



**Stanford – Vienna  
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# Transatlantic Antitrust and IPR Developments

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## Antitrust

*European Union*

# The European Commission Issues Draft Legislation on E-evidence

*By Nikolaos Theodorakis*

Electronic evidence refers to various types of data in an electronic form that are relevant in investigating and prosecuting criminal offences. This includes content data that are often stored on the servers of online service providers, and other categories of data, such as subscriber data or traffic information regarding an online account. Such data is often essential in criminal investigations to identify a person or to obtain information about their activities.

More than half of all criminal investigations currently include a cross-border request to access electronic evidence (“E-evidence”) such as texts, e-mails or messaging apps. Electronic evidence is needed in around 85% of criminal investigations, and in two-thirds of these investigations there is a need to request evidence from online service providers based in another jurisdiction.

## *The Proposal*

The European Commission (“Commission”) is therefore proposing new rules which will make it easier and faster for police and judicial authorities to access the electronic evidence they need in order to prosecute criminals.

For this purpose, the Commission recently proposed new rules, both a Regulation and a Directive, which include the following components:

- *European Production Order*: this will allow a judicial authority in a Member State to obtain electronic evidence directly from a service provider in another Member State. The provider needs to respond to requests for e-evidence within 10 days, or within 6 hours in cases of emergency. This timeline is significantly lower compared to the 120 days’ timeline for the existing European Investigation Order, or the average of 10 months for a Mutual Legal Assistance Procedure;
- *European Preservation Order*: this allows a judicial authority to request that a service provider or its legal representative preserve specific data for the purposes of a consequent request to provide data via mutual legal assistance, a European Investigation Order or a European Production Order;
- *Stronger safeguards*: the new rules guarantee strong protection of fundamental rights, including safeguards for personal data protection. The service

providers and persons whose data is being sought will benefit from various safeguards and be entitled to legal remedies;

- *Legal representatives in the EU:* to ensure that all providers that offer services in the EU are subject to the same obligations, even if their headquarters are in a third country, they are required to designate a legal representative in the EU for the receipt of, compliance with and enforcement of decisions and orders;
- *Provide legal certainty for businesses and service providers:* law enforcement currently often depends on the good will of service providers to hand them the evidence they need. Moving on, the proposal envisions that this framework is legally binding so that it improves legal certainty and clarity as compared to the existing voluntary cooperation.

The overall aim of these new rules is to make it easier and faster for the police and judicial authorities to obtain the electronic evidence they need to efficiently investigate offences. This legislative proposal wishes to modernize the way in which crimes are investigated, in response to the state of the art methods that criminals use. In fact, almost two thirds of crimes where electronic evidence is held in another country cannot be properly investigated due to the time it takes to gather the required evidence or due to the fragmented legal framework.

At the moment, law enforcement and judicial authorities cooperate to obtain

electronic evidence by using mutual legal assistance procedures outside the European Union, or the European Investigation Order inside the European Union. However, said procedures are too slow for obtaining electronic evidence, and time is of the essence. Data can be exchanged in a matter of seconds, which simply puts enforcement authorities at a disadvantage if they need to wait for too long before they can access it.

The proposal includes obligations for service providers that are used for communication purposes (e.g. providers of telecommunication services and other electronic communication services, including interpersonal services). It will also apply to providers of information security services that facilitate interactions between users (e.g. online marketplaces and cloud computing services) and for providers of internet infrastructure services (e.g. registries that assign domain names and IP addresses).

The categories of data that can be obtained with a European Production Order include:

- Subscriber data, which is data that serve to identify a subscriber or customer (e.g. name, email address, billing data);
- Access data, which can analyzed in combination with other data elements in order to identify a user (e.g. log-in details, IP address etc.);
- Transactional data, which is data that relates to the provision of the service

(e.g. source and destination of message, data on location of a device, date, time and protocol used etc.).

The three categories are also known as 'non-content data', to be distinguished from content data, which includes any stored data in a digital format (e.g. text, voice, videos, images, sound etc.).

### **What about legal safeguards?**

The proposal contains strong safeguards to guarantee privacy, data protection and the right to judicial redress. For instance, the issuing of European Production or Preservation Orders will only be possible in the context of criminal proceedings. At the same time, all criminal law procedural rights will apply, including in legislation at EU level, such as the right of access to a lawyer and the right of access to the case file. At all times, the fundamental legal principles of legality, necessity and proportionality need to be honored.

