

March 2010 e-BULLETIN

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Registration Open

PRAC Members Gathering @ INTA Boston
Sunday, May 23, 2010

48th International PRAC Conference - Kuala Lumpur
Hosted by Skrine - October 16 - 19, 2010

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BAKER BOTTS ROBERT W. JORDAN RETURNS TO MIDDLE EAST AS PARTNER IN CHARGE

Former U.S. Ambassador to Saudi Arabia to Manage Firm's Operations in the Gulf Region

DUBAI, March 2, 2010 -- Robert W. Jordan, who served as U.S. Ambassador to Saudi Arabia in the aftermath of the 9/11 attacks against the United States, will return to the region this summer as Partner In Charge - Middle East Offices for Baker Botts L.L.P.

A Baker Botts partner in its Dallas office since 1985, Jordan left the firm to serve as ambassador to Saudi Arabia from October 2001 until October 2003. As ambassador, he worked closely with then-U.S. President George W. Bush and U.S. Secretary of State Colin Powell in matters such as the historic presidential summit meetings in Crawford, Texas and Sharm El Sheikh, Egypt, and the accession of Saudi Arabia to the WTO.

Jordan returned to the firm's Dallas office in April 2004 to continue his international business, government relations and dispute resolution practice. In a career spanning more than 35 years, he has advised major corporations in Middle East business, corporate strategy and dispute resolution matters. He has participated in Middle East engagements in the energy, transportation, security, defense, health care, hospitality, technology, educational, mining and financial sectors.

"Maintaining a strong presence in the Middle East is a strategic imperative for Baker Botts, and we are fortunate to have someone with Ambassador Jordan's depth of experience in the region to take on this assignment," said Baker Botts Managing Partner Walt Smith. "Bob is well-known not only in Saudi Arabia but throughout the Middle East. That will be beneficial to our clients with business interests in the region and those who are based there and are investing abroad."

Jordan will move into his new assignment when David Emmons, currently Partner In Charge -- Middle East Offices, returns to the firm's Dallas office this summer. During his three years as Partner In Charge - Middle East Offices, Emmons guided the firm's growth in the region, including the opening of a new office in Abu Dhabi, the relocation of offices in both Dubai and Riyadh, and the substantial increase in the number of firm lawyers based in the region.

"David has done a great job building a strong team of lawyers to service our client base in the Middle East and reaffirming our commitment to the region," Smith said. "We expect to continue building on that strength as Bob returns to the region this summer."

Baker Botts has had offices in the Middle East since 2001. The firm now has more than 20 lawyers in three offices -- Abu Dhabi, Dubai and Riyadh -- who represent clients on Middle East projects in a variety of industries, including energy, consumer products, healthcare, telecommunications, defense, real estate, power and water, transportation, and conventional and Islamic banking.

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About Baker Botts L.L.P.

Baker Botts L.L.P., dating from 1840, is a leading international law firm with offices in Abu Dhabi, Austin, Beijing, Dallas, Dubai, Hong Kong, Houston, London, Moscow, New York, Palo Alto (California), Riyadh and Washington. Baker Botts provides a full range of legal services to international, national and regional clients.

For more information, please visit www.bakerbotts.com

CLAYTON UTZ PARTNER APPOINTMENTS

New partner appointments reflect depth of talent at Clayton Utz

Sydney, 1 March 2010: Clayton Utz is pleased to announce that it has promoted six lawyers to the partnership with effect from 1 March.

The new partners are:

Matthew Daley (Banking & Financial Services, Sydney)
Rohan Mishra (Banking & Financial Services, Perth)
Rory Moriarty (Energy & Resources, Sydney)
Steven Power (Government Services, Canberra)
Toby Ryston-Pratt (Corporate Advisory / M&A, Sydney)
Alexander Schlosser (Banking & Financial Services, Sydney)

The appointments follow that of Scott Sharry (Restructuring & Insolvency, Brisbane) in January.

Congratulating the new partners on their appointments, Clayton Utz Chief Executive Partner David Fagan said they reflected the calibre and depth of talent at the firm.

"Clayton Utz is committed to providing our clients with first-class legal services, which means ensuring we have the best legal talent on board," said Mr. Fagan. "Our new partner appointments reflect our commitment to clients."

For additional information visit us online at www.claytonutz.com

DAVIS WRIGHT TREMAINE SEATTLE EXPANSION CONTINUES

Cindy Caditz, who helps protect and monetize intellectual property for such famous brands as Alaska Airlines, K2, The Coleman Company and Sunbeam Products, has joined Davis Wright Tremaine as a partner. Her arrival builds on Davis Wright's recent attraction of nearly 30 attorneys to fill critical roles in the firm's service to major Northwest companies.

"Over the past 18 months, we have made a concerted effort to invest in our Seattle team," said Partner-in-Charge Susan Duffy. "These terrific lawyers have decided that Davis Wright is a great place to build their careers and do great work for great companies. Cindy brings additional excellence and depth to a number of our key client teams."

Caditz provides clients with a full range of trademark acquisition, management, licensing and litigation services. She also brings experience to protection of intellectual property online across both product and service industries.

"Cindy is a tremendous addition to our team of highly experienced IP attorneys," said Stuart R. Dunwoody, co-chair of the firm's national intellectual property practice. "Her strategic counseling, a hallmark of her practice, translates into valuable efficiencies and attendant cost savings for her clients."

Bobby Soltani, a registered patent attorney with a Master's degree in electrical engineering has also joined the firm as an associate. Before becoming an attorney, Soltani worked as an engineer for Seagate Technology and the FAA, where he focused on electronics, computer hardware and software, signal processing and servo mechanical and radar systems.

"Our patent team has been extremely busy and we are delighted to add a lawyer with Bobby's education, training and experience" said George Rondeau, chair of the firm's patent practice.

Before joining the firm, Soltani was an associate with Marsh, Fischmann and Breyfogle in Boulder, Colo. At this time, he is licensed to practice before the U.S. Patent Office, and as an attorney in Colorado only.

For additional information visit www.dwt.com

**FRASER MILNER CASGRAIN
PARTNER APPOINTMENTS**

March 2 2010

Fraser Milner Casgrain LLP (FMC), one of Canada's leading business and litigation law firms, appoints 10 new partners to support and drive the firm's collective success.

"Through our commitment to our clients and our people, we encourage and promote talent from within. These new partners exemplify our firm's ability to provide unparalleled legal excellence," says Chris Pinnington, CEO. "They broaden the resources available to align the delivery of our services with our clients' needs and expectations."

FMC 2010 New Partners:

Tim Bardsley – Calgary
Yan Besner – Montreal
Lyle Brookes – Edmonton
James Clare – Toronto
Christopher Cochlin –Ottawa
Mylany David – Montreal
Matthew Fleming – Toronto
Dan Misutka – Calgary
David Schmidt – Edmonton
Ralph Shay – Toronto

FMC 10 new partners represent expanded depth in Construction & Infrastructure, Corporate & Commercial, Corporate Governance, Energy, Environmental, Financial Services, Forest Products, Franchising, Insurance, Intellectual Property, International Trade, Litigation & Dispute Resolution, Mergers & Acquisitions, Mining, Public Policy, Real Estate, and Securities & Corporate Finance, Tax Groups across Canada.

"Every one of these talented lawyers share a collective commitment to our clients' success," adds Mr. Pinnington. "We value their contribution and proudly welcome them to our partnership."

For additional information visit www.fmc-law.com

**TILLEKE & GIBBINS NAMES NEW
MANAGING DIRECTOR IN VIETNAM**

Hanoi, Vietnam, January 28, 2010

Tilleke & Gibbins today announced the appointment of Thomas J. Treutler as the new managing director of the firm's Vietnam operations. Treutler, a registered foreign lawyer with the Ministry of Justice, has worked in the legal services field in Vietnam since 1994. He has been with Tilleke & Gibbins since 2007, handling both commercial and intellectual property matters as a senior associate based in the firm's Hanoi office. As a USPTO qualified patent attorney, Treutler has been recognized as a leading intellectual property practitioner in Vietnam by reputable publications such as Chambers Asia and The Asia Pacific .

Treutler is succeeding John Ellis King, a partner at the firm, in this key role. Having overseen tremendous growth in the firm's Vietnam operations over the past three years— including the hiring of over 30 lawyers and staff and relocation to state-of-the-art new facilities in both Hanoi and Ho Chi Minh City—King will remain with Tilleke & Gibbins, returning to the fold in the firm's Bangkok office, where he had been based prior to his move to Vietnam. Continuing in his role as a partner, King will help to lead the firm's well-regarded dispute resolution group in Bangkok.

For additional information visit www.tillekeandgibbins.com

GIDE LOYRETTE NOUEL NEW MANAGEMENT COMMITTEE**Pierre Raoul-Duval re-elected Senior Partner, Christophe Eck appointed Managing Partner:**

Gide Loyrette Nouel announces changes in its management team. Elected by partners for a two-year term, the Firm's new Management Committee took office in January 2010.

Pierre Raoul-Duval, 59, has been re-elected Senior Partner, a position he has held since January 2008. Pierre Raoul-Duval is an expert in international contract law and, until the end of 2007, was in charge of co-ordinating the International Arbitration department. He has played an important role in Gide's international development. Key missions have included helping to set up the Riyadh office in 1978, followed by the creation of the Firm's New York office in 1984 where he acted as resident partner until 1989. Pierre Raoul-Duval is a graduate of Paris II University (Maîtrise in Law, 1972) and the London School of Economics (LL.M. in 1973).

Christophe Eck, 48, already a member of the Committee, takes over as Managing Partner from Xavier de Kergommeaux who held the post for six years. An expert in mergers & acquisitions, Christophe Eck began his career at Gide in 1988 and has also been one of the main driving forces behind the globalisation of the Firm's business by recruiting teams from a broad range of nationalities and assisting Gide's clients to pursue their external growth operations in international markets. Christophe is a graduate of the universities of Nancy (Economics - Business, 1985) and Paris (Law, 1987).

During his first term as Senior Partner, Pierre Raoul-Duval sought to encourage the consensual development of the Firm's structure to better serve clients, deliver strong added value and adapt to meet changes in the global economy. With the strengthening of its international dimension and the new practice group structure, the Firm is now better placed to provide efficient responses to the demands of clients who are facing the challenges of globalisation.

