# TRADEMARKS IN MEXICO: THE EFFECTS OF THE NORTH AMERICAN FREE TRADE AGREEMENT

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## I. INTRODUCTION.

The necessity for stronger ties among countries, as well as the constant evolution of the international community, have made international community, have made international economic law a key factor for achieving a deeper understanding among nations at all levels. The increasing formation of economic blocks throughout the world serves as indisputable evidence of the need for regional integration. We are now feeling and exploring the consequences and benefits of such economic integration through the North American Free Trade Agreement (NAFTA)[1] between Canada, the United States, and Mexico.

Intellectual property law occupies and increasingly important place in international trade an development. Testimonies for internationalization of intellectual property law include the Trade Related Aspects of Intellectual property Rights (TRIPs Agreement)[2] in the context of the Uruguay Round in the General Agreement on Tariffs and Trade (GATT)[3], efforts by the U.S. Trade Representative (USTR)[4] to make international intellectual property laws compatible with perceived U.S. interests, and the continuing attempts by the World Intellectual Property Organization (WIPO)[5] and other countries to harmonize regional and international industrial property law regimes.[6]

In particular, trademarks are becoming important as marketing and advertising tools in the new global economy. The Mexican government responded to this globalization by reevaluating its policies.[7] The purpose is to establish an entire "foreign investment legal system not only for

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[1] North American Free Trade Agreement, *opened for signature* Dec. 8, 1992, 32 I.L.M. 605 [hereinafter NAFTA].

[2] Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, Dec. 15, 1993, 33 I.L.M. 81 [hereinafter TRIPs Agreement].

[3] General Agreement on Tariffs and Trade, Oct. 30, 1947, T.I.A.S. No. 1700, 55 U.N.T.S. 187 [hereinafter GATT].

[4] See infra note 249 and accompanying text.

[5] World Intellectual Property Organization, *opened for signature* July 14, 1967, 21 U.S.T. 1749, T.I.A.S. No. 6932, 828 U.N.T.S. 3 [hereinafter WIPO].

[6] Alan S. Gutterman, *changing Trends in the Content and Purpose of Mexico's Intellectual Propery Ribht Regime,* 20 GA. J. INT'L & COMP. L. 515, 515 (1990); Jorge Pérez-Vargas, *Major Innovations Regarding Trade and Service Marks in the Newly Revised Mexican Law on Inventions and Marks – A Mexican Perspective,* 66 TRADEMARK REP. 188, 188-189 (1976).

[7] John B. McKnight & Carlos Müggenburg R.V., *Mexico's Industrail Property and copyright Law: Attacting Business with the Increased Protection of Intellectual Property Rights*, NEWSL. OF THE INT'L L. SEC. (State Bar of Tex.), July 1992, at 24 ("Following on the heels of reforms initiated by President De la Madrid's Administration, the

the purpose of the NAFTA by also for international foreign investment standards in order to give legal security to investors who [whish] to bring their capital to Mexico."[8] Some of the most important steps for the Mexican government include: **(i)** the promulgation of the Law on the Promotion and Protection of Industrial Property ( (LPPI),[9] which "completely revamps the Mexican industrial property regime and is a significant step forward in Mexico's efforts to join the global economy;"[10] **(ii)** the promulgation of the new and more liberal Foreign Investment Law (FIL)[11] designed to liberalize its predecessor, the Law to Promote Mexican Investment and to Regulate Foreign Investment of 1973 (1973 FIL),[12] and the Law on the Control and Registry of Technology Transfer and the Use and Exploitation of Patents and Trademarks (1982) Technology Law);[13] and **(iii)** the last amendments to the LPPI, which were enacted on August 2, 1994.[14] The amendments establish the Mexican Institute of Intellectual Property (IMPI),[15] which replaces the Secretary of Commerce and Industrial Development (SECOFI) as the administrative authority responsible for enforcing the LPPI.[16] The amendments also conform the Mexican intellectual property legal system with Mexico's commitments under international treaties and the NAFTA.

To understand the Mexican intellectual property legal system, we will consider a variety of existing legal ordinances. These ordinances are described below, in hierarchical order, according to the supremacy clause of the Mexican constitution,[17] including: the Mexican

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current administration of President Carlos Salinas has recently taken a number of dramatic steps to attact foreign business to Mexico.").

[8] Alejandro López-Velarde Estrada, *Some Considerations as to the New Mexican Foreign Investment Law,* NEWSL. OF THE INT'L L. SEC. (State Bar of Tex.), Feb. 1994, at 27, 28-29.

[9] Mex. Ley de Fomento y Protección de la Propiedad Industrial, D.O. June 27, 1991 [ hereinafter LPPI], *amended by* Ley de Fomento y Protección de la Propiedad Industrial, D.O. Aug. 2, 1994 [hereinafter LPPI 1994]. The LPPI is translated in 2G JOHN P. SINNOT, WORLD PATENT LAW AND PRACTICE 83 (1994).

[10] See McKnight & Müggenburg, *supra* note 7, at 24.

[11] Ley de Inversión Extranjera [Law to Promote Mexican Investment and to Regulate Foreign Investment], hereinafter FIL]. The 1993 FIL replaces **(i)** the 1973 FIL; **(ii)** the Organic Act of Section I, Article 27 of the Constitution ; and **(iii)** the Act establishing the transitory need to obtain permits for acquisition of goods by foreigners and for the incorporation or modification of Mexican corporations having or that may have foreign partners. Id.

[12] Ley para Promover la Inversión Mexicana y Regular la Inversión Extranjera, D.O. Mar. 9, 1973, [ hereinafter 1973 FIL]. The principal implementing regulation was Reglamento del Registro Nacional de Inversión Extranjera, D.O. Mar. 9, 1973, [hereinafter 1973 FIL]. The principal implementing regulation was Reglamento del Registro Nacional de Inversiones Extranjeras, D.O. Dec. 28, 1973.

[13] Ley Sobre el Control y Registro de la Transferencia de Tecnología y Uso y Explotación de Patentes y Marcas [Law on the Control and Registry of Technology Transfer and the Use and Exploitation of Patents and Trademarks], D.O. Jan. 11, 1982 [hereinafter 1982 Technology Law]. The Regulation to the 1982 Technology Law was published in the same year. Reglamento de la Ley Sobre el Control y Registro de la Transferencia de Tecnología y el Uso y Explotación de Patentes y Marcas, D.O. Nov. 25, 1982 [hereinafter 1982 Regulation].

[14] LPPI 1994, *supra* note 9.

[15] Id. Art. 1.

[16] LPPI, *supra* note 4, art. 1.

[17] Article 133 establishes that:

> [the Mexican constitution], the Laws of the congress of the Union which emanate therefrom, and all treaties made, or which shall be made in accordance therewith, by the President of the Republic, with the approval of the Senate, shall be the Supreme Law throughout the Union. The judges of each state shall conform to the said Constitution, the law, and treaties, notwithstanding any contradictory provisions that may appear in the Constitution or laws of the states.]

Constitución Política de los Estados Unidos Mexicanos, D.O. Feb. 5, 1917, arts. 133, 76(I), 89(X) [hereinafter MEX. CONST.], *translated in* DOING BUSINESS IN MEXICO, App. E2 (Joseph J. Norton et al. Eds., 1990).

constitution;[18] international treaties and national federal laws as to intellectual property; intellectual property regulations;[20] and the Domestic Administrative System of Intellectual Property Rights.[21]

## II. LEGISLATIVE BACKGROUND OF MEXICAN INTERNATIONAL PROPERTY LAW.

Mexico's industrial property legislation has had a long and eventful history.[22] The first autonomous trademark law was the Law of Factory Marks, issued on November 28, 1889.[23] Fourteen years later, on August 25, 1903, the Law of Industrial Marks and Commerce was enacted.[24] Then, in 1928, the government promulgated further regulations and created the law on Trademarks and Trade Notices and Names.[25]

During 1942, a patent and trademark law, known as "The Law on Industrial Property,"[26] was exacted. This law was technical in content, with strict rules to prevent the registration of trademarks that deceived the public as to the origin of the product.[27] The law provided for control over the use of trademarks use of trademarks and contained a ten-year period of validity for trademarks, with the possibility of indefinite renewal.[28]

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[18] Mex. Const., *supra* note 17, art. 28. The Mexican constitution establishes the bases to intellectual property. See generally id. In Mexico, monopolies, monopolistic practices, state monopolies, and tax exemptions are prohibited pursuant to the terms and conditions prescribed by law; however, neither the privileges given for a fixed period of time to authors and artists for the production of their works, nor those given to inventors for the exclusive use and perfection of their inventions are monopolies. Id. Congress has the power to enact laws to promote Mexican investment, regulate foreign investment, the transfer of technology, and the generation, diffusion and application of scientific and technological knowledge necessary to national development. Id. Art. 73(XXIX-F). Moreover, the powers and duties of the president are to grant exclusive privileges for a limited time, in accordance with respective law, to discovers, Inventors, or improvisers of any branch of industry. Id. Art. 89 (XV).

[19] Mexico is a member of the Paris Convention for the Protection of Industrial Property, *as revised* July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention].

[20] See LPPI and LPPI 1994, *supra* note 9.

[21] See JAIME A. SOBERANIS, L A REGULACIÓN DE LAS INVENCIONES Y MARCAS Y DE LA TRANSFERENCIA DE TECNOLOGÍA [THE REGULATION OF INVENTIONS AND TRADEMARKS AND THE TRANSFER OF TECHNOLOGY] 40 (Porrúa 1st ed. 1979).

[22] Justo Nava Negrete, Derecho de las Marcas [ Trademark Rights] 3-107 ( Porrúa 1st ed. 1985). The first laws date back to 1820 when the Spanish Parliament enacted a decree to ensure the property rights of those who invent, or introduce any kind of industry. Id.

Another legislative antecedent . . . which came after the consummation of Mexico's independence, is Title III, Section V of Article 50 of the 1824 Constitution, according to which the exclusive powers of the Congress included that of promoting illustration, by assuring authors during a limited time of exclusive rights in relation to their works.

J. De Villafranca Andrade, *Recent Changes in Mexican Industrial Property Legislation*, 27 INDUS. PROP. 413, 413 (1990). In 1884, the first special legal provision regarding trademarks through the Commercial Code was published, granting a commercial chart to trademarks; the Code was in effect until the expedition of the second Commercial Code of 1884. See David Rangel Medina, *El Nuevo Marco Legal Sobre la Protección de la Propiedad Industrial en México* [*The New Legal Framework on Industrial Property Protection in Mexico],* 1 EL FORO DE LA BARRA MEXICANA DE ABOGADOS [EL FORO]287-89 (1991).

[23] David Rangel Medina, *La Propiedad Industrial en la Legislación Mercantil Mexicana [The Industrial Property in the Mexican Comercial Law]*, 20 ANUARIO DEL DEPARTAMENTO DE DERECHO DE LA UNIVERSIDAD IBEROAMERICANA, A.C. [UNIVERSIDAD IBEROAMERICANA] 597, 608 (1990-91).

[24] Ley de Marcas Industriales y de Comercio, D.O. Sept. 2, 1903.

[25] Ley de Marcas y de Avisos y Nombres Comerciales, D.O. Sept. 2, 1903.

[26] Ley de Marcas Industriales y de Comercio, D.O. Dec. 31, 1942.

[27] Id.

[28] See De Villafranca Andrade, *supra* note 22, at 413-14. For a complete discusión and innovations of these laws, see Rangel Medina, *supra* note 23, at 597-622.

## A. The Law of Inventions and Trademarks of 1976.

During the 1940s, projects in the areas of capital, management, technology, patents, and trademarks were undertaken in Mexico.[29] The government found:

> Foreign capital that favored our growth has come to represent an obstacle in certain areas to our economy, a process evident by the balance of payments of our Country; by the increased earnings by foreign capital and the payment for interest, and the payment of royalties for patents and trademarks . . . . Studies made in Mexico and in other relatively underdeveloped countries proved that profits earned from supplying technology, including patents and trademarks, surpassed the profits realized from capital investment.[30]

The Mexican government concluded that the development process of the last thirty years failed to take into account the decisive role of science and technology.

The result was tree statutory components enacted during the administration of President Echeverria.[31] First, the Law on the Control and Registration of Transfer of Technology and the Use and Exploitation of Patents and Trademarks (Technology Law),[32] which had tree goals: **(i)** to strengthen the negotiating position of Mexican transferees; **(ii)** to prevent abuses by foreign technology transferors; and **(iii)** to contribute to the government's developmental goals for the economy.[33] Second, the 1973 FIL, [34] in which the Mexican government further restricted foreign investment. Among other things, the investment law mandated majority Mexican participation of at least fifty-one percent in all new business activities.[35] Finally, the Mexican government enacted the Inventions and Trademarks Law (LIM).[36]

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[29] Pérez-Vargas, *supra* note 6, at 189.

[30] Id. At 189-90. See also John T. Lanahan, *Trademarks in Mexico-A United States Perspective* , 66 TRADEMARK REP. 205, 207-08 (1976). Lanahan found that Americans invested $2.825 billion in Mexico in 1974, approximately 75% of Mexico's total foreign investment. Id at 208-09.

[31] Luis Echeverria Alvarez was President of the Mexican Republic from December 1, 1970 through November 30, 1976. See ROBERT R. MILLER, MEXICO A HISTORY 344-46 (1986).

[32] See Ley Sobre el Registro de la Transferencia de Tecnología y el Uso y Explotación de Patentes y Marcas, D.O. Dec. 30, 1972, [hereinafter Technology Law], See generally Jaime Alvarez Soberanis, *Impedimentos para Obtener la Inscripción de Contratos de Transferencia de Tecnología en el Registro [Impediments to Obtain Registration of Technology Transfer Contracts in the Registry],* 7 Universidad Iberoamericana 59, 65-132 (1975) (discussing the discretionary power of the Mexican government under Technology Law).

[33] For a discussion of the events and perceptions that led to the adoption of the Technology Law, see Oscar Ramos Garza, *México ante la Inversión Extranjera* [*Mexico Before InternationalForeign Investment],* 29-62 (Docal 3d ed. 1974).

[34] 1973 FIL, *supra* note 12. See *generally* CARLOS ARELLANO GARCÍA, D ERECHO INTERNACIONAL PRIVADO [PRIVATE INTERNATIONAL LAW], 486-504 (Porrúa 7th ed. 1984) (discussing the purpose of the 1973 FIL); Adolfo Arrioja Vizcaíno, *Análisis de la Nueva Legislación Mexicana en Materia de Inversión extranjera [*Análisis of the New Mexican Legislation in Matters of Foreign Investmen], 6 Universidad Iberoamericana 52-87 (1974) (addressing foreign investment participation).

