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FDI USA NEWS • DECEMBER 2015



INNOVATION: The Key To Foreign Direct Investment (FDI) Success

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BREAKING NEWS

EB-5 INVESTMENT PROGRAM RENEWED WITHOUT ANY CHANGES THROUGH SEPTEMBER 2016.

VISA WAIVERS CONGRESS RESTRICTS BUSINESS TRAVEL TO THE U.S. AFTER TERRORIST ATTACKS

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FDI USA News highlights the FAQs arising from your projects—from how to finance a deal to selecting the right visa or tax strategy and more. We want to keep FDI News interactive and relevant to your international business. Please email your suggestions for future topics to enorman@williamsmullen.com.

This issue of FDI USA News focuses on protecting your ideas and inventions—the key to market success. Josh Brady's timely article on the Top Five IP Steps on page 2 sets our theme. For more on our **Breaking News**, turn to page 8.



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HOW TO PROTECT YOUR INTELLECTUAL PROPERTY BEFORE YOU GO TO THE UNITED STATES

– By Joshua B. Brady, Attorney, Williams Mullen

More and more, your ability to offer a superior, novel or improved product or service depends on whether you can protect your intellectual property (“IP”) in the United States, and avoid the IP rights of others. These five steps may be the key to success:

#1: Stop and review your IP portfolio before selling into the USA. Identifying your key IP assets is a critical initial step. For each asset, consider the type of IP, whether you’ve secured rights from the inventor(s), and whether your business strategy includes steps for protecting the asset. Some assets may be patented or copyrighted, while others may be protected as trademarks. It’s likely that your IP will include valuable trade secrets—knowledge or information that has value because it is not known by your competitors, and that you keep confidential and protect. Important rights can be lost if you do not seek advice on identifying your IP and how it can be protected BEFORE you make that first offer of sale or execute that MOU or license agreement with your American customer.

#2: Due Diligence: Can my company’s IP be protected in the USA? Conduct an internal audit and get legal advice on how your IP in your home country can be protected in the United States, including under what conditions and for how long. **Do not assume that IP laws in the U.S. are the same as in your home country.** The U.S. Patent and Trademark Office (“USPTO”) will generally not grant a **Patent** on an application if the invention is already patented outside the United States, in public use or known, or already on sale. There are international

treaties that allow you to patent in multiple countries, provided that you comply with numerous timing and procedural requirements. It is critical to consult with your patent attorney early to avoid losing the right to obtain a U.S. patent. On the other hand, the Berne Convention protects copyrighted works made in other countries. Generally your **Copyrights** outside the U.S. will benefit from the same or similar prosecution in the U.S. Interestingly, whether a foreign IP asset qualifies as a **Trade Secret** in the U.S. may vary depending upon which State’s law applies (South Carolina, New

Five IP Steps to Complete Before It’s Too Late

1. Stop and review your IP portfolio before selling into the USA.
2. Do your due diligence. Conduct an internal audit and get legal advice on how your IP can be protected in the U.S.
3. Register important trademarks and make sure your marketing and branding reflect registered marks.
4. Avoid violating your competitors’ IP.
5. Enforce your rights in existing IP and protect your new developments.

How to Protect Your Intellectual Property Before You Go to the United States (cont.)

York, California, etc.) as, in general, there are no federal or national trade secret statutes. Although you may have registered your **Trademark** in your home country, U.S. law provides various benefits for registering the mark(s) in the U.S.

#3: Take Steps to Protect Your IP in the USA: After determining what IP assets you need to protect, take steps to ensure that those assets are protected. Important trademarks should be registered, and your marketing or branding strategy should reflect those registered marks. Consult with U.S. patent counsel on any potential new inventions to evaluate the costs and benefits of seeking a **U.S. Patent**. The application may be published (disclosed to the public) after 18 months, but the USPTO can still take anywhere from under 2 years to over 5 years to issue a patent. Generally you cannot exclude competitors from using the claimed invention until your patent issues (though sometimes you can seek damages for past infringement). An often overlooked but important step is to draft confidentiality and non-solicitation agreements for your key employees (U.S. and foreign) to protect your **Trade Secrets**—your confidential commercial and technical information.

#4. Avoid Your Competitors' IP. Too many foreign companies start selling in the U.S. and quickly receive **"Cease and Desist"**

letters from U.S. patent holders. Do your homework. Engage U.S. IP counsel to complete a **Freedom-to-Operate** assessment, and advise whether your products or services may violate third-party IP rights. U.S. companies are quick to file lawsuits for patent infringement, and your customers will require indemnification if they purchase or use your technology, leaving you to defend against



expensive litigation. If you license software from a third party, find out if you need to modify the license to expand your business into the United States. Does your end-user agreement even permit the software's use in the U.S.? Will you be indemnified by your licensor if the software infringes other companies' IP? U.S. IP counsel can help you answer these and other important questions.

