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PROBLEMS WITH ENFORCEMENT RENDER IP LAWS ALMOST MEANINGLESS.

History has proven that Mexico's copyright laws[1]effectively protect authors' rights in traditional works such as paintings, books, music and films. However, new technologies have introduced new types of works, such as computer programs, and Mexico's copyright law has not been able to keep pace. As a result, the country's protection of software is not all that it should be.

Despite what some experts say, few problems arise from the substantive aspects of Mexico's copyright law. The major problems stem from lack of enforcement.

Mexico first recognized software as copyrightable subject matter in the Decree of the Public Education Secretariat of 1984[2]. In 1991, the country's Copyright Law was amended, adding software as a separate and independent category of copyrightable work[3]. The amended law also imposed restrictions on back-up copying[4] and provided criminal penalties for unauthorized reproduction of software for purposes of gain[5].

Some IP experts have criticized the Copyright Law for listing computer software an independent category of copyrightable work[6]. These experts (mostly from the US) believe that software should be considered just another type of literary work, as under US copyright law; this would extend legal precedents on literary works to computer software and ensure that non-literal elements of software are protected by copyright, as is the case with plots in literary works.

In short, these experts have strongly doubted that Mexico’s system protects non-literal elements of software such as flow charts, users interfaces, and the structure, sequence and organization of the program. However, under Mexican law, non-literal elements are protected for all categories of copyrightable works, so long as the non-literal elements are integral parts of the work. Computer software is no exception to this rule.

Furthermore, the IP critics fail to appreciate that the Mexican copyright system is poor in terms of legal precedents. The author is not aware of any copyright decisions concerning literary works. Treating software as a literary work would thus do little to enhance the legal protection of software.

WRONG-HEADED REFORM

Bundling software into the category of literary works would, moreover, have two disadvantages. First, SOGEM, the collecting union for literary works, could start claiming royalties for the public performance, and even publication, of software products.

Second, listing software as a sui generis category has helped to convince prosecutors and judges that software represents copyrightable subject matter. Removing software as a separate category may thus result in less protection. However, both NAFTA[7] and TRIPS[8] require the Mexican government to protect computer software as literary works "in terms of the Berne Convention[9]". A Mexican industry association, ANIPCO has thus proposed that the Mexican government keep software as a separate category of work, although not entirely independent from literary works. Under this proposal, the Copyright Law would be amended to state that software shall be considered a literary work "in terms of the Berne Convention".

NAFTA and TRIPS require signatory countries to provide copyright holders with importation[10], first public distribution and rental rights[11]. Although a signatory to these agreements, Mexico does not explicitly grant all these rights under its copyright law.

Mexican law gives copyright owners a broad patrimonial right to use and exploit a work, by all means presently known or which become known in the future. Article 4 of the Copyright Law provides examples of different forms of exploitation of works, but these examples are not limitative[12]. Article 4 expressly provides for a rental right, and due to the nature of this form of exploitation of works, it is implied that this right does not become exhausted even after first sale of the copy.

To accord with NAFTA, however, the scope of the Mexican rental right must be restricted. Specifically, in the case of computer software, the rental right will apply only when the user's essential object is to rent the software. The right would not apply, for example, when a user rents an object that operates under

software and the goal is to use the object, not the just use the software.
Article 4 is silent as to any right of distribution or importation, but Mexican copyright law clearly recognizes these rights[13]. The law has accepted the implied exhaustion of the right to sell a copy of a work once that copy has been sold for the first time[14].

HELP FOR SHRINKWRAP

Mexico's copyright law requires recordal of agreements entered into by authors and users of works[15]. If an agreement is unrecorded, it has no legal effect. It cannot be used against third-parties, or even enforced by one party against the other.
This recordal requirement has been criticized as contravening the principles of the Berne Convention – and consequently of NAFTA and TRIPS. This requirement also causes particular problems when applied to the area of computer software.
Each copy of computer software is frequently sold with an accompanying shrinkwrap agreement that substitutes for a formal license agreement. It would be impossible to record all these shrinkwrap licenses between copyright holders and software users.
Two industry groups, ANIPCO and the Business Software Alliance, have suggested that software agreements be excluded from recordal requirements. The Business Software Alliance (BSA) has also suggested that the law be amended so that it expressly recognizes shrinkwrap licenses as a legal means to formalize licensing operations for business software that comes in a package and to restrict decompilation of such software[16]. Such an amendment would avoid misinterpretations by the courts about the reasons and purposes of shrinkwrap licenses.
The amendment would resolve the current murky standing of shrink-wrap licenses and make them clearly valid.

IT'S JUST CRIMINAL

The major problem with Mexican copyright law is enforcement. There needs to be a radical reform of enforcement procedures and remedies if copyright is to be protected and if Mexico is to satisfy the enforcement standards set down in

NAFTA and TRIPS.
Unfortunately, it will be difficult to accomplish this reform. Mexico currently has no proper domestic legal framework within which the NAFTA standards can be implemented.
Criminal penalties are the basic means for enforcing copyrights. The Copyright Law devotes a whole choter to criminal actions, providing a list of acts that are considered criminal[17]. However, under Mexican law, an act must squarely violate a criminal rule in order for a court to impose a prison term, a fine or both[18].
The law provides criminal penalties for the unauthorized reproduction of computer software for the purpose of gain[19]. This provision apparently applies only to reproduction and use of the program. It is unclear whether infringement could be found if non-literal elements of programs are copied.
The copyright Law allows an injured owner to recover damages after a court has finally determined that an infringer is liable for criminal penalties. At a minimum, the court must impose damages equal to 40% of the total value of the infringing products[20].
Both the Copyright Law[21], as well as the Criminal Procedure Code[22], authorize the Federal Attorney General's Office to impose provisional measures during the office's preliminary inquiries of a case. These provisions allow the Attorney General to seize and destroy infringing goods, under certain circumstances.

