DECEMBER 2004 e-BULLETIN

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FRASER MILNER CASGRAIN LLP PARTNER LAURA SAFRAN, Q.C. RECOGNIZED AS ONE OF CANADA'S TOP 100 MOST POWERFUL WOMEN

FMC congratulates Laura M. Safran, Q.C., a senior partner in FMC's Calgary office, on recently being selected as one of Canada's Top 100 Most Powerful Women for 2004 by the Women's Executive Network.

Each year, the Top 100 Awards Program identifies and celebrates the 100 most exceptional and influential women in Canada. An independent advisory board selects the individuals based on defined and measurable criteria. In addition, each nominee is also measured by her community contributions.

This year's winners were represented in six categories: Corporate Executives, Entrepreneurs, Public Sector Leaders, Professionals, Trailblazers and Champions. Laura was selected in the Professionals category along with several other recipients such as, The Honourable Anne McLellan, Deputy Prime Minister and Minister of Public Safety and Emergency Preparedness and; Beverley McLachlin, Chief Justice of the Supreme Court of Canada.

Laura is highly regarded for her work in corporate-commercial and aviation law. She also advises on intellectual property and technology issues. Prior to joining FMC, Laura held the position of Vice-President, Law and Corporate Secretary of Canadian Airlines International and its parent and affiliated companies for a number of years.

In achieving this honour, Laura represents the dedication and commitment shared by the firm in providing trusted legal advice to help our clients succeed.

For more than 165 years, Fraser Milner Casgrain LLP has distinguished itself as one of Canada's leading business law firms. With more than 550 lawyers in six full-service Canadian offices, and an office in New York, FMC offers the depth of experience and trusted legal advice to help clients succeed.

For more information visit www.fmc-law.com

HOGAN AND HARTSON MOVES UP AMERICAN LAWYER'S GLOBAL 100 CHART

11.2004

Firm's Revenue Per Lawyer and Regulatory Strength Noted

The international law firm Hogan & Hartson moved up to the No. 26 spot on American Lawyer's Global 100, a ranking of international law firms based on revenues. American Lawyer compiles the lists using information from its AmLaw 100 and The Lawyer, a U.K.-based legal publication.

The publication noted that Hogan & Hartson is among the fastest-growing firms and highlighted its gains in revenue per lawyer (RPL). From 2000 to 2003 the firm's RPL grew at 48.8 percent while the Global 100 average was 11.8 percent. Also noted in the article were the firm's high-end regulatory practice and its increased presence in New York.

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LUCE FORWARD NAMED “SERVICE ORGANIZATION OF THE YEAR” by SAN DIEGO WORLD TRADE CENTER

December 1, 2004

Luce, Forward, Hamilton & Scripps LLP has been honored by the San Diego World Trade Center (SDWTC) as its "Service Organization of the Year" for 2004.

The prestigious recognition, presented at the SDWTC's 27th Annual Awards Gala on November 10, was one of four major awards presented to companies and individuals who have made significant contributions to the vitality of the San Diego region's international trade.

"It was a tremendous honor to accept the San Diego World Trade Center's Service Organization of the Year award on behalf of Luce Forward," said S. Elizabeth Foster, a partner in Luce Forward's San Diego headquarters office and member of the law firm's International Services Group. My colleagues and I are particularly honored that SDWTC's judges singled out Luce Forward for its assistance to the greater San Diego County international business community. As lawyers, our job is to help our clients do business, and this award reflects confidence in our ability to do that."

Foster, who serves on the SDWTC's Board of Directors, noted that the Awards Gala occurred the day after her return from a month-long business trip to China, India and Thailand, which included participation with a 35-member SDWTC trade mission to the China Hi-Tech Fair in Shenzhen, China, held October 12-17. Luce Forward was a co-sponsor of the trade mission and of the San Diego Pavilion at the Hi-Tech Fair, which earned the "Excellent Organizer" award from the China Hi-Tech Fair Organizing Committee. Foster also attended the 36th International Pacific Rim Advisory Council (PRAC) Conference in India, held October 30-November 5. Luce Forward is a founding member of PRAC, a global alliance of top-tier law firms serving clients throughout the Pacific Rim region.

For more information about Luce Forward Hamilton & Scripps visit www.luce.com

MORGAN LEWIS NAMED TOP IP

December 2004

Morgan Lewis' Intellectual Property Practice was recently named one of the "Top IP Firms" in *IP Law & Business'* annual "Who Defends IP America" survey. The publication surveyed the *Fortune* 250 and asked corporations to identify who represents them for both litigation and prosecution work. Morgan Lewis was pleased to be named by companies such as CIGNA, Dow, and Lehman Brothers Holdings. *IP Law & Business* is one of the leading intellectual property trade magazines, published by American Lawyer Media.

