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Intellectual Property, Trade, and Technology Transfer Law: The United States and Mexico

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INTELLECTUAL PROPERTY, TRADE, AND TECHNOLOGY TRANSFER LAW: THE UNITED STATES AND MEXICO

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I. INTRODUCTION

This note will briefly discuss the role of intellectual property law in trade and the transfer of technology to developing countries. The majority of the note will examine in detail both the Mexican system of intellectual property law protection passed in 1976, and recent revisions to those laws. The adequacy of these revisions and their conformity to international legal standards will be explored in the context of United States and Mexican trade relations. Possible United States responses to the Mexican laws, including the future role of the General Agreement on Tariffs and Trade¹ in mediating such disputes, will also be examined.

Intellectual property law is one of the major issues affecting both trade and the transfer of technology between developed and developing countries.² Fair and comprehensive intellectual property laws are essential to the growth of all types of free trade,³ because laws which are overly restrictive or inadequate⁴ create a non-tariff trade barrier⁵ which discourages foreign technological investment.⁶ The intellectual property laws of Mexico have often been characterized as highly restrictive.

The United States has been particularly active in attempting to address the problem of inadequate foreign intellectual property laws. United States law states that a failure to provide "adequate and effective" protection of U.S. intellectual property rights by

¹ The General Agreement on Tariffs and Trade (GATT) is an international agreement, signed by over ninety nations, to promote free trade, eliminate trade barriers, and establish rules for the conduct of international trade. Both the United States and Mexico are now members. See *infra* notes 203-11 and accompanying text.

² See Creel & Wintringham, *Patent Systems and Their Role in the Technological Advance of Developing Nations*, 10 RUTGERS COMPUTER & TECH. L. REV. 255 (1984); Mossinghoff, *The Importance of Intellectual Property Protection in International Trade*, 7 B.C. INT'L & COMP. L. REV. 235, 245 (1984).

³ Mossinghoff, *supra* note 2, at 235.

⁴ Restrictive intellectual property laws fail to provide protection to all possible forms of intellectual property or provide only limited and restricted protection.

⁵ A non-tariff trade barrier is a law, regulation or other impediment to free trade which is not a tariff, tax or duty on imported goods. See Larson, *Introduction to Non-Tariff Barriers to International Trade*, 7 U. BRIDGEPORT L. REV. 155 (1986).

⁶ *Id.* at 155-56.

another country is an actionable trade offense.⁷ In several recent instances, the United States has succeeded in bringing world attention to the problem of restrictive intellectual property law as a trade barrier, and has negotiated for changes in the intellectual property laws of developing countries.⁸ A notable exception to this active and effective policy of intervention by the United States has been its failure to take any action against the government of Mexico.⁹

In 1976, Mexico passed a highly controversial law concerning patents and industrial property.¹⁰ This law limited the term of patents to only ten years,¹¹ required local "linking" trademarks,¹² and contained a number of other restrictive provisions. Ostensibly, the law was enacted to protect against various real or perceived abuses by foreign corporations and businesses.¹³ In practice, the law has proven to be difficult to administer and is the subject of considerable foreign opposition.¹⁴ This opposition is due, in part, to provisions of the law that arguably violate international patent agreements to which Mexico is a party.¹⁵

In 1986, Mexico announced a proposed revision of this intellectual property law which rectified some, although not all, of the earlier law's unorthodox provisions.¹⁶ This proposal was later approved by the Mexican government, and took effect in January, 1987.¹⁷ The revision, keenly awaited in the United States, has not satisfied many of Mexico's United States-based critics.¹⁸ Mexico's other foreign investment and transfer of technology laws remain unchanged. These laws also affect trade relations and contain numerous restrictive provisions.¹⁹

⁷ Trade Act of 1974, 19 U.S.C. § 301 (1984). See also 29 PAT. TRADEMARK & COPYRIGHT J. (BNA) 4 (1984).

⁸ The United States succeeded for the first time in placing intellectual property laws on the agenda at the recent GATT meeting in Uruguay as a topic for future multilateral negotiations. 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 571 (1986).

The United States also initiated an investigation into the intellectual property laws of South Korea. This resulted in a settlement in which the South Korean government agreed to make extensive revisions to all aspects of their intellectual property laws. 30 PAT. TRADEMARK & COPYRIGHT J. (BNA) 646 (1985); 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 268 (1986).

⁹ 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 609 (1986).

¹⁰ Ley de Inventiones y Marcas (1976) D.O., Feb. 10, 1976 (Mex.) [hereinafter Law on Inventions]. See Hyde & Ramirez de la Corte, *Mexico's 1976 Law of Inventions and Trademarks*, 12 CASE W. RES. J. INT'L L. 469 (1980); Medina, *Significant Innovations of the New Mexican Law on Inventions and Trademarks*, 7 GA. J. INT'L & COMP. L. 5 (1977).

¹¹ Law on Inventions, art. 40; Hyde & Ramirez de la Corte, *supra* note 10, at 473.

¹² Law on Inventions, arts. 127, 128; Hyde & Ramirez de la Corte, *supra* note 10, at 477.

¹³ See Blair, *Technology Transfer as an Issue in North/South Negotiations*, 14 VAND. J. TRANSNAT'L L. 301, 307-08 (1981) [hereinafter Blair, *North/South*].

¹⁴ Due to the volume of United States-Mexico trade and the United States' active role in intellectual property trade issues, nearly all of these foreign objections have actually come from commentators and lawmakers in the United States.

¹⁵ See *infra* notes 143-45 and accompanying text.

¹⁶ Becerril & Becerril, S.C. [law firm], Circular II/86, Re: Proposed Changes in the Mexican Patent and Trademark Law, Oct. 10, 1986 (unpublished circular on file with author) [hereinafter Becerril]; 33 PAT. TRADEMARK & COPYRIGHT J. (BNA) 317 (1987).

¹⁷ 33 PAT. TRADEMARK & COPYRIGHT J. (BNA) 317 (1987).

¹⁸ 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 609, 737 (1986).

¹⁹ See *infra* notes 75 and 76.

As a developing country,²⁰ Mexico has particular concerns and public policy goals with respect to its intellectual property laws.²¹ Specifically, much of Mexican intellectual property law is conceived with the understanding that the primary beneficiaries of the law will be foreign investors seeking to transfer technology or use foreign trademarks.²² Many of the provisions of Mexican law which differ from corresponding United States law are motivated by public policy considerations, namely balancing domestic interests against the desire to attract foreign investment. For this reason, it is essential to consider the role of intellectual property law in developing nations, particularly with respect to trade and the transfer of technology, before considering specific provisions of Mexican law.

II. THE TRANSFER OF TECHNOLOGY AND INTELLECTUAL PROPERTY LAWS IN DEVELOPING COUNTRIES

The general problems of developing countries are well documented. Low economic growth rates and low standards of living are endemic, even in a relatively advanced developing country such as Mexico.²³ Technological advancement is widely seen as the primary catalyst towards significant economic development.²⁴ There are several means of such advancement, each of which has particular advantages and disadvantages.²⁵ By adjusting the rights of the owners of the technology through intellectual property laws,

²⁰ Mexico is a member of the "Group of 77," a group of 77 United Nations countries which organized in 1964 at the United Nations Conference on Trade and Development (UNCTAD). The group represents the interests of developing countries in various international organizations. They now number over 120 nations. See Finnegan, *A Code of Conduct Regulating International Technology Transfer: Panacea or Pitfall?*, 61 J. PAT. OFF. SOC'Y 71 (1978); Adelman, *How Much Can One Say in 27,000 Tons of Words?*, Wall St. J., Jan. 11, 1983, at 34, col. 4.

²¹ See Creel & Wintringham, *supra* note 2.

