

Stop Thief! Protecting Your Trade Secrets in The Global Economy

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Overview



International Trade Secret Enforcement in U.S. Courts



Trade Secrets at the ITC



Criminal Remedies for Theft of Trade Secrets



International Trade Secret Enforcement in U.S. Courts

International Enforcement in U.S. Courts

1. Jurisdiction

2. Service

3. Emergency relief

4. Discovery

5. Enforcement

6. Discovery in support of foreign suits

International Enforcement in U.S. Courts: Jurisdiction

- **Federal Defend Trade Secrets Act has expanded international reach of U.S. courts in trade secret cases**
- **Enacted May 11, 2016 as part of existing Economic Espionage Act**
- **Courts have interpreted statute to have extraterritorial application despite some potential ambiguity in statute**



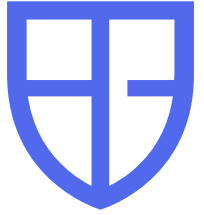
Jurisdiction: Defend Trade Secrets Act

This chapter also applies to conduct occurring outside the United States if—

- (1) The offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States... or
- (2) An act in furtherance of the offense was committed in the United States.

18 U.S.C. § 1837.

Jurisdiction: Defend Trade Secrets Act



- District courts have overwhelmingly interpreted DTSA to apply extraterritorially
- First appellate decision has now issued holding DTSA applies to extraterritorial conduct: *Motorola v. Hytera*, 108 F.4th 458 (7th Cir. 2024)
 - Court found text and legislative history show Congress intended statute to apply extraterritorially
 - 1st and 2nd Circuits have pending appeals

Jurisdiction: Defend Trade Secrets Act

- **Examples of acts “in furtherance of offense committed in the United States”**
 - Selling product in U.S.
 - Demonstrating product at trade shows in U.S.
 - Attending business meetings in U.S.
 - Accessing U.S. based servers
 - Third party performing acts in U.S. on Defendant’s behalf



International Enforcement in U.S. Courts: Service

Hague Convention

- 79 signatory countries: virtually all of Europe, much of the Americas, South Asia, and East Asia
- Serve through destination state Central Authority
- Service can take months or even years

Alternative Service

- Rule 4(f)(3) alternative service: “by other means not prohibited by international agreement”
- Email service increasingly common, with courts still split
 - Requires prior court approval
 - Must have email that has very strong likelihood of reaching party

International Enforcement in US Courts: Service

- **Examples of cases allowing email service**

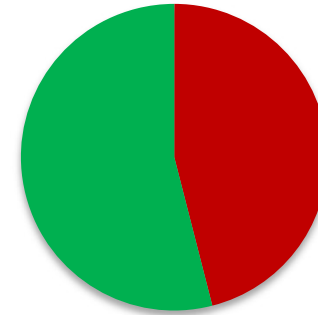
- Defendant routinely used email address for business
- Defendant used email address to communicate with Plaintiff
- Plaintiff showed it successfully sent “test” emails
- Urgent need for emergency relief justified service on faster timeline than Hague service would permit

International Enforcement in U.S. Courts: Emergency Relief

Expedited Relief

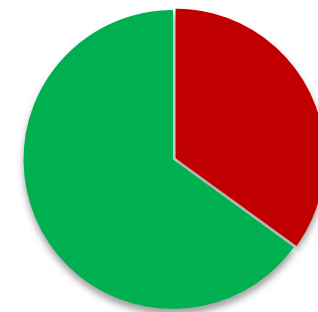
- Temporary restraining order
- Preliminary injunction

Preliminary Injunction



■ Deny (46%) ■ Grant (54%)

TRO



■ Deny (35%) ■ Grant (65%)

International Enforcement in U.S. Courts: Emergency Relief

DTSA *ex parte* civil seizure provision



- True *ex parte* procedure: no opposition
- Seizure of property by law enforcement officials
- Many, many requirements
- Hearing must be set within 7 days
- Has been used very rarely

