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Mexico: Law and Practice

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MEXICO



Law and Practice

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Basham, Ringe y Correa S.C. is one of Latin America's leading full-service law firms. Founded in Mexico in 1912, the firm has over a century of experience advising clients on doing business in Mexico and internationally. What sets Basham apart is its unique ability to combine decades of legal tradition with a forward-thinking, international outlook. The firm offers strategic legal solutions that not only ensure compliance but also identify business opportunities. The firm has a multidisciplinary team of over 150 lawyers across four strategic offices in Mexico City,

Monterrey, León and Querétaro, providing seamless nationwide coverage. Basham's teams work in full integration, allowing for cross-practice collaboration and industry-specific insight. Basham's integrated legal services go beyond compliance – they identify risks, unlock opportunities and provide tailored solutions that meet the demands of a rapidly evolving business and regulatory landscape. The firm is a trusted partner to multinational corporations, financial institutions, emerging companies and high net worth individuals.

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1. Legal System

1.1 Legal System and Judicial Order

The Mexican legal environment operates under a civil law system; where the law follows codified rules created and inspired by Roman law, the napoleon code system and finally Anglo-Saxon law.

Compared to other systems, such as common law, where precedents are fundamental, Mexico's legal system is mostly based on codes, laws and regulations that guide the behaviour of individuals and institutions. The Mexican legal system is strongly based on several core principles that support the application and interpretation of codes and laws; and jurisprudence comprised of decisions issued by authorities who determine the application and interpretation of principles through rulings. Even though the Mexican system is based on codes, principles and jurisprudence, it also relies on a system of precedents. Contrary to the precedent system used in common law, legal precedents in Mexico are used by judges to strengthen criteria rather than to reapply decisions used in previous binding case law. Despite the fact that most courts have their own criteria for ruling, precedents are used to guide the courts in a certain direction on the ruling based on how other courts have ruled in similar matters. Unfortunately, this does not mean that judges will or are forced to rule the same way as in previous cases, rather that they can be persuaded to consider previous criteria that should be applied directly, by analogy or by major reasoning.

The Mexican judicial branch consists of a hierarchical structure of state and federal courts, which have their own jurisdiction and responsibilities. The highest court in the Mexican judicial branch is the Supreme Court of Justice of the Nation, which has an important role in interpreting the Mexican Constitution, as well as hearing significant cases including local and federal laws, regardless if they concern constitutional issues or not.

On the one hand, the federal courts include district courts, collegiate circuit courts and specialised courts. These courts are responsible for adjudication cases that are related to federal matters, they manage cases that involve violations of federal laws, administrative disputes and issues between individuals, states or individuals and the federal government.

On the other hand, state courts are responsible for enforcing laws that are reserved to the states by the Constitution, such as civil, criminal and administrative laws that fall under the state's jurisdiction. Although the organisation of state courts can vary depending on the state, they are usually organised by municipal courts, trial courts and appellate courts.

2. Restrictions on Foreign Investments

2.1 Approval of Foreign Investments

The regulatory framework for foreign investment in Mexico is regulated by the Foreign Investment Law (FIL) and its regulations, which impose some restrictions on foreign investment in Mexico, which, while

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considerably relaxed in recent years, still have an impact.

In accordance with the FIL, there are certain activities reserved exclusively for the state and reserved for Mexicans or Mexican companies with foreigner exclusion clauses, and other activities under specific regulations as follows.

- Activities reserved for the state – set forth in Article 5 of the FIL, as exploration and extraction of oil and other hydrocarbons in accordance with the Political Constitution of Mexico; planning and control of the national electricity system, as well as the public transmission and distribution of electrical energy, in terms of the provisions of the Political Constitution of Mexico; generation of nuclear energy, radioactive minerals, telegraphs, radiotelegraphy, postal service, bank note issuing, minting of coins, control, supervision and surveillance of ports, airports and heliports.
- Activities reserved exclusively to Mexicans or to Mexican companies with exclusion of foreigners' clause – set forth in Article 6 of the FIL, as domestic land transportation of passengers; tourism and freight not including messenger or courier services; development banking institutions; and rendering of certain professional and technical services expressly indicated in legal provisions, among others.
- Activities and acquisition subject to specific regulation – set forth in Article 7 of the FIL in which the foreign investment participation limits in activities and companies may not be surpassed directly, neither by trusts, agreements or partnerships, nor by-law agreements, pyramiding schemes or other mechanisms granting any control or a higher participation than the one established.

As provided in Section 8 of the FIL, a favourable resolution by the National Foreign Investment Commission (the "Commission") is required for foreign investment to participate in a percentage higher than 49% in activities with specific regulation including, among others, port services, in order to allow ships to conduct inland navigation operations, such as towing, mooring and barging; shipping companies engaged in the exploitation of ships solely for high-seas traf-

fic; concessionaire or permissionaire companies of air fields for public service; legal services; construction, operation and exploitation of general railways, and public services of railway transportation.

In addition, pursuant to Section 9 of the FIL, a favourable resolution of the Commission is required for the foreign investment to participate in a Mexican company, either directly or indirectly, in more than 49% of the capital stock, solely when the value of the assets of the involved entities exceed the amount determined by the Commission.

It is important to take into consideration that the approvals need to be obtained prior to completing the investment.

2.2 Procedure to Obtain Approval and Sanctions for Non-Compliance

If approval is required, the process can be completed electronically through the [Legal Affairs System for Foreign Investment](#) or by submitting the application in person before the Commission, by appointment. For the electronic procedure, applicants must have a valid email address, create an account with the Legal Affairs System for Foreign Investment and a hold a current e-signature.

In this regard, the following documentation must be prepared and submitted with the Commission.

- Official Questionnaire SE-02-007 (in Spanish) including information identifying how the project will be beneficial to Mexico's economy, as well as name and nationality of the investor, description of the project, percentage to be acquired, estimated value of the investment, sector or activity of the company, among other information, executed by the legal representative or person acting on behalf of the applicant.
- Written request comprising the corporate name or name of the person requesting the favourable resolution, name of the legal representative or the person acting on behalf of the applicant, an address and/or email for service of notices and the individuals authorised to receive them on behalf of the applicant, facts or reasons that motivated the request, details of the project's main features,

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specifications concerning its plans to have subsidiary offices or branches, company activity in Mexico and the activity that such company carries out abroad, as well as the corporate group to which it belongs, indicating the Mexican companies in which the foreign investment participates directly or indirectly, and the activities in which it participates directly or indirectly, or in which the investment intends to participate, among others, which must be signed by the legal representative.

- Power of attorney granted before a notary public in favour of the individual acting on behalf of the applicant, duly formalised.
- Receipt evidencing payment of governmental fees.
- Corporate and legal documents, including, in case the investor is a:
 - (a) person – updated resume or summary;
 - (b) foreign legal entity – deed, articles of incorporation, certificate or any other document of incorporation, current by-laws, and annual report or description of the activities of the last fiscal year; and/or
 - (c) Mexican legal entity – articles of incorporation, as well as those of its shareholders, and the financial statements of the last year or fiscal year.

If the investor has undergone changes in its corporate name, mergers or any other amendments to its by-laws, the documents evidencing such modifications will be needed.

The documents must be submitted in original and copy. After verification, the originals – except for the written application and proof of payment of fees – will be returned to the applicant at the time of submission.

The Commission has 45 business days from the day the application is filed to issue its ruling, counted from the date the documentation is filed. It should be noted that the Commission may request additional information prior to issuing its resolution.

If the request is approved, the applicant can proceed with the investment as authorised.

