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## 1981 MEXICAN TRANSFER OF TECHNOLOGY LAW

ALAN L. HYDE\*

On January 11, 1982, the *Diario Oficial* published the text of the new Law Concerning the Control and Registration of the Transfer of Technology and the Use and Exploitation of Patents and Trademarks,<sup>1</sup> enacted by the Mexican Congress on December 29, 1981.<sup>2</sup> The 1981 Law, which became effective February 10, 1982, superseded the Mexican Transfer of Technology Law enacted on December 28, 1972.<sup>3</sup> The 1981 Law did not effect major substantive changes. Rather, it incorporated and reflected administrative interpretations and procedures, and imposed a series of fines or penalties and other administrative sanctions for violation of its various provisions. The 1981 Law reflects nearly a decade of experience with the 1972 Law. The purpose of this paper is to compare the 1981 and 1972 Laws, noting the principal differences between the two.

The 1981 Law substantially rearranges the subject matter that is covered in the 1972 Law and presents it in a more logical manner. The 1981 Law contains twenty-four articles, as compared to fourteen in the 1972 Law. The provisions are grouped into five chapters. Chapter I, which includes articles one through seven, is entitled "General Provisions." Chapter II, encompassing articles eight through fourteen, is captioned "Concerning the National Registry of the Transfer of Technology and Registration Procedure." Chapter III, contains articles fifteen, sixteen and seventeen, and is entitled "Concerning Grounds for Denial of Registration." Chapter IV, includes articles eighteen through twenty-three, and is entitled "Concerning Sanctions." Finally, chapter V, consisting only of article twenty-four is entitled "Concerning Appeal for Reversal." The 1981 Law also contains four transitory articles.

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1. Ley sobre el control y registro de la transferencia de Tecnología y el uso y Explotación de Patentes y Marcas, D.O. Jan. 11, 1982.

2. [Hereinafter referred to as the 1981 Law].

3. [Hereinafter referred to as the 1972 Law].

The comments that follow describe the differences between each article of the 1981 Law and its counterpart (if any) in the 1972 Law.

### *Article 1*

Article one has no precise counterpart in the 1972 Law. It provides that the government Ministry responsible for its administration is the Ministry of Patrimony and Industrial Promotion,<sup>4</sup> to which administration of the 1972 Law was transferred from the Ministry of Industry and Commerce pursuant to the January 1, 1977 general reorganization of the Executive Branch of the Mexican Government. Article one also states the two purposes of the Law: (1) the control and orientation of technology transfers and (2) the development of internal sources of technology.

### *Article 2*

Article two of the 1981 Law corresponds to article two of the 1972 Law and enumerates the various types of technology agreements that require registration. The following types have been added:

- a. Certificates of invention; a device created by the 1976 Law of Inventions and Trademarks.<sup>5</sup>
- b. Assignments of patents and trademarks. The 1972 Law required registration of licenses of patents and trademarks but not outright assignments thereof. Article forty-six of the 1976 Law filled this gap by imposing a registration requirement. The requirement is now included in the 1981 Law, where it properly belongs.
- c. The grant or authorization of the use of trade names.
- d. Consulting and supervisory services provided by foreign natural or juridical persons or their subsidiaries, irrespective of their domicile.
- e. Authorization of the use of copyrights that involve industrial use.
- f. Computer programs.

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4. [Hereinafter referred to as the Ministry].

5. [Hereinafter referred to as the 1976 Law].

*Articles 3 and 4*

Article three of the 1981 Law corresponds to article nine of the 1972 Law and identifies certain types of technology agreements that do not require registration. Agreements that provide for the industrial use of copyrights relating to the publishing, movie, radio, and television industries have been added to this category, as have international technical cooperation agreements entered into by governments.

Article four of the 1981 Law modifies the provision of article nine of the 1972 Law that excluded in-bond (*maquiladora*) operations from the registration requirements. Those operations are subject to the 1981 Law in addition to other applicable laws and regulations.

*Article 5*

Article five of the 1981 Law is based on article three of the 1972 Law and identifies those persons who are required to register technology agreements. Decentralized state organizations and enterprises with government ownership have been added. Although registration by foreign parties was merely permissive under the 1972 Law's registration provisions, foreign parties are now subject to the registration requirement.

*Article 6*

Article six denies various tax benefits and incentives to parties required to register and failing to do so. It is substantially the same as article five of the 1972 Law.

*Article 7*

Article seven is a new provision. It indicates that technology agreements subject to the 1981 Law shall be governed by Mexican law or applicable international treaties or conventions to which Mexico is a party. This provision reflects a longstanding position that Mexican law, as the law of the place of performance, governs under universally accepted conflicts of law principles.