Morgan, Lewis & Bockius LLP Welcomes Nau Wu as of Counsel

Dr. Nan Wu’s practice focuses on patent and patent-related business transactions. She helps companies devise and execute patent protection strategies, steer clear of infringement pitfalls, and evaluate patent portfolios of others for business opportunities. Dr. Wu also works with companies to structure and negotiate licensing, collaboration or partnership deals for the development and commercialization of therapeutic or diagnostic products. Dr. Wu has an extensive biotechnological background from her medical school, graduate, and post-graduate research training at top-ranking academic institutions. She grew up in Beijing and maintains close ties with China and the Chinese community in the Bay Area. Visit Nan Wu on line at www.morganlewis.com ; nanwu@morganlewis.com

For more information about Morgan Lewis & Bockius visit www.morganlewis.com

RICHARDS BUELL SUTTON ENTERS AGREEMENT FOR DOMAIN NAME

December 1, 2004

Richards Buell Sutton is pleased to announce that we have entered into an agreement with the Royal Bank of Scotland with respect to our domain names. Richards Buell Sutton will be using rbs.ca and the Royal Bank of Scotland will be using rbs.com. As part of this exciting change, you will also notice our new firm logo.

Please note, effective immediately:

(a) Access to our website is at www.rbs.ca; and
(b) Email addresses will change to name@rbs.ca

For additional information about Richards Buell Sutton visit our web site at www.rbs.ca

ALLENDE & BREA OPENS ALTANTA REPRESENTATIVE OFFICE

Atlanta, Georgia, one of the fastest growing cities in the U.S. that has become a strategic leverage point to access the North American market for Latin American companies. At the same time, Atlanta is the city where many U.S. and international companies headquarter their Latin American operations. In response to the needs of firms and individuals operating or willing to operate in this fast pace and promising environment, Allende & Brea has opened in November 2004 its representative office in Atlanta, Georgia.

If you would like more information, please do not hesitate to contact us. Paula Holfeld: pbh@allendebreaatl.com

TILLEKE & GIBBINS AWARDED ASIALAW'S THAILAND IP FIRM OF 2004

Tilleke & Gibbins was recently awarded AsiaLaw's Thailand IP Firm of 2004. Selection basis for AsiaLaw IP awards (presented on November 3, 2004) combined legal market polls, nominations from a judging panel of over 100 in-house counsel and extensive editorial research.

In early 2004, Tilleke & Gibbins was also ranked the No.1 firm for both patent and trademark/copyright works in Thailand, in a survey (responded with votes from leading global IP professionals) conducted by Managing Intellectual Property magazine.

For additional information about Tilleke & Gibbins visit www.tillekeandgibbins.com

CAREY Y CIA ADVISES METLIFE ON CHILEAN MARKET ENTRANCE

US insurance company MetLife Inc and Chilean bank BancoEstado have signed an agreement to develop their bancassurance business—the marketing of life and non-life insurance products to a bank client base. Local affiliate MetLife Chile Inversiones Ltda acquired 49.9 per cent of the shares of brokerage company BancoEstado Corredores de Seguros. The deal closed on 4 November.

Carey y Cía advised MetLife Inc, through partners **Jaime Martínez Sr** and **Pablo Iacobelli**, and associates **Javier Allard**, **Rosario Celedón** and **Jorge Hirmas**.

For additional information about Carey y Cia visit www.carey.cl

HOGAN & HARTSON ENERGY AND ANTITRUST REGULATORY TEAMS SECURE FAVORABLE DECISION FOR SOUTHERN CALIFORNIA EDISON

11.2004

Hogan & Hartson's energy and antitrust regulatory teams secured a favorable decision from an administrative law judge at the California Public Utilities Commission. The decision concludes, as the firm had argued on behalf of its client Southern California Edison, that Sempra Energy engaged in anticompetitive behavior to manipulate California natural gas and power prices during the California energy crisis of 2000-2001. The decision proposes that Sempra refund $28 million in overcharges to natural gas ratepayers, and it refers the behavior to the California Attorney General to pursue appropriate enforcement under federal and state antitrust and unfair competition statutes.

Kevin Lipson, Doug Beresford, Lucy Gibbon, and Geof Hobday comprised the energy regulatory team, while Mary Anne Mason, Jola Sterbenz, and Logan Breed comprised the antitrust team.