2.3 Commitments Required From Foreign Investors

If the authorisation is granted, the terms and conditions to be fulfilled will be set out in the authorisation.

In certain cases, the Commission may require investors to comply with certain obligations or commitments to guarantee national interest, security and development of the country.

Mexican companies with foreign investment, directly or indirectly, in their corporate capital, are obliged to be registered in the Section 2 of the National Registry of Foreign Investments (the “Registry”) and comply with periodic reporting obligations (annual and quarterly reports).

Foreign investment is understood to include the participation of legal entities with a nationality other than Mexican, as well as foreign individuals or individuals who, although Mexican, hold or acquire another nationality and have their domicile outside the national territory.

The registration must be submitted within 40 business days following the date on which the foreign investment enters the Mexican company.

2.4 Right to Appeal

A new request may be made, or a means of appeal may be filed, either through an administrative review appeal or a nullity trial, before the Federal Court of Fiscal and Administrative Justice.

3. Corporate Vehicles

3.1 Most Common Forms of Legal Entity

The *Sociedad Anónima* (SA) and *Sociedad de Responsabilidad Limitada* (S de RL) are the most common vehicles used for business and investment purposes in Mexico.

SA

- Liability of shareholders is limited to the amount of their contributions.
- Requires a minimum of two shareholders, with no maximum limit.

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- No minimum capital required by law; however, shareholders must subscribe the authorised capital in full within one year.
- May be incorporated as a variable capital entity (SA de CV) for added flexibility in capital increases or reductions without amending the by-laws.
- Governance is managed by a sole administrator or a board of directors.
- Shareholders' meetings are the supreme authority.

Furthermore, if the company is seeking capital contributions while maintaining operational control, SA can adopt the modality of a *Sociedad Anónima Promotora de Inversión* (SAPI) which is more flexible for joint ventures and may allow the shares to be offered to the public if registered with the National Securities Registry.

Suitability

- Greenfield projects requiring growth and potential capital raising.
- Holding companies for corporate group structuring.
- Public companies, including those listed on the Mexican Stock Exchange.
- Businesses with diverse shareholder bases or plans to attract investors.

S de RL or S de RL de CV

- Liability is also limited to capital contributions.
- Requires at least two and no more than 50 members (partners).
- No minimum capital required by law.
- Capital is divided into equity quotas (not shares), which are not freely transferable.
- May be also incorporated as a variable capital company (S de RL de CV).
- Governance is conducted by one or more managers.
- Certain decisions require unanimous consent of the partners.

Suitability

- Joint ventures, where control over partner admission is crucial.
- Closely held companies or family-owned businesses.
- Entities with a limited number of partners seeking simplified governance.

Finally, the SAS (*Sociedad por Acciones Simplificada*) is a company structure designed to simplify the incorporation process for micro and small businesses. It allows one or more individual shareholders, with liability limited to their contributions. The regime establishes an administrative process with full legal effects, and the total annual income cannot exceed MXN7,398,448.74 (approximately USD407,000), which is updated annually.

3.2 Incorporation Process

The main steps for incorporation are the following.

Choice of Corporate Vehicle

Both the SA and the S de RL offer limited liability and a flexible governance structure.

Corporate Name

Before incorporating a company, it is necessary to obtain a name authorisation permit from the Ministry of Economy, which typically takes between seven and 14 business days.

Incorporation Procedure

The process involves the following key steps:

- drafting and approval of the by-laws;
- issuance of a notarised and apostilled or legalised power of attorney by shareholders/partners for incorporation;
- appointment of directors, managers, officers and statutory auditor (commissary); and
- granting of powers of attorney for daily operations.

Execution and Issuance of Articles of Incorporation and Post-Incorporation Obligations for Operation of Company

Once all previous steps are completed, the notary will execute the articles of incorporation and proceed to register the company before (i) the Public Registry of Commerce, (ii) the Federal Taxpayers' Registry (including obtaining a tax ID and tax e-signature), and (iii) the National Foreign Investment Registry.

This stage may take between ten and 60 business days to complete.

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3.3 Ongoing Reporting and Disclosure Obligations

Private companies in Mexico are subject to various reporting and disclosure obligations, including:

- modifications to articles of incorporation – any amendments must be formalised through a notarial public deed and registered with the Public Registry of Commerce;
- to the National RNIE:
 - (a) quarterly updates – companies must file updates with the RNIE for significant changes; and
 - (b) annual report – companies must submit a detailed report to the RNIE if their assets, liabilities or revenues exceed MXN110 million. This report is mandatory and failure to comply results in penalties;
- to the Secretariat of Economy:
 - (a) reports on capital and shareholder changes;
 - (b) notice of transfers and constitution of rights over shares;
- beneficial owner (UBO) registration – Tax Authority:
 - (a) notice of changes in shareholders; and
- SHCP (Secretariat of Finance and Public Credit):
 - (a) ultimate beneficiary registration.

3.4 Management Structures

Management structures available in the most common legal entities are the following.

One Individual

In an SA, this person is called the sole administrator and in an S de RL, they are called the single manager. A single individual is appointed to manage and represent the company. The sole administrator or manager has the authority granted by the incorporation deed and the law. This structure allows the individual to act independently, unless limitations are specified in the company's by-laws. This structure is ideal for companies that require quick decision-making, greater control and a simplified structure.

Board of Directors (SA) or Board of Managers (S de RL)

In an SA or S de RL, the company is typically managed by two or more individuals who make decisions collectively as a board. If there are three or more

administrators, the by-laws will determine the rights of the minority in the appointment process. The minority holding at least 25% of the share capital has the right to appoint one board member. This threshold is reduced to 10% for companies with shares listed on the Stock Exchange. This structure is better suited for larger companies where diverse perspectives, shared responsibility, and supervision are necessary. Typically, a minimum of three directors/managers are assigned.

3.5 Directors', Officers' and Shareholders' Liability

The General Law of Commercial Companies requires administrators to act in the best interests of the company, ensuring proper management of financial and legal obligations, and protecting shareholder rights. Administrators are jointly responsible with the company for maintaining accurate financial records, ensuring compliance with legal requirements, and executing shareholder resolutions. If administrators are aware of any irregularities committed by previous administrators and fail to report them, they can be held liable for any resulting damages.

The corporate veil protects the company's assets and operations from external claims, separating the company's responsibilities from those of its shareholders. Administrators can also be held liable for favouring certain shareholders, gaining personal financial benefits or spreading false information. Shareholders cannot waive this responsibility through the company's by-laws, but the company can take out insurance or bonds to cover potential indemnifications, excluding cases of fraud or bad-faith actions.

4. Employment Law

4.1 Nature of Applicable Regulations

Employment relationships in Mexico are governed by a comprehensive framework rooted in constitutional principles and developed through statutory law, regulations, case law (jurisprudence) and other binding sources. This framework reflects Mexico's strong tradition of labour protection and the public policy nature of labour law.

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The foundation of Mexican labour law lies in Article 123 of the Mexican Constitution, which enshrines fundamental labour rights such as fair wages, maximum working hours, rest periods and the right to unionise.

Additionally, international treaties signed by Mexico serve as another source of law and play a significant role in shaping domestic labour standards, particularly the conventions of the International Labour Organization (ILO) and the labour provisions of the United States–Mexico–Canada Agreement (USMCA).

The Federal Labour Law (FLL) is the principal statute that regulates employment in Mexico. It governs both individual and collective employment relationships, establishing minimum benefits, termination standards, and mechanisms for dispute resolution. As a matter of public order, most of its provisions are mandatory and protective of employees.