International Enforcement in U.S. Courts: Discovery

- **May be possible to obtain broad discovery from foreign party**
 - In egregious cases can include imaging of foreign devices
- **Foreign party that fails to comply may face severe sanctions**
 - This can be true even if foreign law precludes compliance
- **May be possible to obtain discovery of foreign affiliate through U.S. company**

International Enforcement in U.S. Courts: Enforcement

- **Injunction applies to “other persons who are in active concert or participation” with defendant or defendant’s officers, agents, servants, employees, and attorneys** Fed. R. Civ. Proc. 65(d)
 - Can be used to extend injunction to foreign entity
- **Judgments can be challenging to enforce internationally**
 - No convention or treaty providing for reciprocal enforcement of judgments, so governed by foreign law and principles of comity
 - China does not recognize U.S. judgments (does recognize arbitration awards)
- **But even if no current U.S. assets, U.S. judgment can have significant impact on reputation and plans to expand into U.S. market**

International Enforcement in U.S. Courts: Discovery

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U.S. Discovery in Support of Foreign Proceedings

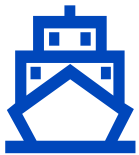
- **No other country allows broad U.S.-style discovery**
 - But many foreign jurisdictions will allow seizure of property
- **Under 28 U.S.C. § 1782, may be possible for “interested party” to obtain discovery from person or entity in the U.S. for use in actual or contemplated foreign proceeding**
 - Applies to documents and testimony
 - Rule does not apply to private commercial arbitrations



Trade Secrets at the ITC

Protecting Trade Secrets Overseas: ITC

You can bring a complaint for misappropriation under U.S. Section 337 of the Tariff Act of 1930, 19 U.S.C. §1337 in the U.S. International Trade Commission (ITC).



This is only available where the misappropriation involves articles imported to the U.S., and



Where there is injury or threat of injury to an industry in the United States.



Recent Success of Trade Secrets Complainants at the ITC

Overall success rate for Complainants is ~ 90%

Investigation	Year Filed	Basis of Violation	Outcome
<i>Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, and Production and Testing Systems and Processes Therefor</i> Inv. No. 337-TA-1159	2019	Trade secret misappropriation	10-year limited exclusion order and cease and desist order, followed by settlement (\$1.8B)
<i>Balanced Armature Devices, Products Containing Same, and Components Thereof</i> Inv. No. 337-TA-1186	2019	Trade secret misappropriation	Summary determination of misappropriation granted, GEO issued.
<i>Digital Imaging Devices and Products Containing the Same and Components Thereof</i> Inv. No. 337-TA-1231	2020	Trade Secret Misappropriation, Patent	Trade secret claims withdrawn, but settlement reached before hearing
<i>Adalimumab, Processes for Manufacturing or Relating to Same, and Products Containing Same</i> Inv. No. 337-TA-1296	2021	Trade secret misappropriation, Tortious interference	Settlement within 4 months of filing complaint
<i>Botulinum Toxin Products and Processes for Manufacturing or Relating to Same</i> Inv. No. 337-TA-1313	2022	Theft/conversion, Trade secret misappropriation	10-year exclusion order, settlement after FD
<i>Raised Garden Beds and Components Thereof</i> Inv. No. 337-TA-1334	2022	Copyright, false advertising, Trade secret misappropriation	One year exclusion order issued.

Background on the ITC – Internal ITC Participants

■ **Administrative Law Judges (ALJs):**

- Presides over section 337 investigations (majority involve patent infringement)
- Handles discovery and trial proceedings
- Issues Initial Determination on violation of section 337 (for Commission review)

■ **Commissioners:**

- Appointed by the president
- Ultimate decision-makers on whether a violation of section 337 has occurred

■ **Office Of Unfair Import Investigations (OUII):**

- Independent third-party office within the ITC, representing the public interest
- Many OUII attorneys are experienced patent litigation practitioners
- Takes discovery and presents independent arguments and evidence

Benefits of the ITC as a Trade Secrets Forum

- Can cover **foreign conduct**
- **Faster adjudication** (typically 16-18 months to final judgment)
- Exclusion order barring imports is **automatic**

Benefits of the ITC as a Trade Secrets Forum

- **No stay of exclusion order** pending appeal
- District courts have given ITC DTSA holdings **preclusive effect** (and awarded damages)
- Length of exclusion order could be **10 years+**

