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Trademarks

FIFA v. Pepsico and the Mexican Supreme Court's Trademark and Unfair Competition Jurisprudence

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I. Background

Litigation in *FIFA v. Pepsico* arose from a trademark infringement action brought before the Mexican Institute of Industrial Property (IMPI) by the international football organization, Federation Internationale de Football Association (FIFA) against Pepsico de México, S. de R.L. de C.V. (Pepsico). This is particularly interesting because in Mexico these kind of actions are brought before IMPI, which is an administrative office, instead of filing in a judicial court of law.

Case reporting in the Mexican legal system can be obscure because the names of the parties involved, as well as any identifying aspect of the litigation such as trademarks, are blanked out from the public version of the judgment. However, the file numbers usually reveal information about the parties and originating procedures.

The dispute in the present case reached the Mexican Supreme Court, and the issue there was a non-

substantive technicality related to the *Amparo*, a constitutional procedure to review acts of government for any alleged violation to the Mexican Bill of Rights contained in the Mexican Constitution.

The president of the Supreme Court dismissed the appeal filed by Pepsico against the sentence by the Court of Appeals that resolved the *Amparo Directo* 320/2012. The Supreme Court denied the request to rehear the case. Although protection against acts of unfair competition was sought under Article 10*bis* of the Paris Convention, in order to be reheard by the Supreme Court, a claim must be related to the unconstitutionality of any statutory or a constitutional interpretation. The present case did not give rise to such a situation.¹

FIFA alleged that registered trademarks in a number of classes that were infringed:

- WORLD CUP word mark, registered in 21 classifications;
- GERMANY 2006, combination word and design mark registered in 16 classifications; and
- MUNDIAL 2006 word mark, registered in 34 classifications.²

¹ See Second Chamber of the Supreme Court of the Nation, Writ of Reclamation 99/2013, at 13, 15.

² See IMPI Resolution to Contentious Proceeding 391/2006, *Federation Internationale de Football Association (FIFA) v. Pepsico de México, S. de R.L. de C.V.*, June 30, 2008, at 1.

Thus it claimed that there were in total 71 trademark infringements. FIFA argued that Pepsico committed acts that could lead consumers to believe that there was an association between them.³ These actions consisted of a publicity campaign conducted across various media, including television, radio, internet, and print, containing the following slogans:

- “*Pepsi-huevocartoon. . . la porra oficial de Pepsi en Alemania está de huevos*” (Pepsi-Huevocartoon . . . the official Pepsi cheerleader in Germany is eggs);⁴
- “*Juntando huevos para el mundial con Pepsi*” (bringing together eggs for the World Cup with Pepsi);
- “*Pepsi futbol 2006*”;
- “*Próximamente descubre más futbol*” (coming soon discover more football); and
- “*Pepsi pone los huevos en el mundial*” (Pepsi puts the eggs in the World Cup).

II. Legal Analysis

A. IMPI

FIFA alleged that the defendant infringed several provisions of the Mexican Industrial Property Act, namely Article 213 Parts I, IV, VII, IX clauses (a) and (c), XXVI and XXVII. On June 30, 2008, IMPI issued a resolution denying infringement for each of the legal provisions that the plaintiff had alleged as infractions.

Article 213 Part I defines an administrative infraction as “the realization of acts contrary to fair uses and customs in industry, commerce, and services which imply unfair competition, and which are related to the matters regulated by this statute.”

IMPI stated that for conduct to fall within this framework, it would be necessary to analyze the other parts of Article 213,⁵ because it is necessary to indicate the illicit conduct that infringes one of the other parts, to thus include such acts as contrary to good uses and customs. Therefore, IMPI said that Part I does not provide an independent cause of action, but requires the contravention of one of the other parts.

With regard to the infringement of Article 213, Part IV, namely through “the use of a trademark that it is so similar as to be confused with another registered trademark, to harbor the same or similar products or services protected by the registered trademark,” IMPI held that for an offense to be found, two conditions must be met.

First, the existence of a registered trademark owned by the plaintiff, and second, that the defendant “used in the same or similar products or services, a similar trademark that could be confused with the registered trademark.”⁶

As to the first requirement, IMPI held in the present case that FIFA had conclusively demonstrated the existence of several trademarks registered in its favor. However, as for the second, IMPI ruled that “the plaintiff has not established with any proof that defendant offered goods or services covered by the same trademark or a similar trademark so as to be confused with those goods and services covered by the registered trademarks.”⁷

As such, IMPI refused to declare an infringement of this part.