#5. Enforce your rights in existing IP, Protect your New Developments. Having spent

time and money to innovate and capitalize on your IP, it is risky not to adopt an **IP Security Plan**. Train your employees on how to capture and process their R&D. Put in place an **IP Compliance Plan** to prevent leaks and unauthorized IP disclosures. Document **"Background IP"** and license agreements so your customers' cannot claim ownership or a license to use it. Inquire whether your cyber security protections are in place to guard your IT network and trade secrets. Monitor your competitors' technology for infringement, as any failure to enforce your patents can result in a loss of your IP rights, your technology, and your market share.

Conclusion. A well-defended IP portfolio is a key to success when entering the U.S. markets and establishing a competitive position. By following these **Five IP Steps**, you may ensure strong and secure IP security for both your existing and new technologies. Do not hesitate to get advice early so that you can set up your **IP Security Plan** to maximize your profits and growth in one of the world's most dynamic and advanced marketplaces.

To read this complete article, click here: <http://www.williamsmullen.com/sites/default/files/files/Brady%20French%20magazine.pdf#page=5>. Learn more information about our IP practice at <http://www.williamsmullen.com/practice/intellectual-property#>.

RECENT FDI SUCCESS STORIES

VIRGINIA ATTRACTS U.K. INVESTMENTS

Three U.K.-based companies announced plans for U.S. operations in Virginia throughout 2015.

- > This includes U.K. based Nulife Glass, Ltd with an investment of \$5.9 million and a commitment of 46 new jobs for its first Virginia operation. Nulife provides complete and sustainable recycling service for all types of cathode ray tube (CRT) glass. - <https://governor.virginia.gov/newsroom/newsarticle?articleId=7530>
- > Hardide Coatings, Inc., a leading global innovator and provider of advanced tungsten carbide-based coatings that significantly increases the life of critical metal parts operating in abrasive, erosive, corrosive and chemically aggressive environments will begin its first Virginia operation in Henry County with an investment of \$7.25 million and 29 new jobs. - <https://governor.virginia.gov/newsroom/newsarticle?articleId=7595>
- > Kelly Turkeys USA will begin its first poultry production and processing facility in the U.S. in Albermarle County with a \$1.4 million investment. This facility will create 30 new jobs. - <https://governor.virginia.gov/newsroom/newsarticle?articleId=8327>

BRAZILIAN MANUFACTURER EXPANDS IN VIRGINIA

- > Kels USA announced in Feb. 2015 plans to expand to the U.S. The manufacturer of metal-based products for the electronics, automotive and appliance industries and brazing alloys for the refrigeration, tooling and metallurgical industries will invest \$7 million and create 100 new jobs in Henrico County. http://www.richmond.com/business/article_9ba6265e-57d0-5c76-8cdd-49d1e08ae798.html

GERMAN GROCERY GIANT SELECTS VIRGINIA FOR DUAL INVESTMENT

- > Lidl Dienstleistung GmbH announced in June 2015 plans to establish a new U.S. corporate headquarters and distribution center for its grocery store chain in Virginia. They will build a \$77 million Headquarters with 500 new jobs in Arlington County and construct a \$125 million Distribution Center that will create 200 new jobs in Spotsylvania County. - <https://governor.virginia.gov/newsroom/newsarticle?articleId=8592>

VIRGINIA ATTRACTS NEW INDIAN FDI

- > Dhiyo House Inc announced in July 2015 that it will build its first U.S. manufacturing operation in Wise County. The supplier of

belting for conveyor and power transmission industries made a \$6.1 million investment that will create 80 new jobs. - <https://governor.virginia.gov/newsroom/newsarticle?articleId=12020>

NORTH CAROLINA WINS U.S. HEADQUARTERS OF CHINESE FURNITURE MAKER

- > Homestar (China) announced plans in Dec. 2014 to invest \$7 million in Statesville, NC. The location will be the furniture maker's American headquarters and will create 120 jobs. Homestar makes ready-to-assemble furniture. Products are sold through IKEA, Black and Decker and Akada Home. - <http://www.statesvilleregion.com/index.php/news-a-events/122-chinese-furniture-manufacturer-invests-in-statesville-facility>

