

Mexico

Patent system rings the changes for the 21st century

A decree published on June 18 2010 has introduced perhaps the most relevant changes to the Mexican patent system since the enactment of the Industrial Property Law 1994. The changes took effect 90 days after the date of publication.

The amendments cover the following topics:

- amendments to the definition of ‘industrial applicability’;
- the partial priority rules;
- a new system for oppositions to patent applications during prosecution;
- the monitoring of counterfeiting and the carrying out of inspections by the Mexican Institute of Industrial Property (MIIP); and
- new infringement claims in order to protect trade dress more effectively and to prevent abuses of patent rights.

The changes all support the interests of the pharmaceutical industry.

Industrial applicability

The definition of ‘industrial applicability’ set down in the Industrial Property Law simply provides for “the possibility of use in any industrial or commercial activity”.

In an animated debate in Congress, this definition was changed to one intended to be consistent with the US concept of utility, but which instead ended up confusing everyone. The new definition, set out in Article 12(IV) of the Industrial Property Law, reads as follows: “the possibility of an invention having a practical utility, or of being used or utilized in any branch of economic activity, for the purposes described in the application.”

The first part of the sentence appears to broaden the definition from that in force previously. However, the latter part greatly limits the definition, as every potential application of the invention must now be disclosed in order to comply with this requirement. In fact, this

change is consistent with another change in Article 41(I), which amended the enablement requirements for detailed descriptions to add that such descriptions must be accompanied by information exemplifying the industrial application of the invention.

Unfortunately, the impact of the change on claims interpretation is uncertain; the provision may be understood to be merely a patentability requirement, but could also be interpreted as a standard for the determination of claim breadth.

Partial priority rules

Although the Industrial Property Law already provided for the possibility of claiming partial priority, the new rules incorporated into Article 41 imply the option to claim new priority, rather than requiring examination according to the filing date in Mexico. However, the interpretation is again uncertain. It remains to be seen whether the provision will be interpreted as a possibility to claim new priority after filing in Mexico, or only as a rule that multiple priorities are possible where there is matter beyond an original priority. Given that multiple priority claims were possible previously and are possible under international treaties, the most likely interpretation is the possibility of a new priority claim where it is determined that the subject matter is beyond the scope of the claimed priority. In any case, there are no regulations clarifying the proceedings for such a claim and clarification of this issue is still expected.

Opposition proceedings

Perhaps the most controversial changes to the Industrial Property Law are those relating to the new opposition proceedings.

New Article 52*bis* provides that an interested party may submit before the Mexican Patent Office information that is relevant to the substantive requirements of patentability (Articles 16 and 19 relating to novelty, inventive step, industrial applicability and patentable subject matter) of the claims of a patent

application, but only within six months of the date of publication of such application.

The Patent Office will use such information only in support of the examination. The interested party will not be part of the proceedings afterwards; nor will it be able to interfere with the normal prosecution of the invention. Further, the filing of such information will not pre-empt the right to file a nullity action against the grant of the patent at a later date.

This kind of patent opposition, as provided for in the amendment to the Industrial Property Law, is intended to be a simple proceeding with few requirements or formalities. However, the lack of clarity derived from such a relaxed proceeding allows scope for all parties involved to misunderstand or misinterpret its provisions.

First, the amendment states that an opposition can be filed by any third party within six months of publication of the patent application in the *Official Gazette*. It is unclear what kind of brief or written petition should be filed, since the amendment states only that “the information” relating to lack of novelty, inventive step or industrial application must be filed, as well as “the information” demonstrating that the scope of the patent application falls into the exemptions of what is considered to be an invention under the Industrial Property Law.

This change in the patent prosecution process is intended to allow any third party to file evidence to prove that an applied-for patent must be rejected before it is granted. As the modification fails to lay down any formalities to be followed in order to prosecute such opposition, it gives third parties the freedom to argue and support the opposition in any way. Before this amendment, the Industrial Property Law set down no proceedings or opportunities for third parties to argue against a patent application; the only formal way to argue against a patent was by commencing litigation proceedings after the grant of the patent application.

The recent amendment grants the Patent Office the power to study such information during substantive examination of the patent application, allowing it both the option and the ability to issue a formal response to the opposition if it so wishes. It appears that at this point the legislature left it up to the Patent Office to decide whether an opposition filed by a third party is worthy of examination. This prerogative of the Patent Office results in a lack of transparency, since the criteria which the Patent Office will use to decide whether to consider the third party’s opposition are still unclear.

Additionally, as the Patent Office need not issue a formal decision expressly stating whether an opposition was well founded, the third party will not know whether its opposition was considered. Even worse, in cases

where such opposition was considered and rejected, the third party will not be made aware of the grounds for such rejection.

In this regard, as the third party that filed an opposition will not be made aware of the reasons why the Patent Office rejected its opposition, it will be difficult for it to appeal such rejection. This situation might also affect the patent applicant, since even when an opposition is properly dismissed or rejected, this lack of clarity in the formalities of the process may allow a third party to appeal a patent application proceeding on the grounds that the Patent Office violated constitutional rights, even where the opposition was properly founded.

