



# PATENT LITIGATION REVIEW 2024

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# Mexico: How Improved Preliminary Injunction Regulations are Impacting Damages Claims

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## In summary

In Mexico, the protection of intellectual property has been gradually evolving and adapting to international standards, favouring the implementation of specialised institutions and an improved consolidated system. However, until recently, the true effectiveness of the protection mechanisms provided for in the applicable laws and regulations was heavily criticised, particularly regarding the enforcement of patent rights.

## Discussion points

- The protection mechanisms for intellectual property in Mexican law
- The Mexican Patent and Trademark Office and infringing patents
- Changes to injunctions and damages claims brought about by the Federal Law for the Protection of Industrial Property

## Referenced in this article

- Industrial Property Law
- Federal Law for the Protection of Industrial Property



In Mexico, the protection of intellectual property has been gradually evolving and adapting to international standards, favouring the implementation of specialised institutions and an improved consolidated system. However, until recently, the true effectiveness of the protection mechanisms provided for in the applicable laws and regulations was heavily criticised, particularly regarding the enforcement of patent rights.

These criticisms derive from the fact that, although the holder of a patent has the possibility of submitting a request for an administrative declaration of an infringement with the Mexican Patent and Trademark Office (IMPI) and, when applicable, of requesting the implementation of preliminary injunctions that allow the infringing product to be withdrawn from the market, among other precautionary measures, IMPI's criteria have allowed it to be very common to encounter cases where the alleged infringers can request and obtain in just a couple of days the lifting of those injunctions, as long as they posted the required counterbond.

These loopholes in the provisions regulating the lifting of preliminary injunctions allowed infringers to implement strategies where the objective was to obtain the lifting of the injunctions and continue with their infringing activity during the entire duration of the administrative procedure with IMPI and further appeal stages, in which case, despite obtaining a decision favourable to their interests, the holders of the patent rights will not be able to obtain due compensation for the damage suffered during the time in which the infringing product continued in the market, regardless of the applicable administrative sanctions.

The foregoing is due to the fact that in accordance with the now abrogated the Industrial Property Law (the IP Law) (in force until 4 November 2020), for the holders of an exclusivity right to be able to obtain compensation for damage suffered as a result of an infringing conduct, first they had to obtain a final decision from IMPI declaring the infringement, and subsequently, they could go to the civil courts to file a special claim for damages.

However, it is well known that, in practice, the processing of a request for an administrative declaration of infringement with IMPI can take several years. To this, we must add the time invested in subsequent challenges eventually filed by any of the parties before the courts, which means that obtaining a final decision of infringement by IMPI may take six, eight or even more years, and this is just the first step to be able to later file a claim for damages with an independent jurisdictional authority.

These circumstances had the consequence that, despite managing to obtain a favourable decision on the infringement action with IMPI, patent holders basically lost the motivation to initiate an independent claim for damages, as this new civil claim is also prone to multiple challenges and stages that will lead to an additional judicial process of several years. In addition, they reached this



stage with a considerable financial burden that in many cases no longer allowed them or simply made it impractical to engage in a new judicial procedure.

The above was resolved in jurisprudence 13/2014, where the Supreme Court determined that to claim damages with the civil courts, a prior declaration of infringement by IMPI is an essential requirement, on the grounds that said authority is the only one empowered to resolve disputes related to industrial property rights, and the civil courts' expertise is limited to evaluating the damage caused by the infringement.

The Supreme Court later decided a landmark case, in which it was established as a basic requirement to claim damages derived from an administrative declaration of infringement in accordance with the IP Law, the existence of a prior final decision by IMPI and to properly evidence the causal nexus between the infringement and the damages – namely, to demonstrate that the actual damage originated as a direct consequence of the infringing conduct previously sanctioned by IMPI.

In accordance with this ruling, it is not sufficient to have a previous declaration of infringement by IMPI, and it is required to accurately evidence the cause-and-effect relationship (immediate and direct) between the infringement and the alleged damage, which by the way, is the general rule set forth in Mexico civil law in connection with damages.

Due to the above, to date in our country, there are very few cases where decisions have been issued ordering the payment of damages derived from a declaration of a patent infringement prosecuted by IMPI.

However, as a result of the obligations imposed on the Mexican government due to the entry into force of the United States–Mexico–Canada Agreement, which replaced the well-known North American Free Trade Agreement, on 1 July 2020, the new Federal Law for the Protection of Industrial Property was approved, which entered into force on 5 November 2020, and in which, among other positive amendments, radical changes were introduced in connection to injunctions and damages claims, with which it is sought to provide the holders of exclusive rights with different mechanisms that facilitate their processing and make it possible to obtain a timely resolution.

In the past, injunctions were also granted almost automatically; that is, to obtain a decision granting and ordering the implementation of injunctions by IMPI, it was sufficient to file a petition with IMPI formally alleging a violation of a patent right and posting a bond to compensate for any damage possibly caused to the defendant when obtaining an unfavourable resolution.

However, the new Federal Law for the Protection of Industrial Property clearly states that to decide on the approval or denial of preliminary injunctions, IMPI must now carry out a weighted analysis of the particularities of the case, mainly,



the appearance of a *prima facie* case, the non-violation of public order provisions and that general interest is not affected.

In addition, IMPI must take into consideration the seriousness of the infringement and the nature of the requested injunction, for which it will require the petitioner to evidence the existence of an infringement of its right and the existence of the possibility of suffering irreparable damage, in addition to posting a sufficient bond to compensate for the damage that could be caused to the entity against whom the injunction was requested. In this regard, the law provides that to fix the amount of the bond, IMPI will take into consideration the elements provided by the petitioner, as well as those that arise from the records in the file.

