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THE DEFEND TRADE SECRETS ACT OF 2016:
A NEW WEAPON AGAINST FOREIGN MISAPPROPRIATION OF INTELLECTUAL PROPERTY

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In 2016, the United States Senate acknowledged that "annual losses to the American economy caused by trade secret theft are over $300 billion, comparable to the current annual level of U.S. exports to Asia" (Congressional Report, 114th Congress, Senate 2016). Meanwhile, the House of Representatives recognized the "significant and growing threat presented by criminals who engage in espionage on behalf of foreign adversaries and competitors" (Congressional Report, 114th Congress, House 2016). These Congressional remarks served as a preamble to the Defend Trade Secrets Act of 2016: a federal statute that empowers U.S. companies to protect their intellectual property through a new type of lawsuit. Now, U.S. companies can obtain double damages *plus* attorney's fees if another individual or company, including a foreign company, steals intellectual property—a potent federal remedy not found in most state laws.

But can U.S. companies bring this weapon to bear against foreign companies that do not have *any* physical presence within the U.S.? U.S. companies are often surprised to hear "yes". To do so, the U.S. company's counsel must accomplish two things after filing a complaint against the foreign company: first, persuade the court why the court should require the foreign company to answer; second, make the court feel comfortable in forcing the foreign company to answer by following the proper protocol set forth in the Hague Convention.

Persuading a U.S. Court to Pull the Foreign Defendant into Court

After a U.S. company sues the foreign company, the U.S. court will eventually ask how it can require the foreign defendant to show up and answer the lawsuit—the answer is called "long-arm jurisdiction". Through it, both federal and state courts can pull a foreign company or individual into court even where the company or individual is not physically present in the state in which the court sits. But how? The devil is in the details. The court will examine the foreign defendant's "contacts" within the state. For instance, is the foreign defendant doing any business in the state? Has the defendant entered into a contract by which the defendant must perform services or provide materials within the state? Is the defendant directing its employees, agents, or independent contractors to do anything within the state? With such "contacts," a U.S. court may feel comfortable pulling the foreign defendant into the lawsuit and forcing the defendant to answer the claims against it. Foreign defendants are often susceptible to long-arm jurisdiction because they use American agents to do their bidding, thereby creating "contacts" with the state in which the American agents act.

I prosecuted a recent case in which a Chinese automotive manufacturer hired and paid an American manufacturer's representative firm. The American manufacturer's representative firm then misappropriated intellectual property from an American automotive manufacturer and disclosed it to the Chinese automotive manufacturer. The Chinese company later used that information to bid on and obtain automotive supply contracts generating over $15,000,000 in revenue. The particular Chinese company has no physical presence whatsoever in the U.S. But the U.S. court was persuaded to drag the Chinese automotive manufacturer into U.S. court based on the Chinese manufacturer using an American company to do its unlawful bidding. Under these circumstances, the court believed the Chinese manufacturer had sufficient "contacts" with the U.S. to answer for its conduct in U.S. courts.

Following the Proper Protocol: The Hague Convention

Even after a U.S. company persuades a court why a foreign company should show up in U.S. courts, the U.S. company must still convince the court that proper protocol will be followed. This typically entails telling the court that the U.S. company will deliver the legal paperwork following the Hague Convention. Doing so means different things for foreign companies located in different countries. For instance, there are different steps for delivering court papers to a Chinese company through the Hague convention than a German company. Broadly speaking, however, the process typically involves having the court paperwork translated into the language of the foreign company's country, e.g., Mandarin Chinese, and then routing the paperwork through the appropriate foreign government official, e.g., China's Ministry of Justice.

For those who have been through this process before, delivering court paperwork to Chinese companies through the Hague Convention is known to be something of an anecdote. In my experience, the Chinese government typically does not take any action to serve the paperwork on the Chinese company. (I recently had a case in which the Ministry of Justice claimed it would take approximately *two years* to deliver paperwork.) A U.S. company's counsel must succinctly explain to the U.S. court the reason for delay and whether it is geopolitically motivated, as is often the case with Chinese companies. More importantly, the U.S. company's counsel must inform the U.S. court that the Hague Convention permits the U.S. court to skip going through governmental agencies after trying for six months and instead allows delivery via e-mail. For example, in the case of *Sulzer Mixpac AG v. Medenstar Indus. Co.*, 312 F.R.D. 329 (S.D.N.Y. 2015), a New York federal court permitted a U.S. company to deliver court paperwork on a Chinese company using an e-mail address located on the Chinese's company's website. In today's world of e-commerce, it is often far easier to obtain a foreign company's e-mail address than its physical address. U.S. courts increasingly recognize that people typically receive e-emails more easily than physical mail and accordingly authorize delivery of legal paperwork through this method after expiration of the six-month period.

U.S. companies can and should protect their trade secrets from foreign misappropriation by using the Defend Trade Secrets Act against foreign companies—even where those foreign companies have no physical presence in the U.S. With proper navigation, skilled counsel can persuade a U.S. court to drag a foreign company into U.S. courts and force that foreign company to pay sizeable financial penalties, including double damages and attorney's fees.

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