[35] See 1973 FIL, *supra* note 12, art. 5 (requiring foreign shareholdings not to exceed 49%). The 1973 FIL established the following economic activities, which could be subject to specific regulations: **(i)** reserved activities for the Mexican state (mails, telegraph, satellite communications, petroleum, and other hydrocarbons, basic petrochemicals), etc.); **(ii)** reserved activities and corporations for Mexicans (radio and television broadcasting, domestic air and maritime transportation, exploitation of forestry resources, etc.); **(iii)** economic activities and acquisitions with a specific restriction (exploitation and use of minerals, secondary petrochemicals, etc.); **(iv)** the possibility of exceeding the maximum percentage of foreign investment through favorable resolution from the National Commission of Foreign Investment; **(v)** the restricted zone in which foreigners cannot directly acquire real estate in

When President Echeverria submitted the LIM to the Mexican Senate, he made the following statement:

> The provisions of this bill keep a close relationship with the growing aspirations of the countries of the Third World to free themselves from those legal structures resulting from the liberal principles of [the] last century which were the expression of industrial states; but which , when applied to nations economically weak, have developed into instruments to create unjust and subordinate situations and to broaden the gap between rich and poor countries.[37]

The most important provisions of the LIM as to foreign trademarks were: **(1)** the inclusions for the concept of "Service Marks," which was not contemplated in the 1942 law;[38] **(2)** the reduction of protection of trademark registrations from ten to five years, beginning on the filing date of the trademarks containing text matter in modern foreign languages devised to give the impression, through their graphic appearance or sound, that they are of foreign origin;[39] **(3)** the prohibition on registering trademarks containing text matter in modern foreign languages devised to give the impression, through their graphic appearance or sound, that they are of foreign origin;[40] **(4)** the requirement that effective use of registered trademarks is demonstrated within three years from the date of registration;[41] and **(5)** the prohibition that Mexican trademarks could not be owned by a foreign-controlled company.[42]

The LIM also established that the effective use of a trademark shall be understood as the commercialization of the product or services that it protects.[43] The most important innovation is the use of combined trademarks.[44] The drafters decided that no foreign trademark could be used on a product manufactured in Mexico unless a Mexican trademark was used jointly and in equal prominence with the licensor's trademark.[45]

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all lands within 100 kilometers of the Mexican borders and 50 kilometers from its beaches, and (vi) restricted expansion of majority foreign-owned businesses by requiring government approval for such businesses to manufacture new product lines, open new facilities, or enter into new economic activities. Id. Arts. 4-5, 12.

[36] See Ley de invenciones y Marcas [the inventions and Trademarks Law], D.O. Feb. 10, 1976 [hereinafter LIM]. The original implementing regulation was Reglamento de la Ley de Invenciones y Marcas, D.O. Feb. 20, 1981 and Reglamento de la Ley de Invenciones y Marcas en Materia de Transferencia de Tecnología y Vinculación de Marcas, D.O. Oct. 14, 1976. In 1988, new regulations to the LIM were published. See infra note 73 and accompanying text.

[37] Lanahan, *supra* note 30, at 206. The general reasoning behind this law was economic because too much money was flowing our of Mexico as a result of royalty payments to non-nationals. Id. At 207. See also Justo Nava Negrete, *Las Marcas y Su Aplicación Desde la Vigencia de la Ley de Invenciones y Marcas [Trademarks and Their Application Since the Validity of the Law of Inventions and Trademarks],* 32 REVISTA DE LA FACULTAD DE DERECHO DE MÉXICO, 355-65 (1982) (analyzing the LIM statement of purpose).

[38] LIM, *supra* note 36, art. 87. See also *supra* notes 26-28 and accompanying text.

[39] LIM, *supra* note 36, art. 112. See also Victor Carlos García Moreno, *Los Signos Marcarios Extranjeros en la Nueva Ley Mexicana de Inverciones y Marcas [Foreign Trademarks in the New Mexican Law of Inventions and Trademarks],* 32 REVISTA DE LA FACULTAD DE DERECHO DE MÉXICO 241, 244 (1982).

[40] LIM, *supra* note 36, art. 152. See also De Villafranca Andrade, *supra* note 22, at 417.

[41] See LIM, *supra* note 36, art. 117.

[42] Id. Art. 128.

[43] Id. Arts. 118, 132. For a complete discussion as to the discretionary power of the Ministry, see Lanahan, *supra* note 30, at 210-12.

[44] LIM, *supra* note 36, art. 127.

[45] David Rangel Medina, *La Legislación Sobre Marcas Vigentes en México [ Legislation on outstanding Trademarks in México],* REVISTA DE LA FACULTAD DE DERECHO DE MÉXICO 403, 415 (1982). In the speech of Jaime Alvarez Soberanis, Director of the National Registry for Transfer of Technology of México, Soberanis claimed that article 127 is "intended to reduce dependency on foreign trademarks." George W. Cooper, *The Trademark Forum – The Mexican Law of Inventions and Trademarks,* 66 TRADEMARK REP. 319, 321 (1976).

Many U.S., Canadian, and Mexican executives saw the Echeverrían statutes as important factors limiting foreign investment in Mexico.[46] Specifically, the compulsory linking of the Mexican trademark with the licensor's trademark was severely criticized ad being not only anti-foreign, unclear, and ineffectual, but also a violation of the Paris Convention.[47]

As a result of the protections and policies of the Echeverría administration, foreign investment in Mexico declined.[48] Many foreign investors were looking forward to the day a new administration would come into power and enact laws providing more legal security for foreign investors.

When José López Portillo became President of Mexico,[49] foreign investment slightly increased.[50] However, problems began to arise in the 1970s "[b]ecause protectionist policies had been prolongated, monopolistic structures developed, and consequently Mexican products became less competitive."[51] The fiscal and financial schemes the government implemented in 1970 to stimulate productivity and the adoption of new technologies failed.[52]

A new industrial policy was the proposed solution to these problems.[53] The redefinition of policy was delayed as a result o the oil boom in the early 1980s, which greatly increased national income and permitted the tolerance of low levels of productivity in other industries.[54] Mexico's oil abundance gave the county an ephemeral sense of economic independence.[55] However, in 1982, the oil boom ended and correcting Mexico's industrial problems became imperative.[56] The cost of this delay was extremely high. [57] Mexico's foreign debt exceeded its ability to repay, oil prices collapsed, and foreign credit was unavailable.[58]

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[46] See James Basche, *North American Economic Relations, The Conference Board Information Bull. No. 88, at 13 (1981).* See also William H. Ball, Jr., Attitudes of Developing Countries to Trademarks, 74 Trademark Rep. 160, 163 – 74 (1984) (giving an overview of the protectionism in Mexico).

[47] Ewell E. Murphy, Jr., *The Echeverrian Wall: Two Perspectives on Foreign Investment and Licensing in Mexico,* 17 Tex. Int'l L.J. 135, 142 (1982).

[48] Miller, *supra* note 31, at 345-46.

[49] José López Portillo became president on December 1, 1976. Id. At 347.

[50] Víctor Cardoso & Juan Zúñiga, *La Inversión Externa Desplaza a Empresarios Mexicanos [ Foreign Investment Displaces Mexican Contractors]*, Proceso, Apr. 20, 1981, at 6-7. Foreigners brought only $1.6 billion in U.S. dollars to Mexico during the entire six-year term of President Echeverría, but they Invested more than $1.5 billion during the first three years of the López Portillo administration. Id.

[51] Fernando Sánchez Ugarte, *Mexico's New Foreign Investment Climate,* 12 Hous. J. Int'l L. 243, 244 (1990). México's fiscal deficit, "which in 1969 was 2.2.% of Gross Domestic Product (GDP), became 17.2% of DGP in 1982. Of [México's] export revenues, 34% went to service foreign creditors. Annual inflation reached levels of 160%, and our currency was devaluated 24,000%; that is, two hundred and forty times. The preceding were the fruits of protectionism, of trade barriers, of regulating foreign investment, of budget deficits, of government borrowing, of isolationism and of populism. Fausto C. Miranda, *Proceeding of the Fifth Annual Seminar on Legal Aspects of Doing Business in Latin America: Free Trade the Door Opens*, 7 Fla. J. Int'l. 1, 41 (1992).

[52] Sánchez Ugarte, *supra* note 51, at 244.

[53] Id.

[54] See Miller, *supra* note 31, at. 349-51

[55] Jorge Arciniega & Nancy Ramírez, *México's New Industrial Property Law-New Protection for Foreign Investors,* Mexico Trade & L. Rep., Oct. 1, 1991, available in LEXIS, Nexis Library, MTLR File.

[56] Sanchez Ugarte, *supra* note 31, at 349-51.

[57] See Miller, *supra* note 44, at 351-52.

[58] See Luis Rubio, *Mexico in Perspective: An Essay on Mexico's Economic Reform and the Political Consequences,* 12 Hous. J. Int'l L. 235, 235 (1990). In 1982, with the protectionist economy of the administration of Echeverría and López Portillo, "Mexico's economy was practically destroyed . . . . We were the second most indebted country in Latin America." Miranda, supra note 51, at 39.

Then, the 1982 Technology Law was enacted, and its statement of purpose articulated:

The old Law efficiently responded to the objectives for which it was foreseen. With the evolution of the country, many activities have arisen of the framework of the Technology Transfer that have not been regulated, excluding a lot of contracts that are not registered because of legal limitations. With this project we are looking for an expansion to an exclusive regime of registry to a mechanism that establishes the bases that will permit to obtain the best and effective Technology Transfer for the benefit of the country.[59]

The purpose of the revision was not to substitute the regime control, but to adjust the law to the new demands Mexico development required. Unfortunately, the 1982 Technology Law did not overcome the defensive nature of the Technology Law,[60] because the 1982 Technology Law did not contemplate an aggressive plan to stimulate the technological development of the country.[61]

With Miguel De la Madrid as President of the Republic of Mexico,[62] Mexico began the process of reforming its import substitution-oriented economy to an open market economy by opening up to foreign competition.[63] The Mexican Congress passed a number of laws and amendments to alleviate the national recession.[64]

In 1983, the Mexican Constitution added article 73, which gives Congress the power to legislate on foreign investments.[65] A new law authorizing the federal executive to liberalize foreign trade was passed,[66] and the amendments to the LIM were also added.[67]

The salient changes and additions to the LIM were: **(i)** the repeal of the prohibition on registering trademarks containing text matter in foreign languages and trademarks artificially devised to give the impression, through their graphic appearance or sound.[68] The LIM also combined trademarks, which allowed an optional system whereby combined trademarks were freely negotiable by the trademark owners.[69] With the goal to strengthen the measures to guarantee the right of trademark owners, one new type of offense was defined: the recurrent use

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[59] See Jaime Alvarez Soberanis, *Comentarios y Observaciones Acerca de la Nueva Ley Sobre el Control y Registro de la Transferencia de Tecnología y el Uso y Explotación de Patentes y Marcas [Comments and Observations About the New Law on the Control and Registration of Technology Transfer and the Use and Exploitation of Patents and Trademarks*], 14 UNIVERSIDAD IBEROAMERICANA 369, 369 (1982).

[60] See supra note 32, and accompanying text.

[61] Id. At 370. The 1982 Technology Law heavily regulated transfers of various technologies (or forms of industrial property) into Mexico, including patent licenses, industrial model or drawing licenses, trademark and trade name licenses, transfer of know-how, technical assistance, computer programs, certain copyright licenses and the provision of operational, management, advisory, consulting, and supervisory services. Joyce G. Manzero et al, *A Guide to Industrial Property, Franchising, and Licensing in Mexico,* 1992 Int'l Trade L.J. 33, 39.

[62] Miller, *supra* note 31, at 352. Miguel De la Madrid governed Mexico from December 1, 1982 until November 30, 1988. Id.

[63] See Sanchez Ugarte, *supra* note 47, at 244-45.

[64] Id.

[65] Constitución Política de los Estados Unidos Mexicanos, D.O. Feb. 3, 1983, art. 73.

[66] See Ley Reglamentaria del Artículo 131 de la Constitución Política de los Estados Unidos Mexicanos en Materia de Comercio Exterior, D.O. Jan. 13, 1986.

[67] Decreto por el que se Reforma y Adiciona la Ley de Invenciones y Marcas, D.O. Jan. 16, 1987.

[68] See De Villafranca Andrade, *supra* note 22, at 417-18.

[69] Id. At 418.

of trademarks that are confusingly similar to other registered trademarks.[70] Foreign investors were critical of the new amendments, arguing that nothing concrete had happened.[71] The discretionary concepts regarding the suspension and compulsory licensing of trademarks and the protection of trademarks were the bases of their critiques.[72]

In 1988, President De la Madrid published the LIM Regulation.[73] In addition tot the new statutes and regulations, under the administration of President De la Madrid, Mexico joined the GATT on August 24, 1986.[74] Thus, President De la Madrid orchestrated the initial thrust to modernize Mexico's economy through the liberalization of foreign trade.[75]

**B. The New Regulation to the Law for the Control and Registration of Transfers of Technology and the Use and Exploitation of Patents and Trademarks.**

When Carlos Salinas de Gortari became President of Mexico on December 1, 1988, his administration took significant steps to restructure an economic policy designed in the Echeverrían administration to restrict foreign investment.[76]

The Salinas administration realized that for Mexico to become internationally competitive, it was necessary to complement its low labor cost, abundant natural resources, and entrepreneurial traditions with foreign inflows of capital and technology.[77]

The adoption of the NAFTA is clearly the most definitive step Mexico can take to break with its isolationist past and attract these critical assets to its economic program. The Salinas Administration has, however, wisely avoided pinning all of its hopes on the adoption of a NAFTA, and has unilaterally moved forward during the last few years to attract foreign capital and technology.[78]

Significant legal changes in the areas of technology transfer, foreign investment, and intellectual property took place.[79] These reforms undoubtedly ushered in a new era of increased receptiveness to foreign involvement in the Mexican economy.[80]

Following the Presidential inauguration of Carlos Salinas de Gortari, the Regulation to the Law to Promote Foreign Investment (Investment Regulation) was published.[81] The Investment

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[70] Id.

[71] See *Mexico: Witnesses at ITC Predict Positive Impact from Recent Trade Liberalization Measures,* 6 Int'l Trade Rep. (BNA) No. 48, at 1604 (Dec. 6, 1989).

[72] Id.

[73] Reglamento de la Ley de Invenciones y Marcas, D.O. Aug. 30, 1988 [hereinafter LIM Regulation].

[74] For a cumplete análisis of the Mexican adhesión to the GATT, see Ruperto Patiño Manffer, *Regulation Jurídica del Comercio Internacional [Juridical Regulation of International Trade],* in 3 REVOLUCIÓN TECNOLÓGICA, ESTADO Y DERECHO [TECHNOLOGY REVOLUTION, STATE AND LAW], at. 63, 108-25 (1993).

[75] *Experts Survey Impact of Financing Package on Liberized Trade and Investment Rules* , 3 Int'l Trade Rep. (BNA) No. 46, at 1408 (Vov. 19, 1986). Although the economic growth from 1982 through 1988 had a generally positive balance, "[t]hese rates of growth [were] sadly inadequate to meet the social and economic needs of the country". Ignacio Gómez Palacio, *The New Regulation on Foreign Investment in México: A Difficult Task,* 12 Hous. J. Int'l L. 253, 253 (1990).

[76] Mark o'C. O'Brien & Carlos Müggenburg R.V. *Salinastroika: Recent Developments in Technology Transfer Law in Mexico,* 22 St. Mary's L.J. 753, 777 (1991).

