

Dominican Republic

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Structuring and legal considerations

1 What are the key laws and regulations implicated in technology M&A transactions that may not be relevant to other types of M&A transactions? Are there particular government approvals required, and how are those addressed in the definitive documentation?

In general terms, all M&A transactions regarding Dominican entities are governed by the New General Law on Companies and Individual Enterprises with Limited Liability No. 479-08, as amended, enacted on 11 December 2008 with the main goal of modernising and updating the existing legislation on corporate matters. Naturally, if the company in question belongs to and operates in a regulated sector, such as telecommunications, for example, certain special laws will apply to the M&A in question.

As key laws, and not exclusively applicable to technology M&A transactions, it is important to mention first Law No. 172-13 on Protection of Personal Data (Law No. 172-13), which came into full force in the Dominican Republic to protect the personal data of individuals in the country, as well as to regulate the establishment, operation and termination of the Credit Information Companies (SIC), previously known as Credit Bureaus, and the provision of credit reference services and supplying information to the market. This law applies to personal data recorded in any database that is used for processing and any type of subsequent use of such in the public and private spheres. Law No. 172-13 updates and improves the former legal regime, while granting greater protection to personal data, and safeguarding the Right to Privacy and Personal Honour contained in article 44 of the Dominican Constitution.

The public or private archives, registers or databases, destined to provide credit reports are subject to the inspection and supervision of the Superintendence of Banks. The provision of services involving the collection, processing and exchange of information on the credit history of a natural or legal person, provided that such information comes from the financial entities regulated by the Monetary and Financial Law, and economic agents, as well as any other information deemed useful for the development of an efficient credit report, such as those of public nature, will only be carried out by the SICs that obtain prior authorisation from the Monetary Board. The application to operate as an SIC will be filed before the Superintendence of Banks, which will process the application and attach its opinion to the Monetary Board. Law No. 172-13 on the Protection of Personal Data only regulates the International Data Movement with foreign governments, international organisation or supranational bodies, requiring the consent of the owner of the data.

In addition, the Law No. 20-00 on Industrial Property, as amended, enacted on 8 May 2000, jointly with the Dominican Copyright Law No. 65-00, enacted on 26 July 2000, are legal instruments of utmost importance for the technology M&A.

The Law No. 20-00 on Industrial Property provides the legal framework for the registration of patents and industrial property rights. The government agency responsible for granting patents and registering industrial property rights is the National Office of Industrial Property (ONAPI), which is under the Ministry of Industry and Trade.

On the other hand, the main objective of the Dominican copyright law is to provide a legal and institutional framework in accordance with

the provisions of the Aspects of Intellectual Property Rights Agreement related to Commerce (TRIPS), which allows for the effective protection of copyrights in the Dominican Republic, taking into account the national interest. The National Copyright Office (ONDA), ascribed to the Ministry of Industry and Commerce, is the national authority in charge of the registration and organisation of the applications-related copyright. For these purposes, the law has granted administrative, supervisory and arbitral powers. Its supervisory activities are enforced by the obligation of any importer or distributor of commercial goods, services, and equipment with author or related rights to register the same.

Banking regulations may apply to fintech entities, which have a very high technology component. The current situation regarding fintech in the Dominican Republic is not very different from the rest of Latin America. In spite of the fact that there is no specific regulation for fintech companies in our jurisdiction, the management of the data and, in general terms, the operations of these companies must be in accordance with banking regulations. In this particular sector, the main law to be mentioned is the Law No. 183-02, enacted on 3 December 2012. This law contains provisions regulating the monetary system for purposes of maintaining price stability; and, provisions that regulate the financial system, with the objectives of ensuring compliance with the conditions of liquidity, financial stability and management applicable to financial institutions and to achieve proper functioning of the system in a competitive, efficient and free-trade environment.

There are no particular government approvals required to technology M&A transactions, unless the target entity operates in a regulated sector.

2 Are there government march-in or step-in rights with respect to certain categories of technologies?

There are no government march-in or step-in rights with respect to certain categories of technologies.

3 How is legal title to each type of technology and intellectual property asset conveyed in your jurisdiction? What types of formalities are required to effect transfer?