Further, production orders regarding transactional or content data may only be issued for criminal offences that the issuing state punishes with a penalty of at least three years, or for specific cybercrimes and terrorism-related crimes.

Finally, the suggested framework departs from the data storage principle and does not examine where data is stored for jurisdiction purposes. Rather, if the data is needed for the criminal proceedings and relate to services of a provider that offers services in the EU, said provider needs to produce the data irrespective of where it is

located. This means that a service provider that stores data of European users outside the EU, e.g. in the US, will need to provide the data to European authorities if addressed with a European Production Order. In the case of a conflicting legal obligation, the EU suggests a review mechanism that will ultimately resort to the competent national court resolving any such conflict. In any event, personal data covered by this proposal must be processed in accordance with the General Data Protection Regulation and the Police Directive.

## Antitrust

### *European Union*

# General Court Upheld the European Commission's State Aid Decision on the Spanish Tax Scheme

*By Kristina Povazanova*

The General Court of the European Union (“the GC”) issued on 15 November 2018 a judgment on seven claims against the decisions of the European Commission (“the Commission”) classifying the Spanish tax scheme which allows the tax amortization of the financial goodwill resulting from the acquisition of foreign undertakings as State aid incompatible with the internal market.<sup>1</sup> The GC has upheld the Commission’s decisions claiming that the tax amortization of the financial goodwill constituted State aid which is incompatible with the internal market, given the selective nature of the special Spanish corporate tax scheme.

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<sup>1</sup> Judgments in Cases T-207/10 Deutsche Telekom v Commission, T-227/10 Banco Santander v Commission, T-239/11 Sigma Alimentos Exterior v Commission, T-405/11 Axa Mediterranean v Commission, T-406/11 Prosegur Compañía de Seguridad v Commission, T-219/10 RENV World Duty Free Group v Commission and T-399/11 RENV Banco Santander and Santusa v Commission

Before including a contested provision of Article 12 (5) into the Spanish tax law (effective as of 1 January 2002), financial goodwill (i.e., the difference between the price paid for the acquisition of an undertaking and the fair market value (FMV) of its tangible and intangible assets) could have only been amortized for tax purposes, if a business combination (merger) takes place.<sup>2</sup>

The measure of Article 12 (5) of the Spanish Corporate Income Tax Code<sup>3</sup> provided that, should an undertaking which is taxable in Spain acquire a shareholding in a foreign company of at least 5% and will hold it without interruption for at least one year, the financial goodwill resulting from that shareholding, which is recorded in the undertaking’s accounts as a separate intangible asset, may be deducted, in the form of an amortization, from the basis of assessment for the corporate tax for which the undertaking is liable. A foreign company, for this purpose, must have been subject to a similar tax to the tax applicable in Spain and its income must have derived mainly from business activities carried out abroad.

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<sup>2</sup> Under the Spanish law, a business combination is an operation whereby one or more companies are being dissolved without going into liquidation, transfer all their assets and liabilities to another existing company or to a company that they form in exchange for the issue to their shareholders of securities representing the capital of that other company. (T-399/11 RENV Banco Santander and Santusa v Commission, p. 15)

<sup>3</sup> Ley del Impuesto sobre Sociedades, introducido en dicha Ley mediante la Ley 24/2001, de 27 de diciembre, de Medidas Fiscales, Administrativas y del Orden Social (BOE n.º 313, de 31 de diciembre de 2001, p. 50493)



## Procedural aspects

In October 2007, the Commission opened a formal investigation into a provision of the Spanish Corporate Income Tax Code. The Commission's investigation was the result of a formal complaint from a private company that (along with Members of the European Parliament) was concerned that the Spanish tax scheme provides selective advantages to those Spanish companies that are engaged in acquiring foreign undertakings compared to acquisitions of other Spanish undertakings.<sup>4</sup> It has to be noted that the concerned Spanish tax scheme established an exception to general Spanish corporate income tax rules. Therefore, the Commission's preliminary assessment gave rise to doubts that such a scheme could classify as incompatible State aid and susceptible to distort competition in the relevant market.

