



10 May
2021

Beware unintended consequences of proposals to tackle IP theft, warns trade secrets guru

Five years after legislation significantly improved trade secret protection in the US, Jim Pooley tells IAM in an interview, more policymakers on Capitol Hill are advocating tough policing of potential IP theft by Chinese entities - for good and not so good reasons

The current US Congress is still in its early days but if the first few months are anything to go by we can expect plenty of discussion and proposed legislation on the subject of IP theft and specifically on protecting their trade secrets.

Last week, Senators Grassley and Whitehouse issued the [Stop Theft of Intellectual Property Act 2021](#). If enacted, this would see foreign nationals who engage in IP theft facing potential deportation from the US.

Another proposed bill comes from Senator Graham. He put out a [news release](#) last month about his introduction of "The Combating Chinese Purloining (CCP) of Trade Secrets Act". Among other things, the bill would include "prohibition on applications for patent protections by US Patent and Trademark office" for foreign persons who misappropriate a trade secret.

"My legislation is designed to deter behaviour, much of it from China, that results in the loss of trade secrets, intellectual property, and sensitive government research," Graham announced.

Senators Van Hollen and Sasse have also had their say with their "Protecting American Intellectual Property Act", which [passed the Senate](#) late last year and, last month, was [reintroduced](#) in the new Congress. That proposes levying economic penalties on companies or individuals who have been found to have engaged in the theft of US IP.

Whether any of these bills actually become law remains to be seen. It has only been five years since the Defend Trade Secrets Act (DTSA) was passed, handing rights owners a powerful new route to bring cases under federal law. There hasn't been an indication yet that this legislation hasn't given US authorities enough powers to tackle the problem of IP theft - a message that trade secrets expert [Jim Pooley](#) reiterated in a recent interview with *IAM*.

"These [bills] were not generated from a sense of concern that trade secrets in general are not being sufficiently supported or that the DTSA is not working or that prosecutions under the Economic Espionage Act are somehow not hitting the mark," Pooley remarked.

Perhaps not surprisingly, Pooley stressed that what had changed the dynamic are the geopolitical tensions between the US and the world's most populous country. "China was a concern five years ago, now it's an almost rabid concern on the part of a number of politicians for good reasons and not so good, in my view," Pooley said.

"I think the elevated concern over China is largely justified but that part is more performative - that you want to be seen to be tough on China - and this is what has me worried because of the unintended consequences," Pooley commented.

The danger, should some of the proposed legislations' more radical ideas become law, is that it will prompt a tit-for-tat response.

"Whenever you take measures that are designed to punish and discourage behaviour by a foreign country or coming from a foreign country, what you risk is that that country or other countries will enact similar legislation of their own," Pooley stressed.

In recent years legislators on Capitol Hill have been making ever more radical suggestions around how the US could use the IP system to get tough on China's leading tech players. In 2019 Senator Rubio even [floated the idea](#) of preventing Huawei from seeking damages in patent litigation after it [emerged](#) that the Chinese tech giant had asked Verizon to pay \$1 billion in licensing royalties.

Graham's proposal that transgressors should be prohibited from filing for US patents might raise alarm about a similarly harsh response affecting the legions of US companies that have significantly increased their Chinese patent portfolios in recent years. That may not be an appealing prospect for a business like Qualcomm which makes a huge chunk of its revenue from device makers in China.

The risk, Pooley underlined, is that ideas around a balanced playing field and rights owners being given due process in overseas courts, which have traditionally underpinned US policy, might be undermined if the US pursues lopsided measures.

“We want our companies that are engaged in litigation in China to be treated appropriately but what we’re risking here is that by putting up these kinds of barriers without due process we’re basically sending a contrary message,” he stated.

Pooley, who was a key voice in the passage of the DTSA, underlined that the legislation was working largely as was hoped when it was enacted in 2016. He pointed to the large number of trade secrets cases now being filed in federal courts and to developments in the case law such as the decision in [Motorola v Hytera](#), which found that the DTSA could apply to IP theft outside of the US.

“At the moment we don’t need to fix the existing tool in some way to make it more effective,” Pooley insisted. “What I do think we need to do is, a little more broadly speaking around intellectual property, come up with a national strategy for innovation that will increase our competitiveness in a way that hoping additional blocking or punishment mechanisms might not.”

Pooley stressed that he is happy to see a focus on strengthening IP rights, particularly in trade secrets, but added that: “At the same time I worry that the long-term effects of these kinds of proposals may not be what we really want.”

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