

114TH CONGRESS
1ST SESSION

S. 1890

To amend chapter 90 of title 18, United States Code, to provide Federal jurisdiction for the theft of trade secrets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 29, 2015

Mr. HATCH (for himself, Mr. COONS, Mr. FLAKE, Mr. DURBIN, Mr. TILLIS, and Ms. BALDWIN) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

To amend chapter 90 of title 18, United States Code, to provide Federal jurisdiction for the theft of trade secrets, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Defend Trade Secrets
5 Act of 2015”.

1 **SEC. 2. FEDERAL JURISDICTION FOR THEFT OF TRADE SE-**
2 **CRETS.**

3 (a) IN GENERAL.—Section 1836 of title 18, United
4 States Code, is amended by striking subsection (b) and
5 inserting the following:

6 “(b) PRIVATE CIVIL ACTIONS.—

7 “(1) IN GENERAL.—An owner of a trade secret
8 may bring a civil action under this subsection if the
9 person is aggrieved by a misappropriation of a trade
10 secret that is related to a product or service used in,
11 or intended for use in, interstate or foreign com-
12 merce.

13 “(2) CIVIL SEIZURE.—

14 “(A) IN GENERAL.—

15 “(i) APPLICATION.—Based on an affi-
16 davit or verified complaint satisfying the
17 requirements of this paragraph, the court
18 may, upon ex parte application, issue an
19 order providing for the seizure of property
20 necessary to prevent the propagation or
21 dissemination of the trade secret that is
22 the subject of the action.

23 “(ii) REQUIREMENTS FOR ISSUING
24 ORDER.—The court may not grant an ap-
25 plication under clause (i) unless the court

1 finds that it clearly appears from specific
2 facts that—

3 “(I) an order issued pursuant to
4 Rule 65(b) of the Federal Rules of
5 Civil Procedure would be inadequate
6 to achieve the purpose of this para-
7 graph because the party to which the
8 order would be issued would evade,
9 avoid, or otherwise not comply with
10 such an order;

11 “(II) an immediate and irrep-
12 arable injury will occur if such seizure
13 is not ordered;

14 “(III) the harm to the applicant
15 of denying the application outweighs
16 the harm to the legitimate interests of
17 the person against whom seizure
18 would be ordered of granting the ap-
19 plication and substantially outweighs
20 the harm to any third parties who
21 may be harmed by such seizure;

22 “(IV) the applicant is likely to
23 succeed in showing that—

24 “(aa) the information is a
25 trade secret;

1 “(bb) the person against
2 whom seizure would be ordered—

3 “(AA) misappropriated
4 the trade secret of the appli-
5 cant by improper means; or

6 “(BB) conspired to use
7 improper means to mis-
8 appropriate the trade secret
9 of the applicant; and

10 “(cc) the person against
11 whom seizure would be ordered
12 has possession of the trade se-
13 cret;

14 “(V) the application describes
15 with reasonable particularity the mat-
16 ter to be seized and, to the extent rea-
17 sonable under the circumstances,
18 identifies the location where the mat-
19 ter is to be seized;

20 “(VI) the person against whom
21 seizure would be ordered, or persons
22 acting in concert with such person,
23 would destroy, move, hide, or other-
24 wise make such matter inaccessible to

1 the court, if the applicant were to pro-
2 ceed on notice to such person; and

3 “(VII) the applicant has not pub-
4 licized the requested seizure.

5 “(B) ELEMENTS OF ORDER.—If an order
6 is issued under subparagraph (A), it shall—

7 “(i) set forth findings of fact and con-
8 clusions of law required for the order;

9 “(ii) provide for the narrowest seizure
10 of property necessary to achieve the pur-
11 pose of this paragraph and direct that the
12 seizure be conducted in a manner that
13 minimizes any interruption of the business
14 operations of third parties and, to the ex-
15 tent possible, does not interrupt the legiti-
16 mate business operations of the person ac-
17 cused of misappropriating the trade secret
18 that are unrelated to the trade secret that
19 has allegedly been misappropriated;

20 “(iii)(I) be accompanied by an order
21 protecting the seized property from dislo-
22 sure by restricting the access of the appli-
23 cant, including during the seizure, and pro-
24 hibiting any copies, in whole or in part, of
25 the seized property, to prevent undue dam-

1 age to the party against whom the order
2 has issued or others, until such parties
3 have an opportunity to be heard in court;
4 and

5 “(II) if access is granted to the appli-
6 cant, the access shall be consistent with
7 subparagraph (D);

