

*enfoque latino* is the quarterly newsletter prepared by the attorneys of Sheppard Mullin's Hispanic/Latino Business Practice. Every quarter our bilingual attorneys will publish a newsletter dealing with legal and commercial topics of interest to our Latino clients.

**SHEPPARD MULLIN**  
SHEPPARD MULLIN RICHTER & HAMPTON LLP

Summer 2005 Edition

# *enfoque* **Latino** NEWSLETTER

## In this Issue . . .

*Page 1* – Litigation: Use of Arbitration Clauses in International Contracts. *By Charles Donovan*

*Page 5* – Litigation: Mexican Government's Threat of a Trademark Infringement Suit Against U.S. Producer's Use of Name "Temequila." "Temequila" is owned by the Mexican government. *By Robert Beall and Norma Garcia Guillén*

*Page 6* – Immigration/Labor: "E" Visas – Allow Visits to U.S. to Oversee Trade or Investments. *By David Chidlaw and Lisa Hill*

*Page 8* – Real Estate: Hispanic Developers and Developments In Hispanic Housing Market. *By Jerry Gumpel and Rafael Muilenberg*

*Page 10* – Entertainment: Guadalajara Film Festival.  
*By Alexis Garcia*

*Page 11* – Guest Article: Mexico's Federal Civil Liability Law.  
*By Basham, Ringe y Correa – Mexico City*

## **Planning For Trouble – Arbitration and Forum-Selection Clauses In International Contracts**

By Charles Donovan

You've battened down all the "business points" in your international deal. You're down to that boilerplate section that contains a sub-paragraph called something like "Dispute Resolution." You're not expecting trouble, so what's the big deal? Wait. Your choice can

make the difference between money in your pocket and the frustration of having a just but uncollectible debt. Will it be arbitration or litigation?

### **Forum-Selection Clauses – Collecting the Judgment**

Consider litigation. U.S. courts will almost certainly enforce an agreement contracting parties have made to resolve disputes by litigation in a particular forum.<sup>1</sup> Just plug in the forum-selection clause and put the deal to bed, right? Not so fast. Compelling the other side to *litigate* in a place does not necessarily mean you can make them *pay* once the litigation is done.

The news for you could be good or bad. “What,” you say, “how can a judgment in my favor be bad news?” Hold your horses. Look first on the bright possibility. If your contractual counterpart (who has now become a judgment debtor) has assets in the United States, you can enforce your judgment with relative ease. What if the American property lies outside the U.S. jurisdiction you chose for litigation in your agreement? No problem. If

you’ve got a federal judgment, simply register it in the property’s location and execute.<sup>2</sup> Okay, but what if you’ve chosen to litigate in state court. Relax, you’re still in good shape. The “full faith and credit clause” of the United States Constitution<sup>3</sup> requires that states recognize each other’s judgments. Most states have taken that obligation a step further by enacting the Uniform Enforcement of Foreign Judgments Act.<sup>4</sup> The Act

uses the word “Foreign” in an old-fashioned sense to mean from a different U.S. state. The Act does not apply to judgments from other nations.<sup>5</sup> A judgment creditor sim-



ply files a judgment from a sister state with the clerk of court in which he seeks execution. “The act of filing the foreign judgment gives it the effect of being a judgment of the court in the state in which it is filed. The process of enforcement then goes forward as if the judgment is a domestic one.”<sup>6</sup>

What? You say your judgment debtor has no property in the United States and you’ll need to

---

<sup>1</sup> See, *The BREMEN v. Zapata Off-Shore Co.*, 407 U.S. 1, 1972 AMC 1407 (1972).

<sup>2</sup> 28 U.S.C. § 1963.

<sup>3</sup> “Full faith and credit shall be given in each state to the public acts, records, and judicial proceedings of every other state.” U.S. Const. Art. IV, § 1.

<sup>4</sup> 13 U.L.A. 261 (1986). California has not adopted the Uniform Act, but does have equivalent legislation.

<sup>5</sup> *Id.* § 1.

