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A. TRADEMARKS AND TRADE IDENTITY LAW

Trademarks mean value as they represent goodwill. At the same time goodwill is the main goal to achieve by companies in business as a vehicle of reputation and success. Goodwill is thus the result of human creativity devoted to the development of trade identity. In this context, trademarks become essential, as they are the support on which business stand in order to build up a trade identity. Trademarks deserve protection because of the foregoing.

The question is what type of protection would a trademark require so that goodwill is preserved. Trademark law has established a whole system of protection based on exclusive rights, triggering either from use or registration of trademarks. However, as it has been wisely said, there are no real trademark rights in the absence of an enforcement system, which can prevent that third parties will not use identical or similar trademarks as those subject to protection, likely producing confusion among the consumer public.

The theory of trademark infringement has emerged as an answer to the above question, as it pursues, as its main objective, that trademark rights are preserved in the benefit of trademark owners, principally, but also of consumers. Each jurisdiction has had a particular response to the problem of trademark infringement by creating their own legal institutions, and by setting up the rules of the game. Mexico is not the exception, although the system is very unique as it will be later explained.

B. THE NOTION OF TRADE MARK

Under Mexican law the idea of "trademark" is restricted to symbols used in connection with products or services. As a matter of fact, the Law on Industrial

Property (herein after referred to as the "LIP") provides a definition, which stands on the foregoing grounds. In addition to the notion of "trademarks", the "LIP" protects other forms of source indicators, which aim at identifying the name of business or commercial establishments -also known as "trade names"-, commercial phrases or "slogans" used in advertisements, as well as appellations of origin of products having certain characteristics. Doctrine has regarded the foregoing under the common designation of "distinctive signs", and although LIP refers to each of them individually, without to mention the name "distinctive signs", it has nevertheless regarded them as the subject matter of trademark protection in that statute, by applying same or similar principles and rules.

C. TRADEMARK RIGHTS

In accordance with the "LIP" exclusive trademark rights arise from registration. Registration confers a nation wide exclusive right to use a trademark and to oppose it against third parties who use identical or similar signs, which resemble the registered mark. Use is also a source of trademark rights, producing limited effects. First of all, use does not trigger any exclusive rights and rather, it confers the prior user of a mark a right to bring cancellation action against owners of senior registrations.

D. THE NOTION OF TRADEMARK INFRINGEMENT

The concept of "Trademark Infringement" deals with the unauthorized use in commerce of a previously owned -by use or registration- trademark, as applied on same or similar products or services as those made, sold or rendered by the trademark owner. Trademark infringement is a narrower idea than the broader notion of "unfair competition", this later embracing a wider spectrum of unfair trade practices related with industrial property rights, which obviously shall include trademark infringement.

Mexican law does not convey a particular meaning for "trademark infringement". However, doctrine has come to recognize the concept by using the Spanish translation "infracción de marca". The "LIP" rather employs the expression "administrative infractions", as a legal remedy that applies not only to trademark infringement, but to unfair competition as well.

E. STANDARDS OF TRADEMARK INFRINGEMENT

Definitively, "consumer confusion" is the standard of trademark infringement under Mexican law. And the "LIP" has conferred the Mexican Industrial Property Institute (herein alter referred to as "IMPI") with the power to determine when trademark confusion is likely to occur. The question arises how trademarks can be similar and how can IMPI determine if similarity existing between two trademarks has triggered confusion. Is IMPI bound by legal or other rules to find similarity between trademarks? The answer is yes, but to a certain extent as while the LIP refers to "similarity" and "confusion" of trademarks, such notions would be meaningless in the absence of criteria which add some objectivity. Accordingly, confusion is presumed when the trademark used by infringer is identical to that of trademark owner's as applied to same products or services. This can be obtained from interpretation of the LIP, as well as by application of treaty provisions such as NAFTA and TRIPS. In such a case IMPI will not be required to perform an analysis. The case is different when the infringing mark is similar and applied to same or similar goods or services. Here IMPI would be required to conduct a so-called "confusion test", attending at phonetical, graphic and ideological similarities with the purpose to have proper elements to decide whether two marks are likely to result in confusion.

