

SIGNIFICANT INNOVATIONS OF THE NEW MEXICAN LAW ON INVENTIONS AND TRADEMARKS

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I. INTRODUCTION

In spite of the name which it has been given, the new Law on Inventions and Trademarks¹ which went into effect in Mexico on February 11th, 1976, has retained generally the same structure as its forerunner, the Industrial Property Law,² inasmuch as it continues to have as its object the regulation of invention patents, industrial models and designs, trademarks, names of origin, commercial advertisements and names, and the repression of unfair competition. However, these traditional institutions, which represent a worthy economic element of industrial or mercantile enterprise, have been the subject of almost entirely different treatment by the new law. The terms of exclusive rights in industrial property have been shortened. The law regulates licenses for the exploitation of patents and for the use of trademarks and requires a certificate from the inventor before the license is granted. It expressly protects service trademarks and introduces the obligatory license for the use of trademarks. Eliminating the special renewal of unused trademarks, the law extends the field of inventions which are not patentable and of trademarks which are not registrable. It creates new reasons for the loss of patents and trademarks and establishes the entailment of trademarks of foreign origin with those of Mexican origin. Registration takes the place of patents on industrial models and designs. The law sets forth new periods during which the exploitation of inventions and trademarks is to begin and severely penalizes their infringement.

As it concerns the transfer of technology, the Law on Inventions and Trademarks entwines its provisions with those of the Law on the Transfer of Technology,³ not only in regard to substantive order

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¹ Law on Inventions and Trademarks, *Diario Oficial*, Feb. 10, 1976 [hereinafter cited as Law on Inventions and Trademarks].

² Law on Industrial Property, Dec. 31, 1942 [hereinafter cited as Industrial Property Law].

³ Law for the Registration of the Transfer of Technology and the Use and Exploitation of Patents and Trademarks, *Diario Oficial*, Dec. 30, 1972 [hereinafter cited as Law on the Transfer of Technology].

but also as to the method of processing the registrations established in both laws. The modifications to the legislation which has been in force in Mexico for more than three decades cover both unimportant modifications as to style and the introduction of radically new provisions which revolutionize the regime for the protection of industrial property. The complexity of the subject matter and the confines of time will permit a discussion of only some of the more transcendental and important changes introduced by the new regime for Mexican industrial property.

II. CERTIFICATES OF INVENTIONS AND PATENTS

A. *Nonpatentable Inventions*

Nonpatentability has been amplified to cover inventions which are connected with the health of the population, nutrition, agricultural protection, defense of the atmosphere, or nuclear energy and security.⁴ Notwithstanding the foregoing, nonpatentable inventions may be protected through registration at the Patent Office by means of a Certificate of Invention. The requisites which must be fulfilled by these inventions in order to be registered are the same as those established by the law to make an invention patentable: namely, that the invention must be new; that it must be the result of an inventive activity; and that it must be susceptible of being applied industrially.⁵ The term of the registration shall be 10 years, counted from the date when granted.⁶

The registration of the invention by its owner is the source of obtaining rights and acquiring obligations. Four basic rights are acquired upon registration. First, the invention may be exploited by the owner himself. Second, the owner may receive a royalty for the exploitation of the invention by a third party during the life of the registration.⁷ Third, the owner may sue for redress and for payment

⁴ The following are not patentable: (1) vegetable varieties and animal breeds, and the biological processes to obtain the same; (2) alloys; (3) chemical products, excluding new industrial processes to obtain the same, and their new uses of an industrial nature; (4) pharmaceutical-chemical products and their mixtures, medicines, beverages and foods for human or animal use, fertilizers, pesticides, herbicides, fungicides; (5) processes for obtaining mixtures of chemical products, industrial processes for obtaining alloys and industrial processes for obtaining, modifying or applying such products and mixtures; (6) inventions relating to nuclear energy and security; and (7) anti-pollution apparatus and equipment. Law on Inventions and Trademarks, *supra* note 1, art. 10, secs. I-VII.

