

TRADE SECRET LAW IN THE WAKE OF DEFEND TRADE  
SECRETS ACT OF 2016

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## I. INTRODUCTION

In the discussion of Intellectual Property (IP), most people assume either patents, trademarks, or copyrights are the most important form of IP protection.<sup>1</sup> Most businesses would disagree, ranking trade secrets as the most important form of protection.<sup>2</sup> In fact, survey evidence shows that large and small firms are more likely to rank trade secrets as "very important" than any other form of IP protection.<sup>3</sup>

The last decade saw the emergence of trade secret protection through a federal cause of action created through the passing of the Defend Trade Secret Act of 2016 (DTSA).<sup>4</sup> DTSA was seen at the time as a landmark shift in trade secret law that could move these actions from state court into federal court and bring uniformity to trade secret law nationwide.<sup>5</sup> While federal trade secret action has certainly increased since the passage of the law, some commenters argue that DTSA did not deliver the uniformity promised at its inception.<sup>6</sup> This article explores the origins of trade secret law in America and traces its path from inception to the modern practice. Specifically, this Comment analyzes: the practice of trade secret law in Delaware previous to the passage of DTSA; the changes DTSA brought to trade secret law with its federal cause of action; how cases have been decided since the passage of DTSA; criticisms of DTSA; and where the state of the trade secret law is headed in the future.

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<sup>1</sup> James Pooley, *Trade Secrets: the other IP right*, WIPO MAGAZINE, June 2013, [https://www.wipo.int/wipo\\_magazine/en/2013/03/article\\_0001.html](https://www.wipo.int/wipo_magazine/en/2013/03/article_0001.html).

<sup>2</sup> *Id.*

<sup>3</sup> Katherine Linton, *The Importance of Trade Secrets: New Directions in International Trade Policy Making and Empirical Research*, J. INT'L COM. & ECON. 1, 2 (Sep. 2016) [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2893319](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2893319).

<sup>4</sup> Gabriel M. Ramsey et al., *Internet Law and Practice November 2021 Update Part IV. Intellectual Property Issues § 18:2*, WESTLAW (Updated Nov. 2021), [https://1.next.westlaw.com/Document/Ie73deac7f54a11d9b758ca3439fd0767/View/FullText.html?ppcid=23293b5519ee401e81659a21d5e7c6bb&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=%28sc.Folder\\*cid.fb13151d58b94cce83cc4849e00fcacf\\*oc.Search%29](https://1.next.westlaw.com/Document/Ie73deac7f54a11d9b758ca3439fd0767/View/FullText.html?ppcid=23293b5519ee401e81659a21d5e7c6bb&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=%28sc.Folder*cid.fb13151d58b94cce83cc4849e00fcacf*oc.Search%29).

<sup>5</sup> Adam W. Poff, *Changes on the Horizon for Trade Secret Misappropriation*, DEL. LAW. 24, 24 (Fall 2015).

<sup>6</sup> Kenneth Kuwayti & John Lanham, *Happy Anniversary DTSA: The Defend Trade Secrets Act At Five*, JD SUPRA, <https://www.jdsupra.com/legalnews/happy-anniversary-dtsa-the-defend-trade-8417589/>

### A. *Defining Trade Secrets*

Trade secrets comprise information that a party does not wish revealed to its competition.<sup>7</sup> In the United States, trade secrets were first formally mentioned in the Restatement of Torts Sections 757 through 759.<sup>8</sup> The Restatement gave the following definition,<sup>9</sup>

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.

Trade secrets must be secrets; they cannot be publicly available knowledge.<sup>10</sup> Trade secrets, unlike patents, do not have to be novel; they can be an improvement on prior art or discoverable from examining that prior art.<sup>11</sup>

As the original form of intellectual property, trade secrets existed for thousands of years.<sup>12</sup> The secret method of harvesting a silkworm's thread allowed a region of China to profit for centuries, and one Armenian family held a four-hundred year lead in producing orchestral cymbals because of carefully kept trade secrets.<sup>13</sup> These early trade secrets had no legal protection, requiring their owners to meticulously safeguard them.<sup>14</sup> Here, possession truly did encompass ownership in its entirety.

### B. *The Evolution of Trade Secret Law in the United States*

As Industry emerged from widespread agrarianism, the need for formal legal protection grew.<sup>15</sup> In the United States, trade secret protection originated in state common law.<sup>16</sup> Trade secrets were first formally mentioned in the First Restatement of Torts Sections 757 through 759,

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<sup>7</sup> Pooley, *supra* note 1.

<sup>8</sup> Ramsey et al., *supra* note 4.

<sup>9</sup> RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. L. INST. 1934).

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> Pooley, *supra* note 1.

<sup>13</sup> Pooley, *supra* note 1.

<sup>14</sup> Pooley, *supra* note 1.

<sup>15</sup> Pooley, *supra* note 1.

<sup>16</sup> Ramsey et al., *supra* note 4.

which was published in 1939.<sup>17</sup> These sections reflected the basic principles of trade secret laws as dictated by U.S. courts.<sup>18</sup>

While the Restatement reflected principles elucidated by courts, trade secret law was unevenly developed throughout the country, tending to be more developed in states with large commercial centers and rather sparse in more agricultural states.<sup>19</sup> In fact, trade secret law varied so much over time that the Second Restatement of Torts—published in 1979—did not include the section on trade secrets.<sup>20</sup>

To standardize trade secret law nationwide, and to try to come to a compromise between the rights of secret holders and the needs of technology, the Uniform Law Commission created the Uniform Trade Secrets Act (UTSA).<sup>21</sup> While the UTSA varied from common law in many ways, it quickly won approval of the states, and by 2014 had been passed in some form in forty-eight (48) states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.<sup>22</sup> Published in 1994, The Restatement (Third) of Unfair Competition also provides an overview on trade secret protection; albeit with some minor differences from the UTSA.<sup>23</sup> Still, a number of states still follow the common law principles of the Restatement of Torts Sections 757–59, while others have implemented their own independent trade secret statutes.<sup>24</sup>

Trade secret law remained state-created law through the end of the 20th Century in regards to civil action until Congress passed the Economic Espionage Act of 1996 (EEA).<sup>25</sup> The EEA federally criminalized theft or misappropriation of a trade secret with the intent or knowledge that the offense would benefit any foreign government, foreign instrumentality, or foreign agent.<sup>26</sup> Trade secret holders who wished to pursue only civil causes of action were still only afforded state remedies.<sup>27</sup> Because the UTSA differs in implementation by state, trade secret holders had trouble

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<sup>17</sup> Ramsey et al., *supra* note 4; RESTATEMENT (FIRST) OF TORTS §§ 757–59 (AM. L. INST. 1934).

<sup>18</sup> Trade Secrets, WEX, [https://www.law.cornell.edu/wex/trade\\_secret](https://www.law.cornell.edu/wex/trade_secret)

<sup>19</sup> UNIF. TRADE SECRET ACT Prefatory Note (1985), <https://www.uniformlaws.org/viewdocument/final-act-128?CommunityKey=3a2538fb-e030-4e2d-a9e2-90373dc05792&tab=librarydocuments> (last visited Dec. 19, 2022) [hereinafter UTSA].

<sup>20</sup> Ramsey et al., *supra* note 4.

<sup>21</sup> Trade Secrets, *supra* note 18; *see also* UTSA, *supra* note 19.

<sup>22</sup> Trade Secrets, *supra* note 18.