<sup>6</sup> Summary, Uniform Enforcement of Foreign Judgments Act, National Conference of Commissioners of Uniform State Laws. [http://www.nccusl.org/nccusl/uniformact\\_summaries/uniformacts-s-uefja.asp](http://www.nccusl.org/nccusl/uniformact_summaries/uniformacts-s-uefja.asp)



take your judgment abroad? Uh oh. Here comes the bad news. The United States has not ratified any international convention that requires international recognition of American civil judgments. You're now at the mercy of the fuzzy concept of "comity." The definition the U.S. Supreme Court adopted over a century ago still rings true:

"Comity," in the legal sense, is neither a matter of absolute obligation, on the one hand, nor of mere courtesy and good will, upon the other. But it is the recognition which one nation allows within its territory to the legislative, executive, or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens, or of other persons . . . under the protection of its laws.<sup>7</sup>

"International litigation is like three-dimensional chess in its complexity."<sup>8</sup> Let's imagine an easy-going American contractual partner. This accommodating Yank has cheerfully and selflessly ceded dispute resolution under her contract to

some court outside the U.S. Not long afterward, despite her good nature, the other side accuses her of a breach of the agreement. They file in the courts of the designated country. Alas, to her amazement, she comes up a loser. She phones her American lawyer, judgment in hand, sputtering. "How could this happen? This is a miscarriage of justice! They'll never collect a red cent from me. I'll fight this all the way to the U.S. Supreme Court."

Can her U.S. lawyer comfort her by promising refuge in the cozy confines of comity's "due regard" for the rights of U.S. citizens? Probably not. Why? Because most states – and virtually all "big" states – have adopted the Uniform Foreign Money-Judgments Recognition Act.<sup>9</sup> Even though this Act, has a name similar to the one relating to sister-state judgments, here the word "Foreign" means really "foreign," as in from another country. How easy does the Act make the job of enforcing international judgments in the U.S.? Remember how simply you could enforce a sister-

---

<sup>7</sup> *Hilton v. Guyot*, 159 U.S. 113, 163-64 (1895)

<sup>8</sup> Spencer W. Waller, *Under Siege: United States Judgments in Foreign Courts*, 28 Tex. Int'l L.J. 427, 428 (1993).

<sup>9</sup> 13 U.L.A. 149 (1986).

state judgment? Section 3 of this Act states, “[t]he foreign judgment is enforceable in the same manner as the judgment of a sister state which is entitled to full faith and credit.”<sup>10</sup> By contracting to litigate in a foreign land, she waived most of her defenses to enforcement. Sure, if she can show something like fraud or a real lack of due process, she can probably resist enforcement. Barring that, U.S. courts will probably honor the international judgment.

### **Arbitration – A Better Alternative?**

Wait. Maybe litigation wasn’t such a great idea after all. Consider arbitration. In *Vimar Seguros y Reaseguros, S. A. v. MIV SKY REEFER*, the Supreme Court said “foreign arbitration clauses are but a subset of foreign forum selection clauses in general....”<sup>11</sup> Don’t believe it.

For a claimant whose contract contains an arbitration clause, the world becomes a different place. The principal reason: the wildly popular Convention on the Recognition and Enforcement of Foreign Arbitral Awards,<sup>12</sup> generally known as the “New York Convention.” The Convention obligates contracting states to enforce international agreements to arbitrate<sup>13</sup> and, just as important, requires contracting states to

enforce arbitral awards without reexamining the underlying merits of the dispute.<sup>14</sup> Since the Convention’s promulgation in 1958, arbitration has become the preferred means of settling international business disputes.

The United States has taken its responsibilities under the Convention seriously. In addition to ratifying the treaty itself, Congress has enacted enabling legislation.<sup>15</sup> The American courts have embraced arbitration with enthusiasm.

Alright. So what does all this mean to you, chewing a pencil as you puzzle over that final section of your deal that seemed so simple a little while ago? Simple. When in doubt, go with the arbitration clause. You’ll have an easier time enforcing an eventual award most anywhere around the world.

For more information on arbitration and forum-selection clauses in international agreements, please contact Charles Donovan at 415.774.2994.



<sup>10</sup> Id. § 3.

<sup>11</sup> 515 U.S. 528, 534 (citations omitted), 1995 AMC 1817 (1995).

<sup>12</sup> [1970] 21 U. S. T. 2517, T. I. A. S. No. 6997

<sup>13</sup> Id. Art. II § 1.

<sup>14</sup> Id. Art. III.