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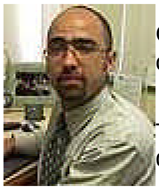
MUNIZ ADVISES TGP ON CAMISEA PIPELINE – PERU'S LARGEST BOND ISSUANCE

Camisea pipeline project spurs Peru's biggest issuance



The latest development in the Camisea project, which recently got underway has seen Transportadora de Gas del Perú SA (TGP) successfully perform its first issuance of bonds – the largest issuance in the history of the country.

Sergio H Oquendo, a partner at **Muñiz Forsyth Ramírez Pérez-Taiman & Luna-Victoria**, which advised TGP, commented: "This is the first Peruvian bond issuance to include within its structure non-Peruvian law documents. As of today, the only lenders to the project are the Peruvian bondholders."

The issuance, which was made on 20 August, came in two parts. The first sees the placement of bonds worth US$200 million, whilst the second involves an extra amount worth the equivalent of US$70 million in nuevos soles (local currency). The first issuance has a tenor of 15 years at LIBOR plus 3.5 per cent; the second has a tenor of 25 years at inflation adjusted value plus 7.125 per cent. Both issuances were oversubscribed, with record tenors and amounts for the Peruvian capital market.

The bond program is secured by mortgages over the concessions for transportation of natural gas and LNG; a pledge over 100 per cent of the shares of TGP; a Peruvian trust (fideicomiso) on sale contracts, on the income guaranteed by the Peruvian state (for the ten first years of the project), and on insurance proceeds; and, an New York trust for sales offshore.

The issuance is part of a program, worth up to US$350 million, structured by Banco de Crédito del Perú. The program has been put in place to fund the Camisea pipeline project. TGP, a Peruvian limited liability corporation formed by Tecgas (the pipeline operator), Pluspetrol, Hunt Oil, SK, Sonatrach, Suez-Tractebel and Graña y Montero, is the concessionaire for the transportation of natural gas and LNG from the Camisea field in the jungle to the coast of Peru.

The downstream part of the project, completed in August, required investment worth US$850 million - primarily funded with equity, a portion of which will be repaid to the shareholders of TGP through the financing in order to achieve a reasonable capital structure. The pipeline for natural gas is 731km long, while the LNG pipeline is 561km long.

The deal took one year to broker and, as part of the operation, the concession rights of TGP were granted in mortgage, the shares of its shareholders were pledged, and a trust has been established.

Oquendo said that the transaction comprised both onshore and offshore security packages. The Peruvian bondholders will share the collateral with other senior secured lenders, including the Inter-American Development Bank and the Corporación Andina de Fomento.

Common terms for the sharing of collateral, including triggers and procedures for foreclosing on the collateral, were regulated in a Master Collateral Agreement (MCA), governed by New York law. This, said Oquendo, required a great deal of negotiation given the differences in tenure, amounts, rates and corporate policies among all the parties who will be financing the Camisea pipeline project.

"One of the virtues of the MCA is allowing, under certain rules, the addition of new secured senior lenders, thus making it possible, to the extent reasonably permitted, that negotiations with one group of lenders not be obstructed by negotiations with other lenders. The MCA also allows the possibility for 'additional collateral' to be shared pari passu by all senior lenders, and 'separate collateral' in benefit of one single group of lenders," commented Oquendo.

Working with Oquendo at **Muñiz Forsyth Ramírez Pérez-Taiman & Luna-Victoria** were associates **Ricardo E Escobar**, **María Julia Aybar** and **Isabel Gutiérrez**.

For additional information about **Muñiz Forsyth Ramírez Pérez-Taiman & Luna-Victoria** visit www.munizlaw.com

AUSTRALIA - Clayton Utz – Federal Industrial Relations Update

The Federal Government introduced two further industrial relations bills into Parliament on 2 December 2004 - the *Fair Dismissal Reform Bill* and the *Right of Entry Bill*. It appears unlikely either Bill will be passed until the Government has control of the Senate next July.

In other news, the Electrolux Bill was passed by the Senate on the same day. It was amended to validate industrial action taken prior to 2 September 2004, in support of claims that do not "pertain to the employment relationship". The amended Bill will probably be approved by the House of Representatives by 9 December 2004.

Fair Dismissal Reform Bill

Previous versions of this Bill have been rejected by the Senate more than 40 times and this Bill appears unlikely to pass until the Government has control of the Senate.