⁵ *Id.* art. 65; arts. 4-7.

⁶ *Id.* arts. 66, 67, 34.

⁷ *Id.* arts. 67, 71.

of damages in case of damages and prejudice which he may suffer as the result of infringements and transgressions arising from the manufacture of products covered by the Certificate of Invention⁸ or the use of methods or processes to which said Certificate refers, in the event that the manufacture or use is made without the consent of the owner of the Certificate, or without the corresponding license.⁹ Finally, the owner of the Certificate of Invention has the right to grant or refuse to grant his consent for the payment of royalties and retains approval rights as to the conditions of the exploitation license, which is granted to an interested party desirous of exploiting the invention registered.¹⁰

The obligations to be assumed by the owner of the Certificate of Invention are threefold. The owner must first record at the National Registry of the Transfer of Technology the agreement whereby he authorizes any interested party to exploit the invention which is the subject of the Certificate. Failure to meet this prerequisite causes the agreement to be a nullity.¹¹ Secondly, the owner must furnish in the agreement concerning the payment of royalties the information necessary to exploit the invention. If this obligation on the part of the owner of the Certificate of Invention is not fulfilled, the Certificate shall be cancelled along with the inscription made at the National Registry of Transfer of Technology.¹² Note that this is a cause for the cancellation of a registration of a technology agreement which is not set forth in the special law governing the transfer of technology.¹³ Pursuant to article 11 of that law, the Department of Industry and Commerce may cancel the inscription made at the Registry only when the contract is modified or altered in a manner contrary to the provisions established by that law. A third obligation requires the owner to pay the dues set forth in the respective tariff in regard to the acts relating to the registration of the invention.¹⁴ At present no tariff has been issued and, consequently, the amounts of the respective rates are not known.

The registration of the invention is forfeited due to *caducity*, *cancellation*, *nullity* or *expropriation*. The *caducity* results from the

⁸ *Id.* art. 214.

⁹ *Id.* arts. 211, secs. I-II, 77.

¹⁰ *Id.* art. 68.

¹¹ *Id.* art. 68, para. 2; Law on the Transfer of Technology, *supra* note 3, art. 6.

¹² Law on Inventions and Trademarks, *supra* note 1, art. 73.

¹³ Note 3 *supra*.

¹⁴ Law on Inventions and Trademarks, *supra* note 1, art. 78.

mere lapse of the 10 year period for which the Certificate of Invention is granted, inasmuch as the period is unextendible.¹⁵ Unlike patents, whose validity is subject to the payment of annuities, the Certificate of Invention does not require a similar payment in order to retain its effectiveness. The caducity of the Certificate occurs by operation of the law and does not require any express resolution on the part of the Department of Industry and Commerce.¹⁶ Once the Certificate expires, the invention to which it refers goes into the public domain.¹⁷

The *cancellation* of the Certificate of Invention is the result of the nonfulfillment of the obligation of its holder to furnish the necessary information so that interested third parties may exploit the invention.¹⁸ The law does not indicate who shall decide whether the information necessary to exploit the invention is appropriate or insufficient. As with caducity, upon the cancellation of the registration of the invention or of the Certificate of Invention, the subject matter of the Certificate becomes of public domain, and the invention may be exploited freely.¹⁹

Another method of terminating the rights granted by the Certificate of Invention is *the nullity of the registration*. Nullity occurs when the Certificate is issued to cover a nonregistrable invention, an intellectual creation which does not fulfill the requisites for registration (or patentability).²⁰ The nullity does not occur by operation of the law; rather it must be declared administratively by the Department of Industry and Commerce *ex officio*, either at the request of an interested party or of the District Attorney when the Federation has some interest.²¹ The effects of the registration of an invention shall cease, and the invention may be exploited freely if the resolution whereby the nullity was declared is affirmed.²² In addition, the nullified registration becomes completely ineffective²³ since the declaration of nullity applies retroactively to the date when the petition for the registration of the invention covered by the Certificate was filed.