TURKISH NONWOVEN MAKER SELECTS SOUTH CAROLINA FOR U.S. OPERATIONS

- > In August 2015, Turkish-based Mogul announced plans to establish its first U.S. operation in Gray Court, South Carolina. The company will invest \$17.6 million and create 38 jobs. Mogul is headquartered in Gaziantep, Turkey and focuses on the production and sale of nonwovens. - <http://scommerce.com/news/press-releases/mogul-establishing-first-north-american-operations-upstate>

FDI LEGAL UPDATES

ADVANTAGES OF E-1 AND E-2 TREATY TRADER AND TREATY INVESTOR VISAS

In recent years, more and more foreign investors favor use of these visas. They are based upon commercial treaties between the USA and its major trading partners and are an excellent alternative to intra-corporate L-1 transfer visas and to the H-1B, which is subject to an annual CAP or quota. [For a list of eligible E-1/E-2 countries, click here.](#) Several categories of employees can use the E-1 and E-2: the investors or business owners; employees with “essential skills,” which can include middle level managers; and senior managers and executives. Some of the advantages include:

- > Corporations avoid payment of filing fees with the U.S. Citizenship and Immigration Service (“USCIS”) in the United States, by filing the E-1/E-2 applications directly with the U.S. Consulates abroad. Savings can range from \$850 to \$2075 per visa.
- > The E-1/E-2 visas can be issued for up to five (5) years with no limitation on the number of five (5) year extensions. L-1s are limited to an initial period of stay of one (1) to three (3) years, subject to a maximum of one or two extensions of two (2) years each.
- > Many Consulates have set up corporate registration or expedited processing programs, eliminating long waits for approvals or for interviews. Some Consulates like Paris and Vienna now permit or require e-filing of applications, another time-saver.
- > The requirement of one (1) year prior employment with the foreign parent or affiliate as in the case of L-1 transfers does not apply to E-1/E-2 Visas.
- > One caveat: to qualify the corporation must be at least 50% owned by shareholders of the foreign country that signed the qualifying E-1/E-2 Treaty with the United States; and the employee seeking to work in the USA must

hold the same nationality as the sponsoring company. Thus, a German corporation can sponsor non-German employees for L-1 visas but only German employees of the same company can qualify for E-1/E-2 treatment.

For more information on these [Treaty Trader/Investor Visas](#), [click on this link to see our Blue Visa Guide](#); or contact Eliot Norman at enorman@williamsmullen.com or Hadeel Abouhasira in our Immigration Practice Group at habouhasira@williamsmullen.com.

FAILURE TO OBTAIN A “FREEDOM TO OPERATE OPINION” LANDS IMPORTER IN “HOT WATER” WITH THE U.S. ITC

The U.S. International Trade Commission (ITC) is a powerful tool for enforcing intellectual property rights. The U.S. Court of Appeals for the Federal Circuit recently expanded that power – at least for the time being, holding that the ITC may block items from importation for actively inducing infringement, even if the items themselves do not infringe. In this case, U.S.-based Mentalix directly infringed the patent of U.S.-based Cross Match Technologies when it combined a software system with scanners imported from South Korean-based Suprema, Inc. Because Suprema knew that the scanners would likely infringe, but failed to seek a freedom to operate opinion of counsel, Suprema was liable for actively inducing Mentalix’s direct infringement, and the ITC ordered a halt to Suprema’s imports. The decision increases a patent holder’s reach and ability to enforce patent claims, and serves to remind importers about the importance of diligent freedom to operate opinions.

For complete article, click here: <http://www.williamsmullen.com/news/divided-federal-circuit-says-usitc-may-exclude-indirectly-infringing-items>. For more information, contact Josh Brady at jbrady@williamsmullen.com.

*FDI Legal Updates (cont.)***PROPOSED AMENDMENTS PROVIDE DATA SECURITY STANDARD UNDER ITAR AND EAR**

Foreign companies want to use the latest in U.S. technology but are always concerned about ITAR. New reforms now liberalize use of “technical data.” In June, 2015, the U.S. State and Commerce Departments issued proposed regulations to harmonize key terms used in ITAR and EAR rules governing the export of electronic data. Specifically, the sending, taking or storing of technology/technical data or software would not constitute an export provided that it was: unclassified, secured using “end-to-end” encryption; and secured using cryptographic modules complying with certain U.S. government standards. Read more at: <http://www.williamsmullen.com/news/proposed-amendments-provide-data-security-standard-under-itar-and-ear>.