With Christophe Eck, Pierre Raoul-Duval has set the goal of maintaining and reinforcing the Firm's standard of excellence to continue to deliver strong added value which has been the hallmark of Gide's reputation and success since 1920. In their mission, they will draw on the expertise of the Committee's three other members:

Gilles Duquet, 59, member of the Committee since 2006, has been re-elected. A partner in the Dispute Resolution department, Gilles is noted for his expert legal advice to a number of airlines. He joined Gide in 1974 and is a graduate of the University of Paris (postgraduate degree in Private Law, 1973).

Antoine Choffel, 45, joins the Committee. A partner in the Economic and European Law department, Antoine specialises in French and EU competition law. He joined the Firm in 1989 after graduating from the University of Paris X (postgraduate degree in International Trade, 1988).

Stéphane Puel, 38, joins the Committee. A partner in the Banking & Finance department, Stéphane specialises in asset management, as well as structuring, setting up and distributing investment funds. He joined the Firm in 1997 and is a graduate of the Institut d'Etudes Politiques de Paris (1996) and the University of Paris II (postgraduate degree in Business Law, 1997).

For additional information visit www.gide.com

RODYK

ACTS FOR EXTREAM VENTURES PTE LTD IN
S\$20MILLION VENTURE CAPITAL FUND

Rodyk is acting for a major local bank in the S\$240 million financing of two hotels and an office block in Balestier being built by property developers Hiap Hoe Limited and SuperBowl Holdings Limited through their joint venture company HH Properties Pte Ltd.

The two hotels will operate under the Ramada and Days Inn brands, both of which are new to the market. The 390-room Ramada Singapore will be located at Zhongshan Park, will have more than 6,400 sq ft of meeting space and will be linked to an adjacent office block. The Days Hotel Singapore will have 405rooms. Both hotels are scheduled to open in 2014.

Finance partner Lee Ho Wah leads this transaction assisted by associate Bernice Ong.

Rodyk had acted for HH Properties Pte Ltd in the acquisition of the Balestier site in November 2008 for S\$73.3 million. Lee Ho Wah led the matter assisted by associate Eunice Yao.

For additional information visit www.rodyk.com

KING & WOOD

CREDITOR RIGHTS ENFORCEMENT IN FIRST CHINESE
AIRLINE BANKRUPTCY CASE

On March 10, 2009, GE Commercial Aviation Services (GECAS), a subsidiary of GE, filed a bankruptcy petition as a major creditor of East Star Airline Co., Ltd. at Wuhan Intermediate People's Court.

The claim followed non-payment of aircraft rental fees payable to GECAS by East Star Airline. This case is the first bankruptcy petition involving a Chinese airline to come to the PRC courts. The proceedings are ongoing.

Mr. Zhang Shouzhi of King & Wood's Dispute Resolution Group leads the Beijing-based team on behalf of GECAS.

For additional information visit www.kingandwood.com

TOZZINIFREIRE

ACTS FOR CODEPAR SA AND IS PARTICIPACOES SA
INVESTMENT AGREEMENT

TozziniFreire Acts for Codepar SA and Is Participacoes SA Investment Agreement

Codepar S.A., Isa Participações S.A, and Usinas Siderúrgicas de Minas Gerais S.A. (Usiminas) establishing the terms and conditions for the subscription by Usiminas of shares issued by Codeme Engenharia S.A. and Metform S.A. (owned by Codepar and Isa Participações) representing 30.7692% of the capital stock of each company

Following the transaction, Usiminas (which now holds 30.7692% of the capital stock of each company) increased its presence in the sector of steel structures for construction. Codeme and Metform are partially owned by Asamar Group which also holds interest in civil construction and fuel distribution companies

TozziniFreire lawyers acting for Codepar S.A. and Isa Participações S.A.were: Mauro E. Guizeline - Partner

Francisco Eumene Machado de Oliveira Neto - Associate;
Thiago José da Silva - Associate

For additional information visit www.tozzinifreire.com.br

NAUTADUTILH

ADVISE NIBC BANK NV ON SALE OF MORTGAGES

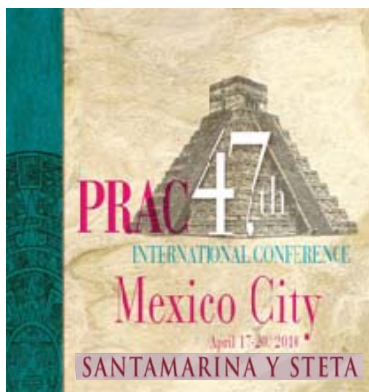
NautaDutilh is advising NIBC Bank N.V. on the sale of mortgages by 17 of the bank's subsidiaries to a special purpose vehicle that will issue some of the securities to institutional investors.

After, among others, the securitisation by Delta Lloyd under the name Arena 2009-I, this is one of the first public securitisations in continental Europe since the bankruptcy of Lehman. It is seen as a further signal that the market is recovering.

The subsidiaries of NIBC Bank N.V. will sell approximately EUR 750 million of Dutch mortgages to a legal entity called 'Dutch MBS XV B.V.'. The issue is arranged by NIBC Bank N.V., Crédit Agricole Corporate and Investment Bank and Crédit Suisse Securities (Europe) Limited.

The NautaDutilh team assisting NIBC Bank N.V. consists of Michaëla Ulrici, Willem Ruys, Nico Blom, Arjan Scheltema, Liza Gerritsen and Carine Wagener.

For additional information visit www.nautadutilh.com



*PRAC Mexico City - April 17-20, 2010
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online at www.prac.org*

GIDE LOYRETTE NOUEL

ADVISES UNIBAIL RODAMCO ON ACQUISITION OF SIMON IVANHOÉ

Several Gide Loyrette Nouel offices (Paris, Warsaw, Moscow, and Istanbul) have advised on the disposal of Simon Ivanhoé's portfolio in Europe by Simon Property Group and Ivanhoé Cambridge to Unibail-Rodamco, the European leader in commercial real estate.

Simon Ivanhoé's portfolio, a European subsidiary of Simon Property Group and Ivanhoé Cambridge, comprises seven shopping centres in France and Poland. This transaction strengthens Unibail-Rodamco's presence in the large shopping centre segment in Europe, with the notable acquisition of the Arkadia development in Warsaw, one of the largest in Europe.

With this operation, Simon Property Group and Ivanhoé Cambridge retain a joint 50% share in Simon Ivanhoé's development projects in the form of a joint venture. The total value of the transaction is set at around EUR 715 million.

Legal counsel to Unibail-Rodamco:

Gide Loyrette Nouel - in Paris (Stanislas Dwernicki, Bertrand Oldra, Frédéric Nouel, Jean-François Levraud, Charlotte Préaux, Elisa Bocianowska and Emmanuel Reille)

Gide Loyrette Nouel - in Warsaw (Dariusz Tokarczuk, Piotr Sadownik, Blazej Czwarnok, Ioana Knoll-Tudor and Szymon Chwalinski),

Gide Loyrette Nouel - in Moscow (Axelle Toulemonde)

Gide Loyrette Nouel - Istanbul (Bülent Ozdirekcan).

For additional information visit www.gide.com

FRASER MILNER CASGRAIN

DULUTH METALS ANNOUNCES JOINT VENTURE WITH ANTOFAGASTA PLC

On January 14, 2010, Antofagasta plc announced that it had signed a legally binding Heads of Agreement with Duluth Metals Limited on the joint venture development of the large scale Nokomis Mining Project in northeast Minnesota, USA.

The joint venture provides the execution and financing capabilities required to aggressively advance the Nokomis Project to commercial production. Antofagasta will initially become a 40% partner in Duluth Metals' Nokomis Project for US\$130 million in direct expenditure funding and will have the option to acquire an additional 25% interest in the project under certain conditions, including the payment of 25% of the net present value of the project, for an aggregate interest of 65%. Antofagasta has also subscribed to a private placement by Duluth Metals, to become an approximately 7% shareholder for C\$12.0 million. In addition, Antofagasta will provide US\$55 million to the joint venture and loans to Duluth Metals of US\$30 million for future funding commitments of the joint venture if needed.

Antofagasta plc is listed on the London Stock Exchange and is a constituent of the FTSE-100 index with interests in mining, transport and water distribution.

Duluth Metals is a Canadian advanced-stage mineral exploration corporation that is listed on the Toronto Stock Exchange.

Duluth Metals was represented by a team from Fraser Milner Casgrain LLP led by Michael N. Melanson which included Brian Abraham, Ralph Shay and Peter Danner.

For additional information visit www.fmc-law.com

HOGAN & HARTSON

ADVISES GE CAPITAL ON FINANCING PROGRAM WITH NAVISTAR

NEW YORK, March 9, 2010 – Hogan & Hartson LLP announced that it has advised GE Capital on the establishment of a financing program with Navistar International Corporation, a leading global manufacturer of trucks, buses, and diesel engines, and Navistar Financial Corporation, a wholly owned subsidiary of Navistar, under which GE Capital will become Navistar's preferred provider of retail financing solutions to support sales of Navistar trucks and school buses in the U.S.

The agreement takes effect immediately under the Navistar Capital name, with full implementation in 90 days. GE Capital has successfully provided dealer financing to Navistar in Canada since 1986.

GE Capital relied on its Hogan & Hartson team in New York, led by corporate partner Waajid Siddiqui and associates Roberto Zapata, Genevieve Wachtell, and Hewan Teshome. Additional support was provided by Deborah Staudinger and Christine Pallares (corporate), Scott Golden (bankruptcy and creditors' rights), William Neff and Carin Carithers (employee benefits) and Timothy Lyden (intellectual property).

For additional information visit www.hhlaw.com



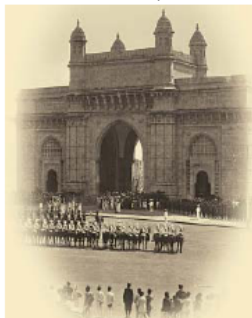
SANTAMARINA Y STETA

Mulla & Mulla

& Craigie Blunt & Caroe

Advocates, Solicitors and Notaries

Mumbai, India
November 15-18, 2008



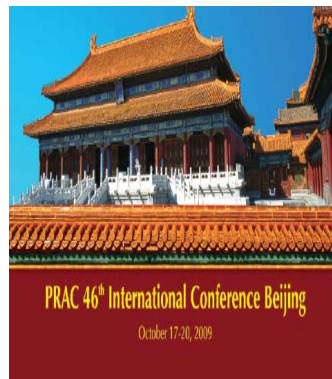
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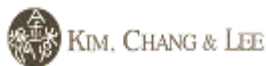
BRIGARD & URRUTIA



Gide Lourette Nouel



金杜律师事务所
KING & WOOD
PRC LAWYERS



SEOUL 2007
October 20-24

PRAC e-Bulletin is published monthly.
Member Firms are encouraged to contribute articles for future consideration. Send to editor@prac.org.
Deadline is 10th of each month.