<sup>23</sup> Trade Secrets, *supra* note 18; *compare* RESTATEMENT (THIRD) OF UNFAIR COMPETITION: TRADE SECRETS §§ 39–45 (AM. L. INST. 1995) *with* UTSA, *supra* note 19.

<sup>24</sup> Ramsey et al., *supra* note 4.

<sup>25</sup> Ramsey et al., *supra* note 4.

<sup>26</sup> Economic Espionage, WEX, [https://www.law.cornell.edu/wex/economic\\_espionage](https://www.law.cornell.edu/wex/economic_espionage) (last visited Dec. 19, 2022).

<sup>27</sup> Poff, *supra* note 5, at 24.

instituting nationwide non-disclosure policies.<sup>28</sup> To address these disparities, Congress began developing a federal trade secret act.<sup>29</sup> Each house introduced their own version of a federal civil trade secret bill in 2014, but both bills ultimately failed.<sup>30</sup> Even so, the concept of a federal civil action to protect trade secrets gained wide bipartisan support<sup>31</sup>, and eventually, Congress passed DTSA into law.<sup>32</sup>

While the sources of trade secret law have varied over the history of the country, there are three common elements to a trade secret claim:<sup>33</sup>

1. the plaintiff's information must qualify for trade secret protection;
2. the conduct of the acquirer of the trade secret must in some manner be wrongful, amounting to "misappropriation"; and
3. the conduct of the plaintiff in protecting the information must be "reasonable under the circumstances" or otherwise adequate.

### *C. Trade Secret Enforcement as a State Claim – The Delaware Court of Chancery*

Before federal civil action was available to press a trade secret claim, Delaware's famed Court of Chancery was a popular venue to file such an action. The Court of Chancery has long enjoyed the reputation of being the "world's foremost forum for resolving internal corporate governance matters."<sup>34</sup> The Court has also entered judgements in notable trade secrets cases stretching back to the 1950's.<sup>35</sup> Companies seeking trade secret protection favor "speed in resolving [their] dispute[s] with the accused misappropriator and expertise in applying injunctive relief" when

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<sup>28</sup> Poff, *supra* note 5, at 24.

<sup>29</sup> Poff, *supra* note 5, at 24.

<sup>30</sup> Poff, *supra* note 5, at 24.

<sup>31</sup> Poff, *supra* note 5, at 24.

<sup>32</sup> Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 [hereinafter DTSA].

<sup>33</sup> Ramsey et al., *supra* note 4.

<sup>34</sup> Adam W. Poff & Gregory J. Brodzik, *The Delaware Court of Chancery: Forum for Enforcement of Trade Secret Rights*, BLOOMBERG LAW, <https://news.bloomberglaw.com/ip-law/the-delaware-court-of-chancery-forum-for-enforcement-of-trade-secret-rights> (Jan. 3, 2014).

<sup>35</sup> *Id.*

they make considerations to choose a forum.<sup>36</sup> Over many decades, the Court of Chancery proved that it was a top forum for addressing both of those needs.<sup>37</sup> Aside from speed and experience, the Court of Chancery was also appealing for its ability to award punitive damages as part of Delaware's version of UTSA.<sup>38</sup> Section 2003(b) of Title 6 of the Delaware Code specifically allows the Court of Chancery to award exemplary damages—which are considered punitive under UTSA—in trade secret misappropriation causes.<sup>39</sup> The Court of Chancery also generally upholds forum selection clauses, which makes it an even more attractive option for trade secret owners, as forum selection clauses written into licensing agreements and contracts will generally be upheld.<sup>40</sup> The Court of Chancery also has extensive experience applying out-of-forum law to a variety of cases.<sup>41</sup> Choice of law clauses do not deter parties from selecting the Court due to its extensive experience.<sup>42</sup> For all of the mentioned benefits, some commentators considered the Delaware Court of Chancery to be the premier forum of choice to enforce trade secret rights before the advent of the DTSA.<sup>43</sup>

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<sup>36</sup> *Id.*

<sup>37</sup> *See id.*

<sup>38</sup> Poff & Brodzick, *supra* note 34.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup> Poff & Brodzick, *supra* note 34.

<sup>43</sup> *Id.*

## II. THE DEFEND TRADE SECRETS ACT

### *A. Motivation for DTSA*

The quest for uniformity helped to drive the push for federal trade secret protection. The vast majority of states passed their own versions of the UTSA, which made universal enforcement of trade secret non-disclosure very difficult for many trade secret owners.<sup>44</sup> Seeking to remedy this, Congress began drafting various proposals that eventually became the DTSA as it exists today.<sup>45</sup> In addition to uniformity, DTSA focused on three primary goals:<sup>46</sup>

1. to create a federal civil remedy, bringing the rights of trade secret owners "into alignment with those long enjoyed by owners of other forms of intellectual property;"
2. to promote uniformity by providing for a single, national standard for trade secret misappropriation with clear rules and predictability for everyone involved;" and
3. to better address the concerns of "a globalized and national economy" where trade secrets can readily be spirited across state lines and "beyond the reach of American law."

DTSA was signed into law on May 11, 2016.<sup>47</sup> In turbulent political times, DTSA managed a 410–2 vote in the House of Representatives and a unanimous vote in the Senate.<sup>48</sup> Its popularity seemingly stems from the objective to protect American IP from foreign interference and the aim of creating a statute that federally codifies existing state law.<sup>49</sup> Indeed, contemporaneous to passage, there was great worry about the protection of trade secrets from international commercial espionage.<sup>50</sup> For example, negotiations between the United States and China have focused extensively on upgrading substantive and procedural protections for owners of trade secrets in China.<sup>51</sup> Similarly, bilateral discussions between

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<sup>44</sup> Poff, *supra* note 5, at 24.

<sup>45</sup> See generally Poff, *supra* note 5.

<sup>46</sup> Kuwayti & Lanham, *supra* note 6.

<sup>47</sup> Kuwayti & Lanham, *supra* note 6.

<sup>48</sup> Kuwayti & Lanham, *supra* note 6.

<sup>49</sup> Kuwayti & Lanham, *supra* note 6.

<sup>50</sup> Pooley, *supra* note 1.

<sup>51</sup> Linton, *supra* note 3, at 9.

the United States and India also focused on enhancing trade secret protection because Indian law offers no standalone trade secret law.<sup>52</sup>

### *B. The Substance of DTSA*

DTSA's stated purpose was to amend Chapter 90 Title 18 of the United States Code along with several other purposes.<sup>53</sup> DTSA amended Section 1836 and several other provisions in chapter 90.<sup>54</sup> This chapter is the codification of the EEA that added criminal penalty for trade secret theft.<sup>55</sup> The biggest revision was to Section 1836, which struck out and replaced subsection (b) with the newly minted "Private Civil Actions" section.<sup>56</sup> This section states that "[a]n owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce."<sup>57</sup> Section (2)(f) includes a rule of construction that makes it clear that DTSA does not preempt state trade secret laws, allowing both federal and state claims to be made simultaneously.<sup>58</sup> This gives trade secret owners the possibility of winning on both state and federal civil causes of action.

