

Calendar No. 355

114TH CONGRESS
2D 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, Ms. BALDWIN, Mr. BLUMENTHAL, Mr. RISCH, Mr. CRAPO, Mr. BLUNT, Ms. AYOTTE, Mr. KIRK, Ms. KLOBUCHAR, Mr. PERDUE, Mr. SESSIONS, Mr. MURPHY, Mrs. McCASKILL, Mr. FRANKEN, Mr. KING, Mr. WICKER, Ms. COLLINS, Mrs. FISCHER, Mr. HELLER, Ms. HIRONO, Mrs. FEINSTEIN, Mr. WHITEHOUSE, Mr. GRAHAM, and Mr. MANCHIN) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

JANUARY 28, 2016

Reported by Mr. GRASSLEY, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italie*]

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Defend Trade Secrets
3 Act of 2015”.

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

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

9 “(b) PRIVATE CIVIL ACTIONS.—

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

16 “(2) CIVIL SEIZURE.—

17 “(A) IN GENERAL.—

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

1 “(ii) REQUIREMENTS FOR ISSUING
2 ORDER.—The court may not grant an ap-
3 plication under clause (i) unless the court
4 finds that it clearly appears from specific
5 facts that—

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

14 “(II) an immediate and irrep-
15 arable injury will occur if such seizure
16 is not ordered;

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

1 “(IV) the applicant is likely to
2 succeed in showing that—

3 “(aa) the information is a
4 trade secret;

5 “(bb) the person against
6 whom seizure would be ordered—

7 “(AA) misappropriated
8 the trade secret of the appli-
9 cant by improper means; or

10 “(BB) conspired to use
11 improper means to mis-
12 appropriate the trade secret
13 of the applicant; and

14 “(cc) the person against
15 whom seizure would be ordered
16 has possession of the trade se-
17 cret;

18 “(V) the application describes
19 with reasonable particularity the mat-
20 ter to be seized and, to the extent rea-
21 sonable under the circumstances,
22 identifies the location where the mat-
23 ter is to be seized;

24 “(VI) the person against whom
25 seizure would be ordered, or persons

1 acting in concert with such person;
2 would destroy, move, hide, or other-
3 wise make such matter inaccessible to
4 the court, if the applicant were to pro-
5 ceed on notice to such person; and

6 “(VII) the applicant has not pub-
7 licized the requested seizure.

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

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

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

23 “(iii)(I) be accompanied by an order
24 protecting the seized property from disclo-
25 sure by restricting the access of the appli-

1 cant, including during the seizure, and pro-
2 hibiting any copies, in whole or in part, of
3 the seized property, to prevent undue dam-
4 age to the party against whom the order
5 has issued or others, until such parties
6 have an opportunity to be heard in court;
7 and

8 “(H) if access is granted to the appli-
9 cant, the access shall be consistent with
10 subparagraph (D);

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

23 “(v) require the person obtaining the
24 order to provide the security determined
25 adequate by the court for the payment of

1 the damages that any person may be enti-
2 tled to recover as a result of a wrongful or
3 excessive seizure or wrongful or excessive
4 attempted seizure under this paragraph.

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

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

1 “(E) SERVICE OF ORDER.—The court shall
 2 order that service of a copy of the order under
 3 this paragraph, and the submissions of the ap-
 4 plicant to obtain the order, shall be made by a
 5 Federal law enforcement officer, or may be
 6 made by a State or local law enforcement offi-
 7 cer, who, upon making service, shall carry out
 8 the seizure under the order.

9 “(F) SEIZURE HEARING.—

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

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

23 “(iii) DISSOLUTION OR MODIFICATION
 24 OF ORDER.—A party against whom the
 25 order has been issued or any person

1 harmd by the order may move the court
2 at any time to dissolve or modify the order
3 after giving notice to the party who ob-
4 tained the order.

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

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

24 “(H) MOTION FOR ENCRYPTION.—A party
25 may make a motion at any time, which may be

1 heard ex parte, to encrypt any material seized
 2 or to be seized under this paragraph that is
 3 stored on an electronic storage medium. The
 4 motion shall include, when possible, the desired
 5 encryption method.