In 2009 and 2011, the Commission issued two decisions - one in relation to the acquisition of shares in the EU<sup>5</sup> and the second in relation to the acquisition of shares outside of the EU<sup>6</sup> - declaring the

Spanish tax scheme as incompatible with the internal market and EU State aid rules and obliging Spain to recover illegally granted State aid. The Commission highlighted the difference in tax treatment between the acquisition of a shareholding of a domestic undertaking and a business combination. According to its decision, under Spanish tax law, the acquisition by an undertaking which is taxable in Spain of a shareholding in a company established in Spain does not allow the recording of financial goodwill separately for tax purposes. However, again, according to Spanish tax law, financial goodwill can be amortized following a business combination.

The decisions were challenged before the GC by several undertakings established in Spain seeking the annulment of the Commission's decisions. The GC in its judgments dated 7 November 2014<sup>7</sup>, annulled both "2009 and 2011 decisions" on the basis that the Commission had failed to establish that the measure at issue was selective. In 2016, the Court of Justice of the European Union ("the CJEU") reviewed the judgments, set them aside and referred the cases back to the GC.<sup>8</sup>

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<sup>4</sup> The complaint followed a reply of the Commission to written questions from Members of the European Parliament in 2005 and 2006. The Commission replied that according to the information available to it, the questionable scheme does not constitute State aid.

<sup>5</sup> European Commission Decision 2011/5/EC of 28 October 2009 on the tax amortization of financial goodwill for foreign shareholding acquisitions C 45/07 (ex NN 51/07, ex CP 9/07) implemented by Spain (notified under document C(2009) 8107)

<sup>6</sup> European Commission Decision 2011/282/EU of 12 January 2011 on the

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tax amortization of financial goodwill for foreign shareholding acquisitions No C 45/07 (ex NN 51/07, ex CP 9/07) implemented by Spain (notified under document C(2010) 9566)

<sup>7</sup> Judgments in Cases T-219/10 RENV World Duty Free Group v Commission and T-399/11 RENV Banco Santander and Santusa v Commission

<sup>8</sup> Joined Cases C-20/15 P & C-21/15 P Commission v World Duty Free Group SA, (formerly Autogrill España SA), Banco Santander SA & Santusa Holding SL

## Selectivity of the contested measure

Even though the cases at hand cover more issues, including the question of legitimate expectation of beneficiaries of such measures<sup>9</sup> provided by Article 12 (5) of the Spanish Corporate Income Tax Code, the core of the problem has been the question of whether the measure at issue is selective, since selectivity is one of the criteria that can lead to the classification of national legal provisions as State aid.

Article 107 (1) Treaty on the Functioning of the European Union (“TFEU”) provides: “Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.”

The CJEU has previously ruled that in order to justify a selective measure on the basis of the ‘nature of the system’ it is required for such a measure to be supported with specific and detailed justification. The burden of proof in this case is on the Member States and narrows

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<sup>9</sup> Judgments in Case T-207/10 *Deutsche Telekom v Commission*. Given that the Commission provided answers to parliamentary questions in 2005 and 2006 with precise assurances that the contested measure does not constitute incompatible State aid, the GC decided that all beneficiaries that applied the tax amortization of financial goodwill based on acquisitions that took place before 21 December 2007 may still benefit from the measure as they had legitimate expectations.

the exemption from the rule.<sup>10</sup> In that context, to classify a national tax measure as selective, the three-step method of analysis (highlighted by the CJEU in its 2016 annulment decision) must be applied. That would include:

- a. *identifying the ordinary or ‘normal’ tax system applicable*, and demonstrating that;
- b. *the tax measure is a ‘derogation’ from that ordinary reference system or general scheme in the sense that it differentiates from other operators that are in a comparable factual and legal situation*<sup>11</sup> and;
- c. *that the measure is not justified by ‘the nature or general scheme of the system’*.<sup>12</sup>

It is important to note that the concept of State aid does not cover measures that provide a different treatment to undertakings that are in a comparable situation, but where the Member State is able to justify such differentiation because of the general nature and the structure of the legal system.

Applying the three-step methods, the GC concluded that a selectivity of a tax measure may be determined even if there are no restrictions to its application. Selectivity might be established just because such a tax measure differentiates between the undertakings which have decided to undertake a certain transaction

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<sup>10</sup> Opinion of the AG Cosmas to the Judgment C-83/98 P *France v Ladbroke Racing & Commission*, p. 26

<sup>11</sup> Joined Cases C-20/15 P & C-21/15 P *Commission v World Duty Free Group SA, (formerly Autogrill España SA), Banco Santander SA & Santusa Holding SL*, p. 57

<sup>12</sup> *Ibid*, p. 12

(in this case - to acquire a foreign target) instead of another transaction (acquiring a Spanish target). This line of argumentation is extremely innovative, since the selective nature of a tax measure in relation to State aid rules had not been previously determined based on the comparison with other undertakings initiating a different type of transaction.

