

Trends in Computer Technology Litigation

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Discussion Topics

- Trade Secret Preemption
- Computer Fraud & Abuse Act
- Trade Secret Specification
- Extraterritorial Enforcement of U.S. Patents
- Internet Jurisdiction Cases

Trade Secret Preemption

Trade Secret Preemption

- UTSA §7 “displacement”: statute “displaces conflicting tort, restitutionary, and other law of this State pertaining to civil liability for misappropriation of a trade secret”
- 1979: not “contractual or other civil liability that is not based on misappropriation”
- 1985: not “contractual remedies” whether or not based on misappropriation

USTA Preemption (CA)

- §7 all negative: “does not supersede any statute” re trade secrets, or affect “contractual remedies” or other remedies not based on misappropriation
- But the missing language on displacement is supplied by implication: Digital Envoy v. Google, 370 F.Supp.2d 1025 (N.D.Cal. 2005); Convolve v. Compaq, 2006 WL 839022 (S.D.N.Y. 2006)

Majority: Broad Preemption

- Opteum v. Spain, 406 F.Supp.2d 1378 (N.D.Ga. 2005) (conversion, civil theft, unjust enrichment, quantum meruit)
- Microstrategy v. Business Objects, 429 F.3d 1344 (Fed.Cir. 2005) (statutory conspiracy)
- Ethypharm v. Bentley, 388 F.Supp.2d 426 (D.Del. 2005) (fraud, not interference)

Minority: Narrow Preemption

- Burbank Grease v. Sokolowski, 717 N.W.2d 781 (Wis. 2006) (alternative claims okay if information not a trade secret; strong dissent)
- Mortgage Specialists v. Davey, 904 A.2d 652 (N.H. 2006) (Burbank Grease is nonsense)

Computer Fraud & Abuse Act

CFAA: 18 U.S.C. § 1030 *et seq.*

- Allegedly written after lawmakers watched the film *War Games*.
 - See Joseph M. Olivenbaum, Rethinking Federal Computer Crime Legislation, 27 Seton Hall L. Rev. 574, 596 (1997).
- Enacted as a criminal statute to protect sensitive government computers
- Slowly broadened over the years



Civil Liability under the CFAA

- intentionally/knowingly accesses a computer
 - without authorization or exceeding authorization
- and obtains financial/consumer credit information or any information from a protected computer (§1030(a)(2))
- has intent to defraud and obtains something of value greater than \$5,000 (§1030(a)(4))
- knowingly transmits a program, code, etc. which causes damage to a protected computer (§1030(a)(5)(A))
- damages protected computer (§ 1030(a)(5)(B) and (C))
- traffics passwords with intent to defraud (§1030(a)(6))
- intends to extort w/threat computer damage (§1030(a)(7))

Civil Liability Under the CFAA

- “computer” defined broadly
 - your blackberry probably qualifies
- “protected computer” is any computer used in interstate or foreign commerce or communication
- “damage” is loss greater than \$5,000 in one year period, harm causing physical injury, threatening public health, or impairing medical treatment or medical evaluation
- civil cause of action requires damage greater than \$5,000, physical injury, threat to public health, or impairment of medical treatment or medical evaluation
- damages and other remedies are available (injunction)


Increasing Use in Civil Cases

- Recent Case Law
 - Shurgard Storage Centers v. Safeguard Self Storage, 119 F. Supp. 2d 1121 (W.D. Wash. 2000).
 - International Airport Centers v. Citrin, 440 F.3d 418 (7th Cir. 2006).
 - ViChip Corp. v. Lee, 438 F. Supp. 2d 1087 (N.D. Cal. 2006).
- Recent Claims
 - increasingly used in ex-employee trade secret cases
 - CFAA was the very first cause of action in the federal / national Sony rootkit class action

Trade Secret Specification



Trade Secret Identification

- Trade secrets are usually defined only in litigation
 - Federal common law suggests early identification
 - Recent developments under California statute
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Background: federal cases

