IP Criminal Enforcement

New York China Roadshow

September 27, 2018

Eun Young Choi, Cybercrime Coordinator
Assistant United States Attorney, Southern District of New York
U.S. Department of Justice
Enforcement Network - Prosecutors

- **Computer Crime & Intellectual Property Section (CCIPS)**
  - DOJ’s experts - Attorneys, Digital Forensic Analysts
  - Prosecution / Legislation-Policy / International
  - Training, Education and Outreach (domestic / foreign)
  - National CHIP Coordinator
  - [www.cybercrime.gov](http://www.cybercrime.gov)

- **Computer Hacking & Intellectual Property Prosecutors (CHIPs)**
  - At least one in each 93 USAOs
  - 25 specialized CHIP Units
  - Over 270 specially trained prosecutors
Enforcement Network - Investigators

- **National IPR Coordination Center (DHS-ICE Led)**
  - 23 Investigative and Regulatory Partners (CCIPS is DOJ Liaison)
  - Deconfliction, investigation/interdiction, training/outreach
  - [http://www.iprcenter.gov](http://www.iprcenter.gov)

- **Federal Bureau of Investigation**
  - Partner agency at IPR Center
  - Special Agents Dedicated to IP

- **State and Local Authorities**
  - OJP IP Task Force Grant Money
  - FYs 2009 – 2014: Over $18 million in awards
Federal Priorities

Priorities
- Health and safety
- Trade secret/economic espionage
- Large-scale piracy and counterfeiting

Emphasis
- Cyber-related IP crime
- Organized criminal networks
- Increased international engagement
  - IP Law Enforcement Coordinator
  - Multi / Bilateral Working Groups (China)
- Coordination with State and Local Law Enforcement
Computer Crime & Intellectual Property Section

About CCIPS
Press Releases
Documents and Reports
Cybercrime Symposium
Career Opportunities
Report Crime
Contact CCIPS
Arranging Speakers

COMPUTER CRIME AND INTELLECTUAL PROPERTY SECTION (CCIPS)

GENERAL INFORMATION
COMPUTER CRIME AND INTELLECTUAL PROPERTY SECTION

LEADERSHIP
John Lynch
Chief, Computer Crime & Intellectual Property Section

CONTACT
Department of Justice Main Switchboard
(202) 514-2000

ABOUT THE COMPUTER CRIME & INTELLECTUAL PROPERTY SECTION

The Computer Crime and Intellectual Property Section (CCIPS) is responsible for implementing the Department's national strategies in combating computer and intellectual property crimes worldwide. CCIPS prevents, investigates, and prosecutes computer crimes by working with other government agencies, the private sector, academic institutions, and foreign counterparts. Section attorneys work to improve the domestic and international infrastructure—legal, technological, and operational—to pursue network criminals most effectively. The Section's enforcement responsibilities against intellectual property crimes are similarly multi-faceted. Intellectual Property (IP) has become one of the principal U.S. economic engines, and the nation is a target of choice for thieves of material protected by copyright, trademark, or trade-secret designation. In pursuing all these goals, CCIPS attorneys regularly run complex investigations, resolve unique legal and investigative issues raised by emerging computer and telecommunications technologies; litigate cases; provide litigation support to other prosecutors; train federal, state, and local law enforcement personnel; comment on and propose legislation; and initiate and participate in international efforts to combat computer and intellectual property crime.
REPORTING COMPUTER, INTERNET-RELATED, OR INTELLECTUAL PROPERTY CRIME

Internet-related crime, like any other crime, should be reported to appropriate law enforcement investigative authorities at the local, state, federal, or international levels, depending on the scope of the crime. Citizens who are aware of federal crimes should report them to local offices of federal law enforcement.

