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FOLLOWING THE SIGNING OF A TRADE AGREEMENT WITH THE EU, MEXICO HAS BECOME ONE OF THE MOST OPEN ECONOMIES IN THE WORLD. LUIS C SCHMIDT EXPLAINS HOW THE COUNTRY HAS UPDATED ITS IP PROTECTION TO MEET THE CHALLENGE.

During the past decade Mexico has signed a larger number of free trade agreements than any other country in the world. From a very close and protectionist system, Mexico has become one of the most dynamic and open economies in the world. This process has been reflected in an increasing number of international trade operations with its new free trade partners, both as an importer and exporter of a great diversity of products and services. For example, with its partners to the north Mexico has been gaining much in commercial transactions. The US represents Mexico's principal trading partner, while Mexico constitutes the US's second partner, after Canada. With respect to Canada, a stronger and more important commercial relationship has developed in recent years. Commerce with these two countries represents 83% of total trade for Mexico. The steps taken by Mexico towards free trade were originally inspired by the principles of the General Agreement on Tariffs and Trade (GATT), based on market economy concepts as well as international trade. Accordingly, free trade was viewed as the best alternative and ultimate solution to fight against the social and economic disadvantage that the country had faced in the past. In keeping with this, the government of Mexico signed the following free trade treaties:

- Agreement with Chile, executed on September 22, 1991: in force in Mexico since January 1, 1992.

- Agreement with Canada and United States of America (also known as “North American Free Trade Agreement” or “NAFTA”), executed on September 22, 1991: in force in Mexico since January 1, 1992.

- Agreement with Colombia and Venezuela (also known as “Group of Three” or “G3”), executed in June 1994: in force in Mexico since January 1, 1995.

- Agreement with Costa Rica, executed on April 5, 1994: in force in Mexico since January 1, 1995.

- Agreement with Bolivia, executed on September 10, 1994: in force in Mexico since January 1, 1995.

- Agreement with Nicaragua, in force in Mexico since June 1, 1998.

- Agreement with Israel, in force in Mexico since July 1, 2000.

- Agreement with Honduras, El Salvador and Guatemala, executed on May 10, 2000: in force in Mexico since January 1, 2001.

Mexico has not only benefited from NAFTA but from the other free trade agreements as well. The opportunities for the country’s growth based on

international trade have become valuable ever since.

*FREE TRADE AGREEMENT WITH THE EUROPEAN COMMUNITY*

Mexico established formal international relationships with the European Union at the beginning of the 1990s. Discussions started in 1992 after a request by the Mexican government. Prior to that, the European Union and Mexico had executed two cooperation agreements in 1975 and 1991, which helped the parties to foster stronger relationships in various fields, such as culture, human rights and trade. Accordingly, in 1995 the European Community and member countries on the one hand, and Mexico on the other, signed a joint declaration by which they would take all the steps necessary to prepare and execute a new agreement broader in scope (Joint Declaration of Paris of May 2, 1995).

This declaration led to discussions and negotiations resulting in the Ec

Mexico and TRIPs.- Mexico has actively promoted intellectual property protection and has been a participant in the setting up of a system protecting IP rights internationally. Regarding free trade, Mexico has stepped on the forefront as an unquestionable leader, and NAFTA is the best example of that. The Mexican government accomplished a complex and extraordinary international agreement with its neighbours to the north. Intellectual property was of course one of the important topics that came out of the agreement. And circumstances appeared not to be initially in favour of Mexico as, in the past, it had lagged behind in providing adequate means for protecting and enforcing intellectual property rights. TRIPs was certainly supported by the Dunkel Text, published by the GATT office – now the World Trade Organization – on December 20, 1991. It was at the same time inspired by the discussions held at the Uruguay Round of GATT. However, NAFTA negotiations went much faster and were finished long before TRIPs, in 1993. To a certain extent, NAFTA established superior standards to those of TRIPs. In line with the above, Mexico implemented NAFTA provisions before TRIPs became a reality. As a matter of fact, the Mexican Industrial Property Law of 1991 had already introduced certain provisions that would later become standards of NAFTA (Law for the Promotion and Protection of Industrial Property, published at Official Gazette of June 27, 1991). However, it was with the amendment of 1994 that Congress made a full implementation