Specific regulations, known as Mexican Official Standards, are issued by the federal government to complement the FLL, covering areas such as occupational health and safety, telework, psychosocial risk prevention and workplace inclusion of people with disabilities, among others.

All terms and conditions of employment must be set out in writing, as the burden of proof for demonstrating them rests with the employer.

4.2 Characteristics of Employment Contracts

Individual employment contracts are governed by the FLL, which establishes the minimum requirements for these documents.

The terms and conditions of employment must be set in writing and must include the following.

- Name, nationality, age, gender, marital status, Unique Population Registry Code (CURP), Federal Taxpayer Registry (RFC) and address, of both the employee and the employer.
- The type of employment relationship and whether it is subject to a probationary period or initial training.
- The service(s) to be provided.
- The place or places where the work will be performed.

- The duration of the workday.
- The method and amount of salary payment.
- The day and place of salary payment.
- An employee training clause.
- Other working conditions, such as rest days, vacation entitlements and any other terms agreed upon by the employer and the employee.
- The designation of beneficiaries for payment of accrued benefits upon the employee's death or disappearance resulting from a criminal act.

Since offer letters are not expressly regulated under the FLL, if a written employment contract is not executed, the offer letter will be considered as such.

The FLL regulates the permissible duration of employment contracts and recognises the following types:

- indefinite period;
- fixed term; and
- specific work or seasonal.

As a general rule, indefinite period contracts prevail in Mexico. Fixed-term, specific work and seasonal agreements are exceptions and must be duly justified to avoid reclassification as indefinite period contracts.

Employment contracts may include probationary period or initial training clauses under certain conditions.

4.3 Working Time

There is no distinction between types of employees regarding working hours and overtime eligibility. All employees are subject to the same maximum weekly working hours and are entitled to overtime pay when these limits are exceeded.

The FLL sets out three types of shifts.

- Day shift – 6:00 am to 8:00 pm – maximum 8 hours per day.
- Night shift – 8:00 pm to 6:00 am – maximum 7 hours per day.
- Mixed shift – combination of day and night periods; if the night portion exceeds 3.5 hours, it is deemed a night shift – maximum 7.5 hours per day.

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Employees must have at least one paid day of rest for every six consecutive days worked.

Currently, the standard workweek is 48 hours. However, on 3 March 2026, a constitutional reform was enacted to gradually reduce the workweek under the following terms:

- 2026 – 48 hours (transition year);
- 2027 – 46 hours;
- 2028 – 44 hours;
- 2029 – 42 hours; and
- 2030 – 40 hours

Employees are entitled to a daily rest break of at least 30 minutes per shift. If taken on the employer's premises, the break is counted as part of working time.

Any hours exceeding the statutory weekly maximum are considered overtime and must be paid accordingly. Overtime cannot be substituted with other benefits. All employees, regardless of position, rank or classification, are entitled to overtime pay for hours actually worked beyond the legal maximum. Overtime must be performed voluntarily, under extraordinary circumstances, and compensated according to the law.

4.4 Termination of Employment Contracts

Mexico's labour law framework provides strong protections for employees, and the concept of "employment at will" does not exist.

Although employers may end the employment relationship at any time, it is important to distinguish between termination with cause and termination without cause.

Termination With Cause

Article 47 of the FLL specifies the causes that justify termination without liability for the employer, such as gross misconduct, material damages and unjustified absences, among others.

The employer must have solid evidence to support the cause of termination. In the event of a dispute before labour authorities, employers have full burden of proof and lack of evidence may result in the dismissal being considered without cause, entitling the employee to

full severance, including lost wages (capped at one year) plus legal interest.

If termination with cause is properly substantiated, the employee is entitled only to accrued benefits up to the termination date. The employer must initiate a specific termination process within 30 days from when it became aware of the grounds for dismissal.

Termination Without Cause

If the employer terminates the employment relationship without just cause as defined by law, the employee is entitled to receive:

- a constitutional severance payment equal to 90 days of daily integrated salary;
- 20 days of daily integrated salary for each year of service;
- a seniority premium equivalent to 12 days' salary per year worked, capped at twice the minimum wage; and
- accrued salaries and benefits.

The integrated salary is comprised of the employee's base salary plus any benefits received for their work during the past 12 months prior termination.

No prior notice is required for termination.

All terminations must be documented in writing either through a mutual employment termination agreement or, depending on the type of termination, with the corresponding notices or supporting documentation.

Collective Redundancies

The FLL defines collective redundancies as the termination of employment relationships resulting from the closure of companies or establishments, or from the permanent reduction of their operations.

The law recognises the following as valid grounds for termination in such cases: force majeure or fortuitous events, the physical or mental incapacity or death of the employer, evident infeasibility of continuing operations, depletion of the natural resource in extractive industries, and legally declared insolvency or bankruptcy.

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In these situations, a specific legal process must be followed.

4.5 Employee Representations

There are specific circumstances and legal frameworks that trigger employee representation and require management to inform or consult with employees through their representatives.

The most common form of employee representation is through labour unions, which are voluntary organisations formed by employees to defend their collective interests. When a union is legally recognised by the labour authorities, it acts as the representative body for its members in collective bargaining agreements (CBAs), dispute resolution and other labour matters.

Employee representation is also required to form the mandatory joint committees established by the FLL, which include:

- Safety and Hygiene Joint Committee;
- Joint Committee for the Preparation of the General Seniority Chart;
- Joint Committee for Annual Profit Sharing;
- Training, Teaching, and Productivity Joint Committee (for employers with more than 50 employees); and
- Joint Committee for the Drafting of the Internal Work Regulations (if the company opts to have Internal Work Regulations).

All the committees mentioned above must have an equal number of employee and employer representatives.

5. Tax Law

5.1 Taxes Applicable to Employees/ Employers

Employee Contributions

An employee is subject to two types of contributions – income tax and social charges, which, in turn, are integrated into social security fees and a retirement fund (AFORE).

Income tax

Income tax is calculated according to the gross income of the employee based on a progressive tax rate, which goes from 1.92% up to 35%. For this purpose, the employee must be a Mexican tax resident.

Social charges

Social security fees

While the employer is responsible for paying most of the social security fees, the employee is responsible for contributing part of this fee.

The social security fee is calculated based on a progressive rate but limited to 25 UMA's (UMA is the acronym for *Unidad de Medida y Actualización*, which is a daily quota used in Mexico for economic calculations adjusted by inflation on a yearly basis. Currently a UMA equivalent is about USD6.80).

AFORE

Part of the AFORE supported by the employee.

Employer Contributions

Income tax

While the employer is not the taxpayer for the employee's income tax, it is responsible for the calculation, withholding and payment of the portion of the employee's salary which constitutes income tax.

Social charges

Social security fees

The employer is the taxpayer of most of the social security fee, and it is also responsible for calculating and withholding the employee's social security fee.

AFORE

The employee discounts and contributes the retirement fee from the employee salary, but they are not considered a taxpayer to the retirement fund.

Housing fund (INFONAVIT)

The employer is responsible for the housing fund, which is approximately 5% of the salary paid.

Payroll tax

This is a local tax levied upon the payroll. Ordinarily it ranges from 2% to 3% of the salary paid to the employee and it is paid on a monthly basis.

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It is important to mention that there might be other fees that the employer could pay such as union fees, profit sharing, etc, but they do not qualify as tax contributions; rather as labour obligations of the employer.

5.2 Taxes Applicable to Businesses

Mexican tax resident entities are subject to pay the following taxes.

