

Comment on Mexico's Amended Law

Amended law on Control and Registration of Transfer of Technology and Use and Exploitation of Patents and Trademarks

BY JAIME DELGADO*

GENERAL PROVISIONS

The amended law contains several items which were added for registration. Some of those items were already contained in other legal provisions such as the Law of Inventions and Trademarks. Thus, the licensing of certificates of invention, the licensing of tradenames and the assignments of patents or trademarks require prior approval and registration at the National Registry of Transfer of Technology (NRTT).

In addition, the following types of contracts will also require registration:

a. Any type of basic or detail engineering.
b. Consulting, supervising and advising when the service is rendered by a foreign individual or corporation.

c. Copyright licensing if it involves an industrial exploitation (excepting editorial, cinematographic, radio or television). This would include, for instance, the licensing of prints of characters to be used on garments, etc.

d. Computer programs. (The law does not define a computer program; that is, whether it includes all types of software, etc.) The amended Law of Transfer of Technology has added as an exception for agreements which require registration those arising out of technical cooperation agreement between governments. The amended law makes it compulsory for foreign parties to apply for registration. Formerly, there was no obligation to do so.

The new Law provides that licensing agreements effective in Mexico should not only be governed by Mexican law or by applicable international treaties to which Mexico is a party but also to Mexican courts. Arbitration is acceptable provided Mexican law is applicable. The National Council of Science and Technology and the National Polytechnical Institute are consulting institutions to assist the NRTT without limiting the authority of the latter to consult with any public or private institution which may carry out research and development activities.

The purposes of the NRTT are:

- a. To adequately select technology.
- b. To determine the maximum payments allowable

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for royalties taking into consideration alternatives available on a worldwide level.

c. To develop, increase, and diversify priority goods and services. (Such as food, housing, agricultural development).

d. To promote the idea that technology acquired should be assimilated better and faster.

e. To compensate that payments derived from royalties should be offset with exports, which would permit higher percentages for royalties whenever the products manufactured under the technology acquired are exported or if imports are substituted with the same.

f. To develop investigation and technological research through licensing agreements.

g. To foster the acquisition of novel technology.

h. To promote the technology from local sources and develop the export of Mexican technology.

Agreements subject to registration must be filed within 60 working days from the date of signature. If filed after such term the agreements can only be effective from the filing date.

When the NRTT refuses the registration of an agreement, the parties may file for reconsideration within 15 working days from the date of receipt of the notice of rejection. Any evidence filed during the prosecution of said recourse must be heard within 30 days.

The NRTT has 60 working days to decide the reconsideration. Failure to respond within the term indicated will be considered as a tacit acceptance.

No Extension

There will be no extension granted in case of rejection to the 15 days within which to file for reconsideration of the rejection.

The following are causes for rejection of the registration:

1. The supplier of the technology cannot intervene in any way in the management of the company which acquires the same.

2. Licensee cannot be obliged to assign or grant a license for the use of trademarks, patents or improvements free of charge, except in the case where there is reciprocity.

3. Licensee cannot be limited in the research and development of its own technology.

4. Licensee cannot be obligated to purchase certain equipment, tools, parts or raw materials exclusively from a certain source although it is possible that a suggestion be made in the agreement as to the best sources for such acquisition.

5. Prohibition or limitation as concerns exports of goods or services produced under the technology is forbidden. However, export to those countries where the licensor has granted exclusive licenses to third parties

may be prohibited.

6. The use of supplementary technology is forbidden.

7. The sale of goods produced to an exclusive client cannot be agreed upon.

8. Licensee cannot be obligated to use permanently personnel selected by licensor; however, temporary personnel may be agreed upon.

9. Limitation as to the volume of production and imposition of prices for sales or resales as well as for exportation are forbidden.

10. Licensee cannot agree to enter into agreements for sales or exclusive representation with licensor unless the latter proves that better elements for the commercialization of the goods are available.

11. Once the term of the agreement has expired, licensor shall not be held to maintain secrecy. The agreement cannot have a duration in excess of 10 years.

