



Angell Xi

IP Challenges and Proposed Solutions
for Foreign Companies Distributing in China

Dr. Björn Etgen

Distribution and Dispute Resolution in China

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Challenges in China: IP & Dispute Resolution

IP Challenges – Cases

Typical cases:

- the “Victoria's Secret” cases

VICTORIA'S SECRET

- the “FREESTYLE” case



- the “Societe Civile de Chateau Lafite Rothschild” case



- the “STARBUCKS” case



IP Challenges – Challenges

Typical challenges:

- Counterfeiting & IP infringement (Trademark, Copyright, Patent)
- Trade secret
- Unfair competition
- Breach of contract
- Government action/enforcement
- Crisis: consumer complaint, media crisis...
- Other challenges and risks...

Dispute Resolution Challenges - Cases

Typical cases:

- “Siemens” and “Ningbo Xinhui” cases
- “North Face” case
- “High-Tech Ltd.” at HKIAC case
- “ECOM USA” case

Dispute Resolution - Challenges

Typical challenges:

- Breach of contract
 - Substandard products
 - Violation of exclusivity
 - Violation of licensing terms
- Unclear, vague or invalid arbitration clauses
- Procedures in front of Chinese courts



Proposed Solutions: for IP Challenges & Dispute Resolution Challenges

Managing IP Challenges – Risk Management

Key to risk management:

Preparing: structuring IP as business strategy

Protecting:

- documenting with legal documents
- completing all necessary procedures
- monitoring execution/operation
- aligning with various stakeholders

Reacting:

- Firmly reacting to infringement and/or contract breach
- Effectively resolving existing issues and reinforcing protection

Revolving: IP risk management is a revolving process

Managing Dispute Resolution Challenges

Preparing: Developing dispute resolution strategy

Protecting:

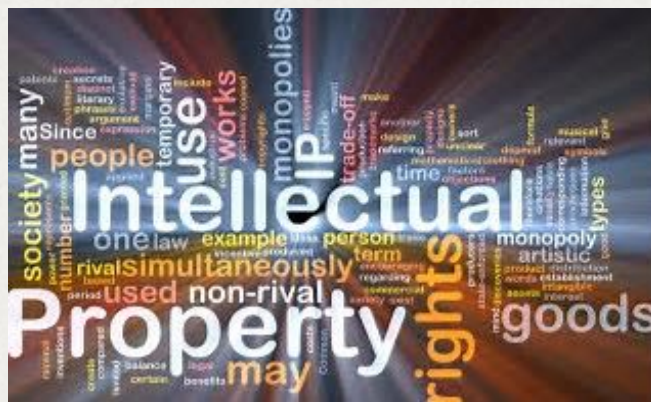
- drafting and negotiating legal documents
- monitoring execution of contracts
- monitoring to legal developments
- negotiating dispute resolution clause valid under PRC laws

Reacting:

- Firmly reacting to contract breach
- Reacting to legal developments
- Early anticipation of dispute resolution obstacles

IP Risk Management – Preparing

Structuring IP as business strategy





IP Risk Management – Protecting

- I. Documenting**
- II. Procedures**
- III. Monitoring**
- IV. Aligning**



IP Risk Management – Protecting

I. Documenting – some sample language:

- **Ownership:** The ownership of all intellectual and industrial property rights, including without limitation, patents, trade mark, copyright, trade secrets ... (the “IP Rights”), shall at all times, and in any event, remain the sole and exclusive property of Company ABC ... and the Distributor shall in no event whatsoever gain any rights in such IP Rights.
- **Compliance:** The Distributor commits it will fully comply with all rules and regulations requested by Company ABC in respect of the use of Company ABC’s IP Rights.
- **Notice:** The Distributor shall promptly investigate and notify Company ABC, in case of (i) any infringement to any of Company ABC’s IR Rights...; (ii) any actual or suspected infringement, in which case Company ABC shall have the right (but not an obligation) to take any action...
- **Support:** The Distributor shall actively and pro-actively support and cooperate with Company ABC to fight against any infringement to Company ABC’s IP Rights.
- **Post-Termination Obligation:** Upon termination or expiration of the Distribution Agreement, the IP Rights authorization granted by Company ABC to the Distributor shall immediately expire... The Distributor shall shortly cease and refrain from any use of such IP Rights.