[77] McKnight & Müggenburg, *supra* note 7, at 24.

[78] Id.

[79] See id. At 33.

[80] Gomez Palacio, *supra* note 75, at 263 (discussing the legislation passed during 1982-1993).

Regulation clearly indicates that Mexico's president wished for and welcomed new foreign investment.[82]

On June 10, 1990, "President Salinas and President Bush instructed their foreign trade ministers to initiate preliminary consultations regarding a free trade agreement. On August 8, 1990, Jaime Serra Puche, Mexican Trade Secretary, and Carla Hills, U.S. Trade Representative, met and recommended such an agreement to their Presidents."[83]

Furthermore, in 1990, the Mexican government adopted two important ordinances. On January 15, 1990, the Ministry announced "The National Program for Modernization of Industry announced "The National Program for Modernization of Industry and Foreign Trade 1990-1994," which established the Mexican policy for Technological Development and the Protection of Industrial Property.[84] The most relevant policies of this program include: **(i)** the encouragement of technology transfer eliminating excessive controls and revising regulations;[85] **(ii)** revising credit and capital risk instruments to provide firms with the credit they need for financing technological modernization and job training programs,[86] **(iii)** an extension of the period that trademarks are in effect and the acceptance of variations in their use and exploitation, without implying that automatic extensions will be authorized;[87] and **(iv)** simplification and modernization of the Patent and Trademark Registry.[88]

The second ordinance was the new Regulation to the Law for the Control and Registration of Transfers of Technology and the Use and Exploitation of Patents and Trademarks (1990 Technology Regulation).[89] In announcing the 1990 Technology Regulation, the Ministry indicated that "[It] was [the] intention to return to the contracting parties full responsibility to

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[81] Reglamento de la Ley para Promover la Inversión Mexicana y Regular la Inversión Extranjera, D.O. May 16, 1989, [hereinafter Investment Regulation].

[82] Under the Mexican Constitutuion, the president is allowed by article 89, paragraph I, to issue regulations with a goal of contributing a better application and understanding of the legislative law; nevertheless, the scope of the regulations is necessarily limited to the scope of the underlying law. Mex. Const., *supra* note 17, arts. 89, 91; Gomez Palacio, *supra* note 75, at 258.

[83] Francisco Velázquez, *Mexican Perspective on the North American Free Trade Agreement,* Mex. Trade & L. Rep., Jan. 1, 1992, *available in* LEXIS, Nexis Library, MTLR File. In the mid-eighties, Mexico entered into bilateral agreements with the United States and Canada, sending strong signals to the world about Mexico's willingness to substantially improve its trade relations with its neighbors. These include the following agreements: **(i)** Agreement to Establish a Joint Commission on Commerce & Trade (1981); **(ii)** Understanding Regarding Subsidies and Countervailing Duties (1985); **(iii)** Understanding on Certain Steel and Other Products (1985, renegotiated 1987, 1989); **(iv)** Understanding Concerning a Framework of Principles and Procedures for Consultation Regarding Trade and Investment Relations (1987) . . . ; **(v)** Textile Agreement (1988) . . . ; **(vi)** Understanding Regarding Trade and Investment Facilitation Talks (including Action Plan) (1989); **(vii)** Understanding Regarding the Joint Committee for Investment and Trade (1989); **(viii)** Textile Agreement (renegotiated 1990); **(ix)** Agreement on the Development and Facilitation of Tourism (1989); [and] **(x)** Tax Information Exchange Agreement (1989).
Eleanor R. Lewis, *The North American Free Trade Agreement: Historical Background and Summary of the Fast Track Process, in* Mexico: Investment and Trade: Progress and Prospects, at 23, 27-28 (PLI Com. L. & Prac. Course Handbook Series No. A-653, 1993).

[84] Secretaria de Comercio y Fomento Industrial, Programa Nacional de Modernización Industrial y del Comercio Exterior 1990-1994 [The Mexican Program for the Modernization of Industry and Foreign Trade] (SECOFI), Jan 15, 1990 [hreinafter Mexican Program].

[85] Id. At 1.

[86] Id. At 3.

[87] Id. At 4.

[88] Id. At. 6.

[89] Reglamento de la Ley Sobre el Control y Registro de la Transferencia de Tecnología y el Uso y Explotación de Patentes y Marcas, D.O. Jan. 9, 1990 [hereinafter 1990 Technology Regulation].

agree on the terms of the transfer of technology, to implement a new system for the registration of franchise agreements, to provide additional protection for industrial secrets, and to reduce government discretion in the registration process."[90]

While the 1990 Technology Regulation completely revamped the 1982 Regulation, the 1982 Technology Law remained un-changed.[91] The measures adopted for the 1990 Technology Regulation. eliminated excessive controls and gave Mexican firms access to internationally competitive technologies by giving firms the responsibility for establishing the terms of technology contracts;[92] suppressing restrictions on royalty payments and contract registrations in the National Registry on Transfer of Technology;[93] and incorporating measures to protect industrial secrets.[94]

In fact, the 1990 Technology Regulation changed the legal rules governing the transfer of technology to Mexico, particularly with respect to franchising.[95] The Mexican government lifted the restrictions on the registration of franchise agreements and eliminated the problems associated with governmental control.[96]

In addition to the significant liberalizations to the Investment Regulation and the 1990 Technology Regulation, the Salinas administration announced the proposed amendments to the LIM.[97] The ministry stated that "[l] egislative initiatives will be presented to Congress for perfecting the legal framework for industrial property as soon as possible. The objective of the initiative will be to offer protection similar to that offered in industrialized nations, while promoting the technical innovation needed to internationalize the Mexican economy."[98] The announcement of the proposed amendments was sufficient to remove Mexico from the United States' Priority Watch List of countries that provide inadequate protection for United States patents, copyrights, and trademarks.[99]

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[90] O?Brien & Müggenburg, *supra* note 76, at 764-65.
[91] Id. At. 759.
[92] Id. At. 763-64.
[93] Id.
[94] Id.
[95] Id. At. 764-65 (discussing the 1990 Technology Regulation changes and the significant changes in and liberalization of policy). The 1990 Technology Regulation also introduced the following changes: **(i)** the franchise agreement definition was contemplated for the first time in Mexican law; and **(ii)** it provided for a blanket exemption from the restrictions contained in the 1982 Technology Law so long as the franchise agreement provided at least one of the following benefits to Mexico: creation of permanent jobs; improvement of the technical qualifications of human resources; access to new foreign markets; manufacture of new products in Mexico, especially if they substitute for imports; improvement of Mexico's balance of payments; decrease in unit production costs measured in constant pesos; development of domestic suppliers; use of technologies that do not contribute to ecological deterioration; or initiation or further development of technological research and development activities in production units or in domestic research centers related thereto. See 1990 Technology regulation, *supra* note 89, arts. 15-16, 23, 53.
[96] O?Brien & Müggenburd, *supra* note 84.
[97] See Mexican Program, *supra* note 76, at 764-65.
[98] Id. At 4.
[99] See Peter D. Ehrenhaft, *Nifty Knotty NAFTA issues: The Mexican Perspective on Chapter 17* , in Mexico: Investment and Trade: Progress and Prospects, at 87, 89 (PLI Com. L. & Prac. Course Handbook }series No. A-653, 1993).

Finally, on December 21,1993, the FIL was promulgated to establish a completely new regime for receiving and protecting foreign investment and technology.[100] This new legislation raises to the level of law the proceedings and rules established in the Investment Regulation, which have facilitated the participation of foreign investment in Mexico.[101] The FIL attempts to comply with international foreign investment standards to give legal security to foreign investors.[102] The FIL does not consider the forty-nine percent foreign investment to fifty-one percent national investment general rule contemplated by the 1973 FIL.[103] As a result, the FIL provides substantial opportunities for the participation of foreign investment in different economic activities and corporations.[104] In other words, if the economic activity or corporation is not subject to specific regulation under the FIL or under the corresponding applicable law, foreigners may participate in investments or make acquisitions without limitations.[105] Nevertheless, foreign investors still have to prepare an analysis as to their investments since the FIL encompasses economic activities and corporations that are subject to specific regulation.[106] The FIL also simplifies the criteria observed in considering expansion of established foreign investment to manufacture new product lines, enter into new economic activities or open new facilities.[107]

### C. The New Law on the Promotion and Protection of Industrial Property of 1991.

The original LPPI went into effect on June 28, 1991, replacing the LIM and its amendments of 1987 and the 1982 Technology Law and its 1990 Regulation.[108] The Regulation to the LPPI (LPPI Regulation) was published in the Diario Official on November 23, 1994.[109]

Instead of issuing the regulation in 1991 as planned,[110] the Mexican government did nothing until 1994 when it amended the LPPI and published the LPPI Regulation.[111] The amendments to the LPPI and the publication of its regulation appear to be answers to practical problems arising since the issuance of the LPPI in 1991.

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[100] See FIL, *supra* note 11.
[101] See FIL, López-Velarde, *supra* note 8, at 28.
[102] Id. At 28-29.
[103] See *supra* note 35 and accompanying text.
[104] See López Velarde, *supra* note 8, at 31-32. For example domestic air and marine transportation, forestry, and cable television services, industries now open to foreign investment, were once restricted to domestic investors, In certain other industries, the percentage of foreign direct investment allowed has been increased under the FIL. Id.
[105] Id. At. 37-38.
[106] FIL, *supra* note 11, arts. 5-11. The economic activities and corporations are **(i)** reserved activities for the state ( the coinage of money, mail, petroleum, hydrocarbons, basic petrochemicals, etc.); **(ii)** reserved activities and corporations for Mexicans or Mexican corporations (retail trade of gasoline and liquefied petroleum gas, radio broadcasting services other than cable television, credit unions, etc.); **(iii)** activities and acquisitions with specific restriction (domestic air transportation, production cooperatives, holding companies of financial groups, insurance companies, etc.) **(iv)** activities and corporations that can exceed the maximum percentage through favorable resolution (port services, shipping companies, administration of airline terminals, etc.); **(v)** the restricted zone (this zone includes all lands within 100 kilometers of Mexican borders and 50 kilometers from its beaches); and **(vi)** existing Mexican corporations. Id.
[107] See López-Velarde, *supra* note 8, at 33, 37.
[108] LPPI, *supra* note 9, art. 2.
[109] Reglamento de la Ley de la Propiedad Industrial, D.O. Nov. 23, 1994 [hereinafter LPPI Regulation].
[110] McKnight & Müggenburg, *supra* notew 7, at 25.
[111] See LPPI 1994, *supra* note 9 and LPPI Regulation, *supra* note 109.

As L. Jana Sigars-Malina notes, "[b]y far the most significant change in a government's attitude toward intellectual property has been that of Mexico . . . . [This] law appears to now be held out as a model for future trade relations between countries." [112]

The LPPI considerably increases legal protection of industrial property in Mexico.[113] The LPPI's goal is to:

> bring about a continuous process of technology and quality improvement in industrial and commercial activities, and ultimately to enhance the country's international competitiveness through the local development of these factors. Greater legal security for industrial property rights will moreover attract foreign investment and facilitate the transfer of technology from outside the country.[114]

Herminio Blanco, chief Mexican negotiator for the NAFTA stated, " We want foreigners to bring the most advanced technology to our country without fearing that it will be plagiarized."[115]

The improvement of the legal regime affording protection to industrial property in Mexico has been motivated not only by the national necessity to move away from isolation, but also by the international developments and the geographical proximity to the United States.[116]

Before the LPPI amendments in August 1994, the original LPPI contemplated for the first time the creation of the Mexican Institute of Industrial Property (IMPI).[117] Among its functions, the IMPI was to provide SECOFI with advisory services and technical support, and provide the public with assistance and guidance in the field of industrial property.[118] To establish the IMPI and provide the agency with powers, more than sixty articles of the LPPI were amended.[119] The new LPPI established the IMPI in the following general terms: (i) the IMPI is an administrative authority in charge of the application of the LPPI instead of SECOFI;[120] (ii) the IMPI can be an arbitrator when the parties expressly consent to be bound by the decision of the IMPI in its resolution for the payment of damages and losses[121] and (iii) the IMPI can enforce the administrative sanctions established in the LPPI as well as report and issue the technical ruling for the federal prosecutor to exercise action under criminal law.[122]

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[112] L. Jana Sigars-Malina, *Free Trade-Changes in the Legal Environment, Mexico and Beyond, 7, Fla. J. Int'l L. 59, 62 (1992).*
[113] R. Villarreal Gonda, *The New Mexican Law on Industrial Property,* 30 Monthly Rev. WIPO 436 (1991).
[114] Id.
[115] *Mexico's New Law Designed to Reassure Foreign Investors,* 8 Int'l Trade Rep: (BNA), No. 28, at 1038 (July 10, 1991) [hereinafter Mexico's New Law].
[116] See Gutterman, *supra* note 6, at 515, 519. See also Velázquez, *supra* note 83 (discussing foreign investment figures in various industries).
[117] LPPI, *supra* note 9, art. 7
[118] Villarreal Gonda, *supra note 9, art 6(IX).*
[119] See LPPI 1994, *supra* note 9, art. 6(I).
[120] Id. Art. 6(II). See also Villarreal Gonda, *supra* note 113, at 443-44 (discussing the provision in the LPPI providing for the IMPI.)
[121] LPPI 1994, *supra* note 9, art 6(IX).
[122] See Id. Art. 6(VI). See also John B. McKnight & Carlos Müggenburg, México's New Intellectual Property Regime: Improvements in the Protection of Industrial Property, Copyright, License and Franchise Rights in Mexico, 27 Int'l Law. 27 44-48 (1993).