The legal regime that regulates the issuance of legal title to each type of technology is provided under Law No. 20-00 on Industrial Property, as amended, enacted on 8 May 2000, and the Dominican Copyright Law No. 65-00, enacted on 26 July 2000.

In the Dominican Republic, industrial property rights are protected by Law 20-00, dated 8 May 2000, on Industrial Property, which modernises the rules applicable to patents and trademarks by adapting them to the agreements of the World Trade Organization and creating the National Office of Industrial Property (ONAPI).

It must also be taken into consideration that our registration system for industrial property (trademarks, trade names and patents) are constitutive of rights, meaning that rights are acquired at the moment of registration. However, our legislation provides some exceptions. In light of the above, it is advisable to register any IP rights before using them locally. Our legislation is based on the territorial principle, which is not applied in cases of highly notorious brands.

A patent or patent application may be transferred by a legal act between living persons or by succession. All transfers relating to a patent or a patent application must be confirmed in writing and recorded

in the National Office of Industrial Property. The transfer has legal effect for third parties only after being recorded, upon payment of the established fee for recording. Also, an issued patent may be given as a guaranty for an obligation assumed by its holder. For such purposes, the National Office of Industrial Property shall carry out the recording of the privilege in favour of the creditor, issuing the corresponding certification. Likewise, the National Office of Industrial Property, upon receiving formal evidence of the termination of the obligations originating said guaranty, shall cancel the record of the privilege. In the case of a transfer of the patent in foreclosure of the guaranty, the unpaid creditor shall file the documentation corresponding to said foreclosure and shall proceed according to the terms of this law.

In addition, the rights relating to a trademark that is either registered or in process of registration can be transferred by an act between living persons or through succession. Transfer may be made independently of the company or on behalf of the company of the holder of the right, and with respect to all or some of the products or services that the trademark distinguishes. When the transfer is limited to one or some of the products or services, the registration shall be divided by opening a new one in the name of the acquirer. A transfer relating to a trademark that is registered or in process of registration shall have legal force for third parties only after being recorded in the National Office of Industrial Property. The established fee shall be paid for the recording. A commercial slogan must be transferred together with the trademark symbol with which it is associated, and its period of effectiveness shall be subject to that of the symbol.

Finally, the transfer of a company or establishment implies the transfer of the commercial name that identifies it, unless there is agreement to the contrary. The transfer of a registered commercial name may be recorded in the National Office of Industrial Property by virtue of any public document proving the transfer. The recording of the transfer shall be carried out according to the procedure applicable to the transfer of trademarks.

Copyrights are regulated by Law 65-00 on Copyrights of 21 August 2000, which aims to provide a legal and institutional framework in accordance with the provisions of the TRIPS agreement related to commerce, which allows for the protection of copyrights in the Dominican Republic, taking into account the national interest. The National Copyright Office (ONDA), under the Ministry of Industry and Commerce, is the national authority in charge of the registration and organisation of copyright applications.

Dominican law regulates the transfer and dissemination of technology for the benefit of producers and users of technical expertise, in accordance with the provisions of the TRIPS of the WTO, the Paris Convention for the Protection of Industrial Property, the Cooperation Treaty in Patents (PCT), Chapter 15 of DR-CAFTA and other international agreements, which gives the Dominican Republic one of the highest levels of protection for intellectual property in the region.

It is important to point out that copyright registration is optional in view that rights are acquired at the moment the work is created, it is nonetheless recommended in order to grant the work a set day of creation.

According to this law, the copyright of each work created in the Dominican Republic consist of moral rights and economic rights. Only an individual may be an author (moral rights). However, an entity may exercise the copyrights and related rights (such as economic rights) as derivative holder (*titular derivado*), in accordance with the rules of such law. In this particular case, it is important to mention that works created in employment relations, the ownership of the economic rights shall be governed by the agreement between the parties. In the absence of express contractual provision, it is presumed that the economic rights are owned by the author.

Due diligence

4 What are the typical areas of due diligence undertaken in your jurisdiction with respect to technology and intellectual property assets in technology M&A transactions? How is due diligence different for mergers or share acquisitions as compared to carveouts or asset purchases?

