IDEA: The Journal of Law and Technology
1994

COMPULSORY PATENT LICENSING IN MEXICO IN THE 1990'S: THE AFTERMATH OF NAFTA AND THE 1991 INDUSTRIAL PROPERTY LAW

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Undoubtedly, the formation of trade alliances among nations is becoming more important in this post-Cold War era. January 1, 1994, marks the effective date of the North American Free Trade Agreement ("NAFTA") [n.1] and signals the creation of one of the largest economic trade partnerships in the world. NAFTA has also signified the lifting of many trade restrictions between the United States and Mexico. U.S. businesses with interests in preserving their patent investments, who were at one time apprehensive about compulsory patent licenses and other restrictions to licensing technology in Mexico, will be pleased with Mexico's current efforts to accommodate foreign patent rights. In fact, the threat of compulsory patent licensing in Mexico is significantly reduced under Mexico's 1991 Law for the Promotion and Protection of Industrial Property ("Industrial Property law") [n.2] and the furthering provisions of NAFTA. NAFTA and Mexico's Industrial Property law form the current basis for technology transfer licensing in Mexico. Despite efforts by Mexico to accommodate U.S. laws and perceptions about the exclusive rights granted by a United States patent, the very notion of a compulsory license may seem unsettling to U.S. practitioners and businesses. No doubt, compulsory licensing laws reflect cultural and commercial differences between the two *184 countries. Understanding those differences is essential. Therefore, this paper will first introduce the basic concepts of compulsory patent licensing and Mexican patent law, will then present the historical development of technology transfer licensing in Mexico and will conclude with a discussion of compulsory patent licensing in Mexico under the Industrial Property law and NAFTA.

I. A GENERAL SURVEY OF COMPULSORY PATENT LICENSING

A. What is Compulsory Patent Licensing?

In general, a compulsory license is an involuntary contract between a willing buyer and an unwilling seller imposed and enforced by the state. [n.3] Compulsory licensing in terms of patents allows a government which granted a patent to compel the patentee to

license the invention if the state, for example, does not approve of the patent's use. [n.4] Compulsory patent licenses provide a compromise between absolute revocation of patents and the absolute property rights in the patentee to freely use the grant. [n.5]

Compulsory patent licenses may be divided into four different categories:

. "worked in the country": requiring that a patent be exploited within a licensing country;

. public interest: governmental policy standards requiring patent licensing for the benefit of all its citizens;

. adequacy of supply: involuntary patent licensing to increase market supply to satisfy demand; [n.6] and

. dependent patents: forcible licensing of one patent for the use of a subsequent improvement patent thereof. [n.7]

In the first category, a government issues a compulsory license to ensure that the invention be "worked in the country." [n.8] In general, *185 countries often chose to interpret "worked" to mean "used" such that the commercial benefits derived from the patent are shared by those other than the patentee. [n.9] The theory of "worked in the country" imposes a duty on the patentee to use the patent, but the exclusive right to exploit the patent will not be disturbed. [n.10] Each country's interpretation of "worked" varies somewhat from the general theme. [n.11] For example, Canada requires that a patent be "worked" to its fullest commercial potential whereas Japan requires that some part of the invention be made in that country. [n.12] Under current Mexican law, "worked in the country" consists of utilization of the patented process, the manufacture and distribution of or the manufacture and trade with the patented product, in Mexico by the patentee. [n.13]

Compulsory licenses granted in the "public interest" seek to control those patents that the state deems vital to the public welfare. [n.14] "Public Interest" is a vague yet flexible term which allows governments to implement policy based decisions that will effect its body of citizens. In this manner, a government can implement certain public policy objectives in the development and dissemination of technology in general. [n.15] Often, governments grant compulsory licenses "in the public interest" in connection with patents relating to national defense, welfare, health, safety and the environment. [n.16] To develop their own domestic industries, developing nations may subject foreign *186 investors to compulsory licensing for the public welfare to quickly gain access to superior foreign technology. [n.17]

Compulsory licensing based on the doctrine of "adequacy of supply" occurs when a patentee is unable to meet the market demand under the patentee's exclusive right to manufacture and sell the product and is compelled for reasons of government policy to grant a license, often to a competitor. [n.18] Because compulsory licenses are less favorable to a patentee than the terms of a voluntary license, governments often use compulsory licenses based on adequacy of supply as an incentive for the patentee to negotiate voluntarily with a potential licensee. [n.19] Some patent regimes guarantee the patentee a reasonable royalty for the patent and a preliminary opportunity to negotiate

voluntarily with a potential licensee. [n.20] Mexican law currently provides compulsory licensing based on "adequacy of supply" only in situations of "emergency or national security" where the "production, supply or distribution of basic commodities for people would be impeded, rendered more difficult or expensive." [n.21] Such a license would only be granted after sufficient notice by the Mexican government and after a one year period to allow the patentee to "work" the patent. [n.22]

Finally, compulsory licensing based on dependent or improvement patents occurs when the improvement invention patent is determined by a government to be of greater beneficial value than the invention protected by the original or "dominant" patent and the unwilling inventor of the original patent is compelled to license. [n.23] Compulsory licensing of dependent patents is rarely granted by any country *187 including Mexico [n.24] because the complicated procedural aspects associated with the granting of an improvement patent would most likely have fostered a cooperative sense of understanding of the ownership rights between the original and improvement patentees prior to the application of the compulsory license. [n.25]

The concept of compulsory patent licensing was first introduced by the Paris Convention Treaty as a means for allowing governments to compensate for the economic shortcomings associated with not establishing a domestic industrial base when not working an invention within its boarders. [n.26] Specifically, Article 5 of the Paris Convention Treaty creates the right of countries to impose compulsory licenses. [n.27] The provisions outlined in Article 5 are now standard in most compulsory licensing legislation throughout the world. [n.28] Many current provisions regarding compulsory patent licensing in Mexico incorporate several key ideas from Article 5 of the Paris Convention Treaty. [n.29]

B. Mexico's Current Patent System

To understand how NAFTA will affect existing Mexican law regarding compulsory patent licensing, a fundamental understanding of the *188 development of the current Mexican patent system is required. Mexico's Industrial Property law outlines the current system of Mexican patent prosecution, the process of applying for a patent. On successful prosecution of an invention, a contractual relationship between the Mexican government and the inventor-patentee is created in the form of a patent. [n.30]

Briefly, a written application for a patent is filed with the Ministry of Commerce and Industrial Development (the "Ministry"), [n.31] an administrative arm of the executive branch. [n.32] The Ministry's administrative function of granting patents is similar to that of the United States Patent and Trademark Office. A patent application submitted to the Ministry must indicate the country of origin, [n.33] the inventor's name and address, payment of registration fee, title, [n.34] and a description and drawings of the invention. [n.35] The description must be sufficiently clear and complete to allow it to be fully understood by someone with "medium skills and knowledge in that field." [n.36]