Thus, according to the terms of the LPPI, the enacted amendments grant very broad powers to the new administrative authority.[123] The IMPI, according to the presidential bill sent to the Mexican Congress, did not include in its board of directors interested groups such as **(i)** universities; **(ii)** commercial and industrial entities; and **(iii)** scientists. It included only public officials from the Mexican bureaucratic scheme.[124] As a result, the Mexican Congress changed article 7bis to establish the board of directors with the following entities: **(i)** SECOFI; **(ii)** Secretaría de Hacienda y Crédito Público (Internal Revenue Service); **{iii)** Secretaría de Relaciones Exteriores (Secretary of Foreign Ministry); **(iv)** Secretaría de Agricultura y Recursos Hidráulicos (Secretary of Agriculture and Hydraulic Resources); **{v)** Secretaría de Educaci6n Pública (Secretary of Public Education); **(vi)** Secretaría de Salud (Health Secretary); **(vii)** Consejo Nacional de Ciencia y Tecnología (National Council on Science and Technology); and **{viii}** Centro Nacional de Metrología {National Meteorology Center).[125] Because intellectual property rights, other than trademarks, are beyond the scope of this article, only notable improvements to the treatment of trademarks will be addressed in the following section.[126]

## III. REGISTRATION, INFRINGEMENT, AND ENFORCEMENT.

Because trademarks are basically territorial, the international lawyer must examine the laws of each country where a client might use the trademark and must determine what protections are afforded. The requirements of individual countries vary widely, especially with respect to registration or use within the territory.[127] In some cases, mitigation of these problems is afforded by treaties.[128]

The LPPI establishes the substantive standards for handling trademarks in Mexico at a level commensurate with that in the industrialized world,[129] where a general deregulation as to registration has occurred. Under the LPPI, the right to a trademark is obtained through the use of the trademark or the registration of the trademark.[130] The exclusive right is granted only through registration with the IMPI.[131] Under the Mexican legal system, there is no protection for

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[123] See LPPI 1994, *supra* note 9, art. 6.
[124] Id. Art. 7.
[125] Id. Art. 7bis.
[126] For a general overview of the patent system in Mexico, see Alejandro López-Velarde Estrada, *The New Mexican Patent Legal System: A Comparative Analysis with the Nort American Free Trade Agreement, Newsl. Of the Int'l L. Sec. (State Bar of Tex.)* Nov. 1993, at 32-53
[127] See Horacio Rangel-Ortiz, Protection of Well-Known Marks in Mexico, 78 Trademark Rep. 209, 215-23 (1988) (explaining the details of registering trademarks in Mexico).
[128] Id. At. 210 (explaining Mexico's attempt to follow standards set by the Paris Convention).
[129] See McKnight & Mürggenburg, *supra* note 7, at 28.
[130] See LPPI 1994, *SUPRA* NOTE 9, ART. 92(i). A third party who in good faith uses the same or a confusingly similar mark within the national territory for the same or similar products or services shall have the right to apply for registration of the trademark within the three following years to the day on which the registration was published to obtain a declaration of invalidity of the said registration. Id. If the registration succeeds, the registration of a trademark shall be invalid when the trademark Is identical or confusingly similar to another that has been used in the country or abroad prior to the filing date of the application of these registered trademark and has been applied to the same or similar products or services, provided that the one who asserts the stronger right by virtue of prior use proves uninterrupted use of the trademark in the country or abroad. Id. Art. 151(II); see generally David Rangel Medina, *La Pirateria de Marcas en Mexico [Trademark Piracy in Mexico]*, 18 Universidad Iberoamericana, 27-40 (1986-87) (discussing foreign trademarks that have been protected under the priority use principle).
[131] See LPPI 1994, *supra* note 9, arts. 87, 91. For a better understanding of how to get rights to a trademark, see DAVID RANGEL MEDINA, DERECHO DE LA PROPIEDAD INDUSTRIAL E INTELECTUAL [RIGHTS UPON INDUSTRIAL AND INTELLECTUAL PROPERTY] 1, 48-76 (1992). In the Unite States, registration is not mandatory; any person who, in connection with any goods or services or any container for goods, uses a trademark in commerce, shall have the right

unregistered trademarks, with the exception of "well-known" trademarks.[132] As for well-known trademarks, Mexican authorities may deny registration to persons who are not the foreign owners.[133] If a trademark is registered in Mexico "by a person other than the one having a stronger right from previous use and registration in another country, the period during which the legitimate foreign owner may seek the invalidation of the registration improperly obtained by another person in Mexico is lengthened."[134] That period of possible invalidation is five years from the publication of the registration of the trademark in Mexico instead of the one year previously allowed.[135] To be in line with article 1708:6 of the NAFTA, the LPPI articles 90(XV) and 151 were added to define and regulate "well-known" trademarks.[136] A trademark is considered well-known when in a determined sector of the public or in Mexican commercial associations, the trademark is known as a result of the commercial activities carried out in Mexico or abroad by a person who uses such trademark in connection with its products and services.[137] A trademark may also be well-known as a consequence of the promotion or publicity of the trademark.[138] However, the owner or the licensee of the well-known trademark must prove to the IMPI that it has legal rights to the trademark abroad.[139]

## A. Registrable Trademarks

Following the universal principles established by doctrine and the vast majority of foreign intellectual property laws, the LPPI begins by setting forth the trademarks that may be registered; which include: **(i)** visible names and figures that are sufficiently distinctive and capable of identifying the product or services to which they are applied or are intended to be applied, compared with others of the same type or category;[140] **(ii)** three-dimensional shapes;[141] **(iii)** trade

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to bring a civil action against any infringement of his trademark. See 15 U.S.C. $1125 (1988 and Supp. 1993). "[T]rademarks are protected at common law and by state and federal registrations. Federal registration is permitted by the U.S. Trademark office for all trademarks capable of distinguishing the goods, on which they appear form other goods." See Ralph H. Folsom et at., international business Transactions 616 (2d ed. 1991). Under the Lanham Act, the proper registration of the trademark before the Patent and Trademark Office (PTO) gives the owner the following benefits: **(i)** to exercise rights against infringement upon the trademark through litigation in federal courts; **(ii)** to give to the owner an incontestability right when the trademark has been in continuous use for five consecutive years subsequent to the date of registration and is still in use in commerce; and **(iii)** to have the opportunity to register its trademark abroad. See 15 U.S.C. $1065, 1091 (1988).

[132] See generally Rangel- Ortiz, *supra* note 127, at 212-13 (citing a case which held that a "well-known" unregistered trademark could defeat a trademark application). See *generally* Rangel-Ortiz, *supra* note127, at 212-13 (citing a case which held that a "well-known" unregistered trademark could defeat a trademark application). See also Jaime Delgado, *Available Forms of Intellectual Property Protection*, at 18 (1992) (unpublished manuscript on file with the Houston Journal of International Law).

[133] See Villarreal Gonda, *supra* note 113, at 441-42.

[134] Id. At 442.

[135] SeeLPPI 1994, *supra* note 9, arts. 90(XV), 151. See *generally* Rangel Ortiz, *supra* note 127, at 209-24 (discussing the obligation of the Mexican government to protect well-known trademarks). With the well-known trademark provision, Mexico complies with the Paris Convention, which requires signatories to "refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction and imitation, or a translation, liable to create confusion." See Paris Convention, *supra* note 19, art. 6bis.

[136] LPPI 1994, *supra* note 9, art. 90, 151.

[137] See NAFTA, *supra* note 1, art. 1708:6bis.

[138] Id.

[139] See Delgado, *supra* note 132, at 18, It usually takes about four to six months to obtain a trademark registration, except when objections to registrability are raised, such as when the trademark is objected to as descriptive, generic, geographical, etc., or if there is a prior identical or similar registration covering the same or similar goods owned by a third party. Id.

[140] LPPI 1994, *supra* note 9, art. 89.

[141] Id.

names and corporate or business names, provided that they are not covered by article 90 of the LPPI;[142] and **(iv)** the proper name of a natural person, provided the name cannot be confused with a registered trademark or trade name.[143] A registered trademark or a confusingly similar trademark may not be used by an unauthorized third party as part of a corporate or trade name for the same line of business.[144] After a trademark has been registered, its coverage may not be increased, but it may be limited.[145]

## B. Presentation of the Application

Under article 113 of the LPPI, the application for registration of a trademark must be filed with the IMPI[146] in writing, indicating: **(i)** the name, address, and nationality of the applicant; [147] **(ii)** the date when the applicant started using the trademark, which date cannot later be modified, or a statement that the trademark has not been used;[148] **(iii)** the distinctive sign of .the trademark mentioning if it .is nominative, unnamed, three-dimensional, or mixed;[149] and **(iv)** the specific products t or services it will protect and further information required by the LPPI Regulation.[150]

The application must be filed in the Spanish language, as must all supporting documents, such as powers of attorney, assignments, priority, etc.[151] Documents intended to be filed in a foreign language must be accompanied by a Spanish translation.[152]

### 1. Who Can Present the Application

Since there is no restriction in the LPPI, persons who are using or wish to use a trademark to identify the articles they manufacture or produce may acquire the exclusive right of use by complying with the formalities and requirements provided in the LPPI and the LPPI Regulation.[153] Because Mexico is a signatory to the Paris Convention, foreigners can file trademarks in Mexico as the Mexicans do.[154] The application shall be signed by the interested party or the interested party's representative.[155]

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[142] Id.
[143] Id. Art. 89 (VI). In contrast to the LPPI, the Lanham Act provides that trademarks that are ineligible for protection within the United States may be eligible in other countries because of differences in trademark statutes; hence, the Lanham Act provides a supplemental register. 15 U.S.C. 1091 (1988).
[144] See LPPI 1994, *supra* note 9, art. 91.
[145] Id. Art. 94.
[146] Id. Art. 113. The provisions of the LPPI are a matter of public policy and are to be generally observed throughout Mexico, without prejudice to the provisions of the international treaties to which Mexico is a party; its administrative enforcement is incumbent on the federal executive through the IMP. Id. Art. 1.
[147] Id. Art. 113.
[148] Id.
[149] Id.
[150] See LPPI Regulation, *supra* note 109, art. 56. The Lanham Act establishes that the owner of a trademark may apply to register a trademark on the principal register by filing in the PTO; however, the Lanham Act distinguishes the registration requirements for trademarks used in commerce and trademarks intended for use in commerce. See 15 U.S.C. 1051 (1988) (delineating the filing requirements for both types of trademarks). The applicant for a trademark already in use must submit more information than the applicant for a trademark intended for use in commerce. Id.
[151] See LPPI Regulation, *supra* note 109, art. 5.
[152] Id. See also LPPI, *supra* note 9, art. 179.
[153] See LPPI, *supra* note 9, art. 9.
[154] Paris Convention, *supra* note 19, art. 2.
Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals . . .

### 2. Documents

The application must be submitted with the following data and documents: **(i)** proof of payment of the fees and copies of the trademark;[156] **(ii)** the class number to .which the products or services correspond for which registration is requested, in accordance with the classification established in the LPPI Regulation;[157] **(iii)** the inscriptions and figures that appear on the sample of trademark and the use of which is not reserved;[158] **(iv)** three copies of the application; and **(v)** the location of the establishment(s) or business concern(s) related to the trademark.[159]

### 3. Classification of Goods and Services

As mentioned above, in Mexico, the application must describe the products or services that the trademark will protect. The classification of products and services will be made pursuant to the classification process established in the LPPI Regulation.[160]

### 4. Application Based on Foreign Registration or Application

The LPPI defines the process foreign companies must follow to ensure protection of their intellectual property.[161] When one applies for a trademark in Mexico, the filing date in the country of first filing may be recognized as the priority date.[162] To be recognized as the priority date, the following requirements must be met when the application is submitted: **(i)** the priority must be claimed, and proof given of the country of origin and filing of the application in that country;[163] **(ii)** the application filed in Mexico must not seek to cover products and services in addition to those provided for in the application filed abroad, in which case priority would be recognized only for those specified in the application filed in the country of origin;[164] and **(iii)** the requirements specified in international treaties, the LPPI, and the LPPI Regulation must be met within three months of filing the application.[165]

## C. Administrative and Novelty Test

After filing, the application is subjected to a dual examination. First, there is an administrative test, which is a formal examination to determine whether the trademark is eligible for registration under the LPPI.[166] The IMPI shall inform the applicant in writing of any impediment that may exist to the registration of the trademark, giving the applicant a period of

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Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with. Id.

[155] See LPPI, *supra* note 9, art. 180.

[156] Id. Art. 114.

[157] LPPI Regulation, *supra* note 109, art. 56.

[158] Id.

[159] Id.

[160] Id. Art. 59.

[161] LPPI, *supra* note 9, arts. 2, 38.

[162] Id. Art. 117. See also LPPI Regulation, *supra* note 109, art. 60.

[163] LPPI, *supra* note 9, art. 118.

[164] Id.

[165] Id. The last amendments to the LPPI deleted the reciprocity requirement with the country of origin. See also LPPI Regulation, *supra* note 109, art. 60.

[166] LPPI, *supra* note 9, art. 119.

two months within which to make whatever statement benefits the applicant's rights.[167] Second, a novelty test is applied to determine if the trademark is registrable and if there are applications or registrations already on file that may be confusingly similar.[168]

## D. Registration Title

After the administrative and the novelty tests have been conducted, the IMPI issues a notice of allowance.[169] The registered trademark must be used as recorded without substantial changes.[170] The use may not be discontinued for more than three consecutive years without justification.[171] If the use is discontinued, the registration lapses.[172]

## E. Term and Renewal or the Application

The registration term is now ten years in Mexico and is renewable for a successive ten-year period.[173] In addition, the length of the term is now measured from the date of filing the application rather than from the legal date provided under the LIM.[174] This should help eliminate some confusion in determining the registration commencement.

The process of renewing a registered trademark and demonstrating use of a trademark is now considerably improved. The LPPI establishes that the renewal application must be submitted within the six-month period preceding or succeeding the expiration date of the registration term.[175] To demonstrate the use of the trademark during the term, it is only necessary to submit an affidavit stating the use of the trademark has not been interrupted for any period of three or more years during the term.[176]

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[167] LPPI 1994, *supra* note 9, art. 122.

[168] LPPI 1994, *supra* note 9, arts. 90(XVI), 91. A trademark identical to a prior registered trademark may be registered by the holder of the registered trademark if "applied to similar products or services." Id. Art. 90(VXI). Cf. 15 U.S.C. 1112 (1988) (stating that the same mark may be used for different classes of goods and services).

[169] LPPI 1994, *supra* note 9, art. 125. The IMPI issues a certificate for each trademark as proof of its registration. Id. Art. 126. The certificate shall include a specimen of the trademark and shall specify the following **(i)** the registration number of the trademark; **(ii)** a distinctive sign constituting the trademark, mentioning whether it is verbal, nonverbal, three-dimensional, or mixed; **(iii)** the products or services to which the trademark will be applied; **(vi)** the title holder's name and address; **(v)** the location of establishment, where applicable; **(vi)** the application filing date and the dates of recognized priority, first use, if any, and issue; and **(vii)** the term of the trademark. Id. Cf. 15 U.S.C. 1057 (1988) (stating that a certificate shall include the following: **(i)** a reproduction of the trademark; **(ii)** the date of the trademark's first use; **(iii)** the date the trademark's first use in commerce; **(vi)** the "goods or services for which it is registered"; **(v)** the number and date of registration; **(vi)** the term of the registration; **(vii)** the date the application was received; and **(viii)** any conditions and limitations. Id. The certificate is prima facie evidence of the registered trademark's validity. Id.

[170] LPPI 1994, *supra* note 9, art. 128.

[171] Id. Art. 130.

[172] Id. Arts. 93-94, 152. Articles 130 and 152 were amended to be in line with article 1708:8 of the NAFTA and to stop lawsuits based on the lack of use of a trademark, but in which the cause of action or the lawsuit was not filed and the lawful holder could have subsequently attempted to use the trademark. Id. Arts. 130-52. In this way, the article prevents a lapse when the owner of trademark or the licensee who has registered the license at the IMPI uses the trademark during the three years before the application to declare an administrative lapse was filed. Id.

[173] Id. Art. 95. This is an increase from the five-year term the LIM established. LIM, *supra* note 36, art. 112, The Lanham Act provides the same periods for the registration title and its renewal, but a three-month period for renewal after the expiration date. See 15 U.S.C. 1058, 1059 (1988).

[174] LIM, *supra* note 36, art. 112.

[175] LPPI, *supra* note 9, arts. 133-34.

