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**THE RULE OF THE 3 CONSECUTIVE YEARS AND THE LICENSE AGREEMENTS.**

Dear Clients and Friends:

We hope that this communication finds you well. This memorandum is in order to explain the importance of not suspending the use of a registered trademark for more than 3 consecutive years in Mexico and the need of recording the license agreement in case the use is not performed directly by the trademark owner.

As from the entry of the opposition system in Mexico (August 2016), we have received several inquiries from our clients regarding the convenience to oppose or file cancellation actions against third party's applications/registrations or if it is wiser to let pass a possible infringement because they do not want to lose their IP rights since their trademarks are duly registered but not in use within the Mexican Territory, situation that expose the record in question.

A way to answer to an action filed by the owner of the registered trademark is the counter filing of a non-use cancellation action where the burden to prove shall be against us, therefore it is very important to always have the trademarks in use in Mexico and do not suspend the same for more than 3 consecutive years in terms of the IP laws and regulations.

Article 130 of the Industrial Property Law provides as follows:

***"ARTICLE 130.*** *If for three consecutive years a mark is not used for the products or services for which it was registered, there shall be grounds for the lapse of the registration thereof, except where the owner or registered licensee has used it during the three consecutive years immediately prior to the filing of the request for the administrative declaration of lapse, or where a situation has arisen that is beyond the control of the owner of the mark which constitutes an obstacle to the use thereof, such as the restriction of imports*

LEGARRETA Y ASOCIADOS, S. C.

ABOGADOS

*or other government requirements applicable to the goods or services to which the mark is applied"*

It is important to mention that that in the IP Law there is not a definition of use, however, according to the Regulations of said IP Law, a trademark is in use when:

**"ARTICLE 62** *For the purposes of the Law, among others, it shall be understood that a trademark is in use when the goods or services that it distinguishes have been placed on the market or are available on the market under that trademark within the country and in the quantities and form that correspond to custom and practice in trade. It shall also be understood that the trademark is in use when applied to goods intended for export. "*

According to the MPTO 's criteria, a trademark is in use when:

- A trademark is available on the market and/or;
- A trademark is applied to goods exported, but always such use has to be made either by its owner or by its recorded licensee.

On the other hand and considering that normally royalty payments are involved in the license agreements, Mexican tax authorities can challenge/question the payment/deduction of such royalties and have requested that the corresponding license agreement be duly recorded before the MPTO in order to be enforceable against third parties.

Also, the *Trade-Related Aspects of Intellectual Property Rights Treaty (TRIPS)*, where Mexico is part provides the following:

**Article 19**  
*Requirement of Use*

*1. If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use.*

LEGARRETA Y ASOCIADOS, S. C.  
ABOGADOS

*2. When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration.*

**"Article 21 - LICENSING AND ASSIGNMENT**

*Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs."*

Despite the existence of the above mentioned treaty, Mexican authorities have been requesting the existence of a recorded TM License Agreement before the MPTO in order to:

- Prove use of a trademark in Mexican territory; and
- Accept the payment/deduction of royalties contemplated in the corresponding document.

Finally, in Mexico the recordation of a TM License Agreement is very simple and the IP law provides that we may record summary versions of existing agreements.

Should you have any question, please do not hesitate to contact us.

Sincerely,

Legarreta y Asociados, S.C.