Another point that may cause confusion for the relevant parties is that the patent applicant is entitled to argue against the opposition proceeding, but the amendment makes no provision as to when the applicant should be informed of such opposition proceedings or the term within which it must file such arguments. In this regard, such a term appears to be determined by the Patent Office on a case-by-case basis, which is far from the best way to afford parties procedural certainty.

Additionally, the amendment states that opposition proceedings do not suspend the patent application procedure. This part of the amendment appears to be intended to prevent unfair practices by third parties which might file an opposition only in order to delay prosecution of a patent application. In this case, it appears that the legislature attempted to guarantee applicants that opposition proceedings will not delay patent application proceedings, and consequently to guarantee that the amendments will not impact on commercial purposes since, if the process is not suspended, the patent can be granted within the average timeframes (according to Mexican practice), and thus can be enforced against third parties.

In addition, the new opposition system grants no legal standing in the patent proceedings to the third party filing such opposition, meaning that this party is not considered to be a formal party in the application process. This is probably why the amendment is vague and imprecise with regard to the formalities, times and rights of each party.

Finally, if the opposition fails, the amendment clearly allows those third parties that initiate opposition proceedings to start litigation seeking cancellation once the patent has been granted. However, this opportunity might be questionable, since if the same opposition arguments are made during the litigation, it might be considered that the Patent Office has already rejected such arguments as the patent was granted despite an opposition filed on the same grounds.

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Counterfeiting and inspections by the MIIP

The new provisions of Article 188 allow third parties to notify the MIIP of possible IP rights infringements so that it may initiate proceedings *ex officio*. In practice, the MIIP was already entitled to initiate proceedings under the law, but it seldom did so on the grounds that it lacked the necessary infrastructure. This argument is no longer valid due to the new Article 188, but the effects of infringement actions arising from notification by third parties are yet to be seen.

Regarding the grant of bonds and counterbonds for seizure injunctions arising from MIIP inspections, Article 199bis(1) included a provision requiring 40% of the value to be paid as a counterbond to the original bond from the IP owner requesting injunction measures.

Unfortunately, this threshold may be too high for some cases and too low for others; its impact on counterfeiting remains to be seen.

New infringement claims

The final substantive changes relate to the causes of infringement.

The first such change attempts to make enforceable some form of trade dress protection. New Section XXVI of Article 213 of the Industrial Property Law now provides for infringement through the use of “distinctive signs and operative or image elements” in identifying products or services, if these are “confusingly similar” to others protected by an IP right, or if such use induces confusion as to whether the products or services originate from the IP rights owner or an unauthorised user. According to the amendment, this is considered to be unlawful competition, and is therefore a powerful tool for franchise enforcement and other trade dress-driven products and services.

However, new Section XXVII of Article 213 states that once the MIIP has declared a patent infringement to be “non-existent”, the patent holder will be liable for infringement itself if it attempts to assert the same patent against the same person or third parties. This is one of the most controversial provisions of the amendment. Congressional lobbying failed to limit this article to comply with *res judicata* under Mexican law, which sets forth very clear definitions regarding what should be considered already studied and decided. The fast-track proceeding before Congress made it impossible to limit the application of the article, and the explanatory notes to the changes stated only that the *ratio legis* of this provision was to refer to the rules relating to *res judicata*. However, there are concerns regarding the potential interpretation of this new cause of infringement.

This new cause of infringement aims to dissuade patent holders from filing groundless infringement actions against third parties by abusing their patent rights and basing such actions on the same grounds as were previously considered in earlier, unsuccessful litigation. However, the Mexican authorities must be cautious when such cause of infringement is submitted for consideration, since an infringement action filed by the same patent holder, based on the same patent and against the same defendant does not necessarily mean that the infringement has already been considered. It might represent a new and different infringement, since the infringing product or process, the evidence and the time when the infringement was allegedly committed could result in a new and different case that allows the patent holder to initiate a new infringement action, thus avoiding this new cause of infringement.

Conclusion

The amendments have introduced changes that will modify Mexican practice regarding patent prosecution and patent infringement, although some such changes are questionable and unclear. However, in order to evaluate whether the amendments will work, it is necessary to wait until the first cases have been submitted and decided. In the meantime, it appears that the amendments are intended to keep both sides of the industry satisfied. On one hand, patent holders must now deal with an opposition system that (hypothetically) will not allow

unfair practices and will eliminate delays in the patent prosecution process; while on the other hand, third parties without patent protection now have the opportunity to oppose a patent application before it is granted, as well as the chance to initiate infringement actions if a patent holder abuses its patent rights.

It will be interesting to see whether the legislature achieves its targets or whether it has created a system that is unequal to both sides and may lead to endless battles that will be detrimental to the Mexican patent system and Mexican business at international level.



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