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Q245

Taking unfair advantage of trademarks: parasitism and free riding

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I. Current law and practice

1) Do the laws of your jurisdiction provide for protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines (see paragraphs 26) and 27) above); and/or

yes

Please comment:

Yes, the Mexican Industrial Property Law (MIPL) provides protection against the taking of unfair advantage from third party trademarks. Specifically, Article 213 of the MIPL forbids the following:

1. Unfair competition (section I of Article 213 of the MIPL). Case-law has established that among other cases, obtaining clients from a competitor without using its own resources, creativity or economic force but by imitation, derives in unfair competition. Therefore, if a third party attempts to obtain a benefit from a competitor's trademark, such conduct would probably constitute unfair competition in Mexico.

Unfair competition has been available to companies in addition to the protection granted through patents, copyrights and trademarks actions in order to stop free riding. Moreover, unfair competition has been qualified as an infringement procedure that under the MIPL has an administrative nature:

“ARTICLE 213. The following shall constitute administrative infringements: I. engaging in acts contrary to proper practice and custom in industry, commerce and services, which amount to unfair competition and which relate to the subject matter regulated by this Law;...”

The scope of this article has been considered as broad enough to qualify free riding as one of the conducts that qualify as unfair competition.

In accordance with the Trademark Law, the Mexican Institute of Industrial Property (MIIP) has the faculty to repress and apply sanctions over acts bidding to the good and honest practices in the industry and commerce and the Laws of Congress, providing a cause of action in relation to unfair competition. The unfair competition does not require a registered mark and in fact, it may protect any trade symbol, including trade dress, as long as it is capable of distinction. Consequently, trademarks or trade symbols that acquire distinctiveness may be protected, as long as the consumer public is mistakenly induced to believe that there is association or relationship between establishments, products or services.

1. Confusion as to origin (section IX of Article 213 of the MIPL). This section prohibits any act during industrial or commercial activities that may cause or induce consumers into confusion, error or deceit by making them believe or suppose that there is a relationship between an establishment and the establishment of a third party, that products are manufactured under the specifications, licenses or authorizations of a third party, that services are provided or products are sold under the authorization, licenses or specifications of a third party or that the respective product originated from a region different from the real place of origin, hence inducing consumers into error in respect to the real geographic origin of the product. Such conducts may be caused by free riding or parasitism in the sense that if consumers are led into believing that the products have a different origin or that they were made on the basis of relationship with the trademark owner, infringement would occur. Put simply, if the use of a third party's trademark could claim a false relationship to its owner, such use would be illegal under this article in Mexico. Regardless of the detriment caused, to suggest a false relationship to a third party is generally unlawful in Mexico.

1. The use of a registered trademark *per se* without consent of the owner for identical or similar goods/services is unlawful in Mexico under section XVIII of Article 213 of the MIPL. Even if the products are not identical, their complimentary character, their competition, their sale through similar channels of trade and other factors may determine that they are similar. The sale of products bearing a trademark in this manner can also constitute infringement if done with intent.

1. For the case of well-known trademarks, their use on any product or service can be infringing when, among other causes, the use could constitute an unfair exploitation of the mark, such as parasitism.

1. For famous trademarks, their unauthorized use is (in principle) always infringing, regardless of the products or services in which the trademark is used. Thus, parasitism or free riding involving

a famous trademark will almost certainly be considered as infringing.

According to Article 98 Bis of the MIPL, a trademark shall be considered "well known" when a given sector of consumers or the relevant country's business circle is aware of the existence of the trademark as a result of (i) the commercial activities conducted in Mexico or abroad by the "owner" or the person entitled to use the trademark, or (ii) as a result of the promotion or advertising thereof. Further, a trademark shall be considered "famous" when the majority of consumers are aware of the existence of the trademark.

Specifically with regard to famous or well known trademarks, Article 213(VII) provides that an administrative infringement exists when a third party uses without authorization a trademark considered as famous or well known. Consequently, for the owner of a famous or well known mark in Mexico to enforce its rights against a third party that uses, without authorization, a mark that is identical or confusingly similar to the earlier sign, the MIIP must find that at least one of the above four mentioned situations exists, and the same includes confusion or association, unauthorized use, tarnishment or dilution.

6) Cybersquatting practices are not expressly contemplated in the MIPL. These practices could constitute conducts similar to free-riding/parasitism. Even if there is no cybersquatting law in Mexico, the courts have found that the abusive registration of domain names in order to offer them for sale to the legitimate trademark owner for profit constitutes unfair competition under Article 213-I MIPL and 10 bis of the Paris Convention.

