

GLOBAL MARKETPLACE: EYE ON CHINA ROUNDTABLE SERIES

Global Marketplace: Eye on China Roundtable Series

Effective Strategies for Licensing Technology in China

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Licensing Technology in China

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Welcome 欢迎

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Panelists

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- **Matthew B. Lowrie (Moderator)**
 - Partner, Foley & Lardner LLP, Boston
- **Xueqing Linda Ji**
 - Senior Counsel, Foley & Lardner LLP, Boston
- **Wen (Jo) Xu**
 - Associate, Foley & Lardner LLP, Shanghai
- **Travis Wilson**
 - IP Counsel, Morningside Technology Advisory

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Overview

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Opportunity:

My company has advanced technology for use in new construction to make buildings “greener” and/or in pollution control, and I understand that saving energy and reducing pollution are among the top priorities on China’s agenda. We would like to commercialize our technology in China and believe this is a very lucrative opportunity if approached correctly.

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Overview

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- Structuring Considerations
- Identify Reliable Partners and Understand Each Other’s Expectations
- Protect IP During and After Contractual Duration
- Enforcement
- Recent Legal Developments and Impact

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Structuring Considerations

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Challenge No. 1:

What options do I have? Do I need a partner in China?
How do I identify a reliable partner? What are Chinese companies looking for?

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Structuring Considerations

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What do I care about?

- Up front capital investment
- Ability to access revenues in a tax-efficient and timely way
- Control over and protection of my intellectual property
- Risk mitigation

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Structuring Considerations

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Options:

- Stand-Alone Licensing Arrangement
- Joint Venture (“JV”)
 - Contribute intellectual property to JV in exchange for ownership
 - License intellectual property to JV for royalty payment
- 100% Owned Subsidiary
 - So-called Wholly Foreign-Owned Enterprise (“WFOE”)

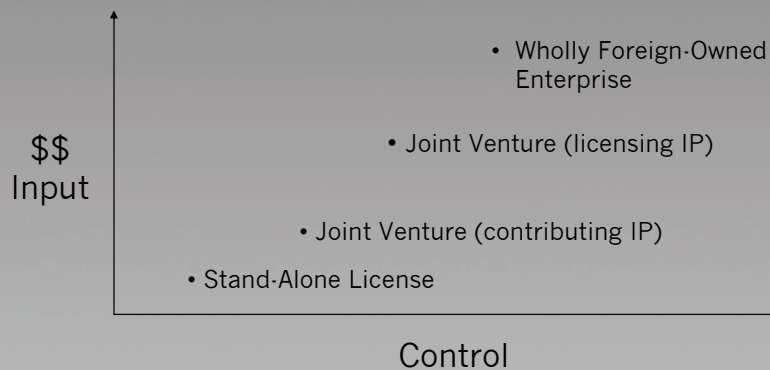
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Structuring Considerations

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Cost Benefit Analysis



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Structuring Considerations

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- Regulatory Requirement
 - Technologies are classified
 - Import and export restrictions

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How to Choose a Reliable Party

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- How to identify a reliable Chinese party
 - Business consulting firms
 - Local connections/insiders
 - On-site due diligence is necessary
 - Face to face meetings
 - Governmental support

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How to Choose a Reliable Party

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■ How a Chinese entity finds a US partner

- Professional agents
- Friends
- Industrial associations
- Government officials
- Seminars, roundtables
- Emails, cold calls, visits

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How to Choose a Reliable Party

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■ What does a Chinese company look for in a US partner?

- Strategic partnership/win-win relationship
- Advanced technology & competitive edge
- Overseas market & global growth potential
- State-owned enterprises' (SOE) various needs
- Cooperation & respect

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Protection of IP

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Challenge No. 2:

I have identified my partner and decided to go with a stand-alone licensing arrangement for now. How can I effectively protect my technology and related IP during and after the relationship?

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What to Prepare – Register or Not?

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- Register in China before licensing
 - Trademark registration
 - Patent filing
 - New Patent Law of China
 - Strict “absolute novelty” standard
 - New patent infringement judicial interpretation
- Protection of trade secrets

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What to Prepare - Documentation

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- Cooperation memorandum of understanding
- Non-disclosure agreement
- Due diligence report
- Confidentiality agreement
- Employment agreement
- Licensing agreement

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What to Prepare – Documentation

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- Negotiated Points
 - Licensing fee
 - Ownership of improvements
 - Exclusive or non-exclusive; sublicense
 - Territory
 - Non-disclosure
 - Non-competition
 - Term; termination
 - Indemnities; liabilities
 - Dispute resolution
 - Governing law
 - Governing language: Chinese or English?

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Protection – Beyond Documentation

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- Other considerations
 - Payment collection
 - Remuneration laws
 - Practical safeguards
 - On-going monitoring
 - Reporting of third-party infringement

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Enforcement

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Challenge No. 3:

I found out that my partner is leaking my intellectual property to third parties, or the licensee is continuing to use my license after the termination/expiration of the licensing agreement. What should I do?

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Enforcement

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- How to control the confidential information from being leaked to a third party?
 - Contractual protection
 - Physical protection
 - e.g., safeguarded, locked data room;
 - separate processing facilities
 - Special procedure and training

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Enforcement

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- Strategies for stopping infringement after the licensing agreement terminates or expires
 - Bring the issue on the table quickly
 - Negotiation before lawsuit
 - Creative settlement
 - Long cooperation relationship

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Enforcement

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- Current landscape of enforcement
 - Is injunctive relief available in China?
 - Measures taken before litigation
 - Recent cases in China
 - Foreign companies won claims against Chinese companies
 - Foreign companies were sued for infringement (e.g., Chint v. Schneider; Hua Li v. Samsung)

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New Developments

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- Newly Enacted Laws and Impact
 - Anti-Monopoly Law
 - Effective as of August 2008
 - Implication of Article 55
 - New Patent Law
 - Strategies before and after October 1, 2009 (effective date)
 - Inventor compensation
 - Compulsory licensing
 - New registration/recordation requirements (enacted February 1, 2009)
 - Transfer pricing issues

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Points to Remember

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- Different Business and Legal Approaches
- Changing Legal Landscape
- Effective Protection Possible
- Careful Due Diligence and Vigilant Monitoring
- Prepare to Enforce and Do Take Actions

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Questions and Answers

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