This Bill aims to amend the WR Act to protect small businesses with fewer than 20 employees from unfair dismissal claims. The Bill will **not** exclude small business employees from bringing an unlawful termination claim, where they have been dismissed for a prohibited reason, such as their age, gender or religion.

The Bill also does not exclude small business employees from the minimum notice provisions contained in the WR Act.

Right of Entry Bill

The aim of this Bill is to balance:

- the rights of unions to enter premises, to represent members, recruit new members and investigate suspected breaches of industrial laws and instruments, with
- the rights of employers and occupiers of premises to conduct their business.

The existing right of entry provisions in the WR Act will be substantially overhauled, including:

- more stringent criteria for obtaining right of entry permits, and expansion of the grounds for suspending and revoking permits
- requiring the permit holder to give 24 hours written notice of the intention to enter the premises, and specify the suspected breach, except where they have obtained an exemption from a Registrar
- unions will only be permitted to enter premises once every 6 months for recruitment purposes
- unions will only be able to inspect members' time and wages records, unless the AIRC orders otherwise
- unions will only be able to enter to investigate AWA breaches if they receive a written request from an employee who is party to an AWA
- permit holders will be required to comply with occupational health and safety requirements, and if requested, to hold discussions in a particular room, and take a particular route through the premises.

State right of entry laws will be excluded where Federal right of entry laws apply. However unions **will** be able to exercise right of entry provisions in State occupational health and safety legislation.

The Bill also provides that the AIRC will not be able to certify an agreement that contains right of entry provisions.

Post-Electrolux developments

In our previous Alert, we looked at the main provisions of the *Agreement Validation Bill*. As indicated above, the Bill was amended in the Senate to "validate" industrial action taken before 2 September 2004 (the date the High Court handed down its decision in *Electrolux Home Products v AWU*) in support of claims that did not pertain to the employment relationship. However these amendments do not validate industrial action or a lockout that has already been held not to be protected action.

The Australian Industrial Relations Commission has joined three appeals which deal with post-Electrolux issues: *Schefenacker, Rural City of Murray Bridge* and *Latrobe University Children's Centre Enterprise Bargaining Agreement 2004*. These appeals will be heard by a Full Bench on 20 and 21 December 2004. It is hoped that the Full Bench decision will result in more certainty regarding what matters do and do not pertain to the employment relationship.

Opposition response to the new Bills

In the second reading speech, the Minister for Employment and Workplace Relations, the Hon Kevin Andrews MP, stated that the *Fair Dismissal Reform Bill* presents an opportunity for the Opposition to prove that it is more business friendly by supporting the Bill.

However the Labor members of the Senate appear likely to oppose both pieces of legislation. The Democrats are also likely to oppose the *Fair Dismissal Reform Bill*. It is not certain whether they will also oppose the *Right of Entry Bill*.

Summary - What does this mean for employers?

The Electrolux Bill, once enacted, will provide certainty for those employers with agreements and AWAs certified and approved before 2 September 2004.

At this stage, the status quo prevails regarding unfair dismissal and right of entry. Unless the Democrats or Labor have a major change of position (which appears unlikely) the current provisions will remain in force until at least next July.

We will keep you advised of developments.

For more information visit www.claytonutz.com

INDIA – Kochhar & Co. Reserve Bank of India Simplifies Procedures for Transfer of Shares/Convertible Debentures

Under Indian exchange control laws, the transfer of shares, by way of sale, by a resident to a non-resident (i.e. to incorporated non-resident entity other than erstwhile Overseas Corporate Body (OCB), foreign nationals, Non Resident Indians (NRI), Foreign Institutional Investor (FII),) require prior permission of the Foreign Investment Promotion Board ("**FIPB**") followed by approval from Reserve Bank of India ("**RBI**"). The RBI ensures that the price of the transfer is not above a maximum price, which is based on the Net Asset Value (NAV) of a private company and the price on the stock exchange for a listed company.

The RBI has vide its circular vide its circular No. 16 dated October 4, 2004, has significantly simplified the procedure for foreign investment into India by doing away with the requirement of obtaining prior governmental approval for the transfer of shares / convertible debentures of Indian companies. Subject to the compliance with the conditions contained in the said notification, henceforth, no approval of the FIPB and the RBI will be required for the transfer of shares /convertible debentures, by way of sale, from residents to non-residents (including transfer of subscriber's shares) of an Indian company in sectors other than financial service sector (i.e. Banks, Non-Banking Financial Company (s) and Insurance).