CLAYTON UTZ

26 February 2010

Enforcing patents likely to get easier in Australia

For a number of years, Australian patent owners have expressed concern about difficulties encountered in enforcing patent rights in Australia. Following four years of public consultations, an issues paper and an interim report, the Advisory Council on Intellectual Property (**ACIP**) has released a final report, entitled "Post Grant Patent Enforcement Strategies", intended to address these perceived difficulties. The primary focus of the review was on non-court procedures for patent enforcement, and this is reflected in the report's nine recommendations.

IP Dispute Resolution Centre (Recommendation 1)

The ACIP identifies as its most important recommendation, the establishment of an Intellectual Property Dispute Resolution Centre (**IPDRC**) (along the lines of United Nations' World Intellectual Property Organisation's (**WIPO**) Arbitration and Mediation Center). This Centre would provide a single point of initial contact for those seeking information on patent enforcement and the options available to patent owners, increase the visibility and accessibility of alternative dispute resolution (**ADR**) mechanisms, and help patent owners determine whether to proceed with a dispute. Although it would not be conducting any of the ADR processes, the IPDRC would effectively operate as a referral point. The ACIP recommends that the Centre be located with IP Australia, as patent owners are generally familiar with the organisation. In addition, the IPDRC would provide physical resources, such as accommodation, and administrative and co-ordination services where appropriate.

Register of experts (Recommendation 2)

The ACIP recommends that, as part of its role, the IPDRC would administer a Register of Experts with legal and technical expertise who could be drawn upon for expert assessment (including non-binding opinions on patent validity and infringement), mediation and arbitration to help provide rights holders with efficient and cost-effective solutions to avoid lengthy and expensive court proceedings.

Patent Tribunal (Recommendation 3)

In the report, the ACIP also recommends establishing a determination mechanism in the IPDRC in the form of a Patent Tribunal. The report proposes that:

- Each Tribunal would comprise up to three people drawn from the Register of Experts to enable the making of quick and inexpensive non-binding determinations
- the Tribunal would take a proactive and inquisitorial role and patent attorneys would have the right to appear; and
- mechanisms would be introduced to encourage parties to comply with the Tribunal's non-binding determinations and to discourage parties from using the courts instead of the Tribunal where it would be inappropriate to do so.

Access to Patent Information (Recommendations 4 and 5)

As part of its review, the ACIP also considered IP Australia's obligation to increase awareness and understanding about patents and the patent system. The ACIP determined that there are a number of knowledge gaps that need to be

addressed, and recommended that IP Australia establish a resource which could provide information about patent enforcement. While no particular means of providing this information was prescribed, it was suggested that a website could be devoted to the issue of enforcing patents, or alternatively, that information on this topic could be sent to patent owners when a patent is granted or renewed.

The ACIP also noted that while the Federal Court Rules requires the Commissioner of Patents to be notified of the commencement of patent litigation, they do not require that the Commissioner be notified of the outcome of such litigation. Additionally, the Patents Act 1990 (Cth) only requires the Court to provide the Commissioner with copies of Orders revoking a patent or granting a compulsory licence to a patent. None of this information provided to the Commissioner appears in IP Australia's publicly searchable database. Additionally, it is not currently possible to search the Federal Law Search facility by patent number, preventing this search facility from being easily used to determine what litigation has been conducted in relation to a particular patent. The ACIP recommends that the Patents Act and relevant rules of Court be amended to ensure that the Commissioner is provided with information about the existence and outcome of all patent court actions and that public access be provided to this information through online searchable databases.

Patent enforcement in other countries (Recommendations 6 and 7)

ACIP recommends that IP Australia continue to assist patent owners to enforce their patents overseas, and to encourage and assist countries in the region to improve their patent enforcement systems, both through current efforts with WIPO and through direct assistance to countries, particularly in the Asia-Pacific region. The report also examined internal strategies to help patent owners enforce their patents overseas, such as the advocacy programs in China and Japan, where general industry and country profiles are provided to Australian exporters (This information is provided through the [Austrade website](#)). The ACIP recommends that these programs be extended to other countries in the region where Australian companies do business.

Protection through Australian Customs (Recommendation 8)

ACIP also recommends that legislation be introduced to empower Australian Customs officials to seize goods at the border where the rights holder has forewarned them of a shipment of infringing products through a notification process. It is proposed that the products could be released to the importer if the patent holder did not bring proceedings for infringement within a reasonable time. Such a system already operates to the benefit of copyright and trade mark owners. The ACIP also considered it reasonable that the right holder be responsible for seizure and storage costs, which could be recovered in later court proceedings.

The pre-grant opposition procedure (Recommendation 9)

The ACIP acknowledged that there exists criticism of the current pre-grant patent opposition system in that the process is potentially open to abuse by a potential infringer who will benefit most from delaying the grant of a patent, as this delays the patentee's ability to commence infringement proceedings. However, the ACIP was reluctant to recommend change to the pre-grant opposition system at this stage. Instead it recommended that IP Australia continue to monitor and review the opposition processes both locally and abroad to identify whether there is any convincing reason for change from the existing pre-grant opposition process.

For further information, please contact Mary Still, Nicholas Tyacke or Lauren Kapp.

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BOLETINS ANTERIORES

■ Inclusão de Co-responsáveis por Dívidas Fiscais - Portaria PGNF

■ Banco Central Autoriza a Emissão de Letra Financeira por Determinadas Instituições Financeiras

■ Destaques de Brasília

■ Private Equity

Tax

BRAZIL: EXTENSION OF TAX OBLIGATIONS TO MANAGERS AND PARTNERS

Through a recent Administrative Ruling, the Brazilian Federal Public Attorney's Office (*Procuradoria Geral da Fazenda Nacional*) regulated the actions to be taken by its attorneys when attempting to extend liability for unpaid tax obligations of a Brazilian company to its managers (whether partners or not), as well as to partners of Brazilian companies organized as limited liability companies specifically in relation to unpaid social security contributions.

The Administrative Ruling establishes the circumstances under which public attorneys are authorized to include managers or partners, as the case may be, in a document known as Certificate of Outstanding Debt (*Certidão de Dívida Ativa - CDA*), which is a tax collection document indicating unpaid federal tax debts. The inclusion of a given party in this Certificate is a sensitive issue, since it creates a *prima facie* evidence that the party is liable, and shifts to that party the burden of proving that he/she is not responsible for the taxes being collected.

On one hand, the Administrative Ruling recognizes that the inclusion of managers (whether partners or not) in the CDA can only occur if the manager acted (i) with excess of powers, (ii) in violation of the law or (iii) in violation of the company's bylaws, or if the company has been irregularly dissolved (i.e., if the company ceased to operate without conducting a regular liquidation of its assets and liabilities).

On the other hand, we understand that several aspects of the Administrative Ruling are questionable, of which only two important examples are shown below.

The first example is the fact that the inclusion of managers in the CDA will occur merely through a statement from the tax authorities. This could represent a violation of important rights guaranteed by the Brazilian Federal Constitution, such as the right of ample defense and the right to a due process of law.

The second example refers to social security contributions. The Administrative Ruling authorizes the inclusion in the CDA of any partners of a limited liability company in relation to unpaid social contributions of the company before December 3, 2008. This is the date in which a former legal provision establishing a general obligation of any partners of limited liability companies for social contributions was revoked. However, this legal provision had been systematically repealed by Courts even before its formal revocation, rendering the Administrative Ruling abusive in this respect.

Therefore, although a regulation of actions by public attorneys in this important matter is a good initiative, the contents of the Administrative Ruling raise significant problems that may be challenged in Court.

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MARCH 2010

CANADA'S FEDERAL BUDGET SCORES IN OVERTIME FOR THE TECHNOLOGY COMMUNITY

BY TOM HOUSTON AND ANDREA JOHNSON

Today's Canadian Federal Budget introduced a proposed amendment to the *Income Tax Act* (Canada) ("ITA") that will remove a major practical barrier to direct investments by U.S. and other foreign VC and private equity firms in Canadian technology companies by alleviating certain notification requirements to the Canada Revenue Agency. Currently, section 116 of the ITA requires non-resident vendors of "taxable Canadian property", which includes, among other things, shares of most private Canadian technology companies, to obtain a certificate of compliance ("Section 116 Certificate") on the sale or other disposition of their shares. Section 116 applies even if any capital gain realized on the disposition of the shares by the non-resident vendor would be exempt from tax in Canada by virtue of an applicable bilateral income tax treaty. The proposed amendment announced today by the minority Conservative government will eliminate the need for non-residents to apply for and obtain a Section 116 Certificate in connection with the sale or other disposition of shares of Canadian private companies whose principal value is not derived from real property in Canada, Canadian resource property or timber resource property.

The Canadian federal government has previously tried to "fix" the problems associated with the section 116 process. For example, the 2008 Canadian Federal Budget contained proposed amendments to the section 116 regime which were enacted and effective as of January 1, 2009. The 2008 amendments expanded the types of property that would be excluded from the section 116 requirements, thereby simplifying the compliance burden. Although the 2008 changes resulted in a simpler process, section 116 obligations remained a hindrance to direct investments by U.S. and other foreign VC and private equity firms. The current amendments, if passed into law, should decisively eliminate the application of section 116 of the ITA to the sale of shares of most Canadian technology companies.

Although the proposed amendment introduced in today's Budget will not come into force until it is enacted by the Canadian Parliament, we are encouraged that the Canadian government has finally listened to numerous industry leaders who have pushed for this change for many years. The proposed amendment, when enacted, will apply in determining after March 4, 2010 whether a property is "taxable Canadian property" of a non-resident vendor.

Background

Section 116 requirements have resulted in significant roadblocks to timely exits for U.S. investors in Canadian corporations, creating a "chilling effect" on foreign investment in Canada's technology sector. The process for obtaining a Section 116 Certificate has too often been long and frustrating, especially for U.S. funds with multiple limited partners or members. In order to obtain a Section 116 Certificate, these funds had to provide tax information for each of their limited partners or members, and in certain situations these limited partners or members also had to file tax returns in Canada. Processing delays, combined with requirements in the ITA to withhold proceeds of the sale until a Section 116 Certificate has been obtained, have increased risks for non-Canadian investors, particularly for sellers in "paper" M&A deals who have been involuntarily exposed to volatile public equity markets for months or longer. Over the years, negative experiences with section 116 requirements have led many U.S. funds to resort to expensive work-arounds using offshore vehicles for Canadian investments, or to stop investing in Canadian technology companies altogether.

