

LEGAL & TAX NEWSLETTER

GERMAN AMERICAN CHAMBER OF COMMERCE, INC. · NEW YORK

VOL. 1 · 2013



German American
Chambers of Commerce
Deutsch-Amerikanische
Handelskammern



The German Chamber Network 

CONTENTS

I. Corporate & Finance

1. Financial Markets

Chadbourne & Parke LLP
 Critical U.S. Legal Issues
 to Consider When Restructuring
 Corporate Bonds 3

2. International Transactions

Sidney N. Weiss
 U.S. IRANIAN EMBARGOES
 and SANCTIONS AND
 GERMAN BUSINESS 6

II. Employment & Labor

1. International Employment Law

Phillips Nizer LLP
 Entsendung deutscher
 Angestellter in eine
 US-Tochtergesellschaft 8

III. Energy, Environmental & Land Development

1. Environmental

Hodgson Russ LLP
 The Far Reach Of
 California Proposition 65 11

IV. Intellectual Property

1. International IP

Gibbons P.C.
 Trade Secrets – What You Don't
 Safeguard Might Hurt you! 13

2. IP Litigation

Nietzer & Häusler
 Protect your Domain: Gefahr
 des Domainverlustes durch
 U.S.-Versäumnisurteil 15

3. Patents

Vonnemann Kloiber & Kollegen
 Unitary European Patent and
 Unified Patent Litigation System
 are about to enter the home stretch! 17

V. Tax

1. International Tax

**Dworken, Hillman, LaMorte &
Sterczala, P.C.**
 Doing Business in the US –
 When does a Foreign Based
 Business Cross the Line? 18

Deloitte Tax LLP

Swerving from the cliff:
 American Taxpayer Relief Act
 of 2012 20

ParenteBeard LLC

Determination of your
 tax liability status
 in the United States 22

Rödl & Partner

Folgen ausgewählter
 US-Steueränderungen
 auf deutsches Investment
 in den USA 24

2. State and Local Tax

WeiserMazars LLP
 A Primer on Sales
 and Use Tax 26

3. Others

AugustinPartners LLC
 Late Filing Can Be Costly
 Beyond Late Filing and
 Payment Penalties 28

VI. Others

1. European Law

Noerr LLP
 Recast of EU Regulation
 on Cosmetics: Far-Reaching
 Changes for Manufacturers
 and Vendors of Cosmetics
 in the European Union
 as of July 2013 30



David E. De Lorenzi
 Chair
 Intellectual Property
 T +1 (973) 596 4743
 F +1 (973) 639 6235
ddelorenzi@gibbonslaw.com



Ralph A. Dengler
 Director
 Intellectual Property
 T +1 (973) 596 4825
 F +1 (973) 639 6381
rdengler@gibbonslaw.com

Gibbons P.C.
 One Gateway Center
 Newark, NJ 07102
www.gibbonslaw.com



Trade Secrets – What You Don’t Safeguard Might Hurt You!

Trade secrets, which broadly consist of valuable information that is kept secret to afford an economic advantage, take on different forms: customer lists; formulas, patterns, projections and recipes. Just as with other forms of Intellectual Property, such as patents, trademarks and copyrights, companies need to strictly enforce policies relating to trade secrets and vigilantly protect them.

Yet, in a recent global report by Symantec, a disturbing 50% of employees who lost or left their jobs in the past 12 months indicated they kept confidential company data upon their departure. Of these, an unsettling 40% indicated they planned to use this information in their new jobs, despite its proprietary nature. Exacerbating the situation is the perception on the part of employees that it is acceptable to retain confidential corporate information, and that employers do not care. Obviously, employers should – and do – care.

As does the U.S. government. The White House recently released a report, the “Administration Strategy On Mitigating The Theft Of U.S. Trade Secrets,” setting forth its multi-pronged approach to protect “[o]ur single greatest asset . . . the innovation and the ingenuity and creativity of the American people.” This report follows the recent passage of the Theft of Trade Secrets Clarification Act of 2012, (S. 3642), which expanded the definition of trade secrets under the Economic Espionage Act of 1996 (EEA), 18 U.S.C. § 1832. This broadened definition makes clear that trade secrets protected by the EEA may be those merely “related to” a product or service used in or intended for use in interstate or foreign commerce, even if the trade secret itself is not used directly in such product or service. Thus, protected trade secrets now encompass technical know-how that need not become part of a product or service to be enforced.

This legislation closed a loophole in the EEA and National Stolen Property Act (“NSPA”), 18 U.S.C. § 2314, as highlighted by the decision of the U.S. Court of Appeals for the Second Circuit in *United States v. Aleynikov*. There, the Second Circuit reversed a jury’s finding that Aleynikov, a computer programmer, breached his confidentiality agreement with his employer, Goldman Sachs, when he misappropriated proprietary computer code relating to its high-frequency trading system. The court determined that Aleynikov should never have faced criminal charges for his conduct under either the EEA or the NSPA. Regarding the EEA, the court found that Goldman’s trading system was neither “produced for” nor “placed in” commerce because Goldman had no intention of selling the system to anyone, and hence, did not constitute trade secrets covered by the Act. Further, the court noted that storing an intangible property (source code) on a tangible medium (a remote server) does not change the intangible property into a stolen “good,” under the NSPA. Thus, although Aleynikov should have known that his



David E. De Lorenzi
Chair
Intellectual Property
T +1 (973) 596 4743
F +1 (973) 639 6235
ddelorenzi@gibbonslaw.com

Ralph A. Dengler
Director
Intellectual Property
T +1 (973) 596 4825
F +1 (973) 639 6381
rdengler@gibbonslaw.com

Gibbons P.C.
One Gateway Center
Newark, NJ 07102
www.gibbonslaw.com

GIBBONS

Trade Secrets – What You Don't Safeguard Might Hurt You!

conduct was in breach of his confidentiality obligations to his former employer, the court nevertheless ruled it was not violative of either of the EEA or the NSPA.

Previously, in *TianRui Group Co. Ltd. v. U.S. Int'l Trade Comm'n*, the Court of Appeals for the Federal Circuit affirmed that the International Trade Commission (ITC) has authority under Section 337 of the Tariff Act of 1930 to investigate and grant relief based on overseas conduct in order to protect domestic industries. This seminal decision gives teeth to U.S. companies seeking to prevent the importation of articles into the US that resulted from a misappropriation taking place overseas.

Despite these significant developments, and parallel attention in many state courts and legislatures, companies would be remiss to rely upon government action or litigation alone to protect their confidential and proprietary information. Rather, employers should develop, implement and police an internal trade secrets protection plan. At minimum, this should include: 1) auditing their employment policies, non-disclosure and restrictive covenant agreements, particularly in light of recent legislative changes; 2) analyzing their physical security of files, information and computer equipment, as well as access for employees, and particularly off-site or remote data access; and 3) scrutinizing departing employees well before data potentially can be misappropriated.

Implementing these best practices to safeguard trade secrets must be a proactive part of any business strategy.

Ralph A. Dengler, a Director in the Intellectual Property Department at Gibbons, is of German-American heritage and speaks German. He has extensive experience litigating Intellectual Property matters. The firm's Intellectual Property Department provides a full range of patent, trademark, copyright, unfair competition, E-commerce, trade secret, and computer and Internet law experience, including litigation, strategic licensing and transactional work, patent prosecution, trademark and copyright registrations, corporate due diligence, intellectual property audits and general intellectual property counseling.