8 “(iv) set a date for a hearing de-
9 scribed in subparagraph (F) at the earliest
10 possible time, and not later than 7 days
11 after the order has issued, unless the party
12 against whom the order is directed and
13 others harmed by the order consent to an-
14 other date for the hearing, except that a
15 party against whom the order has issued
16 or any person harmed by the order may
17 move the court at any time to dissolve or
18 modify the order after giving notice to the
19 applicant who obtained the order; and

20 “(v) require the person obtaining the
21 order to provide the security determined
22 adequate by the court for the payment of
23 the damages that any person may be enti-
24 tled to recover as a result of a wrongful or

1 excessive seizure or wrongful or excessive
2 attempted seizure under this paragraph.

3 “(C) PROTECTION FROM PUBLICITY.—The
4 court shall take appropriate action to protect
5 the person against whom an order under this
6 paragraph is directed from publicity, by or at
7 the behest of the person obtaining the order,
8 about such order and any seizure under such
9 order.

10 “(D) MATERIALS IN CUSTODY OF
11 COURT.—Any materials seized under this para-
12 graph shall be taken into the custody of the
13 court. The court shall secure the seized material
14 from physical and electronic access during the
15 seizure and while in the custody of the court.
16 If the seized material includes an electronic
17 storage medium, or if the seized material is
18 stored on an electronic storage medium, the
19 court shall prohibit the medium from being con-
20 nected to an electronic network or the Internet
21 without the consent of both parties, until the
22 hearing required under subparagraph (B)(iv)
23 and described in subparagraph (F).

24 “(E) SERVICE OF ORDER.—The court shall
25 order that service of a copy of the order under

1 this paragraph, and the submissions of the ap-
2 plicant to obtain the order, shall be made by a
3 Federal law enforcement officer, or may be
4 made by a State or local law enforcement offi-
5 cer, who, upon making service, shall carry out
6 the seizure under the order.

7 “(F) SEIZURE HEARING.—

8 “(i) DATE.—A court that issues a sei-
9 zure order shall hold a hearing on the date
10 set by the court under subparagraph
11 (B)(iv).

12 “(ii) BURDEN OF PROOF.—At a hear-
13 ing held under this subparagraph, the
14 party obtaining the order shall have the
15 burden to prove that the facts supporting
16 the findings of fact and conclusions of law
17 necessary to support the order are still in
18 effect. If the party fails to meet that bur-
19 den, the seizure order shall be dissolved or
20 modified appropriately.

21 “(iii) DISSOLUTION OR MODIFICATION
22 OF ORDER.—A party against whom the
23 order has been issued or any person
24 harmed by the order may move the court
25 at any time to dissolve or modify the order

1 after giving notice to the party who ob-
2 tained the order.

3 “(iv) DISCOVERY TIME LIMITS.—The
4 court may make such orders modifying the
5 time limits for discovery under the Federal
6 Rules of Civil Procedure as may be nec-
7 essary to prevent the frustration of the
8 purposes of a hearing under this subpara-
9 graph.

10 “(G) ACTION FOR DAMAGE CAUSED BY
11 WRONGFUL SEIZURE.—A person who suffers
12 damage by reason of a wrongful or excessive
13 seizure under this paragraph has a cause of ac-
14 tion against the applicant for the order under
15 which such seizure was made, and shall be enti-
16 tled to the same relief as is provided under sec-
17 tion 34(d)(11) of the Trademark Act of 1946
18 (15 U.S.C. 1116(d)(11)). The security posted
19 with the court under subparagraph (B)(v) shall
20 not limit the recovery of third parties for dam-
21 ages.

22 “(H) MOTION FOR ENCRYPTION.—A party
23 may make a motion at any time, which may be
24 heard ex parte, to encrypt any material seized
25 or to be seized under this paragraph that is

1 stored on an electronic storage medium. The
2 motion shall include, when possible, the desired
3 encryption method.

