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Protecting and Enforcing Your Trade Secrets in a Global Economy

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Meet the Speakers

Katie Prescott
Principal



prescott@fr.com

Leeron Kalay
Principal



kalay@fr.com

Autumn Wu
Associate



qwu@fr.com

Agenda

- Practical trade secret protection for your global business
- Extraterritorial application of U.S. trade secret law
- Trade secret enforcement at the International Trade Commission

Trade Secret Protection Strategy

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What is a trade secret?

U.S. Defend Trade Secret Act (DTSA)	TRIPS Article 39	EU Directive 2016/943 Protection of Undisclosed Know-How and Business Information	Anti-Unfair Competition Law of the People's Republic of China ("AUCL")
<p>financial, business, scientific, technical, economic, or engineering information, ...if— (A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information</p>	<p>information: (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) has commercial value because it is secret; and (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret</p>	<p>information which meets all of the following requirements: (a) it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) it has commercial value because it is secret; (c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret</p>	<p>technical and operational information which is not known to the public, which is capable of bringing economic benefits to the owner of rights, which has practical applicability and which the owner of rights has taken measures to keep secret</p>

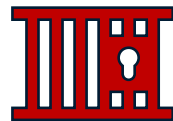
What is a trade secret?



Secret: The information is not generally known or readily ascertainable



Value: The information has actual or potential value arising from the fact that it is not generally known



Reasonable Measures to Preserve Secrecy: The owner has taken *reasonable* steps to ensure the information remains secret

Trade secrets require protection, not registration

Laws require “reasonable measures” to preserve secrecy



Identify what you want to preserve as secret

Trade secrets require protection, not registration

Laws require “reasonable measures” to preserve secrecy



What is reasonable protection?

Contracts

Physical
Security

Information
Security

Culture

Contractual Protections

- Agreement types
 - Confidentiality / non-disclosure
 - Invention assignment
 - Non-compete
 - Non-solicitation
- Where are the counter-parties located?
 - Employees
 - Consultants
 - Partners
 - Customers



Physical security

- Know where information is kept and used
- Limit and monitor facility access
- Require NDA for entry
- Prohibit photography
- Further restrict access to highly sensitive areas



Information Security

- Limit information access
 - General company information
 - The secret sauce
- Restrict information sharing
 - Downloadability
 - Personal device
 - Alternatives to email
- Control remote access
 - Server location
 - Permitted IP addresses
 - VPN requirements
- Take extra precautions in vulnerable geographies



Develop company culture of trade secret respect

- Onboarding
- Ongoing education
- Off-boarding

Extraterritorial Application of U.S. Trade Secret Laws

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The Defend Trade Secrets Act ("DTSA")

18 U.S.C. § 1836

- DTSA provides a federal cause of action for a trade secret misappropriation claim.
- It allows trade secret owners to sue in federal court for trade secret misappropriation if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.

Who Can Be Sued? (18 U.S.C. § 1837)

- (1) 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 a State or political subdivision thereof, or
- **(2) an act in furtherance of the offense was committed in the United States**

What Is “An Act in Furtherance of the Offense”?

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Attending Trade Shows

***Motorola Sols., Inc. v. Hytera Commc'ns Corp.*, 436 F. Supp. 3d 1150 (N.D. Ill. 2020)**

- Acquisition of the trade secrets occurred overseas
- Defendants advertised products embodying the allegedly stolen trade secrets at U.S. trade shows.
- Defendants' advertisement, promotion, and marketing of the allegedly misappropriated products at domestic trade shows was an unauthorized "use" sufficient to warrant extraterritorial application of the DTSA.



Misappropriated Conduct That Is “at Work”

MedImpact Healthcare Sys., Inc. v. IQVIA Inc., 2020 WL 5064253 (S.D. Cal. Aug. 27, 2020)

- The “acts in furtherance of the offense” of trade secret misappropriation:
 - Communicating with employees in California to learn about the trade secrets via phone calls and virtual meetings
 - Accessing servers in the U.S. that host the trade secrets
 - Letter to MedImpact in California to terminate a joint venture agreement



Alleging Damages in the U.S. Alone Is Not Enough

ProV Int'l Inc. v. Lucca, 2019 WL 5578880 (M.D. Fla. Oct. 29, 2019)

- **ProV's allegations:**
 - (1) Lucca, Brazilian citizen, attended a trade show in Las Vegas;
 - (2) ProV, a German and Brazilian company, lost revenues in the U.S. as a result of the trade secret misappropriation
- **The Court did not find “an act in furtherance of the offense”**
 - There's no fact connecting Lucca's attendance at the trade show with the alleged trade secret misappropriation
 - ***Damages resulted from the misappropriation “do not constitute part of the offense itself”***