The GC inferred that “a national tax measure such as a measure at issue, which grants an advantage upon satisfaction of the condition that an economic transaction is performed, may be selective including, where having regard to the characteristics of the transaction concerned, any undertaking may freely choose whether to perform that transaction.”<sup>13</sup> Moreover, the GC did not agree with the argument that such difference in treatment can be justified in order to secure the coherence of the Spanish corporate income tax system.<sup>14</sup>

The decision of the GC can be appealed before the CJEU.

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<sup>13</sup> Judgments in Cases T-219/10 RENV World Duty Free Group v Commission, p. 88

<sup>14</sup> Spanish Tax Authorities previously argued that cross-border mergers always face difficulties. Tax amortization of financial goodwill was therefore meant to be the only alternative to provide equivalent treatment to undertakings acquiring foreign targets.

## Intellectual property

*United States*

# Will the U.S. Supreme Court Find Ban on Scandalous Trademark Registration Unconstitutional?

*By Marie-Andrée Weiss*

On 4 January 2019, the U.S. Supreme Court granted certiorari to rule on whether Section 1052(a) of the Trademark Act, which prohibits the registration of immoral and scandalous marks, is facially invalid under the First Amendment. The case is *Iancu v. Brunetti*, Docket No. 18-302.

In 2011, Erik Brunetti filed an application to register FUCTION as a federal trademark, in connection with a clothing line. The U.S.P.T.O. examining attorney refused to register it, considering it to be the past tense of the verb “to fuck,” a vulgar term. The Trademark Trial and Appeal Board (TTAB) affirmed in 2014. Brunetti appealed. While the case was pending, the U.S. Supreme Court issued its *Matal v. Tam* decision, which found that the disparagement clause of the Lanham Act violated the First Amendment, because it discriminates based on content.

On December 15, 2017, the U.S. Court of

Appeals for the Federal Circuit [reversed](#) the TTAB’s holding, and held that Section 2(a) is an unconstitutional restriction on free speech. The court denied the request for a rehearing in April 2018 and in September 2018, Andrei Iancu, the Director of the U.S.P.T.O., filed a [petition](#) for a writ of certiorari, which was granted by the Supreme Court.

### The Lanham Act prohibits registering immoral and scandalous marks

[Section 2\(a\) of the Lanham Act](#) prohibits registration of immoral and scandalous marks, a prohibition which was first codified by Section 5(a) of the Trademark Act of 1905. The U.S.P.T.O. considers that a mark is immoral or scandalous if a substantial composite of the general public would find it shocking to the sense of truth, decency or propriety, in the context of contemporary attitudes and the relevant marketplace (see for instance [In re Mavety Media Group Ltd.](#) at 1371).

The government argued unsuccessfully on appeal that Section 2(a) does not implicate the First Amendment because it is either a government subsidy program or a limited public forum and that, alternatively, if it is speech, it is merely commercial speech. Such speech was defined by the Supreme Court in [Va. State Bd. Of Pharmacy](#), as speech which does “no more than propose a commercial transaction.” It warrants the use of the [Central Hudson, four-part test](#), not the strict scrutiny test.

In *Tam*, the Supreme Court had used a

“heightened scrutiny test.” The Federal Circuit applied the strict scrutiny test, and found that the government had failed to prove that Section 2(a) advances the interests it asserts and is narrowly tailored to achieve that objective.

### **Trademark as speech**

The Federal Circuit found Section 2(a) regulates speech based on its expressive content, and as such, does not merely regulate commercial speech. Indeed, the Supreme Court had noted in *Tam* that trademarks “often have an expressive content.” The Federal Circuit Court gave several examples of trademark applications using “FUCK” to further a worthy cause, such as FUCK HEROIN, FUCK CANCER or FUCK RACISM.

Brunetti is using the FUCT mark in connection with clothing featuring, as described by the TTAB, “*strong and often explicit, sexual imagery that objectifies woman and offers degrading examples of extreme misogyny.*” The Federal Circuit Court judges wrote in conclusion that they found “*the use of such marks in commerce discomforting, and are not eager to see a proliferation of such marks in the marketplace.*” Yet, it is speech which must be protected by the First Amendment.