As stated before, despite the guidelines comprised in the referred provision, Mexican authorities regularly find trademark infringement with the sole presence of a third party trademark, if applied to similar goods or services. Mexican administrative authorities and judges/magistrates should distinguish between non-trademark use, and legitimate comparative advertising on one hand, and free-riding/parasitism on the other. However, there are not many criteria or precedents concerning these types of cases.

The above is without prejudice to the fact that certain creations (such as characters or the titles of works) are also subject to copyright protection and their unauthorized use in connection with any product or service whatsoever could imply copyright infringement. For instance the use of a character protected through a copyright "reserva" which is a *sui generis* protection for characters in Mexico would almost certainly be infringing if done for commercial gain, regardless of the products or services in which the character is used.

In sum, although the MIPL does not foresee a specific prohibition free riding or parasitism, such conducts would normally convey infringement and the owner of the registered trademark would be able to pursue an infringement action with the Mexican Institute of Industrial Property.

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes
Please comment:

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In sum, although the MIPL does not foresee a specific prohibition free riding or parasitism, such

conducts would normally convey infringement and the owner of the registered trademark would be able to pursue an infringement action with the Mexican Institute of Industrial Property.

For the questions below, if b. applies either separately or in addition to a., please make that clear in any relevant answer.

2) What is this protection called, and is this a definition developed in case law or found in a statutory provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.

The protection outlined above is a form of protection against unfair competition provided by the Mexican Industrial Property Law. Particularly, case-law has provided that most, if not all, infringements established in Article 213 of the MIPL will generally constitute unfair competition.

Infringement in Mexico mainly deals with the unauthorized use in commerce of a previously registered trademark applied on the same or similar products or services as those made, sold or rendered by the trademark owner. In this sense, although unfair competition is usually targeted through an infringement procedure, both have different concepts and characteristics; while trademark infringement is narrow, unfair competition implies a broader notion that includes unfair trade practices related with industrial property rights.

Case law regarding unfair competition principles applied to free-riding/parasitism can be found in some precedents of the Intellectual Property Chamber of the Tax Court, and the Circuit Courts. The precedents of the Circuit Courts become legally binding (for District Judges and the Intellectual Property Chamber of the Tax Court) when they become jurisprudence. A precedent becomes jurisprudence when there are 5 uninterrupted cases decided in the same direction. Precedents that have not become jurisprudence can be used as guidance to solve cases but are not legally binding.

A relevant precedent is the yahoo.com.mx case^[1], in which the Fourth Circuit Court for the First Circuit ruled that the registration of a domain name with the purpose of selling it (for a sum that exceeds normal standards) to the rightful trademark owner, constitutes an act of unfair competition (Art. 10 *bis* Paris Convention and 213-I, IX MIPL), and implies free-riding by using a notorious trademark in a domain name. In this case, the defendant claimed to have registered the disputed domain name based on his fondness of the book Gulliver's Travels written by Jonathan Swift, which talks about some characters called "Yahoos". The court decided that the Defendant's conduct was unfair and dishonest.

Another interesting case is *Tortas Don Polo*^[2], in which the Defendants held registrations for trademarks incorporating the term "DON POLO", which had been used and positioned in the market by the Plaintiff for decades. MIIP found no trademark infringement or unfair competition, and the Intellectual Property Chamber of the Tax Court confirmed the decision, but the circuit court ruled that even though the Defendants had their trademark registrations, said registrations could not be used in an abusive manner to damage the reputation of the Plaintiff, and to benefit from said dishonest conduct.

In other cases, the same Fourth Circuit Court for the First Circuit has said that there is no free-riding when the Plaintiff's trademark is not sufficiently distinctive. In *X-TRIM*, the owner of the trademarks "X-

TRIM FIXX”, “XTRIM FIXX GEL”, and “X-TRIM FIX CERA GEL” filed a nullity action against the trademark “WET LINE XTREME X LIGHT”. The circuit court considered that even though there is a phonetic similarity between the Plaintiff and the Defendant’s trademarks, that resemblance is insufficient to cause confusion because it is provoked by the sound of the term “X-TRIM”. Since this term refers to a quality that can be applied to any service or product, it is not distinctive enough to cause confusion on the consuming public.