#### 1. The *Ex Parte* Seizure Provision

One of the major additions of DTSA is the *ex parte* civil seizure provision that now appears as Section 1836(b)(2).<sup>59</sup> This provision allows a plaintiff to move the court to seize property from a defendant where the property is deemed "necessary to prevent the propagation or dissemination of the trade secret that is subject of the action."<sup>60</sup> This *ex parte* provision is a serious remedy, and is only granted in extreme circumstances.<sup>61</sup> Because of the serious nature of an *ex parte* seizure, and because the party whose property will be seized does not have the opportunity to object,

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<sup>52</sup> Linton, *supra* note 3, at 9.

<sup>53</sup> DTSA, *supra* note 32.

<sup>54</sup> *See generally* DTSA, *supra* note 32.

<sup>55</sup> *See* 18 U.S.C. §§ 1831–39;

<sup>56</sup> *See* DTSA, *supra* note 32, § 2.

<sup>57</sup> 18 U.S.C. § 1836(b)(1).

<sup>58</sup> DTSA, *supra* note 32, § (2)(f). ("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.")

<sup>59</sup> DTSA, *supra* note 32, § 2; 18 U.S.C. § 1836(b)(2).

<sup>60</sup> 18 U.S.C. § 1836(b)(2)(A)(i).

<sup>61</sup> *Id.*

there are strict requirements for issuing an order to seize.<sup>62</sup> To begin, an *ex parte* seizure is discretionary; even if all of the elements set out are met, the court is not bound to issue an order.<sup>63</sup> The moving party must submit an affidavit or verified complaint that clearly states specific facts showing that:<sup>64</sup>

- (I) an order issued pursuant to Rule 65 of the Federal Rules of Civil Procedure or another form of equitable relief would be inadequate to achieve the purpose of this paragraph 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—
  - (aa) the information is a trade secret; and
  - (bb) the person against whom seizure would be ordered—
    - (AA) misappropriated the trade secret of the applicant by improper means; or
    - (BB) conspired to use improper means to misappropriate the trade secret of the applicant;

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<sup>62</sup> 18 U.S.C. § 1836(b)(2)(A)(ii).

<sup>63</sup> *Id.*

<sup>64</sup> 18 U.S.C. § 1836(b)(2)(A)(i)-(ii)

- (V) the person against whom seizure would be ordered has actual possession of—
  - (aa) the trade secret; and
  - (bb) any property to be seized;
- (VI) 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;
- (VII) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person; and
- (VIII) the applicant has not publicized the requested seizure.

Only if a plaintiff has shown the above elements will a court consider an *ex parte* seizure.<sup>65</sup> If an order is issued, it must include findings of fact and conclusions of law that were required to issue the order.<sup>66</sup> The order must be narrowly tailored to include only property necessary to protect the trade secrets at issue, and the seizure itself must be in a manner that minimizes harm to the person accused of misappropriating the trade secret.<sup>67</sup> To protect seized property from disclosure, Subsection (I) of Section 1836(b)(2)(B)(iii) includes that there must also be an accompanying order generally prohibiting access to the seized property by either the party whom applied for it or the party against whom it was directed.<sup>68</sup> To protect the party whose property is seized, this accompanying order also will prohibit any copies, in whole or part, from being made of the seized property until the party whose property was seized has an opportunity to be heard in court.<sup>69</sup> Subsection (II) of Section 1836(b)(2)(B)(iii) has an exception to this general rule, which allows the

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<sup>65</sup> 18 U.S.C. § 1836(b)(2)(A)(ii).

<sup>66</sup> 18 U.S.C. § 1836(b)(2)(B)(i).

<sup>67</sup> 18 U.S.C. § 1836(b)(2)(B)(ii).

<sup>68</sup> 18 U.S.C. § 1836(b)(2)(B)(iii)(I).

<sup>69</sup> *Id.*

court to grant access to the seized property so long as specific procedures specified in Section 1836(b)(2)(D) are followed.<sup>70</sup> The seizure order must also provide guidance to law enforcement, specifically with regards to the hours during which the property may be seized and whether force may be used to access locked areas.<sup>71</sup> In addition, the order must set a date for a hearing where the owner of the seized property may object to the seizure.<sup>72</sup> These hearings are described in subsection (F).<sup>73</sup>

A seizure hearing shall be held by the court ordering seizure on a date set by that court.<sup>74</sup> The burden of proof at this hearing rests on the party who obtained the order.<sup>75</sup> If the obtaining party fails to meet this burden, the court must dissolve or modify the order appropriately.<sup>76</sup> The party against whom the seizure order has been issued, or any third party harmed by the order, can move at any time to dissolve or modify the seizure after giving notice to the obtaining party.<sup>77</sup> To prevent the frustration of the purposes of a seizure hearing, the court has discretion to modify the time limits for discovery pursuant to the Federal Rules of Civil Procedure.<sup>78</sup>

The seizure provision includes protections for the party against whom the seizure is sought.<sup>79</sup> First, the seizure order requires the party obtaining it to put down a bond deemed adequate to cover damages to the party whose property is seized if the seizure is later deemed wrongful.<sup>80</sup> Second, subsection (C) of the *ex parte* seizure provision also requires a court to prevent the person seeking a seizure from publicizing the identity of the person against whom the seizure is sought.<sup>81</sup> Third, subsection (D) sets rules for protection of materials in the custody of the court.<sup>82</sup> Any materials seized must be taken into the custody of the court and protected from both physical and electronic access.<sup>83</sup> If the property is storage medium, or is contained on storage medium, that storage medium must be prevented from being connected to any network without consent of both

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<sup>70</sup> 18 U.S.C. § 1836(b)(2)(B)(iii)(II).

<sup>71</sup> 18 U.S.C. § 1836(b)(2)(B)(iv).

<sup>72</sup> 18 U.S.C. § 1836(b)(2)(B)(v).

<sup>73</sup> 18 U.S.C. § 1836(b)(2)(F).

<sup>74</sup> 18 U.S.C. § 1836(b)(2)(F)(i).

<sup>75</sup> 18 U.S.C. § 1836(b)(2)(F)(ii).

<sup>76</sup> *Id.*

<sup>77</sup> 18 U.S.C. § 1836(b)(2)(F)(iii).

<sup>78</sup> 18 U.S.C. § 1836(b)(2)(F)(iv).

<sup>79</sup> 18 U.S.C. § 1836(b)(2)(B)(vi); 18 U.S.C. § 1836(b)(2)(C).

<sup>80</sup> 18 U.S.C. § 1836(b)(2)(B)(vi).

<sup>81</sup> 18 U.S.C. § 1836(b)(2)(C).

<sup>82</sup> 18 U.S.C. § 1836(b)(2)(D).

<sup>83</sup> 18 U.S.C. § 1836(b)(2)(D)(i).

parties until the aforementioned seizure hearing is conducted.<sup>84</sup> The court is required to take appropriate measures to ensure the confidentiality of any materials unrelated to the trade secret information at issue that are included in the seizure unless the party against whom the seizure order was entered consents to their disclosure.<sup>85</sup> Finally, the court may appoint a special master to sort out misappropriated trade secret material, and facilitate its return to its rightful owner.<sup>86</sup> This master shall be bound by a court approved non-disclosure agreement to ensure confidentiality of these misappropriated trade secrets.<sup>87</sup>

If the seizure is wrongfully applied for and made, a party that suffers damages is offered a specific cause of action for recovery of these damages.<sup>88</sup> While the applicant for a seizure is required to put down a monetary bond to secure the materials to be seized,<sup>89</sup> third parties who also suffer damages are not limited in their recovery by this bond.<sup>90</sup> Any party that claims to have an interest in the seized property may make a motion, which can be *ex parte*, to encrypt the seized material in a manner of the moving party's choosing.<sup>91</sup>

To ensure federal oversight, any seizure order issued by a federal court must be served by a federal law enforcement officer who will then carry out the seizure.<sup>92</sup> State and local law enforcement officers may be permitted by the court to participate in the seizure, but no applicant for a seizure nor their agents may be allowed to participate.<sup>93</sup> Outside experts who are unaffiliated with the applicant may be allowed to participate in seizures if it is determined that their participation would aid the execution of the seizure.<sup>94</sup> Law enforcement officials must first request their assistance, and the experts must sign a court-approved non-disclosure agreement to participate.<sup>95</sup>

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<sup>84</sup> 18 U.S.C. § 1836(b)(2)(D)(ii).