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

9 ~~“(A) grant an injunction—~~

10 ~~“(i) to prevent any actual or threat-~~
 11 ~~ened misappropriation described in para-~~
 12 ~~graph (1) on such terms as the court~~
 13 ~~deems reasonable, provided the order does~~
 14 ~~not prevent a person from accepting an~~
 15 ~~offer of employment under conditions that~~
 16 ~~avoid actual or threatened misappropria-~~
 17 ~~tion described in paragraph (1);~~

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

21 ~~“(iii) in exceptional circumstances~~
 22 ~~that render an injunction inequitable, that~~
 23 ~~conditions future use of the trade secret~~
 24 ~~upon payment of a reasonable royalty for~~

1 no longer than the period of time for which
2 such use could have been prohibited;

3 ~~“(B) award—~~

4 ~~“(i)(I) damages for actual loss caused~~
5 ~~by the misappropriation of the trade se-~~
6 ~~cret; and~~

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

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

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

22 ~~“(D) if a claim of the misappropriation is~~
23 ~~made in bad faith, a motion to terminate an in-~~
24 ~~junction is made or opposed in bad faith, or the~~
25 ~~trade secret was willfully and maliciously mis-~~

1 appropriated, award reasonable attorney’s fees
2 to the prevailing party.

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

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

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

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

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

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

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

22 “(A) acquisition of a trade secret of an-
23 other by a person who knows or has reason to
24 know that the trade secret was acquired by im-
25 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.

16 **SECTION 1. SHORT TITLE.**

17 *This Act may be cited as the “Defend Trade Secrets*
 18 *Act of 2016”.*

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

21 ~~(a)~~ *IN GENERAL.*—Section 1836 of title 18, United
 22 States Code, is amended by striking subsection (b) and in-
 23 serting the following:

24 “(b) *PRIVATE CIVIL ACTIONS.*—

1 “(1) *IN GENERAL*.—An owner of a trade secret
 2 that is misappropriated may bring a civil action
 3 under this subsection if the trade secret is related to
 4 a product or service used in, or intended for use in,
 5 interstate or foreign commerce.

6 “(2) *CIVIL SEIZURE*.—

7 “(A) *IN GENERAL*.—

8 “(i) *APPLICATION*.—Based on an affi-
 9 davit or verified complaint satisfying the
 10 requirements of this paragraph, the court
 11 may, upon *ex parte* application but only in
 12 extraordinary circumstances, issue an order
 13 providing for the seizure of property nec-
 14 essary to prevent the propagation or dis-
 15 semination of the trade secret that is the
 16 subject of the action.

17 “(ii) *REQUIREMENTS FOR ISSUING*
 18 *ORDER*.—The court may not grant an ap-
 19 plication under clause (i) unless the court
 20 finds that it clearly appears from specific
 21 facts that—

22 “(I) an order issued pursuant to
 23 Rule 65 of the Federal Rules of Civil
 24 Procedure or another form of equitable
 25 relief would be inadequate to achieve

1 *the purpose of this paragraph because*
2 *the party to which the order would be*
3 *issued would evade, avoid, or otherwise*
4 *not comply with such an order;*

5 “(II) *an immediate and irreparable*
6 *injury will occur if such seizure*
7 *is not ordered;*

8 “(III) *the harm to the applicant*
9 *of denying the application outweighs*
10 *the harm to the legitimate interests of*
11 *the person against whom seizure would*
12 *be ordered of granting the application*
13 *and substantially outweighs the harm*
14 *to any third parties who may be*
15 *harmed by such seizure;*

16 “(IV) *the applicant is likely to*
17 *succeed in showing that—*

18 “(aa) *the information is a*
19 *trade secret; and*

20 “(bb) *the person against*
21 *whom seizure would be ordered—*

22 “(AA) *misappropriated*
23 *the trade secret of the appli-*
24 *cant by improper means; or*

1 “(BB) conspired to use
2 improper means to mis-
3 appropriate the trade secret
4 of the applicant;

5 “(V) the person against whom sei-
6 zure would be ordered has actual pos-
7 session of—

8 “(aa) the trade secret; and

9 “(bb) any property to be
10 seized;

11 “(VI) the application describes
12 with reasonable particularity the mat-
13 ter to be seized and, to the extent rea-
14 sonable under the circumstances, iden-
15 tifies the location where the matter is
16 to be seized;

17 “(VII) the person against whom
18 seizure would be ordered, or persons
19 acting in concert with such person,
20 would destroy, move, hide, or otherwise
21 make such matter inaccessible to the
22 court, if the applicant were to proceed
23 on notice to such person; and

24 “(VIII) the applicant has not
25 publicized the requested seizure.