[176] LPPI 1994, *supra* note 9, art. 134. The LIM established that the owner of a trademark must prove to the satisfaction of SECOFI the effective use thereof in at least one of the classes of goods in which it was registered

Matching the date of renewal with the date upon which use must be proven simplifies the application and renewal process.[177] Also, submitting affidavits rather than the labels, sales invoices, or other evidence of use may be helpful if an interested party later challenges the application.[178] Finally, the use of the same trademark for one product is sufficient to justify renewal for its use in all other classes.[179]

## F. Nullification of Trademark Registration

The registration of a trademark may be nullified if: **(i)** the trademark was registered in violation of any rule or regulation;[180] **(ii)** the trademark is confusingly similar or identical to a trademark which was in effective use in the country or abroad by another party before the date of filing and it is applied to the same or similar products or services;[181] **(iii)** the registration was issued based on false statements of essential facts;[182] **(iv)** a trademark was granted in error and there was a previous registration for a confusingly similar or identical trademark covering the same or similar products or services;[183] and **(v)** the agent, representative user, or distributor of a trademark registered abroad applies for the registration of the same trademark in Mexico without the consent of his principal.[184]

Under the LPPI, the per se lapse of registration occurs if the registration is not renewed on time or if there is lack of use for three consecutive years.[185] The IMPI will consider whether the lack of use was with or without justifiable cause.[186] To eliminate any discretionary interpretation, article 130 was promulgated during the final amendments to the LPPI to include the justifiable excuse concept.[187] According to this provision, justifiable excuses are those circumstances arising independently of the will of the trademark owner that constitute an obstacle to the use of

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during the three years following its registration. See LIM, *supra* note 36, art. 117. In the absence of such proof, the corresponding registration will be deemed canceled without need for an official declaration. Id. Cf. 1558, 1059 (1988) (stating that before the expiration of the first five years of the registration's effectiveness, the holder must file an affidavit stating that the goods or services are in commercial use). The holder must also attach a copy or specimen of the trademark to the affidavit. Id. Alternatively, the affidavit may state that any nonuse is not due to an intention to abandon the mark but due to circumstances which excuse the nonuse. Id. If this affidavit is not filed, the Commissioner shall cancel the registration of the mark before the end of the sixth year.

[177] Manzanero et al., *supra* 61, at 38.

[178] Id.

[179] LPPI 1994, *supra* note 9, art. 135.

[180] Id. Art. 151.

[181] Id. If the application is successfully registered in Mexico, the foreign owner may seek to nullify the registration within three years of the date of publication of registration. Id.

[182] Id. If a registration was improperly granted due to false information contained in the application or because the trademark was identical or confusingly similar to a registered trademark or an unregistered trademark used on the same or similar products or services, nullification is available within five years of the date of publication of registration. Id. Under the Lanham Act, "[a]ny person who shall procure registration in the [PTO] of a mark by a false or fraudulent declaration or representation, oral or writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof." 15 U.S.C. 1120 (1988).

[183] LPPI 1994, *supra* note 9, art. 151.

[184] Id. Arts. 151, 155.

[185] LPPI, *supra* note 9, art. 152.

[186] LPPI 1994, *supra* note 9, arts. 130, 152.

[187] Id. Art. 130. See *generally* John B. McKnight & Carlos Müggenburg R.V., *Mexico's Industrial Property and Copyright Laws: Another Step Toward Linkage with Global Economies,* 20 Int'l Bus. Law. 573, 576 (1992) (discussing the problem of politically-influenced discretionary interpretation).

the trademark, such as import restrictions or other governmental requirements for goods or services to which the trademark is applicable.[188]

## G. Registration of Trademark License

As previously noted, the LPPI abrogates the 1982 Technology Law, its 1990 Regulation, and the LIM, which heavily regulated transfers of various technologies such as trademarks and trade name licenses.[189]

According to the new amendments, the registration of a license must be submitted to the IMPI, instead of SECOFI in accordance with the LPPI regulations.[190] "[T]he primary purpose of recording a trademark license or transfer agreement with the [IMPI] is to render the transfer of rights thereunder enforceable against third parties."[191] The numerous grounds to deny registration of a technology transfer agreement under the 1982 Technology Law were not included in the LPPI.[192]

Before the last amendments to the LPPI, article 150, which established the causes under which SECOFI could refuse the registration of a license or transfer of rights.[193] A registration could be refused: **(i)** for reasons of public interest;[194] and **(ii)** when the relevant agreement expressly precludes the application of the LPPI, without prejudice to the right of the parties to seek international arbitration in the event of a dispute.[195] Even before the amendments, the inclusion of such subjective criteria in Mexican intellectual property laws was controversial.[196] This "subjective criteria" was viewed by some writers as out of place in a law designed to foster the free flow of technology.[197] Today, such territorial and subjective considerations no longer exist since the IMPI may refuse the registration of a license or transfer of rights only when the registration of a trademark is not in effect.[198]

Article 138 is a new provision in the LPPI that establishes the grounds for cancellation of the registration of a license in the following cases: **(i)** when it is jointly applied for by the owner

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[188] LPPI 1994, *supra* note 9, arts. 130, 152. See also McKnight & Müggenburg, *supra* note 187, at 574 (indicating that failure to use a patent is justified for technical or economic reasons).

[189] McKnight & Múggenburg, *supra* note 187, at. 576. "The [LPPI] completely revamps the legal treatment of transfers of technology . . . .[T]he regulatory scope of the LPPI is limited to requiring the recordation of patent and trademark licenses and transfers . . . only, and does not extend to other types of technology transfer agreements that were previously regulated." Id.

[190] LPPI 1994, *supra* note 9, arts. 136-37.

[191] Id. See also McKnight Müggenburg, *supra* note 187, at 576. See Scotch Whiskey Ass'n v. Varton Distilling Co., 489 F.2d 809 (7th Cir. 1973) (holding that the Lanham Act may apply extraterritorially to U.S. citizens engaging in deceptive practices if such application does not conflict with the foreign government's law).

[192] McKnight & Müggenburg, *supra* note 187, at 576.

[193] LPPI 1994, *supra* note 9, art. 150.

[194] LPPI, *supra* note 9, art 150.

[195] Id.

[196] McKnight & Müggenburg, *supra* note 187, at 576. [T]he breadth of this provision is of great concern to all parties concerned with the permanence of change in Mexico and particularly those who have witnessed bureaucratic determinations made in Mexico on the basis of political influence and other non-merit base factors. While this concern is somewhat mitigated by the requirement that the [IMPI] states the reasons and legal grounds for rejection of an application to registered a trademark license, this provision seems oddly out of place in a law designed to foster the free flow of technology, and presumably reflected the need to make political concessions to isolationist factions within the Mexican Congress. Id.

[197] Id.

[198] LPPI 1994, *supra* note 9, art. 150.

of the trademark and the user to whom the license has I been granted;[199] **(ii)** when a registration of the trademark or pending trademark application is not obtained because of invalidation, expiration, or cancellation;[200] and **(iii)** when a court order so rules.[201]

Registered trademarks granted for public interest reasons are not subject to compulsory licenses as established in the LIM.[202] The use of a trademark by a licensee will be deemed to constitute use by the trademark owner as long as the related license is recorded.[203] The LPPI also requires a trademark licensee to make products or render services of the same quality produced or rendered by the owner of the trademark.[204]

The LPPI provides the possibility to record any lien in relation to the rights granted by a trademark or a filing application for the registration of a trademark.[205] Such lien shall be registered in the IMPI to render its legal effects against third parties.[206] The remainder of the amended LPPI provisions as to licenses reflect the express policy of deregulation in the original LPPI.

## H. Registration of Franchises

The sale of a franchise in Mexico was historically treated as a transfer of technology and was subject to the 1982 Technology Law.[207] The LPPI defines a franchise as follows:

A franchise will exist when, with the license of a mark, technical knowledge is transmitted or technical assistance is provided, allowing the person to whom it is granted to produce or sell products or render services uniformly and with the operational, commercial and administrative methods established by the holder of the mark, for the purpose of preserving the quality, prestige and image of the products or services distinguished by the mark.[208]

Franchise agreements must be registered with the IMPI pursuant to the same provisions, and with the same effect as the registration of a trademark license.[209]

## I. Infringements

The 1994 amendments to the LPPI clarify and give better protection to the lawful holders of intellectual property rights (IPRs).[210] The new trend under the LPPI regarding infringement

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[199] Id. Art. 138(I).
[200] Id. Art. 138(II).
[201] Id. Art. 138(III).
[202] LIM, *supra* note 36, art. 132; see also LPPI 1994, *supra* note 9, art. 138.
[203] LPPI, *supra* note 9, art. 141; see also LPPI 1994 *supra* note 9, art. 140 (stating that if a trademark license is recorded with the IMPI, the licensee is empowered under article 140 of the LPPI to take legal action to protect such industrial property rights as if it were the owner).
[204] LPPI, *supra* note 9, art. 139.
[205] LPPI 1994, *supra* note 9, art. 143.
[206] Id.
[207] McKnight & Müggenburg, *supra* note 7, at 31.
[208] LPPI, *supra* note 9, art. 142.
[209] Id.; McKnight & Müggenburg, *supra* note 7, at 31 ("Unfortunately . . . it is not clear whether it is necessary to submit a copy of the franchise agreement only if it contains a trademark license, or whether a simple writ filing will suffice."). For a better understanding of franchise agreements under the Mexican legal system, see McKnight & Müggenburg, *supra* note 122, at 43-44.
[210] LPPI 1994, *supra* note 9, art. 2; see also McKnight & Müggenburg, *supra* note 7, at 32.

and enforcement is to pay damages and losses to the lawful holder who has suffered violation. of its IPRs, rather than to apply criminal sanctions.[211] However, in some cases, criminal sanctions can be applicable as well.[212] The LPPI addresses two types of infringements.

First, there are administrative infringements.[213] The actions that constitute an administrative infringement are found in article 213 and may include: **(i)** placing products on sale or circulation, or offering services with the indication they are protected by a trademark when they are not;[214] **(ii)** using a trademark confusingly similar to another registered trademark to protect products or services identical or similar to those protected by the registered trademark;[215] **(iii)** using a registered trademark or a trademark or a trademark confusingly similar without the owner's consent as an element of a trade name or business name, or vice versa, provided the names are related to establishments working with the products or services protected by the trademark;[216] **(iv)** using, within the geographical area of the effective clientele, or in any part of the Mexico, a trade name that is identical or confusingly similar to another already being used by a third party to protect an industrial, commercial, or service establishment in the same or similar field;[217] or **(v)** using as trademarks the names, signs, symbols, or abbreviations referred to in sections 4 and 90 of the LPPI.[218] The IMPI may inspect and seize infringing products and temporarily or permanently shutdown businesses.[219]

When investigating an administrative infringement, the IMPI notes that if acts are committed that constitute any of the offenses provided for in the LPPI, it may notify the federal public prosecutor of the evidence at its disposal.[220] Intellectual property felonies are considered crimes that can be pursued only if the affected party files the corresponding accusation.[221] As soon as the federal public prosecutor receives the criminal complaint, the investigation begins.[222]

Second, there are criminal infringements. Under the LPPI, repeat infractions of administrative infringements and fraudulent trademark infringement on a commercial scale are considered felonies.[223]

## J. Enforcement

Perhaps, the leading complaint against the intellectual property legal system in Mexico is the lack of enforceability of its laws.[224] However, the Mexican government has been making an effort to protect IPRs against copying or imitation, and protection is now available not only under

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[211] LPPI 1994, *supra* note 9, arts. 214-22.
[212] Id.
[213] LPPI, *supra* note 9, arts. 213.
[214] Id. Art. 213(III).
[215] Id. Art. 213(IV).
[216] LPPI 1994, *supra* note 9, art. 213(V).
[217] LPPI, *supra* note 9, art. 213 (VI).
[218] LPPI 1994, *supra* note 9, art. 213(VII).
[219] See LPPI, *supra* note 9, arts. 203, 209. The IMPI shall carry out the investigation of infringements, either ex officio or at the request of the interested party. Id.. art. 215.
[220] Id. Art. 222.
[221] Id. Art. 225.
[222] Id. Art. 222, 225.
[223] LPPI 1994, *supra* note 9, arts. 213(II), 223(I).
[224] See McKnight & Müggenburg, *supra* note 7, at 32 (questioning whether enforcement measures will be "efficiently and effectively implemented").

the LPPI for trademarks, trade names, advertising slogans, appellations of origin, patents, utility models, industrial designs, and trade secrets, but also under the entire Mexican legal system.[225] The Interdepartmental Commission for the Protection, Supervision, and Safeguard of IPRs {IPR Commission) evidences this protection.[226] The IPR Commission's principal purpose is to combat infringement of the LPPI and the Federal Copyright Law.[227] It also coordinates protection, supervision, and safeguard of IPRs of the LPPI and the Federal Copyright Law.[228] Also the IMPI has enforcement tools such as increased penalties,[229] inspections on demand, [230] in-depth investigations, and enforcement actions to remedy violations of, registered trademarks.[231] In addition to the IMPI's enforcement procedures, the LPPI allows a person harmed to sue the infringer for damages and loss of profit.[232] The foregoing is evidence that the LPPI has set up a scheme for legal protection against copying or imitating IPRs, with additional enforcement measures pertaining to the global economy.[233]

## IV. TRADEMARK PROTECTION IN THE GATT AND THE NAFTA

The GATT and the NAFTA deal not only with trademarks, but also with many forms of IPRs. The scope of this section focuses on issues relating to trademarks only. With the principles and general rules established in the Uruguay Round and the NAFTA, it is possible to compare the Mexican trademark legal system to those other countries to see if Mexico complies with international rules.

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[225] See Villarreal Gonda, *supra* note 113, at 436.

[226] Comisión Intersecretarial para la Protección, Vigilancia y Salvaguarda de los Derechos de Propiedad Intelectual, D.O. Oct. 4, 1993.

[227] Id. Art. 1.

[228] Id. Art. 6.

[229] LPPI, *supra* note 9, art. 214. Administrative offenses will be punished by: **(i)** a fine of up to the amount of 20,000 days of the general minimum salary payable in the federal district; **(ii)** and additional fine of up to the amount of 500 days of the general minimum salary payable in the federal district, for each day the infringement persists; **(iii)** temporary closure (for up to 90 days); **(iv)** permanent closure; and **(v)** administrative detention for up to 36 hours. Id. Under the Lanham Act, the traditional remedies are: **(i)** inunctions to prevent the violation of any right of the registrant of a trademark registered in the PTO or to prevent a violation under 1125(a) of the Lanham Act and **(ii)** profits, damages, costs, and attorneys' fees. 15 U.S.C. 1116 (1988).

[230] See LPPI, *supra* note 9, arts. 203, 211 See LPPI Regulation, *supra* note 109, art. 71-74.

[231] For a complete discussion of the cases the Mexican Supreme Court has already resolved, see Horacio Rangel Ortiz, *La Pirateria de Marcas y Su Represion [The Piracy and Enforcement of Trademarks]*, 20 UNIVERSIDAD IBEROAMERICANA, 375-413 (1990-91).