Barrier Removed for New Investments in Canadian Tech Companies

For our clients and friends in the VC and private equity industry in the U.S. and overseas, we hope that you read this change as meaning that Canada is "open for business" and that this change, together with the already available generous tax benefits for certain Canadian technology companies, will lead to an increased investment flow into our very strong technology

industries. More specifically, these proposed amendments will mean that U.S. and foreign investors can invest directly in Canadian companies without the costly and time-consuming need to either re-organize the business into a U.S. entity or invest indirectly through an offshore vehicle in Luxembourg, Barbados or elsewhere. This opens the door to the considerable benefits associated with a direct investment in Canadian corporations and particularly in "Canadian controlled private corporations" ("CCPCs"), including:

- a generous program for investment tax credits for Scientific Research and Experimental Development ("SRED") performed in Canada, which for CCPCs are available at an enhanced rate and on a refundable basis – providing a valuable source of cash flow to early-stage companies;
- availability of the lifetime capital gains deduction (currently amounting to C\$750,000) for Canadian founders on the sale of shares of a CCPC;
- tax deferral on the exercise of stock options, and a 50% deduction on the sale of optioned shares, for eligible Canadian employees who are granted options by a CCPC;
- eligibility for small business deductions and a lower rate of federal tax for CCPCs earning income from an active business carried on in Canada;
- more flexibility to go public on the Toronto Stock Exchange (or another stock exchange outside of the U.S.) as a "foreign private issuer", without having to register shares or become a reporting issuer in the U.S.; and
- the ability, once a Canadian company is already listed on the TSX, for the company to go public on NASDAQ or another U.S. exchange using the multi-jurisdictional disclosure system (MJDS), which can provide a "fast track" to access U.S. capital markets.

The section 116 amendment complements recent

government non-tax measures introduced by Canadian federal and provincial governments to kick-start Canada's venture capital industry. These measures include an additional C\$225 million over two years to support and expand the Business Development Bank of Canada's venture capital activities, and the establishment by the Ontario government of the C\$250 million Ontario Emerging Technology Fund (OETF), which co-invests with qualified VC funds in cleantech, life sciences, advanced health, digital media and information and communications technology companies. In terms of regulatory action, through the 2010 Budget the Government will remove the existing restrictions on foreign ownership of Canadian satellites, an important development in a sector that relies heavily on financing from international sources.

Tom Houston, the National Chair of FMC's Technology Practice Group, was deeply involved in advocacy efforts to remove the application of section 116 to technology company transactions. He worked closely with the Canada-California Strategic Innovation Partnership, Canada's Venture Capital & Private Equity Association (CVCA), the Canadian Advanced Technology Alliance, and many industry leaders.

RELATED NEWS

To view related FMC newsletters on the implications of the 2010 Canadian Federal Budget, please see [FMC Focus on Tax - Federal Budget 2010](#) and [FMC Focus on Public Policy](#).

CONTACT US

For further information, please contact [Tom Houston](#) or [Andrea Johnson](#) of our [National Private Equity | Venture Capital Group](#).



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YOUR FUTURE IS OUR BUSINESS



Model Documentation for Transfer of Syndicated Loans Promulgated by China Banking Association | March 2010

China Banking Association in January 2010 released the Model Documentation for Transfer of Syndicated Loans (the "Model Documentation"). It is intended that the Model Documentation will serve as reference documents to be applied by market participants in the secondary loan market for sales and purchases of loans. The release was preceded by the promulgation in 2007 of two other sets of model documentations: the Model Front-end Documentation for Syndicated Loans (《银团贷款前端文件示范文本》) and the Model Documentation for Syndicated Mid-long Term and Working Capital Loans (《中长期及流动资金银团贷款合同示范文本》).

The volume of loan transfer transactions in the domestic market has shown an overall trend of increase over the recent years. Admitted, significant differences exist in terms of magnitude, driving forces and performance where loan transfer transactions in the domestic market and in the more developed markets are compared.

Structure of the Model Documentation

The Model Documentation consists of a Confirmation, a set of Standard Terms and Conditions, a schedule and an appendix. The Confirmation provides for matters including the basics of the loan the subject of the transaction, settlements and fees, and dispute resolution, and will be signed upon agreement to transact. The Confirmation is not intended to stand alone as a complete contract for a transaction of loan transfer. Instead, it should be construed together with the Standard Terms and Conditions. The Standard Terms and Conditions specify essential terms that are integral to a loan transfer transaction and address matters of transfer procedures, notice giving and consents obtaining in respect of obligors under the loan, issuance of transfer certificates, price calculation and payments making, risk and credit appraisals, disclaimers, representations and covenants, default and remedies. Unless the parties otherwise agrees expressly, the Standard Terms and Conditions will, together with the Confirmation, form one agreement in relation to a loan transfer transaction. The schedule and appendix deal with notices that according to the underlying loan documentation are required to be given to relevant parties, e.g., the borrower, the security provider and the agent bank.

In case the parties hope to make arrangements other than those already included in the Standard Terms and Conditions, a supplemental agreement may be separately negotiated and signed for modification, addition or deletion purposes, and such supplemental agreement will also become part of the documentation.

It is not difficult to see that the Model Documentation has borrowed from the model transaction documents of Loan Syndications & Trading Association (LSTA) and those of the Asia Pacific Loan Market Association (APLMA), while it at the same time tries to accommodate the peculiarities with the transaction parties, transaction subjects and transaction customs in the Chinese market.

Applicability

The scope of application of the Model Documentation is relatively limited. In terms of the underlying transactions, the Model Documentation primarily applies to transfer of outstanding loans and loan commitments where the loan documentation itself follows the Model Documentation for Syndicated Mid-long Term and Working Capital Loans. Confusions and inter-document discrepancies will occur if the Model Documentation is applied to transfers of otherwise documented loans. In terms of the transfer transaction itself, the Model Documentation was designed for domestically syndicated loans where lenders involved are all residents in China and the transferee is also a resident bank. For transactions involving an offshore bank, significant adjustments need to be in place before the Model Documentation could be utilized.

Therefore, notwithstanding all the benefits the Model Documentation promises to bring to the development of the domestic secondary market of syndicated loans, the parties still need to be very careful when dealing with specific transactions and are advised to pay close attention to choices of modifications, additions or deletions with respect to provisions of the Model Documentation so as to avoid confusions and conflicts of all sorts.

Security

Security is a matter that raises serious concerns for every party involved in a loan transfer transaction, especially where the security rights require registration in order to become effective against the transferor, the borrower or the world, and then amendments or renewal to the original registration is a must. For example, before the completion of such amendments or renewal, which may take quite some time, which party shall be entitled to the security rights? No conclusion could be drawn in practice without any doubts, and the

current registration system does not provide a mechanism to help avoid the risk of fall-through of the security rights.

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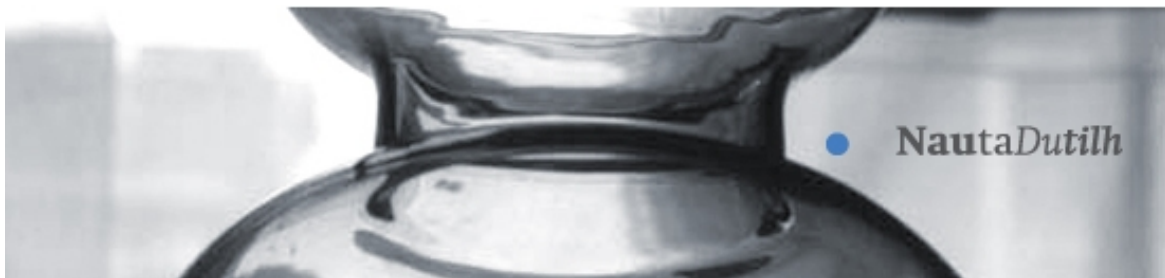
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Newsflash

Intellectual Property



Monsanto v. Cefetra: the future of biotech patent protection in Europe?

9 March 2010

This newsletter is sent from our Amsterdam office

Advocate General opinion Round up and Ready

Today, Advocate General Mengozzi has rendered his opinion in the much debated Monsanto v. Cefetra case (C-428/08).

Background

Monsanto is the proprietor of European patent EP 0 546 090 relating to glyphosate-tolerant 5-enolpyruvylshikimate-3 phosphate synthesis. This patent protects one of the key biotech inventions that are part of Monsanto's Round-Up Ready technology. This particular invention results in genetically modified, herbicide resistant plants and creates benefits at the crop growth stage of soy production. Farmers in Argentina have widely adopted this technology and Argentina has become one of the largest exporters of soy products. Argentina however, is one of the few places in the world where Monsanto has no patent protection for the modified genes and DNA molecules. Monsanto has therefore targeted European imports of soy derivatives (important cattle feedstuffs) from Argentina, relying on its European patents.

In Argentina, the soy plants are grown. After harvesting the soy beans, these are processed further into soy meal pellets. The oil is extracted, and the remains are crushed, dried, heated and pressed into the end product, before being shipped to Europe.

Monsanto argues that intact DNA molecules are residually present in soy meal imported into Europe and that its patent is therefore infringed under national patent laws in Europe. Monsanto argues that it enjoys absolute product protection. The soy meal importers, on the other hand, argue - inter alia on the basis of Article 9 of the Biotech Directive - that the scope of protection of Monsanto's patent does not extend to situations where the DNA molecules, if present at all, are residually present and are incapable of performing any function at all.

Article 9 of the Biotech Directive provides as follows:

The protection conferred by a patent on a product containing or consisting of genetic information shall extend to all material, save as provided in Article 5(1), in which the product is incorporated and in which the genetic information is contained and performs its function.

The case is pending before the District Court of The Hague, which has referred several questions to the Court of Justice of the European Union (ECJ). The main questions can be summarized as follows:

- Should Article 9 of the Biotech Directive be understood in such a way that it confers protection when the genetic information present in the material does not perform any function *but has performed a function in the past* or when it is *theoretically capable of performing a function in the future* (ie. when the gene sequence is isolated and again introduced in plant cells)?