<sup>85</sup> 18 U.S.C. § 1836(b)(2)(D)(iii).

<sup>86</sup> 18 U.S.C. § 1836(b)(2)(D)(iv).

<sup>87</sup> *Id.*

<sup>88</sup> 18 U.S.C. § 1836(b)(2)(G).

<sup>89</sup> 18 U.S.C. § 1836(b)(2)(B)(vi).

<sup>90</sup> 18 U.S.C. § 1836(b)(2)(G).

<sup>91</sup> 18 U.S.C. § 1836(b)(2)(H).

<sup>92</sup> 18 U.S.C. § 1836(b)(2)(E).

<sup>93</sup> *Id.*

<sup>94</sup> *Id.*

<sup>95</sup> 18 U.S.C. § 1836(b)(2)(E).

## 2. Remedies for Misappropriation Offered by DTSA

DTSA offers multiple remedies for misappropriation of trade secrets.<sup>96</sup> The court has discretion to grant injunctions, compensatory damages, and exemplary damages.<sup>97</sup> DTSA spells out that a court may issue injunctions to prevent any actual or threatened misappropriation, so long as the injunction does not prevent a person from entering an employment relationship nor conflict with an applicable State law which prohibits restraints on employment.<sup>98</sup> Any conditions placed on employment must be based on actual evidence of misappropriation and not the simple fact that a person possesses knowledge of a trade secret.<sup>99</sup> Should a court determine that a party must take affirmative action to protect a secret, it may order so through injunctive relief.<sup>100</sup> In the extraordinary circumstances that an injunction may be inequitable, the court may style an injunction that conditions future use of the trade secret upon payment of reasonable royalties.<sup>101</sup> These royalties may not be set for a period of time longer than the use of the trade secret would be banned.<sup>102</sup>

The court may also award compensatory damages to a party for the misappropriated trade secrets.<sup>103</sup> There are two different ways of calculating the damages under DTSA.<sup>104</sup> The court can either award damages equal to the actual loss of the party along with unjust enrichment that is not part of the actual loss, or the court can award damages that would be equal to a reasonable royalty for use of the misappropriated trade secret.<sup>105</sup>

If the court makes the determination that the trade secret was, “willfully and maliciously” misappropriated, the court can award exemplary damages.<sup>106</sup> These damages are punitive in nature, and not tied directly to loss; however, they cannot exceed two times the compensatory damages awarded.<sup>107</sup> Here, additional attorney's fees are also available to

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<sup>96</sup> 18 U.S.C. § 1836(b)(3).

<sup>97</sup> *Id.*

<sup>98</sup> 18 U.S.C. § 1836(b)(3)(A)(i)(I)–(II).

<sup>99</sup> 18 U.S.C. § 1836(b)(3)(A)(i)(I).

<sup>100</sup> 18 U.S.C. § 1836(b)(3)(A)(ii).

<sup>101</sup> 18 U.S.C. § 1836(b)(3)(A)(iii).

<sup>102</sup> *Id.*

<sup>103</sup> 18 U.S.C. § 1836(b)(3)(B).

<sup>104</sup> *Id.*

<sup>105</sup> 18 U.S.C. § 1836(b)(3)(B)(i)–(ii).

<sup>106</sup> 18 U.S.C. § 1836(b)(3)(C).

<sup>107</sup> *Id.*

the party whose trade secret was willfully and maliciously misappropriated.<sup>108</sup>

Finally, DTSA allows for a remedy in the case of a claim of misappropriation made in bad faith or a motion to dissolve an injunction made in bad faith.<sup>109</sup> If the court determines that either of these has happened, it can award attorney's fees to the prevailing party.<sup>110</sup>

### 3. Other Code Sections Changed or Incorporated

Section 1836 was not the only section of the code changed by DTSA.<sup>111</sup> Several other sections of the code underwent amendment.<sup>112</sup> Section 1839 added a definition of "misappropriation" that closely tracks the definition from the Uniform Trade Secrets Act.<sup>113</sup> DTSA also added a definition for "improper means" to Section 1839.<sup>114</sup> Section 1839's definition starts with the same language included in the UTSA, but adds a qualifier that "reverse engineering, independent derivation, or other lawful means of acquisition," do not constitute improper means.<sup>115</sup> Rights of trade secret owners were added to Section 1835 that give these owners the ability to provide information to the courts pertaining to their trade secrets without waiving the rights to those trade secrets.<sup>116</sup>

DTSA made a very important change to Section 1832 by adding treble damages to the list of available fines against an organization participating in trade secret theft.<sup>117</sup> Previously, fines were capped at \$5 million, but with the changes, they are capped at, "the greater of \$5,000,000 or 3 times the value of the stolen trade secret to the organization, including expenses for research and design and other costs of reproducing the trade secret that the organization has thereby avoided."<sup>118</sup> As the treble damages mentioned in this addition have no hard limit, this greatly expands the potential liability of an organization participating in trade secret theft and stands as a strong deterrent against such conduct.

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<sup>108</sup> 18 U.S.C. § 1836(b)(3)(D).

<sup>109</sup> *Id.*

<sup>110</sup> *Id.*

<sup>111</sup> DTSA, *supra* note 32, §§ 3–7.

<sup>112</sup> DTSA, *supra* note 32, §§ 3–7.

<sup>113</sup> *Compare* 18 U.S.C. § 1839(5), *with* UTSA, *supra* note 19, § 1(2).

<sup>114</sup> DTSA, *supra* note 32, § 2(b); 18 U.S.C. § 1839(6).

<sup>115</sup> *Compare* 18 U.S.C. § 1839(6), *with* UTSA, *supra* note 19, § 1(1).

<sup>116</sup> DTSA, *supra* note 32, § 3(a)(2)(B); 18 U.S.C. § 1835(b).

<sup>117</sup> DSTA, *supra* note 32, § 3(a)(1); 18 U.S.C. § 1832(b).

<sup>118</sup> DSTA, *supra* note 32, § 3(a)(1); 18 U.S.C. § 1832(b).