²² See Hyde & Ramirez de la Corte, *supra* note 10, at 470 and *infra* note 97 and accompanying text. Such investment is also desirable for Mexico since it provides new technology and foreign capital.

²³ For distinguishing characteristics of such countries, see C. LEIBENSTEIN, *ECONOMIC BACKWARDNESS AND ECONOMIC GROWTH* 40-41 (1963).

²⁴ Note, *The United States and North-South Technology Transfer: Some Practical and Legal Obstacles*, 2 WIS. INT'L L. J. 205 (1983) [hereinafter Note, *North-South Transfer*]; Blair, *North/South*, *supra* note 13.

²⁵ R. CHUDSON, *TRANSFER OF PROPRIETARY TECHNOLOGY TO DEVELOPING COUNTRIES* 6 (1981). Chudson lists the following mechanisms:

1. Joint ventures:
 - Majority foreign equity;
 - Minority foreign equity;
 - Equal foreign and local equity;
2. Contractual agreements:
 - Licenses;
 - Franchises;
 - Management contracts;
 - Technical-assistance contracts;
 - Production-sharing contracts;
 - Subcontracting contracts;
 - Engineering and consulting contracts;
 - Construction and start-up of "turn-key" plants.
3. Wholly foreign owned direct investments.

a developing country can seek to promote those methods of technological advancement which the government considers most advantageous.

The most desirable method is the use of local or native research and development.²⁶ This eliminates payments of royalties outside the country, thus improving the balance of payments. It may also be better suited to the particular needs of the developing country than technology which was developed elsewhere.²⁷ For example, native technology may make better use of local raw materials or climatic conditions.²⁸ In addition, this sort of research and development builds an independent alternative to foreign technology, which may help the country to lessen its reliance on developed countries. In many cases, however, such local work is impractical or would duplicate work already done elsewhere. In such instances, the use of foreign technology is necessary or even desirable.²⁹ Mexico, as well as other developing countries, uses intellectual property laws to give preference to and encourage the use of local research and invention.³⁰

The other methods of technological advancement involve technology transfers from developed countries. These transfers may take the form of imports of finished goods, licensing of patents or of unpatented information, or the construction of complete plants or subsidiaries of foreign companies.³¹ In all of these cases, the motive of the owner of the technology is usually to make a profit on the sale or royalties from the technology.³² The protection of this investment in the developing country is of paramount importance to the foreign investor. If the investment is not profitable or, worse yet, if the rights to the technology itself are lost, then future investment in the country and trade with it will suffer, usually to the developing country's detriment.³³

A number of laws are important in deciding whether to invest in or transfer technology to a particular developing country and in deciding which method of technology transfer to use. Import restrictions, tariffs, or duties may preclude the importation of finished goods.³⁴ Similarly, local health, safety or environmental regulations may preclude the local manufacture of a product.³⁵ The most significant laws in this area are Foreign Investment, Transfer of Technology, and Intellectual Property laws.

Mexico is one of the few countries to have fully enacted examples of each of these three types of laws.³⁶ These Mexican laws and the relationship between each of them will be examined in more detail below. In general, the trend in many countries appears

²⁶ Mossinghoff, *supra* note 2, at 245.

²⁷ *Id.* at 245-46.

²⁸ The sale of bottled infant feeding formula to countries without access to sterile nipples or bottles is a well-publicized example of this. Stories of electronic units melting in hot, tropical climates have also been cited. Note, *North-South Transfer*, *supra* note 24, at 208-09.

²⁹ CHUDSON, *supra* note 25, at 6.

³⁰ In the revision to the Law on Inventions, a new Ministry has been created solely to assist Mexican inventors. See *infra* note 180 and accompanying text.

³¹ See *supra* note 25.

³² Blair, *North/South*, *supra* note 13, at 307; Feinrider, *UNCTAD Transfer of Technology Code Negotiations: West and East Against the Third World*, 30 BUFFALO L. REV. 753, 759 (1981).

³³ Mossinghoff, *supra* note 2, at 245.

³⁴ Blair, *Overview of Licensing and Technology Transfer*, 8 N.C. J. INT'L L. & COM. REG. 167 (1983) [hereinafter Blair, *Overview*].

³⁵ The cost of patent protection may also preclude local manufacturing. Extensive patent coverage can be very expensive. At present, it costs several thousand dollars per patent in each country. Many inventions require multiple patents for protection. *Id.* at 169-70.

³⁶ Radway, *Doing Business in Mexico: A Practical Legal Analysis*, 14 INT'L LAW. 361 (1980).

to be toward increased regulation by governments of foreign investment and technology through such laws.³⁷ If properly administered, these laws may help to curb potential abuses by foreign investors,³⁸ while maintaining a desirable rate of foreign investment and technology transfer.

Relations between foreign investors and developing nations have not been entirely cordial. Foreign investors have been guilty of importing inappropriate technology, writing overly restrictive licensing agreements, and charging excessive royalties or fees.³⁹ For their part, the developing nations have argued that they have a right to necessary technology regardless of their ability to pay for it.⁴⁰ The United Nations Conference on Trade and Development (UNCTAD) Draft Code for the Transfer of Technology and New Economic Order are concrete expressions of the developing nations' desire to acquire technology on a non-profit basis.⁴¹ It is unlikely, though, that the developed countries will voluntarily forgo their investment in research and their capitalist orientation in this lucrative area.⁴²

In many developing countries, the primary means of regulation and protection of foreign technological investment is through intellectual property laws.⁴³ It has been argued by some economists that intellectual property laws serve merely to grant an undesirable monopoly to foreign companies in some of these developing countries.⁴⁴ A majority of commentators seem to accept the importance of intellectual property laws in protecting and encouraging investment.⁴⁵

There are four primary areas of intellectual property law protection: patents,⁴⁶ trademarks,⁴⁷ copyrights,⁴⁸ and trade secrets.⁴⁹ These forms of protection are somewhat

³⁷ *Periodic Report 1986, Policies, Laws and Regulations on Transfer, Application and Development of Technology*, Report by the UNCTAD Secretariat at 1, U.N. Doc. TD/B/C.6/133 (1986) [hereinafter UNCTAD, *Periodic Report*].

³⁸ Blair, *North/South*, *supra* note 13, at 307.

³⁹ For a list of such practices see *id.* at 307-08.

⁴⁰ *Id.* at 307.

⁴¹ *Draft International Code of Conduct on the Transfer of Technology*, Report by the UNCTAD Secretariat, U.N. Doc. TD/CODE TOT/25 (1980). For a good commentary on the report, see Skelton, *UNCTAD's Draft Code on the Transfer of Technology: A Critique*, 14 VAND. J. TRANSNAT'L L. 381 (1981); Feinrider, *supra* note 32. The Declaration on Establishment of a New Economic Order was adopted by the U.N. General Assembly on May 7, 1974. G.A. Res. 3201 (S-VI), 6 U.N. GAOR, Supp. (No. 1), U.N. Doc. A/9559 (1974). For a discussion of the Declaration, see Ferguson, *The New International Economic Order*, 1980 U. ILL. L.F. 693 (1980).

⁴² The return on investment from technology transfer to developing countries is usually quite high. Feinrider, *supra* note 32, at 759.

⁴³ UNCTAD *Periodic Report*, *supra* note 37, at 1.

⁴⁴ Greer, *The Case against Patent Systems in Less-Developed Countries*, 8 J. INT'L L. & ECON. 223 (1973).

⁴⁵ See, e.g., Creel & Wintringham, *supra* note 2, at 256.

⁴⁶ Patents are legitimate monopolies, granted by the state to inventors of new (novel) and useful inventions, for a limited time, in return for the public disclosure (or use) of their inventions.

