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Legal standing in administrative declaration proceedings: Scope and limits of Case Law 2A./j. 38/2024 (11A.)



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I. THE CASE LAW AND ITS CONTEXT:

On April 19, 2024, Case Law No. 2a./J. 38/2024 (11th Series) issued by the Second Chamber of the Mexican Supreme Court was published in the *Semanario Judicial de la Federación* (Mexico's Federal Judicial Reporter). The precedent arose from Direct Amparo Review No. 3305/2023.

In that case, a company filed a petition with the Mexican Institute of Industrial Property (IMPI) seeking an administrative declaration of patent invalidity. The IMPI dismissed the petition on the grounds that the petitioner lacked legal standing (or as it is known in other jurisdictions, legal standing), and both the Federal Court of Administrative Justice and a Collegiate Circuit Court upheld that determination.

The Second Chamber held that Article 188 of the former Industrial Property Law (LPI), which requires a petitioner to demonstrate legal standing in order to initiate administrative invalidity proceedings, is consistent with the constitutional right to effective judicial protection.

The Court further held that merely being a market competitor does not, by itself, confer legal standing. Rather, the petitioner must demonstrate an actual impact on its legal rights or legal sphere for an invalidity action to be admissible. At the same time, the Court noted that the second paragraph of Article 188 allows any person to notify the IMPI in writing of facts that may constitute grounds for invalidity, enabling the Institute to determine whether to commence invalidity proceedings *ex officio*.

In reaching this conclusion, the Second Chamber extended to patents the interpretation it had previously adopted in Conflict of Legal Opinions No. 357/2011 concerning Articles 152(II), 155, and 188 of the former Industrial Property Law, which addressed the legal-standing requirement for seeking the cancellation of a trademark registration. The Court confirmed that this interpretation applies not only to trademarks and other distinctive signs, but to all forms of industrial property protected under the statute.

We refer to the precedent entitled **"Trademarks. To Establish the Legal standing Required to Seek the Cancellation of a Registered Trademark for Non-Use, the Plaintiff Must Demonstrate That It Has Filed the Corresponding Trademark Application."**

That final statement invites a broader reading: if the Court intended to establish a single standard, the legal standing requirement would apply in the same manner across all administrative proceedings, including patent invalidity actions, trademark invalidity and cancellation proceedings, and administrative infringement actions.

The purpose of this article is to demonstrate that such an expansive interpretation is flawed. Legal standing in administrative declaration proceedings is not a uniform concept; rather, its scope depends on the particular legal mechanism at issue and, in trademark matters, on the specific ground for invalidity or cancellation being asserted.

II. THE CONCEPTS OF LEGAL STANDING, LEGITIMATE STANDING, AND SIMPLE STANDING.

This section is not intended to serve as a treatise on procedural law, a subject more appropriately reserved for the classroom. Nevertheless, it is useful to clarify several concepts that are central to the discussion.

Mexican law recognizes three different forms of standing. Simple standing refers to the general standing shared by every individual in ensuring compliance with the law. Legal standing, in its strict sense, is associated with the existence of a subjective right that has been adversely affected, as reflected in Article 1 of the Federal Code of Civil Procedure (CFPC).

By contrast, legitimate standing describes a qualified legal position held by an individual with respect to the legal order. It requires a material effect on the individual's legal sphere, even in the absence of enforceable subjective right.

It is important to note, however, that the Mexican Supreme Court has traditionally interpreted legal standing solely in its civil law sense, that is, as requiring the infringement of a subjective right. In administrative law, by contrast, both the violation of an individual's subjective rights and the impairment of that individual's legitimate standings constitute injuries to the person's legal sphere, albeit to different degrees. Consequently, when understood in the administrative law context, legal standing, as an injury to a person's legal sphere, encompasses both subjective rights and legitimate standing.

This understanding is reflected in the isolated precedent entitled "Legal standing in Administrative Matters. It Constitutes a Broad Category That Encompasses Both Subjective Rights and Legitimate Standings, Since Both Are Protected by Rules of Law."