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

3 “(i) *set forth findings of fact and con-*
4 *clusions of law required for the order;*

5 “(ii) *provide for the narrowest seizure*
6 *of property necessary to achieve the purpose*
7 *of this paragraph and direct that the sei-*
8 *zure be conducted in a manner that mini-*
9 *mizes any interruption of the business oper-*
10 *ations of third parties and, to the extent*
11 *possible, does not interrupt the legitimate*
12 *business operations of the person accused of*
13 *misappropriating the trade secret;*

14 “(iii)(I) *be accompanied by an order*
15 *protecting the seized property from disclo-*
16 *sure by prohibiting access by the applicant*
17 *or the person against whom the order is di-*
18 *rected, and prohibiting any copies, in whole*
19 *or in part, of the seized property, to prevent*
20 *undue damage to the party against whom*
21 *the order has issued or others, until such*
22 *parties have an opportunity to be heard in*
23 *court; and*

24 “(II) *provide that if access is granted*
25 *by the court to the applicant or the person*

1 *against whom the order is directed, the ac-*
2 *cess shall be consistent with subparagraph*
3 *(D);*

4 *“(iv) provide guidance to the law en-*
5 *forcement officials executing the seizure that*
6 *clearly delineates the scope of the authority*
7 *of the officials, including—*

8 *“(I) the hours during which the*
9 *seizure may be executed; and*

10 *“(II) whether force may be used to*
11 *access locked areas;*

12 *“(v) set a date for a hearing described*
13 *in subparagraph (F) at the earliest possible*
14 *time, and not later than 7 days after the*
15 *order has issued, unless the party against*
16 *whom the order is directed and others*
17 *harmed by the order consent to another date*
18 *for the hearing, except that a party against*
19 *whom the order has issued or any person*
20 *harmed by the order may move the court at*
21 *any time to dissolve or modify the order*
22 *after giving notice to the applicant who ob-*
23 *tained the order; and*

24 *“(vi) require the person obtaining the*
25 *order to provide the security determined*

adequate by the court for the payment of the damages that any person may be entitled to recover as a result of a wrongful or excessive seizure or wrongful or excessive attempted seizure under this paragraph.

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

“(D) *MATERIALS IN CUSTODY OF COURT.*—

“(i) *IN GENERAL.*—Any materials seized under this paragraph shall be taken into the custody of the court. The court shall secure the seized material from physical and electronic access during the seizure and while in the custody of the court.

“(ii) *STORAGE MEDIUM.*—If the seized material includes a storage medium, or if the seized material is stored on a storage medium, the court shall prohibit the medium from being connected to a network or the Internet without the consent of both parties, until the hearing required under sub-

1 paragraph (B)(v) and described in subpara-
2 graph (F).

3 “(iii) *PROTECTION OF CONFIDEN-*
4 *TIALITY.*—The court shall take appropriate
5 measures to protect the confidentiality of
6 seized materials that are unrelated to the
7 trade secret information ordered seized pur-
8 suant to this paragraph unless the person
9 against whom the order is entered consents
10 to disclosure of the material.

11 “(iv) *APPOINTMENT OF SPECIAL MAS-*
12 *TER.*—The court may appoint a special
13 master to locate and isolate all misappro-
14 priated trade secret information and to fa-
15 cilitate the return of unrelated property and
16 data to the person from whom the property
17 was seized. The special master appointed by
18 the court shall agree to be bound by a non-
19 disclosure agreement approved by the court.