[232] LPPI 1994, *supra* note 9, arts. 200, 221bis, 226-27. In general, the LPPI establishes two procedures: **(i)** administrative procedure for the declaration of invalidity, lapse, and cancellation of trademarks and **(ii)** judicial procedure in which trademark owners may go to the judicial system through the amparo suite in the event SECOFI or IMPI did not register, declare invalid, or cancel a trademark or when their IPRs were violated by a third party. See *also* Manuel Becerra Ramìrez, *Hacia el Nuevo Derecho Mexicano de la Propiedad Intelectual [Toward the New Mexican intellectual Property Law], in 2* EL TRATADO DE LIBRE COMERCIO DE AMÉRICA DEL NORTE [THE TREATMENT OF THE NORTH AMERICA FREE TRADE AGREEMENT] 163, 180 (1993) (nothing that the fact that the IMPI can decide if there is a violation on IPRs shows that this public agency still maintains discretionary powers).

[233] McKnight & Müggenburg, *supra* note 7, at 32.

The underlying concern among foreign investors and holders of technology, however, is whether these] enforcement measures . . . will truly be efficiently and effectively implemented. Not only is there concern with respect to whether the claims will be handled expeditiously by the relevant tribunals, but also whether sufficient monies will be allocated to fund the efforts of the government agencies responsible for carrying out on-site inspections and prosecuting infringements. Id.

## A. The GATT

The GATT is a multilateral instrument that sets forth agreed rules for conducting international trade and may be the most important global pact concerned with the negotiation of rules for international trade and further reductions of trade barriers. The international community desires to turn to the GATT to overcome any barriers to trade and to create equal opportunities among the contracting parties.[234] A treaty such as the GATT or the NAFTA will be considered national law throughout Mexico.[235] The Constitution dictates that "the Mexican Constitution, the Laws of the Congress of the Union which emanate therefrom, and all treaties . . . shall be the Supreme Law throughout the Union."[236] The laws of the Congress of the Union which emanate therefrom are known in Mexico as Leyes Reglamentarias (Regulatory Law). Regulatory Laws are laws that develop constitutional rules in order to have a better understanding and application of the Mexican paramount law.[237] Treaties and the immediately preceding federal Regulatory Laws, are rooted in the same hierarchical order. Nevertheless, treaties are superior to federal laws such as the FIL or the LPPI because they do not directly develop a disposition established in the constitution.[238] The question of the hierarchy of law, in which a court would be obligated to follow subsequent federal legislation that may contradict a treaty or executive agreement might be answered differently by the United States and Mexico. In, the United States, if Congress approves legislation contrary to binding international agreements and the measures become law, the legislation is binding on United States courts despite the international agreement according to the last in time rule.[239] In Mexico, on the other hand, if Congress approves the legislation, the legislation will not derogate a treaty since Congress does not have the power to derogate Mexican international commitments.[240] Mexican jurists such as Fernando Alejandro Vázquez Pando have I stated that special laws prevail over general legislative laws.[241] A federal law may not repeal a treaty, given that they are two distinct standards of law.[242] The U.S. doctrine that a treaty and federal law are of equivalent hierarchy, and that the last in time rule governs, does not apply in Mexico.[243] As a result, in Mexico, the courts would rule that the treaty prevails, despite subsequent contradictory legislation.[244] In addition, in Mexico, it is difficult to believe treaties

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[234] See Frank Emmert, *Intellectual Property in the Uruguay Round-Negotiating Strategies of the Western Industrialized Countries*, 11 MICH. J. INT'L L. 1317, 1344 (1990). Mexico joined the GATT on uly 25, 1986, under the De La Madrid administration, as part of a strategy to modernize the Mexican economy. Id.

[235] See James F. Smith, *Confronting Differences in the United States and Mexican legal Systems in the Era of NAFTA,* 1 U.S. Mex. L.J. 85, 96 (1993) (noting that "Article 133 of the Mexican constitution is a near literal translation of the Supremacy Clause of the United States Constitution").

[236] Mex. Const., *supra* note 17, art. 133.

[237] JAMES HERGERT & JORGE CAMIL, AN INTRODUCTION TO THE MEXICAN LEGAL SYSTEM 23 (1978).

[238] See James F. Smith & Marilyn Whitney, *The Dispute Settlement Mechanism of the NAFTA and agriculture, 68 N.D. L. Rev. 567, 602 n. 195 (1992). Although the Supreme Court has already established through jurisprudence that article 133 of the Constitution refers to regulatory laws, there are some authors who believe that article 133 of the Constitution does not make a distinction between laws of the Congress and ordinary federal laws.* Id..

[239] See Jordan J. Paust. Self Executing Treaties, 82 AM. J. Int'l L. 760, 767 (1988).

[240] See Mex. Const., *supra* note 17, arts. 89, 76, 133.

[241] See Smith & Whitney, *supra* note 238, at 602.

[242] Id. At 602 n.195.

[243] Id.

[244] Id. Cesar Sepulveda wrote that:

The examination of the Mexican practice reveals that no norm has existed that attempts to limit compliance with an international treaty, nor have the courts established binding precedent, in any case, to place the constitution over treaties. Also, it is certain that the Mexican nation has complied in good faith with all of its obligations derived from the international legal order, despite its effect on its internal interest. The logical consequence is that in general International Law is superior to the norms of the Mexican state.

Id. At 603 n.196 (*citing* Cesar Sepulveda, Derecho Internacional 79 (1986)).

can derogate congressional laws because only the Senate can approve treaties.[245] Thus, the hierarchical order of treaties and the potential conflict with Mexican federal laws are questions that have yet to be { resolved by Mexican federal courts and the Supreme Court to establish clearer rules of application.

### 1. The GATT Provisions as to Intellectual Property

There are certain GATT provisions that can be invoked to protect and enforce IPRs. First, Article IX(6) promotes the protection of intellectual property, requiring contracting parties to cooperate and to consult with each other to prevent the use of trade names in ways that misrepresent the true origin of products to the detriment of protected regional and geographical names of products.[246] Second, Articles XII(3)(c)(III) and XVIII(10) prohibit import restrictions that could be used to safeguard the balance of payments from being applied so as to prevent compliance with trademarks, patents, copyrights, or similar procedures.[247] Third, Article XX(d) allows the adoption of protective measures for intellectual property as long as such measures are not inconsistent with the GATT and are not applied in a discriminatory way.[248] Fourth, Articles XXII and XXIII address the dispute settlement mechanism that may be invoked in case GATT principles have been nullified or impaired in connection with IPRs.[249]

Despite the possible applicability of the provisions mentioned above, "the only GATT provision containing obligations aimed at promoting the protection of IPRs is article IX(6)."[250]

### 2. The GATT and Other International Conventions

Some commentators complain that the available protection through current international treaties lack vigor.[251] Trademark, patent, and copyright treaties dictate how rights are

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[245] See Mex. Const., *supra* note 17, art. 72(f). Article 72(f) of the Constitution dictates that "[I]n the interpretation, change, or repeal of laws or decrees, the same procedure shall be followed as that established for their enactment." Id.

[246] See GATT, *supra* note 3, art. IX(6).

[247] Id. Arts. XII(3)(c)(iii), XVIII (10).

[248] Id. Art. XX(d).

[249] Id. Arts. XXII, XXIII. Cases can be submitted to the GATT only by states. Id. Nevertheless, based on complains made by U.S. exporters, the U.S. Congress established Section 301 of the Trade Act of 1974. See K. Blake Thatcher, *Section 301 of the Trade Act of 1974: Its Utility Against Alleged Unfair Trade Practices by the Japanese Government,* 81 Nw. U.L. Rev. 492, 493 (1987). This section established a procedure for U.S. firms and citizens to petition a U.S. government had to investigate whether foreign governments by unfair actions had harmed the U.S. commercial interest and whether it was necessary to bring a GATT complaint or recommend various retaliatory actions by the U.S. 2171-2487 (1988). The 1988 Omnibus Trade competitiveness Act amended section 301 to mandate government action under certain violations, especially where there is a breach of legal obligation by a foreign government, and in such cases, the U.S. procedure and is given broad powers to impose duties, fees, or other restrictions on the offending state's trade Id. 2411. To alleviate Congressional dissatisfaction with the GATT dispute procedures, the revised section 301 provides that, even after submitting the case to the GATT, the U.S. government is not obligated to wait for the termination of the proceeding and may start retaliatory actions sooner. See Id. 2902 (1988 & Supp. V 1993).

[250] See David Hartridge & Arvind Subramanian. *Intellectual Property Rights: The Issues in GATT, 22 VAND. J. TRANSNAT'L 893, 901 (1989).*

[T]he fact that GATT itself does not regulate [intellectual property] to a greater extent can be explained Trade Organization (ITO) was supposed to deal comprehensively with intellectual property in international trade. However, the ITO never materialized . . . . Second, it was not apparent in 1947 that the existing conventions, later to be administered by WIPO, would not be able to keep up with technological development and could instead provide only inadequate protection. See Emmert, *supra* note 234, at 1373.

obtained.[252] Nevertheless, there are no meaningful minimum standards for defining the protection and enforcement of .IPRs.[253] Under intellectual. property treaties, there are no adequate enforcement mechanisms, and in general, "parties are only required to provide national treatment, which translates into no protection for foreigners when a country's domestic laws do not adequately protect local owners of [IPRs]."[254] Because WIPO is the international organization that has exclusive jurisdiction to deal with commercial counterfeiting, a number of developing countries, such as Brazil and India, challenged the GATT's legal competence to deal with IPRs.[255] In addition, developing countries consider regulating intellectual property as part of their general economic policy.[256] However, there is no treaty that may afford a bigger scheme for protecting intellectual property than the GATT.[257] Moreover, consultations between the GATT general director and the WIPO general director have led to an agreement that there are no jurisdictional reasons not to proceed with intellectual property in the GATT.[258]

### 3. The TRIPs Agreement

On December 20, 1991, Arthur Dunkel, ex-general director of the GATT, presented the Draft Final Act, known as the Dunkel Draft, embodying the results of the TRIPs Agreement,

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[251] Raymer McQhiston, *Developing countries Are undermining corporate America's Capacity to Market Its Creativity: A Call for a Reasoned Solution by the United States Government in Light of the continuing Deterioration of the International Trademark System, 14 SYR. J. INT'L L. & Com. 237, 252-65 (1987). As a consequence, developing countries the introduced legislation designed to supplement existing projections and national interest by creating trade barriers.* Id. At 252. These measures include: **(i)** the abolition of trademark protection in certain sectors; **(ii)** the compulsory licensing of trademarks; and **(iii)** the regulation of certain trademark-related matters. Id.

[252] Kenneth W. Dam, *The Growing Importance of International Protection of Intellectual Property,* 21 Int'l Law. 627, 651 (1987).

[253] Id.

[254] Richard Ad. Morford, *Intellectual Property protection: A United States Primority, 19 Ga. J. Int'l & Comp. L. 336, 346 (1989).*

[255] See A. Jane Bradley, *Intellectual Property Rights, Investment, and Trade in Services in the Uruguay Roudn: Laying the Foundation, 23 Stan. J. Int'l L. 57, 57 (1987). The respective roles of the GATT and WIPO were an important issue in the discussions and proposals,* Id. On July 14, 1967, WIPO was created. See Emmert, *supra* note 234, at 1337-38. WIPO began operations in 190 and became a specialized agency of the united Nations in 1974. Id. At 1338. Authors supporting the developing countries have argued that WIPO is the only appropriate forum; otherwise, problems could arise about competition, not only with the GaTT, but also with different international organizations, since international law has developed a principle of specialty. Id. At 1375. Furthermore, it would be inefficient to repeat in the GATT what has already been done in WIPO. Id.

[256] See Emmert, *supra* note 234, at 1373. Developing countries felt that an international enforcement scheme in IPRs would result in unacceptable control over the developing nations' internal policies. See Willard A. Stanback, *International Intellectual Property Protection: an Integrated Solution to the Inadequate Protection Problem,* 29 Va. J. Int'l 571, 533 (1989). Therefore, the problem of protecting intellectual property is more an issue of control than trade since the proposed intellectual property provision in the GATT is simply another means for the developed world to control the development of the third world, the international market, and the domestic activities of the developing countries. Id. In light of this continued imbalance, the developing countries have struggled to maintain greater control over the transferors for fear that they will regress to the previously disadvantaged positions they held under colonial dominance. Id. At 535. In the opposite sense, industrialized countries have characterized the lack of international protection for intellectual property as a trade issue. Id. At 525. Hence, in the developed countries' opinion, the developing countries lack of effective intellectual property protection is creating international trade distortions and development problems for the developing world. Id. At 527. .

[257] See Emmert, *supra* note 234, at 1373 (explaining that the GATT may be expanded at will to broaden intellectual property rights).

[258] See Bradley, *supra* note 255 , at 68-69. The TRIPs Agreement negotiating group program included consultations between the director generals of the GATT and WIPO to clarify the legal and institutional aspects involved. Id. Such consultations ended in the spring of 1983, ad in January 1985, the expert group on trade in counterfeit goods was established. Id.

including trade in counterfeit goods.[259] This final act constitutes the. basis of the TRIPs Agreement.[260] The TRIPs Agreement objective is to promote technological innovation, the transfer of technology, and the mutual benefits to producers and users of IPRs in a manner consistent with the social and economic welfare.[261]

The TRIPs Agreement basically contemplates the GATT general principles such as: **(i)** National Treatment, a principle that has been not only one of the most important principles in the GATT, but also in intellectual property treaties;[262] **(ii)** Most-Favored-Nation (MFN) Treatment;[263] **(iii)** application of the principles of the GATT and the international intellectual property agreements;[264] **(iv)** implementation of intellectual property protection in the contracting parties' domestic law;[265] and **(v)** promotion of effective and adequate protection of IPRs and to ensure that measures and procedures to enforce IPRs do not themselves become barriers to legitimate trade.[266] Also, an effective consultation an dispute settlement mechanism subjecting all parties to multilateral scrutiny will be conducted according to articles XXII and XXIII of the GATT 1994.[267] With this mechanism, the use of unilateral action for the protection of IPRs is expected to decrease.[268]

## B. The NAFTA

With the inclusion of the need for protection of IPRs in the agenda of the Uruguay Round, the GATT has established, through seven years' of steady work by intellectual property advocates around the world, not only its significance as a force fin the international intellectual property community, but also as an agreement between developing and developed countries.

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[259] *A Promise Given, a Promise Kept, 87 Focus* (GATT Nesl.), Jan./Feb. 1992, at 1, 2. Arthur Dunkel stated:
In examining the [Draft], governments will have to take into account a number of points: it seeks to strike the best possible balance across the board of the long negotiating agenda of this Round and it addresses all areas of negotiations as laid down by the Punta del Este Declaration [and] some technical corrections are required to ensure consistency in certain dispute settlement provisions. It should not, however, lead to substantive changes in the balance of rights and obligations established in the agreements. Id.

[260] TRIPs Agreement, *supra* note 2, art. 1. ( stating the standards concerning the availability, scope, use and enforcement of intellectual property rights).

[261] Id.

