



Expert Contributor

## Patent Adjustment, Extension or Abuse in Mexico?

By Alejandro Luna F.  
OLIVARES Partner  
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In July 2020, the Mexican Patent System was impacted by a mechanism to adjust the term of a patent in the event of unjustified delays attributable to the granting authority, the Mexican Institute of Industrial Property (IMPI).

The negotiations and subscription to the intellectual property chapter of the Free Trade Agreement between Mexico, the United States and Canada (TMEC) resulted in the enactment of the current Federal Law on the Protection of Industrial Property (LFPPI, per its acronym in Spanish), which entered into force in November 2020, with which Mexico adjusted its domestic law to the international standards established by the new trade and cooperation agreements signed by our country in recent years, TMEC, CPTPP and TLCUEM. (1)

The LFPPI provides for the issuance of “complementary certificates.” Their purpose is to adjust the validity term of patents whose processing results in a term of more than five years between the filing date of the application in Mexico and its granting. Such a possibility only includes patents applied for after the entry into force of the LFPPI. (2)

For the determination of the validity of the complementary certificate, IMPI will determine the unjustified delay and, on that basis, will issue a certificate with a validity of one day for every two days of delay, without exceeding five years, which will take effect on the day following the expiration date of the 20-year term of the patent and will confer the same rights as the patent from which it derives.

Prior to the LFPPI, our legal system did not provide for the possibility of compensating the term of a patent for unjustified delays during its procedure.

Notwithstanding the foregoing, in case 257/2020(3), the Mexican Supreme Court of Justice issued a controversial judgment on the issue of patent compensation.

In said judgment, the Supreme Court took as a basis article 1709, section 12 of the North American Free Trade Agreement (NAFTA), which established that, in the event of unjustified delays attributable to the authority during the processing of a patent, the validity term thereof shall not be less than 20 years from its filing date, or 17 years from the date of its granting. Finally, applying the principle of greater benefit to the plaintiff, the court opted for the period of 17 years from the date of its granting as a remedy for the compensation for the delay in the processing of the patent that was submitted for its consideration, in which, apparently, there was a patent processing period of more than five years.

Among the most important aspects of the ruling, it was considered that the now repealed Industrial Property Law does not establish maximum terms for the IMPI to grant a patent, despite the fact that such maximum terms were provided for in Decrees of General Observance where the maximum terms of response to the proceedings filed before said authority are made known, which considered a term of no more than five years from the substantive examination of a patent in Mexico to the date of payment of the granting of the patent. (4)

It should be noted that such precedent is not mandatory for Mexican courts and much less for the IMPI. However, it is undoubtedly an important precedent because, even though it was decided by three to two votes in the relevant part of the sentence, it is still a precedent issued by one of the Chambers of the Supreme Court of Justice, and should certainly be subject to analysis in the resolution of similar cases, which causes controversies, legal uncertainty and abuses on the subject, especially due to the following: (i) ambiguity in establishing the term "unjustified delay," a sine qua non condition for an adjustment of the validity term of a patent and (ii) the remedy (adjustment) it contains to solve the problem of delay.

Indeed, the precedent does not establish parameters to precisely determine a term of unjustified delay for a compensation or adjustment of the patent term to proceed, which, on the contrary, has been expressly established in several legal instruments, from the international treaties USMCA, CPTPP and TLCUEM, to the current Federal Law on the Protection of Industrial Property, and even the Internal Decrees of IMPI. All of these agree, in general terms, that a delay in the prosecution of a patent is configured when there is no justification for a term longer than five years in the procedure, whether from the entry into the national phase or from the substantive examination until the payment or granting of the patent. Likewise, according to the said legal ordinances, if there is no delay of more than five years, there are no conditions for an adjustment in the patent term.

In addition to the ambiguity to establish the period of delay on the part of the authority in the processing of the patent for compensation to proceed, the judgment of the Supreme Court, in accordance with the principle of greater benefit, conferred a remedy or solution involving the optional term in NAFTA of 17 years of optional validity term of a patent from the granting date, a figure that is different and a term unrelated to the compensation for unjustified delays in the processing of a patent.

In this sense, although the motivation and justification provided by the court in the judgment is welcome in that it warns of the need to compensate if there are proven and unjustified delays attributable to the authority in the granting of patents in Mexico and that this results in an adjustment of the validity thereof, the truth is that the remedy provided by the 17-year term from the patent granting is not the legal or appropriate solution to the problem posed.