Section 1837 is one of the most important sections with regards to trade secret protection.<sup>119</sup> While the section itself underwent no change via DTSA, it is now read to extend the jurisdiction of DTSA outside of the boundaries of the United States.<sup>120</sup> As will be discussed in the next section, many federal courts have interpreted Section 1837 to give the private civil action created under Section 1836(b) extraterritorial reach.<sup>121</sup> This is incredibly powerful because some state trade secrets laws fail to find extraterritorial reach, which greatly limits the actions of plaintiffs against foreign misappropriators.<sup>122</sup>

### *C. Federal Trade Secret Law Since the Passage of DTSA*

The District Court for the Northern District of California made the first judicial decision under DTSA, handing down a temporary restraining order in *Henry Schein, Inc. v. Cook*, on June 10, 2016.<sup>123</sup> Plaintiff HSI is a company that markets, distributes, and sells medical, dental, and veterinary supplies and equipment to various healthcare professionals.<sup>124</sup> Defendant Cook was hired as a Field Sales Consultant for HSI in 2005.<sup>125</sup> Cook entered into a Confidentiality and Non-Solicitation Agreement with HSI upon her employment, and in 2011 entered into a letter agreement that required her to hold confidential information regarding HSI's various trade secrets in the strictest confidence.<sup>126</sup> This letter included a provision stating that she would "neither copy nor take any such material upon leaving [HSI's] employ."<sup>127</sup> After working for the company for roughly eleven years, Cook resigned from HSI and began working for one of their competitors, Patterson Dental.<sup>128</sup> Based on a review of Cook's access to HSI's computer systems and her company email account, HSI determined that Cook diverted HSI's clients to Patterson prior to leaving<sup>129</sup> Cook also pilfered HSI's trade secrets before and after leaving HSI; utilizing her

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<sup>119</sup> See generally *Motorola Solutions v. Hytera Commc'ns Corp.*, 436 F. Supp. 3d 1150 (N.D. Ill. 2020).

<sup>120</sup> *Motorola*, 436 F. Supp. 3d at 1159.

<sup>121</sup> *Id.*

<sup>122</sup> See *id.* at 1170 (holding state trade secret law did not apply extraterritorially).

<sup>123</sup> T. Vann Pearce Jr. & Matthew Ingles, *California Federal Court First to Rule Under New Defend Trade Secrets Act of 2016*, TRADE SECRETS WATCH (June 30, 2016), <https://blogs.orrick.com/trade-secrets-watch/2016/06/30/california-federal-court-first-to-rule-under-new-defend-trade-secrets-act-of-2016/>.

<sup>124</sup> *Henry Schein, Inc. v. Cook*, 191 F. Supp. 3d 1072, 1074 (N.D. Cal. 2016).

<sup>125</sup> *Id.*

<sup>126</sup> *Id.*

<sup>127</sup> *Id.* at 1075.

<sup>128</sup> *Schein*, 191 F. Supp. 3d at 1075.

<sup>129</sup> *Id.*

access to their computer systems while employed, and unlawfully accessing their systems through an iPad app afterwards.<sup>130</sup> On June 9, 2016, HSI filed a complaint alleging eight separate causes of action, the first of which was Misappropriation of Trade Secrets under DTSA.<sup>131</sup> On the same day, HSI also applied for an *ex parte* temporary restraining order (TRO) seeking to enjoin Cook from using any of the trade secrets she had allegedly stolen or destroying any of the data that she had allegedly stolen or any evidence related to the case.<sup>132</sup> HSI also included an *ex parte* seizure request to obtain "mirrors" of all data stored on Cook's personal devices.<sup>133</sup> The court stated that a plaintiff seeking an injunction must show a likelihood of irreparable injury, a likelihood of success on the merits, that the balance of equities tips in the plaintiff's favor, and that an injunction is in the public interest.<sup>134</sup> Examining the factors, the court held that HSI had demonstrated a likelihood of irreparable harm; that its evidence and contentions made it likely that it would succeed on the merits; that the balance of equities tipped in HSI's favor since Cook was simply being held to the provisions of the Confidentiality and Non-Solicitation Agreements; and that public interest was served when a "defendant is asked to do no more than abide by trade laws and the obligations of contractual agreements signed with her employer."<sup>135</sup> These factors weighed strongly in favor of granting the TRO enjoining Cook from using or destroying data or evidence.<sup>136</sup> However, the court held that HSI had not shown a compelling need to obtain mirrors of Cook's data and did not grant the *ex parte* seizure as requested by HSI's proposed order.<sup>137</sup>

The first verdict under DTSA came roughly eight months later, on February 24, 2017, in *Dalmatia Import Group, Inc. v. Foodmatch, Inc.*<sup>138</sup> Plaintiff Dalmatia produced and sold a popular fig jam that was distributed by defendant Foodmatch.<sup>139</sup> Dalmatia engaged Foodmatch in 1999 when it wished to bring the fig jam recipe its founders created in Croatia to the

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<sup>130</sup> *Id.*

<sup>131</sup> *Id.*

<sup>132</sup> *Schein*, 191 F. Supp. 3d at 1076.

<sup>133</sup> *Id.*

<sup>134</sup> *Id.*

<sup>135</sup> *Id.* at 1076–78.

<sup>136</sup> *Schein*, 191 F. Supp. 3d at 1078.

<sup>137</sup> *Id.*

<sup>138</sup> Michael S. Nadel & Jennifer B. Routh, *McDermott Secures First Judgement Under the Defend Trade Secrets Act of 2016*, MCDERMOTT WILL & EMORY (May 8, 2017), <https://www.mwe.com/media/mcdermott-secures-first-judgment-under-the-defend/>.

<sup>139</sup> *Dalmatia Import Group, Inc. v. Foodmatch, Inc.*, C.A. No. 16-2767, 2016 WL 5930900, \*1, \*1 (E.D. Pa. 2016).

United States.<sup>140</sup> Foodmatch selected a Pennsylvania company, Lancaster Fine Foods (Lancaster), to manufacture the fig jam.<sup>141</sup> In April 2015, concerned with the quality of fig jam that Lancaster was producing, Dalmatia terminated the agreement between the two companies.<sup>142</sup> On October 5, 2015, Dalmatia sent FoodMatch a letter giving notice that it did not intend to renew the Distribution Agreement, which effectively terminated the agreement as of December 31, 2015.<sup>143</sup> During this time, FoodMatch and Lancaster agreed to start producing their own fig jam, marketing it as “Divina.”<sup>144</sup> The issue at bar arose because FoodMatch and Lancaster engaged the primary developer at Lancaster who had access to Dalmatia’s fig jam recipe and instructed him to make a similar product.<sup>145</sup> After discovering this malfeasance, Dalmatia sued Foodmatch and Lancaster for misappropriating its recipe for fig jam.<sup>146</sup> Dalmatia later added a claim of Misappropriation of Trade Secrets Under DTSA in their second amended complaint.<sup>147</sup> After a four week trial, the jury returned a verdict in favor of Dalmatia on February 24, 2017, for claims including the violation of DTSA.<sup>148</sup> The final judgement was entered on May 3, 2017, and awarded Dalmatia \$5.2 million dollars in damages, an injunction preventing future use of their secrets, and attorneys’ fees and costs.<sup>149</sup> As stated above, DTSA included a provision to add attorney’s fees in the case that a trade secret was “willfully and maliciously misappropriated,” showing off a powerful feature of the federal trade secret act.<sup>150</sup> The initial jury verdict had been for \$2.5 million dollars, but commentators predicted this award to more than double as damages attributed to DTSA would be trebled in accordance with the law.<sup>151</sup> While

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<sup>140</sup> Vedder Price, *\$500,000 Given to Jam Manufacturer in Trade Secret Recipe Violation - Using Trade Secrets in the Accelerating World of International Commerce*, NAT LAW REVIEW (Feb. 23, 2018), <https://www.natlawreview.com/article/500000-given-to-jam-manufacturer-trade-secret-recipe-violation-using-trade-secrets>.

