

MEXICO ADOPTS LEGISLATION ON THE PROTECTION OF LAYOUT-DESIGNS OF INTEGRATED CIRCUITS ¹

Prof. Alfredo Rangel-Ortiz ²
Prof. Horacio Rangel-Ortiz ³

SUMMARY: 1. The Mexican Decree of December 24, 1997, NAFTA and TRIPS.; 2. Layout-designs Legislation is Made a Part of Mexican Industrial Property Legislation.; 3. The Treaty of Washington.; 4. Registration of a layout-design is obligatory. ; 5. Originality and Novelty.; 6. Examination as to Form Only.; 7. Good Faith Merchants and Knowledge of the Unauthorized Reproduction of a Registered Layout-design as a Condition to Take Legal Action.; 8. International exhaustion of rights.; 9. Marking Requirements or Notice.; 10. Conclusion.

1. The Mexican Decree of December 24, 1997, NAFTA and TRIPS.

The Intellectual Property Chapter within NAFTA, i.e. Chapter XVII, and more specifically Annex 1710.9 of Chapter XVII, includes a provision whereby Mexico engages in exercising best efforts in order to put in practice a system of protection of layout-designs of integrated circuits (topographies) not later than January 1, 1998. Similar language

¹ Paper submitted by the authors to be presented by Prof. Alfredo RANGEL-ORTIZ in the session devoted to Recent Developments in Intellectual Property in National Legislations, in the course of the Annual Meeting of ATRIP, Mexico City, August 24-26, 1998.

² Secretary of ATRIP. Professor of Intellectual Property Law at the School of Law of ITAM and at the School of Law of Universidad Panamericana, Mexico City. Vice-President of the Mexican Group of AIPPI.

³ President of ATRIP. Professor of Intellectual Property Law at the School of Law of Universidad Panamericana, Mexico City and Guadalajara. Partner with the Mexico City intellectual property law firm Uhthoff, Gómez Vega & Uhthoff, S.C. Former President of the Mexican Group of AIPPI and of the Intellectual Property Committee of the Mexican Bar.

is found in the TRIPS provisions, but in this case the engagement consists in putting the system into practice by January 1, 2000 ⁴.

On December 26, 1997, the Mexican Government published in the Official Gazette of the Federation the Decree containing the text of the new legislation addressing issues of protection of layout-designs of integrated circuits or topographies as they are also identified in other legal instruments such as the Treaty on Intellectual Property in Respect of Integrated Circuits (Washington, 1989). The Decree was signed into law by President Ernesto Zedillo on December 24, 1997 (thus, the Decree of December 24, 1997) ⁵. The Decree provides that the provisions contained therein shall be effective in Mexico as from January 1, 1998 for situations arising as from January 1, 1998 as well ⁶.

2. Layout-designs Legislation is Made a Part of Mexican Industrial Property Legislation

The debate on whether legal provisions addressing the protection of layout-designs of integrated circuits should be those of industrial property law or of copyright law, apparently becomes a moot subject

⁴ See e.g. Articles 35, 36, 37, 38 and 65 of TRIPS. TRIPS is the short name for Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, and is contained in Annex 1C of the newly established World Trade Organization resulting from the negotiations in the GATT Uruguay Round. See TRIPS Agreement, IIC International Review of Industrial Property and Copyright Law, Vol. 25, No. 2 / 1994, Max Planck-Institute for Foreign and International Patent, Copyright, and Competition Law, Munich at p. 209.

⁵ Before the adoption of the Mexican legislation more than thirty countries had passed similar legislation between the years 1984 and 1996 headed by the Semiconductor Chip Protection Act of 1984. See GREGURAS F., SEIGEL D., WILLIAMS N., *The Semiconductor Chip Protection Act of 1984*, *Revue internationale de Droit d'auteur*, 124, Avril 1985 at pp. 57-104. See also OMPI, *Cuestiones relativas a la protección de los circuitos integrados*, Ciudad del Este, Paraguay, OMPI/CI/SAO/97/1, octubre 1997, Anexo II, at pp. 1 and 2. See Also MASSAGUER José, *El Tratado de Washington sobre la Propiedad Intelectual respecto de los Circuitos Integrados*, *Actas de Derecho Industrial*, Tomo 13, Año 1989-90, Instituto de Derecho Industrial de Santiago de Compostela, España pp. 659-661.