### **The Lanham Act does not define what is a scandalous or immoral mark**

The Federal Circuit found that there is no “reasonable definition” of what is “scandalous” and “immoral” and thus Section 2(a) is not construed narrowly

enough to be found constitutional. Obscenity is not protected by the First Amendment, and the Supreme Court has provided a definition of it in [Roth v. United States](#), “*material which deals with sex in a manner appealing to the prurient interest.*” In a concurring opinion to *Brunetti*, Judge Dyk explained that rather than finding Section 2(a) unconstitutional, he would have limited the scope of the clause to obscene marks.

In his Respondent [brief](#), Brunetti added another question for the Supreme Court, whether Section (2)(a) is unconstitutionally vague under both the First and the Fifth Amendment.

### **The Supreme Court is likely to offer a definition of what is an immoral or scandalous mark**

The Director of the USPTO argued in its petition to the Supreme Court that Section 2(a) merely prohibits the registration of scandalous marks, such as those using vulgar terms and graphic sexual image. However, what is “vulgar,” or what is “graphic” is not easily agreed upon, especially in a country as big as the U.S., which is home to many different opinions and beliefs. For example, there are no “Do Not Cuss” signs in New York restaurants, but there are still some in the South.

Whether or not the Supreme Court finds Section 2(a) unconstitutional, the court is likely to provide a definition of what is “scandalous” or immoral. ”

## Intellectual property

*United States*

# Hakuna Matata: Trademarks and Cultural Appropriation

*By Marie-Andrée Weiss*

Disney Enterprises has owned since March 2003 the [HAKUNA MATATA trademark](#), registered in class 25 for t-shirts. Disney filed the application in August 1994, shortly after the U.S. release of its widely successful “The Lion King” animated movie, which has been adapted as a musical comedy. A [live-action reimagining version of the animated movie](#), using CGI technology, will be released this year.

In the movie and the musical comedy, and, most certainly, in the upcoming film, a character is singing the “[Hakuna Matata](#)” [song](#), urging the young Lion King not to worry. Indeed, “Hakuna Matata” means “no problems” or “no worries” in Swahili. An [article written by Cathy Mputhia](#) in November 2018 noted that “Hakuna Matata” is “*widely used in East Africa.*”

Disney now faces backlash over this trademark registration. An [online petition](#) published by Shelton Mpala is asking Disney to cancel the HAKUNA MATATA trademark arguing that its decision to register it was “predicated purely on greed

and is an insult not only the spirit of the Swahili people but also, Africa as a whole.” The petition has gathered more than 180,000 signatures.

### Can Hakuna Matata be registered as a trademark?

The online petition claims that “Disney can’t be allowed to trademark something that it didn’t invent.” If this would be true, thousands and thousands of trademarks would be cancelled.

Indeed, it is not necessary to create a term to able to register it as a trademark; unlike a work protected by copyright, a trademark can be protected even though it is not an original work. What matters is that it is distinctive enough, since the function of a trademark is to identify the source of a product or service. Trademarks which are arbitrary, fanciful, or suggestive can be protected without having to show secondary meaning. Generic trademarks cannot be protected.

Few people in the U.S. knew the “Hakuna Matata” expression before the release of *The Lion King* in 1994. Indeed, Google [Ngram Viewer](#) shows that the word was first used in the English language corpus in the Nineties. However, as [noted](#) by *The Guardian*, “[t]he phrase was popularised in 1982 by the Kenyan band Them Mushrooms, whose platinum-selling single [Jambo Bwana](#) (Hello, Mister) featured the phrase hakuna matata.”

When the expression was trademarked in 1994, the U.S. public associated it with the

movie, which was a blockbuster, complete with derivative products, [some](#) using the “Hakuna Matata” phrase. As such, this combination of words was an efficient trademark, because the general public believed that the phrase had been invented by Disney and thus perceived the trademark as being arbitrary or fanciful.

Disney’s trademark application stated correctly, however, that the two words have a meaning in another language and were not invented. As such, HAKUNA MATATA is a suggestive trademark, a term which “requires imagination, thought and perception to reach a conclusion as to the nature of the goods,” as explained by the Second Circuit in [Abercrombie & Fitch Co. v. Hinting World](#).

