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 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’ns 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 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 \textit{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?