⁴⁷ A trademark is a word, name, symbol or device used by a manufacturer or merchant to identify his or her goods. 15 U.S.C. § 1127 (1984).

⁴⁸ Copyright is the exclusive right granted to artists and authors to publish or copy their works or to choose a publisher. It is often applied now to computer software and chips.

⁴⁹ A trade secret is "any formula, pattern, device or compilation of information which is used in one's business and which gives him an advantage over competitors who do not know or use it." RESTATEMENT (SECOND) OF TORTS § 757 comment b (1977). See also Uniform Trade Secrets Act § 1 (1980); Klitzke, *Uniform Trade Secrets Act*, 64 MARQ. L. REV. 277 (1980).

interrelated, and it is possible for a single item to be protected by two or more of these. For example, the Coca-Cola bottle's shape is a trademark. Its appearance might also be copyrighted and, if there were some novel and useful aspect to its design (easier to hold, etc.), that might be patentable. For most technology transfers, the patent, trade secret, and trademark laws are more important than the copyright laws (which primarily apply to artistic works). An exception is computer software, which is often protected by a copyright.⁵⁰

Patent systems serve much the same function in both developing and developed countries.⁵¹ However, in developing countries, a vast majority of the patents issued are granted to foreign businesses or individuals for the purpose of protecting technology developed elsewhere, usually to protect a future investment.⁵² For this reason, an effective patent law is crucial in both attracting and protecting foreign investors.⁵³

Trademark laws also serve to safeguard foreign investment. The product recognition provided by a trademark is essential to the successful marketing of a company's goods in other countries.⁵⁴ In fact, "trademarks have been frequently described as a company's most important and valuable asset."⁵⁵ Consequently, a company will be reluctant to invest in a country where its trademark may be counterfeited, lost, or stolen, unless that country's laws give it strong and enforceable rights against trademark infringers.⁵⁶

Developing countries frequently do not recognize trade secret protection, and will not prosecute offenders for theft or misappropriation of industrial secrets.⁵⁷ Other developing countries limit the duration of trade secret protection to some specified term of years, often through provisions in technology transfer laws.⁵⁸ This is a serious problem for companies using this form of protection. If patent, trademark, or copyright protection is lost in a particular country, then rights in other countries are not affected.⁵⁹ If a trade secret becomes public in any country, then rights to that secret are lost worldwide.⁶⁰

⁵⁰ UNCTAD, *Periodic Report*, *supra* note 37, at 2-4.

⁵¹ Creel & Wintringham, *supra* note 2, at 256. *See also* Note, *International Patent Cooperation: The Next Step*, 16 CORNELL INT'L L. J. 229 (1983). Patents are important in encouraging research and invention, protecting against public disclosure of these inventions, and in promoting general technological and economic development. Creel & Wintringham, *supra* note 2, at 256.

⁵² Wilner, *The Transfer of Technology to Latin America*, 14 VAND. J. TRANSNAT'L L. 269 (1981); Note, *North-South Transfer*, *supra* note 24, at 207. *See also infra* note 97.

⁵³ *See supra* notes 6 and 7.

⁵⁴ Mossinghoff, *supra* note 2, at 244.

⁵⁵ *Id.* at 244 n.57; Creel & Wintringham, *supra* note 2, at 294. Mossinghoff notes that if the Coca-Cola company were to lose all their other assets overnight, they could easily borrow money on the security of the trademark "Coca-Cola" alone. Mossinghoff, *supra* note 2, at 244 n.57.

⁵⁶ *Id.* *See also infra* note 66.

⁵⁷ Because trade secrets do not expire, many developing countries dislike the use of trade secret protection and refuse to take steps to protect them. Note, *North-South Transfer*, *supra* note 24, at 219 n.61.

⁵⁸ The ten year limitation of the Mexican Law on the Transfer of Technology is an example of this. *See infra* note 86.

⁵⁹ This is the doctrine of independence of patents. *See* Blair, *North/South*, *supra* note 13, at 310-11.

⁶⁰ If one learns a trade secret through proper means, such as publication in literature, then one may use it. Thus a publication in any country is usually sufficient to eliminate a trade secret. Uniform Trade Secrets Act § 1 comment (1980).

In addition, trade secrets may not be suitable for protection by any other method.⁶¹ Since companies in developed countries use trade secret protection extensively,⁶² this is a substantial impediment to technology transfer and investment in countries which do not recognize trade secrets. Even in countries that do recognize trade secrets, careful measures must be taken by investors in order to ensure that the secrets are not stolen or disclosed.⁶³

Foreign investors are especially wary of losing their exclusive rights to intellectual property because of the unorthodox intellectual property law of a particular country.⁶⁴ Fortunately, there is some degree of uniformity in the patent systems of most developing countries, in part because nearly all belong to one or more of the several international patent conventions.⁶⁵ Trademark laws are somewhat less uniform, perhaps reflecting the perception of many developing countries that trademarks are primarily an exploitative device.⁶⁶ Copyright laws are also quite uniform, although some are ill-suited to the needs of the countries themselves.⁶⁷ Laws regarding computer software and biotechnology are in the formative stages and vary from country to country, but are generally gaining support.⁶⁸

It is primarily in those countries in which patent and other intellectual property laws vary most from the broad international standards mentioned above that the laws become a problem or even a barrier to foreign investment. Ironically, this occurs most often when such laws are used to regulate foreign technology and investment or to serve ideological purposes other than intellectual property protection.⁶⁹ In these situations, international uniformity is abandoned in favor of the encouragement or regulation of the particular form of foreign investment. It is in Mexico and the other Latin American countries where this use of intellectual property laws is most often legislated.⁷⁰ A close examination of the Mexican laws is therefore useful, as they exemplify the problems involved in the efforts of developing countries to control their foreign technological investment.

⁶¹ *Id.*

⁶² See Blair, *Overview*, *supra* note 34 at 174; M. JAGER, *TRADE SECRET LAW HANDBOOK* (1982); R. MILGRAM, *BUSINESS ORGANIZATIONS: TRADE SECRETS* (1982).

⁶³ Efforts to maintain secrecy which are "reasonable under the circumstances" must be made. These vary with the nature and importance of the secret, but may be quite extensive. Uniform Trade Secrets Act § 1 comment (1980).

⁶⁴ Creel & Wintringham, *supra* note 2, at 294.

⁶⁵ These include the Paris Convention, the World Intellectual Property Organization (WIPO), the Patent Cooperation Treaty (PCT), and the International Patent Bureau. For details on these organizations and agreements, see Creel & Wintringham, *supra* note 2, at 265-73.

⁶⁶ Ball, *Attitudes of Developing Countries to Trademarks*, 74 *TRADEMARK REP.* 160 (1984); *The Role of Trademarks in Developing Countries*, UNCTAD, U.N. Doc. TD/B/C.6/A.C.3/3 Rev. 1 (1979). Trademarks are seen as adding no value to the product, raising costs to consumers, and benefitting primarily the foreign corporations owning the trademarks.

⁶⁷ Tocups, *The Development of Special Provisions in International Copyright Law for the Benefit of Developing Countries*, 29 *J. COPYRIGHT SOC'Y* 402 (1982).

⁶⁸ UNCTAD, *Periodic Report*, *supra* note 37, at 2-4. Generally patent protection is used for biotechnology and copyright protection of software.

⁶⁹ Blair, *North/South*, *supra* note 13, at 308-10.

⁷⁰ UNCTAD, *Periodic Report*, *supra* note 37, at 12-17; Note, *Multinational Corporations and Lesser Developed Countries—Foreign Investment, Transfer of Technology, and the Paris Convention: Caveat Investor*, 5 *U. OF DAYTON L. REV.* 105, 114, (1980) [hereinafter Note, *Caveat Investor*].