¹⁵ *Id.* art. 67.

¹⁶ *Id.* art. 198.

¹⁷ *Id.* art. 75.

¹⁸ *Id.* art. 73.

¹⁹ *Id.* art. 75.

²⁰ *Id.* art. 76; arts. 4-7, 59.

²¹ *Id.* art. 61.

²² *Id.* art. 75.

²³ *Id.* art. 76.

Finally, the *expropriation* of the Certificate of Invention constitutes another means whereby the rights derived from the Certificate may be lost.²⁵

The contracts and authorizations for the exploitation of an invention may refer to the rights arising from a petition for a Certificate of Invention. Where the petition is rejected or abandoned, such contracts and authorizations shall be void and the payments made to the applicant for the exploitation of the invention must be refunded.²⁶

When an invention is patentable the inventor or his assignee may choose between applying for its protection under a patent or a Certificate of Invention or transforming his application into an application for a Certificate of Invention. This change may only be made while the application for a patent is still being processed.²⁷

B. *Exploitation of the Patent*

Pursuant to the new law, the granting of a patent implies the obligation to exploit it within the Republic of Mexico. The exploitation must be begun within a period of 3 years from the date of issuance of the patent.²⁸ The owner of the patent must prove that the exploitation has been initiated within the 2 months immediately following the date on which the exploitation began.²⁹ For the purposes of the law, exploitation is the permanent use of the process patented or the manufacture of the patented product by its owner or by a licensee "in volumes which correspond to an actual industrial exploitation and under adequate conditions in regard to quality and price."³⁰ The importation of patented products or of products manufactured in accordance with a patented process is not deemed to be exploitation.³¹

Contractual exploitation licenses, granted through agreement, must be approved by and registered with the Department of Industry and Commerce in accordance with the law governing the registration of the transfer of technology.³² The assignment of the rights

²⁵ *Id.* art. 60.

²⁶ *Id.* arts. 79, 63-64.

²⁷ *Id.* art. 74.

²⁸ *Id.* art. 80.

²⁹ *Id.* art. 41.

³⁰ *Id.* art. 42.

³¹ *Id.* art. 43.

³² *Id.*

³² Note 3 *supra*; Law on Inventions and Trademarks, *supra* note 1, arts. 44-45.

granted by a patent shall only be effective against third parties when the transfer is approved and registered by the National Registry of Transfer of Technology.³³

After the lapse of 3 years from the date when the patent was granted, any person may request an *obligatory license* in the following instances: (1) when the invention has not been exploited; (2) when the exploitation is suspended for more than 6 consecutive months; (3) when the exploitation of the patent is not sufficient for the national market; or (4) when there exist markets for exportation which have not been covered by the exploitation of the patent, and any person shows interest in using the patent for such a purpose.³⁴

One who applies for an obligatory license must demonstrate that he has the technical and economic capacity to exploit the invention efficiently.³⁵ The Head Bureau of Inventions and Trademarks, after hearing the interested parties, shall resolve whether or not the obligatory license is to be granted. Where the license is approved, that Bureau shall further determine the duration of the license, the conditions under which it is granted, the field of application, and royalties to be paid to the owner of the patent, taking into consideration the opinion of the Head Bureau of the National Registry of Transfer of Technology.³⁶

The conditions of an obligatory license may be modified by the Department of Industry and Commerce in view of supervening causes, particularly when the owner of the patent grants contractual licenses under conditions more favorable than those of the obligatory license.³⁷ Obligatory licenses shall not be exclusive. A holder may not transfer the license without the authorization of the Department of Industry and Commerce, nor may sublicenses be granted without that authorization and the consent of the owner of the patent.³⁸

For reasons of public health, national defense, or public interest in general, the Department of Industry and Commerce may grant *public utility licenses*.³⁹ In the cases of obligatory licenses and public utility licenses, the owner of the patent must furnish to the licensees

³³ Law on Inventions and Trademarks, *supra* note 1, art. 46.