Income Tax

Mexican tax resident entities are subject to income tax on their profits at a 30% tax rate. Profit in general terms is calculated by deducting from gross income the allowed deductions such as investments, costs of goods sold, etc. Taxpayers should file an estimated tax return on a monthly basis based on the monthly income received and applying a profit coefficient to this monthly income. In addition, taxpayers should file annual tax returns no later than the third month to the end of the fiscal calendar year (ordinarily running from January 1st until December 31st).

Dividends

When distributing dividends, there are two taxes to consider.

- Corporate dividend tax – in Mexico, dividends paid out of profits on which the company has already paid the relevant tax are tax free from the corporate dividend tax. For this purpose, companies have to keep a record of the after profits account or *Cuenta de Utilidad Fiscal Neta* (CUFIN).
- Individual or foreign resident dividend tax – 10% withholding applies to dividends paid to individuals or foreign residents. However, in the case of foreign residents, this tax could be reduced depending on the double tax treaties executed by Mexico.

Interest

Interest is a deductible item in Mexico, but there are several limitations and requirements to observe.

- General requirements – interest would be deductible as long as it is used for strictly indispensable activities of the company.
- Net interest limit deduction – interest is deductible up to 30% of the adjusted taxable income.

- Preferential tax regime limit – interest paid to a related party that is a taxpayer in a preferential tax regime (tax haven) will not be deductible unless the taxpayer provides evidence that the transaction is at fair market value and it has a business purpose.
- Hybrid transaction – if a transaction is considered as an interest in Mexico, but it is not taxed abroad, it will not be deductible in Mexico.
- Back-to-back – if certain conditions are not met, interest paid to the creditor of a debt will not be deductible as it will be recharacterised as a dividend.
- Transfer pricing – interest paid should be at fair market value, otherwise the excess will not be deductible.

Value Added Tax

Taxpayers are required to pay 16% VAT when, in national territory, they (i) transfer goods, (ii) render independent services, (iii) grant temporary use or exploitation of goods, or (iv) import goods or services. However, 0% VAT would apply if any of these activities are deemed to be exported. The taxpayer should pay the VAT on the difference between the VAT charged to its clients and the VAT charged by its suppliers. If the VAT paid to suppliers exceeds the VAT paid by the taxpayer to third party, then the difference shall be paid to the authorised offices.

5.3 Available Tax Credits/Incentives

Mexican Income Tax Law allows the following incentives.

- Individual taxpayers can deduct certain deposits in personal savings accounts, retirement insurance premiums, and qualifying mutual fund investments from taxable income, subject to an annual cap of MXN213,973.20 and 15% of the total income of the taxpayer, whichever is the lowest.
- Income tax deduction equal to 25% of salary paid to employees with qualifying disabilities or to elderly employees (65+).
- Special tax treatment for real estate investment trusts in Mexico that acquire, build or finance leased properties, or acquire rights to lease income.

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- Income, gains, early disposals and capital returns are taxed or deferred for qualifying real estate trusts.
 - A tax credit will be available to income taxpayers for contributions to domestic film production or distribution projects. The credit equals the contributed amount, up to 10% of the prior year's income tax. This can be used to offset annual and estimated tax; unused amounts may be carried forward for up to ten years.
 - A tax incentive for cultural investment projects (theatrical productions, visual arts, dance, music, and literary works). The tax credit can be used to offset annual and estimated income tax capped at 10% of the prior year's tax. Unused credit can be carried forward for up to ten years.
 - Real estate developers can deduct land acquisition costs in the purchase year if 85% of income is from developments. Upon sale, the full value is taxable, plus an additional 3% per elapsed year (inflation-adjusted). If not sold within three years, the updated cost becomes taxable. The rule applies to all current land assets for at least five years.
 - Venture capital investments in unlisted Mexican companies can receive special tax treatment if made through qualifying Mexican trusts. These trusts must invest at least 80% of assets in the equity or loans of such companies, hold shares for a minimum of two years, distribute at least 80% of annual income within two months after year-end, and meet SAT regulatory requirements. Remaining assets must be in low-risk government or debt instruments.
 - Production co-operatives composed solely of individuals may opt to calculate income tax under individual rules, with tax payment deferred until profits are distributed. If profits remain undistributed for over two years, tax must be paid. Co-operatives must maintain an updated taxable profit account, invest undistributed profits in employment- or membership-generating assets, and treat yields/advances to members as employment income. No estimated income tax payments are required.
 - Taxpayers conducting R&D projects in Mexico may claim a 30% tax credit on incremental annual R&D expenses and investments versus the prior three-year average against income tax.
 - Taxpayers may claim a tax credit for contributions to high-performance sports infrastructure and athlete programs in Mexico, capped at 10% of the prior year's income tax.
 - Taxpayers can claim a tax credit equal to 30% of investments in publicly accessible, fixed electric vehicle charging equipment, applied against income tax for the year of investment. Unused credits can be carried forward for up to ten years but are lost if not applied in the eligible year. The credit is not to be included as taxable income.
 - Foreign fiscally transparent entities managing private equity investments in Mexican companies may maintain tax transparency if specific requirements are met. These include: registering and documenting all members' tax residency with the SAT, being created in jurisdictions with broad information exchange agreements with Mexico, ensuring members are effective income beneficiaries, and requiring members to report related income. Non-compliance by any member results in loss of transparency proportional to their participation. This applies only to income from interest, dividends, capital gains or real estate leases.
- Fiscal Incentives for Development Poles (PODEBIS) provides for an income tax exemption as follows: 0% ISR for the first three years; 50–90% reduction for the next three years if job creation goals are met. No VAT payable for four years. In addition, 100% immediate deduction of new fixed assets available until 2030; and 25% deduction for training and innovation on the increase in expenses in these areas, also valid until 2030.

5.4 Tax Consolidation

As of 2014, the Traditional Tax Consolidation regime disappeared and it was substituted with what it is known as the Optional Regime for Group Companies. Under this regime, losses are not consolidated but rather taxpayers may defer income tax for three years at the most.

5.5 Thin Capitalisation Rules and Other Limitations

Interest deductions are limited to net interest exceeding three times its adjusted tax profit when annual

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accrued interest surpasses MXN20 million for the taxpayer and related group entities.

5.6 Transfer Pricing

Mexico's transfer pricing rules require that related-party transactions (domestic or cross-border) be carried out at arm's length under conditions that would have been agreed between independent parties in comparable transactions. Mexico must apply OECD-recognised methods (CUP, resale price, cost plus, profit split, residual profit split and TNMM), selecting the most appropriate.

5.7 Anti-Evasion Rules

There are anti-evasion rules in Mexico, such as back-to-back, thin capitalisation rules, principal purposes test, disclosure of reportable schemes, beneficial ownership rules, anti-hybrid mismatch rules, the EBDITA rule, CFC rules and transfer pricing rules.

5.8 Tariffs

In Mexico, the tariff system primarily consists of the general import tax, which must comply with the maximum levels set by the World Trade Organization (WTO). Additionally, there are preferential tariffs for goods coming from countries with which Mexico has free trade agreements (FTAs). Mexico has a network of trade agreements with approximately 50 countries.

Mexico imposes low tariffs; however, as noted in its most recent Trade Policy Review at the WTO, the tariffs on agricultural products are higher than those on non-agricultural products.

The recent policies and actions of the US government have had significant effects on global trade, including in Mexico. In the coming months, Mexico, Canada and the United States will conduct the USMCA review. The outcome of this review will be crucial for Mexico's international trade, as it may lead to regulatory adjustments and provide greater certainty for regional trade.

6. Competition Law

6.1 Merger Control Notification

Under the Federal Economic Competition Law (LFCE), mergers and acquisitions are deemed as concentra-

tions and must be notified to the competition authority – the National Antitrust Commission (CNA) which succeeded the Federal Economic Competition Commission (COFECE) in October 2015 – when they meet the monetary thresholds set by the LFCE. Pre-merger notification is mandatory once any of the below thresholds are exceeded.

