Mexico’s 1991 Industrial Property Law

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The Mexican Secretary of Commerce and Industrial Development announced prior to its enactment that the Industrial Property Law would fully protect intellectual property rights. Members of the United States government and the private sector praised the new law, declaring that it would remedy the many inadequacies in Mexico's intellectual property system and thereby bring Mexico's intellectual property laws up to "world class standards."

Although the Industrial Property Law significantly strengthens Mexico's patent and trademark laws, it is not the panacea that many believed it would be. The Industrial Property Law may afford less protection than the Mexican government intended because certain forms of...
industrial property are specifically exempted from protection under the law. Furthermore, the Industrial Property Law contains many legal loopholes, which will result in confusion and generate litigation. Nevertheless, the Industrial Property Law represents a tremendous step toward bringing Mexico's intellectual property laws into line with those of the United States and other developed countries.

Part I of this Article will discuss generally the need for intellectual property protection in Mexico. Part II will briefly discuss Mexico's former industrial property laws, superseded by the Industrial Property Law. Part III analyzes the Industrial Property Law by summarizing the most important changes and by identifying the law's deficiencies.

I. The Need for Intellectual Property Protection in Mexico

United States entities suffered an estimated $43 billion to $61 billion in losses to piracy of intellectual property outside the United States in 1986. There is no effective protection against foreign piracy for two reasons. First, U.S. companies doing business in foreign countries generally must rely on foreign laws. Foreign laws may prove inadequate to

6. These flaws may have resulted because the Industrial Property Law was drafted primarily by non-lawyers. Although the drafters apparently understood the purpose and function of the Industrial Property Law, they may not have understood the legal background against which the law was enacted and may not have foreseen the possible legal challenges to many provisions in the new law.

7. U.S. Firms Lose Billions Annually to Foreign Piracy, ITC Intellectual Property Study Finds, 5 Int'l Trade Rep. (BNA) 290 (Mar. 2, 1988). The volume of informational trade has increased steadily since the 1970s, and United States companies have become increasingly dependent upon information and information-related products and services for their economic success. OFFICE OF TECHNOLOGY ASSESSMENT, U.S. CONGRESS, INTELLECTUAL PROPERTY RIGHTS IN AN AGE OF ELECTRONICS AND INFORMATION 224-30 (1986). The percentage of United States exports with high intellectual property content (such as pharmaceuticals, computers, computer software, movies, records and other technical equipment) has increased in the post-war era to about twenty-five percent of all U.S. exports. Robert W. Kastenmeier & David Beier, International Trade and Intellectual Property: Promise, Risks, and Reality, 22 VAND. J. TRANSNAT'L L. 285, 286 (1989). Financial losses caused by the unauthorized use of U.S. intellectual property mounted during the same period. OFFICE OF TECHNOLOGY ASSESSMENT, supra, at 237-247. This increase is partly the result of the increased volume and economic importance of intellectual property in the market. Id. See also INTELLECTUAL PROPERTY RIGHTS: GLOBAL CONSENSUS, GLOBAL CONFLICT? 2-3 (R. Michael Gadbaw & Timothy Richards eds., 1988) [hereinafter INTELLECTUAL PROPERTY RIGHTS]. In addition, research and development costs have significantly increased in certain industries, and copying of many forms of intellectual property has become much easier and less expensive. Id. at 94-95. For example, audio and video tapes and television and radio broadcasts have become much easier and cheaper to reproduce. Also, many new technologies did not fit within the framework of existing intellectual property laws. Id. at 5; OFFICE OF TECHNOLOGY ASSESSMENT, supra, at 232 (1986). Additionally, during the 1970s, many foreign countries adopted development policies which inhibited foreign investment and diminished protection of intellectual property rights. INTELLECTUAL PROPERTY RIGHTS, supra, at 3-5. Some countries, such as Mexico, actually enacted new laws in the 1970s which decreased intellectual property protection. See infra notes 12-19 and accompanying text.

8. In some cases, businesses also rely on international laws. See, e.g., INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY (Marshall Leaffer ed., 1990).
protect their intellectual property rights and are often unenforced. Second, United States intellectual property laws do not prohibit foreign piracy of U.S. intellectual property.

Mexico, like many foreign countries, offered limited protection for rights in industrial property prior to enacting the Industrial Property Law. This fact attracted criticism from the United States. In 1987, the United States withdrew Generalized System of Preferences (GSP) treatment affecting Mexican imports worth millions of dollars because of Mexico's failure to adequately protect intellectual property rights. In 1989, the United States named Mexico as one of seven countries with the most "egregious" lack of intellectual property protection in the world. As recently as April 18, 1991, twenty-five U.S. Senators signed


13. On May 25, 1989, the U.S. Trade Representative (USTR) placed Mexico and six other countries on a priority "watch list" set up under the Special 301 provision of the 1988 Trade Act. USTR Defends Administration's Naming of Japan, India, Brazil Under Super 301, 6 Int'l Trade Rep. (BNA) 684 (May 31, 1989). Special 301 of the
a letter to U.S. Trade Representative Carla A. Hills suggesting, among other things, that action be taken against Mexico unless it promptly implemented commitments to improve intellectual property protection.\textsuperscript{14} In 1987-88, the U.S. International Trade Commission reported finding Mexico's protection of patents, trade-marks, trade secrets and proprietary technical data insufficient.\textsuperscript{15} Mexico's enforcement of intellectual property rights was also found to be wanting.\textsuperscript{16}

Mexico's history of inadequate legal protection for intellectual property rights stems, in part, from Mexican perception of intellectual property. Mexicans have viewed intellectual property as the "common heritage of mankind," which is to be used to benefit national economic growth and industrial development, rather than as a body of fundamental rights.\textsuperscript{17} Many Mexicans also believed that strong intellectual prop-

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Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107 (1988), requires the USTR to identify countries that deny protection of intellectual property rights and market access to U.S. firms, and to designate "priority" countries for accelerated investigations. This provision provides that, in identifying priority foreign countries, the USTR shall identify only those foreign countries: (A) that have the most onerous or egregious acts, policies, or practices that — (i) deny adequate and effective intellectual property rights, or (ii) deny fair and equitable market access to United States persons that rely upon intellectual property protection, (B) whose acts, policies, or practices described in subparagraph (A) have the greatest adverse impact (actual or potential) on the relevant United States products, and (C) that are not — (i) entering into good faith negotiations, or (ii) making significant progress in bilateral or multilateral negotiations, to provide adequate and effective protection of intellectual property rights. 19 U.S.C. § 2242(b)(1) (1988).

Instead of designating any "priority countries" in 1989, the USTR placed Mexico and six other countries on a "watch list" giving them 150 days to make improvements. \textit{USTR Defends Administration's Naming of Japan, India, Brazil Under Super 301}, 6 Int'l Trade Rep. (BNA) 684 (May 31, 1989). \textit{See} Berliner, \textit{supra} note 10, at 726-28 and Wilson, \textit{supra} note 12, at 423-26 (discussions of how Special 301 is used to counter problems of inadequate intellectual property protection in foreign countries).

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16. \textit{Id.} In 1988, Mexico's copyright law, although basically sound, did not impose sufficient penalties for infringement. For example, the maximum criminal fine for copyright infringement was four dollars. \textit{Witnesses at ITC Predict Positive Impact From Recent Trade Liberalization Measures}, 6 Int'l Trade Rep. (BNA) 1604 (Dec. 6, 1989). This deficiency has since been resolved, however. A few days after adopting the Industrial Property Law, Mexico amended its copyright law to increase the penalties for infringement. D.O., July 7, 1991.
roperty protection inhibited national development and created a risk of foreign domination. These views were consistent with Mexico's former protectionist foreign policies of the 1970s.

Lax intellectual property laws enabled Mexican businesses to profit at the expense of United States business. Under the old law Mexican businesses openly used U.S. intellectual property to compete effectively with United States products. By using cheap local labor, and avoiding research and development costs and royalty payments, Mexican companies provided low-cost products to Mexico and to other markets. Mexican companies capitalized on U.S. brand name and trademark recognition by freely using names and marks that were unprotected under Mexican law.