³⁴ *Id.* art. 50.

³⁵ *Id.* art. 51.

³⁶ *Id.* art. 52.

³⁷ *Id.* art. 53.

³⁸ *Id.* art. 55.

³⁹ *Id.* art. 56.

the necessary information for carrying out the exploitation of the invention. Failure to comply with this obligation will give rise to the revocation of the patent.⁴⁰ For the exploitation of a patent, the holder of a contractual, obligatory, or public utility license has the option to obtain technological information from sources other than the owner of the patent.⁴¹

III. TRADEMARKS

Consequent to the development of modern technology, the scope of the objects susceptible of distinction by a trademark was enlarged to accommodate a new category of property or assets utilized in conducting activities with a lucrative purpose. This new category largely involves the furnishing of services.⁴² The creation of the service trademark resulted from the necessity of establishing a link between services and the enterprise providing them so that the customer receiving the services may know their origin and distinguish them from similar services furnished by another enterprise. Article 87 of the new law expressly incorporates service trademarks.

Pursuant to the former law, the registration of a trademark had a duration of 10 years, susceptible to extension for additional 10 year periods indefinitely through renewal.⁴³ According to the new Law on Inventions and Trademarks, the effects of the registration of a trademark shall be in force for only 5 years from its legal date. The term is also renewable but only for 5 year periods.⁴⁴ The Industrial Property Law contemplated a renewal that would maintain the registration in spite of the fact that the registered trademark had not been used or that its use had been suspended. This special renewal, known as renewal for "non-use" or "for lack of use," was applied for prior to the expiration of each 10-year period and thus avoided the extinction of the registration for the lack of exploitation of the trademark. The special renewal was intended as a substitute for the requisite of continuous use of the trademark.

Under the new law, renewal for non-use has been eliminated. The former ordinary renewal has been retained, subject to new qualifica-

⁴⁰ *Id.* art. 57.

⁴¹ *Id.* art. 58.

⁴² Such services include the transportation of persons and things; banking and insurance operations; information; lodging; restaurants; laundries and cleaners; radiophonic and television transmissions; shows and entertainment; and publicity and teaching.

⁴³ Industrial Property Law, *supra* note 2, art. 132.

⁴⁴ Law on Inventions and Trademarks, *supra* note 1, art. 112.

tions. First, the application for renewal must now be made prior to the expiration of each 5-year period or within a period of grace of 6 months thereafter.⁴⁵ Secondly, the renewal of the registration shall only be granted when it is demonstrated that the trademark has been used without interruption on the products or service it protects. The lack of renewal shall produce the caducity of the registration.⁴⁶

The owner of a trademark which has expired or lapsed may petition again for its registration without a requirement that a certain period of time elapse. Persons other than the former owner, however, must wait for the lapse of 1 year before applying for the registration of a trademark which has expired or lapsed.⁴⁷ In other words, the new law establishes a preferential right of a year's duration in favor of the former owner of the registration over others who intend to register the trademark.

The law establishes the possibility that the Department of Industry and Commerce may require the use of a single trademark for all the products or services of a sole owner.⁴⁸ The obligation to use a single trademark is subject to the following basic requisites: the products manufactured or the services rendered must have the same purpose; the products manufactured or the services rendered must derive from the same person; and the products or services must be substantially alike, even though they differ as to their contingent characteristics. The Department of Industry and Commerce must set forth the adoption of the single trademark in a declaration, which is issued after hearing not only the owner of the multiple trademarks used to distinguish the articles or services which have the characteristics indicated above, but also the organizations which are representative of the whole industrial or commercial sector involved.

In order to avoid confusion and to obtain savings in the cost of publicity which would be reflected in the price to the consumer, the new law authorizes the Department of Industry and Commerce to prohibit the use of trademarks on certain products for reasons of public interest and to require that such products be sold under generic names.⁴⁹ After hearing the organizations representing the

⁴⁵ *Id.* art. 139.