SMALL RELIEF

Unfortunately, criminal penalties are not the best way to remedy most infringements (other than counterfeiting). Such penalties are normally intended to punish much graver violation of law. IP crimes are not among those that are likely to – or that should – occupy much of the government's attention.
Moreover, IP owners want infringements to be halted promptly and damages to be speedily awarded. The imposition of criminal penalties is, instead, is a long and complex process.
Most everyone interested in Mexican IP rights is thus calling for a reorganization of the whole legal structure for enforcing copyright[23]. Under a reformed system, civil remedies would be the primary means of punishing infringers; criminal remedies would be reserved only for grave situations.

However, enforcing copyright through civil law would require the reform of large portions of the Copyright Law, and perhaps other statutes such as the Civil Procedural Code. Under Mexico's current Copyright Law, civil actions are basically available only against infringements arising from the public performance of works[24]. Civil actions cannot be used to stop unauthorized reproduction of works.

Moreover, the standard for proving damages in civil actions is quite difficult to satisfy. Alternative remedies, such as punitive or statutory damages, are unavailable[25].

Mexican law provides only limited provisional remedies in civil cases. Courts are authorized to seize allegedly infringing goods and the alleged means for committing infringement[26].

WAITING FOR REFORM

The Copyright Law and the Civil Procedure Code authorize additional provisional remedies, intended to ensure the status quo of a legal situation[27]. The scope of these laws is, however, unclear. It is not known if these laws allow civil courts to issue temporary or preliminary injunctions.

Finally, civil courts are normally unfamiliar with copyright issues. Partly as a result, the courts act slowly to resolve copyright cases

Since 1994, when NAFTA became effective, the Mexican Government has been studying the most convenient way to reform the country's copyright enforcement mechanisms. As part of such reforms, the government is considering the creation of a special civil court that would be empowered to issue temporary and permanent injunctive relief, and to grant damages awards. The creation of this special civil court is still far in the future, but the government is expected to enact some other reforms soon. Nevertheless, for the near term, Mexico's protection of software will be better in theory that in practice.

[1] Although referred to herein as "copyright", it should be noted that Mexico technically has an "authors' rights" system. Both legal systems have "originality" as their governing principle, but copyright defines originality in terms of independent creation, whereas author's right defines originality as the imprint of an author's personae. Under the author's rights system, it is the author,

understood as the flesh and bone individual, that represents the main object of protection. The copyright system, in contrast, aims at ensuring that original works are made available to everyone, and under that rationale, publishers have been conferred with copyright rights in addition to or in lieu of the rights of individuals. The US and certain parts of Canada, for example, have a true copyright system. See Luis C. Schmidt, "Computer Software and the North American Free Trade Agreement: Will Mexican Law Represent a Trade Barrier?", 34 idea – The Journal of Law and Technology, 33, 52-53 (1993).

[2] Acuerdo Number 114 of the Public Education Secretariat, published in the Official Gazette of the Federation of October 8, 1994.

[3] Article 7 (j) of the Copyright Law as amended in 1991, and published in the Official Gazette of the Federation of July 17, 1991 (hereinafter "Copyright Law").

[4] Copyright Law, art 18 (f).

[5] Id., art. 135 (III).

[6] See Richard Neff and Fran Smallson, NAFTA, Protecting and Enforcing Intellectual Property Right in North America (McGraw Hill 1994).

[7] North American Free Trade Agreement.

[8] TRIPS' requirements for protecting and enforcing rights in software are similar to the requirements of NAFTA. See Agreement on Trade Related Aspects of Intellectual Property, art. II. Thus, by implementing NAFTA standards, Mexico should simultaneously comply with TRIPS.

[9] NAFTA, art. 1705 (1)(a); TRIPS, art. II.

[10] Under NAFTA, an importation right is the right to make the first import of a work into a protected territory.

[11] NAFTA, art. 1705(2); TRIPS, art. II. Because these rights are not expressly provided under the Berne Convention, they are listed as additional rights to be provided.

[12] This is unlike the US copyright law. Section 106 of the US Copyright Act lists five categories of rights, which are the only rights given to copyright holders: reproduction, distribution, production of derivative works, public performance and public display.

[13] See Copyright Law, art. 2(II) (holder of copyright has broad right to use and exploit his work).

[14] Exhaustion is implied by Copyright Law, arts. 2(III) and 18.

[15] Copyright Law, art. 114. This provision does not require the recordal of work-for-hire agreements nor any agreements between producers and users of Works.

[16] For further discussion of this point, see Luis C. Schmidt, "Enforceability of Shrinkwrap Licenses in Mexico", Copyright World, March 1996, at 35.

[17] Id., ch. VIII. See, in particular, arts. 135 through 144.

[18] Mexican Constitution, art. 14.

[19] Copyright Law, art. 135(III).

[20] Id., art. 156.

[21] Id., art. 150 et seq. (power of Attorney General's Office to seize and dispose of infringing products).

[22] Criminal Procedure Code, arts. 62 et seq. (power of Attorney General's Office to carry out searches and warrant orders that have received previous authorization from a Federal District Judge).

[23] Among the groups calling for this change: BSA, ANIPCO, International Intellectual Property Alliance, USTR, legal scholars (including this author), and the Mexican government.

[24] Copyright Law, art. 79.

[25] The 40% rule is applicable only for criminal actions.

[26] Federal Civil Procedure Code, arts. 329 through 399. A plaintiff can obtain these provisional remedies only if he first provides a bond to the court, which would be used to compensate the defendant if it is subsequently found that defendant violated no law and the seizure was improper.

[27] Id., art. 384; Copyright Law, arts. 146 and 147.