Inadequate protection of U.S. intellectual property renders U.S. products uncompetitive in Mexico and in other markets receiving the counterfeit goods. Adequate legal protection for intellectual property rights is vital to United States competitiveness in the world trade market. Adequate intellectual property protection is necessary to reward innovation, and innovation is perhaps the most significant advantage United States companies have over foreign competitors. Without adequate protection of intellectual property rights, furthermore, American companies are unable to obtain the rewards for their inventions, which translate into sales, profits, and employment, nor are U.S. firms able to finance research and development for subsequent generations of their products.

Because Mexico is a critical market for United States business, Mexican piracy deprived U.S. concerns of a substantial volume in sales. Mexico is the United States' third largest trading partner, and bilateral trade between the two neighbors was estimated to be $59 billion in

Marriage of Convenience?, 22 Vand. J. Transnat'l L. 223, 224-25 (1989). See generally Gakunu, supra note 9, at 358-65. This attitude contrasts with "the natural rights philosophy that underpins traditional arguments for the protection of intellectual creations as private property." Reichman, supra note 9, at 764. Protection of intellectual property is often based "on a theory of natural law or moral right—the idea that intellectual property is naturally owned by the person who creates it and that appropriation from that person without compensation is wrongful." Abbott, supra note 9, at 697. However, national policy and not natural law has shaped the recognition of rights in intellectual property in different countries, id. at 698, and national policies regarding intellectual property rights vary widely depending on the results of a cost/benefit analysis which balances the immediate public welfare against long-term interests in private capital formation. Id.

18. See infra notes 33-36 and accompanying text and Pitts, supra note 17.
19. See infra notes 28-29 and accompanying text.
20. See infra notes 37-48 and accompanying text. See also Reichman, supra note 9, at 763; INTELLECTUAL PROPERTY RIGHTS, supra note 7, at 2.
22. Losses from inadequate intellectual property protection occur in the country where the infringing products are made, in third countries to which the products are exported, and even in the United States, if the infringing products are exported to the United States. Wilson, supra note 12, at 422.
23. See OFFICE OF TECHNOLOGY ASSESSMENT, supra note 7, at 224-230.
24. Wilson, supra note 12, at 422.
Mexicans spend much of their earnings (seventy percent of their gross national product) on American products, and Mexico imports $295 per capita from the United States. Losses due to piracy occurring in Mexico are illustrated by the following examples. Recording industry losses totaled $20 million, the motion picture industry lost $12 million, and the software industry lost $80 million as a result of Mexican piracy in 1989.

II. Mexico's Former Industrial Property Laws

A. The 1976 Law of Inventions and Trademarks

Mexico pursued industrialization through a program of import substitution and restriction of foreign investment during the 1970s, as did many developing nations. Pursuant to this program, the Mexican government imposed formidable tariffs and nontariff barriers on imports, controlled the peso exchange rate, restricted access to foreign exchange, assumed direct control of more than 1,000 business enterprises, and established complex regulations for many others.

Mexico enacted several new laws designed to increase Mexican control over foreign investment and technology. One of these laws was

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29. *USITC April 1990 Report, supra* note 12, at 1-1 to 1-2. Although these policies helped to develop the manufacturing sector, they also created problems that contributed to the economic crises Mexico faced in the 1980s. *Id.* at 1-2.

In December of 1972, Mexico enacted the *Ley sobre el Control y Registro de la Transferencia de Tecnología y Uso y Explotación de Patentes y Marcas [Law for the*
the Ley de Invenciones y Marcas ("Law of Inventions and Trademarks"),

31 enacted in February of 1976, which introduced many substantive changes to the patent and trademarks laws and altered the nature and extent of government regulation. 32

Registration of the Transfer of Technology and the Use and Exploitation of Patents and Trademarks [hereinafter Transfer of Technology Law], D.O., Dec. 30, 1972. This law "treat[ed] license rights in technology as a sale of the technology itself, so that rights to use the technology without compensation persisted even after the license ha[d] ended." Pitts, supra note 17. The law also required registration of any agreement dealing with the transfer of technology with the National Registry for the Transfer of Technology (NRTT), and registration could be refused, rendering the agreement void and unenforceable, if any of 14 "objectionable" clauses were present. Transfer of Technology Law, art. 7. Such standard clauses as rights to "grantbacks" of improvements in the technology and confidentiality obligations continuing beyond the term of the agreement were considered "objectionable." Id. Also "objectionable" were agreements that involved an excessive price or other consideration that was unduly burdensome on Mexico's economy. Id.; Pitts, supra note 17. During the first seven years in which this law was in force over 85 percent of the rejections were for excessive royalties. Robert J. Radway, Doing Business in Mexico: A Practical Analysis, 14 Int'l L. 361, 369 (1980). With this control over "excessive" licensing fees and royalties the government effectively determined the prices of technology. Other "objectionable" clauses related to: the transfer of technology freely available in Mexico, the technology supplier's regulation of the transferee's administration, limitations upon research and development, tie-ins, prohibitions against export of licensee's goods or services against the best interests of Mexico, prohibitions on the use of complimentary technology, obligations to sell only to the licensor, permanent use of licensor's personnel, limitations on production or pricing of licensed goods, unreasonable duration (over ten years) of the licensing agreement, and the resolution of disputes in foreign tribunals or according to foreign laws. Transfer of Technology Law, art. 7. See generally John J. Moss, Recent Development: The 1990 Mexican Technology Transfer Regulations, 27 Stan. J. Int'l L. 215, 226-27 (1990); Pitts, supra note 17; Jaime Alvarez Soberanis, Legal Aspects Concerning the Technology Transfer Process in Mexico, 7 Ga. J. Int'l & Comp. L. 17 (1977).

In December 1981, at the end of the López Portillo administration, Mexico enacted the Ley Sobre el Control y Registro de la Transferencia de Tecnología y el Uso y Explotación de Patentes y Marcas [Law on Control and Registry of Transfer of Technology and Use and Working of Patents and Trademarks], D.O., Jan. 11, 1982 [hereinafter 1982 Transfer of Technology Law] which superseded the 1972 Transfer of Technology Law. The 1982 law did nothing to facilitate the transfer of technology to Mexico and firms became increasingly reluctant to negotiate international technology contracts. Moss, supra, at 250-32.


The 1976 law ostensibly was concerned with eliminating obstacles to Mexican development presented by the existing industrial property system. Mexicans perceived that national scientific activity was developing slowly as a result of the country's reliance on foreign technology, in part due to the fact that almost all technical processes and designs for Mexico's industrial plants came from other countries. The administration of President Luis Echeverría Álvarez maintained that the existing system favored industrialized nations and hampered Mexico's economic and technological development. The administration characterized the Law of Inventions and Trademarks as part of a "new international order" that "universally recognized that the exercise of inventors' rights was circumscribed by the collective interest and the right of nations to development and economic independence."

The Law of Inventions and Trademarks accomplished the administration's objective of limiting intellectual property rights. The law decreased patent terms from fifteen to ten years and eliminated patent protection for many products and processes, including those related to chemicals, foods, pharmaceuticals, metal-alloys, anti-pollution apparatus and nuclear energy. The law established inflexible rules regarding

33. Hyde & Ramírez, supra note 32, at 470.
34. Id. at 469-70 (citing the statement of Mexican Secretary of Commerce and Industry José Campillo Sainz to the Mexican Senate on December 23, 1975, which is printed in full in José Campillo Sainz, Fundamentación de la Nueva Ley de Invenciones y Marcas, 26 COMERCIO EXTERIOR 962 (1976)); see generally Armstrong, supra note 28, at 117-20.
35. Exposición de Motivos del Presidencia de la República, Luis Echeverría Álvarez, CC. Secretarios de la Cámara de Senadores del H. Congreso de la Unión Presentes 1 (undated) on file with author [hereinafter Exposición de Motivos]; Hyde & Ramírez, supra note 32, at 470. At that time, 92 percent of all Mexican patents had been obtained by foreigners. Id. (citing Campillo Sainz, supra note 34); Armstrong, supra note 28, at 117 (citing Gribmont & Rímez, La Política Económica del Gobierno de Luis Echeverría, 44 TRIMESTRE ECONOMICA 825 (1977)). The administration noted this as proof that the patent system under the 1943 Industrial Property Law favored foreign, industrialized nations more than Mexico. Hyde & Ramírez, supra note 32, at 470 (citing Campillo Sainz, supra note 34).
36. Exposición de Motivos, supra note 35, at 1; Hyde & Ramírez, supra note 32, at 469-70 (citing Campillo Sainz, supra note 34). The Echeverría administration claimed that the 1976 Law of Inventions rejected "ideological precepts of the 'bourgeois liberalism' of the past century which treated patents as a natural property right and a monopoly privilege that could be exercised without regard to the public interest." Id.
37. Law of Inventions and Trademarks, D.O., Feb. 10, 1976, art. 40. The term commenced on the date the patent was issued. Id. arts. 40 & 65.
38. Id. art. 10. Patents in these areas had made up a substantial portion of all patents issued in Mexico under the previous law. See, e.g., Hyde & Ramírez, supra note 32, at 472 n.16 (citing Beltrán, Las invenciones químicas en la nueva Ley de Invenciones y Marcas frente a la antigua Ley de la Propiedad Industrial, 27-28 REVISTA 267, 268 (1976)) (patents in chemical field constituted approximately 50 percent of all patents issued in Mexico under previous law).