Footnotes

1. [^ Yahoo!, Inc. v. Interactive Press, S.A. de C.V., Amparo suit D.A. 536/2010, before the Fourth Circuit Court of for the First Circuit.](#)
2. [^ Amparo suit D.A. 419/2009 before the Fourth Circuit Court for the First Circuit.](#)

3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?

The basis for this protection is the MIPL, which regulates trademarks, slogans and trade names, as well as patents, models, designs and integrated circuit. In order to initiate such actions a registered trademark or slogan or a protected trade name would almost certainly be required.

As discussed before, this protection is set forth in Article 10 *bis* of the Paris Convention, and Articles 213 -I and IX of the MIPL, which state that acts against good practices in commerce should be deemed as infringing conducts. These type of procedures are based on unfair competition grounds and are not limited to trademark use because they apply to any conduct that falls within the abovementioned definition.

Trade dress can also give rise to free-riding. Article 213-XXVI MIPL establishes that using a combination of trademarks, operational elements and image elements, that may identify products or services, and that are identical or confusingly similar to other elements protected by said law, constitutes an infringement.

The courts are deciding several cases in which a specific retailer is using packages featuring a trade dress that is imitating that of the category leader (in these cases the free-rider and the original products are normally displayed side by side on the shelf).

The basis for a protective action in an unfair competition complaint may also be a registered nominative trademark, against a mark that is not phonetically or graphically confusingly similar, but that has been conceptually designed to cause confusion among the consuming public.

On the other hand, unregistered trademarks do not have much protection in Mexico unless they reach a well-known or famous status, aside from prior use in Mexico being an effective defense against infringement actions.

For well-known or famous trademarks, there is an *ad hoc* procedure in which the MIIP may issue a declaration of the well-known or famous character of the mark (but it is necessary to have the trademark registered in Mexico). The law provides that the status of the trademarks is presumptively subsistent for five years and that the declaration may be renewed if the circumstances subsist. Still, please note that the lack of the declaration of the famous or well-known status of a trademark does not prohibit the owner of the trademark of proving such status in litigation.

As stated above, the acts of parasitism or free riding can convey at least three possible forms of infringement provided by the MIPL. These causes for determining infringement are not, in most cases, mutually exclusive. On the contrary, in practice it is common to argue several causes for infringement simultaneously. For instance, a single case of parasitism or free riding could give way for the plaintiff to successfully argue the unfair competition outlined in section I of Article 213 of the MIPL and both the infringements foreseen in sections IX and XVIII.

These and other infringements outlined in Article 213 of the MIPL will almost always result in the infringement for unfair competition outlined in section I of the article being applied as well. The authorities in Mexico understand the concept of unfair competition in broad terms and often cite Article 10 bis of the Paris Convention. Thus, if the infringement for section IX and/or section XVIII of Article 213 is declared, the MIIP will usually consider that unfair competition has occurred and declare the infringement of section I as well.

Additionally, the Federal Law for Consumer Protection (FLCP) establishes the following:

ARTICLE 32.- Information and advertising regarding goods, products or services released through any mean or manner, shall be truthful, verifiable, and exempt of texts, dialogues, sounds, images, trademarks, designations of origin, and other descriptions that lead or may lead to mistake or confusion by being either deceptive or unfair.

For purposes of this Law, deceptive or unfair information or advertising shall be understood as that which refers to characteristics or information related to any good, product or service that, either truthfully or not, misleads or causes confusion due to the imprecise, false, exaggerated, biased, contrived, or tendentious manner in which it is presented. Any information or advertising that compares products or services, either of the same trademark or of different trademarks, may not be misleading or unfair under the provisions of the preceding paragraph. The Agency may issue guidelines to verify such information or advertising, in order to prevent consumers to be misled or confused.

The FLCP may be considered as an additional legal tool against free riding taking into account:

- (i) The misleading information and advertising is considered as a serious infringement;
- (ii) The Consumer Protection Bureau has faculties to coordinate any Federal, local or municipal agency

to protect consumers from misleading information/advertising, as well as to analyze the information/advertising to determine if it is misleading or not.

4) What are the elements of any available cause of action, e.g. the requirement for the trademark to be registered, reputation in the trademark, establishment of a link or association with the trademark, bad faith, change in the economic behaviour of consumers, actual advantage, potential future advantage? How are they proven?

In most cases, it would be sufficient to prove that the plaintiff owns a registered trademark in Mexico, to prove the allegedly infringing conduct and convince the authority that, due to the nature of the goods/services covered by the trademark registration that consumers could be misled into believing that the defendant's goods/services/establishment are related to the plaintiff.