<sup>141</sup> *Id.*

<sup>142</sup> Thomas A. Muccifori & Daniel DeFiglio, *Jam Recipe Yields 1st DTSA Verdict*, LAW 360 (June 30, 2016), <https://www.lexology.com/library/detail.aspx?g=2ccf8c67-fa73-4999-8975-2046532dce4a>.

<sup>143</sup> *Dalmatia*, 2016 WL 5930900, at \*1.

<sup>144</sup> Muccifori & DeFiglio, *supra* note 142.

<sup>145</sup> Muccifori & DeFiglio, *supra* note 142. (“[They] told him to create “[t]he product we know and have become used to.”).

<sup>146</sup> *Dalmatia*, 2016 WL 5930900 at \*1.

<sup>147</sup> Muccifori & DeFiglio, *supra* note 142, at n.5.

<sup>148</sup> Nadel & Routh, *supra* note 138.

<sup>149</sup> Nadel & Routh, *supra* note 138.

<sup>150</sup> 18 U.S.C. § 1836(b)(3)(D).

<sup>151</sup> Brooklaw, *Dalmatia Import Group, Inc. v. FoodMatch Inc. et al.*, TRADE SECRETS INSTITUTE, <http://tsi.brooklaw.edu/cases/dalmatia-import-group-inc-v-foodmatch-inc-et-al> (last visited Nov. 19, 2022).

various post-trial motions were pending that argued over what portion of the verdict was to be trebled, the case settled for the aforementioned final judgement.<sup>152</sup> The exact terms of negotiation are not publicly available, but it seems that the specter of treble damages hanging over FoodMatch and Lancaster likely brought them to the table to negotiate a settlement instead of risk a judgement that could reach an even higher number.

These early actions gave notice that DTSA was another arrow in the quiver of a trade secret owner, but both cases included claims under state law that were equally actionable.<sup>153</sup> As discussed later, this was a major criticism of DTSA during its formation and passage, that it would promote duplicative and confusing litigation.<sup>154</sup> However, a line of cases dealing with the extraterritorial reach of DTSA started making their way into the federal courts, showing a major advantage of DTSA over state trade secret laws.<sup>155</sup> Many federal district courts interpreted Section 1837 to give the newly created federal civil action added to the United States Code extraterritorial reach, but none of these courts spelled out a carefully considered rationale behind this decision until *Motorola Solutions, Inc. v. Hytera Communications Corp. Ltd.*<sup>156</sup>

*Motorola* originally began in late 2017 and was filed in the Federal District Court for the Northern District of Illinois.<sup>157</sup> Motorola brought three claims against Hytera: trade secret misappropriation under DTSA, trade secret misappropriation under the Illinois Trade Secret Act (ITSA), and copyright infringement under the Copyright Act.<sup>158</sup> Allegedly, Hytera had acquired stolen trade secrets from three engineers that it hired from Motorola.<sup>159</sup> Hytera then allegedly used these trade secrets to develop a digital radio that was "functionally indistinguishable" from Motorola's radio.<sup>160</sup> Hytera sold these radios all around the world, including the United States.<sup>161</sup> The decision handed down in *Motorola* was over a motion to preclude Motorola from relying on extraterritorial damages in the ongoing

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<sup>152</sup> Kathleen McCarthy, *Trade Secret Protection in the Food and Beverage Sector in the U.S.*, JD SUPRA (Aug. 22, 2018), <https://www.jdsupra.com/legalnews/trade-secret-protection-in-the-food-and-40426/>.

<sup>153</sup> See generally *Schein*, 191 F. Supp. 3d; *Dalmatia*, 2016 WL 5930900.

<sup>154</sup> Eric Goldman, *Do We Need A New Federal Trade Secret Law?*, SANTA CLARA UNIV. SCH. L.: LEGAL RSCH. PAPERS SERIES, 3 (Sep. 2014), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2498323](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2498323).

<sup>155</sup> *Motorola*, 436 F. Supp. 3d at 1159.

<sup>156</sup> *Id.*

<sup>157</sup> See *Motorola*, 436 F. Supp. 3d at 1154.

<sup>158</sup> *Id.*

<sup>159</sup> *Id.*

<sup>160</sup> *Id.*

<sup>161</sup> *Motorola*, 436 F. Supp. 3d at 1154.

jury trial between the companies.<sup>162</sup> Hytera argued that neither DTSA, ITSA, or the Copyright Act have extraterritorial effect, and so damages should be limited to domestic applications of the statutes.<sup>163</sup> Motorola offered the counter argument, that all three statutes applied extraterritorially, but that in the alternative, that the case represented a proper domestic application of the statutes which should allow Motorola to recover for damages extraterritorially.<sup>164</sup> The court analyzed each statute in turn, focusing the bulk of its efforts on DTSA.<sup>165</sup> The court first weighed in on DTSA, and started off by stating that there was a presumption against extraterritoriality in statutory construction.<sup>166</sup> The court noted, "[t]his presumption rests on the 'commonsense notion that Congress generally legislates with domestic concerns in mind. . . .'"<sup>167</sup> The court also stated that to interpret that a statute has extraterritorial application, it looks for a "clear indication" of that application in the text of the statute.<sup>168</sup>

The court then turned to the text of DTSA, specifically Sections 1836(b) and 1839, which had both been amended by DTSA.<sup>169</sup> In its interpretation of DTSA, the court reasoned that when Congress makes changes to statutes but does not clearly express an intention to alter the operation, the new statute shall be presumed to have the same effect as the old one.<sup>170</sup> The court found that Congress had not acted to change the interpretation of EEA, but rather to add a new right in the form of the private civil action.<sup>171</sup> This led the court to reason that the provisions added by DTSA were to be considered along with the other provisions within Sections 1831 through 1839.<sup>172</sup> The court found that neither Section 1836(b) nor Section 1839(5) had any explicit reference to extraterritorial application.<sup>173</sup> However, as the court had just reasoned, these provisions had to be examined with the statute as a whole in determining their meaning.<sup>174</sup>

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<sup>162</sup> *Id.*

<sup>163</sup> *Id.*

<sup>164</sup> *Id.* at 1154–55.

<sup>165</sup> *See generally Motorola*, 436 F. Supp. 3d. at 1155–70.

<sup>166</sup> *Id.* at 1155.

<sup>167</sup> *Id.* (quoting *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2136 (2018)).

<sup>168</sup> *Motorola*, 436 F. Supp. 3d. at 1156.

<sup>169</sup> *Id.* at 1158.

<sup>170</sup> *Id.* at 1157–58.

<sup>171</sup> *Id.* at 1158.

<sup>172</sup> *Motorola*, 436 F. Supp. 3d at 1158.

<sup>173</sup> *Id.*

<sup>174</sup> *Id.* at 1158–59.

