MEMBER NEWS

► CLAYTON UTZ Launches Innovative Australian Restructuring Marketing Analysis - From Red to Black
► DAVIS WRIGHT TREMAINE Gary Locke Rejoins Firm as Senior Advisor
► GIDE Expands London Real Estate Practice
► HOGAN LOVELLS Former Maryland Insurance Commissioner Joins Firm
► ROUSAUD COSTAS DURAN Experienced Labor and Employment Professionals join firm
► TOZZINIFREIRE Boosts Rio Office with corporate and banking partner

COUNTRY ALERTS

► AUSTRALIA High Court Goes Cold on Patentability of Isolated Nucleic Acid CLAYTON UTZ
► BRAZIL Federal Audit Court approves the Model for Concession of Eight Public Port Terminals TOZZINI FREIRE
► CANADA Employee Conspiracy and Conversion Not Discharged By Bankruptcy RICHARDS BUELL SUTTON
► CHILE ComDer Counter Party Now Operating to Manage Netting and Settlement of Financing Instruments CAREY
► CHINA New PRC Advertising Law: Game-Changer for Drugs, Medical Devices and Health Foods Advertising GIDE
► COLOMBIA New Passports Come Into Effect Nov 24, 2015 BRIGARD & URRUTIA
► COSTA RICA Is it Legally Viable for UBER to Operate in Costa Rica? ARIAS & MUNOZ
► INDONESIA New Guidelines for Freight Forwarding Companies ABNR
► MALAYSIA Restraining a Call on Performance Bonds SKRINE
► MEXICO New Single General Minimum Wage in Effect SANTAMARINA Y STETA
► NETHERLANDS Data Protection: US Safe Harbour Declared Invalid - Time To Weigh Anchor NAUTADUTILH
► NEW ZEALAND Happy Birthday to You Happy Birthday to Me Copyright Update SIMPSON GRIERSON
► PANAMA New Tax Exemption Amendments for Branches of Foreign Entities ARIFA
► SINGAPORE Recent Court Decision Raises Sentencing Bar in Medical Profession Disciplinary Proceedings RODYK
► TAIWAN Refining the Determination of Inventive Step Requirement LEE & LI
► UNITED STATES Refiling Reissues—Removing the Cloud of Uncertainty Caused by Alice BAKER BOTTS
► California’s Correction Statute Amended to Protect Online and Weekly Publications DAVIS WRIGHT TREMAINE
► DOJ Delivers Roadmap to Compliance Credit in Cartel Cases HOGAN LOVELLS
**CLAYTON UTZ LAUNCHES INNOVATIVE RESTRUCTURING MARKETING ANALYSIS- FROM RED TO BLACK**

**FROM RED TO BLACK: OUR ANALYSIS OF THE AUSTRALIAN RESTRUCTURING MARKET**

Australia is gradually embracing a turnaround culture, with "smart" boards being proactive in working with external advisers to chase down costs and strengthen their balance sheets by accessing international markets, according to a new Clayton Utz report on the dynamics of Australia’s restructuring market in FY15 and outlook for FY16.

Launched in September, *From Red to Black* is aimed at everyone involved in the turnaround process, from boards of financially challenged companies and the providers of the money, to insolvency practitioners and debt traders. Clayton Utz Restructuring and Insolvency (R&I) partner and national practice group leader, Karen O’Flynn, said she was a strong advocate for the value delivered to companies whose boards embrace experienced restructuring specialists being brought into situations well before the entities became truly distressed. However, she said a number of Australian boards were still some way off embracing the value of turnaround specialists and early intervention.

"I think attitudes are changing. It takes a very strong board, however, to be able to accept that a company may be in trouble and be pro-active in getting in expert advisers in to help turn the situation around. The Productivity Commission [1] has recommended a 'safe harbour' defence as one option to give directors the ability to explore restructuring options without the risk of liability for insolvent trading. I’m not sure it’s a necessary step. It’s really about educating directors that early intervention can preserve the company’s value,” said Karen.

Another key trend in FY15 was the "landmark" development in the Nexus Energy administration of the use of the compulsory debt-for-equity swap provisions in s444GA of the *Corporations Act 2001*. Karen said the evolution of s444GA had been "slow but steady". "It has only been in recent times that the full potential of the section has been realised. What happened with Nexus Energy (in which Clayton Utz acted for the administrators/deed administrators) really was a significant development. It was the first example of s.444GA being used in a situation where there was real controversy over where value broke in the company. I expect we’ll see greater use of the provision in future."

*From Red to Black* also notes that despite a lull in activity, the outlook for the secondary debt market in FY16 is positive. Clayton Utz R&I partner Nick Poole said debt trading was likely to go through a period of "renewed vigour" in the short term.

"The secondary debt market in Australia really only emerged after the GFC, when high-profile collapses of over-leveraged companies generated opportunities for distressed debt investors. Since then we have seen an increased willingness on the part of the banks to exit positions through the secondary market,“ said Nick. "In the last 12-18 months though, the market has plateaued, with a noticeable decline in volumes and deal flow. However our discussions with lenders indicate that the plateau is not likely to be a long-term trend. Lenders remain open to debt trading as part of an overall realisation strategy."

Nick said mining services and downstream contract service companies likely present the most opportunities for FY16. "The continued downward pressure on commodity prices, slowing Chinese economy and the stalling of a number of public and non-public restructures will continue to present opportunities for investors with appetites to fund through the cycle which, from all indications, is expected to be long and deep," said Nick.

*From Red to Black* is an innovative analysis by Clayton Utz’ market-leading R&I team of restructuring market trends. It has practical insights relevant to anyone involved in the turnaround process: including lenders, funders, debt traders, insolvency practitioners and boards of financially challenged companies.

To read *From Red to Black* online click on this link: http://landing.claytonutz.com/from_red_to_black .

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

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Gary Locke Rejoins Davis Wright Tremaine as Senior Advisor

SEATTLE, WA 18 September, 2015: Davis Wright Tremaine (DWT) today announced that former U.S. Ambassador to China, U.S. Secretary of Commerce and Washington State Governor Gary Locke has rejoined the firm as Senior Advisor and Consultant.

In his new role, Locke will consult with DWT’s domestic and international clients in several key areas, including Trade, regulatory and investment policy issues at the local, state, national and international levels; and Guidance and direction on doing business in China and in the United States.

“It is an honor to have Gov. Locke return to DWT,” said Bob Blackstone, partner-in-charge at DWT’s Seattle office. “Our clients and partners will benefit tremendously from his experience, wisdom and relationships, developed over decades of public service.”

Locke’s new role will help further strengthen ties between the Pacific Northwest and China. In 1994, DWT was the first U.S. law firm authorized to open an office in Shanghai; today, it has the largest presence in Mainland China of any Pacific Northwest firm. China is Washington State’s largest export market, receiving over $15 billion of Washington-produced goods in 2014 alone. Washington state exports to China supported approximately 90,000 jobs, according to the International Trade Association.

"With $29 billion in two-way trade between Washington State and China last year, companies on both sides of the Pacific need trusted advisors to help navigate complex legal and regulatory systems in both countries," said Norm Page, chair of the DWT China Practice. "Gov. Locke has a truly distinctive perspective from his leadership roles in Washington State, Washington, DC and China."

This will be Locke’s second position with DWT, having previously served as co-chair of the firm’s China Practice from 2004-2009. Locke was appointed Secretary of Commerce by President Obama in 2009.

"DWT is the perfect place for me to contribute on things I care deeply about," said Locke. "I am excited to be back with my colleagues at DWT – it’s a great firm with top-notch lawyers and staff. The firm works at the highest level on cutting-edge legal and business issues involving trade, technology and regulatory policy. I am passionate about solving complex policy issues and facilitating constructive relationships between the U.S. and China."

Locke served as U.S. Ambassador to China from 2011-2014, where he worked to open markets for U.S.-made goods and services, reduced wait times for visa interviews of Chinese applicants from 100 days to 3 days, and expanded the dissemination of accurate air quality information to people living in China. Locke previously served as the 36th U.S. Commerce Secretary from 2009-2011. As Commerce Secretary, he aggressively led the effort to implement President Obama’s National Export Initiative to double American exports in five years; he oversaw the execution of the 2010 Census, which was delivered on time and substantially under budget, saving taxpayers $2 billion; and he streamlined the patent application process, reducing wait time from 40 months to one year.

During his tenure as U.S. Commerce Secretary, Locke initiated the SelectUSA program, a concentrated effort to encourage foreign direct investment in the United States and he made the program a priority as Ambassador. During his tenure in China, the value of Chinese investments in the United States exceeded the value of the previous 11 years combined. Locke also served two terms as Washington’s 21st governor, the first Chinese-American to be elected governor in United States history and the first Asian-American governor on the mainland. During Locke’s tenure he achieved bipartisan welfare reform and oversaw the gain of 280,000 private sector jobs, during two national recessions. Gov. Locke will be providing his services through Locke Global Strategies, his wholly owned consulting company.

For more information, visit www.dwt.com
Gide expands its London real estate practice with the arrival of Hugues Moreau

LONDON 1 October 2015: Gide is pleased to announce that real estate partner Hugues Moreau has relocated to the firm’s London office, after heading Gide Warsaw’s real estate practice over the last four years.

Responding to the invitation from a number of clients and business partners, Hugues’ team will advise developers, investment funds and asset managers based in London on their real estate-related transactions and investments across France, Central Europe and North Africa. Hugues will also assist French developers, investors and asset management companies investing in the UK.

Ranked consistently as a First Tier team on the French market for the past 15 years, and a pioneer in new market practices with a real estate component, Gide’s real estate team is one of the most active and renowned in the sector in Europe.

Hugues Moreau comments: “I am excited to support the growth of our London office, develop its real estate practice, and strengthen interactions between France and the United Kingdom”.

Gide Managing Partner Stéphane Puel adds: “We are delighted to have Hugues Moreau joining the London team. His expertise and practice are recognised by our clients, real estate market players and international legal directories. He will bring his talent and energy to our London office in a field that is one of Gide’s strategic avenues for development”.

Hugues is a partner within Gide’s Real Estate Transactions & Financing practice group, admitted to the Paris Bar and registered with the London and Warsaw Bars.

Since 2000, Hugues has been involved in a number of acquisition, divestments and restructuring projects, for single assets and entire portfolios, real estate receivables and property holding companies. His expertise also covers the structuring of joint ventures and regulated or non-regulated investment vehicles (including French OPCIs).

Hugues is recognised as an expert in sale-and-leaseback transactions, as well as in real estate development and leasing operations. He also regularly supports the French and international expansion of major retailers, particularly in the luxury and fashion industries.

For additional information visit www.gide.com

- 59th International PRAC Conference Barcelona
  Hosted by Rousaud Costas Duran SLP
  May 21—24, 2016

- 60th International PRAC Conference Manila
  Hosted by SyCip Salazar Hernandez & Gatmaitan
  September 24—27, 2016

Visit www.prac.org for these and other event details
Hogan Lovells Expands Baltimore Office With Health and Insurance Partner Therese Goldsmith

BALTIMORE, MD 17 September 2015: Hogan Lovells is pleased to announce that former Maryland Insurance Commissioner Therese Goldsmith has joined the Health practice and the Insurance Industry sector group as a partner in the Baltimore office.

In addition to serving as Maryland Insurance Commissioner, Goldsmith was a Commissioner on the Maryland Public Service Commission, where she was responsible for regulating public utilities. Prior to that, Goldsmith was a White Collar Litigation partner at Hogan & Hartson, a predecessor firm of Hogan Lovells.

While serving as Maryland Insurance Commissioner, Goldsmith played a key role in the state’s implementation of the Affordable Care Act. She also held leadership positions with the National Association of Insurance Commissioners, the U.S. standard-setting and regulatory support organization governed by chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. She served as the 2014 Vice Chair of the NAIC’s Market Regulation and Consumer Affairs Committee and the NAIC’s Market Actions Working Group. She also chaired the NAIC’s Market Regulation Accreditation Working Group and represented the NAIC at the Cybersecurity Forum for Independent and Executive Branch Regulators.

“Therese’s extensive experience in insurance regulation, health care and white collar litigation makes her an excellent strategic fit for our team,” said Sheree Kanner, global head of Hogan Lovells’ health practice. “She is a proven, collaborative, and esteemed attorney and we are delighted to welcome her back to Hogan Lovells.”

Goldsmith’s practice will focus on insurance regulatory matters and healthcare issues. In regard to the Insurance practice, she will provide strategic support in corporate transactions, insurance M&A and financing transactions, restructuring of insurance groups, demutilizations, insurance insolvencies, regulatory investigations, and legislative initiatives, among others. With the Health group, she will advise health insurance issuers regarding compliance with the Affordable Care Act and other governing laws and regulations, represent healthcare clients in connection with fraud and abuse matters, and assist in developing compliance plans and conducting internal audits and investigations. Goldsmith also will utilize her experience with health information privacy and security issues.

“Therese’s demonstrated commitment to client service, her strength in organizing and running an interdisciplinary team, and her exceptional legal skills will greatly benefit our Health and Insurance Industry sector practices,” said Alice Valder Curran, regional managing partner for Hogan Lovells’ Washington, D.C., Baltimore, Northern Virginia, and Philadelphia offices. “Furthermore, Therese’s experience with local issues and procedures stemming from her work with Maryland’s Insurance Administration and Public Service Commission will be invaluable for our regional clients.”