20 “(E) *SERVICE OF ORDER.*—The court shall
21 order that service of a copy of the order under
22 this paragraph, and the submissions of the ap-
23 plicant to obtain the order, shall be made by a
24 Federal law enforcement officer who, upon mak-
25 ing service, shall carry out the seizure under the

1 *order. The court may allow State or local law*
 2 *enforcement officials to participate, but may not*
 3 *permit the applicant or any agent of the appli-*
 4 *cant to participate in the seizure. At the request*
 5 *of law enforcement officials, the court may allow*
 6 *a technical expert who is unaffiliated with the*
 7 *applicant and who is bound by a court-approved*
 8 *non-disclosure agreement to participate in the*
 9 *seizure if the court determines that the partici-*
 10 *pation of the expert will aid the efficient execu-*
 11 *tion of and minimize the burden of the seizure.*

12 *“(F) SEIZURE HEARING.—*

13 *“(i) DATE.—A court that issues a sei-*
 14 *zure order shall hold a hearing on the date*
 15 *set by the court under subparagraph (B)(v).*

16 *“(ii) BURDEN OF PROOF.—At a hear-*
 17 *ing held under this subparagraph, the party*
 18 *who obtained the order under subparagraph*
 19 *(A) shall have the burden to prove the facts*
 20 *supporting the findings of fact and conclu-*
 21 *sions of law necessary to support the order.*
 22 *If the party fails to meet that burden, the*
 23 *seizure order shall be dissolved or modified*
 24 *appropriately.*

1 “(iii) *DISSOLUTION OR MODIFICATION*
 2 *OF ORDER.*—A party against whom the
 3 order has been issued or any person harmed
 4 by the order may move the court at any
 5 time to dissolve or modify the order after
 6 giving notice to the party who obtained the
 7 order.

8 “(iv) *DISCOVERY TIME LIMITS.*—The
 9 court may make such orders modifying the
 10 time limits for discovery under the Federal
 11 Rules of Civil Procedure as may be nec-
 12 essary to prevent the frustration of the pur-
 13 poses of a hearing under this subparagraph.

14 “(G) *ACTION FOR DAMAGE CAUSED BY*
 15 *WRONGFUL SEIZURE.*—A person who suffers
 16 damage by reason of a wrongful or excessive sei-
 17 zure under this paragraph has a cause of action
 18 against the applicant for the order under which
 19 such seizure was made, and shall be entitled to
 20 the same relief as is provided under section
 21 34(d)(11) of the Trademark Act of 1946 (15
 22 U.S.C. 1116(d)(11)). The security posted with
 23 the court under subparagraph (B)(vi) shall not
 24 limit the recovery of third parties for damages.

1 “(H) *MOTION FOR ENCRYPTION.*—A party
 2 or a person who claims to have an interest in the
 3 subject matter seized may make a motion at any
 4 time, which may be heard *ex parte*, to encrypt
 5 any material seized or to be seized under this
 6 paragraph that is stored on a storage medium.
 7 The motion shall include, when possible, the de-
 8 sired encryption method.

9 “(3) *REMEDIES.*—In a civil action brought
 10 under this subsection with respect to the misappro-
 11 priation of a trade secret, a court may—

12 “(A) *grant an injunction—*

13 “(i) *to prevent any actual or threat-*
 14 *ened misappropriation described in para-*
 15 *graph (1) on such terms as the court deems*
 16 *reasonable, provided the order does not—*

17 “(I) *prevent a person from enter-*
 18 *ing into an employment relationship,*
 19 *and that conditions placed on such em-*
 20 *ployment shall be based on evidence of*
 21 *threatened misappropriation and not*
 22 *merely on the information the person*
 23 *knows; or*

24 “(II) *otherwise conflict with an*
 25 *applicable State law prohibiting re-*

1 *straints on the practice of a lawful*
 2 *profession, trade, or business;*

3 “(ii) *if determined appropriate by the*
 4 *court, requiring affirmative actions to be*
 5 *taken to protect the trade secret; and*

6 “(iii) *in exceptional circumstances that*
 7 *render an injunction inequitable, that con-*
 8 *ditions future use of the trade secret upon*
 9 *payment of a reasonable royalty for no*
 10 *longer than the period of time for which*
 11 *such use could have been prohibited;*