Accordingly, if the reasoning adopted in Case Law No. 2a./J. 38/2024 (11a.) the focus of this article, is extended to contentious proceedings conducted before administrative authorities, the requirement of legal standing should be interpreted according to its meaning in administrative law, as a broader category encompassing both subjective rights and legitimate standings, rather than according to its narrower civil-law meaning.

Moreover, it is important to bear in mind the actual scope of this precedent. Under Article 217 of the Amparo Law, binding precedent issued by the Mexican Supreme Court is mandatory for all federal judicial authorities. The Mexican Institute of Industrial Property (IMPI), however, is an administrative agency rather than a judicial authority and is therefore not legally bound to apply this case law when conducting administrative declaration proceedings. Consequently, nothing prevents the IMPI from admitting trademark invalidity petitions based on the broader administrative law understanding of legal standing described above.

III. WHAT THE CASE LAW DECIDED, AND WHAT IT DID NOT

The scope of the Court's holding should first be clearly defined. The title of the case law expressly refers to patents; the underlying dispute concerned the invalidation of a patent; and the Court's legal analysis addressed that specific issue. Accordingly, the statement suggesting that its reasoning applies to "any of the legal concepts protected" by the Industrial Property Law was not necessary to resolve the dispute before the Court, which was confined exclusively to patent law.

At this point, it is useful to distinguish between *ratio decidendi* and *obiter dicta*. The *ratio decidendi* consists of the legal reasoning necessary to resolve the controversy before the court. It is derived from the facts established during the proceedings, the legal principles applied to those facts, and the rule ultimately adopted by the court in reaching its decision.

Obiter dicta, by contrast, are observations or statements that, although included in the court's opinion, are not essential to the resolution of the case and therefore do not constitute the basis of the holding.

In our view, the *ratio decidendi* of Case Law No. 2a./J. 38/2024 (11a.) does not concern the legal standing requirement applicable to distinctive signs.

Rather, the only binding holding is that, in patent invalidity proceedings, the petitioner must demonstrate an injury to its legal sphere.

Patent invalidity proceedings are primarily intended to protect the rights of inventors. Trademark law, however, operates under a fundamentally different framework. As discussed below, trademark invalidity is based on the distinction between absolute and relative grounds for refusal or invalidation, a distinction that has no counterpart in patent law.

A careful review of the grounds established under the Federal Law for the Protection of Industrial Property (LFPPI) for declaring a patent invalid reveal that, beyond the obvious differences between the two areas of industrial property, those grounds do not correspond to the grounds for invalidity applicable to trademarks.

In patent law, the grounds for invalidity are primarily related to requirements that are specific to inventions, such as novelty, inventive step, industrial applicability, disclosure, the proper drafting of claims, the impermissible extension of the protected subject matter, and double patenting. These legal concepts have no equivalent in trademark law. Accordingly, the objective pursued by the legislature in each area is different. Whereas the patent system seeks to protect inventors and to ensure that inventions satisfy the requirements necessary to qualify for protection, trademark law is intended to preserve the distinctive function of trademarks, prevent the coexistence of confusingly similar marks, take into account considerations such as the date of first use, and sanction improper

conduct, such as the registration of a trademark by a third party seeking to take advantage of a prior commercial relationship or acting in bad faith. Consequently, the grounds for invalidity in each regime respond to different protection mechanisms and safeguard different legal standings.

There is a distinction between these legal concepts that precludes extending the Court's reasoning in patent invalidity proceedings to the other legal concepts regulated by the Federal Law for the Protection of Industrial Property, particularly trademarks. Specifically, a patent is an inherently temporary right: once its term expires, the invention enters the public domain by design of the patent system itself, such that the defect arising from an improperly granted patent is remedied, at the latest, by the mere passage of time.