III. PREVIOUS MEXICAN LAWS RELATING TO INTELLECTUAL PROPERTY AND THE TRANSFER OF TECHNOLOGY

Mexico is the third largest trading partner of the United States.⁷¹ By the end of 1974, United States companies and citizens had invested almost three billion dollars in Mexico, representing over seventy-five percent of all foreign investment in that country.⁷² Mexican-U.S. relations, then, are of enormous financial importance to both countries.

To a United States reader, Mexican laws sometimes appear to vest a great deal more power in the government than in foreign investors. This is, in part, a reflection of the "Calvo doctrine," which is incorporated into a number of intellectual property and other laws in Latin American countries including Mexico. According to that doctrine, foreigners are subject to the laws of the country in which they invest. The foreign country making the investment must abstain from any interference in the conduct of the domestic state within its borders, including the right of that state to compensate others for their dealings with that state.⁷³ The operation of a Calvo clause or law does not necessarily deprive other countries of their rights under international law.⁷⁴ The Latin American countries and Mexico have expressly accepted this doctrine through legislation for nearly a century. Perhaps to a greater degree than some other developed or developing countries, these Latin American countries may resist outside influence to alter their conduct and laws in a way that would be inconsistent with this doctrine.

Mexico has a number of interrelated laws governing foreign investment and the transfer of foreign technology. The Law on Inventions and Trademarks has recently been revised, and the provisions of that law will be examined in some detail. To fully understand the restrictive nature of foreign technological investment in Mexico, it is important to briefly review two other important pieces of Mexican legislation: the Law to Promote Mexican Investment and to Regulate Foreign Investment,⁷⁵ and the Law on Transfer of Technology.⁷⁶ These two laws sharply restrict the scope and price of any investment in or technology transfer to Mexico, including the use of patents or trademarks.

The Foreign Investment Law was intended to encourage the growth of local Mexican industry without eliminating foreign investment.⁷⁷ Generally, the law provides that no more than forty-nine percent of a Mexican business enterprise may be controlled by foreign investors.⁷⁸ Several sectors of industry are closed to foreign investment or oth-

⁷¹ Lanahan, *Trademarks in Mexico: A United States Perspective*, 66 TRADEMARK REP. 205, 208 (1976).

⁷² *Id.* at 208.

⁷³ The doctrine is named after a 19th century Argentine General. See Rogers, *Of Missionaries, Fanatics, and Lawyers: Some Thoughts on Investment Disputes in the Americas*, 72 AM. J. INT'L L. 1 (1978); Note, *Caveat Investor*, *supra* note 70, at 115 n.57.

⁷⁴ For a discussion of the relation between this doctrine and international law see Note, *Caveat Investor*, *supra* note 70, at 115 n.57. See generally, *United States of America (North American Dredging Co. of Texas) v. United Mexican States*, 4 R. INT'L ARB. AWARDS 26 (1926) (claimant had right to seek his own government's protection where Mexican tribunal would have been unjust); RESTATEMENT (SECOND) OF FOREIGN RELATIONS LAW OF THE UNITED STATES, § 202 (1965) (validating Calvo clause under certain circumstances).

⁷⁵ D.O., March 9, 1973 (Mex.) [hereinafter Foreign Investment Law].

⁷⁶ Law for the Registration of the Transfer of Technology and the Use and Exploitation of Patents and Trademarks. D.O., Dec. 30, 1972 (Mex.) [hereinafter Transfer of Technology Law].

⁷⁷ Vizcaino, *The Law on Foreign Investment*, 7 GA. J. INT'L & COMP. L. 33 (1977).

⁷⁸ Foreign Investment Law, art. 5.

erwise limited.⁷⁹ The acquisition of land and property by foreign companies must be authorized by the Ministry of Foreign Relations, and is subject to Mexican law.⁸⁰ The law contains a general Calvo clause which subjects foreign investors to Mexican law and requires investors to agree not to invoke their government's protection in connection with their investment.⁸¹ The National Commission for Foreign Investment is empowered to make certain exceptions to the law's investment limits when a number of specifically delineated factors are present.⁸²

Of even more significance to United States investors with patents or other intellectual property is the Technology Transfer Law. All agreements involving a transfer of technology (whether foreign or domestic) must be registered with the National Registry for the Transfer of Technology within sixty days.⁸³ Trademarks and technical or administrative assistance are within the scope of this law.⁸⁴ Failure to register such an agreement will render it unenforceable.⁸⁵

The Registry will not permit the registration of agreements that contain any of the various provisions the Registry considers objectionable.⁸⁶ Because excessive licensing fees

⁷⁹ Foreign Investment Law, arts. 4, 5. The following sectors of the economy are closed to foreign investment by article 4:

1. Petroleum and other hydrocarbons
2. Basic petrochemicals
3. Exploitation of radioactive minerals or nuclear energy
4. Mining
5. Electricity
6. Railroads
7. Telegraph and wireless communication
8. Others prohibited by other laws

Several other sectors are also restricted, including: forestry; domestic air, automotive, and marine transport; gas distribution; secondary petrochemical production; and automotive parts manufacture.

⁸⁰ Foreign Investment Law, art. 3 n.67.

⁸¹ Radway, *supra* note 36, at 363 n.26.

⁸² Foreign Investment Law, art. 13. For a list of 18 factors which the National Commission will consider see Note, *Caveat Investor*, *supra* note 70, at 118-19.

⁸³ Technology Transfer Law, art. 4 n.80.

⁸⁴ *Id.* at art. 2 n.80.

⁸⁵ *Id.* at art. 6.

⁸⁶ *Id.* at art. 4 n.80. The following are defined as unacceptable:

1. Transfer of technology freely available in Mexico;
2. Excessive price or other consideration which is unduly burdensome on the economy of Mexico;
3. Regulation by the supplier of the technology of the administration of the transferee;
4. Grantbacks of patents, trademarks, innovations or improvements;
5. Limitations upon research and development;
6. Tie-ins;
7. Prohibitions against export of licensee's goods or services against the best interests of Mexico;
8. Prohibitions on the use of complimentary technology;
9. Obligations to sell only to the licensor;
10. Permanent use of licensor's personnel.
11. Limitations on production or pricing of licensed goods;
12. Unreasonable term of duration of licensing agreement (over ten years).

See Note, *Caveat Investor*, *supra* note 70, at 121 n.94.

or royalties are one of the prohibited conditions, the government essentially has the power to set prices for the purchase of technology at whatever level it feels is reasonable.⁸⁷ In accordance with the Calvo doctrine, agreements which provide for resolutions of disputes in foreign tribunals or according to foreign laws are also unacceptable.⁸⁸ Other provisions, such as the prohibition on export restrictions, may also constitute a problem for owners of technology.⁸⁹ A rejection decision may be appealed to the Registry, and, if necessary, to the Mexican federal courts.⁹⁰

Whether or not the tests set forth in the Foreign Investment and Transfer of Technology laws are imposed, intellectual property protection is crucial to investment and trade with Mexico.⁹¹ Without such protection, investors could permanently lose their investment in and their rights to technology or trademarks in Mexico. Such protection is currently provided primarily by the ten-year old Mexican Law on Inventions and Trademarks.⁹² Although several provisions of this law have been amended or revised,⁹³ it is helpful to review the original laws before considering the recent changes.