The Ministry will formally examine the application [n.37] after publication of the application in the Gazette of Industrial Property ("Gazette"). [n.38] The Ministry will examine the invention on the merits based on the technical support of the Mexican Industrial Property Institute, [n.39] a semi-state agency with its own juridical capacity and patrimony, [n.40] and may even accept or require examinations carried out by foreign examining offices. [n.41]

*189 The 1991 Industrial Property law provides for a 20 year patent term from the filing date of the application. [n.42] Currently, however, the application process takes from five to seven years, a time where the invention is unprotected, hence the patent is actually in force for only thirteen to fifteen years. [n.43]

II. A HISTORICAL SURVEY OF COMPULSORY PATENT LICENSING IN MEXICO

Mexico's current patent system and related compulsory patent licensing provisions are the result of several revisions to Mexican Intellectual Property Law over the last two decades. Mexico has quickly emerged from being a nation with an "egregious" lack of intellectual property protection [n.44] to establishing a world class intellectual property system. [n.45] The factors relating to this "Mexican Miracle" take root in the 1970's and are substantially intertwined with Mexican foreign policy. Few commentators would have even predicted that in a few short years that Mexico would join the United States and Canada in free trade negotiations. [n.46] The strengthening of Mexican Intellectual Property Law was a factor influencing the U.S. House of Representatives to ratify NAFTA between the United States, Mexico and Canada on November 17, 1993. [n.47]

*190 A. Early Mexican Perception of Intellectual Property: Innovation and Protectionism

Traditionally, Mexican Intellectual Property law is a reflection of the jurisprudential concept of the old Spanish Alcade, or Justice of the Peace, who strengthens a community through compromise and cooperation. [n.48] Rather than viewing Intellectual Property as a body of individual rights, Mexicans historically perceive intellectual property as the common heritage of mankind and as a catalyst for national economic and industrial growth. [n.49]

Much of the protectionist foreign policies of the Echeverria Alvarez Administration in the early 1970's exemplified the Mexican traditional view of strength through community. [n.50] In 1972, the "Law on the Registration of the Transfer of Technology and Use and Exploitation of Patents and Trademarks" (the "1972 Law") was enacted to strengthen the position of the Mexican licensee over the foreign licensor. [n.51] Although the 1972 Law exemplified the embodiment of the protectionist fervor of the Echeverria Administration, it would eventually harm Mexican economic growth by deterring foreign investment. [n.52] In particular, the licensing provisions of the 1972 Law enabled Mexican businesses to exploit the benefits of foreign research and development while

using cheap local labor. [n.53] The provisions of this law deterred many U.S. investors who were not able to show a profit while operating in Mexico. [n.54]

The 1976 "Law of Inventions and Trademarks" (the "1976 Law") best represents the Mexican protectionist policy of the day. [n.55] The 1976 Law significantly changed existing patent laws and government regulations*191 to encourage Mexican industrial growth. [n.56] The 1976 Law was intended to foster Mexican science and innovation with protectionist provisions that discouraged the importation of foreign technology and reliance. [n.57] Under the 1976 Law, Mexico's initiative for strengthening its own scientific community through isolation from foreign influence reflects the traditional Alcade view of strength through community which is embedded within the Mexican political culture. [n.58] Scientific growth, however, depends on the free flow of ideas between individuals of different nations as well as providing those individuals with the proper incentive for innovation. Typically, adequate patent protection provides individuals with the incentive for technical innovation which benefits society as a whole. However, by constricting patent protection, the 1976 Law discouraged individual incentive for innovation which adversely effected the Mexican economy [n.59].

Specifically, the 1976 Law reduced the patent term from fifteen to ten years. [n.60] The 1976 law also provided for compulsory licensing which allowed third parties to use the patent if the Ministry determined that it was not being "adequately exploited." [n.61] In such cases, the law even required the patentee to provide any technical assistance to the licensee. [n.62] The 1976 Law, however, is most infamous for requiring the registration of all patent license agreements and assignments with the National Registry for the Transfer of Technology ("Registry") before the transfer of technology in Mexico is to take effect. [n.63] Licensing, foreign and domestic, is a basic event in everyday commerce; *192 thus, registering every such action became a tremendous burden with transferring technology in Mexico. [n.64]

The 1982 "Technology Transfer Law" (the "1982 Law") further complicated the laws regarding patent licensing in Mexico. [n.65] Under the 1982 Law, a licensing agreement in technology transfer would be denied registration with the Registry if the license included the seventeen provisions listed in Articles 15 and 16. [n.66] In general, these provisions can be summarized as: (a) permitting the foreign transferor to regulate or to intervene in the administration of the transferee; (b) providing that the transferee must assign to the transferor any new technology obtained; (c) limiting the transferee's research and development; (d) requiring the transferee to acquire equipment or materials from specific suppliers (assuming other sources exist); (e) subjecting the transferee to maintain confidentiality of the technology beyond termination of the agreement; (g) setting a royalty rate payable by the transferee disproportionate to the value of the acquired technology; or (h) establishing an initial term for the agreement in excess of ten years. [n.67]

By 1982, however, there were signs that Mexico's protectionist policies were not working. Specifically, in 1982, foreign commercial banks refused to continue loans to Mexico [n.68] on the country's $86 billion foreign debt. [n.69] With foreign banks

supplying unsuccessful investments and consumer loans and with the world-wide drop in the price of petroleum, Mexico was economically devastated. [n.70] The Administration of Miguel de la Madrid Hurtado recognized Mexico's problems and sought to break-down the nation's protectionist policies. [n.71]

*193 B. Development of Current Mexican Intellectual Property: The Lifting of Protectionism

The 1987 Amendments to the 1976 Law of Inventions and Trademarks (the "1987 Law") was a first attempt at improving the past wrongs of over-protectionism, but there were still some serious difficulties. [n.72] The 1987 Law still allowed for compulsory licensing of patents and the registration of all licensing activities. [n.73] At that time, it appeared that no significant improvement was made to Mexican Intellectual Property Law.

In 1988, the United States Trade Representative ("U.S.T.R.") began a "watch list" and a "priority watch list" of those countries whose intellectual property regimes unjustifiably burden U.S. commerce under both "Section 301" and the "Special 301" remedies under the U.S. Trade Act. [n.74] Accordingly, the U.S. Trade Act provides an outline for United States negotiation objectives regarding intellectual property and dictating procedures for the identification of countries that deny adequate protection of or market access for intellectual property rights. [n.75] Subsequently, on May 25, 1989, the U.S.T.R. placed Mexico along with eight other countries on the "priority watch list" stating that these countries did not meet the U.S. standard for intellectual property as proposed in the Uruguay Round of the General Agreement of Tariffs and Trade ("GATT"). [n.76] In many respects, being named on the "Priority Watch List" provided Mexico with greater incentive to improve its intellectual property laws.