- Should the protection offered by Article 9 of the Biotech Directive be considered to be *exhaustive*, or is there still room for absolute product protection under national laws?

Opinion of Advocate General Mengozzi

After examining the wording and aims of the directive on the legal protection of biotechnological inventions, Advocate General Mengozzi maintains that the patented DNA is protected as such – that is, as a chemical substance – only where it performs the function for which it was patented. In his view, those are the only circumstances in which the protection also covers the ‘material’ in which the DNA sequence is contained.

The Advocate General concludes that the protection for a patent relating to a DNA sequence is limited to the situations in which the genetic information is currently performing the functions described in the patent. That holds true both as regards the protection of the genetic information as such and as regards the protection of the materials in which the genetic information is contained.

In his view also, Directive 98/44/EC constitutes an exhaustive set of rules governing the scope of protection of patent claims for biotechnological inventions, which rules apply in the entire EU and preclude national legislation from conferring a wider scope of protection. The aim of the directive is to promote the market and competition and to prevent existing legislative differences in that area from having a negative effect on trade within the European Union.

The final judgment of the ECJ, which often corresponds with the opinion of the A-G, is expected by August/September of this year.

In this case it is also noteworthy that five member states intervened, unanimously taking the position that Monsanto was overextending its patent rights. The Advocate General has now confirmed that Monsanto cannot invoke its patent rights in situations in which the genetic information does not perform any function at all.

NautaDutilh will refrain from commenting on this case as it is involved in this litigation, but will keep you informed of the progress in this important case. It will be the first time that the ECJ reviews the important issue of the scope of protection in the context of DNA patents.

Please [click here](#) for the complete press release of the Court of Justice of the European Union.

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For further information about NautaDutilh's patent litigation team representing Cefetra and ACTI, please [click here](#).

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"I Want Out!" – Terminating Supply Agreements

A key feature of any ongoing supply agreement, be it for goods and/or services, is to provide continuity and certainty for both the supplier and customer. For the supplier, this means that a revenue stream or source of revenue can be "locked in" for the term of the agreement. For the customer, it's the guarantee of continued supply and (ideally) benefits associated with having a relationship with a known supplier that can be trusted and relied upon. Needless to say, there is often incentive for both parties to negotiate an agreement with a multi-year term.

With any long term arrangement, it is prudent to consider the possibility of one of the parties wishing to terminate earlier than expected. This could be due to the relationship breaking down or simply that circumstances have changed so that the arrangement is no longer required or appropriate. It could be that the customer is dissatisfied with the supplier's performance or finds that the goods/services are no longer required for, or suited to, the customer's business. On the other hand, it could be that performance has become overly burdensome or uneconomic for the supplier, or doesn't fit with the strategic direction in which the supplier's business is going. Addressing these issues at the outset can assist in bringing the supply agreement to an end smoothly from both an operational and legal perspective.

This article outlines some of the possible grounds for terminating a supply agreement prior to its expiry, as well as some key considerations when entering into your supply agreements.

Grounds for Termination

The starting point for terminating any supply agreement is, not surprisingly, the terms of the agreement. From there, the common law (or "judge-made" law) or certain statutory provisions may provide some assistance.

(a) *Termination for Convenience*

An express contractual right for a party to terminate "for convenience" or "without cause", usually by providing the other party prior notice, is the simplest way to effect a termination. Provided the formalities for terminating are met (both in terms of the period of prior notice that must be given and the manner in which the notice must be given), there is little room to debate the exercise of such a right and therefore any associated legal risks are negligible.

(b) *Termination for Breach*

Supply agreements typically include a provision entitling one party to terminate if the other party breaches the agreement. There are usually various requirements around this, such as that the breach must be "material" and that the other party is first given an opportunity to remedy or "make good" the breach within a specified timeframe.

In the absence of any express right to terminate for breach, either the Sale of Goods Act 1908 (**SOGA**) or the Contractual Remedies Act 1979 (**CRA**) can assist.

If the supply agreement is properly categorised as a contract for the sale of goods, the SOGA has the effect of preserving a party's right to repudiate or treat the contract at an end in the event of a breach of a condition. A condition is generally considered to be an essential term of a contract.

If the SOGA doesn't apply to the supply agreement, the CRA almost certainly will. The CRA provides a right to cancel the agreement if:

- the parties had expressly or impliedly agreed that performance of the provision that has been breached was essential; or
- the effect of the breach is to substantially reduce or change the benefit of the agreement, or substantially increase or change the burden of the agreement.

In any event, terminating for breach carries with it the risk of the other party claiming that the breach was not material enough to justify termination, that the term breached was not essential, or even that there was no breach at all. A wrongful or invalid termination by one party may lead to a claim against that party that it has repudiated the agreement (ie has made it clear that it no longer intends to perform its obligations) and is liable for damages accordingly.

(c) Termination on Reasonable Notice

In the case of an agreement that does not specify a fixed term or manner in which the agreement may be brought to an end, the courts will usually be prepared to imply a provision that either party can terminate on "reasonable notice" to the other party. However, this can only happen if the introduction of such a provision would not contradict any provisions of the agreement expressly agreed by the parties.

What amounts to reasonable notice is a factual assessment, and depends on a number of matters such as the nature and duration of the parties' relationship. In some cases it might be a matter of months, in other cases it could be a year or even longer.

(d) Termination for Impossibility of Performance

A force majeure provision is a common feature of supply agreements. In its simplest form, it excuses liability for non-performance due to an event or circumstances beyond the reasonable control of the non-performing party. The agreement may go further and also provide that if this event or circumstances continue for an extended period of time, the agreement may be terminated by either party.

There is also the common law doctrine of frustration, which excuses future performance in situations where, due to unforeseen circumstances (such as a change in law), performance either becomes impossible or only possible in a radically different way from that originally contemplated. The threshold for when the doctrine may be invoked is, however, relatively high.

Termination under either of these heads will generally require a pretty significant external event that is likely to have an ongoing effect. As a result, it is fairly rare that a party may be able to rely on either as grounds for termination.

(e) Termination for Insolvency

Termination by one party for an "insolvency event" affecting the other party is also a standard termination right. This might entail where the other party goes into liquidation, receivership or administration, or enters into an arrangement for the benefit of its creditors or is unable to pay its debts as they fall due. The rationale for terminating is simply that an insolvent party will most likely struggle to continue to perform, either by continuing the supply of goods/services or making payment of the price or fees, and similarly would probably be unable to satisfy any judgment for damages if it subsequently breached the agreement.

(f) Termination by Agreement

Of course a supply agreement, as with any other agreement, can be brought to an end by the agreement of the parties. While this requires the co-operation of the other party, it should not be discarded as a potential option. There may be circumstances where an early termination of the agreement can be framed as a "win/win" scenario for both parties, or otherwise it may be possible to offer the other party some sort of "carrot" in exchange for its agreement to the termination.

Considerations When Negotiating the Supply Agreement

While there are various ways in which an agreement may be terminated, the possibility of finding yourself stuck in a tightly drafted agreement of which there is no getting out of is still very real (especially if that's what you asked your lawyer for when the agreement was being prepared!). Therefore, it's important to carefully consider the scenarios in which you may want/need to terminate and push for appropriate provisions to be included in the agreement. Some relevant considerations (in addition to inclusion of the standard termination rights discussed above) might be:

- **Term and Renewals:** Striking the right balance between an agreement that is long enough to deliver the benefits of ongoing continuity, but not so long that it may become outdated or superfluous, is key. One mechanism that is often used is to agree to a fixed, but shorter, initial term, with rights to renew the agreement for one or more additional terms following the expiry of the initial term. The main benefit of this approach is that it provides the party with the renewal rights an opportunity to review the agreement at the end of the initial term and then decide whether to continue with it.
- **Early Termination Fees:** A right to terminate for convenience prior to the expiry of the agreement is obviously desirable, however it is not something that the other party is likely to agree to readily without some form of "compensation". In the context of a customer's right to terminate for convenience, a standard compromise is to permit the customer to terminate in this manner provided the customer pays the supplier a termination fee. The intention is to compensate the supplier for some of the initial investment it made in the relationship and that it intended to recover over the full term of the agreement. It could also be appropriate if the supplier has based its pricing on the assumption of the agreement continuing for the full term and projected revenues over that term.
- **Partial Termination:** At some stage you may wish to terminate a discrete aspect of the agreement (e.g. some of the goods or services), but have the rest of the agreement remain on foot. For the customer, this might be the case if the supplier's performance of a particular service has not been satisfactory, but the performance of the other services has generally been good. An ability to remove specific goods and/or services from the scope of the agreement would be useful in that regard. The right might be exercised if there is a material breach relating to the relevant goods or services, or even for convenience (in which case, an early termination fee in respect of those goods/services may be appropriate).
- **Deemed Material Breach:** To reduce the scope for argument as to whether a breach is material and therefore gives rise to a right to terminate, you may wish to record that specific breaches will be deemed to be material for this purpose. Generally, these breaches would be in relation to aspects of the agreement that are particularly important to you. For example, the provision of services in accordance with the agreed service levels is likely to be important. The agreement could provide that a failure by the supplier to achieve the service levels a certain number of times during a certain timeframe amounts to a material breach and gives rise to a termination right. If you're the supplier, protection of your intellectual property rights may be paramount. Thus, any use by the customer of your intellectual property outside of the terms on

which it is supplied and licensed to the customer could be deemed a material breach of the agreement.

- **Occurrence of Specific Event:** Certain events or circumstances might arise that don't constitute a breach of the agreement, but nevertheless make continuing with the agreement onerous or even unbearable. For instance, what if the other party was bought out by one of your competitors? If there is potential for the such an event to occur, an express right to terminate on the occurrence of that event may be warranted.

Considering issues such as these is a good start, however the parties' rights and obligations to apply on termination should not be overlooked. For instance, in some cases it may be appropriate to include disengagement provisions to address how the supply of the goods/services will be transitioned from the supplier to an alternative supplier or even back to the customer.

Conclusion

Termination of any supply agreement is a key right/remedy that can have serious consequences for both parties. Careful thought should go into the circumstances in which a party may want to terminate and the extent to which those should be captured in the supply agreement. Of course, it is also vitally important to be thinking about what should be, or is, required in terms of the parties' rights and obligations on termination. This might include providing for a formal disengagement arrangement.