⁴⁶ *Id.* art. 140.

⁴⁷ *Id.* art. 99.

⁴⁸ *Id.* art. 116.

⁴⁹ *Id.* art. 125.

interested sectors, the Department may prohibit the use of trademarks, registered or not, on certain products of any field of economic activity. The declaration of the Department shall be published in the "Official Gazette" of the Federation.

The new law establishes the obligation to relate trademarks of foreign origin and those belonging to a foreigner to trademarks originally registered in Mexico and owned by the licensee, provided that the foreign marks are used to distinguish articles manufactured within the national territory.⁵⁰ This measure revolutionizes the traditional function of the trademark and presents several peculiarities.

The characteristic of "originating" from the registration made in Mexico derives from the fact that the trademark was registered here before any other country. A trademark is deemed of foreign origin, or as a trademark originally registered abroad, when it is registered in the country of origin prior to registration in Mexico. Where a trademark "originally registered" abroad is subsequently registered in Mexico, the application of this trademark to articles manufactured in Mexico must be made in conjunction with a trademark registered in Mexico that has not been previously registered in another country. This means that the trademark "originally registered abroad" should be used in connection with a trademark "originally registered in Mexico." In summary, two categories of trademarks are established from the viewpoint of nationality of the registrations: trademarks originally registered abroad and trademarks originally registered in Mexico. The trademark originally registered abroad and used in Mexico must be used jointly, in an equally visible manner, with a trademark originally registered in Mexico and belonging to the licensee.⁵¹ The nationality of the licensee, whether he be Mexican or foreign, is irrelevant in connection with the fulfillment of this obligation. This point was confirmed by the Secretary of Industry when he explained the proposed law to the Mexican Senate:

If the Licensee is a Mexican citizen, it corresponds to him the title to the related trademark. In a like manner, if the Licensee is a subsidiary or affiliated enterprise of a foreign corporation, it corresponds to it the ownership. Pursuant to the proposed Law, this provision is of a compulsory nature for all the users of foreign trademarks.

⁵⁰ *Id.* art. 127.

⁵¹ *Id.* arts. 127, 128; transitory art. 12.

Where reasons of public utility exist to justify it, and after the payment of royalties determined by the Department of Industry and Commerce, the use of a trademark will be allowed where the owner refuses to grant such use.⁵² The law thereby introduces a form of obligatory license for the use of registered trademarks in order to avoid "the abuse or inconveniences for the economy of the country, which could derive from the exclusive use of a trademark." "Until now," continues the preamble, "the Mexican State lacked juridical instruments to authorize the use of a trademark when the public interest so warranted and the owner of the mark refused to grant said use." The law does not indicate which branch of the Ministry will be entrusted with the task of determining the amount of the royalties, but it is assumed that the role will be assigned to the Head Bureau of the Registry of Technology, to which body reference is made in the preamble.

Until now, the act by which the owner of a registered trademark expressed his desire to enjoy the rights of exclusivity no longer was known as "cancellation," a renouncement of the registration. The Law on Inventions and Trademarks introduces a cause for the cancellation of the registration with an entirely different origin and meaning. It provides that the registration of a trademark may be cancelled "by the Department of Industry and Commerce when its owner speculates or makes an improper use of the price or quality of a product or service protected by the trademark, to the prejudice of the public or of the economy of the country."⁵³ The use of this type of penalty to regulate the economic activity of the country and, above all, as an instrument to effectuate the campaign undertaken by the state to lower the cost of subsistence is incorporated in the Regulation for the Application of Rules on Industrial Property, known as Decision 85⁵⁴ of the Agreement of Cartagena.⁵⁵ This regulation approves a "penalty of definitive cancellation of the trademark or license . . . when the competent national authority verifies that the owner or licensee of the mark has speculated or made unlawful use price-wise or quality-wise of a product protected by the trademark to the detriment of the public or the economy of a Member

⁵² *Id.* art. 132.