Infringement to Article 213 Pt. VII applies when the defendant uses as a trademark names, signs, symbols, abbreviations, or emblems as referred to in Article 4, and Parts VII, VIII, IX, XII, XIII, XIV, and XV of Article 90 of the Industrial Property Act. In this case, the infringement was directly related to Article 90 Pt. XV. That is, the alleged infringement was for the use of a well-known trademark in any classification. In this case, IMPI held that the plaintiff did not submit any evidence that proved the trademarks “*Mundial 2006*” and “*World Cup*” were well-known.⁸ As such, IMPI ruled that there was no infringement or dilution.

Next, IMPI again analyzed infringement of Article 213 Pt. VII, but this time in relation to Article 4, as well as Article 90 Pt. VII of the same statute. In relation to Article 4, the IMPI established that the plaintiff had not provided any evidence that could sustain the claim that the slogans were contrary to morals and good customs.⁹ As to the infringement of Article 90 Pt. VII, IMPI ruled that the evidence provided did not show that the defendant was using the flags of Mexico or Germany in its publicity campaigns.¹⁰ Again, the claim of infringement was denied.

Article 213 Pt. IX clause (a) defines as an infringement acts committed in the course of industrial or commercial activities that induces confusion, error, or deception upon the public, by causing unfound belief or supposition that there exists “a relationship or association between an establishment and a third party.”

IMPI held that the evidence rendered did not support the suggestion that the plaintiff could be related to the defendant, nor that the defendant had misled the public into believing that there was a relationship between the parties.¹¹ As such, IMPI denied that there had been an infringement.

With regard to the alleged infringement of Pt. IX clause (c), which concerns actions causing the public to erroneously believe that the services provided or products sold were done “under license or authorization of a third party,” IMPI held that the legal hypothesis did not apply, since the evidence did not show that the defendant was “committing acts that make consumers erroneously believe or assume that the defendant was authorized by the plaintiff to provide services or sell its prod-

³ Ibid at 2.

⁴ Ibid at 88. All the reference to eggs was related to a cartoon animated movie produced in Mexico and exhibited during those times. “World Cup” in Spanish is known as “Mundial”.

⁵ Ibid 119.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid at 122.

⁹ Ibid at 124.

¹⁰ Ibid.

¹¹ Ibid at 126.

ucts.”¹² This was on the basis that all advertisements were related to the sale of products labeled with trademarks owned by the defendant itself, such as “Pepsi”, “Mirinda”, “Manzanita Sol” or “7up”, so that at no time could consumers have been led to believe that the sales were the result of a license agreement or authorization by the plaintiff. Therefore, the IMPI refused to declare an infringement.

The IMPI also refused to accept that there was infringement of Fraction XXVI of Article 213 of the Mexican Industrial Property Act, which states that “to use the combination of distinctive signs, operation elements, and images, that allow the identification of equal or similar products or services that can be confused with others protected under this statute and whose use may cause or induce the public to confusion. . . . by making them believe or suppose the existence of a relationship between the owner of the registered trademarks and the unauthorized user. . .” is infringement.¹³ According to this interpretation, the purpose of this legal precept was to protect the rights related to franchises, an issue that was not apparent from the record.¹⁴ Similarly, the IMPI denied there was infringement of Fraction XXVII, that established as an infringement “other violations to the provisions of this same statute that do not constitute crimes,” since it was not proven that the defendant was in breach of any provision of the aforementioned statute.

Finally, the IMPI turned to the unfair competition cause of action established by Fraction I of Article 213 of the statute, denying its infringement, since there was no infringement to the other Fractions of Article 213.

It should be mentioned that as a counterclaim, the defendant requested the annulment and revocation of some of the registered trademarks in dispute.¹⁵ However, those issues were addressed separately. All applications for trademark annulment were dismissed.¹⁶ However, the application to revoke the registration for the “*Mundial 2006*” mark for lack of use or abandonment did succeed. However, unlike the annulment of a trademark, the declaration of revocation did not have retroactive effect, so infringement of it could be declared only for the time it was valid.