4 “(3) REMEDIES.—In a civil action brought
5 under this subsection with respect to the misappropriation of a trade secret, a court may—

7 “(A) grant an injunction—

8 “(i) to prevent any actual or threatened
9 misappropriation described in paragraph (1) on such terms as the court
10 deems reasonable, provided the order does
11 not prevent a person from accepting an
12 offer of employment under conditions that
13 avoid actual or threatened misappropriation described in paragraph (1);

16 “(ii) if determined appropriate by the
17 court, requiring affirmative actions to be
18 taken to protect the trade secret; and

20 “(iii) in exceptional circumstances
21 that render an injunction inequitable, that
22 conditions future use of the trade secret
23 upon payment of a reasonable royalty for
24 no longer than the period of time for which
such use could have been prohibited;

25 “(B) award—

1 “(i)(I) damages for actual loss caused
2 by the misappropriation of the trade se-
3 cret; and

4 “(II) damages for any unjust enrich-
5 ment caused by the misappropriation of
6 the trade secret that is not addressed in
7 computing damages for actual loss; or

8 “(ii) in lieu of damages measured by
9 any other methods, the damages caused by
10 the misappropriation measured by imposi-
11 tion of liability for a reasonable royalty for
12 the misappropriator’s unauthorized disclo-
13 sure or use of the trade secret;

14 “(C) if the trade secret is willfully and ma-
15 liciously misappropriated, award exemplary
16 damages in an amount not more than 3 times
17 the amount of the damages awarded under sub-
18 paragraph (B); and

19 “(D) if a claim of the misappropriation is
20 made in bad faith, a motion to terminate an in-
21 junction is made or opposed in bad faith, or the
22 trade secret was willfully and maliciously mis-
23 appropriated, award reasonable attorney’s fees
24 to the prevailing party.

1 “(c) JURISDICTION.—The district courts of the
 2 United States shall have original jurisdiction of civil ac-
 3 tions brought under this section.

4 “(d) PERIOD OF LIMITATIONS.—A civil action under
 5 subsection (b) may not be commenced later than 5 years
 6 after the date on which the misappropriation with respect
 7 to which the action would relate is discovered or by the
 8 exercise of reasonable diligence should have been discov-
 9 ered. For purposes of this subsection, a continuing mis-
 10 appropriation constitutes a single claim of misappropria-
 11 tion.”.

12 (b) DEFINITIONS.—Section 1839 of title 18, United
 13 States Code, is amended—

14 (1) in paragraph (3), by striking “and” at the
 15 end;

16 (2) in paragraph (4), by striking the period at
 17 the end and inserting a semicolon; and

18 (3) by adding at the end the following:

19 “(5) the term ‘misappropriation’ means—

20 “(A) acquisition of a trade secret of an-
 21 other by a person who knows or has reason to
 22 know that the trade secret was acquired by im-
 23 proper means; or

1 “(B) disclosure or use of a trade secret of
2 another without express or implied consent by
3 a person who—

4 “(i) used improper means to acquire
5 knowledge of the trade secret;

6 “(ii) at the time of disclosure or use,
7 knew or had reason to know that the
8 knowledge of the trade secret was—

9 “(I) derived from or through a
10 person who had used improper means
11 to acquire the trade secret;

12 “(II) acquired under cir-
13 cumstances giving rise to a duty to
14 maintain the secrecy of the trade se-
15 cret or limit the use of the trade se-
16 cret; or

17 “(III) derived from or through a
18 person who owed a duty to the person
19 seeking relief to maintain the secrecy
20 of the trade secret or limit the use of
21 the trade secret; or

22 “(iii) before a material change of the
23 position of the person, knew or had reason
24 to know that—

1 “(I) the trade secret was a trade
2 secret; and

3 “(II) knowledge of the trade se-
4 cret had been acquired by accident or
5 mistake;

6 “(6) the term ‘improper means’—

7 “(A) includes theft, bribery, misrepresenta-
8 tion, breach or inducement of a breach of a
9 duty to maintain secrecy, or espionage through
10 electronic or other means; and

11 “(B) does not include reverse engineering
12 or independent derivation; and

13 “(7) the term ‘Trademark Act of 1946’ means
14 the Act entitled ‘An Act to provide for the registra-
15 tion and protection of trademarks used in commerce,
16 to carry out the provisions of certain international
17 conventions, and for other purposes, approved July
18 5, 1946 (15 U.S.C. 1051 et seq.) (commonly re-
19 ferred to as the “Trademark Act of 1946” or the
20 “Lanham Act”)’.”.

21 (c) EXCEPTIONS TO PROHIBITION.—Section 1833 of
22 title 18, United States Code, is amended, in the matter
23 preceding paragraph (1), by inserting “or create a private
24 right of action for” after “prohibit”.

25 (d) CONFORMING AMENDMENTS.—

1 (1) The section heading for section 1836 of title
2 18, United States Code, is amended to read as fol-
3 lows:

4 **“§ 1836. Civil proceedings”.**

5 (2) The table of sections for chapter 90 of title
6 18, United States Code, is amended by striking the
7 item relating to section 1836 and inserting the fol-
8 lowing:

“1836. Civil proceedings.”.

