

BY LUIS C. SCHMIDT

PARTNER

LITIGATION YEARBOOK 2002

The standard of patent infringement under Mexican law is basically the same as in the US. Accordingly, to determine patent infringement it is required that someone without authorization makes, uses, offers to sell, sells, or imports a patented invention in the territory of the Mexican Republic during the term of the patent.

INFRINGEMENT DEFINED

The patentee holds the right to the invention by excluding others from making, using or selling it. From a legal standpoint, a patent holder is entitled to utilize the patented invention as long as it does not encroach on patents pertaining to third parties. Broadly speaking, infringement is triggered when third parties perform any of the above-mentioned activities. Infringement can be imputed to direct infringers only, as the law does recognize the theory of contributory infringement. In other words, only persons or entities making, using or selling the patented invention can be liable of infringement, but not those who help them to perform the infringing activity. The theory of contributory infringement is not recognized as a legal rule or practice under the IP laws of Mexico. Infringement could anyway be found when there is more than one infringer, held equally liable or responsible for having participated in the infringement activity in a direct form.

THE TEST

Generally speaking, Mexican patent law would find infringement when a third unauthorized party makes, users or sells a patented product or process. The test of infringement is thus whether the patent claims would cover the product or process that the alleged infringer makes, uses or sells. While conducting an

analysis of infringement, the competent authority would make claim construction through claim interpretation (from a legal standpoint) and claim coverage (from a factual standpoint). Infringement can only be literal, which would require that an accused product or process would fall within the scope of the claims. The Patent Law does not recognize the doctrine of equivalents.

WITHOUT AUTHORIZATION OR RIGHT

Authorization to make, use or sell a patented invention is given by the patentee principally through a licence. A licence represents that the beneficiary thereof will not be the subject of infringement. Certain rights on the use of a patented invention may also be triggered by virtue of implied licences. For example, anyone buying a patented product will have the right to repair and resell it. Compulsory licences are considered by the Law as vehicles by which rights to practice a patented invention may accrue to interested third parties, without the need of the patentee's authorization. They are, however, very difficult for third parties to get and as a matter of fact they have never been granted. In accordance with the Patent Law, infringement will only be incurred when it has been committed within the territory of the Republic of Mexico. The current Patent Law does provide as an exception that infringement will not be considered if the patented invention has been used in a foreign vessel, aircraft or vehicle in transit in Mexico. (The Patent Law does not require reciprocal treatment by the laws of the foreign country where the vehicle comes from.)

PATENT VALIDITY

Infringement is possible only if the patent is valid. Validity of patents is for a term of 20 years from the filing date. However, infringement will commence as of the date of grant of the patent, which means that it cannot be infringed before it has been issued. Nonetheless, it would be possible to bring a civil action after the date of grant of the patent, claiming damages from third parties who had been using the patented invention, within a period comprising the date of publication of the application and the date of grant. A patent will also not be infringed after its expiration date. It will nevertheless be possible to bring infringement actions filed after the patent has expired as long as the violation claimed occurred during the term of protection. There is no statute of limitation

applicable to these cases under the law. Patents granted before June 1991 were valid for a term of 10 years.

DEFENCES AGAINST INFRINGEMENT ACTIONS

Among the defences that an alleged infringer may raise against claims of patent infringement are:

1. That the defendant is not making, using or selling the patented product or process.
2. The product or process does not fall within the scope of the patent.
3. The alleged infringer can show that they are acting under the scope of a licence (whether expressed or implied licence).
4. The activity by the alleged infringer falls into one or more of the exceptions to patent rights: that is, non commercial experimental use, exhaustion or rights (which would probably include the international exhaustion or rights), prior use, in transit foreign vehicle exception, and the use of patented micro-organisms for the reproduction or preparation of others that are new.