If the claim is based on a registered trademark, the plaintiff would not necessarily have to prove its use in the market as the protection is understood to comprise all goods/services in the respective description, regardless of any actual use.

If the plaintiff can establish that consumers may understand that there is a relationship between plaintiff and defendant, this will generally suffice for the infringement to be declared. For instance, if the plaintiff's mark is being used for competing/complimentary goods or services that would suffice for the MIIP to determine that an infringement has occurred.

There are certain specific cases in which a trademark may not need to be registered, e.g. in case of well-known trademarks the owner is not legally obliged to have a registration but rather needs to request (in the specific procedure) that MIIP deems its trademark as well-known (based on the evidence shown by the petitioner).

The MIPL states that for a trademark to be deemed as well-known it needs to be recognized by a majority of the consuming public, although there is no relevant jurisprudence regarding the well-known assessment in unfair competition actions.

In sum, the MIPL establishes that some of the following elements should be proven to demonstrate acts of unfair competition and trademark infringement:

-Confusing similarity, by any means, in connection with the facilities, products, or the activity of another competitor.

-Discredit by means or false statements of the facilities, products, or the activity of a competitor.

-Likelihood of confusion with the corresponding trademark as to the source, sponsorship, affiliation, or

endorsement of a product or service protected under said trademark.

-Use of a trade dress that is similar to that of another Company or any other visual elements (or its combination) to provide products or services that are identical or similar to those of the Company with the previously registered trademark.

5) Further to question 4):

a) what degree of reputation, if any, in the trademark is required?

For a registered trademark, reputation would not necessarily be of relevance if the goods/services are similar. Nonetheless, to argue and prove the reputation could be helpful in supporting the action by convincing the authority about the fact that the defendant is exploiting the trademark for commercial gain and increase the severity of the infringement.

For cases involving well-known or famous trademarks, the reputation can be very important to prove that the trademark actually achieves such status. For well-known trademark, knowledge of the same in the respective commercial status must be established. For famous trademarks, knowledge by the majority of the Mexican consumer public is necessary.

In the case of famous or well-known marks, it is a relevant sector of the public that is considered the relevant public in determining the knowledge of a mark. It must be pointed out that the MIPL refers to a "given" sector of the public rather than a "relevant" sector of the public.

As mentioned before, the reputation plays a particular role under the framework of notorious and famous trademarks. The MIPL establishes in Articles 98 Bis-1 and 98 Bis-2 that, in order for the owner of a notorious or famous mark to be able to obtain the declaration of well-known or famous mark, the mark must be registered in Mexico in order to cover goods or services on which the mark originated its notoriety or fame. Further, the applicant seeking a declaration of notoriety or fame of a mark must submit, among other data:

i) the sector of the public formed by the actual or potential consumers who identify the mark with the goods or services covered by the mark, based on a survey or market research or any other means permitted by the law; ii) other sectors of the public different from actual or potential consumers who identify the mark with the goods or services covered by the mark, based on a survey or market research or any other means permitted by the law; iii) the commercial circles formed by the merchants, manufacturers or renderers of services related with the kind of goods or services, who identify the mark with the goods or services covered by the mark, based on a survey or a market research or any other means permitted by the law; iv) the date of first use of the mark in Mexico and, when applicable, abroad; v) the time of continuous use of the mark in Mexico and, when applicable, abroad; vi) the channels of commercialization in Mexico and, when applicable, abroad; vii) the means of diffusion of the mark in Mexico and, when applicable, abroad; viii) the time of actual advertising of the mark in Mexico and, when applicable, abroad; ix) the investments made during the last three years in advertising and promotion of the mark in Mexico and, when applicable,

abroad; x) the geographic area of actual influence of the mark; xi) the amount of sales of the goods or services covered by the mark during the last three years; xii) the economic value of the mark; xiii) the registrations of the mark in Mexico and abroad; xiv) the franchises and licenses granted in relation with the mark; xv) the percentage of participation of the mark in the relevant sector of the market.

However, the courts have ruled that if the Defendant uses a registered trademark that lacks sufficient distinctiveness, or a solid reputation, said Defendant shall not be deemed an infringer (see the *X-TRIM* case *supra*).