- Transaction value – when the transaction, or series of transactions, irrespective of the place of execution, result in a direct or indirect amount in Mexico of more than 16 million measurement units (UMA), currently equivalent to MXN1,876,960,000 (approximately USD108,196,476 at an exchange rate of MXN17.3477 per US dollar, according to the Bank of Mexico exchange rate on 18 Mar 2026).
- Size of the target – when the transaction or series of transactions result in the accumulation of 30% or more of the assets or shares of an economic agent whose assets or annual sales in Mexico exceed 16 million UMAs, currently equivalent to MXN1,876,960,000 (approximately USD108,196,476).
- Size of the parties – when the transaction or series of transactions imply an aggregation in Mexico of assets or share capital that exceed 7.4 million UMAs, currently equivalent to MXN868,094,000 (approximately USD50,040,870), and the parties involved, either individually or combined, have assets or annual sales in Mexico exceeding 40 million UMAs, equivalent to MXN4,692,400,000 (approximately USD242,529,474).

Types of Transactions Covered

The LFCE defines concentration as the merger, acquisition of control, or any act through which companies, associations, shares, partnership interests, trusts or assets in general are joined together, and carried out among competitors, suppliers, clients or any other economic agents. It includes acquisition of shares, equity interests, assets and joint venture agreements, among others.

Additional Considerations

- Gun-jumping prohibition – the transaction cannot be closed, and no control or influence can be transferred until clearance is granted. Failure to notify a transaction that exceeds any of the statu-

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tory thresholds may result in fines of up to 8% of the economic agent's revenues, and the CNA may order the reversal of the transaction.

- **Effects doctrine** – under the effects doctrine, a transaction abroad must be notified in Mexico if it meets the monetary thresholds and has effects in Mexico. Although there is no explicit “local effects” test, the thresholds require a Mexican nexus (eg, Mexican assets, equity or sales). Thus, foreign-to-foreign deals trigger filing if they involve Mexican assets or equity, or if the parties' sales in Mexico exceed the thresholds. No filing is required if the target has no

6.2 Merger Control Procedure

The following are the main procedural steps and typical timing for merger notifications.

Pre-Filing Preparation

The notifying parties must first assess whether the transaction falls within the definition of “concentration” under the LFCE and whether any of the statutory thresholds are triggered.

Filing and Completeness Review

The notification must be submitted electronically, including all documentation required under the LFCE and its Regulations. Upon receipt, the CNA conducts a completeness review, typically within ten business days. If the authority determines that the filing is incomplete, it may issue an initial information request, commonly referred to as the Basic RFI. Once the Basic RFI is responded to, should the CNA's merger department conclude that additional data or clarification is required, a second request, known as the Additional RFI, may follow within 15 business days. These RFIs are common and extend the review process, though they do not signal a negative outcome. The 30-day term to issue a final resolution does not begin until all requested information has been provided in full and the notification is deemed complete by the CNA.

Substantive Review

Once the notification is deemed complete, the CNA has 30 business days to issue a decision. In complex cases, this period may extend by up to 20 additional business days.

Decision and Clearance

The CNA may authorise concentration unconditionally, approve it subject to remedies, or prohibit the transaction if it determines that it would substantially lessen competition. The decision issued by the CNA is valid for six months, extendable for an additional six months upon request.

Until clearance is granted and throughout the entire review process, the parties are prohibited from closing or implementing the transaction.

Timing

Simple transactions are generally cleared within two to three months for straightforward cases. Cases requiring additional data or market analysis typically take three to four months to account for economic evidence, market definition and responses to the authority. More complex transactions involving remedies or in-depth reviews may extend to six to eight months or longer.

6.3 Cartels

Cartels are classified as absolute monopolistic practices and are prohibited per se. The LFCE prohibits any contract, agreement, arrangement, combination or exchanges of information between actual or potential competitors that have the object or effect of: fixing or manipulating prices; restricting output or supply; allocating markets, customers or suppliers; or co-ordinating bids or abstaining from bidding in public procurements.

Sanctions

Sanctions for cartel conduct in Mexico are severe and aim to deter and remedy anti-competitive behaviour. The CNA may impose administrative fines of up to 15% of an economic agent's annual revenues and order the immediate cessation of the conduct. Individuals involved can face five to ten years of imprisonment, while officers and directors may be disqualified from serving as managers, board members or similar roles for up to five years.

Additional penalties include exclusion from public procurement and civil liability. The CNA can directly bar companies involved in cartel practices from par-

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ticipating in public procurement processes for up to five years.

Leniency Programme

Mexico's leniency programme allows any participant to voluntarily disclose its involvement in an absolute monopolistic practice in exchange for significant benefits, including reduced fines, immunity from criminal prosecution, protection against disqualification sanctions, and exemption from collective legal actions brought by the CNA. Applicants must cease participation immediately and fully assist the CNA throughout the case.

The first applicant providing sufficient evidence before the investigation formally begins may receive the minimum fine (as low as USD19), while subsequent applicants filing before the third extension can obtain reductions of 50%, 30% or 20%, depending on their order. All successful applicants are granted full immunity from criminal prosecution, disqualification sanctions and collective civil actions.

Jurisdiction and Effects Doctrine

Although not frequently invoked, the CNA may apply an effects-based standard, asserting jurisdiction over cartel conduct regardless of where it occurs. Practices carried out within or outside Mexico can fall under its authority when they produce, or can produce, actual or potential effects in Mexican markets.

6.4 Abuse of Dominant Position

The LFCE prohibits abuses of dominance, also known as relative monopolistic practices. These provisions apply to unilateral behaviour by one or more economic agents with substantial market power that has the object or effect of unduly displacing competitors, impeding their access to the market, establishing exclusive advantages or unduly restricting the ability of other economic agents to compete.

Determining Dominance in Mexico

Holding a dominant position is not in itself illegal. It is the abuse of that dominant position that is prohibited. The CNA determines whether a company holds a dominant position – referred to as substantial market power – through a structured, case-specific analysis.

A company is deemed to have substantial market power when it can unilaterally influence market conditions in a relevant market, by setting prices or restricting supply, without facing effective competitive constraints.

Relevant Market

Defining the relevant market requires considering both product and geographic dimensions. The product market covers goods or services that consumers see as interchangeable based on features, price and use, while the geographic market identifies the area where these substitutes are offered under comparable price and access conditions.

Types of Conduct Deemed as Abuse of Dominance

Restricted practices include exclusive dealing or distribution arrangements, resale price maintenance, tying, exclusive supply obligations, refusals to deal, collective boycotts, predatory pricing, loyalty rebates, cross-subsidisation, unjustified price discrimination, denial of access to essential inputs, margin squeezes, and raising rivals' costs or foreclosing competition.

Sanctions

The CNA may impose fines of up to 10% of the economic agent's revenues, as well as any measures necessary to eliminate or remedy the anti-competitive conduct.

Remedies

When a company with substantial market power engages in unilateral conduct that violates antitrust laws, the CNA can impose behavioural or structural remedies to restore competition and prevent future infringements.

The LFCE also allows companies under investigation for abuse of dominance to offer voluntary remedies, known as Commitments, to address the concerns identified by the Investigative Authority. Commitments are designed to cease or correct the conduct and can significantly reduce fines. They may be submitted during the investigation phase, where viable commitments can lead to a full fine reduction and even closure of the case without liability, or during the trial-like stage, where acknowledging the infringement may result in up to a 50% fine reduction.