By contrast, a trademark registration may be renewed indefinitely. Consequently, a trademark granted in contravention of an absolute prohibition on registration may remain in force indefinitely if it is not challenged by a party with standing.

Therefore, the consequences of restricting the ability to initiate a proceeding or bring an action differ depending on the area of industrial property involved. This requires a careful analysis of the particular characteristics of each case before automatically extending legal standards developed for a different legal concept.

IV. THE DISTINCTION BETWEEN ABSOLUTE AND RELATIVE GROUNDS FOR REFUSAL OF REGISTRATION

The grounds for invalidating a trademark registration encompass causes of a different nature. In particular, this article focuses on the ground for invalidity based on the grant of a registration in contravention of the provisions of the law.

The Federal Law for the Protection of Industrial Property establishes grounds of unregistrability, or prohibitions on registration, which, by their very nature, fall into different categories. Those that in academic contexts refers to as absolute grounds, such as generic, descriptive, deceptive, or customary signs, do not protect the rights of any particular individual, but rather general standings, including the free availability of signs that are necessary for trade, effective competition, and the protection of consumers against deception.

Relative grounds, by contrast, protect individual legal standings, such as the rights derived from a prior registration or claims based on bad faith arising from pre-existing legal or commercial relationships.

The legislature itself recognized this distinction in the statutory time limits governing the exercise of the grounds for invalidity established under the Federal Law for the Protection of Industrial Property. Whereas an invalidity action based on relative grounds is subject to statutory limitation periods, an action based on the grant of a registration in contravention of the law may be brought at any time ¹.

The fact that this ground may be asserted at any time demonstrates that it is intended to protect public policy on a continuing basis. It would therefore be contradictory to require a personal and direct injury in order to bring an action whose purpose is to protect a general standing.

Accordingly, if the party affected by a generic, descriptive, or deceptive trademark is the market as a whole, requiring the petitioner to demonstrate an individualized injury makes little sense, since no individual possesses the legal status that the statutory framework, by its very nature, does not contemplate.

From our perspective, requiring the petitioner to establish legal standing (under the traditional understanding of that concept) would amount to requiring the petitioner to engage in artificial maneuvers for the sole purpose of deliberately creating legal standing. Indeed, how is one supposed to "have" legal standing when what is sought to be invalidated is, for example, the registration of a descriptive trademark? Would the petitioner then have to file an application to register a descriptive trademark that is confusingly similar to the registration at issue, fully aware that such a mark is not registrable and that the application is being filed in bad faith for the sole purpose of generating a prior citation, thereby finally acquiring the "legal standing" necessary to seek its invalidation through administrative proceedings?

¹ Article 258, final paragraph, of the Federal Law for the Protection of Industrial Property (LFPPI) provides that invalidity actions based on Sections II, III, and IV may be brought within five years from the date on which publication of the registration in the Official Gazette becomes effective, whereas the remaining grounds may be asserted at any time. Likewise, the final paragraph of Article 151 of the former Industrial Property Law (LPI) provided that an invalidity action based on Section I could be brought at any time.

Or, even worse, is the party affected by the descriptive mark legally required to wait until it is sued in an infringement action in which the descriptive trademark serves as the basis of the claim, only then acquiring the legal standing necessary to file a counterclaim?

In our view, that cannot be the spirit of the law.

The solution that is consistent with the nature of absolute grounds is to recognize legitimate standing, which should at least be established by the mere fact that the petitioner participates in the market affected by the improper appropriation of the sign. Indeed, competitors in a particular industry have a legitimate standing in ensuring that descriptive terms relating to their sector remain available for use and are not subject to exclusive appropriation by any one competitor. This is consistent with good industry practices, as it promotes fair competition and prevents the creation of unjustified monopolies. Accordingly, in our opinion, collective or diffuse standings should not be displaced in order to preserve within the legal sphere an industrial property right that should never have been granted.