12. The agreement must establish expressly that licensor shall assume for responsibility in the event of infringements by third parties in connection with trademarks, patents and improvements.

13. Licensor must guarantee the quality of the technology in order for the agreement to be approved by the NRTT.

14. When the technology to be furnished is available in Mexico and is derived from a foreign country, registration will not be allowed. However, when the technology is available in Mexico but will be furnished by a foreign company, registration will be allowed.

15. Registration cannot be granted when the royalties agreed upon, in the opinion of the NRTT are excessive or damaging to the Mexican economy or that of licensee. The criteria to determine the above is set forth in Section II of Article 9.

16. The maximum term allowed of all agreements shall be 10 years.

17. The interpretation of the agreement cannot be submitted to foreign courts, except in the following cases:

- a) In the case of exportation of Mexican technology.
- b) When the parties submit to arbitration by international private arbiters provided that Mexican law is applied substantially.
- c) When International Treaties covering the subject matter are subscribed by Mexico. Exceptions to the above 17 causes may be made, provided such is beneficial to Mexico.

PENALTIES

A fine equivalent to 10,000 times the minimum salary prevailing in the Federal District shall be imposed upon any of the parties or representatives thereof who when requesting registration of any agreement should furnish false information.

All agreements which are registrable with the NRTT

and which are not presented by the parties mentioned in Article 5 shall cause the imposition of a fine to such parties equivalent to 10,000 times the minimum salary for the Federal District.

A fine equivalent to 5,000 times the minimum salary in the Federal District shall be imposed in the event of refusal to furnish information considered necessary to determine the propriety of the agreements presented. The above penalties shall be imposed regardless of the payment of the respective fees corresponding to the same and regardless of the criminal responsibility which may be incurred.

A penalty for the official personnel of the NRTT as may be incurred shall be for 500 times the minimum salary regardless of the criminal responsibility which may be incurred.

The rules under which the above penalties will be applied are as follows:

1. The importance of the infraction, the conditions of the party, and the degree of participation in the agreement shall be taken into account.

2. Hearing will be allowed to all interested parties and resolution shall be adopted in accordance with the law in force.

3. When the responsible parties are several, the corresponding fine shall be imposed on each.

4. In the case of the same action violating several provisions, the penalty corresponding to the most serious case shall be imposed. However, if upon filing any agreement or registration several infractions are committed the penalty corresponding to it shall apply.

5. If the violation is considered of less importance in the opinion of the NRTT a minimum penalty will be imposed and the violator shall be warned that in the event of incurring in another violation it shall be punished fully.

6. When compliance is not given to a provision and such noncompliance is contained in a public instrument the penalty shall be imposed on the notary unless the violation is caused by incorrectness or falsehood as to the information furnished by the interested party.

RECOURSE OF REVOCATION

When a penalty is imposed, the interested parties shall be entitled to a hearing to oppose the same. No term or date for the hearing is established but a term of 15 days as provided for in the recourse of reconsideration should be determined.

The authorities must issue a ruling within a term of 15 days from the date of filing of the recourse.

If no recourse is filed, the ruling shall be considered final.

This law shall become effective 30 calendar days following January 11, 1982, date of publication in the Official Gazette. The Law for Registration of Transfer of Technology and the Use and Exploitation of Patents and Trademarks is hereby repealed.

World Practice Notes

BY NORMAN ST. LANDAU

Under date of January 7, 1982, ZAIRE has enacted a law covering industrial property. The law seems designed to collect substantial fees from applicants and owners of industrial property and provides for patents of invention, patents of importation and patents of improvement. The basic patents are for 20 years except that medical patents will be for 15 years.

However, patents of importation and improvement expire at the same time as the basic patent involved. The new law provides for patent examination and requires use of the invention in the absence of which the patent lapses. Such use must be by the sooner of the following two dates: five years from the date of the application or three years from the date of the grant of the patent except that in the case of pharmaceuticals, it will be four years from the date of the grant of the patents.