Active in the community, Goldsmith has provided pro bono legal representation through the American Civil Liberties Union and the Maryland Disability Law Center. She has also served on the Ascension School Board and the Governor’s Information Technology Board (Health Care and the Internet Subcommittee). Goldsmith is admitted to practice law in Maryland.

Goldsmith earned her B.S. and M.S. from Towson University. She received her J.D. from the University of Maryland School of Law.

Hogan Lovells has one of the largest and most experienced health practices in the nation, providing advice across the full range of health issues including fraud and abuse, coverage and reimbursement, health reform, regulatory compliance, litigation, mergers and acquisitions and health information technology. Hogan Lovells also has one of the leading global practices in the insurance sector, in both the non-contentious and contentious areas. The firm assists clients both large and small including insurance and reinsurance companies, health care systems, hospitals and other providers, pharmaceutical and medical device manufacturers, and health information technology companies.

For more information, see www.hoganlovells.com
RCD has recently consolidated its services in the Labor and Employment department with the incorporation of Cristina Samaranch, Pablo Bernal and Santiago Carrero who together with Jonathan Gil, lead a team of 15 expert lawyers in Labor, Employment law and Social Security. They work from the Madrid and Barcelona offices serving the entire country and have a distinguished background in the practice. Before joining RCD, the professionals held senior positions in the Labor and Employment area of KPMG. Previously they all also worked for Cusan Abogados, a prominent firm and point of reference for Employment law having advised companies in the IBEX 35 (the reference index of the Spanish stock market).

With nearly 30 years of experience, Cristina Samaranch is an expert in company and industry-specific collective negotiations, company restructuring, outsourcing and service internationalization. She has acted in representation and defense before the National Court and the High Courts of Justice, for both individual and collective procedures.

Pablo Bernal began his career in 1989 and has extensive experience advising leading Spanish companies. He is an expert at dealing with redundancies, workforce restructuring processes and collective bargaining, and has proven experience in the legal and procedural practice before the courts and tribunals for the social jurisdiction.

Santiago Carrero has been a practicing lawyer since 1998 and has extensive experience in all types of litigation. He is also a renowned business consultant in restructuring, recruitment and human resource management, having participated in many important collective processes during recent years.

For additional information visit www.rcdslp.com

RIO DE JANEIRO 14 September 2015: TozziniFreire Advogados has hired a new partner to lead and expand its corporate and banking offering in Rio de Janeiro.

Fabiola Augusta Cavalcanti, 41, is relocating from São Paulo to lead the corporate and banking practice and help develop TozziniFreire’s office in Rio de Janeiro.

Previously at BMA, Cavalcanti worked heavily on capital markets transactions, which are typically the domain of São Paulo lawyers. She believes that companies operating in Rio’s strategic sectors are looking for ways to navigate Brazil’s economic woes, which could include debt renegotiation and capturing funds through the capital markets. She considers those sectors to extend beyond oil & gas to include financial services as well as the aforementioned real estate and tourism.

TozziniFreire co-head of corporate practice partner Darcy Teixeira Junior says the hire shows the firm’s view that there are "many opportunities for more sophisticated legal activity in Rio de Janeiro."

For additional information visit www.tozzinifreire.com.br
2 September 2015: US private equity investor Advent International has purchased a 30 per cent stake in LifeMiles, the frequent flyer programme operated by Colombian airline Avianca.

Avianca will retain control of the remaining 70 per cent stake in the frequent flyer programme.

The LifeMiles frequent flyer programme is associated with a number of banks and retailers. Customers can accrue air miles and use them at these affiliated businesses.

NautaDutilh in New York, and six Arias & Muñoz offices led by a team in El Salvador advised Advent on the US$343.7 million deal.

Counsel to Advent International:
Arias & Muñoz (El Salvador) Partners Roberta Gallardo and Luis Barahona and associate Fidel Márquez;

(Costa Rica) Partners Daniel Araya, Carolina Flores and Anna Karina Jiménez and associates Ligia Alfaro and Rodrigo Maffioli;

(Guatemala) Partner José Augusto Toledo and associates Ximena Tercero and Ligia Salazar; (Honduras) Partner Evangelina Lardizábal and associate René Serrano;

(Nicaragua) Partners Bertha Argüello and Roger Pérez; Panama Partner Gisela Porras and associate Tania Solis.

NautaDutilh Partner Ruud Smits and associates Roderick Hanrath and Catrien Rozeman in New York

For additional information visit www.arifa.com and www.ariaslaw.com

PANAMA CITY, 06 October, 2015: Panama Canal Authority (ACP) issue bonds worth US$450 million to finance construction of the third bridge to cross the waterway.

Milbank, Tweed, Hadley & McCloy LLP in New York and Arias, Fábrega & Fábrega in Panama advised Bank of America Merrill Lynch as initial purchaser. The offering closed on 1 October.

This is the first international offering by the Panama Canal Authority. The company issued the 20-year bonds to finance construction of a third bridge near the canal’s Atlantic entrance, as part of the expansion of the route to allow larger tankers and ships.

Arias, Fábrega & Fábrega, Partner Ricardo Arango and associate Andres Rubinoff in Panama City acted in the transaction.

For additional information visit www.arifa.com

ARIFA ADVISES IN CONSTRUCTION FINANCING OF THIRD BRIDGE
HOUSTON, 28 September 2015: Baker Botts L.L.P. is representing its client Kraton Performance Polymers, Inc. (NYSE: KRA), a global producer of highly-engineered polymers, in connection with the definitive agreement announced by Kraton today to acquire all of the capital stock of privately held Arizona Chemical Holdings Corporation for $1.37 billion in cash.

Arizona Chemical is a leading global producer of high value performance products and specialty chemicals derived from renewable raw resources.

Baker Botts lawyers representing Kraton include: Corporate: Steve Massad (Partner); Tim Taylor (Partner); Carina Antweil (Associate); Harrison Tucker (Associate); Employee Benefits: Mark Bodron (Partner); Stephanie Jeanne (Associate); Tax: Don Lonczak (Partner); Peter Farrell (Associate); Litigation: David Sterling (Partner).

For more information, please visit BakerBotts.com.

BOGOTA, 01 October 2015: Colombian investor Grupo Sura purchased JP Morgan’s stake in its affiliate Sura Asset Management. The deal closed on September 18.

Grupo Sura paid US$267 million to buy JP Morgan’s stake in the asset management division.

JP Morgan was one of five co-investors in Sura Asset Management, alongside International Finance Corporation, Grupo Bolívar, Bancolombia and General Atlantic Investment Fund. The company manages pensions and savings and operates in Chile, Colombia, El Salvador, Mexico, Peru and Uruguay.

Counsel to JP Morgan Brigard & Urrutia Abogados - Partner Darío Laguado and associates Daniel Hernandez and Daniela Sanchez in Bogotá.

For additional information visit www.bu.com.co
SANTIAGO - 08 October 2015: Carey has helped Japanese conglomerate Mitsui buy a US$101 million stake in Salmones Multiexport (Salmex), a subsidiary of Chilean salmon farmer Multiexport Foods. Salmex initiated sale of a 23.4 per cent stake.

Mitsui agreed to buy newly issued Salmex shares and transfer its shares in Multiexport Pacific Farms back to its parent company, Salmex. The two companies signed the deal on 1 October, and it is expected to close in December.

Carey previously advised Mitsui on its joint venture agreement with Multiexport in 2013, creating a US$36 million salmon and trout export company to export sea food to Asia.

Carey Partner Claudio Lizana and associates Juan Turner and Camila Noreña in Santiago acted in the transaction.

For additional information visit www.carey.cl

Melbourne, 3 September 2015: A Clayton Utz team has acted for iconic Australian retailer Myer on its $221 million capital raising launched on 1 September. The raising is part of the 'New Myer' Strategy announced to the market this week, on which Clayton Utz is also advising.

Corporate partner Brendan Groves led the core Clayton Utz team comprising senior associate Warrick Louey and lawyers Kate Allison and Craig McDermaid.

The raising comprises a fully underwritten entitlement offer to Myer shareholders, which aims to raise around $221 million at 94c per share. Proceeds from the raising will be used to pay down debt, providing balance sheet flexibility to implement the five-year, $600 million New Myer strategy.

Brendan said the Clayton Utz team enjoyed the opportunity to work with Myer as it embarks on a new business strategy. "This is a strategically significant capital raising for Myer and we're proud to have been a part of it."

For additional information visit www.claytonutz.com
VIDEOS
COURT DISMISSES CITY’S COPYRIGHT CLAIM AGAINST CRITIC FOR USING COUNCIL MEETING CLIPS IN YOUTUBE VIDEOS

A California city cannot hold one of its citizens liable for copyright infringement for using clips of city council meetings in his critical YouTube videos, a federal judge has ruled.

The August 20, 2015, Order in City of Inglewood v. Joseph Teixeira, C.D. Cal. No. 15-1815, makes clear that California governmental agencies cannot enforce copyright in public records absent specific statutory authorization. The decision by United States District Judge Michael W. Fitzgerald of the Central District of California also bolsters a growing consensus among federal courts that it is proper to dismiss copyright actions on the basis of fair use at the earliest stages of the proceedings where the defense is apparent from the works themselves.

The action arose from several documentary-style videos posted to YouTube by Joseph Teixeira, a resident of Inglewood, a city of about 112,000 people located near Los Angeles International Airport. The videos are sharply critical of the public statements and conduct of Inglewood’s Mayor James T. Butts, Jr. at city council meetings. They feature short clips from the city’s official recordings of these public proceedings, heavily modified with original text and narration that consists of Mr. Teixeira responding to the mayor’s remarks and criticizing his political positions.

In one video, for example, Mr. Teixeira juxtaposes his original footage documenting traffic problems near a well-known Inglewood event venue with short clips of Mayor Butts positively characterizing the traffic situation in remarks at a council meeting. He also criticizes the mayor’s remarks directly with on-screen text superimposed over the meeting footage and narration accusing the Mayor of lying. Other videos use similar techniques to address municipal issues such as crime, governmental transparency, and a controversy about the mayor’s residency at the time he ran for office. The city filed suit against Mr. Teixeira on March 12, 2015, claiming that his use of footage from the city’s public meeting videos constituted copyright infringement. The city’s complaint sought actual damages and attorneys’ fees, as well as injunctive relief.

Mr. Teixeira moved to dismiss, arguing that: (1) the city is precluded by California law from asserting copyright protection in public records of its council meetings and (2) his videos are protected by the fair use doctrine. In a comprehensive opinion granting Mr. Teixeira’s motion and dismissing the complaint with prejudice, the court agreed with both points.

On the threshold issue, the court noted that while the “Copyright Act bars protection for works created by the federal government, ... whether state and local governments can claim copyright protection is governed by state law.” After examining the relevant state law, the court concluded that “absent particular statutorily provided exceptions, California public entities are prohibited from enforcing any copyrights they may acquire as a matter of federal law. Whether in the eyes of federal law the city holds a copyright in the videos is irrelevant in the face of the state’s decision that its entities may not act to enforce that copyright.”

The court relied primarily on the California Court of Appeal’s decision in County of Santa Clara v. Superior Court, 170 Cal. App. 4th 1301 (2009). That court reasoned that the California Constitution and California Public Records Act (CPRA) create a broad presumption of unrestricted disclosure of public records that “overrides a governmental agency’s ability to claim a copyright in its work unless the legislature has expressly authorized a public records exemption.” Id. at 1335. The court also noted that California has a number of statutes specifically authorizing public agencies to assert copyright protection in certain enumerated items, such as computer software and educational materials, suggesting that such specific statutory authorization is a prerequisite to copyright enforcement. Id. Because Inglewood did not identify any specific grant of authority permitting it to enforce copyright protection in its video recordings of its city council meetings, the court held that its complaint failed as a matter of law.

The court also proceeded to consider Mr. Teixeira’s alternative argument that his videos are protected by the fair use doctrine. Citing recent case law such as the 7th Circuit’s opinion in Brownmark Films, LLC v. Comedy Partners, 682 F.3d 687 (7th Cir. 2012), the court found it appropriate to resolve Mr. Teixeira’s fair use argument on a motion to dismiss because it was clear that the defense applied based on a review of the allegedly infringing works themselves, which were incorporated by reference into the complaint. Before issuing its ruling, the court allowed Inglewood to conduct limited discovery solely to confirm the authenticity of the copies of the videos that Mr. Teixeira submitted to the court.

The judge determined that each statutory factor favored a finding of fair use: (1) Mr. Teixeira’s videos are “quintessential transformative works for the purpose of criticism and commentary on matters of public concern” (while Mr. Teixeira’s videos are non-commercial, the court found them to be transformative even assuming a commercial use for the sake of argument); (2) given the “barely creative nature” and “informational purpose” of the council meeting videos, “they enjoy very narrow copyright protection”; (3) Mr. Teixeira “uses only small portions of the total works and uses them for very specific and particular purposes”; and (4) “there can therefore be no commercial market for the city council videos and no activity by Teixeira can deprive the city of any revenue,” given that California law bars the city from charging anything more than the “direct costs of duplication” when providing copies of public records. Moreover, the court found that Mr. Teixeira’s sharply critical videos would not be a substitute for the city’s unadorned council meeting videos, even assuming a market could exist. — CONTINUES NEXT PAGE—
In sum, the court concluded that it could “scarcely conceive of works that are more appropriately protected by the fair use doctrine ... than the Teixeira Videos. He is engaged in core First Amendment speech commenting on political affairs and matters of public concern.” Finding that any amendment would be futile, the court dismissed the city’s complaint without leave to amend.

