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Patent Litigation, ITC Investigations & Defend Trade Secrets Act

Enforcing and Protecting IP
Rights in the United States

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Overview

Patent versus trade secret protection

- What's the difference?

Patent enforcement in U.S. district court and the U.S. International Trade Commission (ITC)

- Patent enforcement scenarios
- Pre-litigation considerations
- Discovery and enforcement issues

Defend Trade Secrets Act (DTSA)

- Advantages over earlier state laws
- Remedies available to employers

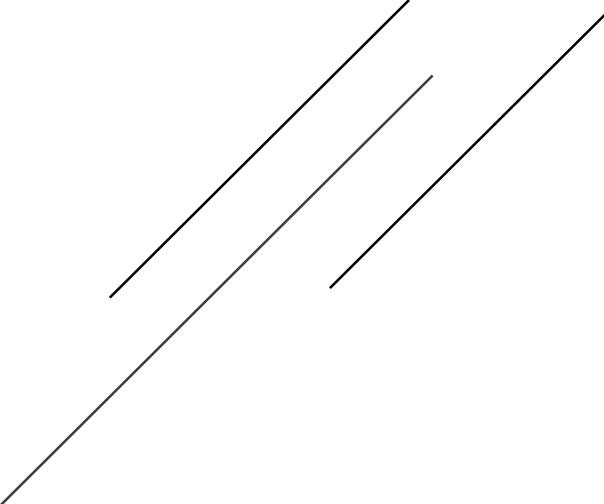
Patent vs. Trade Secret Protection

Patent

- Government grant providing right to exclude others from using novel and non-obvious invention in exchange for public disclosure
- Obtained from Patent Office after application/examination process
- ~20 year term
- Independent invention no defense to patent infringement claim

Trade Secret

- Information that derives value from secrecy and that is kept secret
- No registration required
- Potentially indefinite term
- Independent invention allows others to use; reverse engineering allowed



Enforcing Patents in U.S. District Court



Overview

Patent enforcement scenarios

- When are Chinese companies at risk for district court litigation?

Pre-litigation considerations

- Who to sue? And whether to sue at all?

Discovery & enforcement issues

- What to expect?



Patent Enforcement Scenarios

- Direct infringement (35 U.S.C. § 271(a))
 - Example: Chinese company that imports an accused product into the U.S.
- Induced infringement (35 U.S.C. § 271(b))
 - Example: Chinese company that makes an accused product and then intentionally causes a customer to import it into the U.S.
 - Specific intent to encourage infringement req'd



Patent Enforcement Scenarios

- Contributory infringement (35 U.S.C. § 271(c))
 - Example: Chinese company that imports a material part of a patented invention into the U.S., knowing that the component was made or adapted for use in an infringing manner
 - Non-staple goods
- Importing products made by a patented process (35 U.S.C. § 271(g))



Pre-Litigation Considerations

- Who to name as the defendant?
 - Does Chinese company have U.S. operating company?
 - Does Chinese company have large U.S. customers?
 - Example: U.S.-based national retailers
 - If “yes” to either, consider enforcement options that can achieve desired result without naming Chinese company



Pre-Litigation Considerations

- Pre-suit contact and negotiations?
 - Risk of default
 - Risk of increased cost and time to litigate
 - Challenges in obtaining recovery and enforcing judgment
 - Risk of breach of settlement agreement
- 
- Carefully consider enforcement options



Service Considerations

- Use procedures from Federal Rules?
- Otherwise, use Hague Convention
- Alternative means:
 - Rule 4(f)(3): U.S. court's discretionary authority to direct service by other means not prohibited by international agreement
Nuance Commc'n v. Abbyy Software House, 626 F.3d 1222 (Fed. Cir. 2010)



Discovery Considerations

- Depositions
 - No depositions in China
 - Use other location (U.S., Hong Kong)
 - Teleconference or videoconference possible
- Documents and other discovery
 - If subject to personal jurisdiction, use Federal Rules
 - Otherwise, use Hague convention

Further Discovery Considerations

- Many foreign defendants are unfamiliar with U.S.-style discovery
- Increased time and expense:
 - Travel
 - Reluctance to participate in discovery tends to create disputes, impede progress, and ultimately prevent discovery of relevant info
 - Translation of documents and testimony



Collection/Enforcement Issues

- Default still requires proof of damages
 - Third-party discovery to prove sales
 - Expert damages report?
- Lack of enforceability of U.S. judgments in China
- Seek an injunction in U.S.
- Consider enforcement in other jurisdictions, including China



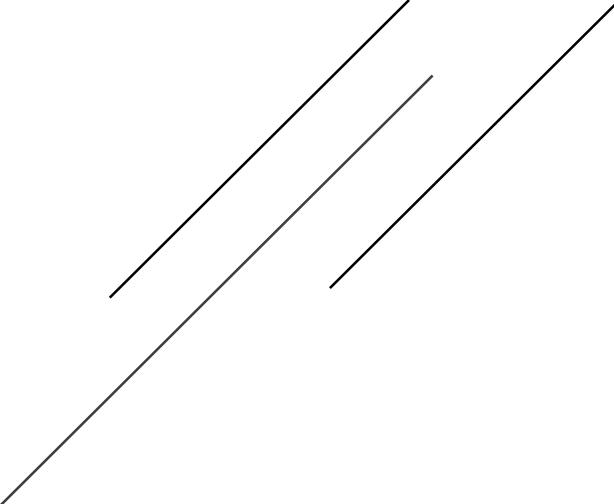
Enforcing Patents at the U.S. International Trade Commission

U.S. International Trade Commission

- Federal administrative agency in Washington, DC that investigates various unfair international trade practices
- Pros:
 - Typically faster than district court litigation
 - Jurisdiction over products
 - Broad remedies available to block importation
- Cons:
 - Expedited schedule tends to increase costs, particularly upfront
 - Consider alternative fee arrangements and litigation funding?
 - Additional proof requirements, such as existence of domestic industry

Chinese-Based Entities at the ITC

- ITC investigations frequently involve Chinese entities as respondents
- Increasing trend of Chinese entities appearing and defending against investigation, as opposed to defaulting
- Significant success rates in investigations involving Chinese entities as respondents



Defend Trade Secrets Act

Defend Trade Secret Act

- Enacted in 2016
- Federalized civil trade secret protection in light of patchwork of state law interpretations creating venue and comprehensive enforcement issues
- Traditional remedies
 - Injunctive relief
 - Compensatory and exemplary damages
- Plus *ex parte* seizure orders
 - In “extraordinary circumstances”
- Plus whistleblower protections

Extraterritorial Limits of DTSA

- U.S. citizens, resident aliens, and companies, no matter location of theft
- Foreign individuals and companies, if act in furtherance of theft committed in U.S.
 - Law developing around “act in furtherance” and “foreign commerce”
 - Email contact and other electronic communications with U.S.-based entities?
 - Analogs to existing espionage and computer fraud statutes

Questions?