In the case of importation patents, the use must be made within three years from the application, but this date will be reduced to two years if the same invention is used abroad. Patent licenses must be recorded with the industrial property office. Annual renewal taxes are provided for for patents. Infringement of patents is punished by imprisonment.

Trademarks are registered for 10 years and the registrations may be renewed for like periods. Trademarks must be used within three years from the registration date. Trademarks registered prior to January 7, 1982, require special renewal within two years from that date.

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The EUROPEAN ECONOMIC COMMUNITY is considering a proposed directive covering trademark rights in the European Common Market. The directive, as originally drafted, is likely to supersede national laws of passing-off or unfair competition, eliminate a trademark owner's trademark rights if the same product is sold under different marks in different countries of the Common Market, and set a new standard of confusing similarity which would require "serious" likelihood of confusion before action could be taken against a newcomer trademark.

It would seem important:

1. To prevent elimination of national laws covering unfair competition or passing off.

2. To avoid loss of trademark rights if the same product is sold under different marks in different countries.

3. That there shall be no loss of national trademark rights unless old national trademark protection is superseded by community protection of equal strength.

4. The standard of confusion permitting action against the newcomer should be less stringent than "serious" likelihood of confusion.

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For many years manufacturers in Europe and particularly a few German manufacturers have used the device of registering a competitor's trademark or a trademark closely resembling the competitor's trademark to bar the competitor's entry into a market under the competitor's trademark. Recently, in approving a settlement contract between two competing lamp producers—namely, Airam and Osram—the European Commission warned all companies who may be held to have a dominant position in the EUROPEAN ECONOMIC COMMUNITY, that registration of competitors' trademarks may be held to be in abuse of such dominant position.

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In the case of: Extrude Hone Corporation's Patent, (1982) R.P.C. 361, Mr. Justice Whitford of the United Kingdom Patents Court sustained the holding of the Lower Court and of the patent's examiner. The position taken was that even though the Irish Free State and the United Kingdom are members of the European Economic Community, it does not satisfy the working requirements of the United Kingdom to have a patent exploited in Ireland, that in spite of the patentee's claim that a compulsory United Kingdom license did make the invention commercially less viable and perhaps amount to a quantitative restriction on imports or actually diminish supplies. A compulsory license was granted.

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RE THE GEMA STATUTES (1982) 2 C.M.L.R. 481

The commission of the European Economic Community decided that a Copyright Collecting Society may provide that participating copyright owners shall refrain from making grants that would directly or indirectly influence their share of revenue, for instance, by increasing the frequency

with which a copyright at work might be performed.

This decision overruled objections from parties who claimed that such a provision would constitute an abuse of the copyright collecting societies dominant position.

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BRAZILIAN Normative Act INPI No. 61 of March 24, 1982, establishes that no trademark royalties are payable for trademarks which constitute simple variations of trademarks previously registered or applied for even when such variations claim a foreign priority in BRAZIL.

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In the British case of Gates and Others v. Swift and Others (1982) R.P.C. 399

The defendants were alleged to have pirated plaintiff's copyright programs involving certain computer programs for a microcomputer. Defendants are alleged to have assured plaintiffs several times that they were discontinuing the practice, but resumed promptly thereafter. Justice Graham grants relief in Anton Piller form ordering that the defendants be retained until they would part with the reproductions, discontinued to make, procure, sell, dispose or alter or conceal the pirated items and parted with these items.

In the case of Welcome Foundation Ltd. v. VR Laboratories (Australia) (1982) R.P.C. 343

The defendants desired to determine obviousness of an invention upon which an Australian patent was based by asking to discover plaintiffs' documents relating to experimental work done in plaintiffs' home country, England. The court dismissed the appeal, holding that the test of obviousness is common general knowledge at the priority date in Australia and not in plaintiffs' home country.

The French Court of Cassation held in Greenwich Films SA v. SACEM (1982) 1 C.M.L.R. 577

That a performing rights society may require as a condition of membership, that the composer transfer to it all classes of rights for the whole world for a long period, for the future and for existing compositions, because this does not per se affect trade within the common market.