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Urgent updates to trademark law in Mexico

Antonio Belaunzarán and Carlos Reyes help readers become aware of some critical amendments that the Mexican Trademark Law (MTL) requires to make Mexico a truly competitive country in terms of trademark protection.

Résumés

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Antonio is a true trademark expert and one of Mexico's most sought after Trademark Attorneys. He joined Olivares in 1988 and became partner in 1994.

His practice focuses on all types of legal cases related to distinctive signs, such as trademarks, slogans, trade dress, trade names and appellations of origin, including searches, filing, prosecution, license and assignment agreements; litigation before both the Mexican Institute of Industrial Property and the Federal Courts in cases related to invalidity, cancellation and infringement; anti-counterfeiting actions; unfair competition, comparative and ambush advertisement issues. He designs legal strategies for contentious matters and counsels clients on all type of distinctive signs issues.

As a senior partner and highly regarded senior trademark attorney in Mexico, Antonio brings a sophisticated level of legal experience to all of his cases and serves as a powerful mentor for Olivares' junior level attorneys looking to gain insight on the complexities of representing the leading brand names that are our clients. He has tactfully secured famous trademark status for clients and worked on accounts for some of the biggest brands in the world.

Carlos Reyes
Senior Attorney, Olivares

Carlos joined Olivares in October 2008 and has more than 25 years of experience in Intellectual Property prosecution and litigation. He primarily focuses his practice in Olivares in the areas of trademark counseling and litigation, including domain name UDRP and LDRP arbitrations before the World Intellectual Property Organization Arbitration Center. In brief, he provides counseling regarding trademarks registrability and brings its experience on trademark prosecution and litigation, including trademark litigation matters before the Mexican Industrial Property Office (IMPI) and also before federal courts.

As senior attorney in Mr. Belaunzarán's litigation team, he has helped to secure trademark protection in Mexico to several important trademarks, in particular relating trademark distinctiveness and likelihood of confusion.

There have been two important amendments to the MTL. The first, and the most extensive, was enacted in June, 1994, which resulted of the compromises acquired by Mexico under the North America Free Trade Agreement (NAFTA). At the time, this was seen as very relevant and even qualified by some trademark practitioners as the biggest step for modernization of the Mexican Trademark Law system. Included, among others, were updates in the definition of trademarks, descriptiveness, well-known status, in the trademark invalidation and cancellation administrative proceedings, and enforcement of trademark rights. The second update, implemented in June 2016, included the long awaited trademark opposition, in force since August 30, 2016.

However, while the importance of such changes is out of discussion, those were not sufficient to provide trademark owners with a Law protecting thoroughly their trademark rights in Mexico.

Thus, it is time that Mexico gives other big steps by amending the MTL for in the following issues:

1: Partial cancellation of a trademark registration

Many reasons make it urgent to amend the MTL, including partial non-use cancellation actions. First, it is important to mention that under the current Mexican Law the use of the trademark is not required for obtaining a trademark registration.

Thus, trademark applicants have no restriction at all to list goods or services in their applications, and can apply for as many goods or services falling within a specific class as their imagination could grant, including all products or services pertaining such class, without being worried about which ones they actually use, pretend to use, or think to use the trademark with.

This absence of a requirement to have use for obtaining a trademark registration, and the consequent absence of restrictions in listing products or services in the applications,



along with the absence of provisions in the MTL on partial cancellation actions, has in the last years proved to be very harmful as the trademark registry is now crowded with registered trademarks covering the largest possible list of products or services, that are being used in trade in relation with one, two, or a few ones.

These trademark registrations, with such larger and unjustified scopes of protection, are invulnerable for cancellation, unless not being used at all. This is because, on absence of provisions on partial cancellation actions, it suffices for the Registrant to prove the use of the trademark in relation with one single product or service to maintain the trademark registration for all the originally covered products or services.

The lack of use for three full years, without justification, counted as from the date of registration, makes the registration vulnerable to cancellation. However, if the challenged registration covers all the good or services under the class, and use is proved only in connection with a single good or a service that use would suffice to defend successfully the registration and keep the trademark protection with respect to all goods and services originally protected.

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It is totally unfair for those trademark owners seeking protection for an identical or similar trademark for covering and using this in relation with specific goods or services that are substantially different to those the senior trademark is actually used for.

Another consequence is that in the last years the possibility of having a registered trademark cited as obstacle against the registration of a new trademark has been incremented several times derived on a registry crowded with trademarks granted in relation with the widest list of products or services and with a specific or very limited actual use in trade. Trademarks with the widest scope of protection cannot be reduced or reasonably limited because this absence of the regulations on partial non-use cancellation actions.

The above situation does not help fair competition, as it unjustifiably delays or blocks investments derived on the entry in the market of new products or services. In addition, it is against the very nature of trademarks **as signs that distinguish products or services from others of the same type or category in the market.**

2. Co-existence agreements

Believe it or not, MTL does not provide for the acceptance of agreements whereby two or more trademark owners agree for their respective trademarks coexistence in the market. Thus, it should be necessary that grounds of refusal, as contemplated in section XVI of Article 90 of the MTL, be amended to provide for an exception to its application when existing a co-existence or consent agreement between the owner of the prior rights and the applicant.

