

The risks of trust and the limitations of Protection

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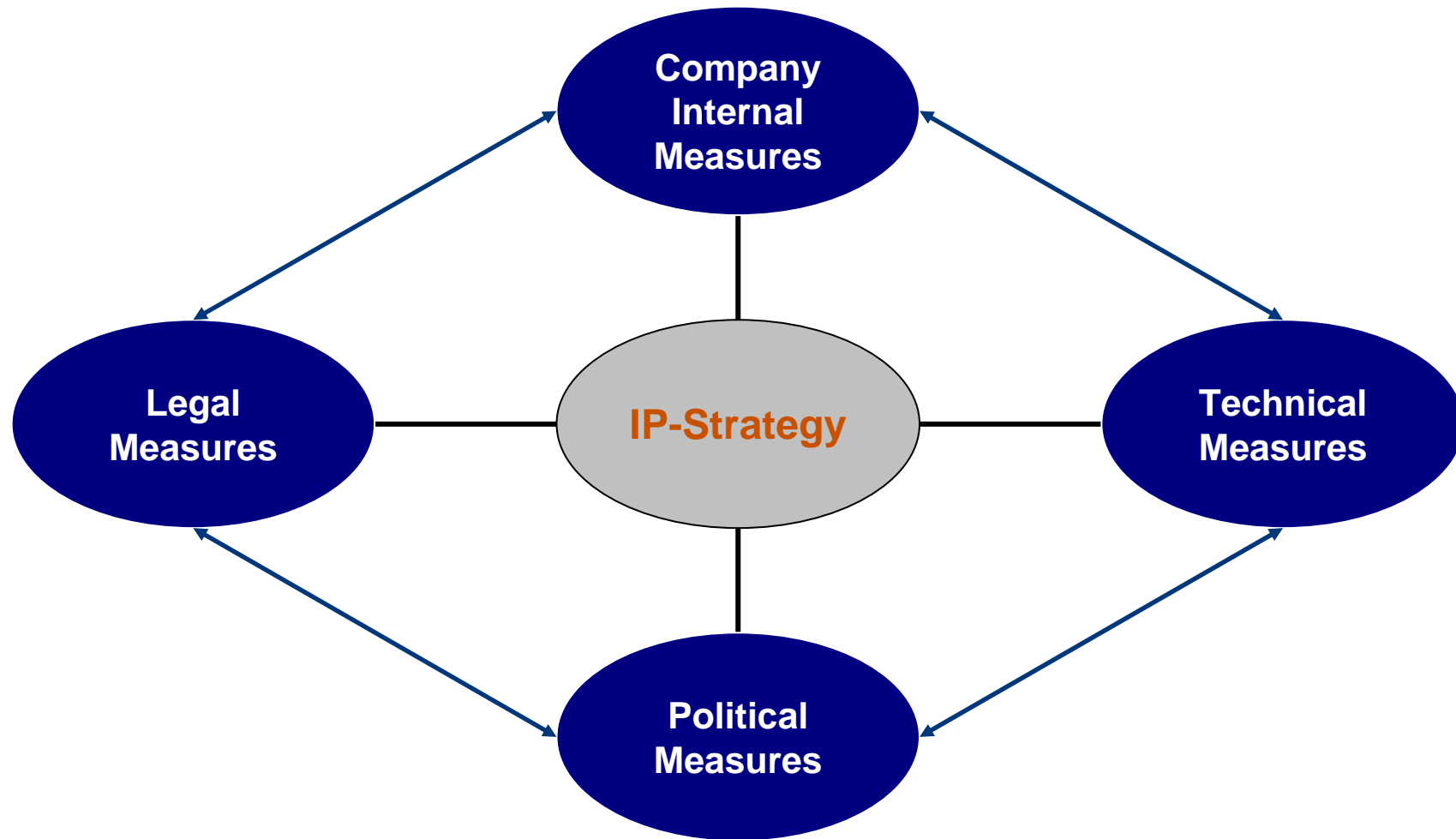
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Case Study: BMC (as published by FT.com on 28 July 2009)

- BMC China: Wholly owned subsidiary / local management
- hugely successful advertisement business
- sudden downturn in business (post-Olympic let-down?)
- local management set-up shadow company, clients and profits moved to shadow company; expenses (travelling, employees working for shadow company etc. paid by BMC China)
- Quote from the (former) CEO: “My management philosophy was one of mutual trust and harmony [...]. I realise now that the key to everything in China is not harmony but control.”

IP Strategy



Legal Measures – Overview

- **Registration of IP rights**
Including trademarks, patents, utility models, designs, copyrights, software, domain names, internet keywords, etc.
Problem: What to do against Shadow Companies?
- **Contract Management**
Joint Venture Agreements; Employment Agreements; Licensing Agreements with Manufacturers, Distributors, Subsidiaries etc.; Confidentiality Agreements
- **Enforcement of IP Rights**
Administrative proceedings, civil proceedings and criminal proceeding

What IP Rights should be registered?

IP Right	Yes	No	Maybe?
Copyrights			✓
Software			✓
Trademarks	✓		
Know-How		✓	
Inventions / Technical Ideas or Solutions			✓
Designs	✓		
Domain Names and Keywords	✓		

Merits of Trademark Registration

Trademark Protection

- Exclusive rights to use and exploit trademark for the applied goods or services (Different: Well-known Marks)
- Protection against the registration by third parties of identical or similar marks for identical or similar goods and services
- Provides legal basis for enforcement action against infringers
- Consider international registration proceedings

Dangers of Non-Registration

- Third party / infringer registers trademark in own name
- No basis for enforcement action unless well-known trademark

Registered Patents vs. Unregistered Technological Know How

Problem: Registration of a Patent requires the publication of the invention

- A patent registration in itself will not deter infringers, one still has to enforce the patent rights
- Infringers may be able to copy a product only because the patent registration publishes the invention
- If copy by way of “reverse engineering“ possible → consider patent registration
- If know how need to be published for other reasons (certifications, tenders) → consider patent registration
- Always consider whether keeping know how confidential would provide better protection than registration of the same as a patent.

Contract Management

- Joint Venture Agreements
- Employment Agreements
- Licensing Agreements with Manufacturers, Distributors, Subsidiaries etc.
- Confidentiality Agreements
- etc.

Technology Transfer Contract – Categories

- Categories of imported / exported technologies
 - free
(all goods that are not restricted or prohibited)
 - restricted
(e.g. raw materials from plastic, polyester sections, etc.)
 - prohibited
(e.g. arms, explosives of all kinds, lethal poison, etc.)

- Verify with the “Technology Prohibited and Restricted from Export Catalogue” and the “Technology Prohibited and Restricted from Import Catalogue”

- Whether technology is free, restricted or prohibited should be verified in advance on a case-to-case basis

Technology Transfer Contract – Drafting Considerations

- Content: In general licensing of all unregistered IP possible
- Give your licensing agreement a proper name (patent vs. technology)
- Type of license
 - Exclusive license (only licensee)
 - Sole license (licensor and licensee)
 - Non-Exclusive license
- Geographical extent of license
- Royalties
- Warranties
- Laws and Regulations, including obligations for registrations and approvals (see categories)

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Thank You for Your Attention

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