The Law of Inventions and Trademarks introduced the concept of "certificates of invention." Law of Inventions and Trademarks, arts. 67, 71. A certificate of invention was available for any patentable invention and for certain classes of nonpatentable inventions. Id. arts. 65, 81; see Hyde & Ramírez, supra note 32, at 472-73.
the cancellation of patents, and authorized "compulsory licensing" to allow third parties to use a patent if it was not being "adequately exploited."\(^{39}\) Under the Law of Inventions and Trademarks, the patent holder was even required to give the compulsory licensee technical assistance.\(^ {40}\)

In many respects, the changes in trademark law instituted by the Law of Inventions and Trademarks "were even more restrictive and troublesome to [foreigners] than the changes to the patent laws."\(^ {41}\) The Law of Inventions and Trademarks decreased trademark terms from ten to five years\(^ {42}\) and gave broad discretion to the Secretaría de Industria y

Certificates of Invention did not confer an exclusive right or monopoly on the use of the invention, but did confer the right to receive royalties from any other party who used it. Law of Inventions and Trademarks, arts. 67, 71.

39. The grant of a patent pursuant to the Law of Inventions and Trademarks implied an obligation to exploit it within Mexico. Law of Inventions and Trademarks, art. 41. The Law of Inventions and Trademarks defined "exploitation" as the permanent use of the patented process or the manufacture of the patented product by its owner or a licensee "in volumes that constitute an effective industrial exploitation and under suitable conditions as to quality and price." Id. art. 43. The patentee was required to exploit the patent within three years from the date the patent was issued. Id. art. 41. If the patentee failed adequately to exploit the patent, the patent lapsed automatically after four years from the date the patent was issued. Id. art. 48. No excuses were permissible for this failure to exploit the patent. Id. art. 50; see Geoffrey Kransdorf, Note, Intellectual Property, Trade, And Technology Transfer Law: The United States and Mexico, 7 B.C. THIRD WORLD L.J. 277, 288 (1987).

The Law of Inventions and Trademarks also provided for compulsory licensing if the patentee failed to exploit the patent after three years from the date it was issued. Law of Inventions and Trademarks, arts. 41, 50. A compulsory license allowed a third party to make use of the patented product or process. When a compulsory license was granted, government bureaucracies would decide the duration, field of application, royalties, and other terms of the compulsory license. Id. art. 52. Although the patentee could petition to modify these terms, id. art. 53, the overall effect of the Law of Inventions and Trademarks may have been to allow the licensing of patents in a manner and for a price contrary to the wishes of the patentee. Kransdorf, supra, at 288.

40. Law of Inventions and Trademarks, arts. 57, 73.

41. Kransdorf, supra note 39, at 288.

42. Law of Inventions and Trademarks, art. 112. The term commenced on the date the trademark application was filed. Id. Registration could be renewed for successive five-year periods upon proof of effective and uninterrupted use during the preceding five-year period. Id. arts. 139, 140. The trademark owner would have to demonstrate the effective use of the trademark to the satisfaction of the Department, and if use was not proven, the registration would be automatically canceled. Id. art. 117. No exceptions to this nonuse requirement were stated in the statute. Thus a trademark owner who was unable to use a mark as a result of production difficulties, acts of God, or other problems, could lose all rights to the mark despite good faith and intentions. Kransdorf, supra note 39, at 288; see David Rangel Medina, Significant
Comercio, the Department of Industry and Commerce ("Department"), to determine whether trademarks could be protected or should be canceled. The law also restricted the choices and uses of trademarks and authorized compulsory licensing of trademarks at a price set by the Department if the Department determined that it was in the "public interest." The Law of Inventions and Trademarks also required registration of license agreements and assignments relating to patents and trademarks with the National Registry for the Transfer of Technology (NRTT) in order to be effective against third parties. Further, under the Transfer of Technology Law, the license agreements had to meet fourteen criteria in order to be eligible to be registered. This requirement and the Transfer of Technology Law itself represented a tremendous problem to all involved with the ownership and transfer of intellectual property rights.


43. The Department could require the registration and use of trademarks for any goods and services and could, if in the "public interest," prohibit the use of trademarks, whether registered or not, on certain products in any field of economic activity. Law of Inventions and Trademarks, art. 125. The latter power particularly disturbed United States commentators, who believed the degree of discretion allotted to the Department exceeded what was necessary to protect Mexico's interests. Kransdorf, supra note 39, at 289; John T. Lanahan, Trademarks in Mexico: A United States Perspective, 66 TRADEMARK REP. 205, 211-12 (1976). A trademark registration could be canceled, moreover, if the Department determined that the owner was speculating or making improper use of the mark in terms of price or quality of the product or service protected, to the detriment of the public or the national economy. Law of Inventions and Trademarks, art. 150; see also id. art. 117.

44. For example, the Department could require a person manufacturing substantially similar products or rendering substantially similar services for the same end use to identify them with a single mark. Law of Inventions and Trademarks, art. 116. Another example, and one of the most controversial provisions in the new law, related to the vinculada, or the linking of trademarks. The Law of Inventions and Trademarks required that every foreign trademark owned by a foreigner and used in connection with products produced in Mexico must be "linked" to a trademark originally registered in Mexico, and that both trademarks had to be used in an equally prominent manner. Id. art. 127. This requirement, which was intended primarily to protect Mexican licensees, Hyde & Ramírez, supra note 32, at 477; Kransdorf, supra note 39, at 289, was sharply criticized by foreign trademark owners. Also, agreements relating to the use of a trademark originally registered in a foreign country or owned by a foreigner had to require that the trademark be linked to a trademark originally registered in Mexico or owned by the licensee. Law of Inventions and Trademarks, art. 128; see Hyde & Ramírez, supra note 32, at 477-82.

45. Law of Inventions and Trademarks, art. 132.

46. For reasons of public interest the Department could grant compulsory licenses for the use of registered trademarks and could fix the royalties payable to the trademark owner. Id.

47. Id. art. 45. See also supra note 30 and accompanying text.

B. The 1987 Amendments to the 1976 Law of Inventions

Mexico obtained numerous foreign loans in the 1970s, prior to enactment of the Law of Inventions and Trademarks, and by 1982 foreign debt had reached $86 billion.\(^4\) These loans financed consumer spending and unproductive investments, and allowed Mexico to maintain an overvalued currency.\(^5\) By the late 1970s, Mexico could no longer service its foreign debt without additional loans, and by the early eighties, the country was in dire financial trouble.\(^6\) Mexico's problems grew more oppressive in 1982 when foreign commercial banks refused to extend further credit to Mexico and the price of petroleum, Mexico's principal source of foreign exchange earnings, collapsed.\(^7\) These fiscal woes were compounded when, in 1985, a major earthquake struck Mexico City.\(^8\) Mexico's foreign debt peaked in 1987 at $107.4 billion—seventy-six percent of Mexico's gross national product.\(^9\)

These severe economic problems prompted Mexico to reevaluate its economic and foreign policies. President Miguel de la Madrid Hurtado's administration concluded that Mexico's protectionist stance was ineffective, and that foreign competition was necessary to pressure domestic companies to adopt new technologies and lower their prices.\(^{10}\) In 1985, Mexico began to dismantle its tariff and nontariff trade barriers unilaterally, and in 1986 Mexico joined the General Agreement on Tariffs and Trade (GATT).\(^{11}\) Mexico also implemented extensive deregulation programs\(^{12}\) and privatization.\(^{13}\) These trade liberalization

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\(^{5}\) Id.