⁶ See Transitory Article ONE and Transitory Article TWO of the Decree of December 24, 1997.

MEXICO ADOPTS LEGISLATION ON THE PROTECTION
OF LAYOUT-DESIGNS OF INTEGRATED CIRCUITS

in Mexico after adoption of the new legislation⁷. The new legislation is not adopted through the Copyright statute presently in force⁸ nor through an independent body of laws, but rather through the amendment of the Industrial Property statute⁹. In the terms of the Decree of December 24, 1997, the Industrial Property Law of 1991 as Amended in 1994 is further amended to incorporate a new chapter dealing with the subject of protection of layout-designs of integrated circuits. The new legislation is contained in ten basic provisions contained in new Articles 178 bis to Article 178 bis 9 and in new Article 213, XXIII and XXIV of the Industrial Property Law.

Article 2, V of the Industrial Property Law includes a list of *institutions* labeled *industrial property institutions* which are protected as per the provisions of the Industrial Property Law. Interestingly, the Decree of December 24, 1997 does not amend the text of Article 2, V to include registrations of layout-designs of integrated circuits or topographies as an additional industrial property institution now governed by the Industrial Property Law. Whether this is an oversight of the drafters or a deliberate omission showing a *refined* legal technique, this author is not in a position to tell. Failure of the drafters to amend the provision identifying the industrial property institutions within the Industrial Property Law, simultaneously incorporating in the statute a new chapter dealing with the registration of layout-designs or topographies, may suggest various things. It may insinuate that the drafters considered unnecessary to specifically amend Article 2, V of the industrial property statute for same should have been considered amended by implication; it may also imply that the drafters did not want to take sides on the *industrial property-copyright-specialized* regime discussion, suggesting that the new provisions

⁷ For a full discussion on these issues see KEREVER André, *L'actualité internationale du droit d'auteur et des autres droits de propriété intellectuelle*, Revue internationale du Droit d'auteur, 142, octobre 1989 at pp. 3 - 20. See also DREIER Thomas, *L'évolution de la protection des circuits intégrés semiconducteurs*, Revue internationale de Droit d'auteur, 142, octobre 1989 at pp. 21 et seq.

⁸ Ley Federal del Derecho de Autor, Official Gazette of the Federation of December 24, 1996.

⁹ Ley de la Propiedad Industrial, Official Gazette of the Federation of June 27, 1991 and August 2, 1994.

were incorporated in the Industrial Property Law only for bureaucratic and organizational reasons; but it may also be an oversight and nothing else. For all practical purposes what matters, at this point, is that the protection of layout-designs of integrated circuits or topographies is now contemplated in Mexican legislation through the application and enforcement of provisions contained in the *industrial property* statute.

3. The Treaty of Washington

NAFTA and TRIPS mandate that certain provisions of the Treaty of Washington of 1989, which is not yet in force, will apply to situations involving protection of layout-designs of integrated circuits in the context of NAFTA and TRIPS. Such provisions are contained in Articles 2 to 7, 12 and 16 (3) of the Treaty of Washington. Express provision is made in each of these two international instruments in the sense that the provisions contained in Article 6 (3) of the Treaty of Washington shall not apply either in NAFTA or TRIPS situations. Article 6 (3) of the Treaty of Washington is the provision allowing the grant of non-voluntary or compulsory licenses¹⁰. Thus a good part of the provisions contained in the Decree of December 24, 1997 represents a literal copy of many of the provisions of the Treaty of Washington of 1989 as contemplated in NAFTA and TRIPS.