Thus, the sale of shares / convertible debentures, by:

1. a person resident in India to a person resident outside India (including foreign national, non-resident Indian and a Foreign Institutional Investor, but excludes the Overseas Corporate Bodies); and

2. a person resident outside India to a person resident in India,

which previously required prior approval of the FIPB and / or the RBI, as the case may be, have now been brought under the automatic route, subject to certain conditions including pricing norms, sectoral cap, etc.
However, this benefit has not been extended to transfer of shares from a resident to non-resident relating to Indian Companies in the financial services sector (i.e. banks, non banking financial companies and insurance). Further, non-resident Indians, who have purchased shares under the Portfolio Investment Scheme, have been restricted from transferring the shares by way of sale under private arrangement.

In lieu of the approval of FIPB and RBI, an application for the transfer now needs to be made to the Authorized Dealer (the Bank), with the necessary documents, through whom the seller (i.e. Indian Resident Shareholders) wishes to receive the sale consideration in respect of the shares.

Conditions
The following conditions need to be satisfied in order to avail the exemption of seeking approvals from the RBI and the FIPB:

1. The activities of the investee company are under the automatic route under the FDI policy and transfer of shares do not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
2. The non-resident shareholding after the transfer, complies with sectoral limits under the FDI policy; and
3. The price at which the transfer takes place is in accordance with the pricing guidelines prescribed by RBI.

The onus of complying with the sectoral cap/limits prescribed under FDI policy as well as other guidelines/regulations would rest with the buyer and seller.

Documentation
Authorised Dealer have been given general permission to receive payment of amount on account of transfer of shares, provided that the conditions aforesaid are met and that the necessary documents as below are submitted to the satisfaction of the Authorised Dealer:

(1) Consent letter from the seller and the buyer agreeing to the transfer of shares. The consent letters should give the details of the transfer.
(2) Shareholding pattern of the investee company after the acquisition of the shares.
(3) Certificate indicating fair value of shares from a Chartered Accountant.
(4) Undertaking from the buyer to the effect that he is eligible to acquire shares under the FDI policy and the existing sectoral limits and Pricing guidelines gave been complied with.
(5) Form FC-TRS in quadruplicate

Procedure

As a measure of simplification of procedure it has been decided that the Authorised Dealer (Bank) will be responsible to consider requests in respect of transfer of shares/convertible debentures. The Authorised Dealer shall ensure that the transactions have been carried out in accordance with the prescribed conditions. Authorised Dealers have power to call for any other information or clarification or to ask for any other documents that it may consider necessary for being satisfied that the provisions contained in the Foreign Exchange Management Act, 1999 and the regulations and the notifications made/issued thereunder have been complied with.

Conclusion

The move by the RBI demonstrates their commitment to de-bureaucratize the foreign investment regime and smoothen the process by cutting down on the time delays that are part and parcel of transactions involving transfer between residents and non-residents.

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SINGAPORE – Rodyk & Davidson – Competition Act Update

In February 2003, the Economic Restructuring Committee of Singapore recommended the enactment of a national competition law to strengthen the pro-enterprise environment in Singapore. The draft competition bill, prepared by the Ministry of Trade and Industry ("MTI") represents MTI's careful research and study of international best practices – i.e. policies and practices of the competition legislation of various jurisdictions, including Australia, Canada, India, Ireland, the United Kingdom and the United States of America – without losing sight of Singapore's status as a small open economy.

After two rounds of public consultation, the Competition Act 2004 (''the Act'') was passed by Parliament on 19th October 2004 and was assented to by the President on 4th November 2004.

Apart from a few sectors, competitive law is new for businesses in Singapore. MTI's starting principle is that business should not face undue regulation that would add to business costs and consequently reduce international competitiveness. Therefore, instead of attempting to catch all forms of anti-competitive agreements or conduct in the market, the focus will be brought on agreements or conduct that have an appreciable adverse effect on the markets in Singapore. The Act applies to all 'undertakings', which it defines as *'any person being an individual, a body corporate, an unincorporated body of persons or any other entity capable of carrying on commercial or economic activities'*.

One of the important aspects of the new legislation is the establishment of a Competition Commission of Singapore ("the Commission") to enforce the provisions of the Act and impose sanctions if the law is infringed.

Prohibited activities under the act include, broadly, the following prohibitions. Section 34 prohibits agreements, decisions and practices, which prevent, restrict or distort competition in Singapore. These include agreements between competing firms to fix prices, reduce the quantity of goods and services sold, or share markets. However, the Act also empowers the Minister to make an order, following the recommendation of the Commission, to exempt certain categories of agreements from the section 34 prohibition. Section 36 is likely to be applied when the activities in question improve production or distribution, or promote technical or economic progress, without imposing undue restrictions or substantially eliminating competition.