12 “(B) *award—*

13 “(i)(I) *damages for actual loss caused*
 14 *by the misappropriation of the trade secret;*
 15 *and*

16 “(II) *damages for any unjust enrich-*
 17 *ment caused by the misappropriation of the*
 18 *trade secret that is not addressed in com-*
 19 *puting damages for actual loss; or*

20 “(ii) *in lieu of damages measured by*
 21 *any other methods, the damages caused by*
 22 *the misappropriation measured by imposi-*
 23 *tion of liability for a reasonable royalty for*
 24 *the misappropriator’s unauthorized disclo-*
 25 *sure or use of the trade secret;*

1 “(C) if the trade secret is willfully and ma-
 2 liciously misappropriated, award exemplary
 3 damages in an amount not more than 2 times
 4 the amount of the damages awarded under sub-
 5 paragraph (B); and

6 “(D) if a claim of the misappropriation is
 7 made in bad faith, which may be established by
 8 circumstantial evidence, a motion to terminate
 9 an injunction is made or opposed in bad faith,
 10 or the trade secret was willfully and maliciously
 11 misappropriated, award reasonable attorney’s
 12 fees to the prevailing party.

13 “(c) *JURISDICTION.*—The district courts of the United
 14 States shall have original jurisdiction of civil actions
 15 brought under this section.

16 “(d) *PERIOD OF LIMITATIONS.*—A civil action under
 17 subsection (b) may not be commenced later than 3 years
 18 after the date on which the misappropriation with respect
 19 to which the action would relate is discovered or by the exer-
 20 cise of reasonable diligence should have been discovered. For
 21 purposes of this subsection, a continuing misappropriation
 22 constitutes a single claim of misappropriation.”.

23 “(b) *DEFINITIONS.*—Section 1839 of title 18, United
 24 States Code, is amended—

25 (1) in paragraph (3)—

1 (A) in subparagraph (B), by striking “the
 2 public” and inserting “another person who can
 3 obtain economic value from the disclosure or use
 4 of the information”; and

5 (B) by striking “and” at the end;

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

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

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

10 “(A) acquisition of a trade secret of another
 11 by a person who knows or has reason to know
 12 that the trade secret was acquired by improper
 13 means; or

14 “(B) disclosure or use of a trade secret of
 15 another without express or implied consent by a
 16 person who—

17 “(i) used improper means to acquire
 18 knowledge of the trade secret;

19 “(ii) at the time of disclosure or use,
 20 knew or had reason to know that the knowl-
 21 edge of the trade secret was—

22 “(I) derived from or through a
 23 person who had used improper means
 24 to acquire the trade secret;

1 “(II) acquired under cir-
 2 cumstances giving rise to a duty to
 3 maintain the secrecy of the trade secret
 4 or limit the use of the trade secret; or

5 “(III) derived from or through a
 6 person who owed a duty to the person
 7 seeking relief to maintain the secrecy of
 8 the trade secret or limit the use of the
 9 trade secret; or

10 “(iii) before a material change of the
 11 position of the person, knew or had reason
 12 to know that—

13 “(I) the trade secret was a trade
 14 secret; and

15 “(II) knowledge of the trade secret
 16 had been acquired by accident or mis-
 17 take;

18 “(6) the term ‘improper means’—

19 “(A) includes theft, bribery, misrepresenta-
 20 tion, breach or inducement of a breach of a duty
 21 to maintain secrecy, or espionage through elec-
 22 tronic or other means; and

23 “(B) does not include reverse engineering,
 24 independent derivation, or any other lawful
 25 means of acquisition; and

1 “(7) the term ‘Trademark Act of 1946’ means the
 2 *Act entitled ‘An Act to provide for the registration*
 3 *and protection of trademarks used in commerce, to*
 4 *carry out the provisions of certain international con-*
 5 *ventions, and for other purposes, approved July 5,*
 6 *1946 (15 U.S.C. 1051 et seq.) (commonly referred to*
 7 *as the “Trademark Act of 1946” or the “Lanham*
 8 *Act”’).*”.