Nevertheless, the public in East Africa perceives this trademark as a mere common phrase, and generic terms cannot be registered as trademarks. Therefore, “Hakuna Matata” cannot be registered as a trademark in East Africa but can be in the U.S. or in other Western countries because the public there does not perceive it as a common expression. Research on [WIPO’s Global Brand Database](#) reveals that the term is registered as trademark almost only in Western countries, with a few exceptions such as Egypt, Thailand, and Korea.

Under trademark law, a term can only be registered if it is not commonly used in the country or geographical areas where it is registered. This practice, while legal, can be perceived by the country from which the term originated, however, as cultural appropriation.

## Trademark and cultural appropriation

Even if it is legal to register “Hakuna Matata,” it may not be advisable. Cultural appropriation is now a well-known concept, but it had just started to be recognized when Disney registered the trademark in 1994, as shown by this [Ngram Viewer](#).

Shelton Mpala [told CNN](#) that that he had started the petition “to draw attention to the appropriation of African culture and the importance of protecting our heritage, identity and culture from being exploited for financial gain by third parties.”

This issue is addressed by WIPO, which established in 2000 the [Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore](#) (IGC). The Committee’s mandate is to work towards reaching an agreement on one or more intellectual property international legal instruments which would protect traditional knowledge and traditional cultural expressions.

One of the IGC’s background [briefs](#) noted that “[t]he current international system for protecting intellectual property was fashioned during the age of enlightenment and industrialization and developed subsequently in line with the perceived needs of technologically advanced societies.”

## Could a bar to register traditional knowledge and traditional cultural expressions be in the future?

Can this practice be regulated, and how?

Cathy Mputhia suggested in her article that “relevant governments or communities [could] apply for expungement of already granted trademarks,” but noted that “there are certain thresholds that ought to be met for expungement of marks that contain heritage.”

These “expungement thresholds” will probably not be legal, but societal. If such expungement occurs for HAKUNA MATATA, it will be a business decision made by Disney designed to protect the company’s public image by acknowledging that the trademark hurts too many Africans. In this regard, Shelton Mpala chose a possible viable path towards his desired result.

One can imagine that a party could petition the TTAB to cancel the HAKUNA MATATA trademark registration under Section 2(a) of the Lanham Act which prohibits registration of immoral, scandalous, and disparaging marks. However, seems unlikely, as the U.S. Supreme Court held in 2017 in [Matal v. Tam](#) that Section 2(a)’s prohibition to register disparaging marks violates the First Amendment. The Court may soon rule similarly about scandalous and immoral marks, as it has accepted to review the [In Re: Brunetti](#) case, after the Federal Circuit held that the First Amendment also protects registration of such marks.

Section 2(b) of the Trademark Act bars the registration of a mark which consists of or comprises the flag or other insignia of the US, or any state, or municipality or foreign nation. Could the law be amended one day to add symbols of traditional knowledge

and traditional cultural expressions? This would require a WIPO treaty protecting them, and the very hypothetical U.S. accession to the treaty.



## Other developments

### *United States*

## CP(TPP) Entered into Force!

*By Pratyush Nath Upreti*

A much-awaited mega-regional trade agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which involves eleven countries in the Asia-Pacific region, including Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam, entered into force on December 30<sup>th</sup> of last year. The CPTPP consists of a total of thirty chapters, along with several annexes to the chapters and four annexure to the agreement.<sup>15</sup>

The United States, under the leadership of Obama, was one of the architects of the Trans-Pacific Partnership Agreement (TPP). However, the current US President Donald Trump signed an executive order withdrawing the USA from the TPP.<sup>16</sup> Post

<sup>15</sup> Comprehensive and Progressive Agreement for Trans-Pacific Partnership text (Released on 21 February 2018) <<https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership-text#chapters>> accessed 15 January 2019.

<sup>16</sup> Presidential Memorandum Regarding Withdrawal of the United States from the Trans-Pacific Partnership Negotiations and Agreement (White House, January 23 2017) <<https://www.whitehouse.gov/presidential-actions/presidential-memorandum->

the US withdrawal, some considered the TPP dead and buried, but it received a new life during the Asia-Pacific Economic Cooperation (APEC) summit, which renamed TPP as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).<sup>17</sup> The new version suspended twenty-two items from the original text, in particular, the IP chapter<sup>18</sup> which had received heavy criticism for transplanting the US style of IP protection. For example, the patent term adjustment for unreasonable granting, authority delays, and curtailment was suspended.<sup>19</sup> It was argued that, despite the professed purpose of the harmonization of patent-granting procedures among the member countries, the main intention of the provision was to extend pharmaceutical monopolies. According to the Report, on average the patent term extensions would give 3.6 further years and may amount to 20% of the pharmaceutical sales in the USA.<sup>20</sup> There are other noticeable

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[regarding-withdrawal-united-states-trans-pacific-partnership-negotiations-agreement/](#)> accessed 14 January 2019.