Davis Wright Tremaine LLP attorneys Thomas R. Burke, Dan Laidman, and Diana Palacios represent Mr. Teixeira in this matter.

For additional information visit www.dwt.com

WASHINGTON, D.C. 02 October 2015: – Hogan Lovells is pleased to announce that a trans-pacific Corporate practice team advised Unisplendour Corporation, a leading Chinese information technology company, on its agreed US$3.8 billion investment in Western Digital Corporation (NASDAQ: WDC), a U.S. computer data storage company and one of the largest computer hard disk drive manufacturers in the world.


The Hogan Lovells cross-border multidisciplinary team was led by Beijing corporate partners Jun Wei and Steven Robinson and Washington corporate partners Liz Donley, Warren Gorrell, and Glenn Campbell.

For additional information visit www.hoganlovells.com
**Gide**

**Advises Joint Lead Managers on €500 Million Bond Issuance**

**Paris - 28 September 2015:** Gide advised Merrill Lynch International, BNP Paribas, HSBC France and Natixis, as joint lead managers, on the issuance of its €500 million fixed rate bonds due 2027, admitted to trading on the Euronext Paris market by SAGESS.

Clifford Chance advised SAGESS.

Gide’s team was led by Hubert du Vignaux (partner), assisted by Laurent Vincent and Aude-Laurène Dourdain.

For additional information visit [www.gide.com](http://www.gide.com)

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**Rodyk**

**Acts in Sunway Construction Berhad IPO on Bursa Malaysia—RM550 Million**

Sunway Construction Berhad IPO on Bursa Malaysia—RM550 million (approximately S$145 million)

Rodyk acted as Singapore counsel in the listing of Sunway Construction Group Berhad on Bursa Malaysia. Priced at RM1.20 per share, the listing raised RM550 million (approximately S$145 million), and is Malaysia’s second largest IPO of the year.

Corporate partner Janet Tan led, supported by associate Gan Hwa Jiunn.

For additional information visit [www.rodyk.com](http://www.rodyk.com)

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**Santamarina y Steta**

**Assists Caisse de dépôt et placement du Québec (CDPQ) in US$2 Billion Joint Venture with an Infrastructure Investment Fund**

**Mexico City - 24 September 2015:** Santamarina y Steta has helped Canadian pension fund manager Caisse de dépôt et placement du Québec (CDPQ) agree to a US$2 billion joint venture with an infrastructure investment fund and carry out the venture’s first investment, in a group of highway concessions.

The joint venture will invest in a group of Mexican infrastructure concessions

CDPQ holds a 51 per cent stake in the joint venture, while CKD Infraestructura commands the remaining 49 per cent.

Structuring the deal saw CDPQ sell CKD Infraestructura a 49 per cent stake worth US$400 million in a joint venture already set up by CDPQ with Mexico’s largest infrastructure and construction company, Empresas ICA.

For the joint venture, Counsel to Caisse de dépôt et placement du Québec, represented by Santamarina y Steta Partner Juan Carlos Machorro and associates Ricardo Orea and Cecilia Sarabia.

For additional information visit [www.s-s.com.mx](http://www.s-s.com.mx)

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**NautaDutilh**

**Advise Barrage in Office Complex Sale**

**Amsterdam, 29 September 2015:** NautaDutilh’s Real Estate team closed a deal for Barrage Vastgoed BV, selling the European Headquarters of Office Depot in Venlo to American investment fund Global Net Lease.

The office building consists of 16,591 m² and about 660 parking lots and is let for the long-term to Office Depot.

The team was led by David van Dijk and consisted of Frank Spraakman, Frederike Manzoni - van de Kuilen and Fleur Bouman.

For additional information visit [www.nautadutilh.com](http://www.nautadutilh.com)
SAO PALO, 18 August 2015: Brazilian baker Seven Boys has been acquired by local competitor Wickbold. The deal closed 10 August for an undisclosed sum.

TozziniFreire Advogados Partner Maria Elisa Gualandi Verri and associates Bruno Sbardellini Cossi and Fernando Silveira Carvalho assisted on the transaction.

For additional information visit www.tozzinifreire.com.br

AUCKLAND 05 August 2015: The Simpson Grierson team of Michael Pollard and Andrew Matthews recently advised Macquarie Capital on the $1.81 billion sale by Origin Energy of its 53.1% shareholding in Contact Energy.

The sell down was the largest secondary markets transaction in New Zealand in the last 10 years and one of the largest deals ever undertaken in New Zealand.

The deal involved a number of technical firsts under the new Financial Markets Conduct Act. Michael Pollard says, "The trade was genuinely a landmark capital markets transaction. It had a fair amount of complexity and it was extremely satisfying to be involved in it."

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High Court of Australia goes cold on patentability of isolated nucleic acid

In a highly anticipated decision, the High Court of Australia has unanimously determined that an isolated nucleic acid (coding for mutations in the BRCA1 gene, associated with breast and ovarian cancers) does not qualify as proper subject matter for patent protection, overturning previous decisions of the Federal Court of Australia (D'Arcy v Myriad Genetics Inc [2015] HCA 35).

Although the Myriad patent has recently expired, the decision has great significance generally in relation to the patentability of isolated genetic material.

The challenge to Myriad's patent

The BRCA1 gene, when mutated, is thought to be responsible for at least 80% of cases of familial breast and ovarian cancers. Myriad Genetics Inc (Myriad) succeeded in isolating the nucleic acid of the BRCA1 gene from the environment in which it naturally occurs in human cells, allowing screening for the mutations, and was granted a patent in Australia.

Breast cancer survivor Yvonne D'Arcy sought to invalidate claims 1 to 3 of Myriad's patent, which covered isolated nucleic acids.

The basis of the challenge was that claims 1 to 3 did not satisfy the test for patentable subject matter under Australian law. The High Court agreed. The extent of D'Arcy's victory is surprising given that the trial judge and a special five member panel of the Federal Court on appeal had unanimously determined that claims 1 to 3 of the Myriad patent were patentable subject matter.

Assessing patentability involves policy considerations

In order to be patentable, the claimed invention must be "a manner of manufacture within the meaning of section 6 of the Statute of Monopolies" (section 18(1)(a) of the Patents Act). Since the Statute of Monopolies is an English statute dating back to 1623, Australian courts have had to stretch the meaning of this phrase to keep up with technological developments. In the Myriad case, the High Court has held that this phrase can only be stretched so far.

The High Court held that the Federal Court's earlier decisions were based on an unduly narrow characterisation of the effect of the decision in NRDC, the key High Court authority on the "manner of manufacture" concept. In that case, two key elements in determining whether an alleged invention is a "manner of manufacture" were whether the invention:

- resulted in an "artificially created state of affairs"; and
- produced an economically useful result.

In the Myriad case, the High Court held that these two requirements are not a mechanistic test conferring a presumption of patentability. If these two criteria are met, the subject matter may be patentable, but other relevant factors must be considered, in particular:

- consistency with the purposes of the Act – including whether allowing patentability:
  - "could give rise to a large new field of monopoly protection with potentially negative effects on innovation";
• "could... have a chilling effect on activities beyond those formally the subject of the exclusive rights granted to the patentee" – for example, the High Court specifically refers to the risk of inhibiting researchers;
• "would involve the court in assessing important and conflicting public and private interests and purposes";
• "the coherence of the law relating to inherent patentability"; and
• whether the extension of patentability to the particular subject matter "would involve law-making of a kind which should be done by the legislature".

The international context, including interaction with patent law in other jurisdictions and Australia's international obligations, was also a relevant consideration.

The concern about the potential "chilling effect" on research activities is surprising given that the Australian Parliament recently introduced a statutory defence to infringement for experimental research. In fact, it could be said the High Court's decision strays into territory that many would regard as the province of the legislature. Indeed, this was a point made by the special five member appeal bench of the Federal Court.

Myriad's patent at the boundary of Australian patent law

An isolated nucleic acid, as claimed in Myriad's patent, is a sequence of nucleotides derived from DNA or RNA that has been removed from its naturally occurring cellular environment. It is obtained by processes involving extraction and purification of the DNA from the cell (importantly, these are known processes and did not form part of the claimed invention). The isolated nucleic acid bears the DNA sequence of the molecule that existed within the cellular environment, but is no longer part of the structure that fits within the cell nucleus. All of the nucleic acids claimed in the patent will possess a gene sequence or portion of a sequence, either derived from or substantially similar to that of a natural BRCA1-encoding gene.

The High Court held that, when the proper emphasis is placed on the role of genetic information in the claims, the Myriad claims were at the boundary of the concept of manner of manufacture. Even though what was claimed was a result of human endeavour, to include it in patentable subject matter would involve an extension of the concept which was "inappropriate for judicial determination".

The Myriad decision's implications: more challenges, and more uncertainty

The Myriad decision moves the law in Australia regarding patentable subject matter away from that in Europe (where isolated nucleic acids are patentable) and towards the United States (where the US Supreme Court recently held that Myriad's claims over isolated DNA were unpatentable). In some respects, it might have gone further than the US Supreme Court.

While the Myriad case was limited to the claims covering the isolated nucleic acid, the ruling will have significant consequences for many Australian patents covering genetic material which could now be challenged. Like the Myriad patent itself, many patents in the field will include claims to products and processes extending well beyond isolated genetic material, and may therefore withstand challenge.

However, the free rein given by the High Court to the inclusion of wide-ranging policy considerations in the assessment of patentable subject matter introduces some uncertainty into the law – at least until we see how the Patents Office, and the Federal Court, respond to the Myriad decision. For example, the way in which the decision will be applied in cases involving genetic material other than human DNA, and subject matter less emotive than cancer screening, remains to be seen.

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INFRASTRUCTURE / PUBLIC PROCUREMENT

Brazil: Federal Audit Court approves the Model for Concession of Eight Public Port Terminals

On September 30, 2015, the Brazilian Federal Audit Court ("TCU") approved the model proposed by the Brazilian Federal Government for the concession of eight public port terminals located in the States of São Paulo and Pará.

The proposed model involves using the highest grant payment as the criteria for the selection of the winner bidder during the public procurement proceeding phase. Also, the winners will be granted the right to commercially explore the terminals for a 25-year period, which may be renewed by an additional 25-year period.

Regarding São Paulo State, the terminals are located in the Port of Santos, specifically in the areas of Macuco, Paquetá and Ponta da Praia. The terminals in Pará State, by their turn, are located in the cities of Barcarena, Belém and Santarém. Exception made to the terminals in Macuco and Paquetá, which are focused on cellulose, all the terminals are focused on solid bulk and grains.

The Federal Agency of Waterway Transportation ("ANTAQ") will be responsible for carrying out the public procurement proceedings, in the format of public auctions. The contracts must stipulate minimum investments, minimum productivity rates and minimum static capacity.

The public port terminals will be the first ones to be offered to the private initiative for operation after the new Ports Law came into force (Federal Law No. 12,815/2013).

In view of TCU’s approval of the model proposed by the Federal Government, the eight public port terminals located in São Paulo and Pará are expected to be auctioned as early as December 2015.

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EMPELOYEE CONSPIRACY AND CONVERSION NOT DISCHARGED BY BANKRUPTCY

CRUISE CONNECTIONS CANADA V. SZETO, 2015 BCCA 363
October 2, 2015

Mark R. Davies
Richards Buell Sutton Employment Newsletter

In this case, Szeto, a cruise ship booking agent who had worked for several years for Cruise Connections Canada ("CCC"), a travel agency, tried by assigning himself into bankruptcy to avoid a judgment debt. The judgment was declared jointly and severally against him and several of his co-workers for torts of civil conspiracy and conversion arising from their actions in covertly downloading for their own use client lists of CCC, wrongfully transferring existing bookings and associated commissions to themselves and falsifying computer records of CCC to cover their tracks. These defendants then set up their own business to use CCC's client list for marketing purposes, and the revenue from transferred commissions belonging to CCC, to finance their start-up.

CCC argued in the bankruptcy that the judgment debt could not be discharged by and in fact would survive bankruptcy because of s.178(1)(e) of the Bankruptcy and Insolvency Act which states:

178 (1) An order of discharge does not release the bankrupt from

(e) any debt or liability resulting from obtaining property or services by false pretences or fraudulent misrepresentation…

Normally, a judgment debt based on obtaining property by false pretences or fraudulent misrepresentation is specifically stated as such in the legal action leading to the judgment. That was not the case here. The liability was instead based on torts of civil conspiracy and conversion. However, CCC argued that in the lengthy Reasons for Judgment that followed the trial there were various findings of fact through which the judgment could be characterized as falling within s. 178(1)(e) and therefore be declared as a debt that survives bankruptcy.
It was evident from the Reasons that the booking agents schemed together to download from CCC’s computer client lists and booking records by using a false password they had obtained by promising benefits to a co-worker. They then made false entries in the computer records to cover up the disappearance of bookings (such as by saying the customer cancelled the booking through illness). The booking agents also investigated and implemented various covert ways to transfer bookings and commissions to their new business, including preparing, signing and sending to cruise ship companies false booking transfer forms on letterhead taken from CCC’s office.

The Supreme Court Decision

CCC was rebuffed by the Supreme Court which pointed out that Szeto’s co-defendants had performed the more deceitful acts found to have been committed that led to property being wrongfully obtained. It noted that while Szeto also committed various acts of deceit (such as forging booking transfer forms on CCC letterhead) the deceitful things he was found to have done were unsuccessful in "obtaining property" and therefore he escaped the application of s.178(1)(e).

