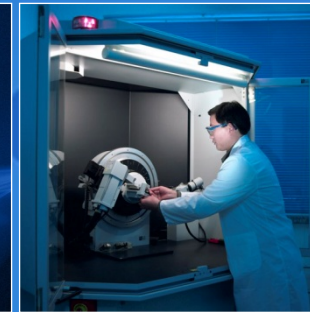


Lessons from Successful IP Battles in China Four Case Studies

Constantine Karayannopoulos, President & CEO, Neo Material Technologies Inc.



3rd Canada China Business Forum

Canada China Business Council - 加中贸易理事会 - Conseil Commercial Canada-Chine

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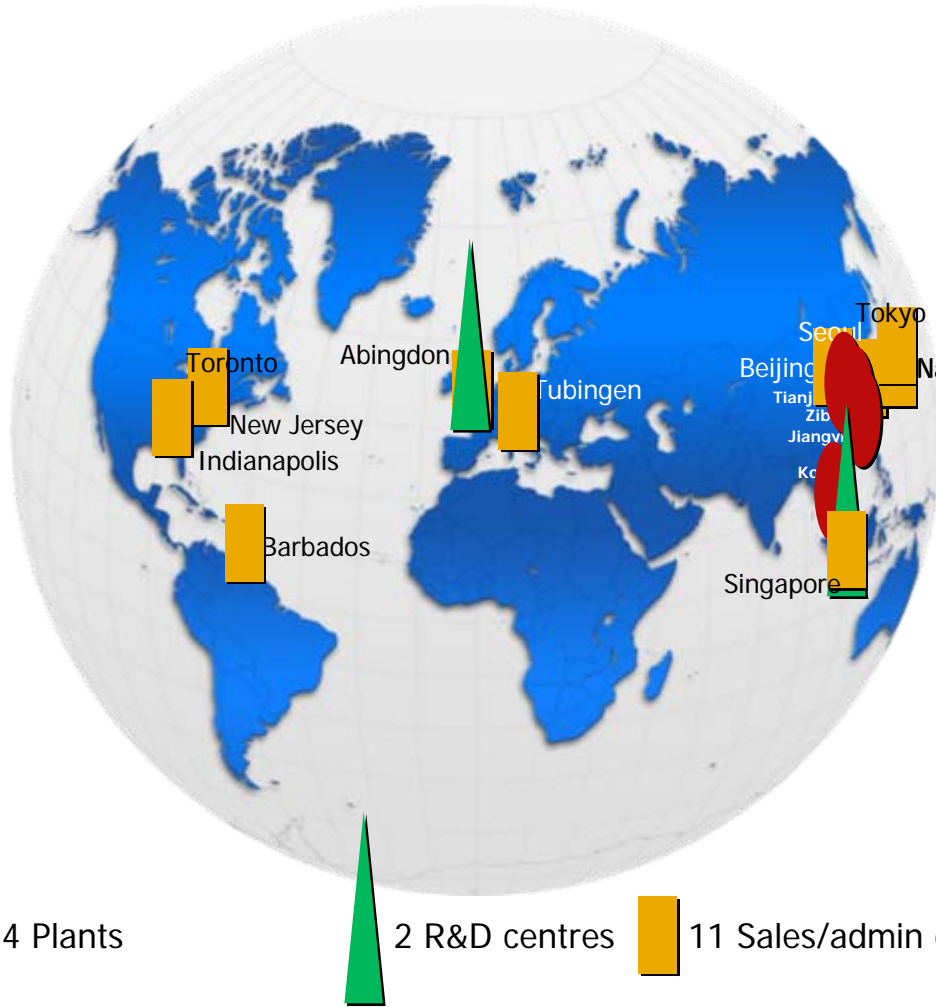
At A Glance



Listed:	TSX-NEM
Founded:	1993
Revenues:	US\$266.6M in 2008 (Q2 2009 US\$41.8M)
Employees:	1,300
Facilities and offices:	Canada, USA, Germany, UK, Japan, Korea, China, Thailand, Singapore, Barbados
Market cap:	C\$465M (fully diluted)
Products:	- Rare Earth & Rare Metal Specialties - Rare Earth Magnetic Materials
52-week range:	C\$1.00 – C\$3.75
Recent share price:	C\$3.75 (September 11, 2009)



Neo Global Operations



4 Plants
 2 R&D centres
 11 Sales/admin offices

● MQTJ



● ZAMR



● MQK



● JAMR



Case 1: David vs. Goliath



- Early days
- Large (multi-billion \$) customer helped Neo's competitors in China
- Sharp price reduction
- Neo walked away; No legal action
- Have never worked with this customer since



Case 2: From Within



- ZAMR engineer passed technical secrets to relative
- Attempted to build plant, failed and attempted extortion of Neo
- Coordinated action
 - CCBC Beijing, Shandong Governor's office, Zibo Police & Mayor's office
- Extortionists arrested, tried and jailed
- No known incidents since



Case 3: From Old Friends



- Former MQTJ engineer built small copy plant in Tianjin
- Assisted by other former employees
- Neo sued American ex-employee in the US, used discovery to build case in China
- Coordinated action:
 - Tianjin law firm, Beijing law firm, Tianjin courts
- Reached settlement:
 - Offenders agreed on list of Neo technical secrets
 - Plant closed down, key equipment de-commissioned



Case 3b: Persistent Old Friends



- Plant surfaced in Wuxi
- Same actors but well-hidden
- Monitored activity for 9 months and built case
- Coordinated action:
 - Nanjing law firm, Beijing law firm, Nanjing & Wuxi courts, Wuxi police
 - Chinese Embassy in Ottawa, MofCom Beijing
- Engaged two independent technical experts to confirm Neo IP
- Plant raided in May, evidence obtained
- Plant closed



Case 4: From New Old Friends



- Former employees built small copy plant in Thailand
- Similar approach to China (3b)
- Longer timeline (18 months)
- Coordinated action:
 - Bangkok law firm, Bangkok court, Korat & local police
 - Anton Pillar order executed last month; plant raided, evidence obtained
 - Plant has not restarted yet, court case on-going



Lessons Learned



- IP theft can happen anywhere
- Former employees main source of IP problems
- Secrecy/Non-compete agreements enforceable in N. America, of limited value in China/Thailand
- Seek help from experts, local, central and global
- Coordinate action with law firms, Ministries, Embassies, Trade associations/chambers, Courts and Police
- China determined to prove that IP is respected



谢谢!