The ITC's Authority Over Foreign Misappropriation

***TianRui Group v. ITC*, 661 F.3d 1322 (Fed. Cir. 2011): Federal Circuit held that the ITC had authority over misappropriation occurring entirely in China.**

- U.S. manufacturer of railway wheels, Amsted, licensed proprietary process to Chinese foundries.
- Amsted's Chinese competitor hired employees from Amsted's Chinese foundries, who disclosed Amsted's trade secrets to TianRui.
- ITC found misappropriation and issued a limited exclusion order.

Ability to Target Foreign Entities and Conduct



- *In rem* jurisdiction over imported articles
- No requirement to establish personal jurisdiction
- Complainants can name unrelated parties as respondents
- Can cover misappropriation committed fully abroad



- Must establish personal jurisdiction
- DTSA requires permanent resident, U.S. citizen or corporation, or “an act in furtherance of the offense” be committed in the United States

Faster Adjudication (But Broader Discovery)



- Usually 16-18 months to final decision
- Faster and more expensive than typical district court action
 - Discovery starts one day after institution of investigation
 - Discovery, motion responses due in 10 calendar days
 - Limit of 175 interrogatories
 - Evidentiary hearing usually within 7-9 months
- Very experienced with foreign discovery



- Cases often take two or more years to reach trial (average ~28 months)
- Fact discovery is a year or more
 - Responses to interrogatories and document requests are due 30 days after service
 - Interrogatories limited to 25 total

Exclusion Order is Automatic (But No Damages)



- No money damages
- Mandatory exclusion orders:
 - Barring importation of goods resulting from misappropriation
 - Not limited to adjudicated articles
 - Enforced by U.S. Customs
- Cease and desist orders (CDO)
 - Prohibits certain activities (e.g. selling off inventory already in the US)
 - Enforced by the ITC
 - Violation of CDO = monetary penalties



- Money damages
- Up to 2x exemplary damages are available
- Attorneys' fees possible
- Injunctions are uncertain
- Could get preclusive effect from ITC decision

Immediate, TRO-like Relief is Very Rare



- Complainants can seek temporary relief (like a TRO), usually at same time as filing complaint
 - Examined on same basis as TRO
 - These motions are ***rare and even more rarely granted***
 - ID issued in 70-120 days



- Temporary Restraining Order
 - Must clearly show immediate and irreparable injury, loss, or damage before opposing party can be heard
- Preliminary Injunction
 - High burden of proof (four-part balancing test)
 - Can take months to get relief: motion, opposition, replies, and hearing

Proving Misappropriation: How Does the ITC Differ?

A Complainant must prove:

- Importation of the product resulting from the misappropriation
- Substantial use or disclosure of the trade secret (not simply acquisition by improper means)
- A significant/substantial domestic industry in which complainant's products compete with the products resulting from misappropriation
- A specific injury (or threat thereof) to the domestic industry

Importation

- Defined as “**bringing of goods within the jurisdictional limits of the United States with the intention to unlade them**”
- Prohibition on importation also includes a “**sale for importation**”
- Trade shows, marketing, or clinical trials can also be considered entry into the United States.



Misappropriation: Substantial Use or Disclosure

- Taking information through improper means will not be sufficient – must show the trade secrets were **substantially used or disclosed**
- ***Bone Cements***: ITC found no misappropriation; Complainants relied on compilation of trade secrets and failed to show use of entire compilation (or even a majority of it)
 - Employee access to TS customer list was not enough, no evidence Respondents saved TS files or transferred to Respondent’s systems
- The type of circumstantial evidence that may persuade a jury in district court may not support “substantial use” in the ITC.

Existence of/Injury to Domestic U.S. Industry

Complainant must establish:

- A domestic industry exists that competes with the products of the TS misappropriation, and either:
 - The domestic industry is **actually or threatened to be “destroyed or substantially injured”** by the misappropriation; or
 - The establishment of the domestic industry has been **prevented** by the misappropriation.