CLAIMS OF ANNULMENT

An accused infringer may assert that the patent that is the subject matter of the infringement action is void and hence subject to nullity. This argument can be brought by means of a nullity action, generally filed as a counterclaim. There are

certain ways to establish that a patent is invalid:

1. By proving that it covers subject matter that cannot be regarded as an invention; that is theoretical or scientific principles, discoveries, schemes, plans, game rules, business, methods (in the abstract) and mathematical methods, computer programs, forms of presenting information, artistic and literary productions, methods of surgical or therapeutic treatment, and juxtaposition of inventions which are known; or that it is not a product (machine, device or composition of matter) or a process.
2. If the subject matter *ab-initio* qualifies as an invention, by proving that it does not meet or more of the patentability standards or conditions, namely novelty, inventive activity or step, and industrial application.
3. By proving that the granted patent does not fulfill the formal or technical provisions of the law.

REMEDIES AND ACTIONS

A patent owner filing an infringement action may seek the following remedies:

Preliminary and permanent injunctions are remedies that under the Mexican Patent Law can be requested through an administrative action filed with the Patent Office. However, under certain conditions permanent injunctions – not preliminary injunctions that are exclusive to the Patent Office- can be requested from the Civil Courts as well. Traditionally, injunctions have been awarded by the Patent Office since at least 1976, together with administrative sanctions such as fines or the shutdown of infringing facilities. Preliminary injunctions, for example cessation orders, were inserted into the Patent Law in 1994 as a result of the NAFTA implementation act into Mexican Law. The Law conferred the Patent Office with the power to impose so-called preliminary measures, as it had already done with enforcement of patents in general. The Law on Industrial Property has established certain rules concerning preliminary measures; the most relevant of them being that the plaintiff has to show a *prima facie* case of

infringement. The powers of the Patent Office are quite broad and discretionary as it can, among other things, order an alleged infringer or a third party to stop or cease from performing their infringing activities. It can also impose that products are withdrawn from the marketplace, and conduct seizures. The proceeding is *inaudita altera pars* with no formal hearing, as it is preferred in writing. A downside is that the alleged infringer is entitled to the lifting of preliminary measures by placing a bond, which serves the purpose of a warranty for potential damages. The patentee, as the party moving for the application of preliminary measures, is required to file an infringement claim within a term of 20 business days after the measures are duly notified to the alleged infringer. Likewise, preliminary injunctions would be confirmed and become a permanent injunction only once the infringement action is resolved. Marking is, under the Law, a condition to the request of a preliminary injunction and the awarding of monetary damages. However, the marking obligation can be substituted by an announcement made in national publications claiming ownership of the patent. The burden of showing infringement rests on the plaintiff, except when it comes to process patents, in which case the burden reverts to the defendant. Monetary damages are available to the plaintiff through civil actions. Normally, civil actions are filed once an administrative action has been resolved beyond the possibility of appeal. Accordingly, what plaintiffs regularly do is seek an injunction (as well as a preliminary injunction) from the Patent Office and bring the case before the Civil Courts when ready to request the awarding of damages. It has been nevertheless more frequently seen that they go with the Court from the beginning, instead of attending the Patent Office. The problem of taking this route is requesting preliminary measures from the Court, because in accordance with the Patent Law the Patent Offices is the only competent authority for imposing them. As a matter of principle, and in accordance with the Civil Procedural Law, the type of monetary relief that can be obtained from the courts is actual losses and lost profits. Actual losses mean those that the plaintiff can actually prove, and lost profits are the gain that the plaintiff could have made should infringement not have happened. Damages and or losses need to be proved through clear and convincing evidence, showing direct cause and effect situation; that is, that the plaintiff lost the opportunity to sell their own patented product as a consequence of the infringing product having been put on the market. In addition, the Law on Industrial Property provides a rule, applicable in all types of patent, trade mark and copyright infringement actions, obliging the Civil Courts to impose monetary damages of at least 40% of the

total value of the products or services subject to the illicit manufacture or commercialization. This minimum standard provision is known as the 40% rule. Whether the 40% rule is considered as a punitive damage or whether damages still need to be proved is a question which has remained unanswered, as there is so far no case that has been decided on the basis of this theory. Attorney fees are very hard to get, and in any event, would be discretionary to the judge. The civil laws do recognize the figure of attorney fees, without expressly stating how judges can make them applicable.