\(^{6}\) Id.

\(^{7}\) Id.

\(^{8}\) Id.

\(^{9}\) Id.

\(^{10}\) Id.

\(^{11}\) Id. at 1-2.

\(^{12}\) Id. GATT has become the central body concerned with coordinating international trade and national policies concerning tariffs. See generally Jackson & Davey, supra note 11, at 293-332. GATT is applied through the Protocol of Provisional Application. Id. at 295. See Protocol of Provisional Application to the General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. pts. 5, 6, T.I.A.S. No. 1700, 55 U.N.T.S. 308. Mexico has now moved from an extremely restrictive import regime, in which almost every item was subject to an import permit, to a regime in which quantitative restrictions now apply in only a few sectors of the economy. USITC April 1990 Report, supra note 12, at 4-3. Mexico has reduced its maximum import tariff from 100 percent in 1986 to 20 percent in 1990. Id. at 4-4. Mexico currently is considering, or is in the process of liberalizing, rules to open traditionally protected sectors, such as the automotive and pharmaceutical sectors, to foreign competition. Id. at 4-7.

\(^{13}\) Over 25 different areas of the Mexican economy have been deregulated or are currently being reviewed for deregulation. These areas include domestic motor carriers, telecommunications, petrochemicals, banks, insurance and agriculture. Id. at vi, 3-1 to 3-7.
processes, initiated by de la Madrid and continued by his successor President Carlos Salinas de Gortari, transformed one of the world's most protected economies into one of its most open in just a few years. Nevertheless, this liberalization affected intellectual property protection only indirectly.

Mexico began to address the inadequacies of its intellectual property laws on January 17, 1987, when it amended the Law of Inventions and Trademarks. The 1987 amendments improved legal protection of intellectual property by increasing patent terms from ten to fourteen years, and extending patent protection for processes to make alloys, pharmaceuticals and pesticides. The 1987 amendments also established additional criminal penalties for patent and trademark infringement, provided additional procedural safeguards for patent holders, and introduced limited protection of trade secrets by making disclosure of trade secrets a crime under certain circumstances. The 1987 amendments also enhanced trademark protection and eliminated some

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58. Policymakers have declared their intention to reduce public subsidies of unprofitable enterprises and to generate revenues by selling state-owned entities. As part of this process, the Mexican Government no longer participates in certain sectors and has partially withdrawn from others. As of February 1990, the Mexican Government either had divested itself of or authorized divestiture of 801 of the 1,155 entities it owned in December 1982. Id. at vii, 3-7 to 3-13; see also Oscar Humberto Vera Ferrer, The Political Economy of Privatization in Mexico, in PRIVATIZATION OF PUBLIC ENTERPRISES IN LATIN AMERICA 35-58 (William Glade ed., 1991); 1991 DIRECTORY TO PRIVATIZATION IN LATIN AMERICA (Supp. to LATIN FINANCE), March 1991, at 61-67.


60. Witnesses at ITC Predict Positive Impact From Recent Trade Liberalization Measures, 6 Int'l Trade Rep. (BNA) 1604 (Dec. 6, 1989).


63. Id. art. 10.

64. Id. arts. 211-13. The 1987 amendments authorized the Department and the District Attorney's office to stop infringing activities, id. art. 213, and the District Attorney could take action to stop such activities "as soon as he had knowledge of the facts." Id. art. 215. The 1987 amendments also permitted the District Attorney to take preventive measures as provided under the Federal Code of Criminal Procedure, including seizing and securing "those things that are the product or object of the [felony]." Id. art 213; C.F.P.P. [Código Federal Procedimientos Penales, Mexican Federal Code of Criminal Procedure], art. 181; USITC APRIL 1990 REPORT, supra note 12, at 6-8. The 1987 amendments also directly provided for the seizure of infringing goods. 1987 Law of Inventions and Trademarks, art. 223b. However, in practice, the District Attorney rarely used these provisions. See infra note 151 and accompanying text.

65. The 1987 amendments made misappropriation of industrial secrets a crime, provided they were used for "one's own purpose and with the intent to obtain a monetary gain" and that the industrial secret came to be known "as a consequence of one's employment or position or through any other illicit means." Id. art. 210. Legal experts have criticized this statute because it establishes a very difficult burden of proof to attack third-party use of trade secrets. USITC APRIL 1990 REPORT, supra note 12, at 6-16. These experts claim that it is difficult to prove that a third party obtained an industrial secret through "illicit means" or had knowledge that the secret was stolen. Id.
cumbersome trademark registration requirements.\(^67\)

Despite the 1987 amendments, Mexican law did not adequately protect intellectual property rights. The Department retained significant power and discretion with regard to trademark registration, and compulsory licenses were still available for both patents and trademarks.\(^68\)

More significantly, patent protection still was not available for many products and processes, including computer programs, methods of medical treatment, plant varieties, animal breeds, foods, beverages, and certain inventions relating to nuclear energy;\(^69\) patent protection for chemical, pesticide and biotechnology products was delayed until 1997.\(^70\) Consequently, Mexico still had some of the most inadequate intellectual property protection in the world. The U.S. Trade Representative placed Mexico on the priority "watch list" on May, 25, 1989, pursuant to the Special 301 provision of the 1988 Trade Act.\(^71\)

III. The 1991 Ley de Fomento y Protección de la Propiedad Industrial ("Industrial Property Law")

Since President Carlos Salinas de Gortari took office in 1988, his administration has implemented a number of programs aimed at attracting foreign investment and new technology to Mexico.\(^72\) Many U.S. businesses and potential investors, nonetheless, have refused to introduce their technology to or invest their capital in Mexico because of Mexico's inadequate intellectual property protection.\(^73\) Recognizing the link

\(^67\) For example, marks that are regarded as "notorious" (e.g., Coca-Cola and Rolex) were given additional protection, 1987 Law of Inventions and Trademarks, art. 91; Kransdorf, supra note 39, at 291-92, and the use of linking marks (vindiculada) was made optional, rather than mandatory. 1987 Law of Inventions and Trademarks, arts. 127, 128.

\(^68\) Patent owners were no longer required to provide technical support to the licensee, however. 1987 Law of Inventions and Trademarks, arts. 57, 73.

\(^69\) Id. art. 10.

\(^70\) Id.

\(^71\) See supra note 13 and accompanying text.

\(^72\) Today, most Mexicans and Americans agree that Mexico's economic future depends on foreign investment and access to technology. Pitts, supra note 17; U.S. Trading Partners Must Step Up Efforts To Protect Goods From Piracy, ITC Head Says, 5 Int'l Trade Rep. (BNA) 509 (Apr. 6, 1988).

\(^73\) Many U.S. businesses have avoided doing businesses in Mexico altogether because of the lack of adequate intellectual property laws. See Pitts, supra note 17; Witnesses at ITC Predict Positive Impact From Recent Trade Liberalization Measures, 6 Int'l Trade Rep. (BNA) 1604 (Dec. 6, 1989); Mexico's New Patent Protection Plan Will Take It Off Special 301 Priority List, 7 Int'l Trade Rep. (BNA) 147 (Jan. 31, 1990); Bush Hails Latin American Economic Progress, Calls for New Partnership to Ensure Growth, 6 Int'l Trade Rep. (BNA) 556 (May 3, 1989); see also Peter C. Richardson, The Need for Adequate and Effective Protection of Intellectual Property: Perspective of the Private Sector—Patents, 19 Ga. J. INT'L & COMP. L. 352, 352-57 (1989). Representatives of the U.S. computer, software and pharmaceutical sectors have indicated that U.S. investment in Mexico would be likely to increase if the free trade agreement provided patent and copyright protection for their products, and that their willingness to invest in joint ventures in Mexico would increase if Mexico had adequate trade secret protection. United States International Trade Commission, Review of Trade and Investment Lib-
between intellectual property protection and the flow of investment and technology to Mexico, the Salinas administration has agreed to make intellectual property protection a top priority in the free trade negotiations with the United States. On January 24, 1990, the Salinas administration announced its intention to introduce legislation enacting the Industrial Property Law. The announcement drew praise from the United States government and prompted U.S. Trade Representative Carla A. Hills to remove Mexico from the Special 301 “watch list” that same day. She stated that the proposed law demonstrated the Mexican government’s “firm belief in the need for” and “genuine will to achieve” adequate protection of intellectual property.

