

Cross-Border Intellectual Property Theft - 2016

Emilio E. Varanini

Deputy Attorney General, Public Rights Division,
Department of Justice, California Office of the Attorney
General*

*The views expressed herein are those of the speaker only and should not be ascribed to the state California government or the federal U.S. government

Importance of IP

- Encourage research and development/innovation;
 - Important goal for China as well as U.S. – *see* World Bank & Development Research Center of State Council, *China 2030*, 34-38 (2013).
- Encouraging wide-spread disclosure of innovation;
- Encouraging use of innovation to create products and services; and
- Safeguarding the creation and dissemination of content:
 - <https://search.yahoo.com/yhs/search?p=monkey+king+movie+2016+trailer&ei=UTF-8&hspart=mozilla&hsimp=yhs-002>.

Intellectual Property Theft Involves Many Different Kinds of Intellectual Property

- Copyright;
- Trade Secrets;
- Trademarks;
- Control of Images/Likeness;
 - Broader than you think: <https://oag.ca.gov/news/press-releases/attorney-general-kamala-d-harris-announces-18-year-prison-sentence-cyber> (cyber exploitation).
- Counterfeiting.
 - Also broader than you think: <http://www.sfgate.com/business/article/State-attorney-general-launches-eCrime-Unit-2400767.php> (sales of counterfeit versions via eBay of expensive jewelry with otherwise tightly controlled distribution).

Intellectual Property Involves Many Different Kinds of Products

- Computer software;
- Movie/Pictures;
- Persons' Images;
- Even offering counterfeit jewelry in eBay auctions:
<https://www.youtube.com/watch?v=gIIuIIaoOmQ&feature=youtu.be>

Intellectual Property Theft Crosses International Borders

- *Advantages in Technology and Communication Enable IP Theft Across the Globe.*
- *Example:* Individual stealing the unique domain name of someone else by hacking that other person's e-mail.
- The domain name was very valuable and unique; the hacker stealing the domain name re-sold it for \$10,000.
- Tracing the theft IP address through IP address and bank through bank led to Eastern Europe.
- *Note:* Criminals in the United States can commit IP theft impacting other countries and can use servers in other countries to hide their tracks.

Intellectual Property Theft Crosses Nationwide Borders (Cont'd)

- *IP theft in one country can have downstream effects in other countries.*
 - *Tianrui Group Co. v. International Trade Commission*, 661 F.3d 1322 (Fed. Cir. 2011).
 - *People of the State of California v. Pratibha Syntex and Ningbo Beyond*:
 - <http://oag.ca.gov/news/press-releases/attorney-general-kamala-d-harris-announces-landmark-settlement-pratibha-syntex>;
 - https://oag.ca.gov/system/files/attachments/press_releases/Conformed%20Ningbo%20Complaint.pdf.

How to Fight Cross-Border IP Theft

- Role of companies in detecting pirated products.
 - Stolen product keys;
 - Monitoring dark nets/Tor;
 - Software reporting back to companies;
 - Comparing features of pirated products to the actual products
- Role of law enforcement.
 - Search warrants and civil investigative discovery (California Government Code Section 11180 et seq.).
 - Tracing IP addresses through third party hosting sites.
 - Cutting off distributors of pirated products.
 - Cutting off financing for pirated products.
 - *Gucci America v. Weixing Li (Bank of China)*, ____ F.Supp.2d ____ (2015).

How to Fight Cross-Border Theft (Cont'd)

- Criminal Cases: Imprisonment, Fines, and Restitution (Payment of Monies to Victims).
 - U.S. Office of the President, Administration Strategy of Mitigating the Theft of Trade Secrets (Feb. 2013) (fines, imprisonment);
 - California Report of *eCrime Unit* to the Legislature (2015) (fines, imprisonment, and payment of millions of dollars of restitution per year); and
 - *Randolph Guthrie III* case (2005) (international DVD ring being operated out of Shanghai – fines, imprisonment, and payment of restitution in United States; fines and imprisonment in China).