The Law on Inventions was introduced by President Echeverria in December of 1975.⁹⁴ It was promoted by Echeverria and his Industry Secretary, Jose Sainz, as an aid to Mexico's industrial development.⁹⁵ Sainz characterized the law as part of a "new international order" which would eliminate inventor's rights and the monopoly privilege of patents in favor of collective interest and the right of nations to economic independence.⁹⁶ He observed that ninety-two percent of all Mexican patents were being obtained by foreigners and only eight percent by Mexicans. Thus, he maintained that the patent system was favoring foreign, industrialized nations more than Mexico.⁹⁷ The Law was enacted with little debate or modification in February, 1976.⁹⁸

The result of the passage was that the Law on Inventions significantly diminished the rights of inventors and trademark owners. Four types of products and processes including alloys, pharmaceuticals, chemicals, and biological inventions were declared totally non-patentable.⁹⁹ Three other types of products were denied patent protection and offered only a non-exclusive certificate of invention.¹⁰⁰ Such a certificate is also

⁸⁷ Radway, *supra* note 36, at 369, lists a table showing the reasons for rejection of various agreements during the first seven years of the law. Over 85% of the rejections were for excessive royalties. Brill, *Transfers of Technology in Mexico*, 4 DEN. J. INT'L L. & POL. 51, 54 (1974), notes that the Mexican government generally uses 3% of the sales of the licensee as the upper limit for royalties. This figure is often significantly below the world price for the same technology.

⁸⁸ Technology Transfer Law, art. 7, n.80.

⁸⁹ Since exports cannot be restricted, a licensor may find himself competing in trade abroad with similar or identical products from his own licensees.

⁹⁰ Technology Transfer Law, art. 14 n.80.

⁹¹ See *supra* notes 5 and 7.

⁹² See *supra* note 10.

⁹³ 33 PAT. TRADEMARK & COPYRIGHT J. (BNA) 317 (1987).

⁹⁴ Hyde & Ramirez de la Corte, *supra* note 10, at 469.

⁹⁵ *Id.* at 469-70.

⁹⁶ *Id.* at 470.

⁹⁷ *Id.*

⁹⁸ *Id.* at 470-71.

⁹⁹ Law on Inventions, art. 10; Hyde & Ramirez de la Corte, *supra* note 10, at 472. These categories combined made up nearly half the patents in Mexico under the older law.

¹⁰⁰ Law on Inventions, art. 65; Hyde & Ramirez de la Corte, *supra* note 10, at 472. The three categories for which only certificates of invention are available are:

1. Processes to obtain or apply alloys, chemicals or pharmaceuticals.

available for any other patentable invention as an alternative to a patent.¹⁰¹ This concept, borrowed from Soviet law, does not confer an exclusive right or monopoly on the use of the invention, but does confer the right to receive royalties from any other party who uses it.¹⁰²

The Law on Inventions also reduced the term of patents to only ten years.¹⁰³ This ten-year term contrasts with the old Mexican law requirement of fifteen years, as well as the seventeen year requirement of the United States.¹⁰⁴ It has been suggested by some United States commentators that the term was reduced to correspond with the maximum permitted length of a technology transfer agreement, and to reflect the rapid changes in modern technology.¹⁰⁵ The effect of the law, however, was to substantially lessen the value of a Mexican patent and consequently create potential problems for United States licensors.¹⁰⁶

In addition to reducing the term of patents, the Law on Inventions placed increased obligations upon patent holders. Among the most troubling of these requirements are the laws regarding the exploitation of patents. Exploitation is the active use of a patent including the production of the patented invention, licensing of the invention, or other significant usage.¹⁰⁷ These laws allow the Mexican government to exploit patents themselves or to require that a license be granted to a third party if the patent owner does not adequately exploit the patent.

Most countries other than the United States have some requirement that patents be used or exploited.¹⁰⁸ The requirements of the Mexican Law on Inventions in this area are unusually stringent. Exploitation must begin within three years from the date of the issuance of the patent and must be demonstrated or proven by the patent owner.¹⁰⁹ Importation of a patented product does not constitute exploitation.¹¹⁰

If the patent is not exploited after this three year period or if certain other conditions are not satisfied, then third parties may apply to the Bureau of Inventions and Trademarks for a compulsory license to exploit the patent.¹¹¹ The patent owner is afforded the opportunity to post a bond to secure his performance.¹¹² If he does not do so, then a hearing is held by the Bureau to determine whether the compulsory license should be granted.¹¹³ If it is, then the National Registry for the Transfer of Technology will be consulted to set the terms of the licensing agreement.¹¹⁴ The patent owner or licensee

2. Inventions related to nuclear energy.

3. Antipollution apparatus or related inventions.

¹⁰¹ Law on Inventions, arts. 65, 80; Hyde & Ramirez de la Corte, *supra* note 10, at 472.

¹⁰² Law on Inventions, arts. 67, 71; Hyde & Ramirez de la Corte, *supra* note 10, at 472.

¹⁰³ Law on Inventions, art. 40; Hyde & Ramirez de la Corte, *supra* note 10, at 473.

¹⁰⁴ The term for United States patents is set forth in 35 U.S.C. § 154 (Supp. V 1981).

¹⁰⁵ Technology Transfer Law, art. 7; Hyde & Ramirez de la Corte, *supra* note 10, at 473.

¹⁰⁶ The shorter term lessens the period that an inventor may maintain his exclusive license, and may result in increased export competition in countries where the product is not patented.

¹⁰⁷ Creel and Wintringham, *supra* note 2, at 285–86.

¹⁰⁸ *Id.* at 285–88.

¹⁰⁹ Law on Inventions, arts. 41, 42; Hyde & Ramirez de la Corte, *supra* note 10, at 474.

¹¹⁰ Law on Inventions, art. 43; Hyde & Ramirez de la Corte, *supra* note 10, at 474.

¹¹¹ Law on Inventions, arts. 41, 50; Hyde & Ramirez de la Corte, *supra* note 10, at 474.

¹¹² Law on Inventions, art. 50; Hyde & Ramirez de la Corte, *supra* note 10, at 474.

¹¹³ Law on Inventions, art. 52; Hyde & Ramirez de la Corte, *supra* note 10, at 475.

¹¹⁴ Law on Inventions, art. 52; Hyde & Ramirez de la Corte, *supra* note 10, at 475.

may petition to modify these terms.¹¹⁵ The patent owner is also obliged to provide technical information and know-how to enable the licensee to exploit the patent.¹¹⁶

Despite the safeguards built into these provisions, their overall effect may be the licensing of patents in a manner and for a price contrary to the wishes of the patent owner. The patent owner's rights are usurped in a manner which has no counterpart in United States law. Moreover, if the patent owner ceases exploitation for any reason (e.g., unprofitability) or fails to exploit the patent in sufficient volume, then he is in a position to lose his exclusive rights to the invention in Mexico. Even if the patent is exploited, the Ministry of Patrimony and Industrial Development may grant a "public benefit license" if it feels that the public health, national defense or other public policy concern warrants such a license.¹¹⁷ Although notice and the opportunity for a hearing are provided, this may merely be consolation to a company whose rights are taken against their wishes.¹¹⁸

If the patent is not exploited after three years and no one applies for a compulsory license, then the patent will be considered as having lapsed.¹¹⁹ Once again, no justifications are permissible for this failure to exploit the patent.¹²⁰

In many ways, the changes to the Mexican trademark laws were even more restrictive and troublesome to foreign inventors than the changes to the patent laws. As with patents, the term of trademarks was reduced, in this case from ten to five years.¹²¹ Registration could be renewed for additional five year periods. However, continuous use of the trademark in Mexico must be proven by the trademark owner to the satisfaction of the Bureau of Inventions and Trademarks.¹²² Failure to fulfill this requirement after three years will result in the cancellation of the trademark.¹²³ No exceptions to this non-use requirement are listed in the law. Thus a trademark owner who, due to of production difficulties, acts of God or other problems is unable to use his mark despite good faith, may still lose his rights to the mark.¹²⁴

The Ministry of Patrimony and Industrial Development was granted sweeping powers under the Law of Inventions. It may require a trademark owner who manufactures several similar products (e.g., Chevrolets and Buicks) to identify them with a single trademark.¹²⁵ As with patents, the Ministry may grant compulsory licenses for the use of trademarks.¹²⁶ A mark may be cancelled if the trademark owner uses it improperly with respect to the price or quality of the goods.¹²⁷ In addition, the Ministry may require

¹¹⁵ Law on Inventions, art. 53; Hyde & Ramirez de la Corte, *supra* note 10, at 475.