Dispute Resolution Management – Protecting

I. Documenting

- Sample language for Distribution Agreement/Dealer Agreement
- Negotiations guidelines for negotiation team

II. Procedures

- Clear, transparent and documented procedures including involvement of PRC counsel

IP Risk Management/Dispute Resolution – Reacting

I. Options to react to IP challenges/contract disputes

II. Efficient way to react to infringement cases

III. Efficient way to react to contract breach

- Interim Measures in arbitration cases/court cases
- Enforcement of judgements/arbitration awards

IV. Effectively resolve the existing issues

V. Reinforce protection and improve



IP Risk Management – Revolving

The Long March The Red Army is not afraid of hardship on the march, the long march. Ten thousand waters and a thousand mountains are nothing. The Five Sierras meander like small waves, the summits of Wumeng pour on the plain like balls of clay. Cliffs under clouds are warm and washed below by the River Gold Sand. Iron chains are cold, reaching over the Tatu River. The far snows of Minshan only make us happy and when the army pushes through, we all laugh.
October 1935

Mao Zedong

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Some facts and figures about enforcement of arbitration awards in China

It is still widely believed that arbitration awards in China are often not enforced.

However, empirical investigations over a **period of 20 years (1994 to 2015)** of decisions by the Chinese courts regarding the enforcement of foreign arbitration awards in China prove that the enforcement rate **is just under 70%** of the requested enforcement.

It is also remarkable that, particularly in the **years 2011 to 2015**, the enforcement rate was even at **86.4%**. The figures vary from region to region, with the figures in **Tier 1 cities such as Beijing, Shanghai and Canton being around 76%**, while in **Tier 3 cities** the figures are only **around 61%**.

The main reasons for the refusal of enforcement were **(1) invalid arbitration agreements (2) no formation of the arbitration or implementation of the arbitration procedures in accordance with the agreement of the parties or the applicable law at the seat of the arbitration (3) no effective notification to the losing party.**



Angell Xi

Founder & Practitioner

*“Corporate Legal & Compliance Solutions”
“Arts & Culture Law Total Solutions”*

Business Partner

DeHeng Law Offices (Shanghai)

M: +86 139 1845 6946

E: angellxi@dehenglaw.com

F: +86 21 6089 7590

Ms. Angell Xi leads the General Corporate & Compliance law practice in DeHeng Law Offices (Shanghai), in addition to Intellectual Property Rights (including Luxury & Fashion, Arts, and Sports fields) in which she has rich experience and strong expertise.

Ms. Xi has spent 20 years in legal profession, with a solid combination of private practicing (8 years) and in-house experience (12 years) including as General Counsel for GE Intelligent Platforms and Ashland Inc. in Asia Pacific, Senior Group Counsel for Kering Asia Pacific and Counsel for Michelin China. Ms. Xi is also strong in business acumen and solid in leadership and business management.

Ms. Xi's practice focus on Cross-border Mergers & Acquisitions, Intellectual Property Rights, Arts Law, Sports Law and Dispute Resolutions.

Clients Ms. Xi has been serving include Fortune 500 enterprises, SOEs, SMEs, entrepreneurs, NGOs, Pro Bono institutions, start-ups and individuals. Industries involved are including but not limited to retail, wholesale & distribution, fashion and luxury brands, food & beverage, automobile & parts, pharmaceutical & healthcare, education & training, arts & culture, sports & entertainment, finance & investment, manufacturing and research & development.

In retail, wholesale & distribution field, Ms. Xi offers insightful services tailored for her clients. With a strong team support, Ms. Xi has been deeply involved in supporting clients in strategic structuring, business operation, channel management, projects, IPR, dispute resolutions and the other fields.

Ms. Xi's professional activities and honor include:

- Visiting Scholar for “EU-China Legal & Judicial Co-Operation Programme” (Year 2002)
- Officer for IBA Art, Cultural Institution and Heritage Law Committee
- Member for IBA Committee of Individual Tax & Private Client
- Postgraduate Tutor for KoGuan Law School, Shanghai Jiaotong University and Wuhan University
- Chairwoman for Shanghai In-House Counsel Forum (till 2015, pro bono duty)
- Frequent speaker for legal and compliance seminars, summits and conferences

Contact

Dr. Björn Etgen
Senior China Counsel

Graf von Westphalen
Rechtsanwälte Steuerberater
Partnerschaft mbB
Poststraße 9 – Alte Post
20354 Hamburg

b.etgen@gvw.com

T +49 40 35922- 253

F +49 40 35922- 291

M +49 151 5982 5076





Questions?