of NAFTA standards into the national law

onomic Partnership, Political Coordination and Cooperation Agreement between the European Community and member states on the one hand, and the United Mexican States on the other. The terms of this agreement were adopted on June 12, 1997, and signed on December 8, 1997, in Brussels. This basic agreement was approved by the Mexican Congress on March 20, 2000 and was published in the Official Gazette of June 26, 2000. On May 6, 1999 the European Parliament approved it as well. Member states have already ratified it or are in the process of doing it. The new agreement, in force since March 1, 2001, is comprehensive as it covers various topics including trade, following the trends imposed by the cooperation agreements of 1975 and 1991.
A further Interim Agreement was executed between the parties on December 8, 1997. The parties thought about the need to give strength to the commercial aspects of the underlying agreement. Likewise, the considered important that this portion of the basic "economic" agreement (or Global Agreements as the Interim Agreement calls it) should be independent somehow, so that it could pass more quickly through the parliament of each of the member countries. Lastly, on December 8, 1997, the parties executed Agreed Statements concerning certain provisions of the Global Agreement.

The Global Agreement can be regarded as the background of what would later become the Free Trade Agreement between Mexico and the European Community. A free trade agreement was in the end something tangible and possible. First of all, the scope of the Global Agreement was broad enough already, so that an upgrade could be discussed. The three sections of the Global Agreement, the promotion of the political dialogue, the reinforcement of bilateral cooperation, and the liberalization of trade and services, will bring an unprecedented dynamic to the relationship. In trade-related matters, it laid the basis for the negotiation of the Free Trade Agreement between Mexico and the European Union; it provides for a complete elimination of tariffs on industrial products, by January 1, 2007 at latest, seeks to take full advantage of complementary export interests in the agricultural sector, establishes a legal framework for the liberalization of the services market, the promotion of direct investment flows, the protection of intellectual property rights, the opening of government purchases, and the settlement of trade disputes.

Second, the relationship between the parties had reached a significant level of maturity, in virtue of the previous agreements executed. Third, Mexico had showed visible improvements from the political and economic stand points, by having among others entered into other free trade agreements such as NAFTA. Lastly, upgrading the previous agreements to the status of a free trade agreement was a strategic move for both parties, considering the proximity of Mexico to one of the largest markets in the globe: the US.
Free trade negotiations between Mexico and Europe went effectively and rather speedily. A group of experts was formed consisting of government officials representing both parties as well as their advisers, having met in Brussels and Mexico City on various occasions. Members of the group were already experienced negotiators, which made things easier. Common objectives were established from the very beginning as well. Accordingly, the hard issues were reduced to just a few, and were indeed not difficult to resolve.

*IP PROVISIONS IN THE FREE TRADE TREATY*

The Global Agreement includes certain provisions on intellectual property rights. The purpose was to recognize the parties' willingness effectively to protect intellectual property by procuring all means appropriate to fulfil that purpose. International rules and standards of the highest level were adopted for that end, including the means to enforce rights (Article 12 (1) of the Global Agreement). The "Joint Council" would thus implement:

(1) A consultation mechanism with a view to reaching mutually satisfactory solutions in the event of difficulties in the protection of intellectual property (Article 12 (2) (a) of the Global Agreement).

(2) The detailed measures to be adopted in pursuance of the objective set out in paragraph 1 of article 12, taking into account in particular the relevant multilateral conventions on intellectual property (Article 12 (2) (b) of the Global Agreement).
The "Interim Agreement" broadly reproduced the wording of article 12 of the "Global Agreement". The joint statement on the importance of intellectual property was transported to the Interim Agreement (Article 6 (1)). The same was made as to the compromise of the parties to set a Joint Council as a body

for dispute resolution (Article 6 (2)). The Agreed Statements did indeed cover article 12 of the Global Agreement. Accordingly, it was stated that the parties to said instrument would seek to obtain, through negotiations, that measures are adopted in the field of intellectual property looking at the globalization of commerce in goods and services (Joint Declaration 3 (1) and (2)). Additionally, the European Community and member states made a unilateral declaration on what they would understand for "relevant multilateral conventions" on intellectual property as set forth in article 12.2 (b) of the Global Agreements. These include the Berne Convention, Rome Convention, Paris Convention, Patent Cooperation Treaty, Madrid Agreement and Protocol, Nice Agreement, Budapest Agreement, U.P.O.V. (Geneva Act) and the Trademark Treaty.