*(1) Treaty between Mexico, the United States and Canada, ratified by the Mexican Senate on June 19, 2019. Comprehensive and Progressive Agreement for Trans-Pacific Partnership ratified by the Mexican Senate on April 24, 2018. Free Trade Agreement between Mexico and the European Union, ratified by the Mexican Senate in July 2000.*

*(2) Article 126.- When there are unreasonable delays in the processing of a patent directly attributable to the Institute that result in a term of more than five years between the filing date of the application in Mexico and the granting of the patent, at the request of the interested party, a complementary certificate may be granted to adjust the term of the patent.*

Article 131.- [...]

*If the resulting period is less than five years, the Institute will resolve the inappropriateness of the request made. If the resulting period is greater than five years, the Institute will determine the period of days that corresponds to an unreasonable delay, which will be translated into a complementary certificate with a validity of one day for every two days of unreasonable delay.*

*SIXTH.- Patents and registrations of utility models, industrial designs or layout-designs of integrated circuits granted on the basis of the repealed Law shall remain in force until their expiration date and shall be subject to the provisions of this Decree, except for the provision of Chapter III On the Complementary Certificate and Chapter X On the Nullity and Expiration of Patents and Registrations of Title Two.*

*NINTH.- Applications for patents or registration of utility models, industrial designs or layout-designs of integrated circuits, as well as applications for registration of transfers of licenses that are in process on the date on which this Decree enters into force, shall continue to be processed in accordance with the provisions in force at the time of their filing.*

*(3) Judgment issued by the Second Chamber of the Supreme Court of Justice of the Nation in Amparo en revisión 257/2020*

*(4) Agreement establishing the terms of response to various procedures before the Mexican Institute of Industrial Property, published in the Official Gazette of the Federation on December 27, 2016, available at: <https://www.gob.mx/cms/uploads/attachment/file/592834/7.Acuerdo.Plazos.Respuesta.V.05.11.2020.pdf>*

NAFTA provides for two possibilities regarding the patents validity term, namely, 20 years counted from the application, or 17 years from the patent granting, which are prerogatives that the state party or member of the treaty may choose in accordance with the examination, proceeding and granting system stated in their domestic laws. In other words, the minimum "patent validity term" will depend on the procedure chosen by Mexico for the prosecution of such patents. However, such validity term is not related to the adjustment of the validity term for unjustified delays.

In this case, Mexico chose a patent processing system congruent with a 20-year validity term from the application, considering the terms for publication of patent applications, the terms for formal and substantive examination of patent applications, some of them defined in the law, its regulations, or agreements of general observance.

Notwithstanding the foregoing, and despite the fact that the term of 17 years from the granting date is a term of validity and not of compensation, the court decided that to provide a greater benefit, which according to its guidelines was not originally requested by the plaintiff. The adequate remedy in the event of a possible delay would be adjusted with a term of 17 years from the granting date, a criterion that is totally contrary to the specific international rules of compensation and that, even before the entry into force of the new law, was already known, since the USMCA and other treaties as well as the draft of the Federal Law on the Protection of Industrial Property already contemplated the figure of compensation of patent validity term and, in general terms, already indicated as a delay a term greater than five years from the filing in Mexico and a compensation term of one day for every two days of delay and that, in any case, should never exceed more than five years.

Likewise, the judgment omitted to establish and define the period that must elapse between the date of application and granting of the patent to consider that the Mexican Institute of Industrial Property effectively incurred unjustified delays during the processing of the patent, causing patent holders to abuse the referred precedent, asserting it even when there is no delay of more than five years imputable to the authority.

An appropriate remedy to the problem would have been to differentiate and distinguish between the minimum terms of validity of patents stated in TMEC and the patent validity term adjustment, which are different and independent, and to consider the Federal Law for the Protection of Industrial Property that was already published at the time of issuing the judgment as well as the text of the USMCA to provide a remedy by analogy and equity, according to the rules that were being introduced by said law and that are currently in force.

Likewise, the Supreme Court, using analogy and equity, should have concluded that the provisions of the USMCA and the current law on the matter hold that the requests for compensation of patent validity term processed prior to Nov. 5, 2020, must be based on the proven existence of an unjustified delay of more than five years between the filing date of the application in Mexico and the granting of the patent; otherwise, directly applying the remedy and the lack of delay parameters of the Supreme Court's judgment would lead to the violation of the statutory law on the matter and the contradiction with the Mexican Patent System. By not having made such an interpretative exercise, we have a judgment that, derived from its ambiguities, is generating a paradox in our patent system that does not find harmony with the current law, nor with the international patent system.