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7. Intellectual Property

7.1 Patents

In Mexico, inventions are defined as any human creation that allows the transformation of the matter or energy in nature for their use by humanity and the satisfaction of specific needs. New inventions resulting from an inventive activity and susceptible to industrial exploitation may be subject to a patent.

Patents protect technical solutions to a problem and confer on their holders the exclusive right to exploit the invention and to prevent others, without authorisation, from making, using, selling, offering for sale, or importing the patented product, as well as from using the patented process or importing into Mexico products directly obtained from such process. Certain subject matter is excluded from patentability, such as discoveries, scientific theories, mathematical methods, surgical or therapeutic methods, and inventions contrary to public order or morality.

A patent is an exclusive right granted by the state to an inventor over their invention, granting them the right to prevent third parties from manufacturing, using or selling the invention without their consent.

Grant Procedure

A right arises with a granted patent/registration through the filing of a patent application before the Mexican Institute of Industrial Property (*Instituto Mexicano de la Propiedad Industrial*, or IMPI). The application must contain all relevant information regarding the inventor and, if the right has been assigned, the relevant information of the assignee. It must also contain formal documents such as the assignment and the power of attorney document. In addition, it is possible to claim priority from a previous application filed in a different country that is a member of the Paris Convention for the Protection of Industrial Property,

The application may also be filed as a National Phase of a Patent Co-Operation Treaty (PCT) Patent Application, in terms of which Mexico is a 30-month term country. The application is studied by a formal examiner at IMPI, who will determine if there are any formal documents missing and if all documents are in good order. The application must contain the invention's

specification, claims and drawings, in Spanish. The application must be published in the Mexican Industrial Property Gazette as soon as possible following the expiry of a period of 18 months from the national filing date for Convention applications, provided that all formalities are deemed complete. After the publication has taken place and a two-month period for third-party observations has passed, the application is studied as soon as possible by a technical examiner at IMPI and, if deemed necessary, an official action is issued, requesting clarification or changes to the application. This may be done up to four times.

Timeline for Grant Procedure

The grant procedure currently takes three to five years from the filing date.

A patent grants a right of exclusive use over an invention for 20 years counted from the filing of the patent application. For PCT applications, the effective filing date in Mexico is the date of filing of the international patent application.

Term Extensions

When, during the prosecution of a patent application, there was an unreasonable delay attributable to IMPI, a supplementary certificate can be sought for IMPI to adjust the term of the patent.

According to the former North American Free Trade Agreement (NAFTA), now replaced by the United States-Mexico-Canada Agreement (USMCA), the owner of a patent could seek compensation for lost patent term time if IMPI took more than three years to grant the patent. The NAFTA treaty is enforced on all patent applications filed before 1 July 2020. In this regard, the authors' firm has successfully obtained a favourable decision in which, according to NAFTA, the lost enforceable time of a patent filed before 1 July 2020 was compensated with three additional years. This new precedent has already been published in the Official Gazette dated 8 January 2021 as a relevant case entitled: "Patents. When there are delays attributable to the administrative authority in a patent's approval, its validity may not be less than 17 years counted from the date of its granting." The precedent was issued by the Supreme Court of Justice in the

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Bayer case handled by the authors' firm, and is in full force and effect for all patents filed before 1 July 2020.

Rights

The patent holder has the right to an injunction and may claim damages from third parties even if the illegitimate use of their patent was made before granting, provided that the application had already been published.

Damages

A rights-holder may claim damages through two different procedures: directly before the judiciary (either federal or state), by means of a civil or commercial action and without the need to obtain a definite infringement ruling to make the claim, or through IMPI, through a motion.

If a counterclaim for the annulment of the respective patent, registration or publication is filed, the court shall suspend the procedure until the respective judgment is entered.

To warrant the damages before the judiciary or IMPI, it is necessary to demonstrate wrongful conduct, the harm caused and a direct causal relationship between the two.

7.2 Trade Marks

Trade marks are defined in Mexican law as any signs perceptible through the senses, susceptible of being represented so as to determine the object of protection and identify products or services. This includes letters and numbers, designs, three-dimensional shapes, sounds, scents, trade dress and combinations thereof.

Registration Process

To obtain a right of exclusive use over a trade mark, it is necessary to register it before the IMPI by submitting an application form and making a payment of government fees. The IMPI will take approximately ten days to publish the trade mark application in the Industrial Property Gazette. This will start a period of one month for any third party to oppose the application. With opposition or without it, the examiner of the Mexican Trade Mark Office will take approximately four to six months to conduct an examination.

Use

Once a trade mark is registered, the owner has a duty to use it in Mexico. Unlike other jurisdictions, use is not necessary to obtain the registration, only to maintain it.

Upon the third year of the registration of the trade mark, a period of three months will run in which the owner of the registration must submit a statement under oath listing the specific products or services in which the trade mark is used. The coverage of products or services covered by the trade mark registration will be limited to only those for which use is timely declared. If no use is declared at all, the registration will be lost.

In addition, use needs to be declared with every renewal.

Use means that the products or services identified by the trade mark must be available to consumers in Mexico.

Term

A trade mark registration will last ten years from its grant. It can be renewed for identical periods of time, provided that the owner files the renewal forms in time and declares under oath that the trade mark is in use.

Assignments and Licences

A trade mark registration may be assigned. However, it is necessary to record the assignment with the IMPI in order for the new owner to be able to act against third parties.

Enforcement

The owner of a registered trade mark has a right of exclusive use over it. The unauthorised use of identical or confusingly similar trade marks for identical or similar goods and services constitutes infringement and allows the owner of the registration to initiate a proceeding before the IMPI to have the infringer punished with a substantial fine. In addition, preliminary injunctions can be sought to halt the alleged infringing conduct. The injunctions can become permanent in the final decision of the case.

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To obtain an injunction, a prima facie current or imminent infringement must be shown.

In addition, awards for damages can be sought in two ways. First, upon the successful completion of a trade mark infringement proceeding, the plaintiff can ask the IMPI to initiate an ancillary proceeding to award damages. Alternatively, the plaintiff may resort directly to a civil judge and ask for damages to be awarded.

Lastly, certain forms of trade mark infringement, particularly those performed on a commercial scale, are federal crimes punishable by fines and up to ten years of imprisonment. It is possible for the owner of the infringed trade mark registration to also submit a criminal complaint to initiate an investigative process by the General Attorney's Office that may culminate in a criminal conviction.

It is important to consider that ambush marketing has been codified as a specific form of trade mark infringement in a recent legal reform.

7.3 Industrial Designs

An industrial design in Mexico is understood as any combination of shapes, lines, colours, or three-dimensional forms incorporated into a product that give it a special appearance without altering its function. The law recognises two categories: industrial drawings, which are combinations of figures, lines or colours incorporated into a product to give it a distinctive appearance, and industrial models, which are three-dimensional shapes that serve as patterns for manufacturing a product, giving it a special appearance.

The term of protection for an industrial design is five years from the filing date, renewable for successive periods of the same duration up to a maximum of 25 years. Renewal fees must be paid within the established time limits, and a six-month grace period is available subject to a surcharge.

Registration is carried out before the IMPI. The process begins with the filing of an application, either electronically or in person, which must include the applicant's information, drawings or photographs of the design, a description and proof of payment of fees.

The registration of an industrial design grants its holder the exclusive right to use it and to prevent third parties from manufacturing, selling or importing products incorporating the design without authorisation. Enforcement is handled through IMPI, which has authority to conduct inspections, order the seizure of infringing goods, impose administrative sanctions, and issue precautionary measures to stop infringing acts.