¹¹⁶ Law on Inventions, arts. 57, 73.

¹¹⁷ Law on Inventions, arts. 52, 56; Hyde & Ramirez de la Corte, *supra* note 10, at 475.

¹¹⁸ Royalties are provided for such a license in a manner analogous to a compulsory license. No similar provision exists in United States patent law.

¹¹⁹ Law on Inventions, art. 48; Hyde & Ramirez de la Corte, *supra* note 10, at 474. Lapsing, in this context, is the withdrawal of the monopoly granted by the patent, i.e., an effective early expiration of the patent.

¹²⁰ Law on Inventions, art. 50 n.108.

¹²¹ Law on Inventions, art. 112; Hyde & Ramirez de la Corte, *supra* note 10, at 476.

¹²² Law on Inventions, arts. 139, 140; Hyde & Ramirez de la Corte, *supra* note 10, at 476.

¹²³ Law on Inventions, art. 117; Hyde & Ramirez de la Corte, *supra* note 10, at 476.

¹²⁴ Lanahan, *supra* note 71, at 210.

¹²⁵ Law on Inventions, art. 116; Hyde & Ramirez de la Corte, *supra* note 10, at 476.

¹²⁶ Law on Inventions, art. 132; Hyde & Ramirez de la Corte, *supra* note 10, at 477.

¹²⁷ Law on Inventions, art. 150; Hyde & Ramirez de la Corte, *supra* note 10, at 477.

or prohibit the use of trademarks in any or all fields of economic activity.¹²⁸ This last power is particularly upsetting to United States commentators.¹²⁹ If the Minister decides for any reason (no standards are provided by the law) that it is desirable, he may eliminate the use of all trademarks in Mexico simply by publishing a notice in the *Official Gazette*.¹³⁰ The amount of discretion and power afforded by the latter provision appears to be far greater than necessary to protect the country's interests.¹³¹

By far the most controversial provision in the Law on Inventions is the requirement of mandatory "linking" trademarks.¹³² This requires that products manufactured in Mexico and sold under a foreign mark must also bear a Mexican trademark of equal size and prominence, owned wholly by a Mexican national.¹³³ This requirement was primarily intended to protect Mexican licensees.¹³⁴

From the standpoint of the foreign trademark owner there are a number of serious objections to this requirement. Some trademarks (e.g., the shape of a Coca-Cola bottle) do not lend themselves to the use of a linking mark.¹³⁵ There is an obvious and considerable expense in producing specially marked or packaged goods for the Mexican market.¹³⁶ If more than one local mark is used, there is also a danger that the mark may be seen as being used generically (e.g., Sanchez-Coca-Cola, Lopez-Coca-Cola, etc.).¹³⁷ Finally, the local licensee enjoys a "free ride" on the goodwill and reputation of the foreign trademark. If the license is terminated, the foreign company no longer has any control over a local mark that the public may associate with them.¹³⁸

Fortunately, this provision of the Law on Inventions was never put into practice. In 1978, shortly before the new law was to become effective, the government granted a one-year extension for compliance.¹³⁹ Additional one-year extensions have been granted every year since then.¹⁴⁰ The Mexican government has never fully clarified the reason

¹²⁸ Law on Inventions, art. 125; Hyde & Ramirez de la Corte, *supra* note 10, at 476; Lanahan, *supra* note 71, at 121.

¹²⁹ See, e.g., Lanahan, *supra* note 71, at 121.

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Law on Inventions, arts. 127, 128; Hyde & Ramirez de la Corte, *supra* note 10, at 477. The Spanish word used is "vinculada" which means roughly "linked" or "tied," but does not have an exact English equivalent. Vargas, *Major Innovations Regarding Trade and Service Marks in the Newly Revised Mexican Law on Inventions and Marks—A Mexican Perspective*, 66 TRADEMARK REP. 188, 196 (1976), suggests that hyphenated trademarks are not necessary. Lanahan, *supra* note 71, at 212, disputes this conclusion.

¹³³ Law on Inventions, art. 127; Hyde & Ramirez de la Corte, *supra* note 10, at 477.

¹³⁴ The Mexican Secretary of Industry indicated six reasons for the new law:

1. To avoid long-term commitments for royalties, thus affecting the trade balance.
2. To avoid excessive advertising, investment, or quality control costs or increases in royalty payments.
3. To avoid requiring the purchase of parts or supplies from the licensor.
4. To allow Mexican goods to be sold overseas.
5. To protect the licensee when the license expires.
6. To help make Mexican exports competitive in world markets.

Vargas, *supra* note 132, at 200.

¹³⁵ Lanahan, *supra* note 71, at 212.

¹³⁶ *Id.*

¹³⁷ Ball, *supra* note 66, at 165 n.26.

¹³⁸ *Id.* at 165.

¹³⁹ *Id.* at 166.

¹⁴⁰ *Id.*

for these extensions,¹⁴¹ however, the recent revision to the trademark law has made these linking marks optional.¹⁴² A reasonable supposition might be that the practical objections to the linking requirement were considered as having some merit. There have also been some questions concerning the legality of the Mexican requirements with respect to international law.¹⁴³

A small number of other trademark provisions of the Law on Inventions have been considered objectionable by some commentators.¹⁴⁴ First, the permission of the licensor of a mark is not necessary for a licensee to bring suit based on the mark, even if the licensor considers the suit inadvisable.¹⁴⁵ As a result, a licensor could find himself in an expensive lawsuit which he never wished to enter. Second, another provision permits the joint licensee-licensor use of marks. This could lead to legal difficulties, particularly if the license is terminated or if the licensor's goods are imported into Mexico.¹⁴⁶ The time for responding to a rejection of an application is only fifteen to forty-five days.¹⁴⁷ This may not provide adequate time for a reasoned response to the Ministry, particularly for a foreign firm. Finally, a number of products would seem to permit only one trademark name per product. Many well known items have several trademarks associated with them (e.g., Coca-Cola's bottle, logo, etc.) and would seem to violate these provisions.¹⁴⁸

The Mexican Law on Inventions was expressly intended to narrowly circumscribe the rights of United States and other foreign investors, and it does so in an effective and unambiguous fashion. The new revisions to this law were intended to rectify the flaws which the Mexican administration perceived in the former law. The adequacy of these reforms will be examined in the following section.

IV. REVISIONS OF MEXICAN LAW CONCERNING INVENTIONS AND TRADEMARKS

In October, 1986, Mexican authorities submitted a draft bill to the Senate for the amendment of the 1976 Law on Inventions. This bill was approved by the Senate and then sent to and approved by the Chamber of Representatives.¹⁴⁹ It went into effect on January 17, 1987.¹⁵⁰

There are several significant changes in Mexico's intellectual property laws. Much of the law, however, remains essentially the same, particularly with respect to trademarks.¹⁵¹ What changes have been made are also primarily evolutionary, and do not break new ground or violate the spirit of the earlier law.

¹⁴¹ *Id.*

¹⁴² Becerril, *supra* note 16, at 3.

¹⁴³ Article 6 of the Paris Convention requires that countries accept duly registered foreign trademarks in their original form, subject to a few minor exceptions. The linking requirements would impose a substantial change on these marks. *See infra* notes 157-58 and accompanying text.

¹⁴⁴ *See, e.g.*, Lanahan, *supra* note 71, at 220.