<sup>15</sup> U.S.C., § 201 et seq.

## Uphill Battle For U.S. Producer of “Temequila” As Mexican Tequila Regulatory Council Threatens Litigation for Trademark Infringement

By Robert Beall and Norma Garcia Guillén

The Mexican Tequila Regulatory Council is seeking enforcement of the protections the Mexican government negotiated for its national spirit, Tequila, under the North American Free Trade Agreement (“NAFTA”) and international trademark laws. Specifically the Council seeks protection under the doctrine of “geographical indication” against the producer of “Temequila,” a blue agave spirit made in Temecula, California.

The dispute was triggered by J.B. Wagoner who began growing maguey in Temecula, California, and had plans to sell his tequila in April 2005, with the label “Temequila.” The Mexican Tequila Regulatory Council sent a cease and desist letter informing Wagoner that labeling his blue agave “Temequila” infringed on their registered trademark, “Tequila,” and violated the protections afforded to it under NAFTA. The Mexican Tequila Regulatory Council alleges “Temequila” is confusingly similar to “Tequila,” and likely to confuse consumers about the true origin of Tequila.

Despite this, Wagoner applied for the label “Temequila” with the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of Treasury. The Bureau rejected his application and Wagoner appealed. Nonetheless, Wagoner began



selling his blue agave in April 2005 as “J.B. Wagoner Ultra Premium 100% Blue Agave.” Wagoner intends to sell his blue agave with the label “Temecula” should his appeal be denied.

### Is “Tequila” Protected?

The Mexican government trademarked the name “Tequila” based on its geographical origin: the city of Tequila in the state of Jalisco. The Council likens the “Tequila” trademark to France’s trademark on “Champagne.” United States trademark laws do not, however, protect trademarks for wine or spirits based on geographical indication unless the names “are not names for distinctive types of distilled spirits, and that have not become generic.” 27 C.F.R. § 5.22(k)(3). For instance, Cognac is not deemed generic, and therefore, is afforded protection in the United States – but Champagne is not.

The Mexican government, however, carved out protections for Tequila under NAFTA. The United States also sought protection for its Tennessee Whisky and Canada for its Canadian Whiskey. While not reported, the Alcohol and Tobacco Tax and Trade Bureau likely rejected Wagoner’s “Temequila” label because of its potential conflict with international trademark laws and NAFTA.

If wine or spirits producers intend to “borrow” geographically indicated names, the producer should be prepared for potential litigation. Most foreign countries have fought aggressively to protect their trademarks on items such as Cognac,

Brandy de Jerez, Irish Whiskey, Scotch Whiskey, Champagne and now Tequila.

For more information please contact Robert Beall at 714.424.2844 and Norma Garcia Guillén at 714.242.2895

## “E” Visas Offer New Immigration Options For Latin American Businesses

By David Chidlaw and Lisa Hill

Treaties between the United States and Mexico, Argentina, Chile, Colombia, Costa Rica, Honduras, and other Latin American countries make citizens of those countries eligible to come to the United States to conduct trade or to manage investments. “Treaty Trader” (E-1) or “Treaty Investor” (E-2) visas are available to business owners, managers, employees and their spouses and families who wish to visit the United States to oversee trade or investment that represents a major investment in the United States. E visas are generally issued for a period of two years, but unlike other types of visas, there is no limit on the number of extensions that can be granted and E-1/E-2 visas are not subject to prevailing wage limits or an annual cap on the number of visas issued. Further, unlike other visas, spouses of E visa holders can engage in employment in the United States (with employment authorization from INS).

E-1 “Treaty Trader” visas allow company owners or employees in a managerial or executive capacity or with “essential skills” to come to the United States

to conduct “substantial trade” between the United States office and the country of majority ownership of the company. The company involved must be at least 50% owned by nationals of the foreign state and more than 50% of the trade of the U.S. office must be with the treaty country. “Substantial trade” is not strictly defined in the law, but US CIS will consider the volume of trade, the number of transactions, and the continued course of trade. A small dollar value may represent “substantial trade” if the volume of trade and number of transactions with the United States are high, and the trade is ongoing. However, a large dollar value of trade may be considered “substantial” even if these other requirements are not met.