Remedies available to the holder of a registered industrial design include injunctions, the seizure and destruction of infringing goods, the imposition of administrative fines, and the possibility of claiming damages before the courts once IMPI's infringement resolution is final, with the law establishing a minimum compensation equivalent to 40% of the retail price of each infringing product.

7.4 Copyright

Mexico protects all works of original creation and is party to the Berne Convention. As such, all productions in the literary, scientific and artistic fields can be subject to copyright protection in Mexico.

Term of Protection

Copyright protection in Mexico will last for the life of the author plus 100 years. The author in Mexico is always an individual and it can never be a legal entity, though a legal entity could own the copyright through an assignment or a work-for-hire agreement.

Ownership

In principle, the author of the work is the original owner of the copyright. For works made for hire under a written agreement, the owner will be the party that commissions the work.

Assignments

Copyright assignments in Mexico must be made invariably in writing. Verbal assignments are null. The assignment must foresee a payment in favour of the assignor.

Registration

Mexico is a party to the Berne Convention and protects works from the moment of fixation. However, it is possible to record works and agreements related

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to copyright with the National Copyright Institute. The facts mentioned in certificates issued by this government agency are presumed to be true, which facilitates enforcement by giving the potential plaintiff a document that can attest to the existence and ownership of the copyright. Registration is simple and the analysis is just on the proper filling of the forms and the submission of the appropriate documents. Usually registration takes four to eight weeks at most.

Moral Rights

Mexico recognises moral rights of the author. These are perpetually bound to the author and their heirs, and they cannot be assigned or waived.

Related Rights

Mexico recognises related rights of performers and interpreters, producers of sound recordings, producers of video recordings, book editors and broadcasters.

Enforcement

The owner of a copyright can initiate proceedings before the IMPI to have an infringer punished with a fine. Preliminary injunctions can be sought by showing a prima facie infringement is occurring or is imminent and posting a bond to cover the damages caused to the defendant if the plaintiff does not prevail on the merits. Similarly to the enforcement of a trade mark, the defendant is allowed to contest the injunction by posting a bond. The injunction may become permanent in the final decision of the case.

In addition to the fine, the plaintiff may seek an award for damages from a civil judge.

Certain infringements made for profit can also constitute federal crimes.

Limitations and Defences

Mexico does not have the “fair use” defence which is available in other jurisdictions. The cases in which a work may be reproduced or communicated without authorisation from the copyright holder are very limited.

Monuments and Indigenous Communities

Works declared as monuments by the Mexican government, including those of Diego Rivera and Frida Kahlo cannot be reproduced without authorisation from either the National Institute of Anthropology and History or the National Institute of Fine Arts, even if the copyright term has expired.

The legal landscape for works originating from indigenous communities has changed substantially in recent years. Today, works that incorporate elements from the identity or culture of indigenous communities cannot be legally used without authorisation of the respective community, even if they do not have an identifiable author.

7.5 Others

Reservations of Rights

Mexico has a sui generis form of protection that can be granted over the following:

- titles of periodical publications, both printed and electronic;
- titles of periodic broadcasts such as television shows and radio shows;
- names and characteristics of characters;
- artistic names or stage names for individuals or groups; and
- novel mechanisms for promoting products or services.

This form of protection is a reservation of rights which is granted by the National Copyright Institute by filing an application. The protection will last five renewable years for characters and artistic names, five non-renewable years for mechanisms for promoting products or services and one year for titles.

In the particular case of printed publications such as magazines, the reservation of rights is a requirement to obtain the ISSN number.

Databases and Software

Software is protected just as any other copyrighted work. Non-original databases are protected for five years. Databases that are original due to the selection of the contents or disposition are protected just like any other work.

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Industrial Secrets

Mexico recognises industrial secrets as any information with an industrial or commercial application that is kept confidential, and which provides an economic or competitive advantage in performing economic activities. Appropriate measures to protect its confidentiality and avoid unauthorised accesses must have been taken.

If information meets this definition, it will enjoy enhanced legal protection in several ways. Misappropriation of an industrial secret is punishable by a fine imposed by the IMPI. Misappropriating or disclosing an industrial secret constitutes a federal crime punishable by up to six years in prison and a fine.

When an industrial secret is presented to a judge or other government authority as part of a legal process, they are bound to adopt measures to avoid disclosure.

Several criminal codes in Mexico forbid the disclosure of information that an individual may come to know as part of their professional activities. Therefore, even if unduly disclosed information does not meet the definition of industrial secret, it may still be possible to take legal action against such disclosure.

8. Data Protection

8.1 Applicable Regulations

Mexico has undergone significant legal and institutional reforms that have reshaped its data protection framework and supervisory structure. These changes reflect a transition from constitutionally autonomous authority to a model integrated within the federal public administration.

The most relevant development is the Constitutional Reform published in December 2024, pursuant to which the National Institute of Transparency, Access to Information and Protection of Personal Data (INAI), formerly an autonomous constitutional body, was dissolved. Its functions were reassigned to the *Secretaría Anticorrupción y Buen Gobierno* (Ministry of Anti-Corruption and Good Governance), which now acts as the competent authority for the enforcement of personal data protection laws in the private sector.

Following this institutional reform, the updated Federal Law on the Protection of Personal Data Held by Private Parties (LFPDPPP), entered into force on 21 March 2025. The law maintains the core principles of the prior regime (including lawfulness, consent, information, purpose limitation, proportionality, and accountability), while introducing adjustments aligned with the new supervisory model and enforcement structure.

The LFPDPPP is complemented by secondary regulation, including the Privacy Notice Guidelines (*Lineamientos del Aviso de Privacidad*), which remain in force and continue to govern transparency and information obligations toward data subjects.

It should be noted, however, that following the entry into force of the 2025 LFPDPPP, no updated implementing regulation has yet been issued. While the 2011 Regulations of the LFPDPPP (*Reglamento de la Ley Federal de Protección de Datos Personales en Posesión de los Particulares*) have not been formally abrogated, their applicability must be assessed on a provision-by-provision basis, as certain provisions may be incompatible with or superseded by the current statutory framework. Accordingly, reliance on the 2011 Regulations as a primary compliance reference warrants caution.

The Executive Branch has been granted authority to issue updated secondary regulation, and the competent authority has publicly indicated that further regulatory developments – including potential legislative and regulatory updates – are expected.

8.2 Geographical Scope

Mexican data protection legislation applies to the processing of personal data carried out by private entities established in Mexico, as well as to processing activities subject to Mexican law under applicable jurisdictional criteria. As further developed below, the territorial reach of the LFPDPPP extends beyond Mexico's borders in specific circumstances expressly defined under the law and its implementing provisions.

The LFPDPPP, as amended and currently in force since 21 March 2025, constitutes the primary statutory framework governing the processing of personal

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data by private individuals and entities in Mexico. The law is of public order and general observance throughout Mexican territory.

While the LFPDPPP's principal field of application encompasses private entities established and operating in Mexico, its scope is not strictly limited to domestic processing activities. Article 4 of the 2011 Implementing Regulations – to the extent applicable under the current statutory framework, as further discussed below – sets out four specific circumstances under which the law applies regardless of where the data controller is domiciled: (i) where processing is carried out through an establishment of the controller located in Mexico; (ii) where processing is performed by a processor, irrespective of its location, on behalf of a controller established in Mexico; (iii) where a controller not established in Mexico is nonetheless subject to Mexican law by virtue of international law or through the execution of a contract; or (iv) where a controller not established in Mexico uses means located in Mexican territory to process personal data, except where such means are used solely for transit purposes.