<sup>17</sup>The Asia-Pacific Economic Cooperation (APEC) 2017 <<https://www.apec.org/Meeting-Papers/Leaders-Declarations>> accessed 14 January 2019.

<sup>18</sup> For more discussion, see Pratyush Nath Upreti, 'From TPP to CPTPP: Why intellectual property matters' (2018) 13(2) Journal of Intellectual Property Law & Practice 100-101

<sup>19</sup> See CPTPP vs TPP (New Zealand Foreign Affairs & Trade) <<https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/cptpp/understanding-cptpp/tpp-and-cptpp-the-differences-explained/>> accessed 13 January 2019.

<sup>20</sup> Charles Clift, 'The value of patent term extensions to the pharmaceutical industry

differences between TPP and CPTPP.<sup>21</sup> In the last few years, there was an outcry on public forums regarding investors, through dispute settlement, restricting the sovereign right to regulate issues related to public interest or creating the risk of a 'regulatory chill'.<sup>22</sup> Taking this seriously, CPTPP has reaffirmed and endorsed government's inherent right to regulate in matters related to the public interest.

After more than a year since its new abbreviation, CPTPP came into force last month. Clearly, the CPTPP is a massive trade block representing 495 million people and 13.5 percent of global gross domestic product.<sup>23</sup> It is hard to predict whether it will be a success, but it shows huge potential and perhaps offers an alternative for countries in the light of the strains in the multilateral rules-based trading system.

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in the USA' (2008) 5(3) *Journal of Generic Medicines* 201-208.

<sup>21</sup> CPTPP vs TPP n (3).

<sup>22</sup> See *Philip Morris Brands Sarl, Philip Morris Products S.A and Abal Hermanos S.A v. Oriental Republic of Uruguay*, ICSID Case No: ARB/07. Also see *Philip Morris Asia Limited v. The Commonwealth of Australia*, UNCITRAL, PCA Case No. 2012-12

<sup>23</sup> 'Benefits of the CPTPP for Yukon' <<https://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/regions/YT.aspx?lang=eng>> accessed 13 January 2019.

## Other developments

### *European Union*

## EU Pushes Reform of Investor-State Dispute Settlement

*By Gabriel M. Lentner*

On 18 January 2019, the EU and its Member States submitted two papers proposing the [establishment of a permanent multilateral investment court](#) along with an [effective work plan](#) to do so within the UN Working Group under the United Nations Commission on International Trade Law (UNCITRAL). This is important because more and more IP-related disputes are litigated in investment arbitration: see the cases of [Bridgestone v Panama](#), [Philip Morris v Australia](#) and [Philip Morris v Uruguay](#) (involving trademarks), [Eli Lilly v Canada](#) and a potential case involving the pharmaceutical company Pfizer under the [US-Ecuador Bilateral Investment Treaty](#) involving patents.

### **A Permanent Multilateral Investment Court**

The proposal of the EU is part of the ongoing work of the UN Working Group tasked with examining reform of investor-state dispute settlement (ISDS). ISDS in its

current form has been criticized on many grounds (such as the lack of appeal, inconsistency of decisions, excessive costs and duration, and lack of transparency).

For the EU, the establishment of a permanent multilateral investment court (MIC) is the only option that can respond to all these criticisms. The MIC would include an appeal mechanism and instead of ad-hoc arbitrators, full-time adjudicators would be deciding cases.

### **The Way Forward**

In the second paper, the EU proposes to proceed in several related steps within the UN Working Group to arrive at developing concrete solutions and text proposals, which then could be adopted or endorsed by the UNCITRAL Commission and, ultimately, the General Assembly of the United Nations.

The EU also welcomes the input of civil society and the Academic Forum and Practitioner's Group at all stages of the process.

So far it is difficult to assess the viability of the EU's proposal. It remains to be seen whether the EU can garner the necessary support for a future MIC. What the MIC would mean for IP-related disputes is thus also unclear. In principle, however, a permanent dispute settlement body could ensure more predictability and coherence in an area of law that is still affected by uncertainties.

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