- Reporting computer hacking, fraud and other internet-related crime

REPORTING INTELLECTUAL PROPERTY CRIME

<table>
<thead>
<tr>
<th>Type of Crime</th>
<th>Appropriate federal investigative law enforcement agencies</th>
</tr>
</thead>
</table>
| Copyright piracy (e.g., software, movie, sound recordings) | • FBI local office  
|                                      | • U.S. Immigration and Customs Enforcement (ICE)  
|                                      | • Internet Crime Complaint Center                      |
| Trademark counterfeiting             | • FBI local office  
|                                      | • U.S. Immigration and Customs Enforcement (ICE)  
|                                      | • Internet Crime Complaint Center                      |
| Theft of trade secrets /Economic Espionage | • FBI local office |

Other Government Initiatives to Combat Cybercrime

National Intellectual Property Rights Coordination Center

The IPR Coordination Center's responsibilities include:

- Coordinating U.S. government domestic and international law enforcement activities involving IPR issues.
- Serving as a collection point for intelligence provided by private industry, as well as a channel for law enforcement to obtain cooperation from private industry (in specific law enforcement situations).
- Integrating domestic and international law enforcement intelligence with private industry information relating to IPR crime, and disseminating IPR intelligence for appropriate investigative and tactical use.
- Developing enhanced investigative, intelligence and interdiction capabilities.
- Serving as a point of contact regarding IPR law enforcement related issues.

The STOP Initiative (www.stopfakes.gov)

The stopfakes.gov website provides information to consumers and businesses on intellectual property, including information on how to report trade in fake goods.

Those with specific information regarding intellectual property crime can submit an IPR Coordination Center Complaint Referral Form.
Victim Resources

CCIPS DOCUMENTS AND REPORTS

Manuals/Guides


PROSECUTING INTELLECTUAL PROPERTY CRIMES
Third Edition


REPORTING INTELLECTUAL PROPERTY CRIME
A Guide for Victims of Copyright Infringement, Trademark Counterfeiting, and Trade Secret Theft
Second Edition

U.S. Department of Justice | Executive Office for United States Attorneys
Computer Crime and Intellectual Property Section
Criminal Division
April 2013
Eun Young Choi
Assistant United States Attorney
Southern District of New York
U.S. Department of Justice
(212) 637-2187
Eun.Young.Choi@usdoj.gov
IP Enforcement in the U.S. Federal Courts involving Chinese Entities

Prepared For:
China IP Road Show, NYIPLA

Anthony F. Lo Cicero, Esq.  September 27, 2018
### U.S. IP Enforcement Involving Chinese Entities

<table>
<thead>
<tr>
<th>Rights Owner</th>
<th>Accused Infringer</th>
<th>Potential Issues (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chinese Entities</strong></td>
<td>Chinese Entity</td>
<td>• The rights owner may not be familiar with the U.S. system, including discovery and privileges -- extensive education efforts by counsel may be needed</td>
</tr>
<tr>
<td></td>
<td>U.S. Entity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Chinese Entities</strong></td>
<td>Chinese Entity</td>
<td>• Even the service of the complaint can be challenging.</td>
</tr>
<tr>
<td></td>
<td>U.S. Entity</td>
<td>• Obtaining discovery from the accused Chinese Entity can be challenging.</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>
IP Infringement in the U.S.

### Patents

35 U.S. Code § 271

- Whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent
- Whoever actively induces infringement of a patent shall be liable as an infringer
- Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer

### Trademarks

15 U.S. Code § 1114

- Any person who shall, without the consent of the registrant -
  - use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
  - reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive

shall be liable in a civil action by the registrant for the remedies hereinafter provided
Decided by nine justices

Recently, many IP cases were heard by the Supreme Court

Decided by three-judge panel

All patent cases are heard by CAFC

Decided by one Judge/Magistrate Judge
### Potential Issues in U.S. IP Lawsuits Involving Chinese Entities