Before the Industrial Property Law was enacted, Ambassador Hills expressed the hope that the new law would resolve Mexico’s intellectual property problems prior to completion of the negotiations for the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico. The law as enacted, however, has a number of significant weaknesses, and it fails to fulfill these aspirations.

A. Patents

The new law, which became effective on June 28, 1991, extends patent
protection to many of the products and processes that could not be patented under the prior legislation. Perhaps the most significant aspect of the new law is that it provides for patenting plant varieties, alloys, foods, beverages, and chemical products such as pharmaceuticals and pesticides. This change should satisfy, at least in part, some of the strongest critics of the old law, representatives of the pharmaceutical, chemical and biotechnical industries. The new law still may be subject to criticism by some sectors because it specifically excludes patent protection for computer programs, plant species, animal species and breeds, genetic material, surgical, therapeutic or diagnostic methods, and for many biological substances and processes used to obtain and reproduce plants and animals. Nevertheless, the new law significantly extends the scope of patent protection offered under Mexican law.

1. Filing Procedures

Although the new law attempts to simplify patent and trademark registration procedures, some of the new procedures are slow and awkward. For example, the new law requires that the patent applicant publish a summary of the application in the triennial Gazeta de Propiedad Industrial

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80. Id. art. 20.
81. For years, representatives from Mexican and U.S. industries and from the U.S. government attempted to convince the Mexican government to extend patent protection to these areas. USITC April 1990 Report, supra note 12, at 6-3.
82. The Industrial Property Law specifically provides that the following matter is not patentable:
   (1) Computer software;
   (2) Methods of surgical or therapeutic treatment or diagnostics applicable to human beings or animals;
   (3) Essentially biological processes for obtaining or reproducing plants, animals and their varieties, including genetic processes or processes relating to matter which is capable of self-replication, when such processes consist simply of selecting or isolating available biological material or permitting it to act in its natural condition;
   (4) Plant species and animal species and breeds;
   (5) Biological material as found in nature;
   (6) Genetic material;
   (7) Inventions relating to the living matter of which the human body is composed.

Industrial Property Law, arts. 19, 20.

The Industrial Property Law provides for patents on the following, notwithstanding their development from living matter:
   (a) Plant varieties;
   (b) Inventions relating to microorganisms, including inventions made by utilizing those microorganisms, inventions applied to microorganisms or inventions resulting therefrom. The microorganisms to which this applies include all types of microorganisms, such as bacteria, fungi, algae, virus, micro-plasma, protozoa and, in general, cells which reproduce asexually; and
   (c) Biotechnical processes for obtaining pharmaco-chemical products, medicines, food and beverages for human beings and animals, fertilizers, plaguesicides, herbicides, fungicides and products with biological activity.

Id. art. 20.
83. See supra notes 65-66 and accompanying text.
This process will substantially delay processing the patent applications because the Gazeta presently is two years behind in publication. The publication requirement and resultant delay do not appear to be warranted because the new law does not contemplate proceedings to oppose the application. The only significant improvement of the application process is a provision that allows the Department to use the results of novelty examinations conducted by foreign patent offices. The new law thus will not improve the patent filing procedure; the application procedure was slow and awkward under the former law and is likely to be similarly tedious under the new law.

2. Patent Terms

The Industrial Property Law does not significantly increase the duration of patent protection. The former law provided a patent term of fourteen years; current law provides for a twenty-year term. However, under the Industrial Property Law, and in contrast to the former law, the term begins to run on the date the application is filed. Under the former law, the patent application process took from three to five years to complete; presently, the application process could take from five to seven years once the publication delay is factored into the calculation. During this period the product or process is unprotected. Therefore, since five to seven years may elapse between the date the application is filed and the date the patent is actually granted, the patent is actually in force only thirteen to fifteen years.

84. Industrial Property Law, art. 8. The patent applicant must publish the summary eighteen months after filing the application. Id. art. 52. However, at the applicant’s request, the publication may be made in advance, subject to extra government duties. Id.

85. Patent applications pending when the Industrial Property Law became effective, however, will not be required to be summarized in the Gazeta. Industrial Property Law, Tenth Transitory.

86. As part of the application process, the Department is supposed to conduct a novelty examination. In the past, the Department did not conduct such examinations, even though the former law required one. Instead, the Department generally relied on the applicant’s assertions as to the novelty of the product or process. USITC APRIL 1990 REPORT, supra note 12, at 6-4. The patent application process was basically an examination to ensure that the formal requirements of the patent application procedure had been fulfilled. Id. Because the Department lacks sufficient resources adequately to conduct such examinations, this lack of novelty examination provided opportunities for fraud and double patenting. Id. The use of novelty examinations conducted by foreign patent offices should, therefore, greatly improve the efficiency and effectiveness of the patent process.

87. Industrial Property Law, art. 23. The life of patents for pharmo-chemical or pharmaceutical products or related processes may be extended for three additional years if the patentee grants a license to work the patent to a company in which the majority of its corporate capital is controlled by Mexican citizens. Id.

88. See 1987 Law of Inventions and Trademarks, art. 40.

89. Industrial Property Law, art. 23.
3. Privileges Granted To Patent Cooperation Treaty Applications

The Industrial Property Law grants certain privileges to applications to patent products or processes unpatentable under prior Mexican law if such were filed or granted pursuant to the Patent Cooperation Treaty (PCT). The Industrial Property Law provides that these "PCT applications" retain the priority of the first application in any country which is a member of the Patent Cooperation Treaty. PCT applications that are granted may be invalidated if challenged, however. These new provisions give PCT applications priority over applications previously granted by countries that are members of the Paris Convention. However, the Paris Convention requires that priority be given to patents acquired in countries that are members of the Paris Convention. The Paris Convention has the same force in Mexico as the Industrial Property Law because under the Mexican Constitution, all international agreements to which Mexico is a party have the force of domestic law. The treatment of PCT applications under the Industrial Property Law may give rise to conflicts should a Mexican patent granted pursuant to a PCT application be found to be contrary to the terms of the Paris Convention. Such contradictory applications might be challenged and subsequently invalidated.

The Industrial Property Law and the Paris Convention also conflict with regard to the time limit for claiming priority over a previously filed application. The Paris Convention requires an applicant to claim priority within twelve months from the date the first application is filed. The Industrial Property Law conflicts with this provision of the Paris Convention because it provides no time limit for PCT applications and permits filing even when the PCT patent was filed or granted many years ago. In this regard, patents obtained under the Industrial Property Law may be subject to challenge in light of the conflict with the Paris Convention.

The provisions awarding first priority to PCT applications present another significant problem. Under the former law, and in accordance with the Paris Convention, an invention loses novelty, and conse-

91. Industrial Property Law, Twelfth Transitory. The patent application must be filed in Mexico within twelve months from the effective date of the new law. Id. The life of these patents will expire on the date the foreign patent expires. Id.
93. Id. art 4.
94. Const. art. 133.
95. Paris Convention, supra note 92, art. 4(A)(1)-(3).
96. See Industrial Property Law, Twelfth Transitory.
97. Law of Inventions and Trademarks, art. 5.
98. Paris Convention, supra note 92, art. 4(b).
quently falls into the public domain, if it is worked or published in Mexico or worked abroad before a patent application is filed in Mexico.\(^9\) In contrast, under the Industrial Property Law, PCT applications may be granted even though the product or process has been worked or published abroad or published in Mexico.\(^10\) The new law would thus remove from the public domain products and processes freely in use in Mexico and render them patentable. This provision then retroactively changes the status of these products and processes, a possible violation of the Mexican Constitution,\(^11\) and may cause serious practical repercussions by suddenly making formerly legal activities illegal. This retroactive application of the law conflicts with the existing provisions of the Paris Convention as well.\(^12\)

Most PCT applicants will be unable to obtain a Mexican patent, assuming the Industrial Property Law cannot remove products and processes from the public domain when they have been worked or published abroad, since most of their products or processes will already stand in the public domain. In practice, the new law may not stop the existing use of many ostensibly patentable products or processes.