ALONG WITH EXPORT CONTROL REFORMS COME INCREASED PROSECUTION OF VIOLATORS

A South Carolina company, Streit USA Armoring LLC (“Streit USA”), along with two of its executive officers and its UAE affiliates, were charged with export control violations in connection with the sale of armored vehicles to the United Arab Emirates and other countries. This is yet another instance in which law enforcement officials are using enforcement actions against individuals in their personal capacities to enforce the U.S. export laws. Read more at <http://www.williamsmullen.com/news/corporate-officers-charged-personally-export-violations>. Thus, if your company will be using advanced technologies, consider a review for Export Control compliance.

Williams Mullen works with *Business France* to provide ITAR consultations for French companies

with U.S. projects. Contact Tom McVey at tmcvey@williamsmullen.com or Gaetan de la Vauvre, Business France Amerique du Nord at gaetan.delavauvre@businessfrance.fr for more information on this service.

YES, YOU CAN USE DRONES IN YOUR U.S. BUSINESS OPERATIONS

The Federal Aviation Administration (“FAA”) and the National Transportation Safety Board (“NTSB”) agree that Unmanned Aircraft Systems (“UAS”) are aircrafts and, as such, are subject to FAA authority. Currently, commercial use of UAS is prohibited. However, in February 2015, the FAA published a Notice of Proposed Rulemaking that would formalize commercial use of small UAS that meet certain enumerated conditions.

The proposed rule also anticipates a certification process for UAS operators, rather than a licensing requirement. A final rule is expected to be published in the summer of 2016.

The increased use of UAS presents several issues. Specifically, one often overlooked issue relates to federal preemption of state and local laws. For example, many states and localities passed laws that

purport to address privacy concerns arising from the use of UAS. However, these laws present challenges relating to whether a state or the federal government has the right to regulate such concerns. In addition, challenges relating to federal preemption arise in the context of use restrictions, licensing of operations, and bans or flight restrictions. Lawyers, judges, and companies utilizing or planning to utilize UAS must carefully scrutinize the wide array of ambiguous issues associated with the increased use of these aircrafts, as well as carefully analyze all upcoming legislation and regulations relating to UAS.



FDI Legal Updates (cont.)

To learn more about obtaining an exemption to use Unmanned Systems in the U.S. for commercial purposes or to stay on top of recent legal developments, click here: <http://www.williamsmullen.com/industry/unmanned-systems> or contact Kevin Pomfret at kpomfret@williamsmullen.com.

EU COURT OF JUSTICE PREVENTS EU COMPANIES FROM TRANSFERRING PERSONAL DATA TO U.S. COMPANIES

The European Union's ("EU") judicial body, known as the Court of Justice ("ECJ") recently ruled that the "Safe Harbour" agreement between the U.S. and the EU is invalid. This "Safe Harbour" agreement previously allowed personal data to be transferred legally between EU countries and the U.S. Personal data includes any data from which a living individual may be identified, such as information held by companies about their employees. Consequently, companies within the EU can no longer transfer personal data to a U.S. company, unless one of two very specific exceptions is met. Obtaining specific consent from the individual whose personal data is at issue also permits companies to transfer that individuals' personal data to a U.S. company, but EU companies should be very careful to avoid violating this new prohibition. For more information, contact Rob Van Arnam at rvanarnam@williamsmullen.com.

NEW SEC RULE WILL ALLOW CROWDFUNDING TO OFFER AND SELL SECURITIES TO INVESTORS

The Securities and Exchange Commission ("SEC") recently adopted final rules that liberalize the ability of companies to offer and sell securities through crowdfunding under Title III of the JOBS Act. **The new rule would allow anyone to invest up to \$2,000 or 5% of their annual income or net worth, whichever is greater, in small-scale fundraising projects up to \$1 million in a 12-month period.** Under current rules, only "accredited investors"—those whose net worth exceeds \$1 million, excluding their primary residence, or who earn more than \$200,000 a year—are allowed to participate in crowdfunding.

Crowdfunding is a method of raising capital often through Internet-based registries, allowing larger groups of people to invest smaller amounts of money in businesses. The new rules are designed to assist smaller companies with capital formation by providing an innovative method to raise capital directly. It also provides investors with additional protections. For more information, contact Eliot Norman at enorman@williamsmullen.com.