*Article 8*

Article eight updates and amplifies Article one of the 1972

Law, relating to the establishment of the National Registry of the Transfer of Technology.<sup>6</sup> It reflects the 1977 transfer of the Registry from the Ministry of Industry and Commerce to the Ministry of Patrimony and Industrial Promotion. Article eight also broadens the designated consultative bodies to include the National Council of Science and Technology, the National Polytechnic Institute, and other domestic or foreign, private or public, bodies that are engaged in technological research or development.

### *Article 9*

Article nine sets forth the various powers of the Ministry with respect to the 1981 Law. Clauses V and VI carry forward, without change, the provisions of articles eleven and twelve, respectively, of the 1972 Law that relate to the cancellation of registration of technology agreements that are amended in a manner violative of the law and audits to ensure compliance with the Law. Clauses I, II, III, IV, VII and VIII contain new provisions that confer the following powers on the Ministry:

- I. The power to determine the conditions under which registration of technology agreements shall be granted or denied.
- II. The power to establish the policies by which technology transfers in Mexico shall be permitted or regulated, under stated criteria.
- III. The power to establish suitable procedures for properly evaluating technology agreements that come to its attention, including the power to secure such information as may be deemed necessary.
- IV. The power to promote Mexican technological development through industrial policy mechanisms.
- VII. The power to require production and to verify any information not otherwise specified that may be deemed necessary for the proper discharge of the functions assigned to the Ministry by the 1981 Law.
- VIII. Such other powers as may be authorized by law.

### *Article 10*

Article ten prescribes the time period within which technology agreements and amendments thereto must be presented for registration. The 1981 Law provision clarifies the fact that the sixty-day

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6. [Hereinafter referred to as the Registry].

time period is to be computed as working days, and not as calendar days but otherwise reflects little change from article four of the 1972 Law.<sup>7</sup>

#### *Article 11*

Article eleven of the 1981 Law corresponds to article six of the 1972 Law, providing for the nullity of unregistered technology agreements. The 1981 Law contains no substantive change.

#### *Article 12*

Article twelve of the 1981 Law specifies the time period within which the Ministry must determine whether a technology agreement is eligible for registration. It corresponds to article one of the 1972 Law without changes in substance. As in article ten, this provision makes it clear that the ninety-day time period is to be computed as working days, not as calendar days.

#### *Article 13*

Article thirteen of the 1981 Law corresponds to article fourteen of the 1972 Law, and deals with petitions for reconsideration of resolutions denying registration of technology agreements. The time period for petitioning for reconsideration has been expanded from eight days to fifteen working days. This period may not be extended. The effective date of notification of resolutions of the Ministry denying registration is now specified by reference to the applicable provisions of the Federal Code of Civil Procedure, which appear in Articles 110 to 128 inclusive, of that Code.

The provisions regarding evidence that may be presented to support a petition for reconsideration have been broadened. It is expressly stated that the petitioner shall have a period of thirty working days to present the evidence that is offered and admitted. The period for ruling on petitions for reconsideration is lengthened from forty-five days to sixty working days.

#### *Article 14*

Article fourteen of the 1981 Law requires government personnel who are involved in various procedures before the Registry to

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7. Further, the Ministry is to be advised of the termination of technology agreements.

treat technical information that is not in the public domain as confidential. It corresponds to article thirteen of the 1972 Law and reflects no substantive change.

*Articles 15, 16 and 17*

Articles fifteen, sixteen and seventeen of the 1981 Law set forth the standards that are to be applied in determining whether a technology agreement is eligible for registration. These provisions cover the same ground as did articles seven and eight of the 1972 Law. The fourteen standards appearing in article seven of the 1972 Law have been replaced by thirteen standards in article fifteen and four standards in article sixteen of the 1981 Law. A possible explanation for grouping the 1981 standards into two separate articles was to segregate those that relate to restrictive or unfair commercial practices. These appear in article fifteen.

In detail, the standards set in the 1981 Law are as follows:

*Article 15*

I. This standard deals with management control by the supplier. The language is substantially the same as that found in clause III of article seven of the 1972 Law.

II. This standard concerns grant-back clauses and is patterned on clause IV of the 1972 Law. The language has been expanded to include licenses, as well as assignments, and to include exceptions for situations where there is reciprocity, or benefit for the recipient, in the exchange of information. This exemption codifies a standing Registry policy.

III. This standard, relating to research and development restrictions, is identical to the one found in clause V under the 1972 Law.

IV. Dealing with tied purchases, this standard reiterates the one that appeared in clause VI of the 1972 Law, with the addition of a qualification that there are alternative sources of supply in either the national or international marketplace.

V. This standard relates to export restrictions. It is identical to the one contained in clause VII under the 1972 Law.

VI. Dealing with the use of complementary technology, this standard is identical to the one appearing in clause VIII of the 1972 Law.

VII. Relating to exclusive sales agreements, this standard is based upon the one contained in Clause VII of the 1972 Law. It has, however, been changed to prohibit obligations to sell to a

single customer, as opposed to obligations to sell to the technology provider.