By January 9, 1990, Mexico enacted the 1990 Regulations to the Technology Transfer Law (the "1990 Law") which significantly restricted the degree of government intervention in obtaining a technology transfer license in Mexico. [n.77] The 1990 Law allowed for more *194 freedom between the licensor and licensee to enact a technology transfer license with fewer bureaucratic requirements. [n.78] The Ministry under the 1990 Law may exempt a license from the registration requirement of the 1976 Law on at least one of nine criteria determined by the Ministry. [n.79] The nine criteria of the 1990 Law are as follows:

1. Creation of permanent jobs;
2. Improvement of technical qualifications of human resources;
3. Access to new foreign markets;
4. Manufacture of new products in Mexico, especially if they substitute for imports;
5. Improvement of Mexico's balance of payments;
6. Decrease in unit production costs, measured in constant pesos;
7. Development of domestic suppliers;
8. Use of technologies that do not contribute to ecological deterioration; or

9. Initiation of further development of technological research and development activities in production units or in related research centers. [n.80]

On granting an exemption, the 1990 Law requires that the licensee provide an oath promising to fulfill at least one of the exemptionrequirements within a three year period. [n.81] Any amendment to the exempted license, however, must undergo an independent registration evaluation by the Ministry. [n.82] Also within the three year period, the Ministry may ask for evidence demonstrating that the exemptee has fulfilled the promise stay within the exemption requirements. [n.83] One may argue that too much discretionary power is given to the Ministry in determining which licenses should be exempted. On the other hand, the language of the exemption criteria indicate a strong willingness by Mexico to allow foreign investment through technology transfer licensing. Specifically, this language promotes industrial development within Mexico such that the Ministry would be more inclined to grant exemptions to increase foreign investment than to deny Mexico of industrial growth. [n.84]

*195 In anticipation of the spring release 1990 U.S.T.R. Watch List, the Carlos Salinas de Gortari Administration announced on January 24, 1990 the intention to submit a new Industrial Property Law to Mexican Congress by the end of the year. [n.85] Many leaders in the United States were impressed with Mexico's strong initiative to improve its Intellectual Property laws. For example, seven U.S. senators wrote a letter asking U.S. Trade Representative Carla Hill to remove Mexico from the "priority watch list." [n.86] In May of 1990, Salinas thus submitted a draft of the bill for the new industrial property law. [n.87] The resulting 1991 Industrial Property law became effective on June 26, 1991. [n.88]

The United States recognized this new spirit of economic openness for foreign investment and better legal protection of intellectual property in Mexico. By 1990, the estimated value in trade between the United States and its's third largest trading partner, Mexico, was $59 billion. [n.89] This cooperative understanding between the United States and Mexico was furthered on June 11, 1990, when Presidents Bush and Salinas announced their agreement to the concept of NAFTA. [n.90]

The United States had hoped that NAFTA would follow the various guidelines applied at the successful U.S.-Canadian Free Trade Agreement ("FTA") effective January 1, 1989. [n.91] The intellectual property *196 standards within NAFTA were to be based on the standard from the Trade- Related Intellectual Property Rights ("TRIPS") negotiations from the Uruguay Round of GATT. [n.92] Particularly, the NAFTA provisions allowing for the grant of a compulsory license only in situations of emergency and public noncommercial use are similar to those of TRIPS. [n.93]

On entering NAFTA negotiations, the U.S. and Mexico each had a wide range of interests to be addressed. U.S. negotiators, for example, sought to narrow the terms for compulsory licensing and any sort of judicial review of a compulsory licensing order. [n.94] The U.S. saw NAFTA as a model for liberalizing trade and investment to encompass the entire western hemisphere as a free trade area, where such a plan is

designated as Enterprise for the America's Initiative ("EAI"). [n.95] Mexican negotiators on the other hand hoped to incorporate the key features of the 1991 Industrial Property law and to abolish all existing controls on licenses and technology transfer. [n.96]

III. A SURVEY OF CURRENT COMPULSORY PATENT LICENSING IN MEXICO

The intellectual property provisions of NAFTA, Article 17, are perhaps the most comprehensive of any multinational trade agreement. *197 The Article 17 provisions of NAFTA reinforce and internationalize the important advancements in intellectual property protection recently made by Mexico through the 1991 Industrial Property Law and by Canada through the new Canadian Patent law, C- 91. [n.97] NAFTA and the 1991 Industrial Property Law define the current regulations regarding compulsory patent licensing in Mexico. Most of the current regulations can be found within the 1991 Industrial Property Law.

A. Compulsory Patent Licensing Under Mexico's 1991 Industrial Property Law

The 1991 Industrial Property Law repeals the 1982 Transfer of Technology Law and implementing regulations. [n.98] Basically, anyone wishing to license technology within Mexico's borders need only follow the provisions within the 1991 Industrial Property Law. [n.99] The 1991 Industrial Property Law does not require license agreements and assignments to be registered with the National Registry of Transfer of Technology as did the Transfer of Technology Law. [n.100] The new law simply requires that technology transfer license agreements and assignments be recorded with the Ministry to allow the license to be enforceable against third parties. [n.101] Under the new law, there are no further restrictions in obtaining a license such as the 17 provisions of the 1982 Technology Transfer Law other than recording the license with the Ministry. [n.102]

*198 The compulsory licensing provisions of the new law are quite different from previous laws and should result in added protection to patent owners and investors. [n.103] [See Appendix for Compulsory Licensing Provisions of Mexican Industrial Property Law of 1991, Chapter 6, Articles 70- 77]. Under the new law, the imposition of compulsory licenses has been limited. Although there is no obligation under the new law to work a patent, the Ministry may issue compulsory licenses to a third party when a patent is not worked within three years from the date the patent was granted in Mexico or four years from the date the patent application was filed by the Ministry, whichever is later. [n.104] Moreover, a patentee under the new law may contest the grant of a compulsory license under two circumstances. A patentee may oppose the grant of a compulsory license based on either "justified or economical reasons" pursuant to the Paris Convention or by proving that the patentee or licensee has been "carrying out the import of" the patented product or product of a patented process into Mexico. [n.105] Additionally, prior to the grant of compulsory license, the patentee has a one year grace period in which to work the patent before a compulsory license is granted. [n.106]

To obtain a compulsory license, an applicant "shall have the technical and economic capacity to efficiently work the patented invention." [n.107] The Ministry will hold a hearing between the applicant and patentee and will decide on the grant of a compulsory license. [n.108] If the Ministry decides to grant such a license, it will set forthits duration, conditions, field of application and amount of royalties that correspond to the holder of the patent. [n.109] In accordance with the Paris Convention, a compulsory license under the new law may not be exclusive. [n.110] Thus, with the Ministry's authorization, a licensee of a compulsory license may only assign a license together with the part of the business in which the licensed patent is worked. [n.111] At the request *199 of either the patentee or licensee, the Ministry may decide, after a hearing, to amend the conditions of a compulsory license when "supervenient causes so justify," particularly when the patentee has granted a contractual license more favorable than the compulsory license. [n.112]

The new law provides for compulsory patent licensing in the public interest due to "reasons of emergency or national security" where the Ministry, through a declaration published in the Official Journal, will determine which patents may be worked through the grant of public utility licenses. [n.113] Also, the law will not grant rights conferred by a patent to inventions in transportation vehicles of other countries, when such vehicles are in transit within Mexico, [n.114] or inventions which endanger nuclear safety. [n.115] The law provides for compulsory licensing based on adequacy of supply where the "production, supply or distribution of basic commodities for the people would be impeded, rendered more difficult or expensive." [n.116]