[262] Id. Art. 3 National Treatment is subject to the exceptions provided in the Paris Convention, the Berne Convention, the Rome convention and the Treaty on Intellectual Property in Respect of Integrated Circuits, in relation to judicial and administrative procedures. Id.

[263] Id. Art. 4. Most-Favored-Nation (MFN) Treatment will be applied except for any privilege, favor, advantage or immunity accorded in international agreements on judicial assistance, law enforcement, and protection of intellectual property, which took effect prior to the effective date of the TRIPs Agreement provided that such agreements are not arbitrary or unjustifiable as to discriminate against nationals of other parties. Id. National Treatment and MDN obligations do not apply to procedures in multilateral agreements concluded under WIPO, which relate to the acquisition or maintenance of IPRs. Id.

[264] Id. Art. 1.

[265] Id. Contracting parties are free to determine the appropriate method for implementing the provisions of the TRIPs Agreement within their own legal system and practice. Id. The TRIPs Agreement recognizes underlying public policy objectives of national systems of the protection of intellectual property and the special needs of the less developed countries in respect of maximum flexibility in the domestic implementation of laws and regulation. Id.

[266] Id. Art. 41. (explaining the general obligations regarding the enforcement on intellectual property rights).

[267] Id. Art. 64.

[268] Id.

The guidelines and principles taken by the NAFTA drafters from the GATT and the TRIPs Agreement, signify the importance of these multilateral agreements.[269]

On December 17, 1992, President Bush, President Salinas, and Prime Minister Mulroney signed the NAFTA.[270] The NAFTA was ratified by the legislatures of all three countries, and all necessary implementing legislation must be ready by January 1, 1994.[271]

Because the United States and Mexico are very diverse in their cultural, economic, and political conditions, one may ask why the United States was interested in a free trade agreement with Mexico, particularly when the full impact of the United States-Canada Free Trade Agreement has yet to be determined.[272] The reasons why the United States considered Mexico as a potential free trade partner are: **(i)** Mexico is the United States' third most important commercial partner, behind Japan and Canada;[273] **(ii)** Mexico is continuing to open markets with

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[269] Eleanor K. Meltzer, *TRIPs and Trademarks, or GATT Got Your Tongue ?,* 83 Trademark Rep. 18, 19 (1993) (explaining the viability of the TRIPs Agreement).

[270] See Peter Benesh, *Trade Issue Brews Again in Canada, Many See Few Benefits Coming From 3-Way Pact with Mexico-U.S.* MIAMI HERALD, Dec. 27, 1992, at A27.

[271] See Deanna Tanner Okun & Jessica Wasserman, NAFTA- The Washington Perspective, NEWSL. OF THE INT'L L. SEC. (State Bar of Tex.) Oct. 1992, at 1, 1-2. in Mexico, the NAFTA must be passed through the Chamber of Senators. See Mex. Const., *supra* note 17, art. 133.

[272] Michael W. Gordon, *Mexico and the United States. Common frontier Uncommon Relationship.* 18 Cal. W. Int'l L.J. 171, 171 (1987) (stating that "[n]o two nations with [such] disparate cultures, economic prosperity, and global power share as long a border as Mexico and the United States"). See *also* Sharon D. Fitch, *Dispute Settlement Under the North American Free Trade States and Mexico Inhibit the Establishment of Fair Dispute Settlement Procedures?*, 22 Cal. W. Int'l L.J. 353, 376-77 (1991-92). But see Letter to Congressional Leaders on Fast Track authority Extension and the North American Free Trade Agreement, *reprinted in* Lynn S. Baker, *Custon and Other Border Enforcement Issues,* 1 U.S.-Mex. L.J. 115, 122 (1993) (explaining that the "NAFTA has been described as an historic opportunity to bring together the energies and talents of three great nations already bound by strong ties of family, business and culture").

[273] *Mexico May Surpass Canada in Trade with U.S., Canada Conference Board Says ,* 10 Int'l Trade Rep. (BNA) 614, 629 (1993). According to a study the Conference Board of Canada released on April 8, 1993, Mexico could replace Canada as the United States' biggest trading partner. Id.

The ratio of U.S. exports to Canada relative to U.S. exports to Mexico has already shifted heavily toward Mexico . . . Over the parts five years, trade between Canada and the United States has grown, but not nearly at the rate that the trade has grown between Mexico and the United States. Between 1986 and 1991, U.S. exports to Mexico nearly tripled from $12 billion (all figures in U.S. dollars) to more that $33 billion, while Mexican exports to the United States grew from $20 billion to nearly $30 billion. During the same period, Canadian exports to the United States increased by an average 7 percent a year, from $67 billion to $98 billion, and U.S. exports to Canada grew by 14 percent a year, to reach about $85 million in 1991.

Id. Furthermore, "Mexico is expected to surpass Japan, which accounts for about 11 percent of U.S. exports, and become the United States' second largest trading partner." Id.

healthy economy;[274] and **(iii)** the United States is responding to a profound change in the global economy.[275]

On the other hand, Mexico was interested in the NAFTA because Mexico hopes to enjoy levels of investment sufficient to sustain its current economic model of development based on free trade and open foreign investment.[276] In addition to the NAFTA and the free trade agreements signed with Chile, Mexico is lobbying to be part of the free trade agreements with the Central American Nations and the so-called "Group-of-Three," Mexico, Venezuela, and Columbia.[277] the Pacific Rim, [278] and with the Southern Common Market (MERCOSUR) countries.[279]

Despite the potential for other trade agreements, the NAFTA represents the most important agreement since the United States became Mexico's first commercial partner.[280] The NAFTA will produce a combined population of over 370 million people and a combined Gross

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[274] See López-Velarde Estrada, *supra* note 8, at 29. Statistics from the International Monetary Fund in 1991 demonstrated that Mexico was positioned as the eighth nation receiving direct foreign investment at a world level and first in the group of developing countries. Id. Furthermore, according to the U.S. Department of commerce, from 1989 to 1991, Mexico climbed from the seventh to the second position of countries receiving investment from the United States. Id. The American Chamber of Commerce of Mexico carried out a survey regarding the attractiveness of Mexico for investment. See Miguel Jauregui Rojas, *A New Era: The Regulation of Investment in Mexico*, 1 U.S. Mex. L.j: 41, 42. (1993). "The survey concluded that 33% of the very high, 60% consider it high, and 7% consider it acceptable." Id. According to a GATT report made on April 20, 1993, Mexico is the leading exporter and importer in Latin America. See *Trade Policy: GATT Report Finds Mexico Making Strides Toward More Open Economy,* 10 Int'] Trade Rep (BNA) No. 16, at 658 (Apr. 21 1993).

[275] See *Written Testimony of ambassador Rufus Yerxa, Deuty of United States Trade Representative Before Senate Foreign relations Committee*. Federal News Service, Oct. 27, 1993, available in LEXIXS/Nexis Library, ALLWLD File. Evidence of this includes: the economic integration of Europe in 1992, the emergence of market systems in Eastern Europe, the Pacific Rim, the Central American market, and the Southern common Market (MERCOSUR). See Common Market Under MERCOSUR Delayed as Countries Fail to Reach Agreement, 10 Int'l Trade Rep. (BNA) No. 24. at 989 (June 16, 1993) [hereinafter Common Market]. The current U.S. administration has established the possibility of expanding trade relations with Argentina and Chile along the line of the NAFTA. *Clinton signals Readiness to Discuss Expanded Trade with Other Nations,* 10 Int'l Trade Rep. (BNA). Administration has established the possibility of expanding trade relations with Argentina and Chile along the line of the NAFTA. *Clinton signals Readiness to Discuss Expanded Trade with Other Nations,* 10 Int'l Trade Rep. (BNA) No. 27, at 1121 (July 7, 1993).

[276] For an overview of how foreign investment will impact the Mexican economy, see Lawrence Chimerine, *The Economic Impact of the Agreement: Executive Summary,* 1993 A.B.A. INT'L L. & PRAC. 2.

[277] See Mexico, Venezuela, Columbia Ready to Sign G-3 Trade Pact, 10 Int'l] Trade Rep. (BNA) No. 48, at 2053 (Dec. 8, 1993).

[278] See *U.S. Official Says APEC Forum Will Add Mexico, Papau New Guinea* , 10 Int'l Trade Rep. (BNA) No. 32, at 1336 (Aug. 11, 1993).

[279] See *Common Market, supra* note 275, at 989, MERCOSUR is composed of Argentina, Brazil, Uruguay, and Paraguay. Id. As soon as the MERCOSUR members reach an agreement on a set of rules and standards for the free trade area, Mexico will begin talks with the four southern countries. Id.

[280] See *Mexico May Surpass Canada in Trade with the U.S., Canada Conference Board Says,* 10 Int'l Trade Rep. (BNA) No. 15, at 629 (Apr. 14, 1993) (nothing that the "NAFTA will lay the foundation for sustained growth and lead to an increase in trade and investment"). The three countries' economic growth potential has been predicted as follows:

Over the medium term, the economic performances of the three North American economies is expected to strengthen, but with significant differences. Mexico is expected to have the fastest growing economy, with growth in output averaging 5.5 percent over the 1993-95 period. The Canadian economy should have an average growth of 3.5 percent during this period, while the United States should have 2.7 percent. Id.

Domestic Product (GDP) over $6 trillion U.S. dollars, exceeding the present market of the twelve countries of the European Union.[281]

**1.** Objectives

The NAFI'A countries' objectives are: **(i)** to remove significant trade barriers to produce an open market; **(ii)** to have fair play among the NAFTA countries; and **(iii)** to provide a mechanism for the settlement of disputes.[282] The NAFTA is not designed to create a closed regional trading block and does not erect new barriers to nonparticipants.[283] As a result, the NAFTA is fully consistent with the GATT criteria for free trade agreements.[284]

Under the GATT's article XXIV, a free trade agreement is a group of two or more nations in which the duties and other restrictive regulations of commerce are eliminated on substantially all trade between the associated nations.[285] The MFN principle established in GATT is considered an exception in the formation of free trade areas.[286] Therefore, members of a free trade agreement are not required to grant the same advantages, favors, privileges, or immunities ratified under such agreement to the GATT contracting parties.[287]

**2.** Trademarks

In comparison with the GATT and other international intellectual property treaties, the NAFTA intellectual property provisions "probably represent the highest standard of protection, across the board, that has ever been achieved in a trade agreement either bilaterally or internationally."[288] In the NAFTA, trademarks are defined as:

> Any sign, or any combination of signs, capable of distinguishing the goods or services of one person from those of another, including personal names, designs, letters, numerals, colors, figurative elements, or the shape of goods or of their packaging. Trademarks shall include service marks and collective marks, and may include certification marks. A Party may require, as a, condition for registration, that a sign be visually perceptible.[289]

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[281] Ewell E. Murphy Jr., *Legal Consideration for Mexican Businesses in the United States, 2 Mex. Trade & L. Rep 9 (1992), available in* LEXIS, Nexis Library, MTLR File.
[282] NAFTA, *supra* note 1, art. 102.
[283] Id. The NAFTA provides that other countries or groups of countries may be admitted to the agreement if the NAFTA countries agree, subject to terms and conditions that require the completion of domestic amendments. Id. Art. 102(f). *But* see Terence Roth, *Stumbling Blocs? It's Too Soon to Tell Whether Regional Trade Groups Will Help-or hinder-GATT,* Wall St. J:, Sept. 24, 1992, at R23 (stating that GATT officials are naturally suspicious, fearful that such arrangements may foster protectionism).
[284] NAFTA, *supra* note 1, art. 103.
[285] GATT, *supra* note 3, art. XXIV. Under the rules established in article XXIV, the United States entered into free trade agreements in 1985 with Israel and in 1988 with Canada. See Ewell E. Murphy Jr., *From the Yukon to the Yucatan,* Hous. Bar J., May/June 1992, at 29.
[286] See John H. Jackson, International Economic Relations 400 (1977).
[287] See Fitch, *supra* note 272, at 356.
[288] Jason S. Berman, *Intellectual Property Provisions in NAFTA, 1992 A.B.A. Int'l L. & Prac. 2 See also Harvey E. Bale, Jr., The Protection of Intellectual Property in the Pharmaceutical Industry and the North American Free Trade Agreement, 1992 A.B.A. Int'l L. & Prac. 16 (discussing intellectual property treaties under the NAFTA).*
[289] See NAFTA, *supra* note 1, art. 1708:1. Compare the NAFTA definition of trademark with the definition in the LPPI. LPPI, *supra* note 9, art. 88. Note that the Paris Convention allows for service trademark protection, although

The LPPI will require interpretive implementation since I articles 89(1) and 90(V) were not amended in August 1994.[290] LPPI article 89 prevents these types of trademarks establishing that trademarks can be visible names and figures that are sufficiently distinctive and capable of identifying the product or services to which they are applied or are intended to be applied, compared to others of the same type or category.[291] This provision excludes the possibility of registering olfative or sound trademarks. Article 90(V) allows that "isolated letters, and digits or colors, shall not be registered as marks, except where they are combined with or accompanied by elements such as signs, designs or names that give them distinctive character."[292]

**a. Obligations**

The territorial nature of intellectual property laws creates trade barriers among the countries,[293] however, the NAFTA provides a number of specific obligations designed to ensure that certain minimum standards are met relating to the treatment of IPRs in the NAFTA countries.[294] Article 103 provides that "the parties affirm their existing rights and obligations with respect to each other under [GATT] and other agreements to which such parties are party."[295] One of the most important achievements of the NAFTA is the inclusion of the national treatment principle for IPRs.[296] Under this principle a NAFTA country cannot treat the intellectual property of another NAFTA country any differently than it treats its own.[297]

The NAFTA countries must provide adequate and effective protection and enforcement of IPRs within their territory while ensuring that measures and procedures to enforce IPRs do not themselves become barriers to legitimate trade.[298] Parties should supply each other with

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the parties are not required to register such trademarks. Paris convention, *supra* note 19, arts. 11, 12. In addition, the TRIPs Agreement establishes that trademarks are:

[A]ny sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

TRIP's Agreement, *supra* note 2, art. 15(1). The definition is similar to the NAFTA definition, except the term "shape of goods or of their packaging" is not mentioned. Id. At 233.

[290] *Compare* LPPI, *supra* note 9, arts. 89-90 with LPPI 1994, *supra* note 9, arts. 89-90.

[291] LPPI, *supra* note 9, art. 89(I).

[292] LPPI, *supra* note 9, art. 90(V).

[293] See *generally Daniel J. Bereskin, A. Comparison of the Trademark Provisions of NAFTA and TRIPs*, 83 Trademark Rep. 1,3 (1993) (explaining that the principle of national treatment is at the base of intellectual property law and that treaties such as the NAFTA work at overcoming trade barriers which occur as a result).

[294] See Manzanero et al., *supra* note 61, at 41.

[295] NAFTA, *supra* note 1, art. 103. by contrast, obligations referred to in certain environmental and conservation agreements prevail over inconsistent the NAFTA provisions. Id. Art. 103. by contrast, obligations referred to in certain environmental and conservation agreements prevail over inconsistent the NAFTA provisions. Id. Art. 104.