Another interesting case is *Meson Taurino*^[1], in which the owner of the trademark “Las Gaoneras” (granted for restaurant services) filed a nullity action against the slogans “Tanda de Gaonera”, “Tanda Gaonera”, “Las Únicas y Famosas Gaoneras”, “Gaonera Mesón”, “Gaoneras”, and “Gaonera Taurina” (granted for beef products). MIIP and the circuit court ruled that in unfair competition practices, similarity of trademarks must be analyzed taking into account their objective or finality, its purpose and the intent of the user to create an association between the trademarks, and not only attend to the products, services or classes for which the disputed trademark registrations are granted.

In the analysis of this case, the circuit court deemed that the service of the Plaintiff (restaurant) and the product of the Defendant (beef) could not be objectively confused by the consuming public, attending to the different essence, nature and use.

Moreover, and to exemplify this concept, the circuit court established that the existence of the trademarks “El buen bife-Argentina Grill”, “La Sandía”, “Las flautas”^[2], “Los Guajolotes”^[3], “Angus”, “Crepes & Waffles”, and “The crab house” (cited by the Plaintiff in the complaint as examples of registered trademarks), cannot exclude other merchants that offer products or services associated with these generic terms to commercialize steaks, watermelon, “flutes” and “guajolotes”, “angus” beef, crepes, waffles, or crab restaurants, to name as such those products or services. According to the court, the service trademark “Las Gaoneras” doesn’t generate any exclusivity regarding the term word “GAONERAS”.

Footnotes

1. [^] *Amparo suit D.A. 122/2009 before the Fourth Circuit Court for the First Circuit.*
2. [^] *These terms can be translated as “The good steak-Argentina Grill”, “The Watermelon”, and “The Flutes”.*
3. [^] *“Flutes” and “Guajolotes” are traditional Mexican food.*

b) who bears the burden of proof regarding the requirements?

The plaintiff. In Mexico the general rule is that the plaintiff has to prove the facts (Article 81 of the Federal Civil Procedure Code) supporting his action with some exceptions (i.e. negative facts that could not be proven such as when arguing lack of use of a trademark). Infringement actions are no exception and the plaintiff would have to prove that the infringement has occurred

c)	must the use at issue cause confusion?
	<p>yes</p> <p>If so, what degree of confusion is required, e.g. actual confusion, a likelihood of confusion and/or initial interest confusion (i.e. initial confusion which has been resolved at the time of purchase)?:</p> <p>In general, a likelihood of confusion is required. In <i>ALTER EGO</i>¹¹ the circuit court held that these terms can't be registered as a trademark if there is a previous trademark "EGO" granted in the same class. The circuit court determined that since "EGO" is the dominant element of the trademarks in dispute, the conceptual and phonetic differences highlighted by the Plaintiff cannot overcome the risk of confusion. In the analysis of this case the court makes reference to the act of taking advantage of the commercial recognition that the first economic agent built through advertising.</p> <p>Moreover, it is important to mention that it exists a difference between risk of association and risk of confusion; the first one takes place when the consumers may think that there exists a relationship between the owner and the alleged infringer, while the risk of confusion occurs when looking at the similarity between the signs. In comparative advertisement cases (Art. 213-X LIP), the requirement is not actual confusion or likelihood of confusion, but the intent to discredit, or the actual discredit to the products, services, commercial or industrial activity, or the facilities of another.</p> <p>Footnotes</p> <p>1. ^ Amparo suit D.A. 239/2007 before the Fourth Circuit Court for the First Circuit.</p>

d)	can the protection be invoked in case of both similar and dissimilar goods/services?
	<p>yes</p> <p>Please comment:</p> <p>Yes, there can be protection against free-riding/parasitism in cases where the goods/services are similar, and where they are not. This is so because unfair competition provisions do not necessarily require confusing similarity, and because famous trademarks are an exception to the principle of specialization. Therefore, the use of the trademark of another party in relation to different products or services can still lead to confusion and constitute dishonest commercial practices.</p> <p>Concerning a non-famous trademark and if the action is filed on grounds of trademark or trade dress infringement (Article 213, section IV, V and XXVI of the MIPL), the Plaintiff must prove similarity between the corresponding goods.</p>

e)	are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?
	None

6)	Are there any defences against and/or limitations to the protection?
	<p>yes</p> <p>If so, what are they, and what are the elements of such defences/limitations?:</p>

In trademark infringement cases, the MIPL requires trademark use. Article 62 of the Regulations to the Law of Industrial Property (RMIPL) defines use as the placement in commerce of products and services under the relevant trademark, and in the quantity and manner, which corresponds to the general customs and practices in commerce. Thus, a Defendant in a trademark infringement case could claim that he is not using the term as a trademark, but merely as a descriptive term.