In our jurisdiction, the due diligence aspects taken into account for technology and IP assets in technology M&A transactions are, in general terms, quite similar to M&A transactions in other sectors, as long as the technology company does not find regulated in a particular

sector. Naturally, there is a particular focus on aspects of intellectual property and copyrights, as well as aspects related to data protection. Regarding the differentiated treatment that could be given to mergers or share acquisitions, the investigations during a due diligence process of aspects of intellectual property and copyrights are more exhaustive before the regulatory entities, since in these cases the transfers of each ownership right over the assets must be made expressly through the asset purchase agreement. In the case of the share deal, the drag mechanism operates. All the rights that were registered in the name of the company, because they are registered in its name, are the property of the buyer (new owner) as a result of the sale of shares through the share purchase agreement.

5 What types of public searches are customarily performed when conducting technology M&A due diligence? What other types of publicly available information can be collected or reviewed in the conduct of technology M&A due diligence?

Two primordial searches are carried out in this type of due diligence: before the ONAPI for Industrial Property rights; and ONDA for copyrights.

6 What types of intellectual property are registrable, what types of intellectual property are not, and what due diligence is typically undertaken with respect to each?

In principle, as mentioned before, all intellectual property are registrable. Although in certain cases there may be exceptions (or particular requirements that may be needed to complete the requirement) or the registration is not necessarily mandatory for the creation of the property right. By way of example, we can mention that copyright registration is optional in view that rights are acquired at the moment the work is created, as mentioned before. However, in these cases the registration is advisable.

7 Can liens or security interests be granted on intellectual property or technology assets, and if so, how do acquirors conduct due diligence on them?

Yes. Liens and security interests can be granted on IP or technology assets. In particular, a patent for invention or for utility model, a registration for industrial design and a registration for trademark may be granted as guaranty for an obligation assumed by the holder-registered owner, and may be the object of attachment or other restrictions on control. Such liens and security interest must be recorded in favour of the creditor in the ONAPI, without which they shall have no legal effect. The cancellation of such lien or security interest, in order to be effective, must be requested by an interested party to ONAPI, attaching the correspondent evidence of the termination of the obligation.

8 What due diligence is typically undertaken with respect to employee-created and contractor-created intellectual property and technology?

Usually, all documents and information is requested to the seller or target checklist when the due diligence process is initiated. Additionally, official investigations are performed before the ONAPI and ONDA.

In this sense, pursuant to Industrial Property Law 20-00, if the employee was hired for such purposes, the invention will belong to the employer; on the contrary, if the employee was not hired for positions where he or she needs to invent, the employee will have to notice to the employer on the invention. If the employer does not notify its interests on the invention, it will belong to the employee. If the employer does not notify its interest in the invention, the employee will be compensated for the invention being registered on behalf of the employer.

According to Copyright Law, the copyright of each work created in the Dominican Republic consists of moral rights and economic rights. Only an individual may be an author (moral rights). However, an entity may exercise the copyrights and related rights (such as economic rights) as derivative holder, in accordance with the rules of such law. In this particular case, it is important to mention that in works created in employment relations, the ownership of the economic rights shall be governed by the agreement between the parties. In the absence of express contractual provision, it is presumed that the economic rights are owned by the author.

9 Are there any requirements to enable the transfer or assignment of licensed intellectual property and technology? Are exclusive and non-exclusive licences treated differently?

The holder or applicant of a patent may grant to third parties one or more licences for exploitation of the invention that is the object of the patent or application. Such licence must be in writing and recorded in the ONAPI. The licence will have legal effect for third parties only after being recorded. Unless the licence agreement provides otherwise, the following criteria will apply, among others:

- the licensee cannot assign the licence or grant sub-licences (if permitted, such transfers will have to be registered for enforceability purposes);
- the licence is not exclusive and the licensor can give other licences for the exploitation of the patent in this country, and as well may himself or herself exploit the patent in this country; and
- when the licence is granted as exclusive, the licensor will not be able to grant other licences for the exploitation of the patent in this country nor himself exploit the patent in this country

10 What types of software due diligence is typically undertaken in your jurisdiction? Do targets customarily provide code scans for third-party or open source code?