9 (c) *EXCEPTIONS TO PROHIBITION.*—Section 1833 of
 10 *title 18, United States Code, is amended, in the matter pre-*
 11 *ceding paragraph (1), by inserting “or create a private*
 12 *right of action for” after “prohibit”.*

13 (d) *CONFORMING AMENDMENTS.*—

14 (1) *The section heading for section 1836 of title*
 15 *18, United States Code, is amended to read as follows:*

16 **“§ 1836. Civil proceedings”.**

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

“1836. Civil proceedings.”.

21 (e) *EFFECTIVE DATE.*—*The amendments made by this*
 22 *section shall apply with respect to any misappropriation*
 23 *of a trade secret (as defined in section 1839 of title 18,*
 24 *United States Code, as amended by this section) for which*

1 *any act occurs on or after the date of the enactment of this*
 2 *Act.*

3 (f) *RULE OF CONSTRUCTION.*—*Nothing in the amend-*
 4 *ments made by this section shall be construed to modify*
 5 *the rule of construction under section 1838 of title 18,*
 6 *United States Code, or to preempt any other provision of*
 7 *law.*

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

12 **SEC. 3. TRADE SECRET THEFT ENFORCEMENT.**

13 (a) *IN GENERAL.*—*Chapter 90 of title 18, United*
 14 *States Code, is amended—*

15 (1) *in section 1832(b), by striking “\$5,000,000”*
 16 *and inserting “the greater of \$5,000,000 or 3 times*
 17 *the value of the stolen trade secret to the organization,*
 18 *including expenses for research and design and other*
 19 *costs of reproducing the trade secret that the organiza-*
 20 *tion has thereby avoided”; and*

21 (2) *in section 1835—*

22 (A) *by striking “In any prosecution” and*
 23 *inserting the following:*

24 “(a) *IN GENERAL.*—*In any prosecution”; and*

25 (B) *by adding at the end the following:*

1 “(b) *RIGHTS OF TRADE SECRET OWNERS.*—The court
 2 may not authorize or direct the disclosure of any informa-
 3 tion the owner asserts to be a trade secret unless the court
 4 allows the owner the opportunity to file a submission under
 5 seal that describes the interest of the owner in keeping the
 6 information confidential. No submission under seal made
 7 under this subsection may be used in a prosecution under
 8 this chapter for any purpose other than those set forth in
 9 this section, or otherwise required by law. The provision
 10 of information relating to a trade secret to the United
 11 States or the court in connection with a prosecution under
 12 this chapter shall not constitute a waiver of trade secret
 13 protection, and the disclosure of information relating to a
 14 trade secret in connection with a prosecution under this
 15 chapter shall not constitute a waiver of trade secret protec-
 16 tion unless the trade secret owner expressly consents to such
 17 waiver.”.

18 (b) *RICO PREDICATE OFFENSES.*—Section 1961(1) of
 19 title 18, United States Code, is amended by inserting “sec-
 20 tions 1831 and 1832 (relating to economic espionage and
 21 theft of trade secrets),” before “section 1951”.

22 **SEC. 4. REPORT ON THEFT OF TRADE SECRETS OCCURRING**
 23 **ABROAD.**

24 (a) *DEFINITIONS.*—In this section:

1 (1) *DIRECTOR.*—*The term “Director” means the*
 2 *Under Secretary of Commerce for Intellectual Prop-*
 3 *erty and Director of the United States Patent and*
 4 *Trademark Office.*

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

9 (3) *STATE.*—*The term “State” includes the Dis-*
 10 *trict of Columbia and any commonwealth, territory,*
 11 *or possession of the United States.*

12 (4) *UNITED STATES COMPANY.*—*The term*
 13 *“United States company” means an organization or-*
 14 *ganized under the laws of the United States or a*
 15 *State or political subdivision thereof.*

16 (b) *REPORTS.*—*Not later than 1 year after the date*
 17 *of enactment of this Act, and biannually thereafter, the At-*
 18 *torney General, in consultation with the Intellectual Prop-*
 19 *erty Enforcement Coordinator, the Director, and the heads*
 20 *of other appropriate agencies, shall submit to the Commit-*
 21 *tees on the Judiciary of the House of Representatives and*
 22 *the Senate, and make publicly available on the Web site*
 23 *of the Department of Justice and disseminate to the public*
 24 *through such other means as the Attorney General may*
 25 *identify, a report on the following:*