Additionally, in accordance with the jurisprudence, IMPI is required to follow certain rules, by stating that: *i)* the marks have to be analyzed in their entirety; *ii)* comparison between the marks would be concluded viewing at its differences but not similarities; imitation must be appreciated by analyzing the marks alternatively and not by comparing one first and then the other; *iv)* it has to be proven that the products covered by both trademarks are sold in same or related markets, thus the senior mark interfering the junior one; and similarity needs to be concluded by supposing that confusion will be suffered by a person of ordinary intelligence, a buyer of general knowledge that pays ordinary attention to the marks.

As to the goods, they are viewed from the perspective of how related they are to those claimed in the registration. As Mexico follows the international classification of goods and services of the Nice Convention, the fact that two products pertain to the same class has been considered a prima facie indication of similarity. However, this traditional approach has recently been interpreted in a more flexible form, under the argument that trademark rights afford protection against not only the use of similar marks on goods in the same class,

but also against use on other goods or services, which notwithstanding the fact that they do not fall in the same class, can still be considered as similar. In this later case the theory of similarity on goods is dictated by facts as the strength of marks, the proximity of relatedness of the products or services, and the trade channels where they are distributed and/or sold. As well as in the case of confusion test for trademarks, the factor test for similarity of products has been developed from jurisprudence, as there are no rules expressly making reference to the aforementioned test.

The "LIP" considers the case of famous trademarks as an exemption to the principle of "specialty", as Mexican doctrine calls what in English is known as the "related goods" theory. And the exemption deals indeed with famous trademarks, which in conformance with Mexican law and international treaties, have been afforded with greater protection than those less well-known. And among the benefits of greater protection that are granted to famous trademarks the law will bound IMPI not to perform "similarity tests" of non-competitive products or services, and thus circumscribing the "confusion test" to similarity of the trademarks and not the products or services.

F. ADMINISTRATIVE INFRACTIONS

Trademark Infringement in Mexico is truly peculiar: It is not the Courts but rather the Trademark Office itself that is in charge of enforcing trademark rights and deciding over disputes, including infringement, naturally. The enforcing powers of IMPI extend to patents, trademarks and other source indicators or "distinctive signs", such as trade names, slogans and appellations of origin. From the foregoing, under LIP, trademark infringement has been categorized and divided into a diversity of different administrative faults or infractions, each of them dealing with particular wrongs. The list of infractions in the "LIP" is long, and contemplates various different illegal conducts regarding patent, trademarks and other source indicators. For the purpose of this article, hereunder will be quoting those exclusively related to trademarks:

CHAPTER II

ADMINISTRATIVE INFRINGEMENTS AND SANCTIONS

ARTICLE 213.- The following constitute administrative infringements:

IV.- To use a trademark confusingly similar to another registered trademark, to cover the same or similar products or services as those protected by the registered trademark;

V.- To use, without the consent of the holder, a registered trademark or a trademark confusingly similar as an element of a trade name or of a firm or corporate name, or vice versa, provided that said names, firm or corporate names relate to establishments that operate with the products or services protected by the trademark;

VII.- Use as trademarks the names, signs, symbols, initials or emblems referred to in article 4th and sections VII, VIII, IX, XII, XIV and XV of article 90 of this law.

VIII.- To use a previously registered trademark or a confusingly similar one as a trade name, firm or corporate name or as part thereof, of a natural or corporate person whose activity is the production, import or marketing of commodities or services equal or similar to those applied to the registered trademark without the written consent of the holder of the trademark registration or the person empowered therefore.

XVIII.- Use a registered trademark without the consent of the holder or without the respective license, on products or services equal or similar to those to which the trademark is applied;

G. ADMINISTRATIVE ACTIONS AND PROCEEDINGS.

The above types of infringement are considered as administrative violations to the law and will be briefly referred hereunder to the available action under current Mexican Law to enforce these rights:

Infringement actions are taken with IMPI, which is an administrative authority and not a Court of Law. A formal written claim is required. Plaintiff can request an inspection to the premises of infringer to seize infringing goods or the commercial establishment in this case. IMPI accepts the claim and sets a day to effect the visit of inspection and seizure and at the time of carrying out the

inspection IMPI serves defendant notice of the claim giving a term to answer it of 10 days.

Normally, IMPI requires plaintiff to post a bond if it considers that the outcome of the seizure warrants it. In this case, defendant can post a counterbond to release the seized goods. Both plaintiff and defendant must produce evidence at the time of filing the claim or answering it, respectively. After defendant answers the claim and IMPI has assessed the evidence and conducted the "confusion test", this later shall produce a resolution on the merits of the case. The decision of IMPI can be appealed to a District Court and the decision of this Court can be further reviewed by a Circuit Court.