In summary, PCT applicants who acquire a Mexican patent by exercising the privileges awarded them under the Industrial Property Law should be aware of the possible legal challenges to the validity of their patents. Moreover, applications for obtaining these patents through the favorable PCT provisions are also subject to an exorbitant filing fee of approximately $8,600.\(^13\)

4. Certificates of Invention

The Industrial Property Law eliminates certificates of invention, which previously gave limited protection to certain products and processes that were not patentable under the former law, such as biotechnological processes.\(^14\) Applications for certificates of inventions pending on the
effective date of the law will be converted to patent applications. Current holders of certificates of invention will retain the limited protection the certificates offer, but probably will not be granted a patent because, as explained above, the product or process is in the public domain.

5. Repeal of Transfer of Technology Law

The new law repeals the Transfer of Technology Law, which restricted agreements regarding the transfer of technology to Mexico and inhibited intellectual property protection. The Transfer of Technology Law required all license agreements and assignments to be registered with the National Registry of Transfer of Technology and severely limited the parties' freedom to structure license agreements and assignments. The Industrial Property Law requires license agreements and assignments relating to industrial property to be recorded with the Secretaría de Comercio y Fomento Industrial (Ministry of Commerce and Industrial Development) in order to be effective against third parties. However, the Industrial Property Law does not restrict license agreements or assignments involving patents, utility models or industrial designs. These revisions remove a major obstacle to attracting foreign investment and technology to Mexico.

6. Parallel Patents and Trademarks

One of the most troubling aspects of the Industrial Property Law is the provision that denies Mexican patentees recourse against legally imported products. Article 22, section II of the Industrial Property Law states that the rights conferred by a patent shall produce no effect against any person who commercializes, acquires or uses the patented product, or the product obtained through the patented process, after said product has legally been introduced into commerce. A foreign manufacturer could produce a patented product, import it into Mexico, and compete against products which are covered, but effectively unprotected, by a Mexican patent. Without legal protections, in such circumstances a Mexican patent is worthless. The Industrial Property Law

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105. Industrial Property Law, Eleventh Transitory. Existing certificates of invention will be valid until their expiration. Id. Ninth Transitory. Pending applications for certificates of invention when the Industrial Property Law became effective were converted to patent applications. Id. Tenth Transitory. The applicant must request the conversion within twelve months from the effective date of the new law. Patents granted under these circumstances will have a life of 20 years from the date the patent application was filed in Mexico. Id. Eleventh Transitory.

106. Id. Second Transitory. See supra note 30, discussing the Transfer of Technology Law.

107. See supra note 30 and accompanying text.

108. Industrial Property Law, art. 62.


110. Industrial Property Law, art. 22, § II.
treats trademarks similarly.111

7. Compulsory Licensing

The Industrial Property Law continues compulsory licensing of patents although the availability of compulsory licenses has been limited. Compulsory licenses may be issued to a third party when a patent is not "worked" within three years from the date the patent was granted, or four years from the date the patent application was filed, whichever falls later.112 United States industry has criticized compulsory licensing, claiming that it gives excessive discretion to Department officials and limits the possibilities for investment in Mexico.113

Compulsory licensing may not present any real risks to patents. Apparently no compulsory license has ever been issued, and most Mexican patent attorneys are not concerned that a compulsory license will be granted in the future.114 Further, the Mexican government has stated that compulsory licensing will be allowed only in the face of flagrant patent abuse.115 In addition, the Industrial Property Law limits opportunities to obtain a compulsory license. For example, compulsory licenses for patents will no longer be granted when the patentee or contractual licensee has imported either the patented product or the product obtained through the patented process into Mexico.116 Nor will a compulsory license be granted if the patent holder has technical or economic justification for not working the patent.117

8. Cancellation of Patents

The Industrial Property Law leaves the law governing cancellation of patents substantially unchanged.118 The most significant change in this area is that the statute of limitations on actions to cancel a patent expires

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111. Article 92 of the Industrial Property Law provides that the registration of a trademark shall produce no effect against any person who commercializes, distributes, acquires or uses the product with the registered trademark after the product was legally introduced in commerce by the trademark owner or by his licensee. Included in this provision is the importing of products with a registered trademark, made by anybody for his use, distribution or commercialization in Mexico, according to the terms and conditions established by the regulations promulgated pursuant to the new statute. Id. art. 92.

112. Id. art. 70. Since five to seven years could elapse between the time a patent application is filed and the time it is granted, and a compulsory license can be issued four years after the date the patent application is filed, a compulsory license conceivably could be issued even before the patent is granted.

113. USITC APRIL 1990 REPORT, supra note 12, at 6-4.

114. Interviews with Mariano Soni, Jr., Mexican patent attorney.

115. NATIONAL PROGRAM, supra note 75, para. 141 ("[La] aplicación [de licencia obligatoria] se restringir a casos de desabasto crítico de un producto patentado o de abuso notable . . . .").

116. Industrial Property Law, art. 70.

117. Id.

118. Patents can be canceled for several reasons, including the failure to "work" the patent after two years from the date the first compulsory license was granted, unless the patentee provides a justified reason for not working the patent. Id. art. 73. Other situations in which patents may be canceled include:
within five years from the date the patent application was published in the Gazeta.\textsuperscript{119} This statute of limitations applies even when a patent has been issued for a product or process that was obtained by means of fraud, was not novel, or was otherwise unpatentable.

B. Utility Models and Industrial Designs

The new statute enhances protection of industrial designs and protects utility models that were unprotected under the former law.\textsuperscript{120} Industrial designs are protected for fifteen years from the date the application is filed;\textsuperscript{121} utility models are protected for ten years from the date the application is filed.\textsuperscript{122} Utility models and industrial designs otherwise are governed by the provisions applicable to patents.\textsuperscript{123} The sole noteworthy aspect of Industrial Property Law treatment of industrial design and utility models is that, in order to be eligible for protection, they need merely be novel with regard to the state of the art in Mexico.\textsuperscript{124} Consequently, products or processes that are in the public domain outside Mexico may be protected under the Industrial Property Law. The effect of these provisions may be to encourage piracy and to prevent the free import or manufacture of utility models and industrial designs in Mexico. For example, one could obtain a utility model in Mexico for a product being used in all other countries of the world and, by so doing, prevent any competitive importation or sale of the product in the Mexican market.

C. Trademarks

The Industrial Property Law makes few substantial changes in the law governing trademarks. The new provision increases trademark terms,

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  \item when the patent was granted in violation of the law regarding novelty and patentability, \textit{id.} art. 78;
  \item when the patent covers two or more inventions, which should be the subject matter of two or more patents, in which case the cancellation will only affect the claims that refer to a different matter, \textit{id.};
  \item when the application was abandoned during its prosecution, \textit{id.};
  \item when the grant of the patent was due to inadvertence or error, \textit{id.}; and
  \item when the required annuities are not paid during the specified periods, \textit{id.} arts. 80, 81).
\end{enumerate}

\textsuperscript{119} \textit{Id.} art. 78.
\textsuperscript{120} Industrial designs are defined as (i) industrial drawings of any combination of figures, lines or colors incorporated into an industrial product and (ii) industrial models, which are designs of any tridimensional form that serve as a model or pattern for the manufacture of industrial products. \textit{Id.} art. 32. Utility models, which were not protected under the former law, are defined as products, devices, apparatus or tools, which, as a result of modifying their form, structure or configuration, will perform a different function or be of greater utility. \textit{Id.} art. 28.
\textsuperscript{121} \textit{Id.} art. 35.
\textsuperscript{122} \textit{Id.} art. 29.
\textsuperscript{123} Utility models are governed by Industrial Property Law articles 27-30, and industrial designs are governed by Industrial Property Law articles 31-37.
\textsuperscript{124} See \textit{id.} art. 12, § II (utility model novelty requirements); \textit{id.} art. 31 (industrial design novelty requirements).
however, from five to ten years,\textsuperscript{125} eliminates compulsory licensing for trademarks, and apparently eliminates the requirement that the trademark owner prove use within three years after the application is granted.\textsuperscript{126}

The Industrial Property Law broadens coverage of trademark law to previously unpatentable items. The new law extends trademark protection to static tridimensional forms;\textsuperscript{127} to isolated letters, numbers or colors, if they are combined with other signs, devices or words giving them a distinctive character;\textsuperscript{128} and to numbers expressed in their written form, for instance "ONE."\textsuperscript{129} The Industrial Property Law eliminates the requirement that a trademark be used in exactly the same manner as it was registered, and now permits changes that do not alter the trademark's essential characteristics.\textsuperscript{130}

Trademark registrations may be licensed or assigned without any limitation,\textsuperscript{131} although trademark licenses and assignments must be recorded with the Department in order to have legal effect against third parties.\textsuperscript{132} This right to license or assign trademarks may be limited if the Department exercises its discretion to refuse to record an assignment, license or franchise agreement for public policy reasons.\textsuperscript{133} Unfortunately, the Industrial Property Law does not indicate what "public policy reasons" would warrant refusal to record.