A compulsory license may be revoked, if a licensee fails to work a patent within two years from the grant unless "justified reasons exist in the opinion of the Ministry" to continue the license. [n.117] Under a compulsory license, royalty payments will cease when a patent lapses. [n.118] A patent may lapse if either its term expires or its governmental fees go unpaid. [n.119] Also, a patent nullity action declaring a patent "null and void" may be brought within five years from the date of the patent's publication in the Gazette. [n.120] Before the new law, parities could file nullity actions at anytime during a patent's life. [n.121]

Although United States Industry has criticized Mexican compulsory licensing provisions, arguing that compulsory licensing gives excessive*200 discretion to department officials and limits the possibilities for investment, most U.S. patent holders should not expect compulsory patent licenses granted by the Mexican government to be commonplace. [n.122] Apparently, however, no compulsory license in Mexico has ever been issued, and most Mexican patent attorneys are not concerned that a compulsory license will be granted in the future. [n.123] The Mexican government has stated that compulsory licensing will be allowed only in the face of "flagrant patent abuse." [n.124]

B. NAFTA's Intellectual Property Provisions: A Furtherance of the Industrial Property law

In general, NAFTA buttresses many of the provisions enumerated in the 1991 Intellectual Property Law of Mexico. For example, the terms in Article 1709:12 provide for a patent term of at least 20 years from the date of filing. [n.125] NAFTA Article 1709:7 provides that importation meets the working requirement of the patent which will allow patent holders within NAFTA nations to manufacture and import among the signatory nations keeping full intellectual property rights. [n.126] Articles 1709 and 1770(2) require all countries, including the signatory nations, that access NAFTA to protect pipeline products. [n.127] Under the pipeline protection scheme, a developing nation, such as Mexico, would provide market exclusivity for products which are covered by a valid patent in the country of origin and not already on the market in the developing country. [n.128] Pipeline protection protects the investment of the original inventors without being subjected to long *201 delays between issuance of a patent and marketing the product, while preserving to some extent the existing market positions of domestic firms. [n.129]

C. Compulsory Patent Licensing Under NAFTA

NAFTA addresses compulsory licensing in Article 1709:10 § § (a) - (f):

Where the law of a Party allows for use of the subject matter of a patent, other than that use allowed under paragraph 6, without authorization of the right holder, including use by the government or other persons authorized by the government, the Party shall respect the following provisions:

a. authorization of such use shall be considered on its individual merits;

b. such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and such efforts have not been successful within a reasonable period of time. The requirement to make such efforts may be waived by a Party in the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly.

c. the scope and duration of such use shall be limited to the purpose for which it was authorized;

d. such use shall be non-exclusive;

e. such use shall be non-assignable, except with the part of the enterprise or goodwill that enjoys such use;

f. any such use shall be authorized predominantly for the supply of the Party's domestic market; . . .

Section 10 requires that applications for a compulsory license to be considered on its merits and that the applicant had first made efforts to obtain authorization from the right holder on reasonable commercial terms. [n.130] Section 10 also provides for public interest compulsory licensing in cases of a national emergency, other cases of extreme urgency or in cases of public non-commercial use. [n.131] In such cases the scope and duration of a compulsory license shall be limited to the purpose *202 for which it was authorized. [n.132] A party, however, may provide limited exceptions to the exclusive right conferred by a patent provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking into account the legitimate interests of other persons. [n.133] As with the Paris Convention, Section 10 requires that a compulsory license be non- exclusive and non-assignable, except with that part of the enterprise or goodwill enjoys such case. [n.134] Such a compulsory license shall be authorized predominately for the supply of the domestic market. [n.135] Section 10 also limits the scope for dependent patent compulsory licensing exclusively as a remedy for an adjudicated violation of domestic law regarding anticompetitive practices. [n.136]

D. GATT Arguments with respect to NAFTA's Compulsory Licensing Provisions

NAFTA is a very successful agreement such that NAFTA's intellectual property provisions are perhaps the most comprehensive of any multinational trade agreement. To date, NAFTA has achieved more than the TRIPS negotiations of the GATT considering that the Uruguay round, launched in September 1986, started long before NAFTA was realistically addressed and has yet to be agreed upon. [n.137]

In terms of compulsory licensing, TRIPS Articles 27(1), 31 and 65(4) strictly limit the conditions rendering a grant to a compulsory license to cases of adjudicated antitrust, national emergency and for public noncommercial use. [n.138] However, the NAFTA does not necessarily sanction compulsory licensing for antitrust cases. [n.139] NAFTA does allow dependent patent compulsory licensing as a remedy for adjudicated *203 violations of anticompetitive practices. [n.140] Accordingly, NAFTA offers a higher standard for the protection of dependent patent compulsory licenses than TRIPS. In broader language than NAFTA, TRIPS Article 31(1) allows improvement patent compulsory licensing if the second patent relates to invention that is an "important technical advance of significant economic value." [n.141]

In conclusion, the 1991 Industrial Property law and NAFTA indicate to U.S. businesses that they should have less fear about their investments being subjected to compulsory patent licensing in Mexico. These laws, in turn, have also opened a wide arena for foreign investment and for industrial growth in Mexico as a whole. To the international practitioner, the 1991 Industrial Property law and NAFTA allow for greater business activity within Mexico without the legal restrictions of the past by the Mexican government. The Industrial Property law has greatly restricted the conditions where the Mexican government can impose a compulsory patent license to essentially instances only in the face of "flagrant patent abuse." [n.142] Also, under this new law, the Mexican

government can no longer use a compulsory patent license as a tool to implement nationalistic protectionist policies as it did in the past. Specifically, a foreign patentee is not obligated to initially work a patent in Mexico to avoid a compulsory license [n.143] and a foreign patentee may also contest any grant of a compulsory patent license by the Mexican government based on either "justified or economical reasons" pursuant to the Paris Convention or by proving that the patentee or licensee has been "carrying out the import of" the patented product or product of a patented process into Mexico. [n.144] In short, by restricting terms for when the Mexican government can implement a compulsory license, the Industrial Property law encourages foreign patentees and investors to boldly participate in Mexican Industrial business. In addition to the Industrial Property Law, NAFTA has provided the practitioner with the concept of "pipeline protection." [n.145] Pipeline protection allows a practitioner to *204 assist a foreign patentee to fully exploit the commercial potential of a foreign patentee's existing patent in the Mexican market without the legal tensions of the past which arose with compulsory patent licensing. Pipeline protection, under NAFTA, protects the investment of an original investor in a foreign patent without being subjected to long delays between the issuance of a Mexican patent and marketing the patented product within Mexico, while preserving to some extent the market positions of domestic Mexican firms. [n.146] However, it can be said that pipeline protection and the more restrictive terms of compulsory patent licensing are but only one aspect of the recent effort to strengthen the economic relationship developed between the U.S. and Mexico which will undoubtedly continue to grow well into the next century.