Cast Steel Railway Wheels at *67 (“injury or destruction”); *Certain Caulking Guns*, Inv. No. 337-TA-139, Initial Determination, 1983 WL 207157 at *26 (Nov. 25, 1983) (“prevention of establishment”); *Certain Foodservice*, Inv. No. 337-TA-1166, at *6.

Existence of/Injury to Domestic Industry

- Commission considers the “**nature and significance**” of complainant’s activities – must be **more than a mere importer**
- Unlike patent cases, a trade secret complainant does not have to show it **actually practices the trade secrets** to establish domestic industry
 - *But* the unfair imports must “directly compete” with complainant’s products
- Can show injury through lost sales/market share, price erosion, etc.

ITC Remedies for Trade Secret Misappropriation

Exclusion Orders

- **Limited:** Bar imports from an **identified source**
 - Most common
- **General:** Bar imports from **all sources**
 - Less common and difficult to get
 - Maker need not be a respondent in investigation
 - Only available if source of goods difficult to identify
 - or if necessary to give effective remedy

Cease and Desist Orders

- Bar entity from engaging in infringing activity related to imported article within U.S. (inventory)
- Penalty for violation of up to **\$100,000** per day

The Public Interest Requirement/Presidential Veto

- Commission must assess the effects of its remedy orders on:
 - the public health and welfare;
 - competitive conditions in the United States economy;
 - production of like or directly competitive articles in the U.S.; and
 - U.S. consumers.
- Presidential veto exercised only six times (only once since 1980s)

Products Impacted by Vetoes

- 64/256 kb DRAMs and downstream products (circuit boards, laptops)
- Alkaline Batteries
- Papermaking devices (GEO)
- Sandwich panels for aircraft
- Stainless steel pipes

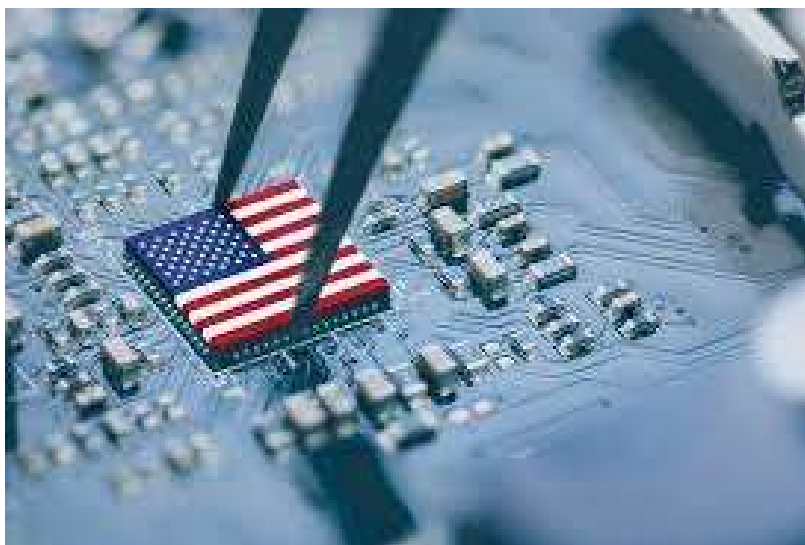


Criminal Investigations and Prosecutions

Disruptive Technology Strike Force

Objective: *stop foreign adversaries from wrongfully acquiring our nation's most advanced technology*

- Semiconductors
- Advanced computing
- Artificial intelligence
- Hypersonic
- Quantum
- Biosciences . . .



Established February 2023:

- Evolving national security threat environment
- Nation-state actors aggressively targeting U.S. technology

Criminal Theft of Trade Secrets & Economic Espionage

Theft of Trade Secrets: 18 U.S.C. § 1832

1. Defendant possessed, took, obtained
- ... a trade secret;
2. Defendant intended to convert it to the economic benefit of someone other than the owner;
3. Defendant knew or intended that the offense would injure the owner of the trade secret;
4. Trade secret related to product or service used in or intended for use in interstate commerce.

Economic Espionage:

18 U.S.C. § 1831

Defendant stole a trade secret for the benefit of a foreign government, agent, or instrumentality.