[296] Bereskin, *supra* note 293, at 3; NAFTA *supra* note 1, art. 1703:1-4.

[297] See NAFTA, *supra* note 1, art. 1703:1. See also Berman, *supra* note 288, at 1 (noting that "Particularly for United States workers, the national treatment provision has been considered a giant step forward in ensuring nondiscrimination. Very often foreign governments have sought to negate that advantage by invoking reciprocity or other nonnational treatment obligations.").

[298] NAFTA, *supra* note 1, art. 1701:1-2 The NAFTA enumerates the international conventions that the NAFTA countries will enforce to protect IPRS, including the Geneva convention on Phonogram, the Berne Convention on Literaty and artistic Works, and the Paris Convention. Id.

technical assistance, cooperation and training for their competent authorities as well as information with a view to eliminating trade in goods that infringe IPRs.[299]

**b. Registration**

The .NAFTA countries shall provide a system for registration requiring: **(i)** examination of applications; **(ii)** notice for denial of registration; **(iii)** reasonable opportunity for the applicant to respond to the notice; **(iv)** publication of the trademark; : and **(v)** reasonable opportunity for interested persons to cancel the registration of a trademark.[300]

In addition, an owner's right shall not be prejudiced by any prior rights nor shall it affect the possibility of a NAFTA country making rights available on the basis of use.[301] Although registration may depend on use, actual use is not a condition for filing an application for registration.[302] Refusal of an application cannot be evidence that the intended use has not taken place three years before the application for registration was filed.[303]

Another important NAFTA provision prohibits the parties from registering English, French, or Spanish words, which generally designate goods or services to which the trademark applies.[304] In practice, this is important for Mexican exporters because Mexican exporters have often found barriers in their exportation because a U.S. citizen had already registered a generic Spanish name of a product as a trademark.[305]

The NAFTA parties' right to refuse or conceal registration of well-known trademarks shall be available according to the Paris Convention.[306] Nevertheless, it will only be necessary to prove that the trademark is well-known in the public sector that normally deals with the relevant goods or services, rather than well-known by the public at large.[307]

Trademark registration must last ten years with the possibility of indefinite renewals for the same terms if conditions for renewal are met.[308] However, use is required to maintain registration.[309] Registration may be canceled for nonuse after an uninterrupted period of at least two years, unless the trademark owner presents a valid reason for non-use.[310] The amended LPPI requires the IMPI to consider whether the lack of use was with or without justifiable cause and

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[299] Id. Art. 1719:1-2.
[300] Id. Art. 1708:4. Mexico will implement these requirements via the LPPI. LPPI 1994, *supra* note 9, arts. 119, 122, 125, 127, 187. See also TRIPs Agreement, *supra* note 2, art. 15(5).
[301] See NAFTA, *supra* note 1, art. 1708:2 See also TRIPs Agreement, *supra* note 2, art. 16(1).
[302] See NAFTA, *supra* note 9, arts. 92(I), 113(III). See also TRIPs Agreement, *supra* note 2, art. 15(3). If any contracting party is required to maintain a registration, the registration may be canceled only after an uninterrupted period of at least three years of nonuse, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Id.
[303] NAFTA, *supra* note 1, art. 1708:3; see also TRIPs Agreement, *supra* note 2, art. 15(3).
[304] NAFTA, *supra* note 1, art. 1708:13.
[305] See Julio Javier Cristiani; *Algunos Cometarios de Carácter Practico, al Capítulo de Propiedad Intelectual en el Tratado de Libre Comercio de América del Norte [Some Practical Comments to the Intellectual Property chpter in* NAFTA], 2, UNIVERSIDAD IBEROAMERICANA 95, 99 (1993).
[306] NAFTA, *supra* note 1, art. 1708:6.
[307] Bereskin, *supra* note 293, at 8.
[308] NAFTA, *supra* note 1, art. 1708:7. Under the TRIPs Agreement, the registration and renewal term is 7 years. See TRIPs Agreement, *supra* note 2, art. 18.
[309] NAFTA, *supra* note 1, art. 1708:8.
[310] Id.

eliminates any discretionary interpretation by adding article 130 to define the justifiable excuse concept.[311]

### c. Registration of Trademark License and Assignment

Licensing and trademark assignment conditions are left to the parties.[312] However; compulsory licensing of trademarks is forbidden.[313] The registered trademark owner shall have the right to assign a trademark with or without the transfer of the business to which the trademark belongs.[314] The NAFTA countries cannot ask for special requirements that may encumber the use of a trademark in commerce, such as a use that reduces the trademark's function because of an indication of source.[315]

However, the NAFTA Countries may prevent, via their domestic law, licensing practices or conditions that might constitute an abuse of IPRs that would result in an adverse effect on competition in the market.[316]

## 3. Geographical Indications

The NAFTA countries must provide the legal means to prevent the designation or presentation of a good that suggests that the good originates in a territory, region, or locality other than the true place of origin, and that misleads the public as to the geographical origin of the good.[317]

A party may invalidate or refuse to register a trademark on a particular good if it contains a geographical indication that does not originate in the indicated territory, region, or locality and the geographical designation would mislead the public.[318] However, if a trademark owner has acquired rights in good faith through the use of the geographical indication before the NAFTA came into effect, no NAFTA country may implement any provisions that prejudice eligibility for, or the validity of, the registration of a trademark, or the right use a trademark, on the ground that such a trademark is identical with, or similar to, a geographical indication.[319]

## 4. Enforcement Procedure

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[311] LPPI 1994, *supra* note 9, art. 130.
[312] NAFTA, *supra* note 1, art. 1708:11.
[313] Id.
[314] Id. See also TRIPs Agreement, *supra* note 2, art. 21 (restating, nearly identically, NAFTA art. 1708:11). With the LPPI's amendments, it is expressly forbidden to grant compulsory license. LPPI 1994, *supra* note 9, art. 136.
[315] NAFTA, *supra* note 1, art. 1708:10. See TRIPs Agreements, *supra* note , art. 20. LPPI's article 132 was partially repealed in August 1994. LPPI 1994, *supra* note 9, art. 132.
[316] NAFTA, *supra* note 1, art. 1704. See TRIPs Agreement, *supra* note 2, art. 40(2).
[317] NAFTA, *supra* note 1, art. 1712:1. "Geographical indication mean any indication that identifies a good as originating in the territory of a Party, or a region or locality in that territory, where a particular quality, reputation or other characteristic of the good is essentially attributable to its geographical origin." Id. Art. 1721; see TRIPs Agreement, *supra* note 2, art. 22(1)(2); LPPI, *supra* note 9, art. 156. But see Cristiani, *supra* note305, at 101 (indicating there has been confusion among designations of origin, indications of source, and geographical indications).
[318] NAFTA, *supra* note 1, art. 1712:2; see LPPI, *supra* note 9, art. 90(X).
[319] NAFTA, *supra* note 1, art. 1712:5.

One of the most outstanding aspects of the NAFTA is that IPRs are enforced both internally and at the border.[320] Articles 1714 through 1718 basically correspond to the TRIPs Agreement.[321] As mentioned previously, the new LPPI clarifies and includes the NAFTA enforcement provisions. Enforcement provisions must be applied to avoid creating barriers to legitimate trade and to provide safeguards against abuse of procedures.[322] Many are concerned about Mexico's enforcement procedures.[323] Their concerns focus not only on the efficiency of the procedures, but whether government agencies will be sufficiently funded to conduct their duties and prosecute infringes.[324] As two commentators have stated, "Mexico's success in attracting foreign investment and technology may be determined by these types of enforcement issues, for in a free market economy these assets will be attractive only if investors believe that their technologies will truly be protected in Mexico."[325]

### a. Due Process

Another concern relating to the IPRs enforcement is due process. Under the NAFTA, each party must "administer its laws, regulations and other measures consistent with the notion of due process."[326] For example, customs and other administrative proceedings must provide for reasonable notice in accordance with domestic procedures, which include a description of the nature of the proceeding, a statement of the legal authority under which the proceeding is initiated, a general description of any issues in controversy, reasonable opportunity to present facts and arguments,[327] and review of final administrative actions. [328] Furthermore, confusion will be avoided by requiring prompt publishing and disclosure of laws, regulations, procedures, and administrative rulings.[329] Notification of measures that may affect the operation of the agreement or substantially affect other party interests under the NAFTA shall be done by the parties.[330]

### b. Enforcement at the Border

A special provision entitled "Enforcement of Intellectual Property Rights at the Border" in the NAFTA allows Mexico to comply with article 1718.[331] Through this provision, Mexico can furnish its customs department with the proper infrastructure and training on intellectual property issues.[332]

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[320] Id. Arts. 1714-18.
[321] TRIPs Agreement, *supra* note 2, arts. 41-61.
[322] NAFTA, *supra* note 1, art. 1714:1. The enforcement procedure shall be available so as to permit effective action against IPR infringement, including expeditious remedies to prevent infringements and to deter further infringements. Id.; see also TRIPs Agreement, *supra* note 2, art. 41(1).
[323] See McKnight & Müggenburg, *supra* note 7, at 32.
[324] Id.
[325] Id.
[326] Brett A. Perlman, *The NAFTA's Dispute Resolution suystem: A Shift to Rules-Based dispute Settlement,* Newsl. Of the Int'l L. Sec. (State Bar of Tex.), Oct. 1992, at 13-14.
[327] NAFTA, *supra* note 1, art. 1804.
[328] Id. Art. 1805.
[329] Id. Art. 1802:1. In addition, civil and administrative procedures must provide written notice to the defendant with sufficient details, a right to independent legal counsel, simple requirements concerning mandatory personal appearances, a right to substantiate claims and to present evidence, and protect confidential information. Id. Art. 1715:1; see LPPI, *supra* note 9, arts. 179-86; see TRIPs Agreement *supra* note 2, arts. 41-43.
[330] NAFTA, *supra* note 1, art. 1803:1.
[331] Id. Art. 1718:14.
[332] Cristiani, *supra* note 305, at 105.

To protect IPRs, immediate equitable relief from the violation of IPRs is needed to defend the fragile goodwill associated
with a trademark. The NAFTA provides for equitable remedies similar to injunctions granted by U.S. courts,[333] and requires that:

Each party shall provide that its judicial authorities shall have the authority to order prompt and effective provisional measures **(a)** to prevent an infringement . . . and to prevent the entry into the channels of commerce in their jurisdiction of allegedly infringing goods, including measures to prevent the entry of imported goods, at least immediately after customs clearance, and **(b)** to preserve relevant evidence in regard to alleged infringement.[334]

According to the amended LPPI, Mexican judicial authorities can order application of the provisional measures established in the NAFTA.[335]

After determining that a complainant's rights are being infringed is imminent, a judicial authority need only show that "any delay in the issuance of a [provisional] measure is likely to cause irreparable harm to the right holder, or there is a demonstrable risk of evidence being destroyed."[336] Before the amendments, the LPPI, through article 211; only provided for administrative precautionary measures, and the only remedy for infringement was confiscation of the products.[337] Although the LPPI was not as specific as the NAFTA article 1716 for the performance of such precautionary measures, the amended LPPI withdraws any discretionary interpretation by Mexican administrative authorities.[338]

Under article 1718, the NAFTA countries shall adopt procedures to protect trademark owners who suspect goods are being imported with counterfeit trademarks is imminent.[339] However, the NAFTA countries "shall have the authority to order an applicant . . . to pay the importer, consignee and owner of the goods appropriate compensation for any injury caused to them through the wrongful detention of goods . . . ."[340] Moreover, the LPPI's amendments dictate that at least forty .percent of the public price of each infringing good or service will be granted damages for the IPRs infringement.[341] In addition, authorities may act upon their own initiative and suspend the release of goods when they have prima facie evidence that an intellectual property right is being infringed.[342] Authorities are prohibited, in the case of counterfeit goods, from allowing their re-exportation in an unaltered state or subjecting them to different customs procedures, except in special circumstances.[343]

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[333] NAFTA, *supra* note 1 arts. 1715:2(c), 1515:5(a), 1716:1.
[334] Id. Art. 1716:1.
[335] LPPI 1994, *supra* note 9, art. 228.
[336] NAFTA, *supra* note 1, ART. 1716:2 See LPPI *supra* note 9, art. 199bis1, 229; see TRIPs Agreement, *supra* note 2, art. 50(1).
[337] LPPI, *supra* note 9, art. 211; LPPI 1994, *supra* note 9, art. 211.
[338] See LPPI 1994, *supra* note 9, art. 199bis-199bis8, But see Sean McMillan, *Comments on the Current Status of Intellectual and Industrial Property Regulation in Mexico*, 1 U.S. Mex L.J. 57, 58 (1993) (stating that "[t]he only remedies in Mexico for a breach of the [LPPI] or the implementing laws required by NAFTA will be an action for damages or administrative or criminal proceedings").
[339] NAFTA, *supra* note 1, art. 1718:1-2; see TRIPs Agreement, *supra* note 2, art. 51.
[340] NAFTA, *supra* note 1, art. 1718:9.
[341] LPPI 1994, *supra* note 9, art. 221-221bis, 228.
[342] NAFTA, *supra* note 1, art. 1715:5, 1718:11. Such authorities also have the right to order the de3struction or disposal of infringing goods. See also TRIPs Agreement, *supra* note 2, art. 58; see LPPI 1994, *supra* note 9, arts. 199bis, 228.
[343] NAFTA, *supra* note 1, art. 1718:12; see TRIPs Agreement, *supra* note2, art. 59.

## V. CONCLUSION

The Mexican intellectual property legal system is comprised of the Mexican Constitution, international treaties, national intellectual property laws, intellectual property regulations, and the domestic administrative intellectual property system.[344]

Although Mexico has gone through difficult economic times, the open market policy beginning with President De la Madrid allowed Mexico to compete successfully based on a fair share of international investment. However, it must obtain an international reputation for providing an environment as attractive as the alternatives available to investors in the industrialized world. To do so, Mexico enacted the FIL, which liberalized foreign investment in different economic activities and corporations, promulgated the LPPI and its corresponding amendments, and made significant changes in the government's attitude toward IPRs. The amended LPPI abolishes compulsory licenses based on public policy, eliminates the full discretion of IMPI, and discards the bureaucratic system for registration. Instead, the LPPI establishes new forms of IPRs that were not previously regulated, freedom to license without government intervention, a new IMPI in charge of the application of the LPPI, recognition for foreign trademarks, and respect for international treaties.[345] Moreover, in response to the international community's complaints about the lack of enforceability of Mexican intellectual property laws, Mexico amended the LPPI to comply with the NAFTA and to clarify the way Mexican authorities enforce IPRs protection.[346]

Mexico has made significant headway to make its industrial property system comparable to the industrial property systems of developed countries.[347] This headway is expected to continue and practitioners concerned about trademark protection in Mexico should invest the time to read the recently published LPPI Regulation.

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[344] See *supra* notes 9-13 and accompanying text; Smith & Whitney, *supra* note 238237, at 602 n:195.
[345] *Mexico's New Law, supra* note 115, at 1038. See Villarreal Gonda, *supra* note 113, at 443.
[346] See Ehrenhaft, *supra* note 99, at 116-17.
[347] Id. At 117.