<table>
<thead>
<tr>
<th>Topics</th>
<th>Issues</th>
</tr>
</thead>
</table>
| **Service** | Unless agreed by the parties otherwise, the Complaint needs to be served via the Hague Convention:  
- It can take time and money.  
- In a trademark infringement case:  
  - a Chinese counterfeiter avoided service of the Complaint by continually changing its name -- a Chinese officer hesitated to serve the complaint unless the company name matched the name on the complaint. After the complaint was filed in the U.S. and the translation etc. was being prepared for service via the Hague Convention, the target Chinese counterfeiter changed its corporate name.  
  - a U.S. subsidiary sued together with its parent suddenly abandoned its office in California and disappeared.  
  - President of a Chinese counterfeiter disappeared to avoid the service and did not go home for a while. |
| **Discovery** | China does not permit attorneys to take depositions in China for use in foreign courts, regardless of whether the deposition is voluntary or compelled. Thus, unless a witness is willing to come to the U.S. for deposition, it is safer to assume that no deposition from a witness in China is obtainable.  
- Chinese law may be cited to object to production of documents. If the judge is persuaded, the document production may need to be requested via the Hague Convention, despite China’s history of rejecting or delaying discovery requests under the convention. |
ANTHONY F. LO CICERO, ESQ.
Amster, Rothstein & Ebenstein LLP
90 Park Avenue
New York, NY 10016
Phone: (212) 336-8110
Fax: (212) 336-8001
E-Mail: alocicero@arelaw.com
Website: http://www.arelaw.com
SECTION 337
LITIGATION AT THE ITC

TOM M. SCHAUMBERG

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WHAT IS SECTION 337?
(19 U.S.C. § 1337)

- Trade remedy to address unfair competition
  - Authorizes the ITC to investigate unfair methods of competition and unfair acts in the importation of articles into the United States
  - Enforced by the U.S. Customs and Border Protection, a component of the U.S. Department of Homeland Security

- Examples of Unfair Acts
  - Infringement of U.S. intellectual property rights (patents, trademarks, copyrights)
  - Lanham Act claims (common law trademarks, trade dress, false advertising)
  - Trade secret misappropriation
  - Other unfair competition (antitrust, false designation of origin, and others)
## ITC vs. District Court

<table>
<thead>
<tr>
<th></th>
<th>ITC</th>
<th>District Court</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Length</strong></td>
<td>Typically less than 18 months</td>
<td>Average of 3 years</td>
</tr>
<tr>
<td><strong>Parties</strong></td>
<td>Seek relief against multiple parties; ITC Office of Unfair Import Investigations may participate</td>
<td>AIA Joinder Provision rules apply</td>
</tr>
<tr>
<td><strong>Discovery</strong></td>
<td>Broad scope; nationwide subpoena power; short discovery deadlines</td>
<td>Federal Rules apply; limited subpoena power; slow discovery</td>
</tr>
<tr>
<td><strong>Confidentiality</strong></td>
<td>Strictly-policed, one-level (highest) protective order</td>
<td>Inconsistent enforcement of protective orders</td>
</tr>
<tr>
<td><strong>Remedy</strong></td>
<td>Automatic “exclusion order” barring infringing imports; nationwide cease and desist order</td>
<td>Injunction potential, but must first satisfy eBay factors</td>
</tr>
<tr>
<td><strong>Judges</strong></td>
<td>6 Administrative Law Judges handling only unfair competition and IP cases and subject to review by the full Commission.</td>
<td>677 judges with diverse caseload</td>
</tr>
<tr>
<td><strong>Review/Appeals</strong></td>
<td>Federal Circuit</td>
<td>Federal Circuit (patents) Other Circuits (trademarks, etc.)</td>
</tr>
</tbody>
</table>
SECTION 337 TIMELINE

-1

<table>
<thead>
<tr>
<th>Months</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1</td>
<td>Complaint Filed</td>
</tr>
<tr>
<td>0</td>
<td>Investigation Initiated</td>
</tr>
<tr>
<td>0</td>
<td>Public Interest Requests</td>
</tr>
<tr>
<td>7 to 9</td>
<td>Discovery &amp; Prehearing Filings</td>
</tr>
<tr>
<td>10 to 12</td>
<td>Hearing</td>
</tr>
<tr>
<td>14 to 16</td>
<td>Judge's Decision</td>
</tr>
<tr>
<td>16 to 18</td>
<td>ITC Decision &amp; Order Issued</td>
</tr>
<tr>
<td>16 to 18</td>
<td>Entry Only Under Bond</td>
</tr>
<tr>
<td></td>
<td>Presidential Review and Exclusion</td>
</tr>
</tbody>
</table>
SECTION 337 VIOLATION