- Xerox Corp. v. IBM, 64 F.R.D. 367 (S.D.N.Y. 1974) (“The burden is upon the plaintiff to specify those charges, not upon the defendant to guess at what they are.”).
- Leucadia, Inc. v. Applied Extrusion Techs., Inc., 755 F. Supp. 635, 637 (D. Del. 1991) (“[D]isclosure . . . prior to discovery of defendant may be necessary to . . . ascertain the relevance of plaintiff’s discovery.”).
- Combined Metals of Chicago Ltd. v. Airtek, Inc., 985 F. Supp. 827 (N.D. Ill. 1997) (warning original trade secret specification is binding).

Purpose of Early Specification

- Discourage knee-jerk, anticompetitive complaints
- Frame the appropriate scope of discovery
- Prevent misuse of discovery process to obtain the defendant’s trade secrets
- Enable defendants to prepare complete and well-reasoned defenses

Advanced Modular Sputtering Inc. v. Super. Ct.,
132 Cal. App. 4th 826 (2005).

California Statute

“In any action alleging the misappropriation of a trade secret ..., *before commencing discovery relating to the trade secret*, the party alleging the misappropriation shall identify the trade secret with reasonable particularity subject to any [protective measures ordered by the court].”

Cal. Civ. Proc. Code § 2019.210 (formerly § 2019(d))

State Statute in Federal Court

- Computer Economics, Inc. v. Gartner Group, Inc., 50 F. Supp. 2d 980 (S.D. Cal. 1999) (“[T]he principles of Erie require application of CCP § 2019(d).”)
- Del Monte Fresh Produce Co. v. Dole Food Co., 148 F. Supp. 2d 1322 (S.D. Fla. 2001) (embracing Cal. Civ. Proc. Code § 2019(d) in non-California case)
- Neothermia Corp. v. Rubicor Medical, Inc., 345 F.Supp.2d 1042 (N.D.Cal. 2004) (trade secret description can be modified like Rule 26 initial disclosures, but may require good cause)

“Reasonable Particularity”

- Precision Required
 - Imax Corp. v. Cinema Technologies, 152 F.3d 1161 (9th Cir. 1998) (claim dismissed for failing to identify “precise numerical dimensions and tolerances”)
- Precision not required
 - Trade secret designation is to be broadly construed, as is a notice-pleading complaint, to achieve its primary purpose of setting the boundaries for discovery. Advanced Modular Sputtering Inc. v. Super. Ct., 132 Cal. App. 4th 826 (2005)
- Experts may be used at the outset
 - Trial court may rely on opinion that expert can distinguish the claimed secret from what is in the public domain. Advanced Modular Sputtering

Plaintiff Strategy

- Prepare disclosure before filing
- Don’t pin yourself down; some information is uniquely in defendant’s hands
- Don’t destroy secrecy by disclosing trade secret in complaint
- Have Protective Order ready
- More specificity needed for PI and SJ

Defense Strategy

- Object and withhold discovery
- Propound discovery
- Move for a protective order
- Move to compel trade secret designation
- Object to sufficiency of designation
- Seek discovery referee

Extraterritorial Enforcement Of U.S. Patents

Extraterritorial Enforcement Of U.S. Patents

Deepsouth Packing Co. v. Laitram Corp. (1972):

- U.S. patent laws are territorially-based
- Do not extend to overseas acts that would constitute infringement in the U.S.
- Effect: encouraged outsourcing

Legislative Response To *Deepsouth*: 271(f) and (g)

271(f)(1):

Whoever without authority ***supplies*** or causes to be supplied in or from the United States all or ***a substantial portion of the components of a patented invention***, where such components are uncombined in whole or in part, ***in such manner as to actively induce the combination of such components outside of the United States*** in a manner that would infringe the patent if such combination occurred within the United States, ***shall be liable*** as an infringer.