The foregoing is not an exaggeration since requests for compensation of patent term before IMPI and the courts have been detected, which request the application of the Supreme Court's precedent in cases where there are no delays in the processing of the patent by IMPI (with no more than five years), asking for a compensation of 17 years from the granting date, which not only contradicts the rule of one day for every two years of delay, but also exceeds the limit of five years of compensation of the original term, which is a lock and limit imposed by the LFPPI and international treaties, including USMCA, CPTPP and TLCUEM.

The precedent scenario generates legal uncertainty since the remedies provided lack parameters and limitation to the legal figure, which has resulted in the filing of compensation requests in which, as mentioned above, there are not even delays attributable to the authority, thus implying clear abuses of law by patent holders, which have resulted in the illegal constitution of additional rights of patents whose validity has already expired and which, consequently, are in the public domain.

A clear example of the abuse is that in some cases, it has been argued that the delay period is the result of the sum of the time elapsed from the filing date of the foreign patent application (priority date that applies for the benefit of the patent applicant to recognize novelty) (1) to the date of the granting of the patent.

In this context, undoubtedly, the criterion of the court, instead of providing a solution to the problem, increased the problem since it opened the possibility that an improper application of the criterion may cause a regime in which expired patent inventions are unduly rescued from the public domain, which is detrimental to public order and the general interest, and which contravenes the fundamental rights of freedom of trade, industry and free competition of third parties as well as the Laws on Economic Competition and Industrial Property and the domestic and the international patent system itself.

The criterion in question promises the possibility of a disproportionate remedy, which not even countries with a more sophisticated system have, since no other country in the world or member of the PCT or the Paris Convention provides for a term of compensation for delays by the authority of 17 years from the granting of the original term of the patent.

On the other hand, in all systems where there is compensation for unjustified delays, there is a term to account for the delay and a period to adjust it with limits that, coincidentally, in most cases is five years.

If the syllogism of those who intend to misuse the Supreme Court precedent was correct, it would mean that all patents granted in Mexico before Nov. 5, 2020, should have a term of 17 years from the granting of the patent because, otherwise, all patent holders would be discriminated against by not having applied to them a greater benefit established by the court. This is not the intention of either NAFTA or USMCA and much less of the abrogated Industrial Property Law, nor of the current LFPPI.

The incongruity is even greater when the adjustments are requested without an existing delay (more than five years of prosecution) or indicating the priority date of the foreign application (for the benefit of the applicant to start counting from the term of the patent processing).

*(5) Article 4bis paragraph 5 of the Paris Convention for the Protection of Industrial Property. Patents obtained with the benefit of priority shall enjoy, in the various countries of the Union, a term equal to that which they would enjoy if they had been applied for or granted without the benefit of priority, available at: <https://www.wipo.int/wipolex/es/text/288515>*

Derived from what has been commented in this series of articles, whether you have sophisticated knowledge or not on the subject of patents, I dare to ask the following questions:

If it were appropriate to say that a delay in patent processing (if any) must be compensated by the 17-year term from the granting of the patent, as stated in NAFTA, would not the text of TMEC and the LFPPI itself, which establish the rules for the adjustment of term compensation, be no longer applicable even before having been applied?

If the intention of NAFTA was to grant patent term adjustments for a period of 17 years from the granting of patents, why does TMEC establish express rules for the adjustment of patent term for justified delays and in these rules do not provide that a compensation of 17 years from the granting should be given? On the contrary, it establishes the formula to account for such delay and, for compensation for delays in the sanitary approval, it provides that the adjustment may never exceed five years from the original term. The answer is simple because NAFTA and other international treaties establish that the minimum period of 20 years from the application, as well as 17 years from the granting, is a minimum period of patent validity term, according to the internal system of each country for the processing of patents, but not the mechanism for adjusting the term for unjustified delays.

Do you consider that the term of a patent should be adjusted (extended) without unjustified delay on the part of the authority?

Even if USMCA, CPTPP, TLCUEM and the LFPPI establish a delay period that, in general terms, is five years from the patent application to the granting date, is it ethical to request a patent adjustment when there is no such delay? Is it valid to argue that, to establish the processing period and consequently the delay, the foreign application date, priority date, which serves to recognize the novelty of the invention in favor of the patent applicant, should be considered?