¹⁴⁵ Law on Inventions, art. 132; Lanahan, *supra* note 71, at 220.

¹⁴⁶ Lanahan, *supra* note 71, at 220.

¹⁴⁷ *Id.*

¹⁴⁸ *Id.* Some commentators have also noted that this provision is internally inconsistent with the linking requirement which would put at least two marks on a product.

¹⁴⁹ 33 PAT. TRADEMARK & COPYRIGHT J. (BNA) 317 (1987).

¹⁵⁰ *Id.*

¹⁵¹ Becerril, *supra* note 16, at 3.

With respect to patents, the term for both patents and certificates of invention has been increased to fourteen years.¹⁵² This is still a shorter period than under either pre-1976 Mexican law, or United States law. In addition, process patents are now available for most of the products for which patents were formerly not obtainable.¹⁵³ This includes *processes* to make alloys, pharmaceuticals, and pesticides. Chemical products, pesticides, and biotechnology remain unpatentable but will be patentable ten years after the bill has become law (i.e., 1997).¹⁵⁴ Some local pressure to reduce this transition period to five years was unsuccessful.¹⁵⁵ Certificates of invention have been abolished except in the case of biotechnological processes and processes to make foodstuffs for human consumption.¹⁵⁶

Several provisions of the former Law on Inventions were in violation of the terms of the International Convention for the Protection of Industrial Property, commonly referred to as the Paris Convention.¹⁵⁷ The Paris Convention is a union of nearly ninety nations, including Mexico, which have agreed to several common provisions in order to protect international patent applicants.¹⁵⁸ The revisions have altered these terms to bring them into accord with the standards. Specifically, the provision with regard to the lapsing of patents now provides that no patent may be declared as lapsed before two years after the grant of the first compulsory license.¹⁵⁹ Patents are still subject to compulsory licensing after three years. Partial priorities are now accepted in conformity with the Paris Convention as well.¹⁶⁰

The requirement that compulsory licensors provide technical support to licensees has been abolished.¹⁶¹ If the information in the specification is the best knowledge of the licensor, then it will be considered adequate.¹⁶² Finally, the Mexican Patent Office will accept Spanish translations of patent novelty examinations completed in countries belonging to the Patent Cooperation Treaty or the European Patent Office.¹⁶³ This would include the United States, which is a party to the Patent Cooperation Treaty.¹⁶⁴

The trademark provisions of the Law on Inventions were not greatly effected by the revisions. As mentioned above, the use of linking marks has been made optional rather than mandatory.¹⁶⁵ Marks which are regarded as notorious¹⁶⁶ are now protected

¹⁵² Law of Inventions, art. 40, 67; Becerril, *supra* note 16, at 3.

¹⁵³ Law of Inventions, art. 10; Becerril, *supra* note 16, at 1–2.

¹⁵⁴ Law of Inventions, art. 10; Becerril, *supra* note 16, at 2.

¹⁵⁵ Becerril, *supra* note 16, at 2.

¹⁵⁶ Law of Inventions, art. 65; Becerril, *supra* note 16, at 2.

¹⁵⁷ Paris Convention for the Protection of Industrial Property, *revised* at Lisbon, Oct. 31, 1958, 13 U.S.T. 1, T.I.A.S. No. 4931.

¹⁵⁸ *Id.*

¹⁵⁹ Law of Inventions, art. 48; Becerril, *supra* note 16, at 3.

¹⁶⁰ Law of Inventions, art. 36; Fraction II; Becerril, *supra* note 16, at 3.

¹⁶¹ Law of Inventions, arts. 57, 73; Becerril, *supra* note 16, at 3.

¹⁶² Law of Inventions, art. 17; Becerril, *supra* note 16, at 3.

¹⁶³ Law of Inventions, art. 20; Becerril, *supra* note 16, at 2. For information on these treaties, see *supra* note 65.

¹⁶⁴ The United States was one of 35 founding signatories to the PCT on June 19, 1970. The PCT allows the filing of a single international patent application. See Creel and Wintringham, *supra* note 2, at 267–68.

¹⁶⁵ Law of Inventions, arts. 127, 128; Becerril, *supra* note 16, at 4.

¹⁶⁶ Notorious marks are those which are so well-known and widely recognized (*e.g.* Coca-Cola, Rolex) that their original ownership would be unquestioned.

against registration by parties other than the original owner.¹⁶⁷ Numerals, however, are now non-registrable unless they are graphically distinctive.¹⁶⁸ In addition, combinations of words are not registrable as marks unless the combination together is not descriptive of the product.¹⁶⁹ A trademark like "Goodbar" for a candy bar would probably be disallowed since the product is a bar which is presumably good. A combination like "Seadog" for dog food would likely be permitted as this combination does not describe the product in any way. The amendments also close a loophole in the old law which was used to avoid paying the extremely high reregistration fee for a lapsed trademark.¹⁷⁰ Previously, the practice was to voluntarily cancel the trademark and refile. Now, voluntary cancellations incur the same reregistration fee as extinguished or lapsed marks.¹⁷¹

A trademark may now be cancelled for monopolistic or other unfair trade practices by the trademark owner.¹⁷² However, the compulsory licensing provisions have been made less broad. A compulsory license will now only be granted if necessary to prevent unemployment in a national emergency, or if the trademark owner engages in the unfair trade practices mentioned above.¹⁷³ The amendments also restrict the possibility of nullification of trademarks for a failure of the authorities to grant registration.¹⁷⁴ Conversely, the power of the Ministry to eliminate any or all trademarks in particular areas of commerce has not been altered or restricted.

The revisions contain several miscellaneous provisions. First, they validate powers of attorney granted under foreign systems of law in connection with patents.¹⁷⁵ Second, they also contain a number of provisions strengthening the civil and criminal penalties for patent and trademark infringement.¹⁷⁶ For the first time, the violation of a trade secret has been made a criminal offense.¹⁷⁷ As discussed above, the recognition of trade secret protection is a substantial and necessary change for foreign investors.¹⁷⁸ The seizure of infringing goods has also been authorized.¹⁷⁹ Third, there are a number of provisions to assist Mexican inventors. These include the establishment of a Department of Technological Development to assist in filing applications and to provide much needed grants for research and development. These provisions pertain solely to Mexican nationals.¹⁸⁰

It should also be noted that Mexico has passed a law placing computer software under copyright protection.¹⁸¹ Thus, the problem of computer protection was not directly addressed in the revision to the patent laws. However, many countries, including the

¹⁶⁷ Law of Inventions, art. 91; Fraction XIX; Becerril, *supra* note 16, at 4.

¹⁶⁸ Law of Inventions, art. 91; Fraction VI; Becerril, *supra* note 16, at 4.

¹⁶⁹ Law of Inventions, art. 91; Fraction V; Becerril, *supra* note 16, at 3.

¹⁷⁰ Law of Inventions, art. 99. This fee is twenty times the ordinary fee.

¹⁷¹ Becerril, *supra* note 16, at 4.

¹⁷² Law of Inventions, art. 125; Becerril, *supra* note 16, at 4.

¹⁷³ Law of Inventions, art. 132; Becerril, *supra* note 16, at 4.

¹⁷⁴ Law of Inventions, art. 147; Fraction I; Becerril, *supra* note 16, at 5.

¹⁷⁵ Becerril, *supra* note 16, at 5.

¹⁷⁶ Law of Inventions, arts. 211, 213; Becerril, *supra* note 16, at 5-6.

¹⁷⁷ Law of Inventions, art. 211; Fraction IX; Becerril, *supra* note 16, at 5.

¹⁷⁸ See *supra* notes 57-63 and accompanying text.

¹⁷⁹ Law of Inventions, art. 223b; Becerril, *supra* note 16, at 6.