The court noted that Section 1837 "is the cornerstone for the extraterritorial analysis of the DTSA."<sup>175</sup> Examining Section 1837, the court found that it had clearly rebutted the presumption against extraterritoriality.<sup>176</sup> However, there was a question of whether Section 1837 applied only to criminal matters or whether it applied to the private civil action created by DTSA.<sup>177</sup> The *Motorola* court found no precedent to rely on from the Seventh Circuit, or any other circuit court for that matter.<sup>178</sup> There were a line of cases at the district court level where all the courts had found that Section 1837's extraterritoriality applied to Section 1836(b)'s private civil action, however, none of these cases provided a detailed analysis for why this was held.<sup>179</sup> The *Motorola* court stated that rather than "simply join the chorus of district courts" that had held similarly, the court would carefully work through Section 1837 to explain its reasoning for finding extraterritoriality.<sup>180</sup>

The court first mentioned that the text of Section 1837 said that it applied to "this chapter" which encompassed Section 1836(b).<sup>181</sup> The court then observed that DTSA, passed as Public Law 114-253, included numerous references to extraterritorial conduct that were absent in the previous versions of the statute.<sup>182</sup> Next, the court compared this matter to another case, *RJR Nabisco*, that had been come before the Supreme Court of the United States.<sup>183</sup> In *RJR Nabisco*, the Supreme Court had held that limiting language in a statute drew a line between criminal and civil extraterritorial application.<sup>184</sup> Contrasting this ruling, the *Motorola* court found no such language in Section 1836, which contains both criminal<sup>185</sup> and civil<sup>186</sup> causes of action.<sup>187</sup> The court then moved to Section 1837, noticing that it may contain limiting language as it focused its extraterritorial application on qualities related to an offender or an offense.<sup>188</sup> However, the court held that even though Black's Law Dictionary connoted a criminal context to offender and offense, these

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<sup>175</sup> *Id.* at 1159.

<sup>176</sup> *Motorola*, 436 F. Supp. 3d at 1159.

<sup>177</sup> *Id.*

<sup>178</sup> *Id.*

<sup>179</sup> *Id.*

<sup>180</sup> *Motorola*, 436 F. Supp. 3d at 1159.

<sup>181</sup> *Id.*

<sup>182</sup> *Id.*; compare DTSA, *supra* note 32, with Pub. L. No. 104-294, and Pub. L. No. 112-269.

<sup>183</sup> *Motorola*, 436 F. Supp. 3d at 1160.

<sup>184</sup> *Id.*

<sup>185</sup> 18 U.S.C. § 1836(a).

<sup>186</sup> 18 U.S.C. § 1836(b).

<sup>187</sup> *Motorola*, 436 F. Supp. 3d at 1160.

<sup>188</sup> *Id.*

words should be construed more broadly.<sup>189</sup> With regard to the definition of offense, the court even mentioned, “‘offense,’ even in the Black's Law Dictionary definition, is a ‘violation of the law.’ This encompasses a violation of a civil statute.”<sup>190</sup> The court reasoned that this definition of offense was supported by statements in DTSA, specifically that it needs to “address trade secret theft ‘wherever it occurs.’”<sup>191</sup> After holding that DTSA had extraterritorial reach, the court then held that the *Motorola* case did meet the requirements of section 1837, and therefore extraterritorial damages could be considered under DTSA.<sup>192</sup>

Contrasted to DTSA, the *Motorola* court held that ITSA did not have extraterritorial application.<sup>193</sup> The court found that Section 1065/8(b)(1), which Motorola claimed granted extraterritorial reach, did not clearly express that intent.<sup>194</sup> Moreover, the court considered that this interpretation was consistent with the Seventh Circuit's application of ITSA.<sup>195</sup> Thereby, while relief was available under DTSA, it was not under ITSA.<sup>196</sup>

The rationale of *Motorola* started to catch on in federal courts, being cited in several cases<sup>197</sup> since its decision on January 31, 2020.<sup>198</sup> An important point to mention regarding DTSA is that it has not yet come in front of the Supreme Court for interpretation or review.<sup>199</sup> In fact, there have only been sixty-one opinions that even mention DTSA at the

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<sup>189</sup> *Motorola*, 436 F. Supp. 3d at 1162.

<sup>190</sup> *Id.* (citations omitted).

<sup>191</sup> *Id.*; DTSA, *supra* note 32.

<sup>192</sup> *Motorola*, 436 F. Supp. 3d at 1166.

<sup>193</sup> *Id.* at 1170.

<sup>194</sup> *Id.*

<sup>195</sup> *Id.*

<sup>196</sup> *See generally Motorola*, 436 F. Supp. 3d. at 1166–70.

<sup>197</sup> *See Herrmann Int'l, Inc. v. Herrmann Int'l Eur.*, No. 1:17-cv-00073-MR, 2021 WL 861712, \*1, \*16 (W.D.N.C. Mar. 8, 2021) (citing *Motorola* and following the holding that DTSA applies extraterritorially); *see also Philips Med. Sys. (Cleveland) v. Buan*, No. 19-cv-02648, 2021 WL 3187709, \*1, \*10 (N.D. Ill. July 28, 2021) (citing *Motorola* and following the holding that DTSA applies extraterritorially); *MedCenter Holdings, Inc. v. WebMD HealthCorp*, No. 1:20-cv-00053, 2021 WL 1178129, \*1, \*6 (S.D.N.Y. Mar. 29, 2021) (“The Court finds the well-reasoned decision in [*Motorola*] . . . to be highly persuasive.”); *Inventus Power, Inc. v. Shenzhen Ace Battery Co.*, No. 20-cv-3375, 2020 U.S. Dist. LEXIS 122347, \*1, \*22 (N.D. Ill. 2020) (“Plaintiffs repeatedly cite [*Motorola*] with approval, and the Court is guided by it here in concluding that Plaintiffs have a likelihood of establishing the extraterritorial reach of the DTSA, but not the ITSA, to the misappropriation alleged in this case.”).

<sup>198</sup> *See Motorola*, 436 F. Supp. 3d at 1150.

<sup>199</sup> Searches on both Westlaw and LexisNexis reveal no United States Supreme Court cases that mention DTSA.

appellate level.<sup>200</sup> As such, many of the rules and holdings regarding DTSA are currently drawn from the trial court level, and therefore do not have binding authority over federal courts yet. However, as displayed in the cases discussed above, there is already a trend throughout the district courts with regards to DTSA's extraterritoriality that has been overwhelmingly confirmed throughout all of the Circuits in which the issue has been litigated.<sup>201</sup> In the wake of *Motorola*, a clearly elucidated rationale has gained persuasive momentum, and seems likely to continue to define the scope of DTSA in future trade secrets cases.<sup>202</sup> As time goes on, new and currently litigated matters will likely move up the chain to the appellate courts, which will have to determine whether to adopt the interpretations of the trial courts or find their own meaning.<sup>203</sup> With so many various district courts siding with *Motorola* and its predecessors, it seems unlikely that a circuit court, or even the Supreme Court would find a different interpretation of DTSA. Notably, the First Circuit already seems to agree that DTSA extends extraterritorially.<sup>204</sup> Unless a higher court finds some issue with due process, it is likely that this interpretation that was so well reasoned in *Motorola* will continue to influence court rulings moving forward.

#### D. Criticism of DTSA

Criticism of DTSA started before the bill passed, most prominently by Professor Eric Goldman of Santa Clara University School of Law, dating back to when the twin 2014 bills were being debated.<sup>205</sup> One of the repeated criticisms of DTSA has been that it merely replicates UTSA.<sup>206</sup> Critics argue that DTSA was not needed where state law already covered the claims in a substantially similar manner.<sup>207</sup> Another criticism leveled at DTSA is that it does not provide the uniformity of law that motivated

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<sup>200</sup> Searches on both Westlaw and LexisNexis reveal only sixty-one (61) cases that have reached the circuit courts from the more than two thousand (2000+) that have been brought in the district courts.

<sup>201</sup> *Motorola*, 436 F. Supp. 3d at 1159.