The Appeal Court Decision

At the B.C. Court of Appeal, CCC argued that Szeto et al., found to have committed the tort of conspiracy, were all responsible for all the acts of all of the conspirators. All the conspirators were willing and knowing participants in the overall scheme, including all the deceitful acts performed by each individual; therefore Szeto should be held responsible for the deceit in which all the conspirators had agreed to participate. The conspiracy was "drenched in deceit, misrepresentation and the setting up of false pretenses" and it is irrelevant to s.178(1)(e) who performed each action that was integral to the common scheme. A close analysis, however, of the law of civil conspiracy concluded that a conspirator cannot be held vicariously liable for what another person does, even a co-conspirator, but only for having participated in and contributed to the conspiracy.

The booking agents, however, were found jointly and severally liable for torts of both conspiracy and conversion. Tortfeasors who act in unison to perform wrongful acts are joint tortfeasors and deceitful conduct engaged in by one can be ascribed to the others. The Court of Appeal decided s.178 applied to Szeto because he and his fellow booking agents were joint tortfeasors and there was ample evidence of deceitful conduct emanating from the group to apply to Szeto himself and therefore to his judgment debt.

Significance to Employers
While this is a bankruptcy case, it has considerable relevance to employers, particularly those with "modern" businesses operating primarily through computer programs and records that are relatively easy to misappropriate. CCC had built up extensive records over many years, on which its business depended, of prospective clients for marketing purposes. Despite various methods used to prevent unauthorized access to CCC’s database, the booking agents were able to find a way surreptitiously to obtain the records and walk away with a ready-made business to exploit for their own benefit. It became clear during the legal action leading to the judgment that court orders were ineffective in forcing the defendants to divest themselves completely of the records they took; as each attempt was made, the defendants simply made and concealed further backup copies. The defendants, including Szeto, continue to work CCC’s client list to this day. However, while the other defendants stepped up and paid CCC their proportionate share of the judgment debt, Szeto’s plan was to pay nothing but instead go through bankruptcy and shed his liability without paying a price. If CCC had been unsuccessful at the Court of Appeal, he would have gotten away with this and would be happily milking CCC’s client list for revenue for many more years without legal consequences.
Comder Central Counterparty S.A. becomes operational

On Thursday, July 30th, 2015, ComDer Central Counterparty S.A. began its operations, with the objective to manage netting and settlement of financial instruments.

To date, each bank typically performed derivatives transactions with customers or other banks on a bilateral basis; however, after the financial crisis of 2008, this became one of the most questionable practices. The laws regarding this matter began to be amended around the globe, and Chile wasn’t an exception. In this context, law 20,345 was enacted on June 6th, 2009, and gave the legal framework for the Financial Instruments Netting and Settlement Systems, but it wasn’t until this year that this law took capital importance, due to the creation of the Netting and Settlement Systems for OTC Derivative Instruments, known as COMDER CENTRAL COUNTERPARTY S.A. (ComDer).

ComDer is a company incorporated in accordance with Title II of Law 20,345, to manage netting and settlement of financial instruments, and that will act as a Central Counterparty. A Central Counterparty is the entity with which all operations that would otherwise be settled directly between the parties are settled on a multilateral basis. This system includes a Registration and Confirmation of Operations module and Repository Centralized Operations module. The Central Counterparty acts as a buyer for every seller and as a seller for every buyer, assuming each transaction payment liability and diminishing the bilateral direct interconnection between the institutions involved.

The shareholders of this entity are Servicios de Infraestructura de Mercado OTC S.A. and the Association of Banks and Financial Institutions of Chile AG. ComDer’s direct participants are 17 banks and it has an investment portfolio in highly liquid financial instruments. In this sense, ComDer limits its market risk exposure by investing their surpluses in documents issued by the Central Bank, or fixed income financial instruments issued by banks and financial institutions, or fixed income mutual funds. Investments in financial instruments are short term. The financing policy gives preference to acting with ComDer’s own resources.

ComDer will operate by high security electronic means for reception, confirmation, acceptance, netting and settlement of compensation orders received from participants. Specifically, the buyer and seller encapsulate a message through the SWIFT global network, then ComDer matches the information and confirms that the transaction is correct. Once confirmed, the novation of the contract is made by the House, which requests the guarantees and makes the corresponding margin calls.
The acceptance and compensation process is made in real-time and ComDer counterpart will always be a bank. The Central Counterparty objective is to avoid the system’s default, which is accomplished by requesting guarantees from the participants. If one of them is not able to comply with its obligations, the Central Counterparty takes the administration of its portfolio and its guarantees, managing the positions.

Among the main benefits attributed to this new system are the increase in transparency and security in derivatives markets, a better balance between risk management and liquidity cost, operational efficiency improvements and, of course, reduced systemic risk. In addition, when transferring the operational risks to ComDer, the banks are releasing lines and capital requirements.

Finally, on July 23rd, 2015, ComDer received Exempt Resolution No. 226 issued by the Chilean Superintendency of Securities and Insurances, which gave the necessary authorization to initiate its activities, completing the final stage prior to its operation.

Under this authorization, the board of ComDer set as the starting date of operations Thursday, July 30th, 2015 as stated in the plan of implementation. With this commissioning, one of the items of the global regulatory agenda of the Chilean Central Bank was met.
NEW PRC ADVERTISING LAW: GAME-CHANGER FOR DRUGS, MEDICAL DEVICES AND HEALTH FOODS ADVERTISING

On 24 April 2015, the Standing Committee of the National People’s Congress approved the first amendment to the PRC Advertising Law, which was originally promulgated in 1994. The amended law (“New Advertising Law”) came into effect on 1 September 2015 and contains a large number of new and updated provisions, aimed at bringing the country’s advertising regulations up to date with modern best advertising practices.

The changes will have a significant impact on advertising practices for drugs, medical devices, health foods, and companies active in these sectors should become familiar with them.

The main changes under the New Advertising Law include the following:

**Increased scope of prohibited advertising**

The New Advertising Law expands the scope of pharmaceutical products that may not be advertised at all to include (i) precursor chemicals and (ii) drugs, medical devices, and treatments for drug detoxification. The advertising of narcotics, psychotropic substances, medical toxic drugs, and radiopharmaceuticals is still banned.

**Restrictions on prescription drug advertising**

Prescription drugs may only be advertised in professional medical and pharmacological publications approved by the State Council, and not in publications targeted at the general public.

**Prohibited safety claims and product comparisons**

The New Advertising Law restricts claims related to the safety of a product, in addition to the existing restrictions on claims related to a product's efficacy. Under the New Advertising Law, advertisements of medications, drugs, and medical devices may not:

- Contain absolute assurances or guarantees of the product's efficacy and/or safety; or
- Compare a product’s efficacy or safety with that of other drugs or medical devices.

**Prohibited "hidden advertising"**

The New Advertising Law prohibits all media from publishing advertisements for medical treatments, pharmaceuticals, medical devices, or health foods in the guise of health education or health-related public information programmes.
Prohibited advertising to minors
Mass media targeted at minors may not publish advertisements for medical treatments, pharmaceuticals, medical devices or health foods.

Prohibition of celebrity endorsements
The New Advertising Law prohibits any use of celebrity endorsements to recommend medical treatments, pharmaceuticals or medical devices.

Comprehensive regulation of health food advertising
The New Advertising Law establishes a comprehensive regime for the advertising of health foods. All health food advertisements must now contain the warning, "This product is not a substitute for drugs." In addition, mirroring the legal framework for the advertising of conventional drugs, the new regime for health food advertising prohibits health food advertisements from:
- Containing absolute assurances or guarantees of efficacy and/or safety;
- Asserting use for disease prevention or treatment;
- Expressing or implying that the product is necessary to stay healthy; and
- Comparing the product to conventional drugs or other health food products.

Prohibited baby formula advertising
The New Advertising Law prohibits the advertising of infant dairy products, beverages and other foods that claim to be a substitute for breast milk (in full or in part) in mass media or public places.

Required statements in medical device advertisements
All advertisements for consumer medical devices must include the warning, "Please read the product instructions carefully or purchase and use under the guidance of medical professionals." When a product has certain contraindications or was approved to be used with certain precautions, advertisements for such product must additionally include the warning, "See instructions for details about contraindications and/or precautions."

Increased penalties
Companies that violate any of the above rules will be heavily sanctioned, with maximum fines of up to five times the amount of the advertising costs in serious cases. If the advertising costs are difficult to calculate or relatively low, violators may still face up to an RMB 1 million fine. Finally, Authorities may also confiscate any illegal gains and revoke the business licences of the infringing companies.

Next steps
Companies active in the pharmaceutical, medical devices and health foods sectors should seek advice to review their current advertising practices and those of their advertising agencies to ensure compliance with the new rules. Companies should also ensure that existing products packaging and advertising materials are compliant, and if not, that such materials are replaced or eliminated from the sales channel.

Do not hesitate to contact us if you have questions on any of the above topics.
Colombian conventional Passport will not be valid from November 24th, 2015 and the Mechanical Readable Passport or the Electronic Passport will replace it.

What Changed?

- From November 24th, 2015, the Colombian Conventional Passport with pink pages will not be valid. The Mechanical Readable Passport or the Electronic Passport should replace the Conventional Passport.
- The Mechanical Readable Passport (Passport that includes the biographical data of the owner in a hard cover, with two lines of information called Mechanical Reading Zone, and can be read by a machine) does not need to be changed if it was already issued, and it may be used until its expiration date.
- The new Electronic Passport (Passport with a similar logo to a chip in its cover, with a contact chip with biographical and biometric data between the inside back cover and back cover) will allow to know if the traveler is the main holder of the book, just taking it close to a chip reader machine.

Which are the effects of this change?

- All member countries of the International Civil Aviation Organization of the United Nations, by duty, must change the conventional Passport in order to ensure safety, and to fight terrorism and transnational organized crime. Colombia stopped issuing the Conventional passports in 2010.
- Keep in mind that, each state enjoys sovereignty and discretionary powers to reserve the right of admission. However, during the negotiations to remove Schengen visas for Colombian nationals, Colombia acquired the commitment to enter into the new e-Passport technology, without implying any harm to those who are carriers of Machine Readable Passport.

Effective date

- Starting September 1st, 2015 the Ministry of Foreign Affairs will only issue the e-Passports. Those who are current carriers of the Conventional Passport must change the document before November 24th, 2015.

For more information please visit www.bu.com.co
IS IT LEGALLY VIABLE FOR UBER TO OPERATE IN COSTA RICA?

There are opposing views as to whether a license is needed in order for the app to operate.

Uber provides its customers a transportation network through an application that connects drivers registered with the Company with users requiring transport. Once the corresponding driver provides the service, the passenger may provide a public rating on the quality of the service.

With Uber’s imminent arrival in Costa Rica, there has been much speculation as to the legal viability of this service in terms of a) whether a Government-issued license is needed for operation, and b) the legal nature of the relationship between the Company and the drivers providing the service.

On the first point, there are two opposing, albeit legally-based positions. One is that no license is required to provide Uber’s services—a position which is shared by the authors—and the other holding that licensing is indeed necessary.

One of the main reasons that Government authorization should not be required is that no legislation exists regulating a service that uses an application on a mobile telephone. In other words, there exists a gap in the law.

The Political Constitution grants fundamental rights to autonomy of will and freedom of commerce and enterprise. The first right makes it possible for an individual to carry out any type of activity so long as it is not prohibited by law and the second right makes it possible to freely carry out commercial or entrepreneurial activity.

We are now faced with a service which is contracted through a digital platform, for which there is absolutely no regulation. It is also an economic activity that is new to the country and has never been contemplated by legislators. Therefore, according to these Constitutional rights, and based
on the fact that Uber's services are not regulated, no licensing of any kind should be required to carry out the activity.

On the other hand, those who defend the position that Uber must first have a permit or authorization from the Government, allege that various laws, such as the Law Regulating Remunerated Public Transportation Service to Individuals in the Taxi Modality, Law Nº 7969 (modified by Law Nº 8955) and the Law on the Authority Regulating Public Services, consider Uber's service to be a public service, which is under State mandate and therefore may only be provided if a license is obtained beforehand.

It is argued that according to the above legislation, any remunerated means of transport of individuals by automobile and any other type of automotive vehicle, whether offered to the general public, to groups of users, or to certain groups of people with specific needs, is a public service, and Uber qualifies as having these characteristics.

It is further alleged that even though the service is not exactly equivalent to a Taxi's service, it could fit the modality of special taxi (which requires a permit from the Ministry of Public Works and Transportation) as established by Law Nº 8955, which modified Law Nº 7969.

Following this second line of reasoning, Uber should have a license in order to operate in Costa Rica, even though it is not an activity that is regulated or anticipated by legislators.

Finally, with regard to the legal status of the relation between vehicle owners and the company, an issue that will inevitably have to be analyzed once Uber starts up operations in the country, in our opinion this should be one of professional services.

This is because there is no exclusivity in the commercial relationship; the service is only provided when required by the user and for a specific time. In other words, there is no restriction as to schedule, the equipment for the service is provided by the owner of the vehicle, the commercial or
business risk is assumed by the vehicle owner, and vehicle owners are not subject to any form of disciplinary authority since they have full autonomy regarding the use of their own vehicle.