Another key provision – Section 47 – prohibits firms from abusing market power in ways that are anti-competitive and which work against longer-term economic efficiency e.g. "predatory behaviour towards competitors".

Finally, Section 54 prohibits "mergers and acquisitions which substantially lessen competition and have no offsetting efficiencies".

The Act will be implemented in phases with Phase 1 commencing on 1st January 2005 with the provisions relating to the establishment of the Commission being brought into force. Phase 2 will commence on 1st January 2006 with the provisions relating to anti-competitive agreements, decisions and practices; abuse of dominance; enforcement; appeal process; and miscellaneous areas will come into force. Phase 3, dealing with the provisions relating to mergers and acquisitions will come into force at least 12 months after Phase 2.

If you would like further information on the Act, please contact:

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INTELLECTUAL PROPERTY RIGHTS

3D OBJECTS MAY INFRINGE ON 2D TRADEMARKS

Ruey-sen Tsai

The question of whether, under the Trademark Act (in force since 28 November 2003) or the old Trademark Act, the unauthorized creation of an identical or similar three-dimensional product on the basis of a two-dimensional trademark design registered by another constitutes "use of a trademark," and, therefore, infringes upon the trademark concerned, is a matter of considerable dispute in practice. In the past, courts have largely taken the view that if a mark is sufficient to allow general purchasers of goods to distinguish goods from those of other suppliers, then regardless of whether such mark is used in two-dimensional or three-dimensional form, it still constitutes a trademark and its use is use of a trademark.

However, quite a number of courts later have not been persuaded that use of a three-dimensional version of a trademark violates the old Trademark Act. A 2002 criminal judgment of the Shihlin District Court and another of the Taiwan High Court, both explicitly stated that the definition of a trademark contained in Article 5 Paragraph 1 of the Trademark Act refers only to text, drawings, symbols, color combinations, or combinations of the above elements, and therefore trademark protection extends only to two-dimensional designs, not to three-dimensional appearance or shape. Accordingly, "use of a trademark" is limited to its use in two-dimensional form, and does not include three-dimensional versions of a mark.

However, in a 2003 ruling (which upheld the view taken by the Kaohsiung Branch of the Taiwan High Court in a 2000 civil appeal judgment), the Supreme Court stated that trademarks as defined in the old Trademark Act were indeed limited to two-dimensional designs comprising text, drawings, symbols, color combinations, or combinations of the above elements, and did not include three-dimensional marks. But this provision was intended to prevent changes to the form, position, layout, or coloration of a trademark, and did not mean that the Trademark Act did not protect a trademark from unauthorized use of a three-dimensional form of the mark. To protect trademark exclusivity and consumers' interests, the offences defined in Articles 61 and 62 of the old Act, involving infringement of exclusivity by use of a similar mark, naturally included infringement by the unauthorized creation of an identical or similar three-dimensional product on the basis of a two-dimensional trademark design registered by another.

Article 5 Paragraph 1 of the Trademark Act allows for the registration of three-dimensional shapes as trademarks. But such design must still be lawfully registered for it to receive protection under the Act. Section 5.2.9 of the Intellectual Property Office's examination guidelines on Likelihood of Confusion between Marks (announced 28 April 2004), on "Similarity and Degree of Similarity between Goods or Services," states that "similarity may exist between three-dimensional and two-dimensional trademarks." In this regard, the IPO appears to take the same position as the above 2003 Supreme Court ruling. Nevertheless, even after the entry into force of the new Trademark Act, the issues of whether the registration of only a two-dimensional trademark is sufficient to prevent the use by another of a three-dimensional representation of the mark, and whether a registered three-dimensional trademark is infringed by the use of a two-dimensional version, remain highly controversial, and still await clarification in practice.

REPRODUCING PRODUCT PACKAGING IN WEB FOR ADVERTISING DOES NOT INFRINGE COPYRIGHT

Ruey-sen Tsai

Reproducing artwork from goods' packaging on an Internet website, to advertise the sale of the goods concerned, is a very common business practice. However, the issue of whether such reproduction infringes copyright, if done without permission from the copyright owner in the packaging design, has been hotly disputed in practice.

