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Legal standing in Mexico

Jonathan Rangel, Dumont Bergman Bider & Co., S.C., here investigates whether or not a Defendant can prove their legal standing to initiate a non-use cancellation action as counteraction.

Under the scope of the Mexican legal system, the 'legal standing' is the legal ability of a party to presents its case before the competent authority and to demand the enforcement of its rights.

Particularly, article 188 of the Industrial Property Law (IPL) provides that cancellation or infringement actions can be initiated either *ex officio* or per request of a party that proves to have the required legal standing and sufficient grounds for its claim.

Depending on the action, the Plaintiff may decide how to prove its legal standing. As an example, when it comes to non-use cancellation actions, according to the latest criteria held by the Mexican Supreme Court, the Plaintiff – in order to prove its legal standing – shall submit as evidence: (i) its TM application; and (ii) the office action issued by the Mexican Trademark Office in which the trademark registration to be cancelled was cited as anticipation.

If the Plaintiff fails to meet any of those two requirements, the Mexican Trademark Office (MTO) will dismiss the relevant cancellation action on grounds of lack of the Plaintiff's legal standing.

As general practice, when it comes to infringement actions, once the Defendant is served and it decides to appear before the MTO to object against the alleged trademark infringement, it is very common that the Defendant also files – as counteraction – a cancellation action on grounds of lack of use of the Plaintiff's trademark registration of the infringing trademark.

The arguments provided by the Defendant to evidence its legal standing were based on the fact that, according to article 1 of the Federal Code of Civil Procedures, any party that has a contrary interest in the conflict shall have the right to either initiate the available legal actions or be part of the same. Therefore, given that the Defendant did have a contrary interest in the Plaintiff's trademark infringement action, it deemed itself entitled to file a cancellation action on grounds of lack of use in addition to contesting the infringement action.

Even though the trademark infringement action was first filed before the MTO, the criterion held by such authority was to admit the counteraction and analyze it – *within the final decision* – just before the trademark infringement action.

Consequently, if the MTO found that the Plaintiff had not provided sufficient evidence to prove the effective use of its trademark during the required period, the MTO used to render a decision cancelling the Plaintiff's trademark registration and therefore dismissing the trademark infringement action. They used to think that once the trademark registration is cancelled no infringement can be raised, so they just omitted the analysis or the infringement case. Fortunately, this criterion changed and now – even though the Defendants counter action succeeds – the MTO analyzes the infringement action anyway. By the way the MTO has rendered some decisions in which both infringement and non-use cancellation actions have succeeded and/or been dismissed.

Although such changes in practice help a lot, the unjustified risk of losing a trademark registration remains exactly the same. What is supposed to be a clear trademark infringement action to be decided by the MTO may suddenly turn into a cancellation of the Plaintiff's trademark registration. Too many IPR owners have lost their trademark registrations because of this. It is clear that other changes need to be implemented.

Given the notably possibility to loss of a trademark registration, some IPR owners just decide not to initiate any legal action.

Nevertheless, it is worth taking into consideration that when it comes to counteractions, under the scope of the Mexican legislation, the Defendant's legal standing should be obtained from the concrete purposes of such

Résumé

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counteraction, so the MTO can be in the position to determine whether or not such party proves its legal standing.

Indeed, if the counteraction’s central purpose is to destroy the ‘main action’ (i.e. the trademark infringement action), the party does have legal standing to do so. However, if the counteraction to be filed has other purposes different from those strictly targeted to destroy the ‘main action’, the Defendant’s legal standing shall not be considered as evidenced.

Under the scope of article 152 of the IPL, a trademark registration shall be declared “lapsed” if it has not been used for a period of three years counted from the non-use cancellation action’s filing date. The legal effects of such declaration are not retroactively applied to the trademark registration’s granting date. The lapsing declaration’s legal effects start from the time in which the relevant decision becomes *res judicata*.

In other words, from a practical point of view, when the MTO renders a decision to cancel a trademark registration on grounds of non-use, it will be understood that the trademark registration actually did exist but, given the lapsing declaration, the trademark registration’s legal effects stopped on the date in which such declaration became *res judicata*.

In order to get a better picture of the different tactics that may be applied, it should be taken into consideration that the legal effects that come from an invalidation action are exactly the opposite. The invalidation actions’ effects do apply retroactively, namely, to the date in which the relevant trademark registration was granted. Hence, when a trademark registration is declared invalidated by the MTO, it should be understood that the subject trademark registration never existed but only as a trademark application.

If there is a trademark infringement action and the Defendant

decides to file – *as counteraction* – an invalidation action against the trademark registration in which the Plaintiff based its action on, the Defendant would certainly have the required legal standing to initiate the invalidation action, given that the legal effects that come from this sort of action are retroactively applied to the mark’s granting date.

Thus, if the Defendant’s counteraction succeeds, the MTO would take the perspective that no trademark infringement could have arisen between the parties given that – *as pointed out* – the Plaintiff’s trademark registration never existed. Obviously, this reasoning may allow the MTO to skip the analysis over the trademark infringement case.

Notwithstanding, instead of filing an invalidation action, if the Defendant decides to file a non-use cancellation action, the analysis to be conducted by the MTO will be slightly different.

As we pointed out, the effects of a lapsing declaration are not retroactively applied to the mark’s granting date. In general terms, it should be understood that the trademark registration did exist but its legal effects stopped when the lapsing declaration becomes *res judicata*.

Consequently, if the trademark registration did exist for a given period of time, any unauthorized use of that mark in between entitles its owner to initiate a trademark infringement action before the MTO. Hence, the analysis of the trademark infringement case cannot be skipped this time. The MTO is actually compelled to go through all the parties’ arguments, analyze the same and render a decision over the infringement case.

Furthermore, from that situation it is clear that a non-use cancellation action does not have the effect to destroy the ‘main action’, as a nullity action does. So given the lack of a purpose to destroy the Defendant’s



action (namely: the trademark registration in which the infringement action is based on) under the scope of the Mexican legislation the non-use cancellation action filed by the Defendant shall be dismissed on grounds of lack of legal standing to do so by said party. If that is the case, the MTO should focus its analysis only on the infringement case.

The practice on this is still not completely clear. However, if any of our courts decides to analyze it, it might have a significant impact for our IP practice. It would become very important for IP practitioners to understand the scope of such decision and figure out how to turn it into an effective and valuable tool in the strategy for an IP litigation case.

