Be first in line or risk losing your place

Mexico follows a ‘first in time is first in right’ approach. While a trademark registration is not mandatory in order to use it or to initiate legal claims against third parties, it brings some important benefits

Starting a new business? Are you in two minds about whether to register your trademark? Are you taking over a family business which has been passed down through generations but does not have a registered trademark? Or have you been using your trademark for many years and have noticed that a third party is using an identical or similar trademark for the same products and/or services, taking advantage of the reputation that you have built?

These are some of the questions to consider when initiating economic activity in Mexico. Alternatively, if the business you are managing is already operating, you must ensure that your trademark is registered in order to avoid unnecessary, inconvenient and expensive proceedings.

Legislation
Mexico is governed by the civil law system. The exclusive right to use a trademark derives from registration. Current legislation clearly establishes that such exclusive right is granted only by way of a registration issued by the Mexican Institute of Industrial Property. The hypothetical questions regarding better and/or prior use of an unregistered trademark are taken to a second stage, but still play an important role. This is because the protection that Mexican legislation affords to an unregistered trademark is insufficient, ineffective and inadequate in comparison with the protection afforded to a registered mark.

Unregistered trademarks
Even though the protection of trademarks has acquired substantive importance in Mexico, it is still the case that numerous traders do not have the impetus or necessary information in order to protect their IP rights. Therefore, both the authorities and practitioners are constantly trying to make traders aware of such importance.

Protecting unregistered trademarks
The user of an unregistered mark can effectively challenge the registration of an identical or similar trademark by proving evidence of the following:
• Prior use of an identical or similar trademark within Mexico or abroad – the use of an unregistered trademark gives the user a certain degree of protection, since it is entitled to file a cancellation action against a third party’s registered mark based on prior use, notwithstanding whether such use occurred in Mexico or abroad.
• Bona fide use – Article 92(I) of the Industrial Property Law establishes that a trademark registration has no effect against a third party which in good faith uses the same or a confusingly similar mark within the national territory for the same or similar products or services, provided that the third party made uninterrupted use of the mark before the filing date of the application for registration or the date of first use declared in the trademark application form. The third party shall have the right to apply for registration of the mark within three years of the date on which the senior registration was published, in which case it is entitled to apply/file and obtain a declaration of nullity of the registration. The statute of limitations for this last scenario is three years from the issue date of the registration.

In other words, the user of an unregistered trademark has a couple of legal options by which to enforce its rights in order to prevent any third party from using an identical or similar trademark. The user will need to prove that it has a better and prior use.

International treaties
Mexico is a party to the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of IP Rights. These international agreements provide appropriate legal remedies to any unfair activity that might affect an IP right. Therefore, a user or owner of a trademark which is exposed to unfair competition can claim protection and ask the administrative authorities to take action against the unfair competition that is affecting and injuring its reputation due to inappropriate use or use in commerce of its trademark. The courts will give the trademark owner priority in the use of the mark over an infringer if the owner can prove that it used the mark first.

However, the scope of protection afforded to unregistered trademarks is limited compared to that given to registered trademarks. There are legal provisions for bona fide users to maintain their exclusivity over their trademark after defending it before the competent authorities. In order to be protected, it is compulsory to file a trademark application before the Mexican Institute of Industrial Property in order to secure the legal rights to enforce a mark.

Benefits of registration
The benefits of registering a trademark include:
• the exclusive right to use a mark on or in connection with the goods and/or services covered by the registration;
• the availability of a range of legal actions that can be taken against any party which uses an identical or similar trademark without the owner’s permission;
• the opportunity for the authority to bring criminal charges against
counterfeitters if they are copying (identical) registered trademarks; and
• the right of the owner to profit from, 
sell, franchise or license its trademark to 
a third party.

If a trademark is registered in Mexico, the 
owner has a legitimate right to commence 
legal action against a third party which is using 
the trademark or a confusingly similar mark, 
since the legislation grants the necessary rights 
to challenge any unauthorised and 
inappropriate use of an identical or similar 
mark within the Mexican market. Such 
registration confers on the proprietor 
exclusive rights in the relevant sign and allows 
it to prevent non-authorised third-party use.

A principal purpose of the Industrial 
Property Law is to prevent acts that infringe 
industrial property rights or constitute 
unfair competition, and provide penalties 
for such actions. Therefore, in order to 
impose the necessary penalties, the owner 
must prove a legal interest, which is easier 
to prove if registration exists.

Conclusion
It is not mandatory for a trademark to be 
registered in order to use it or to initiate 
legal claims against third parties. However, 
registration gives the owner several 
advantages and benefits, including:
• control of the use of a trademark by 
others;
• exclusive rights to use the mark;
• protection from infringement claims;
• the right to prevent others from using 
trademarks that are identical or similar; 
and
• geographical coverage.

The best option to protect a trademark 
is to register it; this reduces the risk of 
failure in challenging third-party use of a 
similar or identical mark as applied to the 
same or related products or services. If no 
registration exists, the user will have to 
prove that the offending trademark has 
been, or is likely to be, confused with the 
unregistered trademark, and that the 
business under the unregistered trademark 
has been, or is likely to be, damaged by use 
of the offending third party’s trademark.

One of the general rules in equity is ‘first 
in time is first in right’. In other words, the 
party which is first has a superior legal right. 
In Mexico, proving that a user has a better 
claim in commerce (within Mexico or 
abroad) to a trademark than an owner which 
has the same or a similar mark registered 
relying on prior use is a difficult and 
expensive way to enforce IP rights. 