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February 2010
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CLEARANCE GRANTED TO COMBINATION BETWEEN TAIWAN MOBILE AND KBRO WITH TEN CONDITIONS

©Yvonne Hsieh

At its December 2, 2009 commissioners' meeting, the Fair Trade Commission (FTC) conditionally permitted the proposed combination of Taiwan Mobile (TWM), Cheng Ting, Kbro and 12 cable system operators controlled by Cheng Ting and Kbro.

TWM is the second-largest mobile telephone and fixed-line telecom service provider, and it has invested in 4 cable television companies. Kbro is a Taiwanese company invested by Carlyle, and it has invested in 12 cable television companies (12 SO). The subject transaction involves the acquisition of Kbro and 12 SO by TWM. After the transaction, the number of subscribers owned by the cable television companies controlled by TWM will be close to 1/3 of the total number of subscribers nationwide. The FTC pointed out that the subject transaction would have a minor impact on the market of mobile telecom and fixed-line telecom service, while anti-competition concerns would still exist in the cable television service market and satellite broadcasting program supply market; but the combination would promote competition in the digital telecom connection service market (i.e., internet access market).

After considering various factors, including the current laws, regulations and legal framework, relevant market structure and competition, opinions from relevant industries, trends in technology development and the maintenance of market competition after the combination, the FTC believed that the overall economic benefit as a result of this transaction would outweigh the disadvantages of stifled competition. Consequently, it permitted the subject transaction in accordance with Paragraph 12, Article 12 of the FTA, subject to the following conditions:

- TWM shall dispose of all shares of one cable television company it holds directly or indirectly within one year of receiving the FTC's decision.
- TWM and its controlled and affiliated companies shall not appoint representatives to act as directors, supervisors or general manager in Mangrove for three years after receiving the FTC's decision.
- The total satellite broadcasting programs produced or distributed by TWM and its controlled and affiliated companies shall not exceed 21 for 3 years after receiving the FTC's decision.
- TWM and its controlled and affiliated companies shall not refuse to license the

satellite broadcasting programs produced or distributed by it to other cable television system operators, direct satellite broadcasting operators, MOD operators or other service providers that have competing relationships and transmit signals via cable or wirelessly, and shall not give discriminatory treatment.

- TWM and its controlled and affiliated companies shall not charge different prices or impose additional conditions without justification for licensing the satellite broadcasting programs produced or distributed by it to other cable television system operators, direct satellite broadcasting operators, MOD operators or other service providers that have competing relationships and transmit signals via cable or wirelessly.
- TWM shall submit a list of the satellite broadcasting programs that it or its controlled and affiliated companies produce or distribute and the agency agreements thereof to the FTC before July 1 every year for three years after receiving the FTC's decision.
- TWM shall submit to the FTC the information related to the offer price, license price, promotion, counter parties of the satellite broadcasting programs that it or its controlled and affiliated companies produce or distribute before July 1 every year for three years after receiving the FTC's decision.
- TWM shall submit the information related to the retail and wholesale price of internet service, and inter-connection fees with other major internet access service providers to the FTC before July 1 every year for three years after receiving the FTC's decision.
- Regarding the interconnection fee applied to cable network system, which will be charged by TWM and its controlled and affiliated companies, the fee should be based on the connection volume or appropriate offset mechanism within six months of receiving the FTC's decision.
- Within three years of receiving the FTC's decision, TWM and its controlled and affiliated companies shall implement the following matters at their cable network systems to maximize their economic benefits: (i) try to complete the digitalization of the cable television so as to improve the consumers' freedom to choose programs; (ii) establish an open platform that is advantageous for convergence; and (iii) provide a more favorable price, volume, quality, service or other trading terms in the cable modem service business than other ISP providers so as to participate in the competition.

According to the Cable Television Act, the number of subscribers of a system operator, its affiliates and system operators, directly or indirectly controlled, shall not exceed one-third of the total number of subscribers in Taiwan. As the total subscribers of system operators controlled by TWM will be close to one-third, one of the conditions that the FTC imposed on TWM is that TWM needs to dispose of all shares in one system operator that are directly or indirectly controlled by TWM within one year. This is the first case in which the FTC has imposed a condition of disposition of assets as one of the conditions for clearance.



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INTELLECTUAL PROPERTY REPORT

Articles

Lucent v. Gateway and Cornell v. Hewlett-Packard: Signaling Stricter Application of Damage Apportionment Standards in the Federal Circuit

[Jeff Becker](#)

In April of 2009, Judge Rader of the United States Court of Appeals for the Federal Circuit, sitting by designation in the Northern District of New York, slashed a \$186 million jury verdict against Hewlett-Packard to \$53 million in *Cornell University v. Hewlett-Packard Company*.¹ Later in 2009, the Federal Circuit vacated a \$358 million jury verdict against Microsoft and remanded the case for a new trial on damages in *Lucent Technologies v. Gateway, Inc.*² These cases seem to signal a new willingness of the judges of the Federal Circuit to scrutinize jury awards in patent cases and reduce or vacate those deemed excessive. In both cases, the courts closely scrutinized the plaintiff's damage evidence and concluded that it did not support the verdict. As a result, to protect damages awards from being vacated or subjected to remittitur, patent plaintiffs now may see an increased need to provide more detailed, and thus more expensive, customer demand evidence in order to prove entitlement to the Entire Market Value Rule. Otherwise, they may be incentivized to lower their damages models accordingly. However, this apparent increased evidentiary burden raises new questions, including the impact that more detailed customer demand evidence will have on apportionment of damages in the future.

The issue of perceived excessive damages has been a driving factor in patent reform efforts in recent years. A chief concern in the debate is the operation of the Entire Market Value Rule in the reasonable royalty context, a doctrine that allows patentees to capture a royalty base that includes sales of larger infringing products that incorporate the invention when the invention is the basis for customer demand.³ In other words, holders of minor patent improvement patents can sometimes capture damages for the sales of infringing products that are far more valuable than the contribution of their invention. As a result, patent reform efforts have aimed to limit the operation of the Entire Market Value rule by enacting legislation limiting its operation to cases in which the *specific contribution* of the invention *over the prior art* is the predominant basis for customer demand for the infringing product.⁴ The *Cornell* and *Lucent* decisions may represent an attempt by the Federal Circuit to blunt these reform attempts by strengthening and clarifying the current standards for the Entire Market Value Rule and providing for the apportionment of damages. This article will examine these two cases as they relate to the Entire Market Value Rule and the impact they may have on damages cases in the future.

Background

In order to understand the impact that *Cornell* and *Lucent* have on the Entire Market Value Rule in determining the royalty base, this section provides a brief discussion of the background of patent damages in a reasonable royalty context. Federal patent law provides that a patentee may recover lost profits for patent infringement but provides a minimum recovery in the form of a "reasonable royalty."⁵ In determining a reasonable royalty, courts have developed a framework consisting of examining factors that would have influenced a "hypothetical arms-length negotiation" that is posited to have occurred prior to infringement, with the hypothetical negotiation involving a willing licensor and a willing licensee.⁶ Courts commonly refer to these factors as the *Georgia-Pacific* factors, referring to a case that listed a wide range of factors that might in combination influence such a negotiation.⁷

A reasonable royalty can be thought of as a royalty rate times a "royalty base." The royalty base is the set of infringing products or sales to which the royalty rate will be applied.⁸ Determining the proper royalty base involves several critical questions, including how much of the infringer's sales should be apportioned as part of the base, and what should be done in cases in which the invention reads on only a small portion of the infringer's products, or reads on some, but not all of

the steps used to make the product. The application of the Entire Market Value Rule controls the answers to these questions, which can, in some cases, mean the difference in hundreds of millions of dollars in damages.

The Entire Market Value Rule defines the instances in which a patent owner may capture the *entire value* of a larger infringing product. In most cases, a patentee's recovery for infringement of an "improvement patent" is limited to the value of the patented improvement, unless the entire value of the larger product incorporating the improvement is "properly and legally attributable" to the patented feature.⁹ The Federal Circuit has interpreted this principle to mean that under the Entire Market Value Rule, the royalty base is the value of the entire apparatus and not just the patented part, *if* the patented feature forms the *basis for consumer demand* in the entire apparatus or creates substantial value for the apparatus.¹⁰ However, the Federal Circuit has further limited the doctrine to instances in which the patented and unpatented parts work together as, or are analogous to, a *single functional unit*.¹¹

Cornell University v. Hewlett-Packard Co.

In *Cornell University v. Hewlett-Packard Co.*, Judge Rader directly addressed the issue of the proper royalty base under the Entire Market Value Rule.¹² Cornell's patent covered a method to increase the performance of parallel computing in processors by using out-of-order instruction processing. Cornell sued HP for infringement based on sales of servers and workstations that allegedly incorporated Cornell's invention. However, the processor within HP's servers was the only component capable of practicing Cornell's invention. HP's processors were packaged with other components into "CPU bricks," which were then incorporated into cell boards which finally were inserted into a server. While HP normally sold the processors as part of the overall server, HP also sold individual processors a la carte during the damages period, which could hypothetically be extended to the value of processors sold as part of a server. Thus, the issue was which of these layers of components comprised the proper royalty base: the server, the cell board, the CPU brick, or the processor itself.

Before trial, the court repeatedly warned Cornell that it would scrutinize damages proof in order to prevent Cornell from asserting damages "far beyond the scope of the claimed invention."¹³ Thus, the court expected Cornell at trial to present "well-documented economic evidence closely tied to the scope of the claimed invention."¹⁴ However, at trial, Cornell nevertheless attempted to present damages evidence based on revenue of HP's entire server and workstation systems. After a court-initiated *Daubert* motion, the court concluded that Cornell's expert could not supply "credible and sufficient economic proof" to support application of the Entire Market Value Rule to HP's entire servers and workstations.¹⁵ Instead, Cornell elected to pursue a royalty base consisting of HP's CPU bricks, sales of which amounted to an uncontested \$23 billion. The jury agreed with Cornell on infringement and damages, awarding it \$186 million as a reasonable royalty.

On appeal, Judge Rader forcefully addressed the issue of whether Cornell had proven entitlement to the CPU brick as the royalty base under the Entire Market Value Rule. The court first stated that the royalty base and the royalty rate are *distinct* components to be proven separately.¹⁶ Further, it noted that an over-inclusive royalty base from the sale of unpatented components "is not permissible simply because the royalty rate is adjustable."¹⁷ The court then boiled down the requirements for the Entire Market Value Rule into three conditions: 1) "the infringing products must be the basis for customer demand for the entire machine including the parts beyond the claimed invention," 2) "the individual infringing and non-infringing components must be sold together so that they constitute a functional unit or are parts of a complete machine or single assembly of parts," and 3) "the individual and non-infringing components must be analogous to a single functioning unit."¹⁸

Thus, the issue on appeal was whether Cornell had proven that its patented process for improving parallel computing was *the basis for customer demand* for HP's CPU bricks. The court concluded that it had not.