There are, of course, a number of stipulations in the Decree of December 24, 1997 which are not directly related to the text of the

¹⁰ For a discussion of the provisions governing layout-designs of integrated circuits in The Treaty of Washington and in TRIPS see CORREA Carlos M., *Protección legal de los diseños de circuitos integrados: el Tratado de la OMPI y el Acuerdo TRIPS*, Actas de Derecho Industrial y Derecho de Autor, Tomo XVI 1994-1995, Instituto de Derecho Industrial de Santiago de Compostela, España, p. 171 et seq. See also ZHANG Shu, *Les dessins et modèles, les topographies et les renseignements non divulgués*, in: De l'OMPI au GATT La protection internationale des droits de la propriété intellectuelle, Litec, Librairie de la Cour de cassation, 27, place Dauphine 75001, Paris, pp. 337 et seq.

MEXICO ADOPTS LEGISLATION ON THE PROTECTION
OF LAYOUT-DESIGNS OF INTEGRATED CIRCUITS

provisions of the Treaty of Washington of 1989, such as the new provisions governing the conditions of registrability, prosecution, rights and obligations of the titleholder of a layout-design registration.

4. Registration of a layout-design is obligatory

The statute makes it clear that the registration of a layout-design is a condition precedent to obtaining exclusive rights on the pertinent subject matter. The registration is applied for and prosecuted with the Mexican Industrial Property Institute (IMPI), which is the same agency responsible of the prosecution and grant of patents and trademark registrations. The registration is granted for a ten-year non-renewable term counted from the filing date, thus the Mexican provision being in line with NAFTA and TRIPS on this issue ¹¹.

5. Originality and Novelty

The conditions for the registration of a layout-design are originality and novelty. Originality, within the meaning of the statute, should be construed as a layout-design that is the result of a the intellectual efforts of the creator, which is not common among creators and manufacturers of topographies ¹². That is to say, the Mexican definition of originality contains both subjective and objective criteria applicable to originality.

The expression novelty never shows up in the Decree. Yet, it may be asserted that the new legislation includes novelty as a condition for the registration of a layout-design, specifically a condition of absolute or universal novelty. This is so for the reason that the Decree provides that the right to obtain a valid registration shall be barred when the layout-design has been exploited in Mexico or abroad more than

¹¹ See Article 178 bis 3, Industrial Property Law , Article 1710,6) NAFTA and Article 38,1) TRIPS.

¹² See Article 178 bis 1, IV, Industrial Property Law.

two years prior to the filing date in Mexico. In order for the prior exploitation to destroy the novelty of the layout-design, two qualifications which are not defined in the statute must be present: it must be a commercial exploitation in an ordinary fashion ¹³.

6. Examination as to Form Only

Prosecution consists basically in the performance of a formal examination only ¹⁴. An examination as to substance where the substantive conditions for registration are verified is not contemplated in the statute. Unlike the law applicable to patents, no administrative revision is contemplated against the final rejection for registration of a topography. In this particular case, a rejection from the IMPI can only be appealed with a District Court.

7. Good Faith Merchants and Knowledge of the Unauthorized Reproduction of a Registered Layout-design as a Condition to Take Legal Action

Under the new Mexican legislation the registrant of a topography shall be entitled to take legal action against the sale, distribution and/or importation of an integrated circuit embodying the unauthorized reproduction of a registered layout-design or a product comprising an integrated circuit reproduced in such circumstances, only when the defendant was aware that the registered layout-design was reproduced with no authorization from the registrant. The defendant shall be entitled to sell product in stock before such defendant received notice of the illegal circumstances in which the product in stock was manufactured, subject to the payment of a reasonable royalty to the registrant ¹⁵.

¹³ See Article 178 bis 2, First Paragraph, Industrial Property Law.

¹⁴ See Article 178 bis 7 and Article 50, Industrial Property Law.

¹⁵ See Article 178 bis 5, V, Industrial Property Law.

MEXICO ADOPTS LEGISLATION ON THE PROTECTION
OF LAYOUT-DESIGNS OF INTEGRATED CIRCUITS

A similar requirement in benefit of good faith merchants is contemplated in Article 6 (4) of the Treaty of Washington of 1989, as well as in Article 1710 (4) of NAFTA and Article 37 (1) of TRIPS.