B. Federal Administrative Court

Against the IMPI’s decision, the plaintiff requested an annulment trial before the Federal Administrative Court. As a result, on January 11, 2012, the bench of the Superior Chamber of the Court issued a resolution that overruled IMPI’s decision and ordered it to issue a new resolution declaring the administrative infringement of Mexican Industrial Property Act, Article 213 Fractions I and IX Paragraph c).

The Superior Chamber of the Federal Administrative

Court held, in opposition to the IMPI, that the infringement of Fraction I of Article 213 of the statute could be determined independently from the rest of the Fractions established by this legal precept.¹⁷ In other words, the supposition held by that Fraction could be revised, even though there be no infringement under another Fraction. Moreover, the Superior Chamber held that the defendant’s advertising campaign constituted an act contrary to good manners and customs of industry, trade, and services. It found that both the plaintiff and the defendant were competitors because the plaintiff’s registered trademarks in class 32 of beverages, class 35 of publicity, and class 41 of entertainment coincided with the activities of the defendant.¹⁸ Therefore, the Superior Chamber held that if it did apply the hypothesis of Fraction I of Article 213 of the Law. Furthermore, the Superior Chamber held that the infringement established in Fraction IX clause c of the same statute, did also apply.

C. Eighth Court of Appeals for Administrative Procedures of the First Circuit

Against the ruling of the bench of the Superior Chamber, the defendant filed an Amparo, which is a constitutional procedure in order to review all acts of government for any alleged violation to the Mexican Bill of Rights contained in the Mexican Constitution. In its claims, the defendant argued that it was not the legal entity responsible for the advertising campaign for which it was being held liable.¹⁹ It is likely that this strategy was employed because the defendant being sued operates with a conglomerate of corporations of the same group that carries out different activities.

Moreover, the defendant argued that the Federal Administrative Court violated its constitutional right of legality and legal protection because it misinterpreted Mexican Industrial Act, Article 213 Fraction I and Fraction IX clause c). The defendant argued that there could not be any unfair competition because the plaintiff and the defendant were not competitors since they did not market the same products, nor did they have the same clientele.²⁰ It argued that the registered trademarks of the plaintiff in all classes, were idle registers, “that they have never. . . used nor will ever use because they were registered to incorrectly monopolize the name. . . .”²¹

In addition, it argued that the Federal Administrative Court infringed Fraction I of Article 213 of the Mexican Industrial Property Act, Article 10 bis of the Paris Convention, as well as Article 16 of Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), because when analyzing the infringement of Fraction IX of Article 213 of the statute, it only repeated the same grounds that it had used to analyze Fraction I of the same article.²² Likewise, it argued that the Federal Ad-

¹² *Ibid.*

¹³ *Id.*

¹⁴ *See id.*

¹⁵ *See* IMPI Resolution to Contentious procedure 391/2006 Federation Internationale de Football Association (FIFA) v. Pepsico de México, S. de R.L. de C.V. June 30, 2008, at 56.

¹⁶ *See id.*

¹⁷ *See* Second Chamber of the Supreme Court of the Nation, Writ of Reclamation 99/2013, at 5.

¹⁸ *See id.* at 8.

¹⁹ *See id.* at 4.

²⁰ *See id.* at 5-8.

²¹ *See id.* at 8.

²² *See id.* at 11.

ministrative Court unduly granted legal protection to the Spanish translation of a trademark registered in English, since the law does not recognize such protection.²³

The Eighth Court of Appeals for Administrative Procedures of the First Circuit declared inadmissible and inoperative all the alleged claims, endorsing the final judgment of the Superior Chamber of Federal Administrative Court.²⁴

It is noteworthy that the criteria established by the Court of Appeals, namely that it is not necessary to commercialize the same goods or to have direct competition for the concept of unfair competition to apply. It may seem as an anachronism, which brings together competitors who are not related or covered by the same class of trademark, by circumstantial facts such a World Cup. However, in this case there were 45 trademark registrations that cover the 45 classes of trademark. Therefore, the alleged infringement only covered acts under the specific classification in which the trademark was registered. This consideration would make it clear that there would not be unfair competition if the alleged infringement referred to different classifications, an issue that is not mentioned or resolved.

Another interesting point is that an infringement can still be committed by the defendant by itself or by third parties. This gives an extremely broad scope to the legal precepts being analyzed.