⁵³ *Id.* art. 150, para. 2.

⁵⁴ Decision 85 of the Cartagena Agreement Commission, *reprinted in* 13 INT'L LEGAL MAT'LS 1489 (1974).

⁵⁵ Agreement on Andean Subregional Integration, May 26, 1969, *reprinted in* 8 INT'L LEGAL MAT'LS 910 (1969).

Nation.”⁵⁶ The Law on Inventions and Trademarks does not specify whether this cancellation occurs by operation of the law or whether it is to be decreed following an administrative hearing for the owner of the registration. The law does not indicate whether the Department of Industry and Commerce is granted the public right to denounce the speculator, or whether the administrative authority must cancel the registration *ex officio*.

The former law prohibited registration as trademarks names commonly used in the country to designate products of the same genre or species as those which the trademark was intended to protect.⁵⁷ The new law contains a similar provision which enumerates as not registrable as trademarks “the words which in the current language or in the commercial practices have become a usual or generic designation of the products or services that are intended to be protected.”⁵⁸

The new law further establishes a reason for losing the registration which did not exist in the former law by providing that “the extinction of the trademark registration shall occur when its owner has provoked or tolerated that it become a generic denomination corresponding to one or various of the products or services for which it was registered, in such a manner that in the commercial media and in the generalized use of said denomination by the public, the same has lost its distinctive significance as a means for identifying the corresponding product or service to which it applies.”⁵⁹ After the respective publication in the Official Gazette, the name in question “shall fall into the public domain.”

This means that at present not only is registration refused to names deemed to be generic or of common use, but that even when registration is granted in regard to a perfectly valid trademark, a name may lose its protection when, as the result of its use and publicity, it is gradually identified or used as a generic name for the type of merchandise covered by the trademark. The danger of “dilution” of a trademark occurs particularly when the trademark reaches the height of fame and popularity. Extreme care should be exercised to avoid a situation in which a proprietor or user of a trademark can be said to have directly or indirectly consented to or

⁵⁶ Decision 85 of the Cartagena Agreement Commission, art. 77, reprinted in 13 INT'L LEGAL MAT'LS 1489, 1498 (1974).

⁵⁷ Industrial Property Law, *supra* note 2, art. 105, sec. II.

⁵⁸ Law on Inventions and Trademarks, *supra* note 1, art. 91, sec. II.

⁵⁹ *Id.* art. 149.

cooperated with the use of a widely notorious trademark as a usual or generic name for the type of product it covers.

IV. FINAL REMARKS

Patents and trademarks are vital instruments for the economy of enterprises, whether industrial, commercial, or for the rendering of services, both private and state-owned. The new Mexican Legislation which governs the right of exclusiveness of use granted by patents, certificates of invention, registered industrial designs and models, and registered trademarks closes the cycle which, in the matter of political economy, was started by the present Administration through the Law on Foreign Investments, the Law on the Transfer of Technology, and the Law of Protection of the Consumer. The Law on Inventions and Trademarks is typical of the new Mexican economic-social laws exhibiting the marked tendency of the state to regulate the industrial and commercial activities of private parties under the authority granted by article 27 of the Constitution, which allows the imposition of conditions demanded by public interest. A peculiar characteristic of the Law on Inventions and Trademarks is the discretionary and preponderant means conferred to the administrative body in charge of applying and enforcing its provisions. The complexity of the problems tackled by the new law, and the transcendency of the solutions to be adopted for the success or failure of the enterprises require that the owners of enterprises weigh the magnitude of the innovations introduced by the law, so that while the provisions are respected, compliance does not injure the interests of the mercantile enterprise. Since the new law has been in effect only a short time, it would be premature, daring and somewhat childish to foretell whether or not the juridical system which is being established in Mexico would be negative or positive.