- Elements of Violation
  - **Importation** into the United States, the sale for importation, or the sale within the U.S. after importation by the owner, importer or consignee of articles
  - **Infringement** of U.S. intellectual property right or other unfair act involving articles
  - **Domestic Industry** related to the articles protected by a U.S. intellectual property right or targeted by the unfair acts exists, or is in the process of being established

- Additional Element for Cases Not Involving Statutory Intellectual Property
  - **Injury**: that the threat or effect of importation is to destroy or substantially injure a domestic industry, or prevent the establishment of such an industry
DOMESTIC INDUSTRY REQUIREMENT

- Complainant’s U.S. footprint: domestic, product-centered activities
  - manufacturing, development, assembly, quality control, customer service

- For statutory intellectual property, defined in 19 U.S.C. § 1337(a)(3)
  - Evaluates whether there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work or design concerned –
    - (A) Significant investment in plant and equipment;
    - (B) Significant employment of labor or capital; or
    - (C) Substantial investment in the patent’s exploitation, including engineering, research & development, or licensing

- For other unfair acts, § 1337(a)(1) applies
  - Defined as the industry targeted by unfair acts
### 100-Day Proceedings to Date

<table>
<thead>
<tr>
<th>Inv. No</th>
<th>Institution Date</th>
<th>Title</th>
<th>Issue</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>337-TA-949</td>
<td>3/18/2015</td>
<td>Audio Processing Hardware and Software</td>
<td>Standing</td>
<td>ALJ: Standing Confirmed</td>
</tr>
<tr>
<td>337-TA-1009</td>
<td>6/24/2016</td>
<td>Inflatable Products with Tensioning Structures</td>
<td>Economic Prong of Domestic Industry</td>
<td>ID Feb. 8, 2017 (Complainant contingently established economic prong of DI under all 3 subsections of statute) Commission affirmed; Case Settled</td>
</tr>
<tr>
<td>337-TA-1025</td>
<td>10/19/2016</td>
<td>Silicon-On-Insulator Wafers</td>
<td>Economic Prong of Domestic Industry</td>
<td></td>
</tr>
</tbody>
</table>
### 100-Day Proceedings to Date

<table>
<thead>
<tr>
<th>Inv. No Institution Date</th>
<th>Title</th>
<th>Issue</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>337-TA-1094 1/22/2018</td>
<td>IoT Devices</td>
<td>Domestic Industry</td>
<td>ALJ: Patent would expire before hearing could be held Commission affirmed</td>
</tr>
<tr>
<td>337-TA-1132 9/13/2018</td>
<td>Motorized Vehicles</td>
<td>Is complainant contractually barred from enforcing its IP against named respondents</td>
<td>Pending</td>
</tr>
</tbody>
</table>
**Remedies Available**

- **Limited Exclusion Order (in rem)**
  - excludes the violating products of specific person(s) found to be violating the statute

- **General Exclusion Order (in rem)**
  - excludes all violating products, regardless of manufacturer

- **Cease and Desist Order (in personam)**
  - prohibits domestic sale, marketing, distribution, aiding and abetting, and other activities of entities found to maintain commercially significant inventory of imported violating products

- Remedy must not be contrary to the public interest
ITC REMEDIAL ORDERS

Exclusion Orders
- Limited (LEO)
- General (GEO)

“Dam the River”

Cease & Desist Orders

“Drain the Swamp”
USE OF SECTION 337 (2001-2018)

2001 – 2018
Average 37/Year
## Representative Usage - Non-U.S. Based Complainants (2015-2018)