By analyzing the judgment of the Court of Appeals regarding unfair competition, the Court quoted extensively from several scholars on the subject, including one book published in Buenos Aires, Argentina and another one on Spanish law.²⁵ Since these citations take up many pages of the judgment,²⁶ they are presumably meant as a justification of the aforementioned criteria. The texts mentioned establish that there are no uniform criteria regarding the scope of the unfair competition. It seems that the Court of Appeals uses an exercise of comparative law to interpret the scope of unfair competition. However, in these cases, comparative law should have come from case law given in the country of reference, not only by a foreign author, and thus the Court of Appeals seems to lose its purpose of interpreting the applicable existing law, that is to say case law of Paris Convention countries. Instead, the Court of Appeals took care to interpret what either author said.

The judgment of the Court of Appeals is also of great interest in its interpretation of Fraction I of Article 213 of the statute, establishing unfair competition, since this criteria is different from the approach given by IMPI.

Moreover, of great significance is the principle that es-

tablishes that the use of the word “official” is a hallmark of unfair competition.

Finally, there is the benchmark that establishes that Mexican Industrial Property Act Article 213 Fraction IX clause c) is a specific case of unfair competition, because it would necessarily apply at the same time as the general case of unfair competition established in Fraction I of the same Article. That is, there are two different cases; the first one independent of any other case, but always applicable whenever specific unfair competition as indicated in fraction IX, clause c) has been established.

D. Second Chamber of the Supreme Court of Justice of the Nation. Writ of Reclamation 99/2013.

On January 30, 2013, the President of the Supreme Court issued a resolution in which he dismissed Pepsi’s appeal²⁷ as groundless. This occurred because in its writ of Amparo Pepsi did not state any violation to the Bill of Rights by the Federal Administrative Court, but only argued “matters of mere statutory interpretation.”²⁸ So, if the claim is not related to violations to the Bill of Rights, then the Supreme Court should not hear the case.

In relation to the claim, Pepsi basically stated that the Eighth Court of Appeals for Administrative Procedures of the First Circuit misinterpreted the scope of Article 10 bis of the Paris Convention and this was a violation to the Bill of Rights, specifically Article 133 of the Mexican Constitution that establishes the hierarchy of rules in the Mexican legal system.²⁹ Pepsi also stated that the scope granted by the Court of Appeals to Article 10 bis of the Paris Convention, in the way that unfair competition “unjustifiably expanded the scope of the provision.”³⁰ Therefore, Pepsi argued that the foregoing creates a problem in relation to Article 133 of the Constitution.

The Second Chamber found that these arguments were groundless, since the Court of Appeals only “invoked Article 10 bis of the Paris Convention.”³¹ The Court of Appeals merely quoted Article 10 of the Paris Convention; therefore, it cannot be argued that the Collegiate Court “has made the interpretation of Article 10 bis of the Paris Convention. . . .”³² Furthermore, the Second Chamber established that in its claim included in the writ of Amparo, Pepsi did not request the interpretation of Article 10 bis of the Paris Convention and only mentioned that Mexican Industrial Property Act Article 213 had been incorrectly interpreted.

As a result, in a resolution dated March 13, 2013, the Second Chamber of the Supreme Court declared the Writ of Reclamation unfounded.³³ Therefore, it affirmed the resolution issued by the Superior Chamber of the Federal Administrative Court. In this resolution the Federal Administrative Court ruled infringement in favor of FIFA. Nevertheless, Pepsi did not lose

²³ See *id.* at 10.

²⁴ See *id.* at 12.

²⁵ See Eighth Collegiate Court in Administrative Subject of the First Circuit, Amparo Directo 320/2012, Plaintiff: *****, December 12, 2012. Judgment obtained through the Transparency System Information of the Council of the Federal Judiciary. Available at: <http://www.cjf.gob.mx/infomex/>, (accessed on November 8, 2015), at 157, 182, 183, 184, 185, 238.

²⁶ See *id.* at 182-185, 186-191, 202- 223, 238-240.

²⁷ See. Eighth Court of Appeals for Administrative Procedures of the First Circuit, Writ of Reclamation 99/2013, at. 13.

²⁸ See *id.* at 13-15.

²⁹ See *id.* at 19.

³⁰ See *id.* at 19, 21.

³¹ See *id.* at 23.

³² See *id.* at 29.

³³ See *id.* at 43.

everything- in a different procedure it received a resolution that declared the abandonment of one of the trademarks at record “*Mundial 2006*.” However, the effect of

this ruling could not prevent the infringement during the time that the trademark registration was valid.