VIII. Restricting the required use of personnel designated by the technology supplier; this standard is essentially the same as the one found in clause X of the 1972 Law.

IX. This standard relates to production volumes and price limitations. It is essentially the same as the one set forth in clause XI under the 1972 Law.

X. This clause sets forth a standard for exclusive sales arrangements and is patterned upon clause XII under the 1972 Law. An exception has been added for export sales, in situations where the technology recipient agrees to the arrangement and it is demonstrated, to the satisfaction of the Ministry, that the technology provider has suitable sales arrangements or enjoys the necessary commercial prestige to carry out the marketing of the products under better conditions than could the technology recipient.

XI. This standard relating to a requirement that the technology recipient treat the technology as confidential after the expiration of the term of the agreement, is new, but codifies existing Registry policy in applying clause XIII of the 1972 Law, which relates to the duration of technology agreements.

XII. This standard, relating to the obligation of the technology supplier to police infringement of industrial property rights by third persons, is also new, but codifies Registry policy.

XIII. This standard provides for a guaranty from the technology supplier as to the type and quantity of results which will be obtained from the use of the technology, this standard is also new.

### *Article 16*

I. This standard concerns the availability of the same technology in Mexico. It is essentially the same as the one found in clause I under the 1972 Law.

II. This standard relates to the appropriateness of the price of the technology. It is based upon the standard set forth in clause II under the 1972 Law. There is one substantive change, in that the question of whether the price is an unjustified or excessive charge is to be determined not only by reference to the national economy, but in terms of the recipient enterprise. This change codifies existing Registry policy.

III. This standard, dealing with the duration of technology agreements, is essentially the same as the one set forth under clause XIII in the 1972 Law.

IV. This provision regarding dispute resolution is based upon clause XIV of the 1972 Law. The new provision carves out two

exceptions from the prohibition against reference to foreign law and foreign courts. One is for cases where exports of technology are involved. The other permits dispute resolution by private international arbitration, as long as substantive Mexican law is applied to the controversy and the arbitration is conducted in accordance with applicable international agreements to which Mexico is a party.

### *Article 17*

Article seventeen of the 1981 Law replaces article eight of the 1972 Law with reference to the grant of exceptions from the denial of registration. Under the 1981 Law, the Ministry is empowered to grant exceptions from any of the seventeen standards; under the 1972 Law, the Ministry was empowered to grant exceptions from only eight of the fourteen standards. The criteria to be applied in determining whether to grant an exception appear broader under the 1981 Law. Under the 1972 Law, an exception could be granted "when the technology is of particular interest to the country."<sup>8</sup> Under the 1981 Law, however, the Registry is given absolute discretion.<sup>9</sup>

### *Articles 18 to 23*

Articles eighteen to twenty-three comprise chapter IV of the 1981 Law, entitled "Concerning Sanctions". The material is all new. It provides for administrative sanctions that may be imposed by the Ministry. These new provisions may be summarized as follows:

#### *Article 18*

Any person who fraudulently provides false information in connection with an application for registration will be fined up to the amount of the transaction, or up to ten thousand times the daily minimum wage in the Federal District if the transaction amount cannot be valued.

#### *Article 19*

If a technology agreement requiring registration is not presented to the Registry, the Ministry will impose a fine of either, anything up to the amount of the transaction, or ten

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8. 1972 Law, art. 8.

9. The Registry "shall determine those situations which in its judgement are susceptible to an exception, taking into account circumstances of benefit to the country." 1981 Law, art. 17.

thousand times the daily minimum wage in the Federal District, as it shall determine on the basis of the seriousness of the violation. The same sanctions apply where, after a technology agreement is registered, the Ministry is not advised of changes in the conditions surrounding the original registration.

*Article 20*

Parties to technology agreements governed by article two, who, without just cause, refuse to furnish information pertinent to the exercise of the powers conferred upon the Ministry by the 1981 Law, may be fined up to five thousand times the daily minimum wage in the Federal District.

*Article 21*

The application of appropriate administrative sanctions is without prejudice to the obligation to comply with the Law to pay required fees, surcharges where applicable, and fines imposed by the courts in criminal proceedings.

*Article 22*

A breach of confidentiality by a Registry employee in violation of article fourteen of the 1981 Law will subject the violator to a fine of up to five thousand times the daily minimum wage in the Federal District and discharge from his post, without prejudice to the application of the applicable criminal sanctions.

*Article 23*

To determine the sanctions for each violation of the 1981 Law, the Ministry will apply six factors set forth in article twenty-three: the seriousness of the offense, the right to a hearing, joint and several liability, multiple offenses and the involvement of a notary public or broker.

*Article 24*

Article twenty-four is entirely new. It deals with appeals from the imposition of administrative sanctions. It enumerates the right to have a hearing and to raise objections to the sanctions imposed and provides for a fifteen-day time period within which an administrative response must be given. Further, the appeal period is limited to fifteen days.