The Oregon Experience – Technology Licensing and Deals

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The Oregon Experience – IP Transactions With China

- Issues Generally Representative of Most Deals
- Presumption of US party as the licensor, though that’s changing
- Understand the Motivations Underlying Transactions
  - Chinese Motivations
    - Continuing Interest in Technology Acquisition
    - Capital Flight from China
      - Concern for Tightening of Controls on Capital Transfers
    - High Net Worth Individuals and Companies
  - US Motivations
    - Business expansion
    - Offensive Licensing
    - Defensive Licensing
    - Revenue Stream
    - Brand Recognition
Technology Transfer – Licensing Into China (An Aviation Story)

- Expansion of China’s General Aviation sector
- China’s military controls 70% of airspace
- Civil Aviation Administration of China
- 11 cities have 1000meter ceiling for GA

- Chinese Acquisition of Aviation Technology
  - Partner Due Diligence
    - Focus on a Party’s Core Interests, not Marketing
      - Historic business operations
    - Consider if contact breach is likely
  - U.S. party – Just compensation or collaboration
  - CH party – Just acquisition or collaboration
Technology Transfer – Licensing Into China

- Determining the technology fulcrum point
  - Scope of the License and when is the secret sauce disclosed
  - Do the parties need each other?
- Scope of work, scope of services
- Payment Terms
  - Payment schedule has to be front loaded if the licensor’s goal is mostly compensation
- Market Share
  - A different strategy and commitment
- Training services as leverage
- Non-compete clause
- Dispute Resolution clause
Technology Transfer – Chinese Investment
(An Environmental Story)

- Partner Due Diligence
  - Each party’s core interest
  - Core historic business operations
- Technology Transfer Fulcrum Point
  - Scope of the License
- Do the parties need each other?
- Payment Terms
- Employee Transition Agreements
- Payment Terms
  - Compensation based on performance
- Training as Leverage
- Partnership versus Stock Corporation
- Dispute Resolution as a last resort
US Export Controls Compliance – the ZTE Case
(Summarized from article by Matthew Bell, Legal Counsel and Chief Export Compliance Officer)

• Not Just An Afterthought
• Not Just for Military Technologies
• US-Origin products includes US regulatory compliance

• March 7, 2017 – ZTE Telecommunications Pleads guilty to evading US export sanctions against Iran
• US$661 million penalty to BIS
• US$430.4 million to DOJ for criminal fines and forfeiture
• US$100 million to OFAC

• 7 years of compliance monitoring
• 6 years of audits
• Denial of export privileges (7 yr. suspended)
• All senior management resigned, incl CEO and GC (in China)
• New commitment to actual compliance with US laws, globally
We believe a great Global Trade lawyer is a creative thinker who sees the complexities of international business with both a local and global perspective. That’s our approach. It’s how we help clients overcome the challenges of doing business here and abroad, so they can focus on the future.

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