In addition, in trademark infringement cases, Defendants may argue that they have registration certificates (or even "Reservas") for the free-riding marks. Courts may find these registrations for the free riders as a valid defence against a trademark infringement claim (and rule to wait until the free rider's registration is cancelled), but not against an unfair competition case (see *Tortas Don Polo*).

In pure unfair competition cases, non-trademark use does not always constitute a defence, since there are conducts that do not necessarily involve trademark use (e.g., in yahoo.com.mx, the court ruled that there was no trademark use, and still found dishonest practices that constituted unfair competition).

Article 92 MIPL sets forth a series of limitations to trademark rights:

- a. A trademark registration has no effect against the defendant if the defendant can conclusively prove uninterrupted use of the allegedly infringing trademark in Mexico for goods/services identical or similar to those covered by the registered trademark and that the same commenced on a date preceding the filing or claimed prior use date of the trademark in Mexico. In such cases, it is even possible to obtain the annulment of the respective trademark registration if the respective action is timely filed.
- a. Comparative advertising is not considered infringing so as long as it follows the guidelines established the FLCP and its regulations. In general terms such advertising must not mention facts that cannot be proven and should not incur in exaggerations or other forms of deceit towards consumers.
- a. The law in Mexico establishes that a trademark registration will have no effect against the purchaser, user or distributor of products bearing the registered trademark once they have lawfully entered commerce. In other words, once the products bearing the trademark are lawfully sold in Mexico, the owner is generally free to resell them or distribute them without incurring in infringement. Parallel imports are permitted in Mexico.
- a. Freedom of expression could be hypothetically invoked if the trademark is used in, for example, a political, artistic or other non-commercial background. The Judiciary has established that not all forms of expression are equally protected by the right of freedom of expression and particularly, that advertising is not equally protected as other forms of expression when the purpose of economic gain cannot be equalized to an expression of individuality or political opinion. Therefore, this hypothetical defense would probably exist only when expressing political opinion, artistic expression, etc., but it would be much more limited and scarcely effective if argued in connection with advertising.

7) Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?

The general rule in Mexico is that the defendant has the burden of proving the defenses argued. Therefore, if the defendant was to argue any of the defenses outlined above, he would have to prove the facts on which such defenses are based. For instance, in letters a or c above the defendant would have to file evidence to prove the prior use or that the products were previously purchased and are originals.

If the defendant proves these defenses that would suffice for avoiding the commission of infringement, even if the plaintiff argues that the use is "unfair", since the MIPL makes no such distinction for the defenses outlined in letters a-c. If the defendant is within these hypothesis and proves them, that would suffice for a successful defense.

For the defense outlined in letter d, the success would be determined by the commercial intent or lack thereof since as stated above, the current criterion is that freedom of expression does not apply equally to advertising and may be restricted in connection with the same

8) If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark?

Parties who claim to fall within the limitations of Art. 92 MIPL can use the trademark, but only in those limited cases.

The *bona fide* previous user can coexist with the registration holder, according to Art. 92-I MIPL, and even has a right to request the cancellation of the trademark registration, and obtain his own registration, during the three years following the publication of the registration of the opposite party.

The entity or person with a homonym can coexist with the registration holder, but said entity or person is subject to the obligation of clearly distinguishing said homonym as opposed to the registered trademark.

The user of the registered trademark after the exhaustion of the holder's rights has the broadest rights of the list comprised in Art. 92 MIPL, since the limitation is very extensive after the first sale.

The user of a term as a non-trademark term, or as a nominative fair use, or in a free speech scenario can use the mark as long as it does not distinguish products or services, and as long as the use does not constitute unfair competition.

As discussed previously, some courts have ruled that if the trademark is not sufficiently distinctive, even if registered, it cannot be used to exclude competitors from using it (e.g. *X-TRIM*, *GAONERAS supra*).