Should a term of 17 years from the granting of the patent be applied as a term of adjustment, when such minimum term is in accordance with the patent examination system adopted by the member country and not a term compensation for unjustified delays?

Should a term of 17 years from the granting date be applied as a term of adjustment for unjustified delay, when the Federal Law on the Protection of Industrial Property, the CPTPP, USMCA, TLCUEM and other international instruments subscribed by Mexico, establish formulas to make such adjustment for delays of patent validity and sanitary registrations and none of said legal instruments state that the compensation must be 17 years from the granting of the patent? Even if, on the contrary, they define delay, eliminate the applicant's own delays, and limit the adjustment to a maximum of five years from the original validity term? (6)

If the term of 17 years were to be applied as an adjustment, without there being a delay in the process, as there are cases currently being heard by IMPI and Mexican courts, by the only principle of greater benefit applied in the criteria of the Supreme Court, in that case, should all patents granted before Nov. 5, 2020 (the year in which the LFPPI entered into force and which defines delay and establishes the one day for every two days of delay formula for the adjustment) have a 17-year validity term from the granting date? Otherwise, they would be discriminating against all other patent holders who, with or without delay, did not have a patent term adjustment of 17 years from the patent granting date. There are thousands who are in that situation. Are these thousands of patents going to be rescued from the public domain?

If the term of 17 years were applied as an adjustment where there was an unjustified delay of more than five years of IMPI, in that case, all patents granted after Nov. 5, 2020, when the LFPPI came into force defining delay and establishing the one day for two days of delay formula for the adjustment, would be at a disadvantage against those that seem to apply the court's criteria, then would the LFPPI, CPTPP, USMCA, and TLCUEM be unconstitutional for establishing a formula and a limit for the adjustment of compensation for delay lower than the 17 years from the granting date referred to in the Supreme Court's judgment?

If conferring 17 years from the effective date of patent exceeds the five-year limit established by the current LFPPI and international treaties for the compensation for justified delay, then are these legal and conventional provisions already innocuous due to an isolated precedent of the Supreme Court issued by a vote of three to two?

If during the negotiations of USMCA, CPTPP, and TLCUEM, Mexican negotiators were reluctant to establish the figure of patent validity term compensation, is it not incongruent with that position that now Mexico is the country that grants a longer term adjustment than any other jurisdiction in the world, since no other jurisdiction includes a 17-year adjustment from the granting date?

If during the negotiations of the international treaties, USMCA, CPTPP and TLCUEM, no country nor any sector of the industry (including the pharmaceutical innovation sector) or trade, advocated or promoted an adjustment term of 17 years from the granting of the patent, but on the contrary, there was reluctance on the part of some parties to include the legal figure, and proposed that, if adopted, locks and limits to the legal figure should be promoted, which are much less than 17 years from the granting of the patent, what leads us to believe that due to an isolated precedent of the Supreme Court, the entire Mexican and conventional patent system should be disrupted in this way?

Faced with all these paradoxes and complex questions, applying the parsimony or simplicity principle (Occam's razor), the simplest answer is that the term of 17 years from the patent validity term is NOT a term of adjustment validity term, otherwise we would not be facing these paradigms.

There is a clear need for a new analysis by the Mexican courts, in which the Supreme Court's precedent is reviewed and the implications that the ruling has caused in our legal system are reconsidered. Above all, an additional analysis is required before applying it to a specific case; otherwise, the Mexican Patent System may be completely and negatively disrupted.

*(6) AMENDING PROTOCOL TO THE TREATY BETWEEN THE UNITED MEXICAN STATES, THE UNITED STATES OF AMERICA AND CANADA*

*In Article 20.46 (Adjustment of Patent Term for Unreasonable Reductions), insert new footnote 40 at the end of paragraph 3 to read as follows and renumber subsequent footnotes, as appropriate:*

*Such conditions and limitations with respect to paragraph 3 may include, among others:*

- (i) Limit the applicability of paragraph 2 to a single patent term adjustment for each pharmaceutical product granted a marketing authorization.*
- (ii) require that the adjustment be based on the first marketing authorization granted to the pharmaceutical product in that Party.*

- (iii) Limiting the adjustment period to a maximum of 5 years; and*
- (iv) If a Party makes available an additional sui generis protection period, limit the additional sui generis protection period to a maximum of 2 years.*

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