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China – Law Firms

China's Open Door: An Opportunity To Build Relationships Through A Law Firm Network

The Editor interviews John N. Vanarthos, Norris McLaughlin & Marcus, P.A., Somerville, New Jersey, and Felicia Chao, Beacon Law Firm, Beijing.

Editor: Would each of you tell our readers something about your professional background?

Chao: I am a licensed lawyer both in China and the U.S. I did my undergraduate studies at the China University of Political Science and Law in Beijing, graduating in 1983 as a member of the first class after the Cultural Revolution. Following graduation, I had an opportunity to come to the U.S. on a Ford Foundation scholarship to do an LL.M. degree at the University of Minnesota. I worked for about a year and then returned to law school for a J.D. I was licensed in 1988.

After working in the U.S. for a few years I returned to China in 1995 to start the Beacon law firm with another partner. We are a private partnership and one of the earliest private firms in the country. Today, we have about 40 lawyers and offices in Beijing and Shanghai. Our practice focuses on commercial law, corporate work and foreign investment work.

Vanarthos: I graduated from Rutgers University in 1979 and spent about six years in the business world. This was an invaluable experience for me in light of my ultimate career as a business lawyer. I attended Rutgers Law School – Newark in the mid-1980s.

This was a time when China was beginning to open its doors. I recall emissaries from China visiting Rutgers University for



**John N.
Vanarthos**



**Felicia
Chao**

the purpose of attracting young law graduates to come and spend time in China to help build a legal structure.

Editor: Mr. Vanarthos, would you give us an overview of Norris McLaughlin & Marcus and its practice?

Vanarthos: I have been at Norris McLaughlin for almost 20 years. We are a commercial business firm with about a hundred attorneys – approximately half of whom are engaged in transactional work – with offices in New Jersey and New York. I have been Chairman of the firm's Corporate Group for five years. The Group covers a wide range of legal services, including mergers and acquisitions, contract work and the development of strategic alliances to help clients grow and enter new markets. The firm also has a very strong litigation practice.

Editor: And Beacon Law Firm?

Chao: Our firm also does transactional work, as well as commercial litigation and arbitration. For foreign clients, our initial services usually involve helping them

structure the deal and register their business presence in China. The most common vehicles for market penetration into China are wholly foreign-owned subsidiaries or joint ventures with local partners. In addition, there are also other ways of "testing the water" such as setting up a representative office, or appointing a distributor, or licensing technology to a local supplier. Once the business presence is set up, we provide ongoing legal support. That would include advice and counseling across a range of corporate activity, including corporate governance, customs, foreign exchange, labor relations, and IP protection issues.

Editor: Would each of you tell us about your individual practice? How has it evolved over the course of your career?

Vanarthos: As a young associate at Norris McLaughlin, I received a solid grounding in drafting legal documents and negotiating a variety of business transactions. As a result, within the commercial arena, I am able to handle a very diverse workload.

As a business lawyer, I regularly represent and counsel clients in a wide range of commercial transactions, including mergers, acquisitions, corporate partnerships and other strategic alliances. I also serve as counsel for the United States operations of a number of foreign-based corporations where I assist in a wide variety of legal issues in the U.S., including general corporate advice, contract and tax matters, litigation management, and employee relations.

In order to provide value-added services to my clients, I have found that it is absolutely necessary to develop an under-

Please email the interviewees at jnvanarthos@nmmlaw.com or fchao@beaconlaw.cn with questions about this interview.

standing of their business. I can then build on that expertise.

Chao: I am a corporate lawyer, and my practice has been focused on international trade and investment. At the beginning of my career, I dealt with start-up companies and the issues that are particular to the entrepreneurial arena.

My training in the U.S. has been very important in enabling me to make the right connections with international clients and to see their issues through their eyes. It has also enabled me to access a variety of resources – in terms of legal concepts and terminology – in drafting documents and negotiating transactions, resources that would not have been available to me if I had not had an opportunity to study and work in the U.S.

Editor: I gather each of your firms is an affiliate of Meritas. Please tell us about this network.