*205 APPENDIX [n.147]

Mexico's 1991 Law for the Promotion and Protection of Industrial Property

Chapter 6: Licenses and Assignments of Rights

Article 70. Regarding inventions, after three years from the date of grant of the patent, or four years from the filing date of the application whichever is later, any person may apply to the Ministry for the grant of a compulsory license to work the invention, when it has not been worked, unless there are justified technical or economical reasons.

There will be no grant of a compulsory license when the holder of

the patent or the person to whom a contractual license has been granted has been carrying out the import of the patented product or the product obtained by the patented process.

Article 71. Whoever applies for a compulsory license shall have the technical and economical capacity to efficiently work the patented invention.

Article 72. Before the grant of the first compulsory license, the Ministry will provide the holder of the patent with the opportunity of working it within a term of one year from the date of personal notification given to him.

Following a hearing with the parties, the Ministry will decide on the grant of a compulsory license, and if the Ministry decides to grant it, it will set forth its duration, conditions, field of application and the amount of royalties that correspond to the holder of the patent.

If a compulsory license is applied for and there is another license, the person who has the earlier license shall be notified and given the opportunity to be heard.

Article 73. The Ministry may administratively declare the lapsing of a patent, if after a term of two years from the date of grant of the first compulsory license the holder of the patent does not prove its working or the existence of a justified reason, in the opinion of the Ministry. Royalty payments under a compulsory license will

cease when the patent lapses, in the case provided for in the preceding paragraph, or for any other cause established in this Law.

Article 74. At the request of the holder of the patent or of the person whom a compulsory license has been granted, the conditions of such license may be amended by the Ministry, when supervenient causes so justify and, particularly, when the holder of the patent has granted contractual licenses more favorable than the compulsory license. The Ministry shall decide on the amendment of the conditions of the compulsory license after a hearing with the parties.

Article 75. The person to whom a compulsory license has been granted shall begin the working of the patent within two years from the date of grant thereof. Failure to comply with this obligation, unless justified reasons exist in the opinion of the Ministry, will lead to the revocation of the license ex officio or at the request of the holder of the patent.

Article 76. A compulsory license will not be exclusive. The person to whom it is granted may assign it only with the Ministry's authorization and provided he assigns it together with the part of the business in which the licensed patent is worked.

Article 77. Due to reasons of emergency or national security, and during the time such situation or cases subsist, the Ministry, through a

declaration to be published in the Official Journal, will determine that certain patents may be worked through the grant of public utility licenses, in cases where, were it otherwise, the production, supply or distribution of basic commodities for the people would be impeded, rendered more difficult or expensive. For the grant of these licenses, the terms of the second paragraph of article 72 will apply, and such licenses may not be exclusive or assignable.

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[n.1]. North American Free Trade Agreement, Dec. 17, 1992, U.S.-Can.-Mex., art. 1700 et. seq. H. R. Doc. No. 103-59 (effective Jan. 1, 1994) [hereinafter NAFTA].

[n.2]. Ley de Fomento y Proteccion de la Propiedad Industrial, 453 D.O. 4, June 27, 1991 (Mex.), translated in 5 World Intell. Prop. Rep. (BNA) 241 (Sept. 1991) (trans. Manuel Gomez-Maqueo) [hereinafter Industrial Property Law].

[n.3]. Gianna Julian-Arnold, International Compulsory Licensing: The Rationales and the Reality, 29 J.L. & Tech. 349, 349 (1993).

[n.4]. Cole M. Fauver, Compulsory Patent Licensing in the United States: An Idea Whose Time has Come, 8 Nw. J. Int'l L. & Bus. 666, 666 (1988). A government may have several reasons to execute a compulsory patent license, such as for reasons of economics, defense, health, emergency and other matters of national importance.

[n.5]. David H. Henry, Multinational practice in Determining Provisions in Compulsory Patent Licenses, 11 J. Int'l L. & Econ. 325, 326 (1976) (discussing the policy reasons for compulsory patent licensing).

[n.6]. Henry, at 668.

[n.7]. Henry, at 668 n II.

[n.8]. Henry, at 671-72.

[n.9]. Cole M. Fauver, Compulsory Patent Licensing in the United States: An Idea Whose Time Has Come, 8 Nw. J. Int'l L. & Bus. 666, 669-70 (1988). The theory of "worked in the country" imposes a duty on the patentee to use the patent, but the exclusive right to exploit the patent will not be disturbed. Id. at 670.

[n.10]. Id. at 670.

[n.11]. Id.

[n.12]. Id.

[n.13]. Industrial Property Law, supra note 2, at art. 25.

[n.14]. Henry at 670-71. A common category of compulsory patent licenses granted in the "public interest" consists of health-related patents where a government determines that all citizens must have faster and cheaper access to the patented product than what the original patentee could have exclusively provided. Id. at 671.

[n.15]. David J. Henry, Multi-National Practice in Determining Provisions in Compulsory Patent Licenses, 11 J. Int'l L. & Econ. 325, 349 (1976).

[n.16]. See Cole M. Fauver, Compulsory Patent Licensing in the United States: An Idea Whose Time Has Come, 8 Nw. J. Int'l L. & Bus. 666, 669 (1988); Leroy Whitaker, Compulsory Licensing -- Another Nail in the Coffin, 2 Am. Pat. L.Q.J. 155, 162 (1974). In the United States statutory compulsory licensing in the public interest is found in the fields of atomic energy regulation (42 U.S.C. § 2183) and pollution technology (42 U.S.C. § 1857(h)(6)) and the Clean Air Act (42 U.S.C. § 7608 (1970)). U.S. judicial grants of compulsory licenses are associated with antitrust violations, (Senate Com. on

the Judiciary, Sub. Comm. on Patents, Trademarks and Copyrights, 90th Cong, 1st Sess, Compulsory Patent Licensing Under Antitrust Judgements (Comm. Print 1960)); patent misuse, (Allied Research Products Inc. v. Heatbath Corp., 300 F.Supp. 656, 161 U.S.P.Q. 527 (N.D. Ill. 1969)) and if the invention was important to public health, safety or the environment (The City of Milwaukee v. Activated Sludge, Inc. 69 F.2d 577, 21 U.S.P.Q. 69 (7th Cir. 1934); Vitamin Technologists v. Wisconsin Alumni Research Foundation 146 F.2d 941, 63 U.S.P.Q. 262 (9th Cir. 1945)). Many other countries, such as Canada, insist on compulsory licensing of pharmaceutical patents. See M. Jean Anderson, Angela J. Paolini Ellard and Nina Shafran, Intellectual Property Protection in the Americas: The Barriers are Being Removed, 4 J. Proprietary Rts. 2, 6 (April 1992).

[n.17]. Cole M. Fauver, Compulsory Patent Licensing in the United States: An Idea Whose Time Has Come, Nw. J. Int'l L. & Bus. 666, 669 (1988).

[n.18]. Id. at 668.

[n.19]. Id.

[n.20]. David J. Henry, Multi-National Practice in Determining Compulsory Patent Licenses, 11 J. Int'l Law and Econ. 325, 326-27 (1976).

