



Expert Contributor

## Claim for Damages in Industrial Property Matters in Mexico.

By Armando Arenas  
OLIVARES Partner  
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The legal protection of industrial property rights, such as distinctive signs, patents, industrial designs and models, utility models and trade secrets, constitutes a fundamental pillar for promoting innovation and economic development. These rights ensure that their owners can benefit economically from their use and exploitation, while, in parallel, they encourage creativity, progress, and economic development.

However, when these rights are violated by third parties, our legal framework provides the owners with administrative procedures to claim the cessation of conducts through which these rights are infringed. Likewise, administrative sanctions are provided against the person who is declared to have infringed the law.

However, before the reform to the Industrial Property Law, it was not possible to claim damages or compensation for damages before the administrative authority that resolved the procedure, because it was necessary to obtain a firm resolution, which took many years of litigation, and then claim payment of compensation for damages before a civil judge.

With the entry into force of the new Federal Law for the Protection of Industrial Property of 2020, the previous regulations on the protection of industrial property, enacted in the context of the treaty between Mexico, the United States and Canada (USMCA), have been modernized and reinforced in an effort to align Mexican regulations with international standards held by Mexico's most important trading partners.

Now, those affected by violations of their industrial property rights have three alternatives to seek compensation for the damages suffered:

a. The "traditional" route. This route consists of exhausting the infringement procedure before the Mexican Institute of Industrial Property (IMPI) and, once a firm, favorable resolution is obtained, one can go to the civil courts with a civil action, claiming compensation for the damages caused.

b. The “administrative” route. This new possibility implies that, once the infringement procedure before IMPI has been exhausted and a firm and favorable resolution is obtained, it is possible to claim compensation for damages before the same administrative authority through an incident. Indeed, the current law grants the Institute the power to decide on the damages and quantify the corresponding compensation. However, even when the Institute has the power to declare and quantify the damages, the execution of the resolution must be promoted before the civil courts.

c. The “civil” route. Finally, we have this new route that replicates the provisions of the Federal Copyright Law, allowing rights holders to go directly to the civil courts, without the need for a prior declaration of infringement by IMPI, to claim violation of their rights and, in the same action, compensation for any damages they may have suffered.

The purpose of this new route is to promote a more expeditious process for trials and procedures. However, a provision of the LFPPI opens the possibility for the Institute to intervene indirectly in a claim for damages, since the current law stipulates that if the grounds for the civil claim are challenged by the defendant before IMPI (as the competent authority to resolve cancellations and nullities of registries), the civil procedure will be suspended until a final resolution is issued on the cancellation/nullity of the registries base of the claim; that is, until IMPI resolves whether or not the plaintiff has a legal standing to claim damages, the civil judge may resume and decide the merits.

Thus, before the LFPPI came into force, holders had no such alternatives to enforce their rights, and they also faced lengthy and complicated processes to claim damages, which often resulted in unsatisfactory resolutions. The new law aims to eliminate these lengthy processes, making various venues available to enforce their rights.

However, as was made clear, the fact that the civil action will be suspended if the validity of the right underlying the action is questioned means the intervention of the IMPI will be necessary, even if it was not the plaintiff’s intention.

On the other hand, the determination of compensation has been among the aspects that have been taken into consideration in the new law, with the introduction of specific criteria that seek to make compensation more fair and in line with the actual damage suffered. The Industrial Property Law of 1991 established that the affected holder may claim at least 40% of the sales of the infringing product or service. This made quantification difficult in a civil instance, as it required demonstrating how much the infringer’s sales had amounted to, which made the participation and “cooperation” of the defendant necessary by having to access his accounting information.

Now, the LFPPI establishes that, to determine the amount of compensation, at the choice of the affected holder, any of the following indicators will be taken into account (Federal Law for the Protection of Industrial Property, 1976, Art. 397):

The value of the infringed products or services at market price.

1. The profits that the affected holder failed to receive due to the infringement.
2. The profits that the infringer obtained as a consequence of his illegal conduct.
3. The price of a license that the infringer would have had to pay, considering the commercial value of the infringed right and other licenses that had already been granted.

This constitutes a step forward, since it allows the affected holder to choose the means within his reach to calculate the compensation, as well as to choose on which indicator the potential quantification would be carried out.

Although our system on paper has advanced in recent years, it is still necessary for our civil judges to be trained to understand industrial property in greater depth, because, in the processing and resolution of the matters submitted to their jurisdiction, they necessarily need to apply and interpret the Federal Law for the Protection of Industrial Property, which constitutes, in our opinion, the greatest challenge for the system.

Likewise, IMPI requires training to adequately resolve the quantification of damages, although at the time of writing there is no knowledge of any claim for damages having been filed, so the effectiveness of this administrative mechanism to claim damages will be tested in the coming years.

As can be seen, the challenges are found in both jurisdictions, since, if we truly want to transform and improve the industrial property landscape in Mexico, it is necessary that judicial and administrative officials are adequately trained to handle cases under the new law and that there is sufficient infrastructure to support an efficient judicial system. The success of this system will depend on how these challenges are addressed in the coming years.

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