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Unsealed Indictment Illustrates Interplay Between Criminal and Civil Liability for Theft of Trade Secrets

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The U.S. Attorney's Office for the Northern District of Illinois recently unsealed an indictment against Hytera Communications Corporation, Ltd. ("Hytera"), a company headquartered in Shenzhen, China, and several individuals, charging each with conspiracy to commit theft of trade secrets.¹ The indictment's allegations parallel those made in two civil complaints by Motorola Solutions Inc. ("Motorola") filed against Hytera for theft of trade secrets and patent infringement in the same court in 2017.²

The indictment reflects a continuing pattern of the U.S. government aggressively pursuing trade secrets cases under the Espionage Act against Chinese companies. It also provides an interesting

case study in the interplay between civil litigation that parallels a criminal investigation.

BACKGROUND

The 21-count indictment against Hytera and former Motorola employees was filed in May 2021 by a special grand jury empaneled in November 2019. The indictment sets forth the following factual allegations: Beginning in June 2007, the CEO of Hytera recruited Motorola engineers to steal trade secrets relating to Motorola's digital mobile radio ("DMR") technology (AKA "walkie-talkies"). Hytera offered these Motorola engineers higher salaries and benefits than they were receiving from Motorola. After the engineers allegedly accessed and downloaded thousands of sensitive files containing information on Motorola's DMR technology, they went to work for Hytera and helped the company develop DMR products that recycled the stolen Motorola technology. The indictment cites a number of internal Hytera emails between these employees that support these allegations. Hytera began selling DMR products in 2010. The indictment charges Hytera and the individual engineers with engaging in a conspiracy to misappropriate trade secrets in violation of the Espionage Act, 18 U.S.C. § 1832.

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The indictment's allegations mirror those in two civil complaints filed by Motorola in the Northern District of Illinois in March 2017 against Hytera. Those cases alleged misappropriation of trade secrets under the federal Defend Trade Secrets Act, 18 U.S.C. § 1836 and Illinois law, copyright infringement and patent infringement. In February 2020, a jury awarded Motorola \$764 million in compensatory and punitive damages against Hytera based on the trade secret claims – an amount the district court lowered to \$544 million almost a year later in January 2021. If convicted in the criminal case, Hytera and the individual defendants could face a criminal fine up to three times the value of the stolen trade secrets and forfeiture of any proceeds gained as a result of the alleged misappropriation.

Notably, to satisfy the requirement of overt acts taken in the United States in furtherance of the conspiracy, the indictment cites actions taken by Hytera in connection with the civil lawsuit. Specifically, the indictment alleges that one of the individual defendants “emailed Hytera’s CEO about ‘aligning’ his story . . . in connection” with the Motorola lawsuit. The indictment also alleges that a Hytera employee testified in the civil case that an individual defendant “was fired in the fall of 2018 for refusing to cooperate with Hytera’s internal investigation, when in fact [they] worked for Hytera from no later than December 2018, throughout the trial of the Civil Case, to at least June 22, 2020.”

TAKEAWAYS

The indictment against Hytera continues a pattern of aggressive enforcement by the U.S. government of trade secrets cases against Chinese entities and individuals.

For example, in January 2019, the U.S. Department of Justice (“DOJ”) unsealed a criminal indictment against Huawei Technologies Co. Ltd. (“Huawei”), another Shenzhen-based telecommunications company, and individual defendants for misappropriating trade secrets from multiple U.S. companies (including trade secrets relating to a T-Mobile smartphone testing robot named “Tappy”).³

In November 2018, the DOJ unsealed an indictment against Taiwan-based United Microelectronics Corporation, Inc. (“UMC”) and Fujian Jinhua Integrated Circuit Co., Ltd. (“Fujian Jinhua”), a

state-owned enterprise of the People’s Republic of China.⁴ Nearly two years later, in October 2020, UMC entered into a plea deal with the government in which it agreed to pay a \$60 million criminal fine and cooperate with the government in the investigation against Fujian Jinhua.⁵ In each of these cases, the allegations charge that the company defendants recruited employees of U.S. companies to steal trade secrets.

Moreover, the Hytera indictment provides another example of how civil litigation may intertwine with criminal investigations into the same underlying conduct. As with Hytera, the criminal actions against Huawei, UMC and Fujian Jinhua were paralleled by civil litigation. The interplay between parallel actions is most apparent in the Hytera matter, where events in the civil litigation actually became incorporated into the indictment as overt acts taken in furtherance of the conspiracy. Notably, the Espionage Act for criminal trade secret matters has a five-year statute of limitations, as compared with the three years provided for in the Defend Trade Secrets Act. These cases illustrate the interplay between civil and criminal liability for misappropriation of trade secrets, including in cases against foreign firms, and the importance of being mindful of potential collateral criminal risk when defending such matters.

Notes

1. Indictment, *U.S. v. Hytera Communications Corp., Ltd.*, et al., 20 CR 688 (N.D. Ill), available at <https://www.justice.gov/opa/press-release/file/1469761/download>.
2. *Motorola Solutions Inc. v. Hytera Communications Corp. Ltd.*, et al., 1:17-cv-1972 (N.D. Ill); *Motorola Solutions Inc. v. Hytera Communications Corp. Ltd.*, et al., 1:17-cv-1973 (N.D. Ill).
3. Indictment, *U.S. v. Huawei Technologies Co., Ltd.*, et al., Cr. No. 18-457 (E.D.N.Y.), available at <https://www.justice.gov/opa/press-release/file/1248961/download>.
4. Indictment, *U.S. v. United Microelectronics Corporation*, et al., Cr. No. 18-465 (N.D. Cal.), available at <https://www.justice.gov/opa/press-release/file/1107251/download>.
5. U.S. Department of Justice Press Release, “Taiwan Company Pleads Guilty to Trade Secret Theft in Criminal Case Involving PRC State-Owned Company,” (October 28, 2020), available at <https://www.justice.gov/opa/pr/taiwan-company-pleads-guilty-trade-secret-theft-criminal-case-involving-prc-state-owned>.

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