¹⁸⁰ Becerril, *supra* note 16, at 6-7.

¹⁸¹ UNCTAD, *Periodic Report*, *supra* note 37, at 16.

United States, also offer patent protection for certain kinds of software. The continued omission of such protection in Mexico has led to some United States protest.¹⁸²

While the majority of the revisions to the Law on Inventions constitute needed improvements in the Mexican intellectual property law system, the changes are by no means radical ones. The response of the United States to these laws, then, must be considered.

V. UNITED STATES AND MEXICAN INTELLECTUAL PROPERTY LAWS

The United States has recently expressed a strong commitment to the principles of free trade. This commitment is embodied in section 301 of the Free Trade Act of 1974.¹⁸³ The Act provides that, should the President determine that an act, policy, or practice of a foreign country is unjustifiable or unreasonable, he shall take all appropriate and feasible action to secure the correction of that act or policy. The 1984 Amendments to section 301 specifically provide that the denial of "adequate and effective" protection of United States intellectual property rights constitutes such an unreasonable action.¹⁸⁴ The United States Trade Representative has discretion to recommend an appropriate course of action to the President.¹⁸⁵ Such action must be taken within one year after the initiation of any investigation.¹⁸⁶

An investigation under this section was initiated in October of 1985 against the government of Korea.¹⁸⁷ According to U.S. Trade Representative Clayton Yeuter, "Korean Laws appear to deny effective protection for U.S. intellectual property."¹⁸⁸ Among the problem areas cited were the nonpatentability of foodstuffs and chemical compounds and the limitation to process patents for chemicals and pharmaceuticals.¹⁸⁹ In response to the investigation, the Korean government agreed in July, 1986, to sweeping revisions of their intellectual property laws to ensure adequate protection.¹⁹⁰

The initiation of a similar investigation into the Mexican system of intellectual property protection would seem to be warranted by many of the same concerns that prompted the Korean investigation. Several U.S. lawmakers have urged such action against Mexico.¹⁹¹ One senator¹⁹² has characterized the failure of the then-proposed Mexican reforms to offer immediate product patent protection and the short fourteen year term as an "unacceptable response,"¹⁹³ which would violate the Free Trade Act of 1974.

Both Korea and Mexico are preferred trading partners of the United States under the Generalized System of Preferences (GSP).¹⁹⁴ In this program, developing countries

¹⁸² 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 737 (1986).

¹⁸³ The Free Trade Act of 1974, § 301, 19 U.S.C. § 2411 (1984).

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

¹⁸⁷ 30 PAT. TRADEMARK & COPYRIGHT J. (BNA) 646 (1985).

¹⁸⁸ *Id.*

¹⁸⁹ *Id.* Note that, even with the new revisions, the same problems exist in Mexican patent law.

¹⁹⁰ 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 268 (1986).

¹⁹¹ 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 609 (1986).

¹⁹² Senator Frank Lautenberg (D-N.J.).

¹⁹³ 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 609 (1986).

¹⁹⁴ Trade Act of 1975, § 502(c), 19 U.S.C. § 2462(c) (1976 & Supp. V, 1981).

may export some goods to the United States free of duty.¹⁹⁵ Those critical of the Mexican laws have suggested that, unless there are significant changes, an appropriate response would be to substantially restrict the trade benefits afforded Mexico under the GSP.¹⁹⁶ Since Mexican import duties are already quite high and there is no special preference given to United States goods, a reciprocal increase in duties by Mexico would be unlikely.

In January, 1987, the U.S. Congress did reduce Mexico's GSP benefits by approximately sixteen percent, or \$200 million.¹⁹⁷ This action was taken primarily as a result of trade deficits, and not because of the intellectual property laws *per se*.¹⁹⁸ In fact, South Korea, a country that revised its intellectual property laws in response to U.S. pressure, received a larger cut in their GSP benefits than did Mexico.¹⁹⁹ Despite this action, further GSP cuts might still be an effective bargaining tool in seeking further revisions to Mexico's intellectual property laws.

Another possible means of negotiating changes in Mexico's laws might be to initiate talks through the Commission on Commerce and Trade.²⁰⁰ This is a special commission established by President Reagan and President Lopez-Portillo in 1981 to improve cooperation and help resolve trade issues between the United States and Mexico.²⁰¹ Sector working groups have already been established under the Commission in specific areas of industry, including automobiles and electronics.²⁰² A group could easily be established for the purpose of discussing United States trade concerns with respect to the Mexican intellectual property laws.

Until recently, Mexico was not a member of GATT.²⁰³ In fact, it was the only major trading country which was not a member.²⁰⁴ On March 18, 1980, Mexico postponed its membership indefinitely.²⁰⁵ Several reasons have been suggested for Mexico's failure to join GATT. These include a fear of export or similar restrictions, the belief that oil wealth would obviate the necessity of joining and, ironically, suspicion over the apparent eagerness of the United States to have Mexico join the agreement.²⁰⁶ In October, 1986, Mexico reconsidered its earlier position and joined GATT as its ninety-second member.²⁰⁷ The decision of Mexico to join was backed enthusiastically by the United States. United States Ambassador Michael Samuels described Mexico's accession as "a new page in our trade relations."²⁰⁸

Now that Mexico is a member of GATT, it is bound to abide by that organization's decisions. Thus, it is interesting to note that at the 1985 meeting of GATT in Uruguay,

¹⁹⁵ *Id.*

¹⁹⁶ 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 609 (1986). Senator Lautenberg was quoted as supporting such action.

¹⁹⁷ Wall St. J., Jan. 5, 1987, at 4, col.1.

¹⁹⁸ *Id.*

¹⁹⁹ *Id.*

²⁰⁰ INT'L TRADE ADMINISTRATION, U.S. DEPT. OF COMMERCE, FOREIGN ECONOMIC TRENDS AND THEIR IMPLICATIONS FOR THE UNITED STATES 6 (1982).

²⁰¹ *Id.*

²⁰² *Id.*

²⁰³ U.S. DEPT. OF COMMERCE, OVERSEAS BUSINESS REPORTS: MARKETING IN MEXICO (1981).

²⁰⁴ *Id.*

²⁰⁵ *Id.*

²⁰⁶ Purcell, *Mexico-U.S. Relations: Big Initiative Can Cause Big Problems*, 60 FOREIGN AFF. 379 (1981).

²⁰⁷ *U.S. to Mexico and China: Welcome to the Club*, 4 I.C.C. BUS. WORLD, Oct.-Dec. 1986, at 4.

²⁰⁸ *Id.*

the United States succeeded in having intellectual property placed on the agenda as a trade barrier issue for further study.²⁰⁹ The United States hopes to use GATT to help enforce international patent conventions and settle disputes related to the interpretations of these international rules.²¹⁰ The trade in counterfeit goods was also targeted as a subject for enforcement.²¹¹

An action under Section 301 of the Trade Act, a termination of GSP preferences, an international agreement through GATT, or a discussion through the Commission on Commerce and Trade could all be used effectively to encourage positive changes in the Mexican Law on Inventions. Even with the recent reforms, Mexican intellectual property law is clearly inadequate to ensure complete protection for United States inventors and investors.

VI. CONCLUSION

Mexico is a developing country, with limited resources and a tremendous need for modernization and new technology. Mexico's laws courageously attempt to maximize the utility of technology transfers, and minimize their cost to Mexico. Unfortunately, in doing so, they have created obstacles to investment sufficient to bar much-needed trade, technology and investment from entering Mexico. By pressing for additional reforms, the United States would, in the long run, effect changes that might increase trade and the transfer of technology, thereby enriching and aiding the economies and citizens of both the U.S. and Mexico.

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²⁰⁹ 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 571 (1986).

²¹⁰ *Id.*

²¹¹ 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) 737 (1986).