In our opinion, both the former Industrial Property Law (LPI) and the Federal Law for the Protection of Industrial Property (LFPPI) protect not only individual standings, but also collective standings. By way of example, trademark law includes grounds for refusal of registration intended to protect diffuse standings, such as those of consumers (for example, where a sign is liable to mislead or deceive consumers as to the commercial origin of a product or service) or of Indigenous and Afro-Mexican peoples and communities (such as the prohibition against registering as trademarks elements of the cultural heritage of those communities).

Nor is this a proposal that falls outside the mainstream. Under the European Union trademark system, an application for a declaration of invalidity based on absolute grounds may be filed by any natural or legal person, whereas invalidity based on relative grounds may be sought only by the proprietors of the affected earlier rights².

² Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, Article 63(1)(a), provides that an application for a declaration of invalidity based on absolute grounds may be filed by any natural or legal person. By contrast, an application based on relative grounds is reserved to the proprietors of the earlier rights (Article 63(1)(b)).

Extending the rule established in Case Law No. 2a./J. 38/2024 (11a.) to petitions for administrative declarations of invalidity, to the effect that the mere status of a competitor does not give rise to legal standing, would be contrary to the very nature and existence of certain grounds for invalidity contemplated under our legal system.

V. INVALIDITY BASED ON PRIOR USE

The issue discussed above becomes even clearer in the context of invalidity based on prior use, under which a trademark registration is invalid where the mark is identical or confusingly similar to another mark that was used in Mexico or abroad prior to the filing date of the application, in connection with the same or similar goods or services. This ground for invalidity reflects the principle that prior use of a trademark creates a legally protected position in relation to a party that subsequently registers an identical or confusingly similar mark.

It should be recalled that, according to the Mexican Supreme Court, legal standing requires: (i) the existence of a subjective right recognized by the legal system; and (ii) an impairment of that right. This gives rise to an important question: does the prior user hold a subjective right, or merely a legally protected expectation? In other words, does the right arising from prior use constitute the subjective right whose impairment is sufficient to establish the legal standing required to bring an invalidity action on this ground?

The difficulty lies in the fact that the prior user of the mark does not own a trademark registration that, in principle, would constitute the affected subjective right. Nevertheless, the legislature itself grants that user the right to seek the invalidation of the later registration where it encroaches upon the legal position arising from the prior use of the mark.

This conclusion is entirely consistent with the statutory framework. As noted above, prior use is a source of trademark rights both as a cause of action (such as an invalidity action based on prior use) and as a defense (for example, Article 175, Section I, of the *LFPPI*). It is therefore evident that prior use confers legal standing upon the petitioner, even though that standing does not necessarily derive from a right formally recognized by the IMPI. For that reason, an improper interpretation of the Supreme Court's case law may lead to erroneous conclusions that are incompatible with the industrial property statutes.

The issue becomes even more significant in light of the case law discussed in this article, according to which the mere status of a commercial competitor does not give rise to legal standing. The prior user, however, does not base its claim on its status as a competitor, but rather on the legal position arising from its prior use of the mark. The question, therefore, is whether that legal position constitutes a subjective right sufficient to satisfy the legal standing requirement.

VI. CANCELLATION FOR NON-USE

In the context of cancellation for non-use, the issue of legal standing is not one that remains unresolved. On the contrary, it was resolved more than a decade ago by the Second Chamber itself in Contradicción de tesis No. 357/2011 (conflict between precedents), discussed above.

Specifically, the Chamber held that, in such cases, legal standing is established where the registration whose cancellation is sought affects the petitioner's legal sphere, particularly where the registration has been cited by the IMPI as a prior registration against a pending trademark application, where there is an existing trademark registration that is confusingly similar to the mark sought to be cancelled, or where there is a dispute between the parties giving rise to such an impairment.

That standard remains applicable under the current statutory framework. More recently, it has been held that Articles 225 and 226 of the Federal Law for the Protection of Industrial Property (LFPI) do not impose any time limit within which the applicant for a trademark registration must seek the cancellation of the registration cited against its application as a bar to registration, precisely because the applicant's legal standing arises from the pending application.