But Not Much More Is Needed

Luminati Networks Ltd. v. BIScience Inc., 2019 WL 2084426 (E.D. Tex. May 13, 2019)

- Alleging damages alone is not enough, but a conclusory allegation regarding the “act” might be.
- By “*using . . . [Luminati’s] trade secrets, [BIScience] has committed acts in the State of Texas and the United States.*”



“An Act in Furtherance of the Offense”

Examples:

- Communications with individuals in the U.S. (through email, phone calls, or virtual meetings)
- Accessing computer servers located in the U.S.
- Displaying products that embody the trade secrets at U.S. trade shows
- Recruiting U.S. employees
- In-person meetings in the U.S.
- Disclosing the trade secrets to third parties in the U.S.



Jurisdiction & Enforcement in U.S.

Additional considerations for trade secret owners:

- Personal jurisdiction
- Damages

Trade Secrets at the International Trade Commission

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What is the ITC?

Administrative agency with power to hear cases involving unfair practices in import trade under Section 337 of the Tariff Act of 1930

- **Purpose of Statute:**

- Stop the importation into the U.S., the sale for importation, or the sale in the U.S. after importation of articles that infringe a valid and enforceable U.S. intellectual property right or unfair to competition

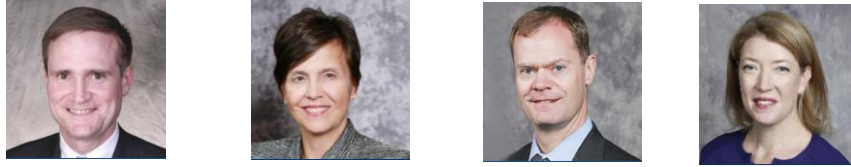
- **Remedy:**

- Exclusion Orders enforced at the borders by U.S. Customs and Border Protection
- Cease & Desist Orders enforced in the U.S. by the ITC for illegal U.S. sales activity



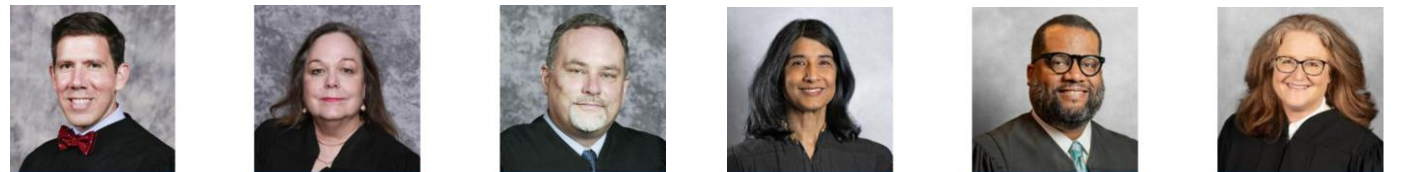
Who Makes Decisions at the ITC?

Headed by six commissioners (currently two vacancies)



- Gatekeepers
 - Vote to Institute Investigations
 - Review Initial Determinations Issued by ALJs and Make Final Determinations

Six Administrative Law Judges



- Manage litigation
 - Preside over evidentiary hearings
 - Make Initial Determinations (IDs) in Commission investigations involving unfair practices in import trade

Trade Secret Misappropriation Under Section 337

- **Statutory causes of action:**

- Patent Infringement
- Copyright Infringement
- Trademark Infringement
- Mask Work Infringement
- Hull Design Infringement

19 U.S.C. § 1337(a)(1)(B)

prohibiting the importation, sale for importation, or sale within the U.S. after importation of articles that “infringe a valid and enforceable United States patent or a valid and enforceable United States copyright”

- **Non-Statutory causes of action:**

- Trade secret misappropriation
- Unregistered trade dress infringement
- Antitrust violations

19 U.S.C. § 1337(a)(1)(A)(i)

prohibiting “[u]nfair competition and unfair acts in the importation of ... the threat or effect of which is—(i) to destroy or substantially injure an industry in the United States...”