It follows that the mere fact that personal data is stored or processed outside Mexico does not, in and of itself, exempt an entity from compliance with the LFPDPPP, provided that one of the above jurisdictional nexuses is present. Entities operating in cross-border contexts are accordingly advised to conduct a careful analysis of their data processing activities considering these criteria.

Entities falling within the scope of the LFPDPPP are subject to a comprehensive set of obligations, including – among others – the duty to provide a privacy notice (*aviso de privacidad*) to data subjects and, where required, to obtain their consent prior to processing. The applicable form of consent varies depending on the nature of the data and the specific processing purpose: tacit consent operates as the general rule for ordinary personal data; express consent is required for financial personal data and certain specific processing activities; express written consent is mandated in particular circumstances and when processing involves sensitive personal data. Consent requirements are not, however, absolute: the LFPDPPP expressly provides for exceptions under which

personal data may be processed without the data subject's consent, including – among others – where processing is necessary for the performance of a legal obligation incumbent upon the controller, where the data has been made manifestly public by the data subject, or where processing is required for the maintenance or fulfilment of a legal relationship between the controller and the data subject. In addition, controllers must observe the core principles of lawfulness, loyalty, purpose limitation, data quality, proportionality, accountability, and transparency throughout the entire lifecycle of processing.

8.3 Role and Authority of the Data Protection Agency

Following the institutional reform described in 8.1 **Applicable Regulations**, the *Secretaría Anticorrupción y Buen Gobierno* (SABG, Ministry of Anti-Corruption and Good Governance) assumed, as of 21 March 2025, the functions previously held by the INAI as the competent authority for the enforcement of personal data protection legislation in the private sector.

Unlike its predecessor, the SABG is not an autonomous constitutional body – it operates within the federal public administration and reports directly to the Executive Branch. This structural change has drawn attention from privacy practitioners and civil society organisations, who have raised concerns regarding the institutional independence of the supervisory authority and its capacity to act impartially in cases involving government-related entities. These concerns are relevant context for any assessment of enforcement risk and regulatory predictability under the current framework.

The SABG's functions in data protection matters include, among others: receiving and resolving complaints filed by data subjects in connection with the exercise of their access, rectification, cancellation and objection rights (*derechos ARCO*); investigating potential violations of the LFPDPPP; imposing administrative sanctions on controllers found to be in breach of applicable obligations; issuing guidelines, recommendations, and best practice frameworks; and promoting awareness of data protection rights among both private entities and the general public.

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9. Looking Forward

9.1 Upcoming Legal Reforms

The following upcoming legal reforms should be considered by foreign nationals concerning their investments and business in Mexico.

Reform to the Judiciary

President Sheinbaum's reform to the judiciary was enacted in September 2024, and the first round of elections for Supreme Court justices, federal and state court judges and magistrates took place in June 2025. The public participation for this first round of elections was very low – between 12–13% of the List of Registered Voters, nationwide, and it is expected that the second round of elections (scheduled for the summer of 2027) will have a similar result. Considering this, there is a legitimacy issue surrounding the results of the elections.

The full impact of the reform remains to be seen; however, parties are already responding by favouring arbitration clauses over choice of court provisions to avoid the uncertainty of litigating before domestic courts.

Electoral Reform

On 26 March 2026, President Sheinbaum presented to the Mexican Congress her second attempt of the new electoral reform project, which was approved in its majority by the Mexican Congress and the majority of the Mexican states in April 2026, and is scheduled to be published in the coming days.

The reform amends Articles 115, 116 and 134 of the Mexican Constitution. Key changes include: (i) a 15% reduction of the INE's budget for local electoral campaigns; (ii) reduction of pensions for senior government officials so they do not exceed the President's; (iii) reduction of officials in local municipalities; and (iv) stricter limits to prevent nepotism and indefinite tenure within electoral bodies.

The electoral reform is expected to be published imminently.

Reform to the Mexican Antitrust Law

In July 2025, the Mexican Congress approved a comprehensive reform of the antitrust legal framework in Mexico, including, among others: (i) the creation of the National Antitrust Commission (CNA), which formally began acting in October 2025, (ii) the confirmation and appointment of new commissioners, (iii) lowering thresholds for merger notification, (iv) the recognition of compliance programs as mitigating factors, (v) the establishment of a procedure to protect attorney-client communications, and (vi) the increase of certain sanctions, including higher maximum fines for absolute monopolistic practices, relative monopolistic practices, unlawful concentrations, unauthorised concentrations and failure to notify reportable transactions.

Proceedings initiated before the former Federal Economic Competition Commission (COFECE) and the Federal Telecommunications Institute (IFT), limited to matters of economic competition, preponderance and cross-ownership, other than the investigations conducted by the investigative authority, will continue to be heard under the legislation in force at the time of their initiation. This includes, among others, trial-like proceedings, merger notifications and review procedures.

In addition, on 19 December 2025, a new tariff regime for merger filings was enacted. Under this regime, filing fees are determined based on the estimated maximum transaction value in Mexico and range from MXN882,158 to MXN6,015,098, excluding VAT.

Reform to the Mexican Intellectual Property Law

In April 2026 a decree was published amending the Federal Law for the Protection of Industrial Property. Key changes include the following.

- Faster deadlines for IMPI decisions – the reform sets maximum timeframes for IMPI to resolve applications and proceedings, including patents, trade marks and geographical indications, reducing delays and improving certainty for applicants.
- New types of trade marks, including:
 - (a) position marks
 - (b) motion marks; and
 - (c) multimedia marks.

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- Stronger bad-faith controls – applicants filing or renewing trade marks must declare under oath that the filing is not deceptive and not made in bad faith.
- Protection of indigenous and Afro-Mexican cultural heritage – marks connected to the cultural heritage, traditional knowledge or expressions of indigenous and Afro-Mexican communities may be refused unless proper authorisation exists.
- New patent tools – the reform adds:
 - (a) provisional patent applications, allowing an early filing date with minimal requirements;
 - (b) restoration of priority rights in some missed-deadline cases;
 - (c) reinstatement mechanisms when certain deadlines are missed; and
 - (d) supplementary protection certificates for pharmaceutical patents, compensating for unjustified delays in COFEPRIS marketing authorisations.
- Ownership claims instead of nullity – a new administrative procedure allows a rightful owner to claim ownership of a patent or registration granted to the wrong person, rather than only seeking invalidation.
- Technology transfer focus – the law now expressly promotes technology transfer.
- Artificial intelligence liability – industrial property infringements committed through AI tools remain sanctionable.
- Ambush marketing becomes an infringement – creating a false appearance of sponsorship or official association with major events is now expressly classified as an infringement.
- Expanded digital enforcement – IMPI may process and resolve infringement proceedings electronically, which should streamline enforcement actions.

Proposed Law for the Promotion of Investment in Strategic Infrastructure for Development With Well-Being

In April 2026, President Sheinbaum submitted to the Mexican Chamber of Deputies a bill to enact the Law for the Promotion of Investment in Strategic Infrastructure for Development with Well-Being and amend the Federal Budget and Fiscal Responsibility Law.

The proposed law seeks to facilitate the planning, financing, construction, modernisation and operation of strategic infrastructure projects that contribute to national development, economic growth and social well-being. It is designed as a nationwide framework for co-ordinated participation by the public, private and social sectors.

The bill promotes collaboration between government and private investors through (i) long-term contracts; (ii) joint investment schemes; (iii) risk-sharing models; and (iv) flexible participation structures (majority, minority, or equal public/private stakes). Projects may be structured through special purpose vehicles, such as trusts, corporations, or other investment vehicles dedicated exclusively to financing strategic infrastructure and may access capital markets.

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