Equally, the terms of this private commercial contract are freely defined by the parties.

This is indubitably a novel topic that warrants exploration throughout several articles, as it involves the development of services using new technologies, so legislation must therefore be adapted to these changes.

Until such changes are made, however, there should be no restriction on the exercise of freedom of enterprise.

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NEW RULES FOR COMPANIES ACTIVE IN FREIGHT FORWARDING

On 9 April 2015, the Indonesian Minister of Transportation issued a new regulation on freight forwarding: Regulation No. 74 of 2015. The new regulation, which was amended by Regulation No. 78 of 2015, replaces the old Decree No. 10 of 1988 on Freight Forwarding as amended by Decree No. 10 of 1989. It became effective on 16 April 2015.

Compared to the old regulation, the new regulation contains more detailed provisions, inter alia on line of business, documentation, formation, licensing, foreign investment, obligations, liability insurance, adjustment and sanctions, as discussed in further detail below.

According to the new regulation, freight forwarding activities include shipment and receipt of goods via land, rail, sea, and air transportation and must be conducted by an entity specifically formed to do so.

Under the new regulation, the minimum required authorized capital of an entity engaged in freight forwarding is increased to Rp. 25 billion, of which at least 25% (i.e. Rp 6.25 billion) must be fully issued and paid-up, as evidenced by an acknowledgement of its receipt or upon an audit by a registered accountant. By comparison, under the old regulation, the minimum paid up capital was Rp. 200 million. However, the new regulation allows a company to have a lower amount of authorised, issued and paid-up capital, subject to the company obtaining a recommendation from related associations.

Different capital requirements apply to freight forwarders with foreign investment status. The Investment Coordinating Board will require foreign investors that want to be engaged in freight forwarding to invest at least US$10 million, of which at least 25% must be in the form of equity.

Note: Apart from different capital requirements, there are restrictions on foreign shareholding in an entity engaged in freight forwarding. Pursuant to the Presidential Regulation No. 39 of 2014 concerning List of Lines of Business that are Closed and Conditionally Open for Investments (the so-called Negative List), foreign share ownership in a company which line of business is freight forwarding services, is limited to 49%.

An entity engaged in freight forwarding is required to obtain a license. Contrary to the old regulation, which granted this authority to the Minister of Transportation, this license is issued under the new regulation by the Governor of the Province where the freight forwarder is domiciled. The license will be issued upon fulfillment of the administrative and technical requirements, and remains valid within the Indonesian territory as long as the freight forwarder continues to be engaged in freight forwarding.

A joint venture freight forwarder must have a license issued by the Governor where it is domiciled. A freight forwarder with foreign investment status must register with the Minister of Transportation and the BKPM, which will issue a principle license.

Upon obtaining a license, a freight forwarder must:

- comply with laws and regulations on shipping and others;
• start business not exceeding 3 (three) months upon the issuance of its license;
• submit reports on business (annually), shipment and receipt of goods (monthly),
changes in data of its license, and opening of new branch offices;

To reduce any risk of liability and to guarantee the harmed parties, a freight forwarder must insure its goods and liabilities
(this provision was not regulated in the old regulation).

A freight forwarder may form a branch office domestically and appoint and cooperate with agents abroad under the
national and regional laws and regulations.

As a contractual transporter, a freight forwarder must issue documentation for national or international trade under the
laws and regulations and the usual practices. This documentation, be it in print or electronic, is issued, managed, and
organized by a freight forwarder engaged in shipment/receipt and distribution of goods.

Freight forwarders already in existence must adjust their licenses to this new regulation within 3 (three) years of the
issuance of this regulation.

Administrative sanctions will be imposed in case of violation of any of the obligations through written warnings,
suspension and/or revocation of a license. (by: Wishnu W. Basuki, Bani W. Kusnandar & Gustaaf Reerink)
RESTRAINING A CALL ON PERFORMANCE BONDS

Shannon Rajan provides an update on recent developments on restraining a call on performance bonds.

INTRODUCTION

The Malaysian Courts have now adopted the Singaporean and Australian approach in recognising unconscionability, apart from the fraud exception, as a separate and distinct ground to restrain a beneficiary from making a call on an on-demand performance bond.1 The rationale for embracing this equitable exception is premised on the notion “a person should not be permitted to use or insist upon his legal right to take advantage of another’s special vulnerability or misadventure for the unjust enrichment of himself.” 2

There are concerns that this new approach would open the floodgates of plaintiffs challenging the beneficiary’s conduct of calling upon an on-demand performance bond and cause unwanted interference with the machinery of irrevocable obligations assumed by the banks, which has been described as the “life-blood of international commerce”.

In the recent Singaporean case of CKR Contract Services Pte Ltd v Asplenium Land Pte Ltd and another [2014] SGHC 266, the High Court had to consider the effect of a clause in a contract which expressly excluded unconscionability as a ground to restrain a party from making a call on or receiving cash proceeds under the performance bond. In other words, the clause operates to counter the common law position on performance bonds in Singapore. This case would therefore be instructive in the Malaysian context of performance bonds.

BACKGROUND FACTS

The First Defendant, a property developer, engaged the Plaintiff as its main contractor for the development of three blocks of residential flats. Pursuant to the terms of the main contract, the Plaintiff provided a performance bond, which was issued by the Second Defendant, a bank.

The First Defendant, being dissatisfied with the Plaintiff’s performance under the contract, issued a notice of termination and called on the performance bond. In turn, the Plaintiff filed an injunction application to restrain the First Defendant from calling on the performance bond on the ground that the call was unconscionable. In opposing the injunction application, the First Defendant relied on Clause 3.5.8 (“Clause 3.5.8”) of the preliminaries (which were incorporated into the main contract), which prohibited the Plaintiff from seeking injunctive relief on the ground of unconscionability. In other words, the Plaintiff’s right to seek injunctive relief was limited to the ground of fraud only.

The main issue to be determined by the High Court was whether Clause 3.5.8 was unenforceable as being an attempt to oust the court’s jurisdiction.

DECISION

Clause 3.5.8 provided:

“In keeping with the intent that the performance bond is provided by the [plaintiff] in lieu of a cash deposit, the Contractor agrees that except in the case of fraud, the Contractor shall not for any reason whatsoever be entitled to enjoin or restrain:-

(a) The [first defendant] from making any call or demand on the performance bond or receiving any cash proceeds under the performance bond; or

(b) The [second defendant] under the performance bond from paying any cash proceeds under the performance bond, on any ground including the ground of unconscionability.”

(Emphasis provided)

The First Defendant relied on the above clause to argue that the Plaintiff could only apply for injunctive relief on the ground of fraud. The First Defendant argued that the Court should have regard to the parties’ intention and relied on the District Court decision of Scan-Bilt Pte Ltd v Umar Abdul Hamid [2004] SGDC 274. In that case, the District Court considered a similar clause, which reads as follows:

“Except only in the clear case of fraud, the Contractor shall not be entitled to enjoin or restrain the Employer from making any call or demand on the performance bond or receiving monies under the performance bond, on any ground including the ground of unconscionability” (Emphasis added)

The District Court in Scan-Bilt held that there were no grounds to strike down the clause on account of public policy and that the clause was clear and unequivocal in its intent. The Judge also observed that the parties dealt at arm’s length and that there was no reason not to give full effect to the clause. The
Judge further held that “justice required that the parties be held to the terms of the bargain which they had struck.”

The High Court in CKR Contract Services disagreed with the District Judge’s reasoning and conclusion in Scan-Bilt for the following reasons.

First, giving effect to Clause 3.5.8 would severely curtail the court’s jurisdiction and discretion to grant an injunction and would therefore be contrary to public policy. The Judge relied on the Malaysian Federal Court case of AV Asia Sdn Bhd v Measat Broadcast Network Systems Sdn Bhd [2014] 3 MLJ 61 in which clause 15 of a non-disclosure agreement entered into by the parties provided that the appropriate remedy for a breach of the respondent’s duty of non-disclosure would be injunctive relief instead of monetary damages. The Federal Court held that the existence of clause 15 did not ipso facto entitle the appellant to injunctive relief and did not fetter its jurisdiction and discretion to decide whether to grant such relief. The High Court, whilst acknowledging that the clause in AV Asia was different from Clause 3.5.8, stated that the general principle expressed in AV Asia was relevant because Clause 3.5.8 was similarly an attempt to oust the court’s jurisdiction, which is a severe incursion on the High Court’s freedom to grant injunctive relief.

Second, the Court’s powers to grant injunctions flow from its equitable jurisdiction and cannot be curtailed by clauses in a contract.3

Third, there are important policy considerations underpinning the doctrine of unconscionability, which cannot be lightly brushed aside by the parties’ agreement. It must be noted that the Plaintiff’s argument fails to consider the conscious choice made by the Singaporean Courts in moving away from the English position. The recognition of the ground of unconscionability was a considered and deliberate decision by the Singaporean Courts in striking a balance between the principle of party autonomy and the Court’s concern in regulating dishonest and unconscionable behavior on the part of the beneficiaries.4 Thus, the Court’s supervisory role of scrutinising possible unconscionable conduct in the context of performance bonds cannot be summarily displaced by an agreement.

COMMENTARY

The High Court in arriving at its decision had the unenviable task of balancing between competing principles and policies. On one hand, the Court will as far as possible uphold the parties’ entrenched right to freedom of contract by interpreting the clauses of the contract to give effect to the parties’ mutual intention as it existed at the time of entering into the contract. On the other hand, the Court possesses an inherent jurisdiction to do justice between the parties and apply such principles as are necessary for attaining this objective and for giving decisions which conform with the requirements of social conditions of the community. In this case, the High Court applied the latter principle to place limitations on the parties’ freedom to contract and the reasons proffered by the High Court must be examined in greater detail.

First, the High Court’s application of the general principle propounded in AV Asia may be questionable. It must be noted that clause 15 only limited the appropriate remedy for a respondent’s breach. The said clause did not extend to say that the injunctive relief shall be automatic or as of right upon a respondent’s breach, which would mean that the Court’s jurisdiction was ousted completely. Therefore, the Malaysian decision has to be read within the context of the peculiar wordings of the said clause. The Federal Court did not deal with the issue as to whether the parties could, by agreement, exclude an injunctive relief, which would in effect fetter the Court’s jurisdiction. An answer to this question may give rise to a general principle, which may have been applied in the manner suggested by the High Court.

Second, the principle that the parties cannot by agreement exclude the Court’s inherent jurisdiction to grant injunction may have been overstated by the High Court. There was no attempt by the parties to do so as they merely agreed to restrict the available grounds in common law to resist a call of a performance bond. Such a right is recognised in law. For instance, the contracting parties are able to agree to exclude a common law right or remedy by a clearly worded term in a contract (so long as it does not contravene public policy).5 Next, a party who is contracting at arm’s length, having agreed to exclude the common law ground of “unconscionability” by contract, may be estopped from reneging on its contractual obligations. This approach is consistent with the well-known maxim ‘modus et conventio vincunt legem’, which means that the manner and agreement of the parties overrides the strict letter of the law.6

Last, the Malaysian policy consideration for adopting unconscionability as a separate and distinct ground to restrain a beneficiary from making a call on an on-demand performance bond appears to be different from the Singaporean position. The Malaysian position is essentially premised on “good commercial sense” and there is no express declaration by our Courts that it is a conscious (and deliberate) departure from the English position. It must be noted that the English position is still very much alive and applicable when it comes to restraining

continued on page 20
RESTRAINING A CALL ON PERFORMANCE BONDS

continued from page 19

a bank from paying out on a performance bond. It remains to be seen whether the Malaysian policy consideration for recognising unconscionability would be a sufficient ground for disallowing parties (who are trading at arm’s length) from excluding unconscionability as a ground to resist a call on an on-demand performance bond.

Whilst the Singaporean decision would undoubtedly be persuasive and have an impact in Malaysia, there are some policy differences between the two jurisdictions, which may result in a different outcome in Malaysia. Thus, the Malaysian Courts may still have a hand in striking a uniquely different balance between ensuring certainty in irrevocable security instruments and maintaining fairness in respect of abusive calls on performance bonds.

POSTSCRIPT

Subsequent to the completion of the above commentary, the Court of Appeal of Singapore released its judgment wherein it overturned the High Court’s decision in the above case. It would appear from the Court of Appeal’s judgment that the present position in Singapore is that the parties may, by agreement, exclude unconscionability as a separate and distinct ground for resisting a call on an on-demand performance bond. The Court of Appeal’s judgment will be discussed in the next issue of Legal Insights.

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Endnotes:

3 The High Court referred to the following in support of its decision: Ian C F Spry, “The Principles of Equitable Remedies” (Sweet and Maxwell, 9th Ed., 2014) at p.333 and JBE Properties Pte Ltd v Gammons Pte Ltd [2011] 2 SLR 47.
5 In Stocznia Gdynia SA v Gearbulk Holdings Ltd [2009] EWCA Civ 75, the Court recognised the parties’ ability to expressly exclude the common law right to terminate by clear terms of their contract.
6 Binions and another v Evans [1972] 2 All ER 70 and Bruner v Moore [1904] 1 Ch. 305.
SINGLE GENERAL MINIMUM WAGE

On September 24th, the National Commission on Minimum Wages (“CONASAMI” for its acronym in Spanish) resolved that, effective as of October 1st, 2015, a single general minimum wage shall apply in all the country, equivalent to $70.10 pesos per day.