From the foregoing, one conclusion may readily be drawn: the Supreme Court itself has defined the content of legal standing according to the particular legal institution and cause of action at issue. The fact that both patents and trademarks require legal standing does not mean that the content of that requirement is identical in patent invalidity proceedings, cancellation proceedings, and trademark invalidity actions based on absolute grounds. On the contrary, the applicable standard must be developed on an action-by-action basis.

VII. ADMINISTRATIVE INFRINGEMENT BASED ON UNFAIR COMPETITION

The most difficult question arises in the context of administrative infringement proceedings. Article 386, Section I, of the Federal Law for the Protection of Industrial Property (*LFPI*) defines as an administrative infringement the performance of acts contrary to good practices and customs in industry, commerce, and services that constitute unfair competition, a legal concept derived directly from Article 10bis of the Paris Convention.

The legal standing protected by this provision is not an exclusive right, but rather fairness in market competition. Accordingly, it protects situations that do not require the existence of a registration, such as commercial goodwill, misleading advertising, and the misappropriation of another person's reputation.

If a registered right were required as a condition for establishing legal standing to bring this type of action, the provision would be deprived of any practical effect, since the very situations that justify its existence are those in which the injured party has no registration.

A registration cannot serve as the threshold requirement for bringing an action whose protected legal standing has nothing to do with the existence of a registration. It is precisely here that extending the reasoning of Case Law No. 2a./J. 38/2024 (11a.) to administrative contentious proceedings would produce its most serious consequence. If the statement that "the mere status of a commercial competitor does not give rise to legal standing" were understood literally, it would render ineffective a cause of action that, by definition, is predicated upon the claimant's status as a competitor in the marketplace that is, upon the existence of a legitimate standing. To hold otherwise would leave without an effective remedy conduct that the IMPI itself is required to suppress.

VIII. THE INSUFFICIENCY OF EX OFFICIO PROCEEDINGS

It may be argued, as the Second Chamber did, that restricting legal standing as a requirement for initiating this type of action is offset by the ability of any person to notify the IMPI in writing of the existence of grounds for invalidity, so that the Institute may determine whether to initiate proceedings ex officio.

That argument, however, is more apparent than real in practice, and its shortcomings are evident. First, the initiation of ex officio proceedings is discretionary; the person submitting the information does not acquire the status of a party; the IMPI is under no obligation to issue a reasoned response; there is no legal remedy against the Institute's decision not to act; and experience shows that the exercise of these ex officio powers is exceptional.

Where the defect at issue, such as a trademark registration granted in contravention of an absolute ground for refusal, may persist indefinitely, requiring the individual to rely on a mechanism that provides no guarantee of any response does not, in our opinion, satisfy the standard of effective judicial protection.

IX. CONCLUSION

The case law discussed in this article resolved a patent-law issue and should be read as limited to that context. Its statement that the reasoning applies to any legal institution protected by the Federal Law for the Protection of Industrial Property cannot be transformed into a universal rule governing standing to initiate contentious administrative proceedings.

Legal standing in administrative declaration proceedings is a variable concept, the content of which the legal system itself has defined differently with respect to invalidity actions based on relative grounds and absolute grounds, cancellation proceedings, and administrative infringements such as unfair competition. Requiring an individualized injury or a registered right imposes upon the individual a burden that the law does not require that person to bear, even in the presence of the IMPI's ex officio powers, which provide no guarantee of relief.

It is for the federal courts to make this distinction, without extending the case law to situations that it did not decide. Likewise, should the issue once again come before the Mexican Supreme Court through a new *contradicción de criterios* or an amparo under review, it would be for the Court itself to determine expressly the scope of its holding.

Whether one agrees or disagrees with the Supreme Court's case law is a separate matter and was not the subject of this article.

For the time being, the best reading of Case Law No. 2a./J. 38/2024 (11a.) is also the most modest one: it says what it says about patents, and nothing more.



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