In a 2004 criminal judgment, the Taiwan High Court stated that since the Internet is widely used by the public at large, when the defendant reproduced on its website the packaging of recorded works created by the plaintiff and others, this served not only to advertise the sale of the genuine recorded works, but also to assist consumers interested in purchasing such products in gaining information online as to the content of the works. This was in no way contrary to the original intent of the plaintiff in printing the packaging of the recorded work, and the result of such use by the defendant had no impact on the potential market for, or current value of, the photographic and artistic work embodied in the packaging; moreover, it was in keeping with modern market trading practices. As such it met the criteria for fair use laid down in the Copyright Act, and did not constitute copyright infringement.

There have also been similar disputes with regard to trademark infringement. Many automobile and motorcycle dealerships and repair shops display various car or motorcycle brand logos on their signboards. Whether this practice, if unauthorized, amounts to infringement of the trademarks or service marks concerned, has also been highly controversial in practice. In a 1985 criminal judgment, the Supreme Court held that such display did not of itself constitute "use" of a service mark. Subsequently, some other courts have also taken the same view.

In its judgment, the Supreme Court noted that the National Bureau of Standards (now the Intellectual Property Office) had stated in a legal interpretation dated 22 March 1985 that a service mark was a mark used by a business to identify itself, so as to enable persons seeking services to distinguish the service provider and its quality and reputation. But the widespread practice by motorcycle dealers of displaying brand logos, whether in terms of the subjective intent of those displaying the logos, or of the objective understanding of consumers at large, was merely an indication of the type of service or items of repair offered, and was not a means to identify the service provider or distinguish its quality or commercial reputation. Thus such display could not be said to constitute "use" of the service marks concerned.

The Supreme Court did not entirely accept the view of the National Bureau of Standards, but held instead that the question (be it in terms of subjective intent or of consumers' objective understanding) of whether such display is merely an indication of an item of service, or is a means to distinguish a service provider and its quality and reputation, must be determined according to the specific facts of each case.

It is also a common practice of businesses such as photographic studios or department stores to display various brand marks in their catalogues, on signboards, or on in-store displays. From the above Supreme Court judgment, it appears that one will not know beforehand whether the courts will regard such display merely as an indication of the goods offered for sale, or as use of the trademarks concerned and will act at his own peril.

MARKETING USE OF TRADEMARK DEEMED ACT OF TRADEMARK OWNER

Ruey-sen Tsai

Article 31 Paragraph 1 Subparagraph 1 of the old Trademark Act provided that if, after registration of a trademark, the trademark design was altered such that it became similar to a registered trademark used by another on the same or similar goods, and it was used on such goods, the trademarks authority, acting on its own initiative or at the request of an interested party, should cancel the registration of the trademark concerned. Article 57 Paragraph 1 Subparagraph 1 of the current Trademark Act lists such alteration of a trademark as grounds for revocation of the trademark registration. From the wording of the Act, these provisions would appear to apply to cases in which the trademark owner has himself altered the registered trademark and used it in such altered form, and "altered " would appear to mean that the trademark owner has changed any part of the existing text, drawings, colors, etc. of the registered trademark, or has added to it other text, drawings, etc.

However, in a 2004 judgment, the Taipei High Administrative Court held that alteration or its use was not limited to actions of the trademark owner himself, and need not have been intentional; and that the fact that such alteration would lead to the altered trademark being similar to a registered trademark used by another person on the same or similar goods, also need not have been foreseen or recognized. (In this regard, Article 31 Paragraph 1 of the old Act, which provided for administrative liability, differed from Articles 62 and 63, which provided for criminal liability.) If such alterations are made by an agent or licensee of the trademark owner, or by a person who with the trademark owner's consent is in fact responsible for using the trademark to market goods, the outcome is no different than if the alterations were the actions of the person in whose name the trademark is registered. As long as the altered trademark is objectively similar to a registered trademark used by another on the same or similar goods, then the person in whose name the trademark is registered is exposed to the consequences of revocation of the trademark registration for only this view would be in keeping with the legal principle that rights and duties are inseparable, and only then could the Trademark Act fulfill its stated purpose of protecting exclusivity in trademarks and protecting the interests of consumers, in order to promote the normal development of industrial and commercial enterprises.

Regulatory update

National Bank Regulator Issues Bank Secrecy Act Enforcement Guidance

November 24, 2004

On November 10, 2004, the Office of the Comptroller of the Currency (OCC) issued a bulletin regarding its guidelines for enforcing the Bank Secrecy Act of 1970 (BSA) and suspicious activity reporting requirements.