[n.21]. Industrial Property Law, supra note 2, at art. 77.

[n.22]. Id. at arts. 72, 77.

[n.23]. Gianna Julian-Arnold, International Compulsory Licensing: The Rationales and the Reality, 29 J.L. & Tech. 349, 350 (1993).

[n.24]. Id. at 351. For example, the last grant of a dependent compulsory license in Japan was over 20 years ago. Id. at 351 n.10.

[n.25]. Id.

[n.26]. Gerald Mossinghoff, Research-Based Pharmaceutical Companies: The Need For Improved Patent Protection Worldwide, 2 J.L. & Tech. 307, 310 (1987).

[n.27]. International Convention for the Protection of Industrial Property, Mar. 20, 1883, 25 Stat. 1372, T.S. No. 379, as revised at Stockholm on July 14, 1967, 21 U.S.T. 1583 and 24 U.S.T. 2140, TLAS Nos. 6923 and 7727 [[hereinafter Paris Convention].

[n.28]. See Gianna Julian-Arnold, International Compulsory Licensing: The Rationales and the Reality, 29 J.L. & Tech. 349, 350 (1993). Article 5 states:

1. Member states may legislate measures providing for the grant of compulsory licenses to prevent abuses of the exclusive rights conferred by the patent, for example for failure to work.

2. Forfeiture of the patent will not be provided for except where the grant of compulsory licensing is not sufficient to prevent abuses. Forfeiture or revocation of a patent will not be instituted before the expiration of three years from the grant of the first compulsory license.

3. A compulsory license may not be applied for on the ground of failure to work or insufficient working before the expiration of three years from the date of application for the patent, or four years from the date of the grant of the patent whichever period expires last. It shall be refused if the patentee justifies his inaction by legitimate reasons. Such compulsory license shall be non-exclusive and shall not be transferable even if the form of grant of a sub- license except with that part of the enterprise or goodwill which exploits such license.

[n.29]. Article 5 basically provides for non-exclusive licensing, a grace period regarding patent forfeiture or revocation if a compulsory license is not sufficient to prevent abuse and prohibits the transfer of the grant to third parties except that part of the enterprise or goodwill which exploits such license. Such provisions can be found in Mexico's 1991 Industrial Property Law. See supra note 2.

[n.30]. Industrial Property Law, supra note 2, at arts. 9-10.

[n.31]. Industrial Property Law, supra note 2, at art. 38.

[n.32]. Id. at art. 1.

[n.33]. Id. at arts. 38, 41.

[n.34]. Id. at art. 38.

[n.35]. Id. at art. 47.

[n.36]. Id. at art. 47(I).

[n.37]. Id. at art. 50.

[n.38]. Id. at arts. 52, 53. The requirement of publishing the application in the Gazette before examination has drawn criticism that the patenting process is substantially delayed. Gretchen A. Pemberton and Mariano Soni, Jr., Mexico's Industrial Property Law, 25 Cornell Int'l L. J. 103, 109 (Winter 1992). In terms of publishing applications, the Gazette is currently two years behind publication. Id.

[n.39]. Id. at art. 53.

[n.40]. Id. at art. 7.

[n.41]. Id. at art. 54. Accepting foreign patent office examinations is a significant improvement within the 1991 Industrial Property law, but is not expected to have much impact on the historically slow and awkward examination procedure. Gretchen A. Pemberton and Mariano Soni, Jr., Mexico's 1991 Industrial Property Law, 25 Cornell Int'l L. J. 103, 109 (Winter 1992).

[n.42]. Industrial Property Law, supra note 2, at art. 23.

[n.43]. Gretchen A. Pemberton and Mariano Soni, Jr., Mexico's 1991 Industrial Property Law, 25 Cornell Int'l L. J. 103, 109 (twenty years at the date of filing the application with the Mexican Patent Office less 5-7 years of the examination of the application at the patent office leaves only 13-14 years of the life of an issued patent) (Winter 1992).

[n.44]. U.S.T.R. Defends Administration's Naming of Japan, India, Brazil Under Super 301, 6 Int'l Trade Rep. (BNA) 684 (May 31, 1989) (Stating that on May 25, 1989 the U.S. Trade Representative placed Mexico and six other countries on a priority "watch list" set up under the Special 301 provision of the 1988 Trade Act).

[n.45]. Gretchen Pemberton and Mariano Soni, Jr., Mexico's Industrial Property Law, 25 Cornell Int'l L.J. 103, 103 (Winter 1992) (comparing the new Intellectual Property law as

approaching that of the United States and other developed nations in terms of sophistication).

[n.46]. Gabriel Garcia, Economic Development and the course of Intellectual Property Protection in Mexico, 27 Tex. Int'l L.J. 701, 713 (1992) (referring to a respected economist who concluded in May 1989 that U.S.- Mexico Free Trade Agreement or Mexican adherence to the Canada-U.S. Free Trade Agreement is not feasible in the short to medium term).

[n.47]. See Luis Schmidt, Computer Software and the North American Free Trade Agreement: Will Mexican Law Represent A Trade Barrier?, 34 J.L. & Tech. 33, 37 (1993).

[n.48]. See David J. Langum, Law and Community on the Mexican California Frontier: Anglo-American Expatriots and the Clash of Legal Traditions, 1821- 1846, 97-99, 131-51 (1987).

[n.49]. See R. Michael Gadvow, Intellectual Property and International Trade: Merger or Marriage of Convenience?, 22 Vand. J. Transnat'l L. 223, 224-25 (1989).

[n.50]. Mark O'Brian and Carlos Muggenburg, Salinasroika: Recent Developments in Technology Transfer Law in Mexico, 27 St. Mary's L.J. 753, 755- 56 (1991).

[n.51]. Ley Sobre el Registro de la Transferencia de Technologia y el Uso y Explotacion de Patentes y Marcas, D.O., Dec. 30, 1972 (Mex.).

[n.52]. O'Brian, supra note 50, at 755-56 and Pemberton, supra note 43 at 109.

[n.53]. Mark O'Brian and Carlos Muggenburg, Salinastroika: Recent Developments in Technology Transfer Law Mexico, 22 St. Mary's L. J. 753, 755- 56 (1991).

[n.54]. Gretchen A. Pemberton and Mariano Soni, Jr., Mexico's 1991 Industrial Property, 25 Cornell Int'l L. J. 103, 109 (Winter 1992).

[n.55]. Ley de Invenciones y Marcas, D.O., Feb. 10, 1976 (Mex.).

[n.56]. Alan G. Hyde and Gaston Ramirez de la Corte, Mexico's 1976 Law of Inventions and Trademarks, 12 Case W. Res. J. Int'l L. 469, 469-71 (1980). (The old system tended to favor importing foreign technology). See generally, Fauver, supra note 9, at 671.

[n.57]. Hyde at 469-71.

[n.58]. See generally supra note 48.

[n.59]. O'Brian, supra note 50 at 755-56 and Pemberton supra note 54, at 109.

[n.60]. Ley de Invenciones y Marcas, D.O., Feb. 10, 1976, at art. 40.