In order to achieve this amendment, it will be necessary to fight against the absurd criteria of the Mexican Trademark Office that the MTL has as a primary objective to protect the rights of consumers over their industrial property rights. In this regard, it should be clear that the protection of consumers is the subject of the Federal Law of Consumers' Protection and not of the MTL.

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Thus, Mexican lawmakers should understand that under trademark law, the right of a trademark owner over his/her property obtained by means of a trademark registration, which was granted not violating any relative or absolute grounds of refusal, is the issue deserving protection. Based upon such a principle, trademark owners can freely decide that the coexistence of their trademarks is not harmful for their trademark rights. Thus, under a trademark law perspective, it is in the interest of the trademark owners to co-exist with other trademark owners, under such rights of property. They are free to decide whether a trademark of a competitor that is similar to that owned by him shall co-exist in the market.

The public interest that the MTL protects being preserved precisely by the fact that the registered trademarks resulting from the co-existence agreement should have been granted not violating absolute or relative grounds of refusal.

3. Trademark infringement exists no matter the registered trademark is not in use

In Mexico a trademark holder is entitled to claim for trademark infringement even when his/her registered trademark is not in use.

In effect, there is no provision in the MTL requiring the trademark registrant to prove the use of his/her trademark to pursue a third party on infringement basis, which is particularly unfair because the presumed infringer has on this side to begin a cancellation action to cease the legal effects of such non-used trademark.

Additionally, considering that according to the MTL and its interpretation by the Mexican Courts, the legal effects of the registered trademark will not cease until there is a final decision on the cancellation proceeding, the trademark infringement can be found until the very date of such final decision, without considering that the infringed trademark may have not been in use.

We agree with the provision in the MTL that a trademark registration is exposed to cancellation until a term of three full years of non-use is completed, but what we do not agree with is the authority given to the Mexican Trademark Office to find infringement when the registration providing standing to institute an infringement proceeding is not in use. What rights is someone is infringing when the trademark registrant bringing the legal action is not using his/her trademark?

4. Claim for damages is still a dream in Mexico

In Mexico, a long and winding road has to be run before a trademark owner becomes entitled to claim damages from a trademark infringer. To reach such stage, the trademark owner needs to exhaust a very lengthy administrative proceeding (normally takes from 3 to 6 years) that comprises a first stage with the Mexican Trademark Office, and then 3 possible rounds of appeals.

In effect, it is until the decision finding infringement becomes final that the trademark owner is entitled to bring a civil claim for damages

before the Civil Courts, civil claims that have its own rules, and that can take other 3 to 6 years longer.

These difficulties to obtain a fair economic reparation for infringement acts that can cost millions to trademark holders, and as such quite absurd timing seem to be more down to courage the infringers than to assure a proper protection to intellectual property rights.

From the beginning, the application of provisional measures against the presumed infringer – including impeding the free commercialization of the infringing merchandises and advertisement material and the seizure of such assets – are enforced if the trademark holder presents a security bond for guarantee possible damages to the presumed infringer. This is reasonable for avoiding the abuse in the imposition of these measures, but the presumed infringer can also lift such provisional measures by filing a counter security bond.

The need to secure possible damages in the imposition of provisional measures and to lift them by filing a bond, look reasonable to avoid abuse. However, the fact that the Mexican Trademark Office only values the amount and feasibility of the bonds and cannot preliminary make any assessment in cases in which the infringement is absolutely evident, produces very harmful situations for trademark holders.

Moreover, the infringement administrative action, with as mentioned has 3 appeals available and can last 6 years or even longer, finishes with no decision on the damages or even on the payment of the costs of the claim (each part will no matter winning or losing the claim pay its own procedure costs). Instead, it ends only with the imposition of administrative sanctions against the infringer that normally consists of a monetary fine, which goes to the government.

In this regard, after following this costly claim and after waiting 3 to 6 years for obtaining a final decision on the infringement, the trademark holder will obtain – additionally to finally stopping the infringement- no monetary compensation, as the infringer will pay only the fine.

Thus, the trademark holder will then need to begin a new civil action to claim the damages before a Mexican Civil Court, where it will be required by the civil judges to prove the mere existence of damages according to civil rules.

That is true even if there is a specific rule – the article 221 bis of the MLIP- relating to the compensation for material damages due to the violation of Industrial Property rights. This rule stating that damages cannot be less than 40 percent of the public sales price of of each infringer product or the price of rendering of services involving infringement of any one industrial property right.

Consequently, it is urgent to modify the MTL for the trademark owners to be entitled to institute a claim for damages before the Mexican Civil Courts simultaneously with the administrative proceedings before the Mexican Trademark Office.