E-2 “Treaty Investor” visas permit company owners or employees in managerial or executive capacity or with “essential skills” to come to the United States to oversee substantial investment in the United States. Like E-1 visa holders, treaty investors must be citizens of a treaty country and



own or be employed by a business that is at least 50% owned by nationals of the treaty state. Investments must be active (including an irrevocable commitment of funds), "substantial" (taking into account only those transactions in which the investor's own resources are at risk), and must create jobs in the United States (the investment must do more than simply support the investor and his or her family).<sup>1</sup>

As with E-1 trade, "substantial" investment is not strictly defined. A multi-million dollar investment by a large foreign corporation may be substantial regardless of whether it represents a large portion of the value of the business or the cost to start a new business. For smaller investments, consular officers may use the following benchmarks to determine whether investments are "substantial."<sup>2</sup>

"Treaty-Trader" and "Treaty-Investor" visas do not confer permanent residency or lead to citizenship, but they may provide an ideal vehicle for the owner or employee of a business to enter and remain in the United States for an extended (even indefinite) period of time. These visas are complex, but provide substantial benefits not otherwise available to U.S. visitors. For more information, please contact David Chidlaw at 619.338.6614 or Lisa Hill at 619.338.6647.



VALUE OF BUSINESS OR COST TO START NEW BUSINESS	PERCENTAGE OF INVESTMENT REQUIRED TO BE "SUBSTANTIAL"
< \$500,000	75%
\$500,000 - \$3,000,000	50%
> \$3,000,000	30%

---

<sup>1</sup> 8 U.S.C. § 1101(a)(15)(E).

<sup>2</sup> Id.

## Hispanic Developers Find Opportunities To Serve Hispanic Housing Market

By Jerry Gumpel and Rafael Muilenberg

Sheppard Mullin attorneys are representing several key Hispanic developers who are at the forefront of a new trend in housing development – the construction of low-cost housing units for first-time Hispanic homebuyers. The developers appear to have tapped a market niche that shows great promise, though it remains under the radar screen of many of the larger U.S. developers. Given the demographic factors of rapidly increasing Hispanic populations and rising incomes in this market, the area promises substantial future growth.

The development of new Hispanic housing in California has largely taken two forms – infill development in Hispanic neighborhoods within large urban areas, and suburban developments in more rural areas with large populations of agricultural or service workers. Paragon Management Company, a San Diego real estate firm founded by a family of prominent Mexican developers and builders, has invested in and developed both types of Hispanic housing projects, including condominium developments in certain neighborhoods of Los Angeles and single-family residences in the Coachella Valley and in the Central Valley north of Bakersfield. The common characteristics of all of these projects is that they tend to be less expensive than comparable developments elsewhere (made

possible by the lower value of raw land in these areas), and are marketed specifically to first-time Hispanic homebuyers. According to Ricardo Jinich of Paragon, Hispanic home developers enjoy several significant advantages in pursuing these opportunities. For one thing, City officials and other local decision makers in Hispanic areas may look favorably on projects focused on the needs of their constituents that are undertaken by developers who speak their language and understand their culture.

In addition, Hispanic developers may often have a particularly good sense of Hispanic buyers' needs and preferences in terms of housing types, appropriate forms of marketing and financing of a new home. For example, the ability to work with local Hispanic community groups such as churches, and the developer's involvement with and support for such groups, is often crucial to getting the word out to appropriate clients in a favorable manner. The design of floor plans and other improvements also needs to be flexible to these buyers' needs, particularly if more than one family will be occupying the new unit.



## Sheppard Mullin Client La Curacao Announces Equity Investment by Citigroup Venture Capital International

Financing for Hispanic housing can present some additional challenges, especially when the income sources may be spread among several people who may or may not all be legal U.S. residents. Sheppard Mullin attorneys are actively representing lenders who are promoting new lending models tailored to the financial circumstances of recent Hispanic immigrants, many of whom may have little or no credit history, and these lenders can assist developers with appropriate mortgage products and financing strategies.

We believe that the combination of housing development and mortgage services focused on the Hispanic market will open up vast growth opportunities.

For more information on Hispanic housing, development strategies and mortgages, please contact Jerry Gumpel at 858.720.8965, Rafael Muilenburg at 858.720.8908 or David Sands at 213.617.5536. For more information on Paragon Management Company, please visit their website at <http://www.paragoncompany.com>.

