

113TH CONGRESS

2D SESSION

~~S. 2267~~

~~To modify chapter 90 of title 18, United States Code, to provide Federal jurisdiction for theft of trade secrets.~~

H. R. 5233

IN THE ~~SENATE~~**HOUSE** OF ~~THE UNITED STATES~~**REPRESENTATIVES**

~~APRIL~~**July** 29, 2014

Mr. ~~COONS~~**Holdring** (for himself, **Mr. Nadler, Mr. Coble, Mr. Conyers, Mr. Chabot, Mr. Jeffries, Mr. Richmond,** and ~~Mr. HATCH~~**Ms. DelBene**) introduced the following bill; which was ~~read twice and~~ referred to the Committee on the Judiciary

A BILL

To ~~modify~~**amend** chapter 90 of title 18, United States Code, to provide Federal jurisdiction for ~~the~~ theft of trade secrets.

~~Be it enacted by the Senate, and House of Representatives of the United States of America in Congress assembled, for other purposes.~~

~~SECTION 1.~~ Short title.

This Act may be cited as the ~~“Defend~~Trade Secrets **Protection** Act of 2014~~”~~.

~~SEC. 2. FEDERAL JURISDICTION FOR THEFT OF TRADE SECRETS.~~

2. Federal jurisdiction for theft of trade secrets

(a) In general

—Section 1836 of title 18, United States Code, is amended ~~to read as follows~~**by striking subsection (b) and inserting the following:**

~~“§ 1836. Civil proceedings~~

~~“(a) PRIVATE CIVIL ACTIONS.—~~

~~“(b) Private civil actions~~

(1) In general

—An owner of a trade secret may bring a civil action under this subsection if the person is aggrieved by—

~~“(A) a violation of section 1831(a) or 1832(a); or~~

~~“(B) a misappropriation of a trade secret that is related to a product or service used in, or intended for use in, interstate or foreign commerce.~~

~~“(2) CIVIL EX PARTE ORDER FOR PRESERVATION OF EVIDENCE AND SEIZURE.—~~

~~“(2) Civil seizure~~

(A) In general.—

(i) Application

Based on an affidavit or verified complaint satisfying the requirements of this paragraph, the court may, upon ex parte application ~~and if the court finds that issuing the order is necessary to prevent irreparable harm, issue appropriate orders—~~, **issue an order providing for the seizure of property necessary to preserve evidence in a civil action brought under paragraph (1) or to prevent the propagation or dissemination of the trade secret that is the subject of the action.**

~~“(i)(I) providing~~ **(ii) Requirements** for ~~the preservation of evidence in a civil action brought~~ **issuing order**

The court may not grant an application under clause (i) unless the court finds that it clearly appears from specific facts that—

(I) an order issued pursuant to Rule 65(b) of the Federal Rules of Civil Procedure would be inadequate to achieve the purpose of this paragraph (1), including by making a copy of an electronic storage medium that contains because the party to which the order would be issued would evade, avoid, or otherwise not comply with such an order;

(II) an immediate and irreparable injury will occur if such seizure is not ordered;

(III) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application and substantially outweighs the harm to any third parties who may be harmed by such seizure;

(IV) the applicant is likely to succeed in showing that the person against whom seizure would be ordered misappropriated the trade secret; ~~or~~ and is in possession of the trade secret;

~~“(H) described in clause (i) or (ii) of paragraph (3)(A); and~~

~~“(ii) providing for the (V) the application describes with reasonable particularity the matter to be seized and, to the extent reasonable under the circumstances, identifies the location where the matter is to be seized;~~

~~(VI) the person against whom seizure of any property used, in any manner would be ordered, or persons acting in concert with such person, would destroy, move, hide, or part, to commit or facilitate the commission of a violation alleged otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person; and~~

~~(VII) the applicant has not publicized the requested seizure.~~

(B) Elements of order

If an order is issued under subparagraph (A), ~~except that the order it shall—~~

~~“(I) may not provide for the seizure of any property that is merely incidental to the alleged violation unless necessary to preserve evidence; or~~

~~“(H) shall~~**(i) set forth findings of fact and conclusions of law required for the order;**

(ii) provide for the seizure of any property in a manner that minimizes any interruption of the business operations of third parties and, to the extent possible, does not interrupt normal and those legitimate business operations of the person accused of misappropriating the trade secret that are unrelated to the trade secret: that has allegedly been misappropriated;

~~“(B) REQUIREMENTS FOR APPLICATION ORDER.—Notwithstanding rule 65 of the Federal Rules of Civil Procedure, the requirements in paragraphs (2) through (11) of section 34(d) of the Trademark Act of 1946 (15 U.S.C. 1116) shall apply to any ex parte application or seizure order under subparagraph (A). Any reference in such paragraphs (2) through (11) of section 34(d) of the Trademark Act of 1946 to section 32 of such Act shall be read as references to this section, and references to use of a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services shall be read as references to a misappropriation of a trade secret.~~