Criminal Theft of Trade Secrets & Economic Espionage

Trade Secret Defined: 18 U.S.C. § 1839(3)

“[A]ll forms of financial, business, scientific, technical, economic, or engineering information . . . if:”

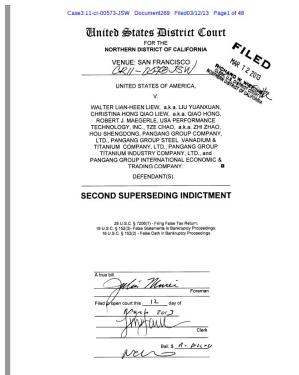
1. It is actually secret;
2. The owner takes “reasonable measures” to keep it secret;
3. The trade secret derives economic value (real or potential) from being secret.

Investigative and Enforcement Tools



Court-Authorized Search and Seizure Warrants

- Electronic devices, cloud storage accounts, communications service providers



Criminal Charges

- Pre-trial release conditions & travel restrictions
- Incarceration, supervised release, fines, restitution

Non-Criminal Sanctions - Department of Commerce

- Entity list
- Denial orders
- Administrative enforcement actions



Obtaining Evidence Located Abroad

Mutual Legal Assistance Treaties (MLATs)

- Bilateral treaties
- “Central Authorities” established to streamline process
- Written request describing the statutes violated and relevance of requested evidence to the investigation
- Broad application from basic subscriber information to physical searches

Parallel Investigations (Law Enforcement to Law Enforcement)

- Less formal exchange between investigative agencies
- Sending country can limit use of evidence provided

Apprehending Defendants Abroad

International Extradition

- Treaty-based, law varies country to country
- Generally includes judicial and executive phases
- Charging document cannot be amended post-extradition

No Extradition Treaty?

- Interpol Red Notice
- Interpol Targeted Diffusion
- Lures

Key Issues for Victim Companies

Protecting Confidential Information

- [18 U.S.C. § 1835](#): Protective orders
- Public court documents

Time & Resources

- Key evidence of theft
- Company-specific “reasonable measures”
- Technological expertise
- Proof of “loss” or “value”

Publicity

- Important for deterrence

Contact Information

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Disruptive Technology Strike Force

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Additional Slides



Trade Secrets Cases at the ITC

The following summary shows the high success rate of complainants:

Investigation	Basis of Violation	Outcome of Trade Secret Claims
<i>DC-DC Controllers and Products Containing the Same</i> , Inv. No. 337-TA-698	Patent infringement, trade secret misappropriation	Consent order and settlement agreement. Violation of consent order found in subsequent enforcement proceeding.
<i>Electric Fireplaces, Components Thereof, Manuals for Same, Certain Processes for Manufacturing or Relating to Same and Certain Products Containing Same</i> , Inv. No. 337-TA-791/826	Copyright infringement, trade secret misappropriation, breach of contract, tortious inference with contract	Violation found based on default for foreign respondents. Commission issues a 5-year limited exclusion order (“LEO”). Consent order and settlement agreement with domestic respondent.
<i>Rubber Resins and Processes for Manufacturing Same</i> , Inv. No. 337-TA-849	Trade secret misappropriation	Violation found. Commission issues a 10- year LEO. Fed. Cir. confirmed. Cert. denied at the Supreme Court challenging ITC’s authority to adjudicated trade secrets cases
<i>Paper Shredders, Certain Processes for Manufacturing or Relating to Same</i> , Inv. No. 337-TA-863	Patent infringement, trade secret misappropriation	Consent order and settlement agreement with corporate respondents. Withdrawal of complaint as to individual respondents.