Vanarthos: Meritas is an affiliation of independent law firms throughout the U.S. and the rest of the world. We are very pleased to be a part of it. Among other things, the network provides a screening process and vehicle for quality control not only at the time a firm applies to join, but also on an ongoing basis. Member firms are monitored with respect to how they conduct themselves and how they interact with each other, and the result is a very cohesive group of the finest mid-sized law firms and lawyers.

For example, if I have a client with a legal question outside the U.S., I may not be in a position to advise him on the applicable foreign law. Through Meritas, however, I can frequently make a single phone call and within moments have a focused response to my client's question. Being able to bring such a service to our clients has paid dividends to our firm. It has also resulted in a degree of trust among ourselves and other Meritas members that enables us to play a role in our clients' global activities.

The member firms work together in providing programs and seminars of common interest and in sharing information. And, of course, that exchange is always a two-way street. As we rely on other firms within the group to support us in our efforts for our clients, so are we available to help them in their client needs.

Chao: Meritas is a window for us onto the world stage. And we are a window into China for the other Meritas members. The

network has been a wonderful channel of communication for us.

Editor: How does having a Chinese presence through Meritas benefit Norris McLaughlin & Marcus?

Vanarthos: It doesn't really benefit Norris McLaughlin. Rather, it benefits the firm's clients. China's economy is exploding, and the more I discuss strategy with my clients, the more I am impressed by their recognition that they need to be a part of what is underway in China. They may not understand the rules governing entry to the Chinese market – that is something that we can provide them through our network – but they do have a clear picture of the importance that China and its economy will have in the coming years. At the same time, there are many companies in China with an increasing interest in being part of the global economy, and of selling their products and services across the world, and we are in a position to provide the legal services necessary to make that happen. There is a symbiotic element in the relationship between Norris McLaughlin and Beacon Law Firm.

Editor: Would you share with us something about the transactions you have handled together?

Chao: We are working on a number of matters, including litigation concerning distribution of products and establishing joint ventures and other arrangements between international and local enterprises. This kind of cooperative work is ongoing.

Vanarthos: Recently, we represented a flavor and fragrance company that was selling a multi-million dollar manufacturing facility in China. The entity owning the facility was itself partly owned by the Chinese government. The transaction involved a two-step process whereby the seller first acquired the government's interest in the business and then sold it on to the buyer, the kind of deal that is heavily regulated in China. Clearly, local counsel is essential in these circumstances. We are very grateful to be able to turn to Felicia and her firm for their legal expertise and their connections to assist our clients in those kinds of transactions.

Editor: Felicia, could you share with us your thoughts about the Chinese econ-

Chao: Today, Chinese companies are aware of the global market, and, with the buildup of China's foreign currency reserves, more Chinese investment is going to seek opportunities abroad, in addition to working on opportunities at home. A number of Chinese companies have been listed on the NASDAQ Exchange, and that is only going to increase.

The Chinese economy has achieved stability. Over the 25 years of China's opening to market forces, the infrastructure of the country has been gradually built, and there are a great many talented individuals who are both bilingual and bicultural. China's leadership has supported this development, and that is going to continue. The growth of China's economy may not be as spectacular as it has been in the past decade, but it will continue at a steady pace and, I think, it will be accompanied by an increase in the protection afforded foreign investment and by a relaxation of some of the restrictions that have inhibited growth in the past.

Editor: Is the country's vaunted prowess as a manufacturing power beginning to give way to a service economy?

Chao: There has certainly been significant growth in the service sector. I doubt that the country will ever become solely a service economy. I believe that manufacturing will still be a strong part of the country's economy for at least the foreseeable future.

Editor: Where would you like to see the Norris McLaughlin – Beacon Law Firm relationship in, say, five years?

Vanarthos: Over the next few years, I hope we will be able to increase the volume of activity we enjoy at present. Given the work that the two firms have done together in a relatively short time period, I have great confidence that our clients will continue to benefit from the talents of the Beacon Firm for years to come. I am also hopeful that we will be able to provide the same service for Felicia's clients seeking to enter the U.S. market.

Chao: We are at the right time and in the right place to participate in many exciting developments, within China and as part of China's emergence on the stage of the global economy. Everything is now in place, I believe, and the relationship between our two firms will be of great benefit to each of us and to our clients.