In rejecting the CPU brick as the royalty base, the court eviscerated Cornell's evidence of consumer demand. Cornell's evidence of consumer demand included evidence of HP's sales revenues from HP servers and CPU bricks; and that "superior performance" was a *reason* that customers purchased HP's servers. However, HP pointed out that other reasons for purchase included service and reliability. Additionally, Cornell was unable to demonstrate how or to what extent that its invention contributed to the "superior performance" of HP's servers. Lastly, Cornell pointed to internal HP documents that stated that out-of-order instruction processing would be a competitive requirement. However, the court dismissed this evidence, instead focusing on Cornell's failure to "offer a single demand curve or any market evidence indicating that Cornell's invention drove

demand for bricks.”¹⁹ The court rejected generalizations about customer purchase motivations and forward-looking HP statements, instead insisting on customer surveys and hard data to “back up” Cornell’s claims.²⁰

As a result of Cornell’s failure to prove entitlement to hypothetical CPU brick revenues of \$23 billion, the court slashed the royalty base to \$6.6 billion, the hypothetical value of processors without the additional CPU brick components. Thus, Cornell was faced with a remittitur of accepting a reduced verdict of \$53 million or facing a new trial on damages.

Lucent Technologies, Inc. v. Gateway, Inc.

In *Lucent Technologies, Inc. v. Gateway, Inc.*, a panel of the Federal Circuit, sitting as Chief Judge Michel, Judge Newman and Judge Lourie, addressed whether Lucent’s \$356 million jury verdict was supported by the evidence under the *Georgia-Pacific* factors and the Entire Market Value Rule.²¹ Lucent’s patent, which was filed in 1986, covered methods of entering information into fields on a computer screen without using a keyboard. Lucent sued Microsoft and a variety of computer manufacturers, including Gateway, based on the alleged infringement of the “calendar-date picker” tool incorporated into Microsoft’s Outlook. A jury agreed with Lucent, awarding it \$356 million for infringing sales of Microsoft Outlook. The award was based on an eight percent royalty rate applied to a royalty base that included all infringing sales of Microsoft Outlook. Microsoft appealed, arguing that the damages award was excessive and unsupported by the evidence.

On appeal, the Federal Circuit upheld Lucent’s verdict of infringement but agreed with Microsoft on damages and remanded the case for a new trial on damages.²² In reversing the jury finding on damages, the Federal Circuit closely scrutinized Lucent’s evidence supporting an eight percent royalty under the *Georgia-Pacific* factors.²³ During its examination of the *Georgia-Pacific* evidence, the Federal court found it unreasonable to conclude that Microsoft would have agreed to an eight percent royalty for a feature that was only one among hundreds or even thousands of features of Outlook.²⁴ Such an agreement was unreasonable based on past licensing agreements Microsoft had made and the fact that the calendar picker tool was a “tiny feature of one part of a much larger software program.”²⁵ Furthermore, the court decried the lack of evidence of how often consumers used the feature and how much profit could be properly attributed to it.²⁶

The Federal Circuit also addressed the possible application of the Entire Market Value Rule by the jury. The court held that to the extent the jury may have applied the Entire Market Value Rule, there was no evidence demonstrating that the patented invention is “the basis — or even a substantial basis — of the consumer demand for Outlook.”²⁷ As a result, the court came to the “unmistakable conclusion” that the invention “is not the reason consumers purchase Outlook.”²⁸ However, unlike the court in *Cornell*, the Federal Circuit took no pains to identify the proper royalty base. Instead, the court merely stated that “the base used in a running royalty calculation *can always be* the value of the entire commercial embodiment, as long as *the magnitude of the rate is within an acceptable range.*”²⁹

Conclusion: What Does It All Mean For The Future?

Cornell and *Lucent* signal that the Federal Circuit has a seeming new willingness to scrutinize jury awards and reduce or vacate those deemed excessive. Litigants should consider the impact of these cases and alter their litigation strategies accordingly. For example, patent plaintiffs may increasingly choose to consider conducting more detailed market research and analysis, including collecting customer survey data to establish more precisely how much value customers placed on their patented invention. Accused infringers, on the other hand, may object to plaintiff’s damages models based on sales of entire products or systems, seek to limit the royalty base to the smallest hypothetically saleable component, and insist on strict proof of customer demand if the patentee claims entitlement to the Entire Market Value Rule. Patent drafters should consider drafting claims broad enough to capture the entire infringing system and avoid the necessity of the Entire Market Value Rule altogether. Taking the invention in *Cornell* as an example, claims should arguably optimally have been drafted to be broad enough to capture elements of the CPU brick, cell board and server, not merely the processor.

In addition to providing guidance, these cases define several unresolved issues that will certainly be addressed in future litigation. For example, is the royalty base in fact a “distinct” element proved separately from the royalty rate, as argued by Judge Rader in *Cornell*, or can the royalty base “always be the value of the entire commercial embodiment” as long as the rate is in an acceptable range, as suggested by the court in *Lucent*? Additionally, what exactly satisfies the requirement that an invention be a “substantial basis of consumer demand?” Can

the invention be merely one of many important bases of demand or must it be the sole basis of demand?

For example, if customer demand survey data indicates that only seven out of ten people found the patented invention to be the reason or an important reason for purchase, a patentee may argue that this shows a substantial demand entitling it to the entire royalty base of the larger product's sales. In contrast, the accused infringer may argue that this data does not show a substantial basis, and that at best, it shows entitlement to only seventy percent of sales of the larger product. Customer survey data seems likely to produce a fractured response about purchase motivations, thereby providing various arguments about how damages should be apportioned accordingly. Therefore, if customer surveys are introduced to damages models as advocated by Judge Rader in *Cornell*, they are likely to raise important new questions about how to further apportion damages.

These cases both strengthen and clarify the evidentiary standards for proving eligibility to the Entire Market Value Rule. Additionally, new questions are raised regarding how these stricter standards will be enforced in the future. As a result, to protect damages awards from being vacated or subject to remittitur, plaintiffs now may face a higher evidentiary burden and cost for proving damages or lower their damages models accordingly.

¹ See *Cornell Univ. v. Hewlett-Packard Co.*, 609 F. Supp.2d 279 (N.D. N.Y. 2009).

² See *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009).

³ See *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1549 (1995) (*en banc*).

⁴ See Patent Reform Act of 2009, H.R. 1260, 111th Cong. § 5 (2009).

⁵ See 35 U.S.C. § 284 (2006).

⁶ *Rite-Hite*, 56 F.3d at 1558.

⁷ See *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D. N.Y. 1970).

⁸ See *Rite-Hite*, 56 F.3d at 1549-51.

⁹ *Rite-Hite*, 56 F.3d at 1549 (1995) (citing *Garretson v. Clark*, 111 U.S. 120 (1884)).

¹⁰ *Id.*

¹¹ *Id.* at 1549-50.

¹² *Cornell Univ. v. Hewlett-Packard Co.*, 609 F. Supp.2d 279 (N.D. N.Y. 2009).

¹³ *Id.* at 283.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* at 286.

¹⁷ *Id.* (citing *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1549 n.9 (1995)).

¹⁸ *Id.* (internal citations omitted).

¹⁹ *Id.* at 288.

²⁰ *Id.* at 289.

²¹ *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009).

²² *Id.* at 1308.

²³ The court specifically examined evidence of factors two, ten, eleven and thirteen. Factor two is the "rates paid by the licensee for the use of other patents comparable to the patent in suit;" factor ten is the "nature of the patented invention; the character of the commercial embodiment of it as owned and produced by licensor; and the benefits to those who have used the invention;" factor eleven is the "extent to which the infringer has made use of the invention; and any evidence probative to the value of that use;" and factor thirteen is the portion of realizable profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer." *Id.* at 1325, 1332, and 1333.

²⁴ *Id.* at 1332.

²⁵ *Id.*

²⁶ *Id.* at 1333-34.

²⁷ *Id.* at 1337 (emphasis supplied).

²⁸ *Id.* at 1338.

²⁹ *Id.* at 1338-39.

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9th Circuit Finds "Back of the House" Tip Pooling Does Not Violate FLSA

Employers may not claim tip credit against—and must pay—minimum wage

02.25.10

By Jenna L. Mooney and Kaley L. Fendall

On Feb. 23, 2010, the U.S. Court of Appeals for the 9th Circuit, in a 3-0 panel decision, held that an agreed-to tip pool requiring sharing of tips with the “back of the house” does not violate the Fair Labor Standards Act (FLSA) where no tip credit against the minimum wage is claimed. *Cumbie v. Woody Woo, Inc.*, ___ F.3d ___.*

The court’s decision may be helpful to employers in the hospitality and restaurant industry that want to broaden their tip pools to back of the house employees, such as dishwashers and cooks.

In *Cumbie*, an Oregon employer required its wait staff to pool all tips and redistribute a majority of the tips to “back of the house” staff. Under Oregon law, the employer was prohibited from claiming a tip credit against the minimum wage, but was not prohibited from requiring an employee tip pool. The employer paid its servers in excess of Oregon’s minimum wage.

The 9th Circuit concluded that nothing in the text of the FLSA restricts employee tip pooling arrangements when no tip credit is taken, thus the employer’s tip pooling arrangement in this case did not violate the FLSA. The *Cumbie* decision makes clear that, as long as the employer does not attempt to take a tip credit and pays at least the minimum hourly wage, an employer may, without violating the FLSA, permissibly mandate tip pooling with employees who do not customarily and regularly receive tips.