1 (1) *The scope and breadth of the theft of the*
2 *trade secrets of United States companies occurring*
3 *outside of the United States.*

4 (2) *The extent to which theft of trade secrets oc-*
5 *curring outside of the United States is sponsored by*
6 *foreign governments, foreign instrumentalities, or for-*
7 *ign agents.*

8 (3) *The threat posed by theft of trade secrets oc-*
9 *curring outside of the United States.*

10 (4) *The ability and limitations of trade secret*
11 *owners to prevent the misappropriation of trade se-*
12 *crets outside of the United States, to enforce any judg-*
13 *ment against foreign entities for theft of trade secrets,*
14 *and to prevent imports based on theft of trade secrets*
15 *overseas.*

16 (5) *A breakdown of the trade secret protections*
17 *afforded United States companies by each country*
18 *that is a trading partner of the United States and en-*
19 *forcement efforts available and undertaken in each*
20 *such country, including a list identifying specific*
21 *countries where trade secret theft, laws, or enforce-*
22 *ment is a significant problem for United States com-*
23 *panies.*

24 (6) *Instances of the Federal Government working*
25 *with foreign countries to investigate, arrest, and pros-*

1 *ecute entities and individuals involved in the theft of*
2 *trade secrets outside of the United States.*

3 *(7) Specific progress made under trade agree-*
4 *ments and treaties, including any new remedies en-*
5 *acted by foreign countries, to protect against theft of*
6 *trade secrets of United States companies outside of the*
7 *United States.*

8 *(8) Recommendations of legislative and executive*
9 *branch actions that may be undertaken to—*

10 *(A) reduce the threat of and economic im-*
11 *pact caused by the theft of the trade secrets of*
12 *United States companies occurring outside of the*
13 *United States;*

14 *(B) educate United States companies re-*
15 *garding the threats to their trade secrets when*
16 *taken outside of the United States;*

17 *(C) provide assistance to United States*
18 *companies to reduce the risk of loss of their trade*
19 *secrets when taken outside of the United States;*
20 *and*

21 *(D) provide a mechanism for United States*
22 *companies to confidentially or anonymously re-*
23 *port the theft of trade secrets occurring outside of*
24 *the United States.*

1 **SEC. 5. SENSE OF CONGRESS.**

2 *It is the sense of Congress that—*

3 *(1) trade secret theft occurs in the United States*
4 *and around the world;*

5 *(2) trade secret theft, wherever it occurs, harms*
6 *the companies that own the trade secrets and the em-*
7 *ployees of the companies;*

8 *(3) chapter 90 of title 18, United States Code*
9 *(commonly known as the “Economic Espionage Act of*
10 *1996”), applies broadly to protect trade secrets from*
11 *theft; and*

12 *(4) it is important when seizing information to*
13 *balance the need to prevent or remedy misappropria-*
14 *tion with the need to avoid interrupting the—*

15 *(A) business of third parties; and*

16 *(B) legitimate interests of the party accused*
17 *of wrongdoing.*

18 **SEC. 6. BEST PRACTICES.**

19 *(a) IN GENERAL.—Not later than 2 years after the*
20 *date of enactment of this Act, the Federal Judicial Center,*
21 *using existing resources, shall develop recommended best*
22 *practices for—*

23 *(1) the seizure of information and media storing*
24 *the information; and*

25 *(2) the securing of the information and media*
26 *once seized.*

1 (b) *UPDATES.*—*The Federal Judicial Center shall up-*
 2 *date the recommended best practices developed under sub-*
 3 *section (a) from time to time.*

4 (c) *CONGRESSIONAL SUBMISSIONS.*—*The Federal Ju-*
 5 *dicial Center shall provide a copy of the recommendations*
 6 *developed under subsection (a), and any updates made*
 7 *under subsection (b), to the—*

8 (1) *Committee on the Judiciary of the Senate;*
 9 *and*

10 (2) *Committee on the Judiciary of the House of*
 11 *Representatives.*

12 **SEC. 7. IMMUNITY FROM LIABILITY FOR CONFIDENTIAL**
 13 **DISCLOSURE OF A TRADE SECRET TO THE**
 14 **GOVERNMENT OR IN A COURT FILING.**