Not applicable.

11 What are the additional areas of due diligence undertaken or unique legal considerations in your jurisdiction with respect to special or emerging technologies?

Not applicable.

Purchase agreement

12 In technology M&A transactions, is it customary to include representations and warranties for IP, technology, cybersecurity or data privacy?

Yes. It is customary to include representations and warranties for IP, technology, or data privacy. In the case of intellectual property and technology, it is usual to include representations and warranties regarding the ownership, veracity and accuracy of the rights disclosed during the due diligence process, in particular, with respect to those rights that may exist without being registered with the regulatory entity; since they would not appear in the official investigation carried out during the due diligence before the competent entities. Also, when needed, specific representations and warranties are included regarding the compliance of data privacy regulations. It is always very important to include a representation and guarantee that ensures that the business model (including all IP and technology rights) on which the business object of the transaction is based is 100 per cent original and that for the creation and development of the same the seller or the target have not violated rights of trademarks, trade names, technical assistance contracts, patents, copyrights, licences, franchises or concessions belonging to other people or entity.

13 What types of ancillary agreements are customary in a carveout or asset sale?

In this type of transactions (an asset deal) it is required and needed the execution of ancillary agreements to transfer the IP rights. Usually, the main asset purchase agreement is not filed with the ONAPI or ONDA, and simple forms of transfer or assignment agreement are executed between the parties (on the closing date) to reflect the change of ownership at the public registry. Such filings are performed as a post-closing task by the purchaser, provided that the seller usually has the obligation to assist and collaborate with the purchaser if any further document or information is required or needed to complete this transfer.

14 What kinds of intellectual property or tech-related pre- or post-closing conditions or covenants do acquirors typically require?

In our jurisdiction, on the closing date, usually is executed a services agreement for a definitive period of time with key individuals (if they will no longer remain as employees), to cover any assistance that may be needed for the effective business continuity.

15 Are intellectual property representations and warranties typically subject to longer survival periods than other representations and warranties?

No. In our jurisdiction, IP representations and warranties are not typically subject to longer survival periods.

16 Are liabilities for breach of intellectual property representations and warranties typically subject to a cap that is higher than the liability cap for breach of other representations and warranties?

No. Typically, liabilities for breach of IP representations and warranties are not subject to a cap that is higher than the liability cap for breach of other representations and warranties. However, this is agreed between the parties and there is no prohibition or restriction for the cap to be greater.

17 Are liabilities for breach of intellectual property representations subject to, or carved out from, *de minimis* thresholds, baskets, or deductibles or other limitations on recovery?

No. In our experience, transactions of this nature taking place in the Dominican Republic, liabilities for breach of IP representations are not subject to, or carved out from, *de minimis* thresholds, baskets, deductibles or other limitations on recovery.

18 Does the definitive agreement customarily include specific indemnities related to intellectual property, data security or privacy matters?

No. In our experience, transactions of this nature taking place in the Dominican Republic, do not customarily include under the definitive



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agreement specific indemnities related to intellectual property, data security or privacy matters.

19 As a closing condition, are intellectual property representations and warranties required to be true in all respects, in all material respects, or except as would not cause a material adverse effect?

Usually, for deals of a significant amount, IP representations and warranties are required to be true in all material respects, which a breach would not cause a material adverse effect. Although the term 'materially adverse change' or 'materially adverse effect' is not established in our legal system or at a jurisprudential level, the parties of common agreement at a contractual level can establish the criteria to apply.

Consequently, frequently, this term means any event, circumstance or event of any kind (including any failure of any litigation, arbitration, investigation or governmental process) that adversely affects the financial condition, operations commercial assets, assets or income (as defined in the contract); being understood as a negative effect a situation that: is not the result of the ordinary course of business, is a product or consequence of an action prior to the closing date and leads to an obligation or contingency equal to or less than the amount agreed between the parties.

In our experience, transactions of a smaller amount require as a closing condition that IP representations and warranties must be true in all respects. Nevertheless, this is not an infallible rule and may change depending on the agreement between the parties.