Article 12 of the Global Agreement was fully reproduced in the text of the Free Trade Agreement (Article 12). Likewise, the Free Trade Agreement devoted title IV to intellectual property protection, by which parties thereto would confirm their commitment to treaties such as TRIPs; Paris Convention (Stockholm Act of 1967); Berne Convention (Paris Act of 1971); Rome Convention; Patent Cooperation Treaty; and UPOV. The parties would additionally take all steps necessary for joining the Nice Agreement, the Budapest Agreements; and the WIPO treaties on Copyright and Performers Rights and Phonograms (Article 36 (1) to (5)).

The importance of TRIPs has been recognized expressly in a key provision of the Free Trade Agreement between EC and Mexico. This Agreement regards TRIPs as a principal standard to follow in terms of intellectual property protection (Article 36 (I) (a)). And that means that national laws need to comply with the principles of TRIPs.

*TRIPS COMPLIANCE*

After completion of TRIPs, the question was raised whether the amendment of 1994 to the Industrial Property Law would have complied with the provisions of this latter treaty or if a further change was required. The Mexican government reached the conclusion that no changes were needed as the reform of 1994 was made having both agreements in mind.

What is true is that, in general terms, Mexican law conforms with the standards of the TRIPs agreement. This is equally certain regarding patents (including industrial designs and trade secrets), trade marks (including geographical indications) and copyright (including neighboring rights). There are however, examples of conflicts between provisions of Mexican law and the standards of TRIPs. It sometimes could be found as well that there are lacunae in the domestic laws of the country wherein in theory, a treaty provision should have been implemented. Legislators for different –and some- times unknown – reasons do not promote full or adequate implementation of treaties into national laws. Implementation may trigger contradiction between treaties and laws as well. Conflicts of laws have brought the most challenging questions for the courts. Different criteria have ruled throughout times; however now, by virtue of recent jurisprudence, the Supreme Court has recognized that treaty provisions can be self-applicable, including those of public international agreements. It also sustained that treaties can supersede federal laws, in that the treaties would prevail in the event of a conflict (Supreme Court Resolutions published at *Gaceta Semanario Judicial de la Federación*, Tomo X, November 1999, Tesis P.LXXVII/99, page 46).

*PATENTS*

In patents, restrictions under the Law on Industrial Property have been lowered to a minimum. Essentially, biological processes and material as found in nature are excluded expressly (Article 16 (I) and (II)). Software and business methods are excluded from protection as well. Article 19 (IV) states: “For the purpose of this law, the following shall not be deemed to be inventions: … computer software” and Article 19 (III), extends the restriction to “schemes, plans, rules and methods for carrying out mental acts, games or business and mathematic methods”.

It is clear that the law extends protection to biotech products and processes. In contrast, the software and business method exclusions of the Industrial Property Law have been the subject of discussion in view of the broader scope

of TRIPs. Debate has been triggered as to whether the software bar would be extended to program-related inventions, when they meet eligibility criteria.

The same question has been asked for business methods. The trend would appear that patents are not available for business methods *per se*, but when used as vehicles of a further invention (the Mexican Patent Office has granted numerous patents using this criteria). On the other hand, provisions on patentability of software and business methods could be an attempt to meet TRIPs standards. The conflict of laws should however, under the recent Supreme Court resolutions, be resolved by allowing patentability of software and business method inventions without application of the exclusion provision in the national law.

*TRADE MARKS AND GEOGRAPHICAL INDICATIONS*

As in the case of patents, there are in trade marks practically no loopholes or contradictions between TRIPs and the Law on Industrial Property. Mexico is a member of all the major treaties in the fields of trade marks, except one: The Madrid Agreement and Protocol. This treaty was however not referenced in the Free Trade Agreement, due to the strong objections made by the Mexican government regarding constitutionally, among other things.

The Industrial Property Law imposes on a registrant an obligation to record trade mark licences so that they can produce effects against third parties and they do not become exposed to cancellation actions (Articles 130 and following). The Patent Office has cancelled dozens of registrations, basing on the legal argument that a trade mark cannot be regarded in use when it has been made by a licensee and the licence was not recorded. Use made by unrecorded licensees would have simply not inured in the benefit of registrant.