<table>
<thead>
<tr>
<th>Country</th>
<th>Company/Products</th>
<th>Year(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbados</td>
<td>International Refills Company Ltd.</td>
<td>2016</td>
</tr>
<tr>
<td>British Virgin Is.</td>
<td>Intex Marketing Ltd.</td>
<td>2016</td>
</tr>
<tr>
<td>Canada</td>
<td>Valeant Pharmaceuticals International</td>
<td>2018</td>
</tr>
<tr>
<td>China</td>
<td>Ninebot (Tianjin) Technology Co. Ltd.</td>
<td>2016</td>
</tr>
<tr>
<td>Denmark</td>
<td>LEGO A/S</td>
<td>2015</td>
</tr>
<tr>
<td>Germany</td>
<td>Daimler AG</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>Carl Zeiss SMT GmbH</td>
<td>2018</td>
</tr>
<tr>
<td>Hungary</td>
<td>Celanese IP Hungary Bt</td>
<td>2016</td>
</tr>
<tr>
<td>Ireland</td>
<td>Endo Ventures Ltd.</td>
<td>2016</td>
</tr>
<tr>
<td>Japan</td>
<td>Fujifilm Corp.</td>
<td>2016, 2017</td>
</tr>
<tr>
<td></td>
<td>Canon Inc.</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Seiko Epson Corp.</td>
<td>2015</td>
</tr>
<tr>
<td>Korea</td>
<td>Nautilus Hyosung Inc.</td>
<td>2016</td>
</tr>
<tr>
<td>Netherlands</td>
<td>DSM IP Assets B.V.</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>NXP B.V.</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Heineken</td>
<td>2018</td>
</tr>
<tr>
<td>Norway</td>
<td>Aker BioMarine Antarctic AS</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>Laerdal Medical AS</td>
<td>2016</td>
</tr>
<tr>
<td>Singapore</td>
<td>Creative Technology Ltd.</td>
<td>2016</td>
</tr>
<tr>
<td>Sweden</td>
<td>Telefonaktiebolaget LM Ericsson</td>
<td>2015</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Varian Medical Systems Int’l AG</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Baxter Healthcare SA</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Kudelski SA</td>
<td>2017</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Reebok International Ltd.</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>Neptune Subsea</td>
<td>2017</td>
</tr>
</tbody>
</table>
337-TA-1007

COMPLAINANTS:
SEGWAY, INC;
DEKA PRODUCTS LTD.
PARTNERSHIP; AND
NINEBOT (TIANJIN) TECHNOLOGY CO. LTD.

COMPLAINTANTS:
SEGWAY INC., DEKA PRODUCTS LIMITED PARTNERSHIP, AND NINEBOT (TIANJIN) TECHNOLOGY CO. LTD.
UNDER SECTION 337 OF THE TARIFF ACT OF 1930, AS AMENDED
ACCUSED PRODUCTS IN FY 2017

Source: USITC, 2017
DISPOSITIONS 2007-2017

- Violation: 20%
- No Violation: 19%
- Complaint Withdrawn: 10%
- Settled: 50%
- Terminated due to Arbitration: 1%
Many Chinese companies used to default
- If respondents do not appear to defend against the complaint, they risk their products being excluded from the U.S. without a fight

More recently, many Chinese companies have successfully defended against Section 337 complaints
- ITC investigations consist of many elements – failure to prove only one can defeat a case
- Chinese companies need to appear and participate in the entire investigation
ENFORCEMENT OF EXCLUSION ORDERS

- U.S. Customs & Border Protection (formerly Customs Service) – within the U.S. Department of Homeland Security

- Office of International Trade
  - Regulations & Rulings; IPR Branch

- Educate Customs
  - Provide samples of infringing goods
  - Provide patent excerpts, technology tutorial

- Provide industry intelligence to Customs
  - Preferred ports, potential importers, likely means of importation
FOR MORE INFORMATION . . .

Tom M. Schaumberg
schaumberg@adduci.com
1.202.467.6300

Adduci, Mastriani & Schaumberg LLP
1133 Connecticut Ave NW
Washington, DC 20036
www.adduci.com

Editor:
A Lawyer’s Guide To Section 337 Investigations
Before the U.S. International Trade Commission