

# AUTOMOTIVE QUARTERLY



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## PROTECTING INTELLECTUAL PROPERTY AND PROPRIETARY INFORMATION IN 2012



*As the automotive industry continues to strengthen its position in what we all hope is an improving economy, protecting intellectual property, trade secrets, and company information are on the top of our list for our automotive clients in 2012. Legislation, regulations, and court rulings impact whether your information and property are protected or can be used against you by your competitors or your adversaries. From last year's America Invents Act to the Federal Circuit's decision that helps companies address trade secret misappropriations, our focus in this year's first Automotive Newsletter offers up a few reminders of what your organizations can do to protect your intellectual property and your information. Some of our reminders are simple--watching inappropriate comments in e-mails. Other reminders require a strong focus on reviewing and modifying processes needed to protect intellectual property or might require taking legal action. Based on our firm's automotive experience for close to a century, we are keenly aware of the strength of the automotive industry and our combined ability to embrace and address whatever lies ahead of us in this new year. On behalf of the attorneys in Dickinson Wright's Automotive Practice Department, I wish you great success in 2012.*

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## PROTECTING INTELLECTUAL PROPERTY

### Top Action Items Under the America Invents Act

by Christopher A. Mitchell

A historical shift has occurred in U.S. patent law--the America Invents Act, various portions of which took effect in September 2011 and other portions of which take effect later this year and early in 2013. While many debate the economic impact of the Act, in the automotive industry there's a more simple, yet urgent question being asked: What steps should we consider now to protect our intellectual property? Our top action items include:

1. The move from a first-to-invent to a first-to-file system, which commences in early 2013, is expected to encourage filing patent

applications sooner rather than later. To meet this change, enhanced internal audit and reporting systems should be implemented in advance of 2013 so that a company becomes aware of patentable subject matter earlier and can consider making more liberal use of the US provisional patent application to secure filing dates.

2. Internal decision-making processes that effect the timing of a company's patent application filings and the public disclosure of inventions must be evaluated under the Act. For example, the new novelty provisions in the Act may in some instances encourage public invention disclosures as soon as possible within a year prior to filing a patent application for such invention. However, companies are cautioned against rushing to publicly disclose incomplete inventions, as the disclosure may not be

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considered sufficiently enabling to justify the Act's protection for such disclosures.

3. Because of the first-to-file changes, companies may want to give more strategic consideration to early public disclosures of products and systems not deemed patent-worthy in order to create bars to competitors seeking patent protection for the same inventions.
4. The Act creates a post-grant review process for challenging patents. While this provides another, potentially powerful avenue to challenge competitors' patents, it demands an up-front familiarity with the law in order to understand how it fits into a larger strategy of defending against competitors' patents. Companies will want to establish improved processes for identifying competitors' issued patents for possible challenge, and work with counsel to evaluate the strategic value of post-grant review.
5. The Act will introduce a supplemental examination procedure to shore up patents with potential infirmities that may complicate any litigation involving those patents. As the USPTO develops its regulations for supplemental examination, proactive companies will want to work with counsel to examine their existing patent portfolios to determine whether the process can be used to strengthen those patents.

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## LESSONS FROM THE FIELD

### E-mail Smoking Guns

by Richard A. Wilhelm

Litigation is not an new phenomenon. Nor is the concept of the smoking gun document - the document uncovered during the lawsuit containing comments from an employee that squarely and dramatically undermines a company's claims or defenses. What has emerged as a crucial issue in many lawsuits is the enormous volume of email communications concerning underlying events that can potentially, and usually do, create a breeding ground for smoking gun statements.

Events relating to the development of new designs and products can occur over several months if not years. Typically, an automotive company has teams of manufacturing, quality and design engineers involved. Sometimes, every team member is under tremendous pressure and nerves can become frayed. And, all of the members of

those teams are constantly exchanging internal emails. And, best of all, everyone replies "to all." The result is the generation of an enormous amount of spontaneous comments that are not well thought out or that result from frustration - spontaneous comments that may contain the smoking gun.

Further aggravating the problem, the comments are immediately spread among a host of inboxes and they will never go away. They will turn up in litigation. So, what can the automotive company do to reduce the risk that such comments will be created, or ameliorate the potential for harm in subsequent litigation if they are created?

There are two broad responses to this question. First, educate your employees about the risks associated with careless emailing and on the professional way to communicate by email. Simple guidelines for generating email can reduce the potential for creating the smoking gun. Always be objective (many of us are engineers after all). Avoid stating personal opinions and conclusions. Never send an email when you're mad. If you're mad at someone pick up the phone and call them (and, if you won't call them - don't send the email). Avoid the use of incendiary language. Don't overstate potential outcomes just to make a point. Don't send emails beyond the group that actually needs the information. Avoid blaming co-employees or competing engineering groups. Before sending an email, do ask yourself whether you would like to explain your comments to your supervisor or a jury.

Second, educate managers to be on the alert for and recognize potentially harmful email. If identified early, such emails can be responded to in a manner that will help defuse the harmful impact. The response must objectively address the "smoke" and must refocus attention to the real issues and concerns like problem solving and ultimately supplying good products to your customers.