Trade Secrets Cases at the ITC

Success rate for Complainants is ~ 90%

Investigation	Basis of Violation	Outcome of Trade Secret Claims
<i>Opaque Polymers</i> , Inv. No. 337-TA-883	Patent infringement, trade secret misappropriation	Violation found based on sanctions for spoliation of evidence. Commission issues 25-year LEO and holds respondent and counsel joint and severally liable for almost \$2 million of the complainant's costs and attorneys' fees.
<i>Crawler Cranes and Components Thereof</i> , Inv. No. 337-TA-887	Patent infringement, trade secret misappropriation	Violation found. Commission issues 10-year LEO and cease and desist order.
<i>Stainless Steel Products, Certain Processes for Manufacturing or Relating to Same, and Certain Products Containing Same</i> , Inv. No. 337-TA-933	Trade secret misappropriation	Violation found. Commission issues 16.7-year LEO and cease and desist order.
<i>Certain Carbon and Alloy Steel Products</i> , Inv. No. 337-TA-1002	Trade secret misappropriation, antitrust, false advertising	Some respondents found in default, Other trade secret claims withdrawn.
<i>Certain Peridental Laser Devices</i> , Inv. No. 337-TA-1070	Trade secret misappropriation, breach of contract, false advertising	Parties settled.

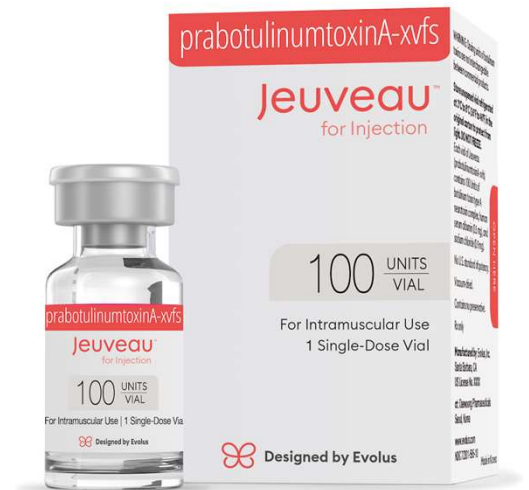
ITC Case Example: Botox (337-TA-1145)

South Korean company Medytox and its affiliates brought a complaint against South Korean company Daewoong and U.S.-based licensee Evolus over misappropriation of trade secrets relating to Botox bacteria and methods of manufacturing.

- The misappropriation occurred entirely abroad (South Korea).
- Medytox and its affiliates did not themselves practice the trade secrets.

ITC issued a Limited Exclusion Order, prohibiting importation of Daewoong/Evolus Botox products for 21 months.

- The Commission rejected the ALJ's recommendation of a 10-year ban.
- ITC also issued a cease and desist order against Evolus, preventing sale, marketing, or promotion of Daewoong and Evolus Botox products for 21 months.



Confidentiality and Trade Secret Definition



- Mandatory Protective Order
- Covers all Confidential Business Information (“CBI”)
- One level of confidentiality
- No in-house/party access to CBI
- Attorneys and experts must file acknowledgments to abide by the PO
- Easier to maintain confidentiality through trial
- ALJ will order early disclosure of claimed trade secrets but allow amendment as case continues



- PO Negotiated by the parties
- Multiple levels of confidentiality
- Often a right to access for in-house counsel/designated party representative(s)
- More difficult to maintain confidentiality through trial
- Some states require early trade secret disclosure (e.g., CA)

Procedure – Proceedings/Trial



- Governed by ITC Rules of Practice and Procedure
- No counterclaims (removed to D. Ct.)
- Bench trials before the assigned ALJ, typically limited to five days
- Federal Rules of Evidence are applied less strictly
- Parallel district court action is subject to mandatory stay



- Governed by the FRCP
- Counterclaims are mandatory/permissive
- Most trials are before a jury
- Trials can last multiple weeks

Opportunities for Early Determinations in the ITC

- **100-day proceeding**

- Pursuant to 19 C.F.R. 210.10(b)(3), the Commission can order the ALJ to issue an initial determination (ID) within 100 days of institution on any potentially case-dispositive issues (e.g., injury) to help parties avoid the costs and burdens of litigating all issues in an investigation.

- **Interim ID**

- Even if a 100-day proceeding is not ordered, the ALJ can take evidence and issue an interim ID on case-dispositive issues or those that will encourage settlement/resolve significant issues before a hearing.

- **Early determination typically sought for:** patent eligibility (Sec. 101), patent validity, standing, domestic industry, and injury requirement.