Legislative Response To *DeepSouth*: 271(f) and (g) (cont'd)

271(f)(2):

Whoever without authority **supplies** or causes to be supplied in or from the United States **any component of a patented invention that is especially made or especially adapted for use in the invention** and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, **knowing** that such component is so made or adapted **and intending that such component will be combined outside of the United States in a manner that would infringe** the patent if such combination occurred within the United States, **shall be liable** as an infringer.

Pellegrini v. Analog Devices (Fed. Cir. 2004)

- Rejected claim that 271(f) extended to defendant that designed components in US and sent instructions for manufacturing them abroad
- “271(f)(2) clearly refers to **physical** supply of components, not simply to the supply of instructions or corporate oversight”

Eolas Technologies v. Microsoft Corp. (Fed. Cir. 2005)

- Golden master disk shipped abroad created liability
- No reason to treat software different from other types of inventions
- “Components” not limited to physical components
- Differentiating *Pellegrini*: components *of the patented invention* were not shipped to/from the US
- Incentive to outsource software development?

AT&T v. Microsoft (Fed. Cir. 2005)

- Software alone can be a “component”
- “Sending a single copy abroad with the intent that it be replicated invokes 271(f) liability for those foreign-made copies”
- Differentiating *Pellegrini*: what is supplied is the actual component, not instructions for foreign engineers to design and code Windows
 - Mayer dissenting: the component supplied is not used in the accused products, only a *copy* of it is
- Whether code is sent electronically or on disk is immaterial
- 271(f) was intended to close a loophole and “should be construed broadly to effectuate its purposes”

Union Carbide v. Shell Oil (Fed. Cir. 2005)

- 271(f) extends to process claims
- Defendant liable for exporting chemicals to be used in patented process abroad

NPT v. Research in Motion (Fed. Cir. 2004) – 271(a)

- “The plain language of section 271(a) does not preclude infringement where a system . . . is used within the United States even through a component of that system is physically located outside the United States.”
- “The location of the infringement is within United States territory, not abroad as in *Deepsouth*”
- The question is whether the “control and beneficial use” of the system is within the US
- On rehearing:
 - The above applies to system claims
 - For process claims, each process step must be performed domestically

Avoiding Extraterritorial Issues Through Prosecution

- No process claims where part of process occurs abroad
- Client-side or server-side software or activities
- Semiconductors designed in US: design files
- Sending or receiving data/signals configured in a particular format (or the signals themselves)
- Manufacturing methods designed to trigger 271(g)
- International filing

Internet Jurisdiction

U.S. Jurisdiction

settling down

- Jurisdiction for defamation claims firmly based on narrow reading of Calder v. Jones effects test (tortious conduct must be aimed at, and the effects felt in, the jurisdiction)
 - Young v. New Haven Advocate, 315 F.3d 256 (4th Cir. 2002).
 - Revell v. Lidov, 317 F.3d 467 (5th Cir. 2002).
- Jurisdiction for other on-line torts appears to be the same
 - Vendesic, Inc. v. Oracle Lens Manufacturing, 2005 WL 2810696 (W.D. Wash. 2005) (New York company subject to jurisdiction in Washington for trade secret misappropriation, trespass to chattel and other claims due to alleged hacking into the Washington company's website and server because New York company knew the effects of its tortious conduct would be felt in Washington).

Foreign Jurisdiction

might be settling down

- Foreign Decisions re Jurisdiction Broadly Find Jurisdiction
 - Bangoura v. Washington Post (Ontario 2004/2005).
 - Barrick Gold Corp. vs. Lopehandia (Ontario 2004).
 - “Libelous postings on the Internet are distinct and merit greater damages awards.” . . . “Virtually Limitless International Jurisdiction” for “Virtually Limitless International Defamation.”
 - Lewis v. King (England 2004).
 - Richardson v. Schwarzenegger (England 2004).
 - Gutnick v. Dow Jones (Australia 2002).
 - “Libel cases based on Internet material could be mounted anywhere in the world, after a landmark judgment handed down by the High Court today.” *The Age* (Australia), Dec. 10, 2002.
- Welcome Change in 2006 from the House of Lords
 - Jameel v. Wall Street Journal Europe (England 2006).