With the aforementioned resolution, the CONASAMI concluded the process of converging the minimum wages of geographic areas “A” and “B”. Therefore, the minimum wage corresponding to geographic area “B”, equal to $68.28 pesos per day, is increased by 2.66% to reach $70.10 pesos.

Likewise, the professional minimum wages pertaining to geographic area “B” are matched to those established for geographic area “A”, in force since April 1st, 2015.

The referred resolution was announced on September 28th, 2015.

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Data Protection: US Safe Harbour invalid - time to weigh anchor

Wednesday 07 October 2015

In its judgment of 6 October 2015, the Court of Justice of the European Union invalidated the so-called Safe Harbour Decision of the European Commission. According to this decision, US entities which were (self-)certified as being "Safe Harbour" were considered to ensure an adequate level of data protection.

Furthermore, the Court held that an "adequacy" decision whereby the European Commission considers a "third" country outside the EEA to provide an adequate level of data protection, does not prevent national data protection authorities from examining the complaint of a data subject regarding the transfer of personal data to a third country, where the data subject believes that the country in question does not provide an adequate level of protection.

It goes without saying that this judgment will have a seismic impact on how EU undertakings have to handle personal data flows to the US. Time to weigh anchor, to sail away from the safe harbour and to look for alternative routes ...

Man your stations...

The dispute finds its source in Directive 95/46/EC (the "Data Protection Directive") which states that personal data may only be transferred to countries outside the EU, where the country provides an adequate level of protection for personal data. The European Commission is empowered to find that a given country ensures an adequate level of protection by granting an adequacy decision for that country. In that context, the European Commission adopted Decision 2000/520/EC of 26 July 2000 (the "Safe Harbour Decision") whereby data transfers to companies located in the US were made possible, provided the companies comply with a number of conditions, notably the self-certification of compliance with the requirements of the Safe Harbour Decision.

As with EU and domestic data protection laws, the Safe Harbour Decision foresees exceptions. In the case of the Safe Harbour Decision, the principles set out therein may be derogated from 'to the extent necessary to meet national security, public interest, or law enforcement requirements' and 'by statute, government regulation, or case law that create conflicting obligations or explicit authorisations, provided that, in exercising any such authorisation, an
organisation can demonstrate that its non-compliance with the Principles is limited to the extent necessary to meet the overriding legitimate interests furthered by such authorisation’.

… weigh anchor …

Many companies rely upon Safe Harbour to ensure that their US data transfers comply with the Data Protection Directive and its implementing laws, yet this particular case concerns one specific company - Facebook. Maximillian Schrems, an Austrian national, had signed up to Facebook by concluding a contract with Facebook Ireland, Ltd. Facebook Ireland is the EU subsidiary of Facebook, Inc. and the headquarters for all Facebook EU activity. In processing the personal data of their subscribers, including that of Mr Schrems, some or all data are transferred to Facebook servers in the US. In the aftermath of the revelations made by Edward Snowden about the surveillance practices of the US, Mr Schrems filed a complaint with the Irish Data Protection Commissioner, claiming that the US did not offer adequate protection of personal data against state surveillance.

The Irish Data Protection Commissioner refused to investigate the complaint. According to Irish law, the Data Protection Commissioner must consider a question on the adequacy of the protection offered by a country outside the EEA for which the Commission has made an adequacy finding in accordance with that finding. With the Safe Harbour Decision having determined that transfers to participating companies were adequately protected, the Data Protection Commissioner rejected the complaint.

The High Court, in analysing the case, stated that Irish law required that any interference with the right to privacy and inviolability of the dwelling must be in accordance with the law and proportionate. The mass surveillance would not be considered proportional under Irish law and the Data Protection Commissioner would have had to examine the complaint, had the case been approached exclusively on Irish law. However, the High Court recognised that, the case concerns the implementation of EU law and that the question should be assessed in light of the EU law and the EU Charter of Fundamental Rights (the “Charter”). The High Court found that in light of the Data Protection Directive and the Safe Harbour Decision, the Data Protection Commissioner had acted entirely in accordance with EU law. However, the High Court asked whether, in light of the recent revelations and the EU Charter, a national data protection authority is absolutely bound by the Safe Harbour Decision.

… hoist sails …

Advocate-General Bot delivered his opinion on 25 September 2015 and the CJEU, in a rather exceptional move, followed suit less than two weeks later.

In his opinion, the Advocate-General advised that the Data Protection Directive and European Commission Decisions do not prevent national data protection authorities (the "DPAs") from examining the complaint of a data subject regarding the transfer of personal data to a third country where the data subject believes that the country in question does not provide an adequate level of protection.

In addition to the question of the High Court, the Advocate-General advised the CJEU to declare the Safe Harbour Decision invalid.

a) Powers of national DPAs vs. adequacy decisions of the European Commission

With regard to the first question, the CJEU firstly highlighted the importance of fundamental rights (citing its own recent case-law) as well as the importance of independent and effective national data protection supervisory authorities and stated that these should strike a fair balance between observance of the fundamental rights on the one hand and business interests, on the other.

Setting out that national DPAs are empowered to review the processing of personal data taking place in their Member State and that, given the fact that a transfer from a Member State to a third country constitutes processing, the CJEU stated that DPAs should be vested with the power to assess whether data transfers to a third country comply with the Data Protection Directive. Furthermore, the CJEU recalled that the EU is based on the rule of law in which all acts are subject to review of their compatibility with the Treaties, general principles of law and fundamental rights.
However, the Safe Harbour Decision, having been addressed to each Member State, is binding both for the Member States and all their organs, and neither the Member States nor their organs can adopt measures contrary to the Safe Harbour Decision.

This cannot prevent data subjects from lodging a complaint nor DPAs from making an assessment of the processing. This is in particular so as neither the Charter nor the Data Protection Directive limit DPAs' powers to review data transfers to third countries.

The CJEU went on to state that only the CJEU, and not national courts, has the power to declare that an EU act, such as the Safe Harbour Decision, is invalid, and detailed the procedure for DPAs to follow when faced with a complaint concerning the transfer to third countries. DPAs must examine the complaint and determine whether the complaint should be rejected or whether it is founded.

1. Where the complaint is rejected, the data subject will have the right of recourse before national courts, who must stay the proceedings and refer the case to the CJEU.
2. Where the DPA considers the complaint to be founded, the DPA should be vested with powers to engage in legal proceedings before national courts who may then, if they consider the objections founded, refer the case to the CJEU.

b) **Invalidation of the Safe Harbour Decision**

As concerns the Safe Harbour Decision, the CJEU found that in light of the foregoing elaborations on the separation of powers and the revelations about US surveillance practices including the serious doubts of both Mr Schrems and the High Court, the conformity of the Safe Harbour Decision with the Data Protection Directive, read in the light of the Charter, should be assessed.

The CJEU observed that, in having adopted the Safe Harbour Decision, the Commission should have analysed whether the legal order of the country in question ensured a level of protection which was “essentially equivalent” to that provided by the Data Protection Directive, read in the light of the Charter. However, the European Commission did not make such a statement in the Safe Harbour Decision.

Moving on in its assessment, the CJEU found the Safe Harbour Decision applicable only to self-certifying companies, but not to US public authorities, who had access to the data. Furthermore, in light of the broad exceptions provided for in the Safe Harbour Decision (as set out above) and the explicit primacy of US law in the event of a conflict between the Safe Harbour Decision and US law foreseen therein, the CJEU found that companies are obliged to disregard the protection offered by the Safe Harbour Decision.

With specific reference to communications of the European Commission highlighting the same issues in 2013, the CJEU added that the interference with the fundamental rights of data subjects established by the Safe Harbour Decision is not limited by a provision of the Safe Harbour Decision, nor any kind of effective legal protection.

Citing case C-293/12 and C-594/12 Digital Rights Ireland, the CJEU then observed that under EU law, derogations and limitations of fundamental rights must be applied only in so far as is strictly necessary. The broad-scope, all-encompassing US surveillance legislation could not be considered as being strictly necessary.

Furthermore, the CJEU found that the Commission in adopting the Safe Harbour Decision, which limits the powers of review of national DPAs in the context of data transfers to third countries, had overstepped the powers granted to it for adopting decisions.

The CJEU therefore declared the Safe Harbour Decision invalid.

... and choose an alternative route

In light of the decision by the CJEU, companies relying on Safe Harbour for their transfers to the US should make amendments in order to ensure that they remain compliant with EU data protection rules.
While the Data Protection Directive sets out a number of exceptions, such as the data subject's consent, that may be relied upon to legitimise transfers to third countries. It should be noted that the Article 29 Working Party, the organisation bringing together representatives of all EU DPAs, has recommended that transfers "which might be qualified as repeated, mass or structural should … be carried out within a specific legal framework (i.e. contracts or binding corporate rules)".

If data transfers to the US are imperative and concern large amounts of data, other means of reaching an adequate level of protection and legitimizing transfers should thus be relied upon, such as standard contractual clauses and BCRs. Please beware that in some countries, like Luxembourg, such transfers must be authorised by the national DPA beforehand even where a data transfer takes place on the basis of such a contractual framework.

The contractual alternative seems prima facie a good way to escape from the un-safe harbour but such contractual mechanism cannot take away the concern of the far-stretching and all-encompassing US surveillance legislation. The latter makes it virtually impossible to assure an adequate level of protection for transfers of data to the US …

The only alternative in the meantime thus seems to keep the data within the EU and, e.g. in the context of cloud-based services, to rely on EU based cloud providers with servers in the EU and which do not have affiliates in the US, as an adequate level of data protection is guaranteed throughout the EU thanks to the Data Protection Directive. Luxembourg, in particular, has a favourable environment for cloud service providers and cloud users alike, in bringing together the necessary infrastructure with a legal regime that enhances protection for cloud users in that it permits cloud users, subject to certain conditions, to claim back data held by a cloud provider in the event of the bankruptcy of the latter.

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**Happy Birthday to you, Happy Birthday to me…..**

October 06, 2015

Most New Zealanders would be surprised to know that copyright has been asserted in the Happy Birthday Song and payments have been demanded and paid for in the United States of America to use the song commercially.

Payments may no longer be required in the USA, following a recent decision of the US District Court in California. So what does this mean for New Zealand?

**The Happy Birthday song**

There are two copyright elements to the Happy Birthday song; the music and the lyrics. The musical element was based on the song Good Morning, developed by Mildred and Patty Hill in 1893. In the USA, copyright for the Good Morning song expired in 1949. The origins of the lyrics to Happy Birthday, however, are unclear. A reference to the lyrics was published in 1901 and the full lyrics were first published in 1911, but no reference to the author was made.

In 1935, several copyright applications for the Happy Birthday melody and various piano arrangements were registered in the USA. The Hill Sisters assigned the rights to the music to Clayton Summy, and Warner/Chappell Music Inc later acquired those rights in 1988.

**US Case: Marya v Warner/Chappell Music Inc [2015]**

Rupa Marya and Robert Siegel planned to make a film about the Happy Birthday Song. When Warner/Chappell requested US$1,500 for the right to use the song in the film, Ms Marya and Mr Siegel commenced proceedings claiming that Warner/Chappell did not own the copyright for the Happy Birthday lyrics.

The key issue was whether the copyright registrations for Happy Birthday that Warner/Chappell acquired from Summy included rights to the lyrics, or only the music.
The US federal judge found there was not enough evidence to support the claim that the copyright registrations included the lyrics and, therefore, rights to the lyrics were not assigned to Mr Summy. On that basis, Mr Summy could not assign copyright in the lyrics, and Warner/Chappell did not own copyright in the lyrics.

**The effect of the US decision**

It is estimated that Warner/Chappell has received US$2 million a year in royalties since 1988 from licensing the Happy Birthday song. Ms Marya and Mr Siegel's representatives have indicated that the next step will be to convert their case into a class action to recover these royalties for those who paid Warner/Chappell.

Although the decision may be welcomed by commercial users around the world, the decision is only binding within the USA. Outside the USA, whether the Happy Birthday song is subject to copyright will depend on the copyright legislation in the relevant country. It remains possible that the lyrics may be protected by copyright in some jurisdictions. Caution is still required before using the song commercially.

**Copyright in New Zealand**

In New Zealand, if an author is unknown, protection under the Copyright Act 1994 for musical works continues for 50 years from the time that the work was first lawfully made available to the public (either by performance or communication of the work).

The lyrics to the Happy Birthday song were first published fully in 1911. Therefore, because the author is unknown, in New Zealand, copyright for the lyrics expired in 1961. As long as the author of the Happy Birthday lyrics remains unknown, the Happy Birthday song is in the public domain, and its use is therefore not subject to copyright fees.

Even if the author becomes known, New Zealand copyright is likely to have expired. Under transitional provisions in the Copyright Act 1994, copyright in the lyrics would have expired 50 years after the work was published in New Zealand.

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Tax Amendments 2015
Branches of Foreign Entities

Panama, September 2015. Law No. 27 of May 2015, which amended the Tax Code, and Executive Decree No. 263 of 2015, which amended the Income Tax Regulations, enacted new requirements for the local branches of foreign entities that produce exempt income in Panama to be able to benefit from such income tax exemption.

This tax reform provides that local branches of foreign companies that are exempt from income tax in Panama will be able to benefit from such income tax exemption in Panama only if the company is unable to recognize as a credit, fully or partially, in the head office’s country of residence, the taxes that it would have paid in Panama if the exemption did not exist. Therefore, if the company is able to obtain a tax credit in the head office’s country of residence for the income tax paid in Panama, the exemption will not apply in Panama and the branch would be subject to income tax in Panama on its income from otherwise exempted activities.