The sanction for this type of infringement, considered as a violation to the law, range from fines for up to \$60,000.00USCy approximately, to temporary or definitive closure of the infringing business and even administrative arrest for 36 hours. IMPI usually imposes fines, however, if defendant continues committing the infringement after a firm resolution, the fines will double the amount mentioned before and if the illicit conduct continues notwithstanding that a decision of IMPI on the merits of the administrative infringement claim became firm, that is beyond shadow of appeal, it is then a conduct considered as a crime, so penal actions can be taken against defendant.

Before the infringement action, plaintiff may move for preliminary injunction, which would represent two different situations: The seizure of products, and most importantly, a temporary restraining or cease order issued by IMPI, by which defendant would be barred from producing and selling, while decision on the case is pending. Defendant would have ten business days to argue against the preliminary measures, and plaintiff twenty business days to file the complaint, reckoned from the date that the cease order has been notified. The bond in these cases should not only cover the value of seized products, but also of the whole operation that was stopped.

H. INTENT

While the intent of an alleged infringer is a relevant consideration in the determination of trademark infringement, and the consequent application of higher sanctions, it is not a requisite that a plaintiff shows wrongful intent in order to prevail in such an action. As said, intent will be only a factor of higher sanctions.

I. COUNTERFEITING

Mexico, as well as many other countries in the world has been seriously hit by counterfeiting. The problem is significant, but the government has taken steps to fight against it. As a concept, counterfeiting is the copying of a product, including all single identity features, resulting into something practically identical to an original product. Differences between the two products are normally hard to tell, excepting as to the quality of materials used to produce the copy.

Accordingly, counterfeiting is a blatant infringement, and because of the inferior quality of the copied products, and the danger that it may pose to public health and danger, the law has upheld a system of criminal sanctions so that the problem is diminished and gradually stopped.

The "LIP" refers to counterfeiting by using the equivalent term of "falsification of products". The expression "falsification" has a more clear meaning in Spanish, as Spanish and Mexican doctrine dictate. There is also no literal translation for the word "counterfeiting" as a notion that refers to the copying of products and its trade identity.

Criminal actions start with a "querrela" or complaint by the offended party. Upon the complaint the General Attorney's Office (PGR) starts a so-called preliminary inquire, with the purpose to investigate on whether a crime has been committed and if there is alleged responsibility by someone(s). The District Attorney gathers all evidence required (search and warrant included), assisted by the offended party, in order to reach a conclusion and position of the PGR as to the inquiry involved. If the results are positive, the DA indicts the matter with a Federal District Judge, who following precise Constitutional and Legal proceedings resolves as to whether 1) order a so-called apprehension order against all those being allegedly responsible of having committing the crime, and *ii*) issue a so-called "formal prison" order, which means the starting point of the corresponding trial. The parties to the trial are PGR and the defendants. Defendants may file appeal against the two Court orders. The trial represents an adversarial proceeding with hearings, testification, cross-examination, allegations, evaluation of evidence; and so forth. By the judgement the Judge may condemn defendants or absolve them. Sanctions in the law include prison for up to ten years. The losing party may file appeal with a Unitary Court, whose decision may be further reviewed in so-called "Amparo" proceeding before a

Circuit Court.

J. CIVIL ACTIONS

It would be possible as well that after the administrative and criminal resolutions become firm, plaintiff brings a civil action for damages with a Civil Court. The minimum standard applicable in damages is of 40% of the commercial value of the infringing products (or services). It has to be recognized, however that there is a current trend to take a civil action directly with the Court, by skipping the administrative infraction at IMPI. This theory has not been tested as there are, as far as it is known, no precedents pronounced by the Courts and which have become firm. The theory is under algid discussion, as on the one hand, a sector from doctrine believes that the existence in the LIP of administrative infractions go directly with the Courts. However, on the other hand, a second opinion is that, in accordance to LIP, it is only IMPI who can bring resolutions on the merits of Industrial Property matters, being a civil action restricted to the collecting of damages. Also, this side of the doctrine has argued that allowing Civil Courts to interfere in decisions that correspond to IMPI is against Constitutional principles as the Industrial Property rights would now be enforced by two different authorities, which would trigger the possibility of contradicting