BSA

Compliance Requirements

The OCC requires national banks to establish and maintain a program reasonably designed to assure and monitor compliance with the recordkeeping and reporting requirements of the BSA and the implementing regulations issued by the U.S. Department of Treasury. A national bank's BSA compliance program must be written, approved by the Board of Directors and reflected in the Board minutes. The compliance program must:

- Provide for a system of internal controls to assure ongoing compliance;
- Provide for independent testing for compliance to be conducted by bank personnel or by an outside party;
- Designate an individual or individuals responsible for coordinating and monitoring day-to-day compliance; and
- Provide training for appropriate personnel.

OCC Enforcement

The OCC is required by statute to issue a cease-and-desist order (C&D) when it determines that a national bank has failed to establish and maintain procedures for compliance with the BSA or to correct a problem with its BSA compliance program that previously was identified by the OCC. In light of the serious consequences of violating the BSA, the OCC bulletin provides examples of situations that require OCC action.

The examples include situations in which a bank:

- Fails to respond to supervisory warnings concerning BSA compliance program deficiencies that were previously reported to the bank, or continues a history of program deficiencies, even if the various deficiencies are dissimilar;
- Engages in systemic or pervasive BSA reporting or recordkeeping violations, fails to respond to supervisory warnings regarding violations, or continues a history of violations, even if the various transgressions are dissimilar;
- Engages in an act that demonstrates willful reckless disregard for the requirements of the BSA or that creates a substantial risk of money laundering or the financing of terrorism;
- Lacks a BSA compliance program that adequately covers all required elements;
- Fails to implement a written BSA compliance program; or
- Exhibits BSA compliance deficiencies coupled with aggravating factors (such as highly suspicious customer activity creating a significant potential for money laundering, potential terrorist financing, a pattern of structuring transactions to evade reporting requirements, insider complicity, repeat failures to file currency transaction reports or suspicious activity reports, or other substantial BSA violations).

In the bulletin, the OCC makes clear that not all BSA compliance program deficiencies will result in a C&D. Less severe BSA compliance program deficiencies will be treated as unsafe and unsound banking practices, and will be dealt with accordingly by the OCC.

Suspicious Activity Reporting

Compliance Requirements

The OCC bulletin discusses the affirmative obligation of national banks to report suspicious activity that may involve money laundering, BSA violations and other crimes involving dollar amounts above prescribed thresholds. According to the bulletin, suspicious activity reports (SARs) should be filed for unusual transactions for which a national bank has no reasonable explanation and must be filed whenever a national bank detects any:

- Known or suspected Federal criminal violations, and the bank has a substantial basis for identifying an insider as a participant;
- Known or suspected Federal criminal violations involving $5,000 or more in funds or other assets, in aggregate, and the bank has a substantial basis for identifying a suspect or suspects;

- Known or suspected Federal criminal violations involving $25,000 or more in funds or other assets, in aggregate; or
- Potential money laundering or BSA violations involving $5,000 or more in funds or other assets, in aggregate, if the bank knows, suspects or has reason to suspect that the transactions (i) involve funds derived from illegal activities or are intended to hide or disguise illegal activities as part of plans to violate or evade any law or regulations, including those promulgated under the BSA, or to avoid transaction reporting requirements under Federal law, (ii) are designed to evade any regulations promulgated under the BSA, or (iii) have no business or apparent lawful purpose or are unusual for the customers involved, and the bank has no reasonable explanation for the transactions after examining all available facts.

OCC Enforcement

The OCC requires that SARs be filed within 30 days of detection of the suspicious activity by a national bank. The OCC generally will not cite failure to file a SAR, unless the failure is accompanied by evidence of bad faith, represents a significant or egregious situation, involves a pattern or practice of similar failures, or otherwise evidences a systemic breakdown. OCC examiners will consider the severity, frequency and duration of a bank's violations of the suspicious activity reporting requirement, and any related findings in the bank's prior examination reports, before citing a violation.

Safe Harbor

The OCC bulletin highlights a recent federal district court opinion reaffirming a safe harbor in the BSA for banks that report suspected violations of law or suspicious activities to law enforcement agencies. In this opinion, the district court found that a bank may not be required to produce documents in discovery related to the disclosure of customer financial information pursuant to the BSA, or regulations issued thereunder, and may not be subject to a civil suit based on any such disclosure. It should be noted, however, that there is a split among the United States Courts of Appeal concerning whether the safe harbor in the BSA is an unqualified privilege or available only if a bank has acted on a belief held in good faith. To review the May 24, 2004 interagency advisory regarding the district court opinion reviewed in the OCC bulletin, see www.fincen.gov/advis35.pdf.

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Please call if you have any questions or would like additional information.

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