15 (a) *AMENDMENT.*—*Section 1833 of title 18, United*
 16 *States Code, is amended—*

17 (1) *by striking “This chapter” and inserting*
 18 *“(a) IN GENERAL.—This chapter”;*

19 (2) *in subsection (a)(2), as designated by para-*
 20 *graph (1), by striking “the reporting of a suspected*
 21 *violation of law to any governmental entity of the*
 22 *United States, a State, or a political subdivision of*
 23 *a State, if such entity has lawful authority with re-*
 24 *spect to that violation” and inserting “the disclosure*

1 *of a trade secret in accordance with subsection (b)”;*
 2 *and*

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

4 “(b) *IMMUNITY FROM LIABILITY FOR CONFIDENTIAL*
 5 *DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT*
 6 *OR IN A COURT FILING.—*

7 “(1) *IMMUNITY.—An individual shall not be held*
 8 *criminally or civilly liable under any Federal or*
 9 *State trade secret law for the disclosure of a trade se-*
 10 *cret that—*

11 “(A) *is made—*

12 “(i) *in confidence to a Federal, State,*
 13 *or local government official, either directly*
 14 *or indirectly, or to an attorney; and*

15 “(ii) *solely for the purpose of reporting*
 16 *or investigating a suspected violation of*
 17 *law; or*

18 “(B) *is made in a complaint or other docu-*
 19 *ment filed in a lawsuit or other proceeding, if*
 20 *such filing is made under seal.*

21 “(2) *USE OF TRADE SECRET INFORMATION IN*
 22 *ANTI-RETALIATION LAWSUIT.—An individual who*
 23 *files a lawsuit for retaliation by an employer for re-*
 24 *porting a suspected violation of law may disclose the*
 25 *trade secret to the attorney of the individual and use*

1 *the trade secret information in the court proceeding,*
 2 *if the individual—*

3 “(A) *files any document containing the*
 4 *trade secret under seal; and*

5 “(B) *does not disclose the trade secret, ex-*
 6 *cept pursuant to court order.*

7 “(3) *NOTICE.—*

8 “(A) *IN GENERAL.—An employer shall pro-*
 9 *vide notice of the immunity set forth in this sub-*
 10 *section in any contract or agreement with an*
 11 *employee that governs the use of a trade secret or*
 12 *other confidential information.*

13 “(B) *POLICY DOCUMENT.—An employer*
 14 *shall be considered to be in compliance with the*
 15 *notice requirement in subparagraph (A) if the*
 16 *employer provides a cross-reference to a policy*
 17 *document provided to the employee that sets forth*
 18 *the employer’s reporting policy for a suspected*
 19 *violation of law.*

20 “(C) *NON-COMPLIANCE.—If an employer*
 21 *does not comply with the notice requirement in*
 22 *subparagraph (A), the employer may not be*
 23 *awarded exemplary damages or attorney fees*
 24 *under subparagraph (C) or (D) of section*

1 1836(b)(3) in an action against an employee to
2 whom notice was not provided.

3 “(D) *APPLICABILITY.*—This paragraph
4 shall apply to contracts and agreements that are
5 entered into or updated after the date of enact-
6 ment of this subsection.

7 “(4) *EMPLOYEE DEFINED.*—For purposes of this
8 subsection, the term ‘employee’ includes any indi-
9 vidual performing work as a contractor or consultant
10 for an employer.

11 “(5) *RULE OF CONSTRUCTION.*—Except as ex-
12 pressly provided for under this subsection, nothing in
13 this subsection shall be construed to authorize, or
14 limit liability for, an act that is otherwise prohibited
15 by law, such as the unlawful access of material by un-
16 authorized means.”.

17 (b) *TECHNICAL AND CONFORMING AMENDMENT.*—Sec-
18 tion 1838 of title 18, United States Code, is amended by
19 striking “This chapter” and inserting “Except as provided
20 in section 1833(b), this chapter”.

Calendar No. 355

114TH CONGRESS
2D Session

S. 1890

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.

JANUARY 28, 2016

Reported with an amendment