The Industrial Property Law incorporates substantially unchanged the former law's provisions governing the circumstances under which trademarks expire or will be canceled.\textsuperscript{134} These provisions are gener-

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{125} \textit{Id.} art. 95.
\item \textsuperscript{126} The transitory provisions of the Industrial Property Law are not completely clear concerning the need to prove trademark use. The authors recommend that trademark owners continue to file affidavits of use to avoid any possibility of cancellation until regulations are issued clarifying this point. \textit{See also id.} art. 130 (stating if mark not used for three consecutive years on product or service for which it is registered, registration lapses unless justified reasons).
\item \textsuperscript{127} \textit{Id.} art. 89, § II. Examples of such tridimensional forms might be the Coca-Cola bottle or a hexagonal tablet. Animated or changing tridimensional forms cannot be registered, however. Industrial Property Law, art. 90, § I.
\item \textsuperscript{128} \textit{Id.} art. 90, § V.
\item \textsuperscript{129} \textit{Id.}
\item \textsuperscript{130} \textit{Id.} art. 128. This brings the Mexican law into line with the Paris Convention. Paris Convention, \textit{supra} note 92, art. 5(c)(2).
\item \textsuperscript{131} As indicated above, the new law repeals the Transfer of Technology Law so that assignments and trademark license agreements need no longer be recorded with the NRTT. \textit{See supra} note 106 and accompanying text.
\item \textsuperscript{132} Industrial Property Law, arts. 136, 143.
\item \textsuperscript{133} \textit{Id.} art. 150.
\item \textsuperscript{134} The Industrial Property Law provides that trademark registrations may be canceled as null in the following cases:
\begin{enumerate}
\item When the registration was granted in violation of the registrability prohibitions contained in article 90, such as generics, descriptive, etc. \textit{Id.} art. 151, § 1. \textit{See also supra} notes 118-19 and accompanying text (discussion of other violations of the registrability provisions).
\item When an identical or confusingly similar trademark was uninterruptedly used in Mexico by a third party in advance of the filing date of the application or the declared first date of use of the trademark by the putative patentee and
\end{enumerate}
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\end{footnotesize}
ally straightforward and uncontroversial. An action to cancel a trademark generally must be brought within five years from the date the registration was published in the Gazeta. A trademark cancellation action may be brought at any time, however, to challenge a registration obtained in violation of the law or in bad faith by an agent or representative. This contrasts to the five-year statute of limitations for all patent cancellation actions.

The problem discussed previously, that the Industrial Property Law denies patentees recourse against legally imported products which infringe their patents, recurs with holders of trademarks. Nevertheless, other than this, and the provisions discussed above, the chapter on trademarks effects only minor changes in the law.

Trademark registrations also expire if not renewed or used, as provided by the Law. For example, a trademark registration which is not used during three consecutive years shall expire, unless its owner justifies the lack of use.

Surprisingly, however, the Industrial Property Law eliminates the provision in the former law that called for cancellation of a trademark if the registration had been granted in circumstances contrary to any law. Instead, the Industrial Property Law includes only the specific situations in which cancellation would occur. See supra note 134.

One exception to this statute of limitations concerns actions to cancel the trademark registration used abroad. In this case the action must be brought within one year after the publication. Industrial Property Law, art. 151.

For example, the Industrial Property Law eliminates the requirement to use the legend HECHO EN MEXICO (Made in Mexico) as well as the eagle head design, but maintains the requirement that all products which are made in Mexico and covered by a registered trademark should bear the legend MARCA REGISTRADA (Registered Trademark), its abbreviation MARC. REG., the initials M.R., or the symbol ®. Industrial Property Law, art. 131. The Industrial Property Law also maintains the optional linking provision. Id. art. 132; see supra note 67. The Industrial Property Law eliminates the requirement that the trademark owner produce specific economic data in order to renew a trademark, and instead requires that the renewal application contain an affidavit stating that the use of the trademark has not been suspended for three or more consecutive years. Id. art. 133. The IndustrialProperty Law does not state whether the three-year term refers only to three years within each ten-year period of renewal or whether...
D. Tradenames and Commercial Advertisements or Slogans

Tradenames, commercial advertisements and slogans are protected under the Industrial Property Law, and are generally governed by the rules applying to trademarks. As with trademarks, the term of protection for tradenames and slogans is ten years from the date the application is filed and can be renewed indefinitely. The right to renew commercial advertisements or slogans is an important improvement. Under the former law, such advertisements and slogans were nonrenewable and could be used freely by anyone after the initial ten year term expired.

E. Trade Secrets

The Industrial Property Law contains a new chapter that regulates trade secrets [secretos industriales]. The Industrial Property Law expands protection of trade secrets and increases penalties for misappropriation of secrets. The Industrial Property Law also allows such industrial secrets to be licensed or assigned to third parties, and allows license agreements that require the licensee to keep the information confidential after the termination of the agreement.

F. Penalties and Damages

The Industrial Property Law enumerates the activities that constitute infringement and misappropriation and makes these either administratively or criminally punishable.

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1. Id. art. 142.
2. Id. arts. 103, 110.
3. See Industrial Property Law, arts. 82-86. An industrial secret is any information that has an industrial application that any individual or company has kept confidential, thereby achieving or keeping competitive or economic advantage over third parties. The individual or company must have taken steps to keep confidential and restrict access to the information, and the information must relate to the nature, characteristics or purposes of products, manufacturing methods or processes, or to the means or manners of distribution or trade in the products or the rendering of services. Id. art. 82. The wording of the definition could create some confusion since the definition could be interpreted narrowly as referring only to secrets related to industry and not to those related to trade.

4. For example, any individual or company who hires a current or former employee, or a professional advisor or consultant, who has rendered his services to a third party, for the purpose of gaining access to the industrial secret of such third party, shall be liable for the damages resulting therefrom. Id. art. 86. See supra note 66 for discussion of the limited protection for industrial secrets under the former law.

5. Id. art. 84. Anyone with access to an industrial secret in connection with his or her work, job, position, professional or business relationship activity is prohibited from disclosing it to any third party. Id. art. 85.
The following activities are administrative offenses under the Industrial Property Law, art. 213:

1. Acts contrary to the good uses and traditions in the industry, commerce and services that result in unfair competition and which relate to the matter governed by the Industrial Property Law. Id. art. 213, § I.

2. Showing as patented a product that is not. If the patent has lapsed or has been canceled, this offense is committed one year from the date of lapse or, when applicable, from the date when the decision of cancellation becomes final. Id. art. 213, § II.

3. Placing products for sale or in circulation, or offering services, indicating that they are protected by a registered trademark when they are not. When the registration has definitively been canceled or expired, infringement occurs one year after the corresponding final decision or after the expiration of the registration. Id. art. 213, § III.

4. Using a trademark which is confusingly similar to another registered trademark to cover the same or similar goods or services protected by the registered trademark. Id. art. 213, § IV.

5. Using, without the consent of its owner, a registered trademark as an element of a tradename or corporate name, or vice versa, when such names are related to a business that operates with goods or services covered by the trademark. Id. art. 213, § V.

6. Using a tradename confusingly similar to another previously used by a third party to protect an industrial, commercial or service establishment of the same or similar business within the geographical zone in which that third party's effective clientele is located or in any part of Mexico in the case of permanent and massive diffusion. Id. art. 213, § VI.

7. Using unregistrable words, signs or initials not registrable as trademarks, such as a country's coat of arms, flag, seal, etc. Id. art. 213, § VII.