[n.61]. Ley de Invenciones y Marcas, D.O., Feb. 10, 1976 (Mex.) arts. 41, 43, 48 and 50. Under the Law of Inventions and Trademarks, a grant of a patent implied an obligation to exploit it within Mexico. The 1976 law defined exploitation as the permanent use of the patented process or the manufacture of the patented product by its owner or a license "in volumes that constitute an effective industrial exploitation and under suitable conditions to quality and price." Id. at art. 43. In addition, the patent was required to be exploited within three years from the date of patent issuance. Id. at art. 41. A patent lapsed automatically after 4 years from the patent issuance date if it was inadequately exploited. Id. at art. 48. No excuses were permissible if a patent was not adequately exploited. Id. at art. 50.

[n.62]. Ley de Invenciones y Marcas, D.O., Feb. 10, 1976, at arts. 57, 73.

[n.63]. Id. at art. 45.

[n.64]. Typically, licensing is between at least two private parties; licensor and licensee. See generally Harry R. Mayers and Brian G. Brunsvold, Drafting Patent License Agreements (3d) 1991. Only a few exceptions require registration with the government, such as nuclear energy patents. See 42 U.S.C. § 2183.

[n.65]. Ley Sobre el Control y Resistro de la Transferencia de Technologia y el Uso y Exploitacion de Patentes y Marcas, D.O., Jan 11, 1982 (Mex.).

[n.66]. Ley Sobre el Control y Registro de la Transferencia de Tecnologia y el Uso y Explotacion de Patentes y Marcas, D. O., Jan. 11, 1982, at arts. 15, 16.

[n.67]. Mark O'Brian and Carlos Muggenburg, Salinastroika: Recent Developments in Technology Transfer Law in Mexico, 25 St. Mary's L. J. 753, 758-59 (1991).

[n.68]. U.S. Int'l Trade Commission, The likely Impact on the United States of a Free Trade Agreement with Mexico, Report to the Committee on Ways and Means of the United States Senate on Investigation No. 332-297 Under Section 332 of the Tariff Act of 1930 (1991) 1-1.

[n.69]. Id.

[n.70]. Id.

[n.71]. Id. at 1-2. One example of Mexico's Intention to break-down its protectionist policies is its joining of the General Agreement on Tariffs and Trade (GATT) in 1986. See U.S. Int'l Trade Commission, Review of Trade and Investment Liberalization Measures By Mexico and Prospects for Future U.S.-- Mexican Relations, Investigation No. 332-282, Phase I: Recent Trade and Investment Reforms Undertaken by Mexico and Implications for the United States (April 1990) 4-3 to 4-7 [hereinafter USITC April 1990 Report].

[n.72]. 1987 Law of Inventions and Trademarks, D.O., Jan. 17, 1987 (Mex.). One important improvement was extending the patent term from ten to fourteen years. Id. at art. 40.

[n.73]. Id. at art. 45.

[n.74]. United States Trade Act, 19 U.S.C. § 2901(b)(10) (1988).

[n.75]. Id.

[n.76]. USTR Fact Sheets on Super 301 Trade Liberalization Priorities and Special 301 on Intellectual Property, Released May 25, 1989, 6 Int'l Trade Rep. (BNA) 719 (May 31, 1989).

[n.77]. Reglamento de la Ley Sobre el Control y Reistro de la Transferencia de Technologia y el Uso y Explotacion de Patentes y Marcas, D.O., Jan. 9, 1990 (Mex.).

[n.78]. Id.

[n.79]. Id. at art. 53(I), (II).

[n.80]. Id. See also Mark O'Brian and Carlos Muggenburg, Salinastrioka: Recent Developments in Technology Transfer in Mexico, 25 St. Mary's L.J. 753, 760 (1991).

[n.81]. Id. at art. 53(III).

[n.82]. Id. at art. 10.

[n.83]. Id. at art. 55.

[n.84]. Id.

[n.85]. United States Trade Representative's Fact Sheet on Offending Countries Under "Special 301" Provision of Trade Act, 4 World Intell. Prop. Rep. (BNA) 158 (June 1990); Secretaria de Comercia y Fomento Industrial, Programma National de Modernization Industrial y Del Comercio Exterior 1990- 1994 paras. 137-45 (1990) (Mex.).

[n.86]. USITC April 1990 Report, supra note 71, at 6-2 (This letter was sent by the senators on the same day that President Salinas announced his intentions for a new intellectual property law--January 24, 1990. Mexico was eventually removed from the list upon Mexican government's plan to improve existing Mexican Intellectual Property Laws).

[n.87]. Gabriel Garcia, Economic Development and the Course of Intellectual Property Protection in Mexico, 25 Texas Int'l L.J. 701, 714 (Summer, 1992).

[n.88]. See Industrial Property Law, supra note 2.

[n.89]. Gretchen A. Pemberton and Mariano Soni, Jr., Mexico's 1991 Industrial Property Law, 25 Cornell Int'l L. J. 103, 104 (Winter 1992).

[n.90]. James A. Baker, III, U.S. Mexico Trade Talks: A Preview, 1991 A.B.A. Sec. Int'l & Prac. L.

[n.91]. M. Jean Anderson, Angela J. Paolini Ellard and Nina Shaffran, Intellectual Property Protection in the Americas: The Barriers are Being Removed, 4 No. 4 J. Proprietary Rt.s 2, 3. See generally, Arthur Dunkel, Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, Submitted by GATT Director General Arthur Dunkel, 6 World Int. Prop. Rep. 42 (1992) [hereinafter TRIPS]. Currently, any outcome from the TRIPS Negotiations is still delayed. Id. The TRIPS Negotiations within the GATT Uruguay Round caused a great "North-South" policy division between the industrialized nations and many developing countries, including Mexico. Alan S. Gutterman, The North-South Debate Regarding the Protection of Intellectual Property Rights, 28 Wake Forest L. Rev. 89, 98, 101- 02 (Spring 1989). Industrial nations favored compulsory licenses only in extraordinary circumstances and opposed the developing nations proposal with broad compulsory licensing provisions that were not limited to local manufacture and discriminatory as to subject matter. Id. It was very clear that the industrial nations did not want developing governments to impose compulsory licensing provisions to unfairly gain access to technology at the expense of the manufacturers of the industrial nations. The United States and Canada have agreed to adhere to the TRIPS concessions in the NAFTA context. M. Jean Anderson et. al, supra, at 3. Mexico, who disagrees with narrowing some compulsory licensing provisions within TRIPS, participated multilaterally in TRIPS and NAFTA negotiations. Id.

[n.92]. M. Jean Anderson, Angela J. Paolini Ellard and Nina Shaffran, Intellectual Property Protection in the Americas: The Barriers are Being Removed, 4 No. 4 J. Proprietary Rts. 2, 3. In terms of Intellectual Property certain elements were exempted from the FTA, referred to as "Cultural Industry Exemptions," under Canadian demand. Id. Canada was allowed to continue the compulsory licensing of pharmaceutical patents by foreign drug manufacturers by refusing any period of guaranteed exclusively in the Canadian market. Id. See H. Commons (Can.), Bill C-22, 33d Parl., 2d Sess. (1986). Compulsory licensing allows a Canadian manufacturer of generic drugs to produce in Canada a drug, newly patented in a foreign country, by simply notifying the patentee and paying a fixed four percent royalty fee. Id.