La Curacao, one of the largest companies serving the U.S. Hispanic market, recently announced that an entity controlled by Citigroup Venture Capital International purchased a minority stake in the Company. La Curacao, based in Los Angeles, operates large format department stores. Sheppard Mullin attorneys represented La Curacao in the transaction which will allow the company to accelerate its growth in terms of both new locations and new services geared towards its customer base.

### About Sheppard, Mullin, Richter & Hampton LLP

Sheppard, Mullin, Richter & Hampton LLP is a full service AmLaw 100 firm with more than 440 attorneys in nine offices located throughout California and in New York and Washington, D.C. The firm's California offices are located in Los Angeles, Century City, San Francisco, Orange County, Del Mar Heights, San Diego, and Santa Barbara. Sheppard Mullin provides legal expertise and counsel to U.S. and international clients in a wide range of practice areas, including Antitrust; Corporate and Securities; Entertainment and Media; Finance and Bankruptcy; Government Contracts; Intellectual Property; Labor and Employment; Litigation; Real Estate/Land Use; and Tax, Employee Benefits, Trusts and Estate Planning. The firm was founded in 1927.

## The View from Guadalajara

By Alexis Garcia

This year for the first time, and as part of the entertainment department's ongoing effort to expand its role in the international arena, Sheppard, Mullin, Richter & Hampton was represented at the Guadalajara Film Festival in March. On the heels of a year in which only thirty-six films were produced in Mexico, with only half of those obtaining theatrical distribution in the region, and despite a film market at the festival in which there were no confirmed deals struck, there was optimism galore at the 20<sup>th</sup> edition of the festival.

Several new players and partnerships emerged at and in the wake of the festival, hoping to inject new life into the Mexican film industry. Some are new companies headed by familiar faces. Decine, a new indie distributor on the scene looking to partner up on local co-productions in the \$1 million range, hopes to shake things up by structuring novel deals – producers defer salaries until distribution of a picture, and Decine would only charge an operational fee rather than a distribution fee.

Others are part of an effort by the U.S. studios to make an impact in the region. As reported by *Variety*, Paramount Home Entertainment Mexico is now looking for co-productions instead of just acquisitions. Indie distributor Gussi Films has also started a production arm and has a project in the

works. And as announced at the festival, Disney's Latino label Miravista and Warner Bros. Pictures Mexico have thrown their hats into the Mexican production ring. With Buena Vista Columbia TriStar Films already on the scene for a couple years, most of the U.S. studios now have production arms in Mexico targeting local talent and product.

In the meantime, U.S. based production companies with Mexican connections, such as Emilio Diez Barroso's Nala Films are promoting and facilitating the expansion of English language productions in the region. Nala's relationships with government authorities, local private equity and subsidies and film funds run by Incine bring added value to the table.

With the increased options for studio and indie production and distribution financing, pictures in the Mexican film business should have a better chance of getting made and distributed than in recent years. Factor in efforts by companies like Nala, and the climate appears ripe for co-production opportunities between U.S. and Mexican producers and distributors. With the combined forces of the entertainment department and the Hispanic/Latino Business Group, Sheppard Mullin remains at the forefront and will continue



to track developments in the industry in Mexico and the rest of the Latin America.

For more information about Sheppard Mullin's contacts/involvements in the Mexican film

## Mexico's New Federal Civil Liability Law

By Basham, Ringe y Correa Law Firm - Mexico City

Mexico's Federal Civil Liability Law became effective on January 1, 2005. The law recognizes the right to claim indemnification by those suffering loss or damage as a consequence of improper actions of the executive, legislative, and judicial branches of the federal government and its agencies. The law defines improper action as activity that does not have a legal or judicial justification or basis, and which causes damage to an individual or company. Acts of God or force majeure are excluded as are unforeseen or inevitable loss or damage. The limitation period is one year from the date of the damage caused or the date when the action objected to stopped, or two years, in the case of physical or psychological injury.

To be recoverable, the loss or damage must be real, capable of being reduced to an amount of money, directly suffered by one or more people, and not borne by the population at large. The amount of the indemnity is calculated in accordance with the guidelines established in the federal Expropriation Law, the Federal Tax Code, the National Properties Law, the Federal Labor Law and any other applicable law. It should be borne in mind that in Mexico, indirect,

industry and expertise with co-productions, please contact Alexis Garcia at 310.228.3736 or Lou Meisinger at 310.228.3716.



consequential, or punitive damages may not be recovered but rather only those damages which are the immediate and direct result of the offending conduct.

