

## Senate Highlights Key Parts Of Trade Secrets Legislation



*Law360, New York (May 29, 2014, 10:55 AM ET)* -- Unlike patent, copyright, and trademark, there is no federal private right of action for trade secret misappropriation. But this could soon change if the recently introduced Defend Trade Secrets Act (S. 2267) becomes law, which was the subject of a recent hearing before the Senate Judiciary Subcommittee on Crime and Terrorism. In this article, we summarize the hearing testimony and key provisions of the proposed bill, and we briefly consider the prospects for the bill's passage into law.

### The Hearing Before Senate Judiciary Subcommittee on Crime and Terrorism

On May 13, 2014, the Senate Judiciary Subcommittee on Crime and Terrorism held a hearing titled Economic Espionage and Trade Secret Theft: Are Our Laws Adequate for Today's Threats. The hearing was led by Chairman Sheldon Whitehouse, D-R.I., and attended by ranking member Lindsey Graham, R-S.C., and Sens. Orrin Hatch, R-Utah, Chris Coons, D-Del., and Jeff Flake, R-Ariz. Senate Judiciary Chairman Patrick Leahy, D-Vt., also submitted a written statement. The following witnesses from the public and private sectors also provided testimony:

- Randall C. Coleman, assistant director, Counterintelligence Division, Federal Bureau of Investigation;
- Peter L. Hoffman, vice president, intellectual property management, The Boeing Company;
- Pamela Passman, president and CEO, Center for Responsible Enterprise and Trade;
- Drew Greenblatt, president, Marlin Steel Wire Products; and
- Douglas K. Norman, vice president and general patent counsel, Eli Lilly and Company

The hearing attendees focused their remarks and testimony on a number of principal themes:

### ***Federal Criminal Law Enforcement Alone Cannot Protect Against Trade Secret Misappropriation***

Coleman of the FBI emphasized that, although the FBI has implemented a successful outreach program

with private companies and academia to counter insider threats and cyber intrusions, trade secret misappropriation is simply too large of a national and international problem for federal law enforcement to confront by itself. Aside from the sheer size of the problem, criminal enforcement also requires a higher burden of proof and tends to focus on the most notorious — but perhaps not the most damaging — instances of misappropriation. Finally, criminal enforcement neither compensates private parties for harm caused by misappropriation, nor does it provide adequate injunctive remedies to stop misappropriators in their tracks. Given that trade secret theft can cost companies \$10-\$20 million and multiple years of research and development, according to Norman’s testimony, a civil cause of action is critical to compensating victims and promoting innovation.

### ***A Federal Standard Is Required to Combat Foreign Misappropriation***

Several attendees expressed concern over foreign-sponsored trade secret threats. Sen. Whitehouse explained that an estimated 1-3 percent of GDP is lost as a result of stolen intellectual property, which has a severe impact on job creation in the United States, and Norman noted that the risk of trade secret misappropriation is Eli Lilly’s chief concern when selecting foreign partners. Proponents of the new bill hope that it will provide a uniform and effective means of protecting U.S. businesses against foreign misappropriators. Additionally, passage of a uniform federal standard will assist trade negotiators in pressing for more stringent protections by the United States’ trading partners, many of which have less concern for the protection of trade secrets.

### ***A Uniform Federal Standard Will Result in a More Consistent and Efficient Means of Protecting Trade Secrets***

Finally, several attendees discussed the need for a consistent and efficient legal system for countering trade secret threats. Given the current array of state laws on this issue, the witnesses from Boeing, Eli Lilly and Marlin Steel all expressed concern over the costs and inefficiency of bringing misappropriators to heel around the country and globe. In particular, because many states have no ex parte seizure remedy, the relief available in those states is often too slow to protect victims of misappropriation, or it is primarily retrospective and fails to protect against the irreparable harm of misappropriation at the moment it occurs. Moreover, a uniform federal remedy would reduce the costs of retaining lawyers in multiple jurisdictions to help navigate the particular landscape of each state’s trade secret law and procedure.

Each of the hearing attendees endorsed or otherwise expressed strong support for the Defend Trade Secrets Act.

### **The Defend Trade Secrets Act**

Introduced by Sens. Coons and Hatch — both members of the Senate Judiciary Committee — the Defend Trade Secrets Act would substantially enhance trade secret protection by:

- Creating a uniform federal standard: Trade secret litigation is currently governed by state law, which creates inconsistencies in how trade secrets are defined and protected around the country. This bill creates a uniform definition of trade secrets and provides for consistent forms of relief. This uniformity will provide companies with more predictable and cost-efficient methods for protecting trade secrets and enforcing their rights.

- Strengthening remedies for trade secret theft: The bill contains several tools for protecting trade secrets in federal court, including:
  - Ex parte orders to preserve electronic evidence of misappropriation and to seize computers and other property used in misappropriation.
  - Injunctions to protect trade secrets.
  - Money damages for misappropriation, including treble damages if the misappropriation is willful or malicious.
  - A longer, five-year period to seek relief.
- Providing trade secret owners the advantages of federal court: Federal court can give trade secret owners advantages, such as ease in serving discovery on non-party witnesses and swift nationwide service of process. This bill would give trade secret holders access to the same forum as holders of other federally protected intellectual property, such as patents, trademarks and copyrights.

### **Likelihood of Passage**

The prospects for the Defend Trade Secrets Act are still developing. While it enjoys bipartisan support in the Senate, there are not yet any sponsors in the House of Representatives for equivalent legislation.

Federal trade secret legislation has been proposed in the past. In 2012, Sens. Coons, Hatch and Herbert Kohl, D-Wis., introduced the Protecting Trade Secrets and Innovation Act of 2012, S. 3389, which did not advance. And June 2013 saw the introduction, by Rep. Zoe Lofgren, D-Calif., of the Private Right of Action Against Theft of Trade Secrets Act of 2013, H.R. 2466, which also proposed to amend the Economic Espionage Act to allow civil suits against trade secret thieves. That bill did not make it out of committee.

Despite uncertainty regarding its ultimate passage, the Defend Trade Secrets Act is worth our attention. It represents continued focus on interstate and international protection of trade secrets at the federal level, and it enjoys bipartisan support — something that its predecessor bills lacked. Stay tuned.

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