~~“(iii) be accompanied by an order protecting the property from disclosure by restricting the access of the applicant, including during the seizure, and prohibiting any copies, in whole or in part, of the seized property, to prevent undue damage to the party against whom the order has issued or others, until such parties have an opportunity to be heard in court;~~

(iv) set a date for a hearing at the earliest possible time, and not later than 7 days after the order has issued, unless the party against whom the order is directed and others harmed by the order consent to another date for such hearing, except that a party against whom the order has issued or any person harmed by the order may move the court at any time to dissolve or modify the order after giving notice to the applicant who obtained the order; and

(v) require the person obtaining the order to provide the security determined adequate by the court for the payment of such damages as 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

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.

(E) Service of order

The court shall order that service of a copy of the order under this paragraph shall be made by a Federal law enforcement officer, or may be made by a State or local law enforcement officer, who, upon making service, shall carry out the seizure under the order.

(F) Action for damage caused by wrongful seizure

A person who suffers damage by reason of a wrongful or excessive seizure under this paragraph has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to the same relief as is provided under section 34(d)(11) of the Trademark Act of 1946 (15 U.S.C. 1116(d)(11)). The security posted with the court under subparagraph (B)(v) shall not limit the recovery of third parties for damages.

(3) Remedies

—In a civil action brought under this subsection with respect to the misappropriation of a trade secret, a court may—

“(A) grant an injunction—

“(i) to prevent any actual or threatened ~~violation~~ **misappropriation** described in paragraph (1) on such terms as the court deems reasonable;

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

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

~~“(B) award—~~

~~“(i) (I) damages for actual loss caused by the misappropriation of **athe** trade secret; **and**~~

~~“(II) damages for any unjust enrichment caused by the misappropriation of the trade secret that is not addressed in computing damages for actual loss; **and/or**~~

~~“(iii) in lieu of damages measured by any other methods, the damages caused by **the** misappropriation measured by imposition of liability for a reasonable royalty for **athe** misappropriator’s unauthorized disclosure or use of **athe** trade secret;~~

~~“(C) if the trade secret ~~described in paragraph (1)(B)~~ is willfully ~~or~~**and** maliciously misappropriated, award exemplary damages in an amount not more than 3 times the amount of the damages awarded under subparagraph (B); and~~

~~“(D) if a claim of **the** misappropriation is made in bad faith, a motion to terminate an injunction is made or opposed in bad faith, or **athe** trade secret ~~is~~**was** willfully and maliciously misappropriated, award reasonable attorney’s fees to the prevailing party.~~

~~“(b) JURISDICTION.—(c) Jurisdiction~~

The district courts of the United States shall have original jurisdiction of civil actions brought under this section.

~~“(e) PERIOD OF LIMITATIONS.—(d) Period of limitations~~

A civil action under ~~this section~~**subsection (b)** may not be commenced later than 5 years after the date on which the misappropriation **with respect to which the action would relate** is discovered or by the exercise of reasonable diligence should have been discovered. For purposes of this subsection, a continuing misappropriation constitutes a single claim of misappropriation²².

(b) Definitions

—Section 1839 of title 18, United States Code, is amended—

(1) in paragraph (3), by striking ~~“and”~~²² at the end;

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

(3) by adding at the end the following:

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

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

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

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

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

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

“(II) acquired under ~~circumstances~~ **circumstances** giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret; or

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

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

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

“(II) knowledge of the trade secret had been acquired by accident or mistake;

“(6) the term “improper means”—

“(A) includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means; and

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

“(7) the term “Trademark Act of 1946” means the Act entitled “An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes”, approved July 5, 1946 (15 U.S.C. 1051 et seq.) (commonly referred to as the “Trademark Act of 1946” or the “Lanham Act”).”

(c) Exceptions to prohibition

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

~~(d) TECHNICAL AND CONFORMING AMENDMENT.~~—(d) **Conforming amendments**

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

1836.

Civil proceedings

(2) The table of sections for chapter 90 of title 18, United States Code, is amended by striking the item relating to section 1836 and inserting the following:

“1836. Civil proceedings.”

(e) ~~RULE OF CONSTRUCTION.~~—Effective date

The amendments made by this section shall apply with respect to any misappropriation of a trade secret (as defined in section 1839 of title 18, United States Code, as amended by this section) for which any act occurs on or after the date of the enactment of this Act.

(f) Rule of construction

Nothing in the amendments made by this section shall be construed to modify the rule of construction under section 1838 of title 18, United States Code, or to preempt any other provision of law.