Likewise, under the new IP Law, IMPI is now empowered to require the petitioner to increase the amount of the initial bond when after the implementation of the injunctions it is clear that the bond initially posted is insufficient to guarantee the damage that could be caused to the alleged infringer.

In practice, the petitioner generally provides in advance, together with its brief requesting the implementation of injunctions, a bond for an amount determined in accordance with the evidence means demonstrating the alleged infringement and the damage that it is suffering or expects to suffer in the short term. Subsequently, IMPI analyses this information and determines whether or not it is sufficient.

As mentioned before, in accordance with the provisions of the now abrogated IP Law, to obtain the lifting of injunctions it was sufficient for the defendant to post a counterbond for the amount of the bond exhibited by the plaintiff plus an additional 40 per cent.

Relevant modifications were made to the new Federal Law for the Protection of Industrial Property in this regard, as although the defendant is still entitled to request the lifting of the injunctions, it is now expressly stated that to decide on their lifting, IMPI must analyse whether the damage suffered by the person on whom the injunctions were imposed is greater than that which may be caused to the petitioner, and taking into consideration the appearance of a *prima facie* case, assess whether its lifting affects the public order or the general interest.

As for damages, the new IP Law considers two different paths. On the one hand, the patent holder is now allowed to file in parallel with the infringement action a separate civil claim with the ordinary courts directly claiming the payment of damages from the infringer, meaning that it is no longer necessary to wait for the issuance of a final infringement decision by IMPI.

And on the other, it introduces an incidental damages claim, according to which the holder of the rights may claim the damages generated as a consequence of the declaration of infringement directly with IMPI, which will now be empowered to quantify these damages and order the infringer to pay them, once IMPI



has issued an administrative declaration of infringement, and this decision is enforceable.

Accordingly, the new law now expressly provides that to determine the amount of compensation, the date on which the infringement was evidenced must be taken into account, and that the compensation in no case may be less than 40 per cent of the legitimate value indicator presented by the affected holder, such as the value of the infringed products or services calculated by the market price, or the profits that the holder would have ceased to receive as a result of the infringement, to name a few.

Although these changes are intended to considerably reduce the resolution times applicable to the current regime for claiming damages for the benefit of patent holders, there are certain peculiarities in these procedures that still cast doubt on their full effectiveness, because if they opt for a civil claim, the courts will have to suspend the trial process when the infringer challenges the validity of the related patent through a request for a administrative declaration of invalidity with IMPI.

The process also cannot be resumed until the correlative resolution is issued, which would again leave us in a scenario similar to the previous one. This is in addition to the fact that the experience of civil courts in matters related to industrial property rights is limited and work should be done jointly with IMPI for the correct implementation of the new mechanisms provided by law.

The correct implementation of this new system for claiming damages will bring many challenges, both for individuals and for the authorities. It is precisely for this reason that, according to the provisions of the transitory articles of the law in question, these amendments will not come into force until the corresponding modifications have been made to the organic structure of IMPI and it has the required financial, human and material resources for this purpose.

Finally, it should be pointed out that the current Federal Law for the Protection of Industrial Property entered into force on 5 November 2020 and clearly states that administrative declarations of infringement that were already in process at the entry into force of said law will continue to be processed and will be resolved in accordance with the provisions contained in the now abrogated IP Law.

**Sergio L Olivares Sr**

OLIVARES

Sergio L Olivares Sr joined OLIVARES in 1987 and today leads the firm with strength and a commitment to transparency, client satisfaction and personal service. He has been a partner since 1994 and chairman of the management committee since 2009.

Mr Olivares' breadth of experience is extensive; he is skilled in the prosecution and litigation of intellectual property rights, including trademarks, copyrights, patents and unfair competition. He is proficient across all areas of intellectual property law but works most closely with the firm's patent group. Mr Olivares is highly recommended by leading industry publications and directories as a leader in IP. He has been influential in ensuring that OLIVARES remains highly innovative, helping to support the firm's effort to add new practice areas and industry groups that will enable the firm to offer its clients a more comprehensive approach. Mr Olivares has played a key role in the establishment of many of these new groups, including the regulatory and administrative law groups and the life sciences and pharmaceutical and information technology industry groups.

After his graduate work, Mr Olivares trained with two prominent IP law firms in New York City – Morgan & Finnegan and Kenyon & Kenyon – before joining OLIVARES. This deep understanding of US intellectual property law allows him to offer clients clear comparative analyses of the US and Mexican legal systems and to explain complex matters in a way that suits the needs of the firm's international clients.

**Karla Olvera**

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Karla Olvera is an associate attorney in the litigation department of OLIVARES and is a member of the life sciences group, where she provides legal advice to clients from different industries through the preparation and implementation of innovative strategies to protect their intellectual property rights in Mexico. Her professional practice focuses on litigation related to patents, trademarks, unfair competition, regulatory and administrative matters.



She participated in the first case in Mexico where it was decided to revoke the granting of a marketing authorisation of a medicine in violation of a formulation patent derived from the non-compliance by the regulatory authority of the existing linkage system between the granting of marketing authorisations and patents in force, as well as in the first case where the application of said system was recognised in relation to a use patent and its defence in public tenders.

Currently, Karla is involved in different litigations related to government procurement, data protection of biological medicines as well as in infringement actions involving said products and the granting of marketing authorisations for biocomparable medicines.



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OLIVARES is determined to provide an innovative approach to solving complicated legal challenges in Mexico on behalf of clients. The firm aims to utilise every available resource to help clients achieve optimum results, protecting their business interests, intellectual property and other rights at every level and through the applicable administrative or judicial venue, in order to maximise successful outcomes – all while maintaining an overarching goal of contributing to Mexico's broader stance in the global economy and for the greater good of the Mexican people.

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