

Hale and Dorr LLP

PLI: Structuring, Negotiating & Implementing Strategic
Alliances

International Issues

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Why Have an International Partner

- > All the reasons to have a domestic partner PLUS:
- > Access to local markets (contacts, channels, governmental preferences/requirements)
- > Local expertise (language, infrastructure, regulatory, culture)
- > Government incentives (tax, treaty)
- > Access to local R&D (national laboratories & universities)



Selected International Issues

- > Data Privacy / Protection
- > Governmental regulation
- > Antitrust / Competition
- > Intellectual Property
- > Employment
- > Taxation
- > Currency, Payment and Accounting
- > Governance
- > Termination
- > Dispute Resolution
- > Culture



Data Privacy – EU Privacy Directive

- > Prohibits transfer of personally-identifiable data from EU to any country without adequate data protection laws (e.g., USA)
- > Covers customer data, employee records
- > PS – other countries are following the EU model



Data Privacy – EU Privacy Principles

> Notice

- Nature, purpose and uses of collected information
- Provide a point of contact for privacy issues

> Choice

- Opt-out for third party disclosures and other uses
- Opt-in for sensitive information
- Exception to protect legitimate interests of employers in making HR decisions



Data Privacy – EU Privacy Principles

- > Onward Transfer
 - Only with consent or to “agents” who are subject to the EU Directive or are in the Safe Harbor
- > Security and Data Integrity
 - Reasonable security
 - Ensure data is relevant, accurate, complete and current
- > Access
 - Right to view and correct information about oneself



Compliance by U.S. Data Collectors

- > Individual Consent
- > Safe Harbor
- > Model Contractual Clauses
- > Registration of data “controllers” with local authorities



U.S. Government Regulation

- > Foreign Corrupt Practices Act
- > Export Administration Controls
 - Munitions
 - Dual-Use Items (ECCN-based licensing process)
 - Prohibited Purposes
 - Prohibited countries and persons
- > Patriot Act
- > Exon-Florio
- > Helms-Burton
- > Sarbanes-Oxley



Foreign Government Regulation

- > Limitations on foreign investment
 - Overall limitations
 - Protected industries (military, real estate, petrochemicals, natural resources)
- > Regulatory approvals, oversight and reporting
- > Currency controls



Antitrust and Competition Law

- > Regulatory Filings and Approvals
- > Territorial Limitations and Exclusions
- > Non-competition
- > Joint R&D
- > Sharing of Information



Intellectual Property - Trademarks

- > Trademarks are territorial
 - But consider a CTM (EU-wide)
- > What brands are used in the local territory?
- > Who decides?
- > Who obtains registrations?
- > Sublicenses in sub-territories?

- > Domain Names
 - How many and where?
 - Note local requirements in some jurisdictions.



Intellectual Property - Patent

- > Patents are Territorial
 - There is still no EU patent
- > Different rules re. publication and on-sale bars
- > Not all countries issue patents as liberally as the U.S.
 - Software
 - Business Methods
 - Genomics
- > Patent agents v. patent lawyers



Intellectual Property – Other Rights

- > Copyright
 - Fairly international via Berne Convention
 - But some nations do not observe protection for domestic use
- > Maskworks – U.S. only
- > Database protection – EU
- > Utility Models (sub-patents)
- > Trade Secret – varies, often not codified



Intellectual Property – Licenses

- > Inbound to the Venture
 - Licensed or Assigned?
 - Exclusive?
 - Limited to a Territory?
- > IP Generated by the Venture
 - Who owns?
 - Who decides when/where to file patents
 - Enforcement
 - Note local rules re. publication and on-sale bar



Employment

- > Who will do the work?
 - Secondees v. local recruits
- > Visa, immigration and permitting issues
- > Labor relations
 - Workers' councils
 - Working hours
 - Benefits (health, vacation, automobile, cafeteria)
 - Pension
- > Employment contracts



Selected Tax Issues

> Formation

- Will the venture be a separate taxable entity, a flow-through entity or no separate entity?
- How will venturers contribute property (tangible and intangible) to the venture: sale, contribution or license

> Operation

- Transactions between Venturers:
 - transfer pricing (“arm’s length”)
 - Withholding tax
- Sub-Part F: anti-avoidance rules for deferral of income from controlled foreign corporations

> Distribution of Profits/Liquidation

> Sales Tax and VAT

- New EU Digital Goods VAT rules



Payment, Currency and Accounting

> Payments

- Beware of force majeure
- Adjust for inflation with a local index
- Payment risk can be mitigated by Letter of Credit

> Currency

- Choose a stable currency or index for payment
- Specify conversion methodology and measurement
- Exchange controls

> Accounting

- U.S. GAAP is not always understood
- Be specific about revenue, margin and profit measures



Governance

- > Role of the local partner?
 - Shop front v. active marketing, support and localization role
 - Authority of local management / home office reporting
- > Differing governance structures
 - Board of Directors and Management
 - Supervisory Board and Management Board
 - Workers' councils
- > Legal requirements for local management, offices, meetings and employment
- > Governmental oversight and reporting



Termination Issues

- > Mandatory compensation upon termination of relationship
 - Employee severance
 - Termination of EU sales agents
 - Compensation for goodwill
 - Some of these are non-waivable
- > Allocating post-termination ownership of property, contractual obligations and intellectual property in foreign country can be problematic



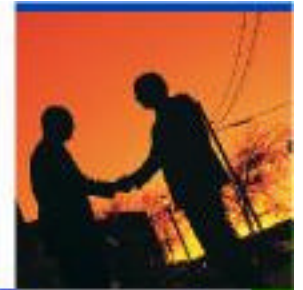
Dispute Resolution – Law and Forum

> Choice of Law

- When will this be respected?
- Mandatory application of local law: consumer claims, personal injury

> Judicial Forum Selection

- When will this be respected?
- Will the forum respect the choice of law?
- Exclusive v. Non-exclusive jurisdiction
- Enforcement – where the rubber hits the road



Dispute Resolution – Arbitration Pros and Cons

> Pro

- International enforcement (NY Convention)
- More acceptable to foreign companies than U.S. jury trial
- Less extensive (abusive) discovery
- Tribunal can be expert and fluent in English

> Con

- Non-appealable decision with wide latitude for error
- Splitting the baby
- Paying the arbitrator
- Less opportunity for discovery
- Court proceeding may be necessary anyway to enforce or obtain injunctive relief



Culture

- > The language barrier (English or bust)
- > Role of international and local counsel
- > Agreement style and length
- > Negotiation style
- > When do we sign?



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Thank you!



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