The Tax and Administrative Justice Court, a federal administrative tribunal, has jurisdiction to hear claims made under this Law. The lawyers at the civil area would be pleased to answer any question you might have.

**Basham, Ringe y Correa:**

**MÉXICO, D.F.**

Paseo de los Tamarindos No. 400-A, 9° piso  
Bosques de las Lomas, 05120 México, D.F., México  
Tel. (52 55) 5261-0400

**MONTERREY, N.L.**

Batallón de San Patricio No. 109, 16° piso  
Valle Oriente  
66269 San Pedro Garza Garcia, N.L., México  
Tel. (52 81) 8299-2100

**QUERÉTARO, QRO.**

Privada de los Industriales No. 110-504  
Industrial Benito Juárez, Zona Jurica  
76100 Santiago de Querétaro, Qro., México  
Tel. (52 442) 199-0500 - 04

## Sheppard Mullin Welcomes Three Attorneys to its Hispanic/Latino Team



**Juan Trujillo** has joined Sheppard Mullin's New York office as a partner in the Finance & Bankruptcy practice group. He

specializes in international transactions, corporate transactions and foreign investment.

Trujillo brings project, structured, cross-border and general finance experience. He has been involved in power and infrastructure projects, representing clients throughout Latin America, with a focus on Mexico, Brazil and Argentina. Trujillo has represented clients from the water, power generation, gas transportation and airport industries before commercial lenders, multi-lateral agencies and multiple governmental agencies. His corporate practice focuses on M&A transactions and joint ventures throughout Latin America and the U.S.

Trujillo received his law degree from Instituto Tecnológico y de Estudios Superiores de Monterrey (Monterrey, Mexico) in 1993 where he was ranked first in his class. In 1994, Trujillo received the "Mexico's Top Students" award from the President of Mexico. He received his LL.M. degree in International Trade Law from the University of Arizona.

phone 212.332.3800

[jtrujillo@sheppardmullin.com](mailto:jtrujillo@sheppardmullin.com)



**Rebeca Pérez-Serrano**, a native of Guadalajara, Jalisco, is a business attorney licensed to practice law throughout México and

California. Pérez-Serrano's 10+ years of professional experience on both sides of the border include the representation of both domestic and foreign clients (public, private companies and investors) in business transactions in México and in the United States, ranging from corporate formation, structuring joint ventures, equity and debt financing (secured and unsecured), manufacturing, real estate purchase and sales, to mergers and acquisitions. Pérez-Serrano has particularly expertise in handling mergers & acquisitions in the diversified media industry (radio, television, billboards, newspapers and magazines), the hospitality and telecommunications industries.

Pérez-Serrano received her J.D. from the University of Guadalajara in 1993, graduating in the top 5% of her class. She received her LL.M. degree in International Trade Law from the University of Arizona. Pérez-Serrano also serves as legal counsel to the San Diego County Hispanic Chamber of Commerce since year 2000. Pérez-Serrano is located at the Del Mar Heights, California office.

phone 858.720.8930

[rperez-serrano@sheppardmullin.com](mailto:rperez-serrano@sheppardmullin.com)



**Mindy Piatoff** joined Sheppard Mullin's Washington, D.C. office as part of the Tax practice group. Piatoff has a broad tax

background with a specialization in international. Most recently she worked at the Internal Revenue Service as Branch Chief and Acting Director of the Advance Pricing Agreement Program.

The APA Program is a voluntary program available to taxpayers as a form of Alternative Dispute Resolution. It enables multinational corporations to enter into prospective agreements with the IRS to confirm that its cross border transactions are at arm's length.

Piatoff is an attorney and CPA. She is admitted to the bar in Washington, D.C. and Connecticut, as well as the Tax Court. She received her law degree from the University of Connecticut School of Law in 1991, a MS in Taxation from the University of Hartford and a BS in Accounting from New York University.

phone 202.772.5339

[mpiatoff@sheppardmullin.com](mailto:mpiatoff@sheppardmullin.com)