In sum, the free riders have the same rights as anyone has. They may use comparative advertising if it complies with the FLCP and its regulations. They may continue use of any trademark they might have uninterruptedly used in Mexico prior to the filing or prior use date of the respective registration. The free rider may register the trademark by going through the normal trademark registration procedure, though they may obtain the registration by pursuing the annulment of prior registration based on prior use for example.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes

Please comment:

Article 6 *bis* of the Mexican Commercial Code reproduces Article 10 *bis* of the Paris Convention. This provision provides for a civil complaint brought before civil courts, once the Plaintiff obtained a final administrative decision from MIIP

b) court in other proceedings;

yes

if so what other proceedings (e.g. criminal proceedings):

Unfair competition acts cannot be prosecuted in criminal proceedings because criminal actions require conducts involving falsifications in a knowingly manner, and for commercial gain.

c) opposition proceedings;

no

Please comment:

Not applicable because in Mexico there are no opposition proceedings yet.

d) any other?

no

Please comment:

Not applicable

10) If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.

Not applicable.

II Policy considerations and proposals for improvements of the current law

11) Should there be protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or

yes
Why?:

From our perspective, the MIPL already contemplates protection against the unfair advantage of trademarks and the use that is similar to this unfair advantage (the definition of unfair competition acts found in Article 213-I MIPL is sufficiently wide for a trademark holder to allege infringement against someone that is either taking unfair advantage or displaying activities similar to unfair advantage regarding a trademark).

Since the Constitutional reform of 2011, all judges have an *ex-officio* conventionality control obligation, which means that they are compelled to guard international treaties related to human rights. The Paris Convention has been catalogued as a treaty of this type. Thus, judges and magistrates are obliged to apply Article 10 *bis* of the Paris Convention directly to all free-riding cases, if such cases imply acts of unfair competition. This fact is a step forward towards harmonization of principles under the Working Guidelines.

Notwithstanding the above, even if the Law contemplates these kinds of cases and situations, it is important to encourage authorities and Judges (either MIIP officers, circuit court Magistrates or Magistrates of the Intellectual Property Chamber of the Tax Court) to implement and define clear criteria regarding unfair competition acts as applied to free-riding and to issue more precedents and jurisprudence in this regard.

Therefore, the Working Guidelines should definitely be communicated to the authorities and the judiciary, as well as the practitioners.

b) use that is similar but outside the scope of the definition in these Working Guidelines?

yes
Why?:

From our perspective, the MIPL already contemplates protection against the unfair advantage of trademarks and the use that is similar to this unfair advantage (the definition of unfair competition acts found in Article 213-I MIPL is sufficiently wide for a trademark holder to allege infringement against someone that is either taking unfair advantage or displaying activities similar to unfair advantage regarding a trademark).

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Therefore, the Working Guidelines should definitely be communicated to the authorities and the judiciary, as well as the practitioners.

12) Is the basis for protection or the cause of action relevant?

yes
Why?:

Yes, at least in Mexico the basis of protection is the existence of a registered trademark or a trademark with a well-known or famous status. Such basis will determine the manner in which the protection may be enforced, the necessary evidence, etc. and thus, it is very relevant for the overall success of the protection.

13) Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?

no
Why not?:

It is not possible, since trademark infringement actions, on grounds of unfair competition acts, are filed before MIIP. Civil procedures are only related with the damages that have been caused against the trademark owner. Civil procedures under the Commercial Code can only be initiated after the MIIP decision becomes final. According to Mexican Law a civil damages action (based on a trademark infringement action) can only be filed once the administrative decision regarding trademark infringement has become *res judicata*.

On the other hand, criminal procedures are only intended for falsifications made knowingly and for commercial gain.

14) How can your current law as it applies to the taking of unfair advantage of trademarks and/or the interpretation thereof (in particular, in case law) be improved?

Although the law as it currently is offers means to counter free riding, current Mexican law and practice can be improved by making direct reference to free-riding in administrative and court decisions, so that jurisprudence is built. Even if some courts have addressed the issue of free riding, there is no clear *corpus* of case law that identifies this parasitary conduct, and establishes clear remedies.

Clear and definite cybersquatting regulations are needed in the law. Although these infringing conducts can be punished through trademark infringement actions on grounds of unfair competition (and even some remedies can be sought through the UDRP), nowadays cybersquatting practices are subject to a case by case analysis and there is no regulation in the law, or uniform criteria issued by the courts in cases with these characteristics.

III Proposals for harmonisation

15)	Is harmonisation in this area desirable?
	yes Please comment: Art. 213 of the MIPL provides a legal action very similar to what is contemplated in Art. 10 <i>bis</i> of the Paris Convention. Additionally, since the constitutional amendments of 2011 and the corresponding Supreme Court precedents relating to human rights, any international treaty containing human rights is directly applicable for the Mexican authorities. In those terms, there is a harmonic legal framework concerning unfair competition acts. However, our legal system can still be improved by integrating specific free-riding/parasitism principles into our legal decisions and jurisprudence.