The above rule was reversed in a recent court ruling in which the District Court relied upon a provision of TRIPs (*S C Johnson and Son, Inc., et al v Industrias H24, S.A. DE C.V.*, IMPI PCs number 361/2000 (1-349) 05326 1 and 05337 1; District Court resolution number 182/2001 of August 10 2001 (unpublished); the District Court resolution has been challenged before the circuit courts, but it looks rather unlikely that criteria based on a Supreme Court jurisprudence will be

overturned). In that case the Mexican Institute of Industrial Property (IMPI) declared cancellation of the trade mark registrations used by the plaintiff as the standing of an original infringement action –this was based on a counter-claim brought by the defendant. The reason was, among other things, that as a licence had not been recorded, use made of the marks by the licensee could not have benefited the plaintiff/registrant, in terms of the Industrial Property Law. The District Court disagreed with the resolution of IMPI, as (in accordance with TRIPs) licence recordals are not compulsory. The value of this sentence is that for the first time in intellectual property litigation a Federal Court, by having relied on the jurisprudence of the Supreme Court, upheld the hierarchical superiority of a treaty provision over federal law.

Geographical indications is an exciting field with a lot of complexities. Mexico is a member of the Lisbon Convention and protects four appellations of origin, namely Tequila, Mezcal, Olinalá and Talavera. All four are geographic names used to designate products originating in these regions. Naturally, the law on Industrial Property provided rules for protecting appellations of origin (Articles 156 and following) and for authorizing its use by producers, bottlers or distributors (Article 169 and following). Likewise, the statute grants actions against the use of geographical names as false indications of origin (Article 213 (IX) (d)). Concerning geographical marks, the law considers them registrable provided that they do not mislead the public into believing that the product in question originated in an area other than the true place of origin (Article 90 (X) and (XI)).

Mexico has not recognized the notion of geographical indications as stated in TRIPs. Congress did not implement the TRIPs provisions on geographical indications. That would initially appear to be irrelevant as Mexico already protects appellations of origin and indications of source. The law however could be an attempt to meet TRIPs as not every geographic name is an appellation of origin and still could be entitled to protection as a geographical indication. As to geographic marks, Mexican law does not make the TRIPs distinction of indications in general and indications of wines and spirits. Mexican law would accordingly require that in order for a geographical mark to be refused it would have to be shown that it is “misleading” to consumers (TRIPs Article 23). Even the United States has made that change in domestic laws, by amending Section 2 (a) of the Lanham Act, providing a solution and relief to the conflict. As

contradiction is evident, an amendment to the federal statute looks advisable. However, as in the case of trade marks, the Court rulings on superiority and self-applicability of treaty provisions should grant protection and legal certainty to trade mark owners.

Comments on the WIPO treatries.- The WIPO treaties are another good example of international provisions which by virtue of Supreme Court decisions could be self-executory. This would be especially true with respect to the Performers and Phonograms Treaty, which has much superior standards to the Rome Convention. Mexico has executed both agreements, and they were approved by Congress on March 1, 2001. However, no implementation has yet been made, with the exception of certain isolated provisions of the Copyright Treaty, such as the "making available" and "public communication" rights, and updating protection regarding software and databases. It remains to be seen what the government will do to achieve the full implementation of the two treaties. While a decision is made, right holders will have to seat and wait, unless the courts again come to the rescue.

Copyright Law is different as a new statute was passed in late 1996. The purpose of the statute was to comply with both NAFTA and TRIPs, which by then had been already executed and in force. However, from the analysis that framers of the new statute made, differences between the two treaties were recognized. While TRIPS was fundamentally grounded on author's right principle, NAFTA had a great deal of influence from the copyright system followed by Canada and the US, which was finally reflected in the Mexican Law of 1996.

The copyright statute of 1996 can be viewed as the crossing of concepts pertaining to both systems. It lacks a proper method and is certainly undefined, making it hard to understand and apply. The foregoing confirms how different the environment was where TRIPs and NAFTA were conceived and developed. In addition, it shows how the Mexican government dealt with such a subtle issue, which it was unable to resolve.