9 (e) EFFECTIVE DATE.—The amendments made by
10 this section shall apply with respect to any misappropria-
11 tion of a trade secret (as defined in section 1839 of title
12 18, United States Code, as amended by this section) for
13 which any act occurs on or after the date of the enactment
14 of this Act.

15 (f) RULE OF CONSTRUCTION.—Nothing in the
16 amendments made by this section shall be construed to
17 modify the rule of construction under section 1838 of title
18 18, United States Code, or to preempt any other provision
19 of law.

20 (g) APPLICABILITY TO OTHER LAWS.—This section
21 and the amendments made by this section shall not be con-
22 strued to be a law pertaining to intellectual property for
23 purposes of any other Act of Congress.

1 **SEC. 3. REPORT ON THEFT OF TRADE SECRETS OCCUR-**
2 **RING ABROAD.**

3 (a) DEFINITIONS.—In this section:

4 (1) DIRECTOR.—The term “Director” means
5 the Under Secretary of Commerce for Intellectual
6 Property and Director of the United States Patent
7 and Trademark Office.

8 (2) FOREIGN INSTRUMENTALITY, ETC.—The
9 terms “foreign instrumentality”, “foreign agent”,
10 and “trade secret” have the meanings given those
11 terms in section 1839 of title 18, United States
12 Code.

13 (3) STATE.—The term “State” includes the
14 District of Columbia and any commonwealth, terri-
15 tory, or possession of the United States.

16 (4) UNITED STATES COMPANY.—The term
17 “United States company” means an organization or-
18 ganized under the laws of the United States or a
19 State or political subdivision thereof.

20 (b) REPORTS.—Not later than 1 year after the date
21 of enactment of this Act, and biannually thereafter, the
22 Attorney General, in consultation with the Intellectual
23 Property Enforcement Coordinator, the Director, and the
24 heads of other appropriate agencies, shall submit to the
25 Committees on the Judiciary of the House of Representa-
26 tives and the Senate, and make publicly available on the

1 Web site of the Department of Justice and disseminate
2 to the public through such other means as the Attorney
3 General may identify, a report on the following:

4 (1) The scope and breadth of the theft of the
5 trade secrets of United States companies occurring
6 outside of the United States.

7 (2) The extent to which theft of trade secrets
8 occurring outside of the United States is sponsored
9 by foreign governments, foreign instrumentalities, or
10 foreign agents.

11 (3) The threat posed by theft of trade secrets
12 occurring outside of the United States.

13 (4) The ability and limitations of trade secret
14 owners to prevent the misappropriation of trade se-
15 crets outside of the United States, to enforce any
16 judgment against foreign entities for theft of trade
17 secrets, and to prevent imports based on theft of
18 trade secrets overseas.

19 (5) A breakdown of the trade secret protections
20 afforded United States companies by each country
21 that is a trading partner of the United States and
22 enforcement efforts available and undertaken in each
23 such country, including a list identifying specific
24 countries where trade secret theft, laws, or enforce-

1 ment is a significant problem for United States com-
2 panies.

3 (6) Instances of the Federal Government work-
4 ing with foreign countries to investigate, arrest, and
5 prosecute entities and individuals involved in the
6 theft of trade secrets outside of the United States.

7 (7) Specific progress made under trade agree-
8 ments and treaties, including any new remedies en-
9 acted by foreign countries, to protect against theft
10 of trade secrets of United States companies outside
11 of the United States.

12 (8) Recommendations of legislative and execu-
13 tive branch actions that may be undertaken to—

14 (A) reduce the threat of and economic im-
15 pact caused by the theft of the trade secrets of
16 United States companies occurring outside of
17 the United States;

18 (B) educate United States companies re-
19 garding the threats to their trade secrets when
20 taken outside of the United States;

21 (C) provide assistance to United States
22 companies to reduce the risk of loss of their
23 trade secrets when taken outside of the United
24 States; and

1 (D) provide a mechanism for United States
2 companies to confidentially or anonymously re-
3 port the theft of trade secrets occurring outside
4 of the United States.

5 **SEC. 4. SENSE OF CONGRESS.**

6 It is the sense of Congress that—

7 (1) trade secret theft occurs in the United
8 States and around the world;

9 (2) trade secret theft, wherever it occurs, harms
10 the companies that own the trade secrets and the
11 employees of the companies; and

12 (3) chapter 90 of title 18, United States Code
13 (commonly known as the Economic Espionage Act of
14 1996), applies broadly to protect trade secrets from
15 theft.

○