICLE 6.—A linked trademark must be used in a manner equally noticeable as the trademark subject to linking on articles, containers, coverings, labels and all publicity media.

ARTICLE 7.—Trademarks which have been declared associated in conformity with the Provision in Article 96 of the Law of Inventions and Trademarks cannot be used to comply with the linking obligation.

ARTICLE 8.—The owner of various trademarks which identify different articles fabricated or produced in the national territory can comply with the obligation to which Articles 127 and 128 of the Law of Inventions and Trademarks refer by linking them to a single trademark originally registered in Mexico.

The authorized user shall have the same right that this Article confers upon the owner of the mark.

ARTICLE 9.—When, pursuant to Article 116 of the Law of Inventions and Trademarks, it is established that the articles manufactured or produced by the same owner are to be protected by a single trademark, the linked trademark shall also be a single trademark.

ARTICLE 10.—In those cases to which Article 130 of the Law of Inventions and Trademarks refers it is sufficient that one of the persons or companies that uses the trademark of foreign origin be the owner of the same linked trademark.

ARTICLE 11.—Those trademarks can be used as linked trademarks whose registration has not yet been granted, always provided that this [registration] will have been solicited two months before the date in which the said trademark has begun to be used and its authorization has not been denied.

ARTICLE 12.—In all those cases in which the Law of Inventions and Trademarks requires the registration in the National Register of Transfer of Technology of the acts, agreements and contracts that are executed for the purpose of the transfer or assignment of patents, certificates of invention or trademarks, their prior approval shall be as prescribed by the Law on the Registration of the Transfer of Technology and the Use and Exploitation of Patents and Trademarks.

For the effects of said Law that which affects the public interest to which Article 146 of the Law of Inventions and Trademarks refers shall be comprehended in the cases provided in Article 7 of the Law on the Registration of the Transfer of Technology and the Use and Exploitation of Patents and Trademarks.

ARTICLE 13.—For the effects of Article 85 of the Law of Inventions and Trademarks, the acts, agreements and contracts which are executed for the purpose of licensing the use of industrial designs or models must be approved and registered in the National Register of Transference of Technology to have juridical effect.

For such object the provisions of the Law on the Registration of the Transference of Technology and the Use of Exploitation of Patents and Trademarks will be applicable where pertinent.

#### TRANSITORY ARTICLES

FIRST.—These rules shall enter into force three days after their publication in the "Official Daily" of the Federation.

SECOND.—The obligation of linking trademarks to which the second paragraph of Article 1 of these rules refers, which treats of trademarks already registered upon the entry into force of the Law of Inventions and Trademarks and which their owners are using directly, must comply within a term of one year, counting from the date on which these rules come into force. For justifiable causes the Ministry of Industry and Commerce can extend the indicated term by one year.

Regarding trademarks already registered which have been used by authorized users, the term shall be that which the TWELFTH Transitory Article of the Law of Inventions and Trademarks establishes.

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