BREAKING NEWS

Just this week, the U.S. Congress approved two key immigration bills. The **EB-5 investment program** that funds many key real estate and infrastructure projects will continue **WITHOUT CHANGE** through September 30, 2016. EB-5 provides a means for foreign investors to invest at least \$500,000 in a qualifying job creation project to obtain Green Cards. Look, however, for a likely increase after October, 2016 in the minimum investment amount to \$800,000 and other regulatory changes, as Congress revisits the legislation. **Visa Waivers:** Terrorist attacks in Paris and California led Congress to overhaul the program allowing entry without a visa. Over 20 million travelers enter the USA each year from Belgium, France, Japan and 35 other major trading partners. They can visit for up to 90 days without a visa, as long as they have in their possession a roundtrip airline ticket and are registered with ESTA. See <https://esta.cbp.dhs.gov/esta/>. **Under the new law, any persons who have traveled to Iraq, Syria, Iran or Sudan within the last five (5) years or who hold passports from these countries cannot come without a visa. They must obtain visitor visas at the U.S. Embassies.** Other restrictions will apply to the program generally, and it remains to be seen whether business travel to the U.S. will be more difficult in 2016 using the Visa Waiver.

SWISS MULTINATIONAL FINED \$35.2M FOR BREACH OF FIDUCIARY DUTY

– By Robert R. Patterson, AIFA®, Co-Founder and President Diogenes-FG

In one of the largest breach of fiduciary duty suits involving a non-U.S. corporation with operations in the U.S., ABB, a Swiss multinational, was fined \$35.2 million in settlement of a class action lawsuit regarding the management of its U.S. subsidiary's retirement plans. Had the company been in conformance with global best practices, it would not have found itself in this situation.

As part of the judgment, ABB was ordered to pay \$35.2 million to compensate the plans for losses resulting from its violations of federal law by permitting Fidelity, the fund record keeper, to charge excessive record-keeping fees to the 401(k) plans and selecting investment options for the plans based on benefits to ABB and Fidelity and not because they were in the best interests of participants. The court held that the company failed to follow a due diligence process in monitoring fees and the relationship between the plan and its investment provider.

The ABB Case is one of hundreds of breach of fiduciary duty cases adjudicated in the U.S. every year, costing an average of \$1.3 million in penalties and legal fees. U.S. subsidiaries are particularly

vulnerable to suits brought by plan beneficiaries under the Employee Retirement Income Security Act (1974) or ERISA. Employee benefit regulations in the U.S. are the most rigorous of any in the world. By the end of 2016, updated fiduciary guidelines proposed by the U.S. Department of Labor are expected to become law.

standards and consists of 21 best practices. The assessment involves working closely with management and staff in identifying the issues that need to be addressed when comparing existing practices with the best practices and criteria of the GFSE. The goal is to bring the client into full conformance with the GFSE as quickly and as smoothly as possible.

Top Three Errors Committed by Fiduciaries

1. Poor vendor selection and replacement procedures
2. Inadequate risk management procedures
3. Failure to continuously monitor all aspects of their plan, including vendor costs

For further assurances, once in conformance with the GFSE, you have the option of requesting a formal legal opinion letter or a Registered Certificate for the company from the Centre for Fiduciary Excellence (CEFEX), the global certification body based in Toronto.

For all companies, even those already in conformance with ISO 9000, being certified under the Global Fiduciary Standard of Excellence can result in lower costs, reduced chances of litigation, and an enhanced image of corporate leadership excellence.

What can you do to help reduce such risks for your company?

The first line of defense is to have your U.S. pension plans assessed for conformance to the Global Fiduciary Standard of Excellence ("GFSE") by an independent analysis certified by the [Centre for Fiduciary Excellence \(CEFEX\)](http://www.cefex.com). The GFSE is based on auditing

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RECENT & UPCOMING EVENTS:

(with participation of Williams Mullen attorneys as speakers)

OCTOBER 2015
Aerospace Innovation Forum
Bordeaux, France
www.aerospace-forum.com

The USA Market for European IT Companies
Digital Place Cluster
Toulouse, France
<http://www.williamsmullen.com/events/usa-market-opportunities-it-companies>

National Aerospace FDI Exposition
Los Angeles, CA
<http://www.williamsmullen.com/events/october-2015-national-aerospace-fdi-exposition>

NOVEMBER 2015
The Hague Security Delta
Cyber Security Market
Opportunities in the USA
The Hague, Netherlands
<http://www.williamsmullen.com/events/netherlands-cyber-security-foreign-direct-investment-fdi>

USA Business Day – March 22, 2016
Cognac, France (Region of Poitou-Charente)
Contact U.S. Consulate, Bordeaux at EmerySO@state.gov

APRIL 15-16, 2016
2016 Aerospace & Defense Supplier Summit.
<http://seattle.bciaerospace.com/sign-up.html>

JUNE 19-21, 2016
Select USA Investment Summit
Washington, D.C.
www.selectusa.gov

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