8. International exhaustion of rights

The new legislation provides for a system of international exhaustion of rights, this meaning that when a layout-design, an integrated circuit embodying the layout-design, or a product containing an integrated circuits which embodies a layout-design is manufactured by the registrant of the layout-design or by a third party with the consent of such registrant, and the registered layout-design in any of these situations is introduced into the marketplace by the registrant or by a third party with the consent of the registrant, whether in Mexico or abroad, it shall be considered that the rights have been exhausted in Mexico. The practical effect of the exhaustion in any of these circumstances is that, once the right has been exhausted, the registrant is not anymore entitled to oppose to the sale, distribution and/or importation of the registered layout-design, an integrated circuit embodying the layout-design or a product containing an integrated circuit manufactured as per the reproduction of the layout-design ¹⁶.

9. Marking Requirements or Notice

Marking requirements must be met in order for the registrant of a topography to be in a position to exercise civil and criminal actions and to initiate other legal proceedings related to the unauthorized reproduction of a registered layout-design and other activities related thereto. These marking requirements consist in the reproduction of the letter M within a circle or T within a circle followed by the name of the registrant ¹⁷.

¹⁶ See Article 178 bis 5, Industrial Property Law.

¹⁷ See Article 178 bis 9, Industrial Property Law.

Neither NAFTA nor TRIPS provide for these requirements. Something similar is found in the U.S. Semiconductor Chip Protection Act of 1984. Unlike the condition prescribed in the Mexican statute, under U.S. law compliance with the notice is not a condition for protection¹⁸.

10. Conclusion.

The implementing legislation passed by the Mexican Congress as contained in the Decree of December 24, 1997, generally reflects the basic understandings contained in NAFTA and TRIPS as regards legal protection of layout-designs in Mexico.

Generally the substantive provisions and understandings contained in NAFTA and TRIPS are adequately reflected in the Decree of December 24, 1997. Regrettably, however, procedural questions were not adequately drafted in the new legislation applicable to the steps to be performed in order to obtain the registration of a layout-design in Mexico. The new legislation incorporates plenty of references to patent law and design law which have little or nothing to do with the nature of layout designs, specifically with the steps that are to be performed to obtain the registration of a layout design in Mexico. These references to procedural patent and design law in layout design law are the source of much confusion. Clarity, simplicity and intelligibility are three characteristics missing in the statute as regards procedural questions, a serious mistake that should be

¹⁸ Under U.S. law, the owner of a mask work may affix a notice to the mask work and semiconductor chip products embodying the mask work, in such a manner and location as to give reasonable notice of such protection. The affixation of such notice is not a condition of protection. The Register of Copyrights is directed to prescribe, as examples, specific methods of affixation and positions of notice, but these will not be considered exhaustive. Placing the notice on the «packaging» of a chip product will likely give «reasonable» notice of protection. The notice must consist of the words «mask work», the symbol «M», or the letter M in a circle; and the name of the owner or owners of the mask work or abbreviation by which the name is recognized or is generally known. GREGURAS, SEIGEL and WILLIAMS, *op. cit.*, at pp. 83 et seq.

MEXICO ADOPTS LEGISLATION ON THE PROTECTION
OF LAYOUT-DESIGNS OF INTEGRATED CIRCUITS

corrected before such obscurity, uncertainty and ambiguity discourage the beneficiaries of the new provisions from using the new legislation to protect topographies in Mexico. We are not saying the new legislation is complex, difficult or intricate —three characteristics often appreciated in patent and design law—, we are saying the new legislation is unclear and obscure as far as procedural questions are concerned. This is what should be corrected. On another more practical aspect, interestingly enough, more than seven months have passed after the effective date of the new legislation in Mexico (January 1, 1998), and Patent Office people have no knowledge of an application for the registration of a layout-design having been filed at such agency. Should these unofficial reports prove to be accurate, perhaps one would have to wonder the reason for the rush in having Mexico adopting new legislation in this area within the time-limits contemplated in Annex 1710.9, Chapter XVII of NAFTA.