In order to apply the income tax exemption in Panama, the local branch will be required to obtain a formal opinion issued by an independent tax expert to support that a total or partial income tax payment is not due. The Income Tax Regulation has established that such opinion must contain the following:

1. Transcript of the legal basis that provides that the company cannot obtain a total or partial tax credit as a result of the income tax paid in Panama;
2. Description of the facts that prevent the company from obtaining a total or partial tax credit;
3. Statement from the tax expert indicating that he is not economically dependent on or an employee of the company and that it is not related by kinship up to the fourth degree of consanguinity or second degree of affinity;
4. Document evidencing that the independent expert is a suitable tax specialist, based on the applicable legislation.

The opinion must be kept available at the request of the Tax Authority and it will be valid for one year or until there is a change in the facts on which the opinion is based, whichever occurs first.

About ARIFA
ARIFA’s tax practice ranks among the top in Panama. Our expert lawyers have a reputation for innovative tax planning in challenging corporate and financial transactions and successful resolution of sensitive tax controversies.
Dishonesty And The Medical Profession – Finding A Punishment To Fit The ‘Crime’

Introduction

The Court of Three Judges in a recent decision in Singapore raised the bar for the sentencing of doctors who are convicted of dishonest conduct in professional disciplinary proceedings.

This commentary highlights the possibility of increased penalties against medical professionals found guilty of dishonest behaviour and the potential for uncertainty in sentencing for these doctors going forward.

The Court’s decision

The recent Court of Three Judges decision in Singapore Medical Council v Kwan Kah Yee [2015] SGC3J 01 raises the bar for sentencing of doctors who are charged with dishonest conduct in professional disciplinary proceedings.

In Kwan Kah Yee, the Singapore Medical Council (“SMC”) - which regulates the professional conduct of doctors - took the unusual step of appealing to the Court of Three Judges against a sentence imposed by its own Disciplinary Tribunal (“DT”) on an errant doctor (“Dr K”) who falsely certified the deaths of two patients.

The DT had ordered that Dr K, a general practitioner, be suspended from practice for three months for each of the two charges of professional misconduct against him (i.e. a total suspension period of three months), with each term of suspension running concurrently. (The other penalties meted out to Dr K in addition to the suspension were a censure, an undertaking not to repeat the offence and to pay off half the SMC’s prosecution costs.) The SMC, deeming the punishment meted out by the DT against Dr K to be insufficient given that his dishonest behaviour involved perversion of justice and falsification of evidence, argued for Dr K to be suspended for 12 months for each charge, with the sentences to run consecutively (i.e. a total of 24 months’ suspension).

The Court of Three Judges, in allowing the SMC’s appeal, concluded that the DT’s sentence had been “manifestly inadequate” and proceeded to suspend Dr K for 18 months for each charge, with the sentences to run consecutively, making a total of 36 months’ suspension. Dr K was also ordered to pay the SMC the full cost of the DT proceedings and S$6,000 as costs of the appeal. The other orders by the DT were undisturbed.
Sentences were “inexplicably lenient”

The Court of Three judges took the opportunity to review existing SMC sentencing precedents relating to improper death certification and found them “inexplicably lenient”, as the most severe sanction was a 3-month suspension with a fine, a censure and an order to pay the SMC’s prosecution costs. It also drew comparisons with similar cases in England and highlighted that the penalties meted out by the English equivalent of the SMC, the General Medical Council’s (“GMC”) Fitness for Practice Panel (“FPP”), for the same offence are significantly heavier.

The Court also observed that in England:

> The GMC views “honesty and integrity as an indispensable characteristic of a doctor” (quoting from the GMC’s “Good Medical Practice” 25 March 2013).

> Erasure from the medical register may be appropriate where a doctor acts dishonestly, particularly where the dishonesty is persistent and/or attempts are made to conceal it.

> Dishonesty is viewed very seriously by the English medical profession.

The Court concluded that Dr K’s acts of issuing false death certificates based on medical records that did not exist was a serious breach of professional standards and of the SMC’s Ethical Code and Ethical Guidelines. Although the Court chose not to strike Dr K from the medical register, it sent a strong signal that striking off a doctor for dishonesty would certainly be an issue that the Court would consider should an appropriate case arise in future.

Where will the Court’s decision lead us?

Now that the Court of Three Judges has set a fresh sentencing benchmark for offences by doctors involving dishonest conduct and new guidelines for sentencing, future DTs will have to treat past sentencing precedents on dishonesty offences with some caution. Going forward DTs will play a key role in developing new sentencing precedents for dishonesty cases and as a result, there is likely to be a period of uncertainty for defendant doctors and their defence teams as to how much guidance the DTs will draw from the English authorities and how they are to be adapted to the local sentencing framework.

The Court has also suggested that the punishment of dishonesty offences by medical practitioners should be brought in line with the stance adopted by the English medical profession and Singapore’s legal profession, where striking off is the norm. When an appropriate case comes before the Court, it will be interesting to see what arguments are raised in favour of preserving the prevailing general approach in Singapore of not striking off dishonest doctors.
The divergence between the England and Singapore approaches to dishonesty

Finally, two interesting questions arise from the divergent sentencing approaches adopted by the GMC's FPP and Singapore's DTs.

(1) How is dishonesty perceived by the local medical profession?

(2) When do DTs consider a doctor's behaviour so blameworthy that he should be struck off?

A quick survey of the SMC's published Press Releases and Grounds of Decision from 2014 to mid-2015 revealed three cases (excluding Dr K’s case) in which doctors had been found guilty by DTs of dishonesty offences. These ranged from falsifying medical records, amending a consent form and for being convicted of a criminal offence involving fraud or dishonesty, namely abetting another person in furnishing false information to the police concerning a speeding offence. Of the three cases, the most lenient punishment imposed by a DT was a fine of S$10,000 and a censure for falsifying medical records and other offences, while the most severe punishment was for falsifying a patient's consent form and other charges of misconduct, for which the doctor was censured, suspended for 12 months and fined S$10,000. The doctor who was convicted of abetment was censured and suspended for four months.

During the same period, DTs struck two doctors from the medical register – the first for engaging in sexual relations with a minor patient and the second for having been convicted of a criminal offence implying a defect of character that made him unfit for his profession, namely sale of large quantities of cough syrup without a license. In the first case, it appears that the main factor that convinced the DT to strike the doctor from the register was the callous and egregious way in which he carried out his crime rather than his dishonesty in trying to cover up his arrest. In the second case, the DT noted that the doctor sold the cough syrup knowing that they were meant for uncontrolled resale at a substantial profit, and that harm could be caused to the public by his acts. He had also been convicted in a criminal court for selling the cough mixture without a wholesale dealer's license.

What the DT decisions above suggest is that the local DTs view offences of a calculated nature causing or potentially causing physical harm and which destroy a patient’s or the public’s trust and confidence in the medical profession as worthy of the most severe punishment of erasure. By contrast, dishonesty offences such as falsification of documents or evidence appear to be ‘victimless’ in the sense that no patient is physically hurt by the doctor’s lack of integrity. Of course, it can be argued that no offence is ever victimless – falsification of medical records where a case is being investigated or litigated can be construed as a form of interference in the administration of justice, and in that scenario, the victim is not only the individual patient but society as a whole.
In short, the divergence between the English and the Singapore approaches to dishonesty based on a survey of the most recent DT cases in Singapore can perhaps be attributed to a difference in how the concept of harm is defined and perceived. In that way, a dishonest act which is confined purely to altering what is written on a piece of paper can be seen as a lesser evil than a calculated act causing actual or potential physical harm to either a patient or the public.

Conclusion

To sum up, Dr K’s case is likely to have a significant impact on the calibration of sentencing for professional conduct involving dishonesty under the Medical Registration Act. It would be prudent for defence lawyers to advise their doctor clients who are charged with such misconduct that erasure from the medical register, or a very lengthy suspension are very real possibilities following the decision in Dr K’s case.

1 As a detailed study of all DT decisions to date is beyond the scope of this short article, my commentary is limited to the more recent decisions, which are more likely to reflect the current trends and attitudes of the DTs.
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A key factor in determining the validity of the patent is inventive step/non-obviousness. "An invention that... can be easily made by a person having ordinarily skilled in the art based on prior art shall not be patented" (Paragraph 2, Article 22, Patent Act). In practice, however, "hindsight" issue often occurs in court practice in many jurisdictions around the world when determining whether a patent is sufficiently inventive. There is no exception to the Taiwan courts in this regard.

To deal with this issue, several recent Supreme Administrative Court judgments have clearly stated that, in order to prevent ruling from hindsight, courts should first determine the level that a person "having ordinarily skilled in the art" could achieve, and then make their decision based on such a hypothetical person; the court should also give detailed consideration to what constitutes "easily made... based on prior art" before it can make an appropriate determination.

Two such rulings are summarized below.

1. In Judgment Pan-Zi No. 326 of 2015 (issued June 18, 2015), the Supreme Administrative Court once again ruled that, when reviewing the inventive step of a patent involved in a complaint, courts should first establish the level of a person "having ordinarily skilled in the art" to form an objective baseline for determination, before taking the step to "determine if the invention in question is easily made by a person ordinarily skilled in the technical realm to which it belongs, with reference to disclosed content regarding previous technology, and generally-available knowledge at the time of application." The judgment clearly stated: "The establishment of the skill level of 'a person having ordinarily skilled in the technical realm to which [the invention] belongs, and the disclosed content regarding previous technology (i.e. evidence presented), are important steps in reaching an objective determination of inventiveness."
2. After establishing said skill level, it then becomes necessary to determine whether the invention can be "easily made." The Supreme Administrative Court, in Judgment Pan-Zi No. 452 of 2015 (issued August 13, 2015), further ruled that, in order to avoid hindsight bias, the court should determine and describe in detail how the invention in question can be easily made based on suggestions or inspiration from prior technology. The judgment clearly stated: "In determining inventiveness, the court should not rule that an invention may be easily made based on the hindsight of reading through the structured step-by-step content found in the description of the invention, and thus rule that the patent is not inventive. Instead, the court should compare the whole of the invention with the evidence presented in the complaint, and take the perspective of a person who is ordinarily skilled in the technical realm to which the invention belongs, with reference to common knowledge at the time of the application, and arrive at an objective judgment. The law states that an invention that 'can be easily made by a person having ordinarily skilled in the art based on prior art shall not be patented.' What technical characteristics present in Exhibit 3 can be transferred or exchanged with equal effectiveness, or provide inspiration or suggestions that allow the invention to be easily made? As the original court did not investigate and clearly describe in detail the above matters, the original judgment's ruling that the technical characteristic 'does not surpass what can be easily achieved by a person having ordinarily skilled in the technical field on the basis of existing technologies at the time of the application' seems hasty."

From the case law above, we can see that, in future suits, establishing an objective standard for determination for each case will be beneficial to correctly determining the inventive step of a patent.

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Filing Reissues—Removing the Cloud of Uncertainty Caused by Alice

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IP Reports

In its 2014 Alice Corporation v. CLS Bank International decision, the Supreme Court invalidated a patent directed to managing settlement risk because the patent’s claims were directed to an abstract idea and thus ineligible subject matter under 35 U.S.C. § 101. While lower courts and the U.S. Patent Office are still struggling to determine when claims are directed to an abstract idea, it is clear that the Alice decision has made it more difficult for claims to meet the standard for patent eligibility.

Not only has this decision provided difficulties in prosecution, many issued patents may no longer be valid in a post-Alice world. Indeed, Judge Moore warned that Alice “is the death of hundreds of thousands of patents, including all business method, financial system, and software patents as well as many computer implemented and telecommunications patents.” Thus, entire patent portfolios may be invalid under Alice. More troublesome is the uncertainty surrounding many of these types of patents as to whether the claims recite patentable subject matter.

This uncertainty, however, may be addressed through reissue. U.S. patent law authorizes the Patent Office to reissue defective patents. The Patent Office may reissue patents that are deemed inoperative or invalid because of (1) a defective specification or drawing, or (2) if the patentee claimed more or less than it had a right to claim. A reissued patent expires on the same day that the original patent would have expired. A reissue application is examined in the same manner as a non-reissue, non-provisional application. The claims may be amended to address issues of patent eligibility so long as the amended claims have support in the specification in accordance with 35 U.S.C. § 112. Thus, a patent owner may have the opportunity to amend ineligible claims during reissue. Obtaining a reissue provides the additional advantage of owning an issued patent that the Patent Office examined using post-Alice guidelines and procedures.

Reissuing questionable patents has several obvious advantages. First, patent owners have the ability to amend claims that may be ineligible to bring the claims into the realm of subject matter eligibility. Further, patent owners can
assert issued patents with greater confidence that the patents will not be found ineligible under the stricter standards of 35 U.S.C. § 101. This may lead to greater settlement bargaining power. Likewise, patent owners seeking to license or sell their patents have a strong negotiating position when the patents may otherwise be subject to patent eligible subject matter attacks.