8. Using a registered corporate name or part of it as a trademark for goods or services similar to those produced, manufactured or commercialized by the company without the consent of the owner of the corporate name. Id. art. 213, § VIII.

9. In industrial or commercial activities, carrying on acts that may cause or induce confusion, error or deception in the public, by causing it erroneously to believe or to suppose:
   a) The existence of a relationship or association between an establishment and that of a third party.
   b) That goods are manufactured under the standards, licenses or authorization of a third party.
   c) That services are rendered or goods are sold under the authorization, license or standards of a third party. Id. art. 213, § IX.

10. To discredit or attempt to discredit the goods, services or establishment of a third party. It is not an offense to compare goods or services covered by a trademark for the purpose of informing the public, unless the comparison is misleading, false or exaggerated in accordance with the provisions of the Ley Federal de Protección al Consumidor [Federal Consumer Protection Law]. Id. art. 213, § X.

11. Any other violation of the Industrial Property Law that does not constitute a criminal offense. Id. art. 213, § XI.

The following are deemed criminal offenses under the Industrial Property Law, art. 223:

1. To manufacture or produce products covered by a patent or utility model, without the consent of the owner or without a license. Id. art. 223, § I.

2. To offer for sale or place in circulation goods covered by a patent or utility model, knowing that they were manufactured or produced without the consent of the patentee or without a license. Id. art. 223, § II.
increases civil and criminal penalties for infringement and misappropriation and, in certain cases, authorizes the temporary or permanent closing of offending facilities or authorizes administrative arrest.  

(3) To use patented processes without the consent of the patentee or without a license.  

(4) To offer for sale or place in circulation goods obtained through a patented process knowing that the same were produced without the consent of the patentee or the licensee.  

(5) To reproduce registered industrial designs without the consent of the owner or without a license.  

(6) To use a registered trademark without the consent of its owner or without a license, to cover the same or similar goods or services as those covered by the trademark.  

(7) To offer for sale or place in circulation the same or similar goods covered by a registered trademark, knowing that said use is made without the consent of the owner.  

(8) To offer for sale or place in circulation altered goods protected by a registered trademark.  

(9) To offer for sale or place in circulation goods protected by a registered trademark, after having altered, substituted, or partially or totally eliminated the trademark.  

(10) To continue using an unregistered trademark confusingly similar to a registered trademark, after the declaration of administrative offense has become final.  

(11) To offer for sale or place in circulation goods or rendering services covered by a trademark in the case mentioned in point (10) above.  

(12) To use an appellation of origin without the proper authorization or license.  

(13) To disclose an industrial secret to a third party in violation of articles 84 or 85 of the Industrial Property Law having been warned of its confidentiality, in order to obtain an economical benefit for oneself or for a third party or for the purpose of harming the owner of the secret.  

(14) To appropriate an industrial secret, without right and without the consent of its owner or his licensee, to use it or to disclose it to a third party in order to obtain an economic benefit for oneself or for a third party or for the purpose of harming the owner of the industrial secret or his licensee.  

(15) To use the information contained in an industrial secret that came to one's knowledge due to one's work, job, position or activity or business relationship, without the consent of the owner of the secret or his licensee, or that was disclosed to one by a third party knowing that this party had no right to disclose it, for the purpose of obtaining an economic benefit or for the purpose of harming the owner of the industrial secret or his licensee.

149. Under article 214 of the Industrial Property Law, administrative offenses will be penalized with:

(1) A fine of up to 10,000 times the minimum wage for Mexico City (approximately $4.00 per day).  

(2) An additional fine up to 500 times the minimum wage for each day that the offense continues.  

(3) Temporary closing of offending facilities for a maximum period of 90 days.  

(4) Permanent closing of the offending facilities.  

(5) Administrative arrest for up to 36 hours.  

Most criminal offenses will result in a prison term of two to six years and a fine of 100 to 10,000 times the minimum wage for Mexico City ($400 to $40,000).  

128  Cornell International Law Journal  Vol. 25
The Industrial Property Law also expedites criminal and civil infringement and misappropriation actions. The District Attorney's office may initiate a criminal action as soon as it learns of the facts that may constitute a felony.\textsuperscript{150} During the investigation, the District Attorney's office may seize property or close the facilities where the felony is being committed.\textsuperscript{151} These provisions were adopted with the 1987 amendments\textsuperscript{152} but, in previous practice, the District Attorney generally would not act until the trial was completed. The Industrial Property Law should alter this situation. Since the Department will render a technical report on the case before the trial commences, it is expected that the District Attorney will probably feel secure in seizing property or closing facilities when the technical report is issued and will not delay until the trial is completed.

Civil actions to recover damages for infringement and misappropriation will be expedited. The Industrial Property Law permits a party to initiate a civil action without first obtaining authorization from the Department.\textsuperscript{153} This means that immediate procedural measures will be available to enjoin the infringing activities. Previously, such measures could be delayed by as much as five years.

V. Conclusion

Although not perfect, the Industrial Property Law improves upon Mexico's former patent and trademark laws and represents a tremendous step toward bringing Mexico's intellectual property laws into line with those of the United States. Any lack of protection for intellectual property in the Industrial Property Law appears to be accidental rather than due to any hesitation on the part of Mexico to protect intellectual property more fully. President Salinas is vitally interested in stimulating the flow of foreign investment and technology to Mexico, and he recognizes that adequate protection for intellectual property rights is necessary to achieve these goals.\textsuperscript{154} If the Salinas administration is made aware of

\begin{itemize}
\item \textsuperscript{150} Id. art. 225.
\item \textsuperscript{151} Id.
\item \textsuperscript{152} See supra note 65.
\item \textsuperscript{153} Industrial Property Law, art. 22b.
\item \textsuperscript{154} Programa Nacional de Modernización Industrial y del Comercio Exterior, 1990-1994, Secretaría de Comercio y Fomento Industrial (May 1989), ch. 1, arts. 13-15; ch. 4, arts. 106-14. The Salinas administration has continued and accelerated the trade liberalization process begun in the de la Madrid administration and has pushed hard for a free trade agreement with the United States. See generally Rubio, supra note 28, at 236-37; Sánchez Ugarte, supra note 28, at 246-48; Storming the Windy City, Business Mexico, May 1991, at 5. In May 1989, Mexico made sweeping reforms of regulations governing foreign investment in order to provide for greater transparency, increased foreign participation, and for greater efficiency in the application process.
\end{itemize}
the shortcomings and flaws in the Industrial Property Law, the administration may support or initiate further domestic reforms of Mexico's intellectual property laws.

Although the Salinas administration genuinely seems to want to improve protection for intellectual property so that U.S. businesses will bring capital and technology to Mexico, a Mexican president could be elected in 1994 who is less receptive to strong intellectual property protection. Now, while Salinas is President, when negotiations for a North American Free Trade Agreement are beginning, a unique opportunity exists to bring about additional improvements in Mexico's intellectual property protection.

The administration also recognizes that stronger intellectual property protection could directly benefit innovative Mexicans. Pitts, supra note 17. Many economists, especially those from industrialized countries, believe that increased levels of intellectual property protection will produce a variety of short- and long-term benefits to developing countries. Abbott, supra note 9, at 698-99 n.16 and sources cited within. Economists believe that adequate protection will: (1) encourage technology transfer and investment, (2) stimulate local innovation and technology infrastructures by providing an environment in which local innovators are encouraged to create and share their creations, (3) encourage domestic investment in local technology-based industries, (4) promote exports by opening markets otherwise closed to those manufacturing without authorization, and (5) improve the diffusion of information necessary to make consumer markets function efficiently by permitting consumers to make educated choices about goods of varying quality. Id. Although economists recognize that a short-term loss from lost pirate revenues and the reallocation of resources may ensue, they contend that these losses will be compensated for by the long-term benefits enumerated above. Id.

155. President Salinas has demonstrated his commitment to such protection by issuing new regulations and initiating the Industrial Property Law. Salinas had also issued new regulations under the now-repealed Transfer of Technology Law to facilitate the transfer of technology. Supra note 30. Although the Transfer of Technology Law regulations did not extract the government from the technology transfer process, the regulations represented a strong executive commitment to the infusion of free-market principles into national technology transfer policy. Moss, supra note 30, at 215.