How to Fight Cross-Border Theft (Cont'd)

- Civil Cases
 - Going directly after IP theft.
 - *Example: Gucci v. Weixing Li*, ___ F.Supp.2d ___ (2015)
(tracing and confiscating illegal profits from selling counterfeit Gucci products)
 - Obtaining court orders stopping piracy and requiring audits to prevent recurrence of piracy.
 - *Example: People of the State of California v. Pratibha Syntex*,
<http://oag.ca.gov/news/press-releases/attorney-general-kamala-d-harris-announces-landmark-settlement-pratibha-syntex>

Issues with Combatting Cross-Border IP Theft

- Lack of compliance with Hague Convention versus other countries.
 - Service of complaint.
 - Service of discovery.
- Lack of courts' using full tools available to them to combat cross-border IP theft versus other countries.
- Conducting third party discovery.
 - Banks: *Gucci* (tracing flow of illegal profits off of counterfeit products from Bank of China in New York to Bank of China in Mainland China).
 - Customers.
 - Internet service providers and other intermediaries.

Issues with Combatting IP Theft (Cont'd)

- Problems with cooperation and coordination in civil/criminal cases across jurisdictions and across courts?
 - *AMSC/Sinovel* proceedings in criminal courts (U.S.) and civil courts (China).
 - *60 day shelf life* – with Internet fraud, IP addresses roughly shift that often.
- “Downstream effects” suits as a partial alternative?
 - Section 337 unfair competition International Trade Commission proceeding to bar products resulting from IP theft from entering the United States: *Tianrui Group v. International Trade Commission*, 661 F.3d 1322 (Fed. Cir. 2011).
 - California unfair competition lawsuit, barring products benefitting from IP theft from being imported into/purchased by companies in California unless there is compliance with IP laws:
https://oag.ca.gov/system/files/attachments/press_releases/Conformmed%20Ningbo%20Complaint.pdf.

Solutions for Combatting Cross-Border IP Theft

- Stressing importance of timely compliance with Hague Convention.
 - Consider mechanism for requiring appointment of agent for service if company does more than minimal business.
 - *Cf.* California Transparency in Supply Act, <http://oag.ca.gov/SB657>:
 - A company must meet certain criteria to be subject to the law. It must: (a) identify itself as a retail seller or manufacturer in its tax returns; (b) satisfy the legal requirements for “doing business” in California; and (c) have annual worldwide gross receipts exceeding \$100,000,000. The law requires companies subject to the law to disclose information regarding their efforts to eradicate human trafficking and slavery within their supply chains on their website or, if a company does not have a website, through written disclosures.

Solutions for Combatting Cross-Border IP Theft (Cont'd)

- Cooperation and coordination between agencies and between courts on IP theft.
 - *Tianrui* – Chinese company accused of stealing trade secrets disqualified from participating in Chinese government procurement.
 - *Robert Guthrie III* – cooperation between China and U.S. on international DVD piracy ring.
 - Means of enhancing Multi-Legal Assistance Treaty between the U.S. and China?

Solutions for Combatting Cross-Border IP theft (cont'd)

- Increased use of tools by courts to combat IP theft.
 - Chinese courts perceived to be faster but perceived to be hostile to discovery: Is that completely accurate?
 - *Ex parte* inspections.
- Increased cooperation/coordination between courts and reciprocal recognition of each other judgments regarding IP theft:
 - *Global Materials Technology v. Dazheng Metal Fibre Co.*, 2015 WL 1977527 (N.D. Illinois May 1, 2015) (recognition and enforcement of Chinese civil judgment by U.S. court on breach of contract disputes).
 - *Beijing Qihoo Technology Co., Ltd. v. Tencent Technology (Shenzhen) Co., Ltd.*, 2013 Civ. Judg. (Supreme People's Court Oct. 8, 2014) (China) (illustration of quality of opinions by IP panels in China, albeit from antitrust perspective).

Solutions to Combatting Cross-Border IP Theft (Finis)

- Addressing cross-jurisdictional judicial coordination while respecting national sovereignty – use of arbitration? See <http://oag.ca.gov/news/press-releases/attorney-general-kamala-d-harris-announces-landmark-settlement-pratibha-syntex>.

Thank you!

- If you have any questions, please feel free to contact me at Emilio.Varanini@doj.ca.gov.