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

16)	If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?
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17)	Should there be harmonisation of the definition of:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
	yes If so, please provide any definition you consider to be appropriate.: Yes, since this would promote legal certainty. Nowadays, an act that could constitute taking an infringing unfair advantage of a registered trademark in a specific jurisdiction can be simultaneously non-infringing in other jurisdictions due to the fact that there is no harmonized definition on the subject. <i>We consider that a proper definition would be "any unauthorized advertising or other use of a registered, famous or well-known trademark that allows the unauthorized user to exploit in his benefit the reputation or goodwill associated with the registered trademark, to lead consumers into mistakenly believing that he is related to the registered trademark or its owner or otherwise benefiting from such use or advertising of the trademark."</i>

b)	use that you consider similar but outside the scope of the definition in these Working Guidelines?
	yes If so, please provide any definition you consider to be appropriate.: Yes, since this would promote legal certainty. Nowadays, an act that could constitute taking an infringing unfair advantage of a registered trademark in a specific jurisdiction can be simultaneously non-infringing in other jurisdictions due to the fact that there is no harmonized definition on the subject.

We consider that a proper definition would be *“any unauthorized advertising or other use of a registered, famous or well-known trademark that allows the unauthorized user to exploit in his benefit the reputation or goodwill associated with the registered trademark, to lead consumers into mistakenly believing that he is related to the registered trademark or its owner or otherwise benefiting from such use or advertising of the trademark.”*

18) What should the basis for protection/cause(s) of action be?

The basis for the protection should be a registered trademark or a trademark with a well-known or famous status. Such protection should be held in the jurisdiction where the protection is required. This is so because it would be nearly impossible for bona fide users of a trademark to determine whether or not they are infringing unless there is a registered trademark or a trademark with a well-known or famous status.

19) What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required, and who should bear the burden of proof?

- a. what level of reputation, if any, in the trademark should be required; and
- b. who should bear the burden of proof?

A level of reputation should not be required for registered trademarks, since their unauthorized use should be considered infringing on the basis that the purpose of registering a trademark is to obtain a right of exclusive over the same.

The burden of proof should be for the plaintiff in proving that the free riding has occurred and for the defendant to prove any possible defense.

20) What defences against and/or limitations to the protection should be available? Please state the proposed requirements for any defence/limitation, and the effect of any defence/limitation.

1. Objective and truthful comparative advertising. Such defense should be available for any advertising that objectively compares products and services.

1. The sale, distribution or advertising of the products bearing the registered trademark once they have been lawfully sold into the respective jurisdiction. Trademark rights should not be enforceable against re-sellers and other third parties that have lawfully bought original products from the trademark owner or its distributors. Such a defense should apply if the defendant proves that they are actually selling original products from the trademark owner or its distributors and should allow the buyer to lawfully advertise the reselling or otherwise using of the product bearing the trademark.

21) Who should bear the burden of proof in respect of any defences and/or limitations?

The defendant

22) In what type(s) of proceedings should it be possible to invoke the protection?

In any proceeding where a possible trademark infringement would be decided whether civil,

administrative or criminal.

Summary

Mexican applicable law provides protection against taking advantage of trademarks. Of course, there is room for improvement in the provisions included in current legislation, however, the basic principles set forth in the Paris Convention and other International Treaties valid in Mexico, provide trademark owners some certainty regarding the enforcement of their IP rights against parasitism and/or free riding. Moreover, there are some judicial precedents that study the case of free riding/parasitism which eventually will support a stronger protection and understanding over this topic.

We consider that the Mexican legal system needs to incorporate specific free riding/parasitism principles into the legal decisions rendered at the administrative and judicial levels and in jurisprudence. To begin with, our legislation needs to provide a definition of the taking of unfair advantage of trademarks. In any kind of challenge, the basis for protection should be a registered trademark or a famous or well known trademark following the principle of territoriality. We consider that the burden of proof in any challenge relies on the plaintiff to demonstrate the free riding/parasitism and for the defendant to prove any possible defense.

In other words, Mexican applicable law and precedents regulate at some degree the taking of unfair advantage of trademarks, however, this issue still needs to be more frequently addressed in administrative and court decisions to provide more certainty to all parties involved in any kind of challenge.

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of parasitism and free riding you consider relevant to this Working Question.