However, these patent owners should carefully consider the likelihood of success of a reissue examination before rushing to the Patent Office. The Supreme Court’s test in *Alice* to determine whether a claim is subject matter eligible is strict, and, as discussed, a patent owner is not allowed to claim subject matter that is not supported by the original disclosure. Thus, patent owners face a risk of losing their patents if they are unable to add features to the claims to bring them into the realm of patent eligible subject matter. This is also an uncertain risk given the that Patent Office—seventeen months after the Supreme Court’s decision in *Alice*—continues to attempt to clarify how patent examiners should apply such a subjective test for subject matter eligibility.8

Furthermore, a patent owner may need to substantially limit the claim scope in a reissue application. If the patent owner has no intentions of asserting the patent, the owner may wish to forego filing for reissue. This would allow the patent owner to maintain the issued patent with greater claim scope.

In the wake of the *Alice* decision, many issued patents may be invalid for failing to claim patent eligible subject matter. However, patent owners’ hands are not tied. Through reissue, patent owners can amend patent claims to bring them into the realm of subject matter eligibility. However, patent owners should be cautioned that this poses a risk of losing the issued patent or narrowing claim scope. While there is no general, overarching strategy whether patent owners should file for reissue in view of *Alice*, patent owners should evaluate their own objectives of patent ownership and consider whether filing fits that strategy.

1134 S. Ct. 2347 (2014).
2For example, the U.S. Patent office provided updated guidelines for examining application in view of *Alice* in July, 2015, nearly seventeen months after the *Alice* decision. July 2015 Update: Subject Matter Eligibility, USPTO, available here (last visited Aug. 17, 2015).
5Id.
637 C.F.R. § 1.176.
7See id.
8See supra note 2.
On Sept. 28, 2015, the California Governor approved and the Secretary of State chaptered AB 998, by which the California Legislature amended Section 48a to unequivocally declare that the correction statute applies to weekly and online publications performing the same news-disseminating function as a daily newspaper. Effective Jan. 1, 2016, the word “newspaper” in the statute’s current iteration is replaced with the phrase “daily or weekly news publication,” and that phrase is defined as “a publication, either in print or electronic form, that contains news on matters of public concern and that publishes at least once a week.” Moreover, the statute includes express legislative findings, declaring that earlier appellate rulings failed to acknowledge that the policy underlying the correction statute—protecting enterprises engaged in the immediate dissemination of news on matters of public interest—“should extend to online publications and weekly publications, which publish breaking news on deadlines indistinguishable from daily newspapers.”

The amendments to Section 48a represent a legislative recognition of the gap in protection caused by technological developments in news delivery platforms, and an acknowledgement that Californians are just as likely to get their news from the Internet as they are from print newspapers, radio, or television. As amended, Section 48a will keep pace with revisions to California’s shield law (which long has been interpreted to apply to online publications) and ensure that providers of the news can rely on the correction statute’s valuable limitation on damages, whether published on paper or online.¹

California’s correction statute is codified in Civil Code § 48a. In its current iteration, Section 48a reads, in pertinent part:

In any action for damages for the publication of a libel in a newspaper, or of a slander by radio broadcast, plaintiff shall recover no more than special damages unless a correction be demanded and be not published or broadcast, as hereinafter provided.

Under the statute, a plaintiff who sues a “newspaper” for libel can recover only special damages,² unless the plaintiff timely demands and is denied a correction that complies with the statutory requirements. In other words, a plaintiff may obtain general damages (and where appropriate, punitive damages) for defamatory statements published in a “newspaper” only where the plaintiff demands a correction and the defendant neglects or

¹ California’s Correction Statute Amended to Protect Online and Weekly Publications

² Related People

Thomas R. Burke
Karen A. Henry

Related Practices

Communications, Media, IP & Technology
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refuses to publish one. In this way, the correction statute affords “newspapers” considerable leeway to disseminate news **while it is new**, without the threat of debilitating liability for publication of untrue statements, whose falsity could not be ascertained in the temporal confines allotted to purveyors of “breaking” news.

Because Section 48a does not define the term “newspaper,” courts have struggled to determine which news publications qualify for the correction statute’s protection. Two cases have been particularly instructive in defining the scope of Section 48a: *Burnett v. National Enquirer, Inc.*[^3] and *Condit v. National Enquirer, Inc.*[^4] In *Burnett*, comedian Carol Burnett brought a libel claim against the *Enquirer*, arising from a four-sentence report in the weekly publication, purportedly recounting her “boisterous” and “eye-brow-raising” behavior at a restaurant, where she supposedly engaged in a loud argument with Henry Kissinger. Burnett demanded a retraction the same day the article was published, but filed suit because she was not satisfied with the quality of the retraction that the *Enquirer* published. After a jury trial, Burnett was awarded $300,000 in compensatory damages and $1.3 million in punitive damages, which the trial court reduced to $50,000 in compensatory damages and $750,000 in punitive damages.

The *Enquirer* appealed, arguing it was entitled to the protection of the correction statute. The appellate court affirmed the judgment, explaining that only those publications “who engage in the immediate dissemination of news” are entitled to the correction statute’s limitation on damages. The court reasoned that “the Legislature could reasonably conclude that such enterprises cannot always check their sources for accuracy and their stories for inadvertent publication errors.”

With respect to the *Enquirer*, the evidence adduced at trial showed that the publication: (1) did not subscribe to the Associated Press, United Press International, or Reuters News Service; (2) did not attribute content it published to any wire service; (3) did not provide current coverage of politics, sports, or crime; (4) did not generally reference time in its articles; (5) did not generate stories on a day-to-day basis; and (6) had a lead time of one-three weeks. Under those circumstances, the *Burnett* court found that the trial court had correctly determined the *Enquirer* was not entitled to the correction statute’s protection because its publication process permitted sufficient time to verify the accuracy of the stories it published.

Nearly 20 years later, in *Condit*, the *Enquirer* again sought refuge under Section 48a. There, the wife of a former senator brought a defamation action against the *Enquirer* for an article implying she may have played a role in the disappearance of her husband’s former intern. The district court concluded that, “[w]hile the evidence show[ed] the 2001 *Enquirer* includes more crime stories than the 1976 *Enquirer* and that the 2001 *Enquirer*’s coverage of politics, sports and crime is more current and its lead time is shorter than the 1976 *Enquirer*, “[t]he record d[id] not evidence the *Enquirer* is under pressure to disseminate news while it is news.” The evidence did not show that the 2001 *Enquirer* published news under circumstances where it could not confirm the accuracy and

reliability of its information and sources. For that reason, it could not rely on Section 48a to limit the damages to which the plaintiff was entitled.

The fact that the 2001 *Enquirer* maintained a website did not change this result. The *Condit* court opined that, “[e]xistence of a website does not necessarily increase the pressure for more rapid dissemination without information and source investigation or accuracy confirmation.” Prophetically, notwithstanding its determination that the *Enquirer* did not qualify for Section 48a’s protection, the court noted that “[w]eekly publications that strive to disseminate ‘news while it is new’ … may qualify for protection under section 48a despite [their] weekly cycle.”

Fortunately, the legislature’s amendment to Section 48a removes any doubt and ensures that California’s powerful correction statute is now available to online and weekly publications that perform the same news-disseminating function as daily newspapers.

**FOOTNOTES**

1 The amendment to Section 48a responded to a challenge issued by a California Court of Appeal in *Thieriot v. The Wrapnews Inc.*, 2014 Cal. App. Unpub. LEXIS 2690 (Cal. Ct. App. April 15, 2014). There, the appellate court held that California’s correction statute did not apply to allegedly defamatory statements published on a website. The court explained that, “[b]y its plain language, [the correction statute] applies only when the defamatory material is published in a ‘newspaper’ or a ‘radio broadcast.’” *Id.* at *38. “At the time the statute was enacted in 1931, or amended in 1945, a ‘newspaper’ was understood to mean a publication that was printed on inexpensive paper, often daily.” *Id.* “Had the Legislature intended the statute to apply to defamatory material published on an online website,” the court reasoned, “it could have amended the statute to say so, or add[ed] a statute to include such websites within the definition of ‘newspaper[.]’” *Id.* at *39.

2 “Special damages” are defined as “all damages which plaintiff alleges and proves that he has suffered in respect to his property, business, trade, profession or occupation, including such amounts of money as the plaintiff alleges and proves he has expended as a result of the alleged libel, and no other[.]” Cal. Civ. Code § 48a(4)(b).


4 248 F. Supp. 2d 945 (E.D. Cal. 2002).

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DOJ Delivers Roadmap to Compliance Credit in Cartel Cases

For only the second time ever, the Antitrust Division of the U.S. Department of Justice (DOJ) has recommended that a corporate defendant receive a fine reduction for the implementation of an effective compliance program. On 5 October 2015, the DOJ filed a Sentencing Memorandum and Motion for a Downward Departure (Sentencing Memorandum) in its case against Kayaba Industry Co., Ltd. (KYB), a Tokyo-based company that pleaded guilty last month to conspiring to fix the prices of shock absorbers sold to manufacturers of cars and motorcycles. In the Sentencing Memorandum, the DOJ recommends giving KYB credit for instituting an effective compliance program under Section 3572(a)(8) of the U.S. Sentencing Guidelines. In making its recommendation, the DOJ provides a non-exhaustive account of the steps taken by KYB to implement an effective compliance program. In particular, the DOJ identifies several “hallmarks of an effective compliance policy.”

The identification of these “hallmarks” appears to be the DOJ’s next step in a series of recent compliance-related developments. In May, in the foreign currency exchange rate manipulation investigation, Barclays received credit for “substantial improvements to [its] compliance and remediation program;” however, no specific details about Barclays’s compliance program or the credit provided in relation to that compliance program have been made public to date. In June, Deputy Assistant Attorney General Brent Snyder publically addressed the topic of compliance credit, distinguishing between “backward looking” and “forward looking” compliance efforts. While he reaffirmed the DOJ’s longstanding position that existing compliance programs – those programs in place at the time the unlawful conduct occurred – do not merit a fine reduction, he stated that the DOJ would consider recommending downward departures for effective “forward looking” compliance programs – those programs implemented after the unlawful conduct has been uncovered – that reflect “genuine efforts to change a company’s culture.”

The DOJ, in its Sentencing Memorandum in the KYB case, sets out several hallmarks of an effective “forward looking” program, including:

- **Direction from top management at the company** – The new compliance protocols “came straight from the top,” and senior management set the tone at the top, which made compliance with the antitrust laws a true corporate priority.
• **Training** – KYB mandated antitrust training for all senior management and sales personnel. Classroom training was supplemented with individualized instruction for personnel employed in high risk positions. The effectiveness of the training was monitored by subsequently testing employees.

• **Anonymous reporting** – KYB created an anonymous hotline for the reporting of possible antitrust violations.

• **Proactive monitoring and auditing** – KYB now requires prior approval for, and reporting of, any employee contact with competitors. These reports must be audited by the legal department. In addition, sales employees are now required to certify that they did not consult or exchange information with competitors when determining prices.

• **Discipline of violators** – KYB quickly disciplined the employees involved in the conspiracy. Two high-ranking employees who were personally involved in the conduct charged, or supervised employees who were involved in the conduct, were demoted and no longer have sales responsibilities. Additional employees may still be disciplined.

While it is clear that KYB received some credit from the DOJ for its compliance program improvements, it is impossible to quantify the credit given to KYB. Due to KYB’s substantial cooperation and effective compliance, the DOJ recommended a US$62 million fine, which is a 40% reduction from the low-end of KYB’s Guidelines range of US$103.68 million to US$207.36 million. The DOJ rarely provides granular details about criminal antitrust fines, leaving the precise calculation, and the components of that calculation, impossible to know. As is typical, in the KYB case, the DOJ did not provide an accounting of how it calculated the fine or credited KYB’s compliance program.

The DOJ’s Sentencing Memorandum in the KYB case is significant in that it provides for the first time detailed guidance on the type of program that may qualify for compliance credit from the DOJ going forward. This is the first time that the DOJ has addressed antitrust compliance in such a detailed manner since the DOJ’s articulation of the minimum elements required for AU Optronics Corporation’s (AUO) corporate antitrust compliance program following AUO’s conviction in the TFT-LCD investigation. In the AUO case, as part of its request for a corporate monitor, the DOJ provided detailed guidance as to the minimum elements required for AUO’s compliance program. At the time, there was much speculation as to whether the elements outlined by the DOJ would be sufficient for a company to get compliance credit in a plea agreement context. The DOJ’s recent description of KYB’s compliance program, although explicitly non-exhaustive, appears generally consistent with the elements outlined in the AUO case back in 2012. Corporations looking to develop new or improve existing compliance programs, therefore, should consider using the elements provided in the AUO case, as well as the new hallmarks of an effective compliance program set out in the DOJ’s Sentencing Memorandum in the KYB case, as a framework. Certainly any company under investigation for cartel conduct should consider implementing compliance program changes similar to those outlined in KYB in order to potentially qualify for sentencing credit.

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2 Id. at 6-8.
5 The Sentencing Memorandum contains all of the characteristics of a typical recommendation for a downward departure for a corporation that has been highly cooperative in a DOJ antitrust investigation. KYB cooperated quickly and fully, recognized and accepted responsibility, conducted a thorough internal investigation and produced relevant documents from the US and abroad with translations, and made company witnesses available to the DOJ.
6 Among other elements, the DOJ listed: Senior management oversight, board-level reporting, extensive training, availability of anonymous reporting, and appropriate disciplinary and termination procedures. See Exhibit C to Declaration of Dr. Keith Leffler Regarding AUO’s U.S. Volume of Commerce for Sentencing Hearing, available at http://www.justice.gov/sites/default/files/atr/legacy/2012/10/18/286934_7.pdf

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