<sup>202</sup> See *Herrmann*, 2021 WL 861712, at \*16; *Philips*, 2021 WL 3187709, at \*10; *Medcenter*, 2021 WL 1178129, at \*6; *Inventus*, 2020 U.S. Dist. LEXIS 122347, at \*22.

<sup>203</sup> *Kuwayti & Lanham*, *supra* note 6.

<sup>204</sup> The First Circuit does not mention or cite *Motorola*, but states plainly that DTSA has extraterritorial reach. *Amyndas Pharm., S.A. v. Zealand Pharm. A/S*, 48 F.4th 18, 34–35 (1st Cir. 2022) ("DTSA's text and legislative history make pellucid that Congress was concerned with the theft of American trade secrets abroad and intended the DTSA to have extraterritorial reach.").

<sup>205</sup> Goldman, *supra* note 154, at 3.

<sup>206</sup> Goldman, *supra* note 154, at 3; see generally *Kuwayti*, *supra* note 6.

<sup>207</sup> Goldman, *supra* note 154, at 3.

passing of the DTSA because it does not preempt state law.<sup>208</sup> Critics point out that this lack of preemption has led to inconsistent outcomes across jurisdictions, with District Courts analyzing federal and state claims together exclusively under state law.<sup>209</sup> Professor Goldman also argued that while DTSA creates an explicit federal cause of action, that the effect has been minimal.<sup>210</sup> Plaintiffs can usually meet the subject matter requirement with diversity suits, and critics point out that the federal Computer Fraud & Abuse Act is commonly tacked on to state claims to provide a federal question and pendant jurisdiction in the absence of diversity of parties.<sup>211</sup> Another criticism levied against DTSA is that while it was passed with the intention of combatting foreign interference in American IP, that it would not accomplish this goal.<sup>212</sup> Here it was argued that criminal statutes already banned this behavior and DTSA included nothing new to combat it.<sup>213</sup> It was also argued that this added tool offered to trade secret owners would lead to more litigation and produce more wins for those pressing that litigation.<sup>214</sup> A final criticism from Goldman—and perhaps the most vociferously argued—was levied against the *ex parte* seizure provision.<sup>215</sup> It was argued that this provision would be twisted by trade secret owners to "abuse departing employees and competitors who want to hire them."<sup>216</sup> Goldman offered two reasons why he believed that the *ex parte* seizure provision was a non-starter.<sup>217</sup> First, he pointed to *ex parte* proceedings gone wrong in other IP contexts.<sup>218</sup> He argued that judges are used to hearing both sides of an argument, and in the absence of the opposing side, were too willing to listen to the plaintiff's assertions without conducting due diligence to research appropriate facts and law.<sup>219</sup> Second, Goldman pointed out that most trade secret cases revolve around two issues: "(1) whether the plaintiff actually has an enforceable trade secret, i.e., if the information qualifies for a trade secret, and (2) if the

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<sup>208</sup> Goldman, *supra* note 154, at 3; Kuwayti, *supra* note 6.

<sup>209</sup> Kuwayti & Lanham, *supra* note 6.

<sup>210</sup> See Goldman, *supra* note 154, at 3.

<sup>211</sup> Goldman, *supra* note 154, at 3.

<sup>212</sup> Goldman, *The New 'Defend Trade Secrets Act' Is The Biggest IP Development In Years*, BLOOMBERG, (Apr. 28, 2016, 01:04PM), <https://www.forbes.com/sites/ericgoldman/2016/04/28/the-new-defend-trade-secrets-act-is-the-biggest-ip-development-in-years/?sh=3b1200b34261>.

<sup>213</sup> *Id.*

<sup>214</sup> Goldman, *supra* note 154, at 3.

<sup>215</sup> Goldman, *supra* note 154, at 4–6.

<sup>216</sup> Goldman, *supra* note 154, at 5.

<sup>217</sup> Goldman, *supra* note 154, at 5.

<sup>218</sup> Goldman, *supra* note 154, at 5.

<sup>219</sup> Goldman, *supra* note 154, at 5.

plaintiff actually owns the rights.”<sup>220</sup> He argued that to determine the answers to these questions requires both side weigh in, which will never happen in an *ex parte* action.<sup>221</sup>

### III. CONCLUSION

DTSA provides a powerful tool for plaintiffs seeking to protect their trade secrets. Also, because it does not preclude state trade secret law, litigators familiar with trade secret laws of their forum states do not need to unlearn law that they may be well versed in. While DTSA in many ways mirrors UTSA, which has been almost universally adopted, it creates a federal action that can be applied outside of both the forum state, and the country. This is especially important because at least some state trade secret statutes do not apply extraterritorially, preventing companies from recovering damages from foreign malfeasance against their trade secrets.<sup>222</sup> While critics are correct to note that DTSA has not yet brought the uniformity to trade secret law that helped motivate its passage, it has only been in effect for six years. DTSA has very little exposure to the Circuit Courts and still has not reached the Supreme Court. If it does, the Supreme Court may be able to hand down precedential law that sets some manner of uniformity across the circuits.<sup>223</sup> Because it does not preempt state law, it will never bring complete uniformity to how trade secret law is enforced, because state and federal claims may be brought in parallel. However, how DTSA itself is enforced should bring more uniformity than previously existed. This can already be observed on the issue of extraterritoriality, where the district courts are unanimous in agreeing that DTSA does apply extraterritorially. Along with the growing uniformity with regards to extraterritoriality, this growing recognition also acts as a rebuttal to two of Professor Goldman's criticisms. It proves that DTSA did indeed add something novel to the mix as some states' trade secret laws do not have extraterritorial reach where DTSA does. The extraterritorial reach also rebuts the argument that DTSA does nothing to dissuade or punish foreign interference. As seen in *Motorola*, the civil action extending to conduct abroad certainly provided a remedy not available otherwise. As noted in a recently published article, DTSA “is already a

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<sup>220</sup> Goldman, *supra* note 154, at 5.

<sup>221</sup> Goldman, *supra* note 154, at 5–6.

<sup>222</sup> See *Motorola*, 436 F. Supp. 3d at 1170. (“ITSA does not have extraterritorial reach.”).

<sup>223</sup> Kuwayti & Lanham, *supra* note 6.

frequently used and effective tool for trade secret enforcement, particularly against misappropriation with an international scope.<sup>224</sup>

As to the *ex parte* seizure provision, it is supposed to be used in extraordinary circumstances, and thus far seems to be.<sup>225</sup> Since the passage of DTSA, twenty-one applications for *ex parte* seizures have been made in accordance to DTSA and only ten of those have been granted.<sup>226</sup> Rather than grant these seizure requests at whim, courts seem more likely to grant a less intrusive TRO or injunction unless a seizure is absolutely necessary.<sup>227</sup>

DTSA is still young—as such, its full impact on trade secret law has not yet been established. But with more time, more cases will reach the appellate courts, and eventually the Supreme Court. Hopefully, there will be more uniformity in the application of trade secret law handed down from the high court. At present, it is clear that DTSA is a useful tool for trade secret owners, and a powerful deterrent against foreign misappropriation. In these two areas, DTSA has been a stunning success in its first six years in action.

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<sup>224</sup> Kuwayti & Lanham, *supra* note 6.

<sup>225</sup> Kuwayti & Lanham, *supra* note 6.

<sup>226</sup> Kuwayti & Lanham, *supra* note 6.

<sup>227</sup> Kuwayti & Lanham, *supra* note 6.