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## INTERNATIONAL TRADE PROTECTIONS

### Stopping Trade Secret Misappropriation at the Border: The International Trade Commission Provides A New Shield to Protect Against Theft of Trade Secrets

By Daniel D. Quick and H. Jonathan Redway

#### Introduction

Your company may have facilities spread across the globe, critical suppliers in far-flung locations, or simply an unscrupulous employee with an email account. Whatever your situation, trade secrets are highly portable and easy to steal and send abroad for duplication. If you knew

your trade secrets were being used in Taiwan or Tanzania, the prospect of suing in federal court would be less than satisfying, starting with questions concerning how to obtain jurisdiction over the thief.

Domestic companies now have a new shield to protect their trade secrets from misappropriation by foreign competitors: The International Trade Commission. Recently, in *TianRui Group Company v. International Trade Commission*, the Federal Circuit upheld the International Trade Commission's decision to block importation of products produced by a foreign company using trade secrets stolen from a U.S. competitor. As a result, an ITC proceeding might now be your best, fastest and easiest tool to stop the erosion of your market share by an offshore thief.

The ruling in *TianRui*

Amsted Industries is a domestic manufacturer of cast steel railway wheels. It owns two secret processes for manufacturing such wheels. One of the processes it uses in its domestic production and the other process it licenses to firms in China, including the firm Datong. The firm TianRui sought Amsted's license for wheel manufacturing technology but the parties could not agree on the terms of such a license. After these failed efforts, TianRui hired Datong employees with knowledge of Amsted's wheel manufacturing processes. Amsted alleged that those employees disclosed confidential information to TianRui in China who then manufactured wheels with Amsted's secret process and imported those wheels into the United States.

The International Trade Commission ("ITC") found that TianRui had stolen the process from Amsted and blocked importation of the misappropriated products into the United States. The Federal Circuit, in addition to affirming the ITC's decision to block importation of the misappropriated products, found:

1. the ITC should apply federal trade secret law;
2. the ITC has authority to consider alleged misappropriations that occur in foreign countries; and,
3. a domestic manufacturer can assert a trade secret violation claim even if the manufacturer is no longer practicing the trade secret, provided the misappropriated product is able to compete with domestically produced products of the manufacturer.

## What This Means for U.S. Companies: A New Shield

This ruling confirms that the ITC sits as a powerful enforcement body with regard to protecting trade secrets that are misappropriated by the foreign competitors of U.S. companies. A U.S. company is not restricted from seeking relief through the ITC merely because the conduct constituting misappropriation occurred in foreign countries or the trade secret is not currently practiced in the U.S. For large automotive, industrial and technology companies, this ruling facilitates a more accelerated, efficient and cost-effective method of protecting

proprietary information. There are several advantages to bringing a claim before the ITC when compared with traditional litigation in a federal district court.

### Expanded Jurisdiction

- Plaintiff can obtain jurisdiction over foreign parties that he/she might not otherwise be able to reach in a traditional federal district court proceeding.
- Plaintiff is entitled to discovery from foreign entities that he/she might not ordinarily be permitted to obtain through traditional federal district court proceeding.

### Fast-Track Procedure

- The ITC procedure of bringing a claim for misappropriation of trade secrets is completed in approximately one year. This is faster than most federal courts, which can often take several years.
- Discovery is fast-tracked and demanding of defendants accused of misappropriating trade secrets. Discovery begins all-but immediately upon filing of a complaint. Failure to comply with such discovery requirements can result in a finding against the respondent.

### Remedies

- The ITC's traditional remedy is an exclusion order prohibiting the entry of accused products into the United States. Accused products are seized at the border before they ever reach the U.S. market.
- Remedies can include a "general exclusion order." This remedy prohibits any manufacturer, not merely the defendant, from importing products which are developed using misappropriated information.
- One can obtain a remedy excluding not only the misappropriated product, but any product which incorporates the misappropriated product. For example, if the manufacturing process of a computer chip is found to have been misappropriated, then, assuming the chip is also found to be core to the operations of a computer, then both the chip and the computer containing the chip could be seized at the border.

Clearly, the ITC has several advantages for companies trying to protect their trade secrets. In addition, a federal court considering a claim for damages will give great weight to a favorable ITC decision.

### Conclusion

The International Trade Commission, with its authority recently reinforced by the Federal Circuit, stands as a formidable shield which

U.S. companies can use to protect their trade secrets from infringement by foreign competitors.

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## UPCOMING EVENTS

### OESA REGIONAL MEETING - NASHVILLE, TENNESSEE

Dickinson Wright PLLC is pleased to announce its sponsorship of the upcoming OESA Regional Meeting to be held on June 6, 2012, in Nashville, Tennessee. The event will be held in conjunction with the Tennessee Automotive Manufacturers' Association's Annual Golf Tournament on June 7, 2012. We hope you'll come join us for some southern hospitality in Nashville, home of one of Dickinson Wright's many offices throughout North America. Watch for more information at [www.dickinsonwright.com](http://www.dickinsonwright.com)