[n.93]. See infra note 130 and accompanying text.

[n.94]. M. Jean Anderson, Angela J. Paolini Ellard and Nina Shafran, Intellectual Property Protection in the Americas: The Barriers are Being Removed, 4 No. 4 J. Proprietary Rights 2, 5.

[n.95]. Id. at 8.

[n.96]. Id. at 5.

[n.97]. Canadian Patent Act (Post Oct. 1/89), R.S.C. ch. P-4 (1985), amended by S.C. 1993, c.2 (Related Matters) (Can.). The newly amended licensing provisions of the Canadian Patent Act have been in effect as of Feb. 15, 1993. The new amendments essentially eliminate the Canadian pharmaceutical compulsory licensing scheme for those patents not researched or discovered in Canada. Id. at § 11(2).

[n.98]. Industrial Property Law, supra note 2, at art. 2 § 2 Transitory, D.O. June 28, 1991 (Mex.).

[n.99]. See Industrial Property Law, supra note 2, at arts. 62-77 (Chapter 6: Licenses and Assignments of Rights).

[n.100]. See Ley Sobre el Registro de la Transferencia de Technologia y el Uso y Explotacion de Patentes y Marcas, D.O., Dec. 30, 1972 and Ley Sobre el Control y Registro de la Transferencia de Tecnologia y el Uso y Explotacion de Patents y Marcas, D.O., Jan. 11, 1982 (Mex.).

[n.101]. Industrial Property Law, supra note 2, at arts. 62-68. The United States has similar procedures for technology transfer licensing within its boarders. See 35 U.S.C. § 261 (1988) (domestic licenses must be recorded with the Patent Office within three months prior to the effective date of the license). However, the United States requires regulatory approval by the Department of State regarding technology transfer licensing for export. See The Export Admin. Amends. Act of 1981 and 1985 and the Multinational Export Control Enhancement Amends. Act, 50 App. U.S.C. § § 2401-2402 (1989).

[n.102]. See supra note 61 and accompanying text for the old restrictions.

[n.103]. Manuel Gomez-Maqueo and Bufete Sepulveda, Analysis of Mexico's New Industrial Property Law, 42 Patent, Trademark and Copyright Journal 381, 385 (BNA (August 15, 1991).

[n.104]. Industrial Property Law, supra note 2, at art. 70.

[n.105]. Id.

[n.106]. Id. at art. 72.

[n.107]. Id.

[n.108]. Id.

[n.109]. Id.

[n.110]. Id. at art. 76.

[n.111]. Id.

[n.112]. Id.

[n.113]. Id. at art. 77. The Paris Convention provides for each country to legislate measures for compulsory patent licensing. See Paris Convention, supra note 27, at art. 5(A)(2). However, the U.S. has no formal statutory provisions for compulsory patent licensing within the Patent Act. See Cole M. Fauver, Compulsory Patent Licensing in the United States: An Idea Whose Time Has Come, 8 Nw. J. Int'l L. & Bus. 666, 671-76 (1988) (discussing the pros and cons for adopting formal statutory provisions for compulsory patent licensing); see supra note 16.

[n.114]. Id. at art. 22 § IV.

[n.115]. Id. at art. 51.

[n.116]. Id. at art. 77.

[n.117]. Id. at art. 75.

[n.118]. Id. at arts. 73, 80.

[n.119]. Id. at art. 80.

[n.120]. Id. at art. 78.

[n.121]. Manuel Gomez-Maqueo and Bufete Sepulveda, Analysis of Mexico's New Industrial Property Law, 42 Pat. Trademark & Copyright J. (BNA) 381, 383 (1991).

[n.122]. USITC April 1990 Report, supra note 70, at 6-4.

[n.123]. Gretchen Pemberton and Mariano Soni, Jr., Mexico's Industrial Property Law, 25 Cornell Int'l L.J. 103, 112 (Winter 1992) (referring to interviews with Mariano Soni, Jr., a Mexican patent attorney).

[n.124]. Id., see Secretaria de Comercio y Fumento Industrial, Programma National de Modernization Industrial y Del Comercio Exterior 1990-94 paras. 141 (1990).

[n.125]. NAFTA, supra note 1, at art. 1709:12. Article 1709:12 gives the option of 17 years from the date of the grant such that it will not effect U.S. law. Yet the United States will most likely have to change 35 U.S.C. 104. Articles 1703:1 and 1709:7 requires equal national treatment of intellectual property. Accordingly, the United States will need to amend Section 104-- which gives preference to inventions made in the United States over foreign countries--to give equal preference to Mexico and Canada.

[n.126]. NAFTA, supra note 1, at art. 1709:7. This is a key provision in the NAFTA which does not allow governments to implement compulsory licensing because products are not manufactured locally.

[n.127]. Id. at arts. 1709, 1770(2).

[n.128]. Otto A. Stamm, GATT Negotiations for the Protection of New Technologies, 73 J. of the Patent Trademark Office 680, 689 (1991). This market exclusivity would run only until the patent in the country of origin expires. Id.

[n.129]. Id.

[n.130]. NAFTA, supra note 1, at art. 1709:10 (a) and (b).

[n.131]. Id. at art. 1709:10(b).

[n.132]. Id. at art. 1709:10(c).

[n.133]. Id. at art. 1709:6.

[n.134]. Id. at art. 1709:10 (d) and (e).

[n.135]. Id. at art. 1709:10(f).

[n.136]. Id. at art. 1709:10(l). See also art. 1720:6 which states: "no party shall be required to apply Article 1709:10 . . . to use without the authorization of the right holder where authorization for such use was granted by the government before the text of the Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations become known."

[n.137]. See generally TRIPS, supra note 91.

[n.138]. TRIPS, supra note 91, at arts. 27(1), 31 and 65(4).

[n.139]. NAFTA, supra note 1, at art. 1709:10(k) ("the Party shall not be obligated to apply the conditions set out in subparagraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anticompetitive. The need to correct anticompetitive practices may be taken into account

in determining the amount of renumeration in such cases. Competent authorities shall have the authority to refuse termination of authorization if and when the conditions that lead to such authorization are likely to recur. . . ").

[n.140]. Id. at art. 1709:10(l).

[n.141]. TRIPS, supra note 91, at art. 31(1).

[n.142]. Secretaria de Comercio y Fumento Industrial, Programma National de Modernization Industrial y Del Comercio Exterior 1990-94 paras. 141 (1990).

[n.143]. See supra note 2 and accompanying text.

[n.144]. Id.

[n.145]. NAFTA, supra note 1, at arts. 1709, 1770(2).

[n.146]. See Otto A. Stamm, GATT Negotiations for the Protection of New Technologies, 73 J. Pat. & Trademark Off. Soc'y 680, 689 (1991).

[n.147]. Industrial Property Law, supra note 2.