Tip pooling considerations in light of *Cumbie*:

- An employer may require tip pooling *only* where no tip credit is taken to comply with federal minimum wage law. This means an employer must pay at least the minimum hourly wage in addition to any tip pooling.
- Employees who are not “customarily and regularly tipped employees,” such as cooks and dishwashers, can be included in a tip pooling arrangement, so long as the employer does not claim a tip credit and pays the minimum wage.
- *Cumbie* does not prevent a challenge to tip pooling arrangements under state law. In states that have specific tip pooling laws and regulations, employers must comply with *both* state and federal law. For example, California has state-specific tip pooling statutes that must be complied with. (Please see our previous advisory, [“Starbucks Brews a Winning Cup: Tip Pooling in California Restaurants.”](#))
- The U.S. Department of Labor (DOL) previously took the position that tip pooling restrictions apply even if no tip credit is claimed by the employer. The DOL will now be bound by *Cumbie* when administering federal wage and hour laws in states in the 9th Circuit (Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon and Washington).
- The 9th Circuit is the first U.S. Circuit Court of Appeals to address the permissibility of tip pooling absent tip crediting under federal law. Other federal district courts that have considered the issue, including the Western District of Pennsylvania, the Southern District of New York and the District of Oregon, all concluded that the language of the FLSA does not prohibit tip pooling where the employer does not claim a tip credit.
- The 9th Circuit’s decision did not discuss whether owners, managers or supervisory employees may participate in an employee tip pool, and this remains an open question.

- *Cumbie* reiterated that in a business where tipping is customary, the tips belong to the recipient, unless there is an “explicit contrary understanding.” Because the default rule is that tips belong to the recipient in the absence of a contrary agreement, employers engaged in tip pooling arrangements should put the terms of the arrangement in writing.

** Please note that the appellate process is not yet complete; plaintiff has filed a petition for rehearing en banc.*

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LITIGATION ALERT

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Hertz Corp. v. Friend, et al.: Supreme Court Clarifies Corporate Citizenship for Purposes of Diversity Jurisdiction

Summary

On February 23, 2010, in the case of *Hertz Corp. v. Friend*, the Supreme Court resolved a long-running dispute regarding the definition of a corporation's "principal place of business" for diversity jurisdiction in the federal courts. Diversity jurisdiction exists by statute for civil actions between citizens of different states, where the matter in controversy exceeds \$75,000. Under the statute, a corporation is "deemed to be a citizen of any State by which it has been incorporated and of the State where it has its principal place of business." The Supreme Court in *Hertz* held that a corporation's "principal place of business" means "the place where a corporation's officers direct, control, and coordinate the corporation's activities," which is frequently described as the corporation's "nerve center." Typically, this "nerve center" will be found at a corporation's headquarters. The Court's holding in *Hertz* is likely to have a significant impact on eligibility for diversity jurisdiction and should bring greater clarity and predictability to subject matter jurisdiction disputes.

Background

Portions of the diversity jurisdiction statute have generated confusion for years, as courts have struggled to develop complex, multifactor tests to identify a corporation's "principal place of business." Some courts sought to identify a corporation's "nerve center," while others focused on a corporation's "locus of operations" or its "center of corporate activities." As the Court in *Hertz* explained, "different circuits (and sometimes different courts within a single circuit) . . . applied these highly general multifactor tests in different ways."

The *Hertz* Analysis

In *Hertz*, the Supreme Court resolved the confusion by holding that a corporation's "principal place of business" refers to "the place where a corporation's officers direct, control, and coordinate the corporation's activities." This location, often described as the corporation's "nerve center," "should normally be the place where the corporation maintains its headquarters" – "provided that the headquarters is the actual center of direction, control, and coordination . . . and not simply an office where the corporation holds its board meetings (for example, attended by directors and officers who have traveled there for the occasion)." In reaching this conclusion, the Court considered the language and legislative history of the diversity jurisdiction statute, and it acknowledged the virtues of adopting a relatively straightforward approach for testing jurisdiction: "[c]omplex jurisdictional tests complicate a case, eating up time and money as the parties litigate, not the merits of their claims, but which court is the right court to decide those claims." By contrast, a simplified approach promotes greater efficiency and predictability.



The Court emphasized that the party asserting diversity jurisdiction bears the burden of persuasion, and “[w]hen challenged on allegations of jurisdictional facts, the parties must support their allegations by competent proof.” As the Court made clear, “the mere filing of a form like the Securities and Exchange Commission’s Form 10-K listing a corporation’s ‘principal executive offices’” will not, without more, constitute “competent proof” to establish a corporation’s nerve center. The Court also signaled its intent to guard against attempts at “jurisdictional manipulation,” explaining that if, for example, a corporation’s purported “nerve center” turns out to be “nothing more than a mail drop box, a bare office with a computer, or the location of an annual executive retreat,” courts should seek to determine the place of *actual* “direction, control, and coordination.”

The Court acknowledged that the *Hertz* test occasionally may lead to counterintuitive results, at odds with the basic rationale for diversity jurisdiction:

For example, if the bulk of a company’s business activities visible to the public take place in New Jersey, while its top officers direct those activities just across the river in New York, the “principal place of business” is New York. One could argue that members of the public in New Jersey would be less likely to be prejudiced against the corporation than persons in New York – yet the corporation will still be entitled to remove a New Jersey state case to federal court.

Nevertheless, the Court found that these “seeming anomalies” are the inevitable cost of adopting a clear, relatively straightforward rule. As a result, the *Hertz* decision should serve to promote greater efficiency and predictability on matters of subject matter jurisdiction in the federal courts.

If you have any questions please contact any Hogan & Hartson attorney with whom you regularly work or any one of the authors listed below.

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2009 brought many changes to Venezuela's Industrial Property System, all of these as a consequence of the country's withdrawal from the Andean Community and therefore the reinstatement of our former and outdated Law of Industrial Property of year 1955.

As a way of summary, we will enunciate the most significant changes implemented by our Intellectual Property Office (SAPI in Spanish) and their implications in relation with the new paperwork procedure, adapted to our Industrial Property System.

1. Publication in national newspapers.

SAPI has established the obligatory duty to publish all applications for trademarks and patents in a national newspaper, with nationwide coverage, before their publication in the Industrial Property Official Bulletin.

Once the Order for Publication of this request has been admitted and released by SAPI in the press, and published in the Industrial Property Bulletin, the following steps are:

- Publication in a newspaper, as requested by the administration; and
- Filing, within the first two months following the issuance of the Publication Order in the press, the original document of publication before SAPI.

The Publications must be made in the following manner:

With regard to Trademarks:

One publication must be conducted.

With regard to Patents:

Must be published three times, during a period of thirty days, with a ten day interval between each one of them.

2. Compulsory Official Search.

SAPI has established the obligatory duty to carry out and to file official searches with every new application.

In case of word marks, only the phonetic search results must be filed, and in case of design marks, both search results – phonetic as well as design searches, must be filed.

These search results must be filed in each case. Photocopy of search results will not be admitted in case of a trademark being filed in several classes.

3. Local Classification

Venezuela's IP Law of 1955, in its Article 106, establishes the adoption of a national classification system.

It is important to mention that an International Class could be converted into several National Classes, always under the administration's criteria, since there is no historical background, doctrine, nor jurisprudence in this respect.

4. Tri-dimensional Trademarks are not protected.

With the re-implementation of the IP Law of 1955, there are some IP aspects that are no longer protected.

Recently, through Administrative Resolutions, SAPI has rejected the tri-dimensional trademarks, on the grounds that these are not protected under the Law of 1955.

In these cases, we could file those designs as copyrights.

During this year, we will be informing you, through HPCD's IP NEWSLETTERS, about the news and changes in our Industrial Property System.

EDITORIAL

Venezuela has traditionally been one of the Latin American countries offering proper protection to Intellectual Property Rights. This protection was expanded in the year of 1974, with the incorporation of Venezuela into the Andean Pact, and subsequently it evolved with the Country's adherence to the Andean Community. The judicial outlook progressively further expanded into the field of foreign investment, technology transference and recognition issues, in conformity with international standards for trademarks, distinctive signs, patents and copyrights; and in conjunction with Bolivia, Colombia, Ecuador, and Peru, an integration process was initiated, which has been terminated, at least for our country, with its withdrawal from these regional blocks, for the sake of application of its new and so called politics of the "XXI Century Socialism", coinciding with the launch of the ALBA* project, as a counter-answer to the ALCA** initiative promoted by the United States of America.

The judicial insecurity has substituted the existing crystal clear schemes that sprung from the Andean Decisions, all the same as the European Union Regulations, which establish the common regulatory frame work applicable in all member countries.

Given the fact that the incorporation of Venezuela into the MERCOSUR (South American Common Market) is now positioned in a situation of "limbo", since said incorporation does not count with favorable support and/or sympathies from the legislative authorities of several of its member countries, the possibility of having a new commonly regulated regime which in the end and in general

terms would offer a type of protection similar to what is offered by the Intellectual Property Rights and the Andean Community, and also, given the fact that our Supreme Court of Justice has not made a clear statement and sentence with regard to the validity of the Andean Decisions incorporated into our judicial dispositions by Constitutional mandates, it all has created a sort of anarchy in the interpretation of the currently effective Law by part of several official sectors.

The problem is two folded: political and judicial, creating contradictions in the current regulatory regime, wherein practices conducted by SAPI are not necessarily in tandem with other policies as developed by the Ministry of Foreign Affairs.

Venezuela is signatory to and has ratified the main international IP agreements, among them the Paris, Berna and the Trips Conventions.

This ambiguity creates many paradoxes and contradictions, such as:

✓ It is a sinequanon condition, in a globalized world, that judicial security should prevail with international standards, securing the rights conveyed. The contrary condition is happening in Venezuela; laws are dictated to promote IP with the monetary contribution of (private) companies, such as the Law regarding Science, Technology and Innovation. At the same time, there is no guarantee of protection for the results, and in practice, the policy is to systematically hinder and to encumber the registration of Intellectual Property Rights and not to grant pharmaceutical patents.

✓ The respect of the Constitution is used as an achievement, nevertheless, in the practice, they disregard the text of Article 154 "in fine" which states: "The Norms adopted in the framework of the integration agreements, will be considered an integral part of the

current regulatory ordinance and of direct and preferential application to the internal legislation”.

✓ The evolution of countries must be accompanied by a progressive adaptation of the internal judicial system, in conformity with the growth of the economy, domestic and foreign, and enriched with bilateral, multilateral and international ground rules, which will be gradually incorporated. In Venezuela, the contrary happens. By denying the validity of the international legislation, the economic dynamics of the country is taken to old times and out of context with respect to the more modern

previously approved legislation, ratified by the country and integrated to its internal dispositions.

DEFINITIONS:

ALCA: Área de Libre Comercio de las Américas [Area of Free Trade for the Americas]

ALBA: Alternativa Bolivariana para las Américas [Bolivarian Alternative for the Americas]

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