“Domestic Industry” Under Section 337

Must be qualitatively and quantitatively significant



Injury, Threat of Injury, Tendency to Injure Domestic Industry

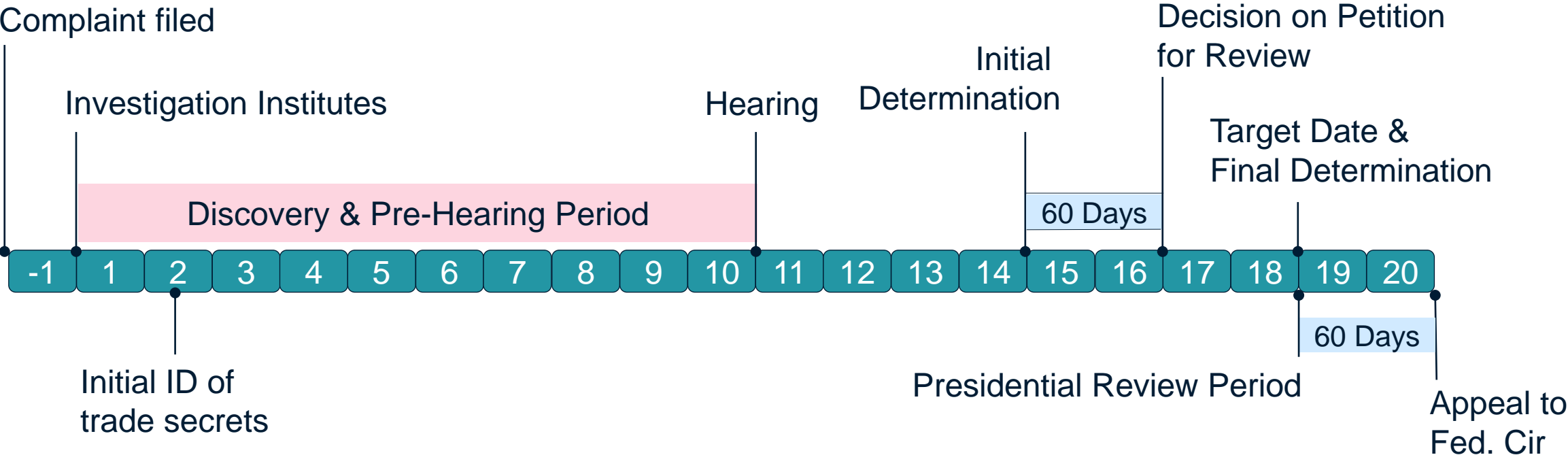
- Must “state a specific theory and provide corroborating data to support the allegation(s) in the complaint concerning the existence of a threat or effect to destroy or substantially injure a domestic industry...”
 - ITC complaint *should* include
 - The volume and trend of production, sales, and inventories of the involved domestic article;
 - Description of the facilities and number and type of workers employed in the production of the involved domestic article;
 - Profit-and-loss information covering overall operations and operations concerning the involved domestic article;
 - Pricing information with respect to the involved domestic article;
 - When available, volume and sales of imports;
 - And other pertinent data.

19 C.F.R. 210.12(a)(8)

Must establish a “causal nexus,” a relationship “between the unfair acts of the respondents and the injury.”

Speed of ITC Investigations

Key Time Periods for 18-Month Investigation:



TianRui Grp. Co. v. Int’l Trade Comm’n, 661 F.3d 1322, 1326 (Fed. Cir. 2011)

Certain Cast Steel Railway Wheels, Certain Processes for Mfg. or Relating to Same & Certain Prods. Containing Same,
Inv. No. 337-TA-655

- Complainant, Amsted, owned two secret processes for making cast railway wheels, the “ABC process” and the “Griffin process”
- ABC process *previously* used at US foundry, but at the time of filing, only used abroad. Instead, Amsted practiced the Griffin process in its US foundries
- TianRui sought to license Amsted's wheel manufacturing technology
- TianRui hired nine employees away from one of Amsted's Chinese licensees, Datong ABC Castings Company Limited



Certain Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, & Processes Therefor, Inv. No. 337-TA-1159

- Complainants, LG Chem *et al.*, sued SKI for misappropriation that largely occurred in Korea.
- LG Chem and SKI were involved in previous litigation in Korea, over SKI's hiring over 80 LG Chem employees
- LG Chem previously prevailed in Korean courts
- SKI accused of using LG Chem's trade secret information to win bids for Volkswagen and Ford electric vehicle programs



Can I Be Sued in the ITC? Who Can I Sue?

- Is there an “article” being imported into the United States?
- Is there a “domestic industry” that may be harmed?





Katherine Prescott

Principal
prescott@fr.com



Leeron Kalay

Principal
kalay@fr.com



Autumn Wu

Associate
qwu@fr.com

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