

113TH CONGRESS
1ST SESSION

S. 1770

To provide for Federal civil liability for trade secret misappropriation in certain circumstances.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 21, 2013

Mr. FLAKE introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

To provide for Federal civil liability for trade secret misappropriation in certain circumstances.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Future of American
5 Innovation and Research Act of 2013” or the “FAIR
6 Act”.

7 **SEC. 2. DEFINITIONS.**

8 In this Act—

9 (1) the term “covered trade secret” means a
10 trade secret that is related to or included in a prod-

1 uct or service that is used in or reasonably antici-
2 pated to be used in interstate or foreign commerce;

3 (2) the term “improper means”—

4 (A) includes theft, bribery, misrepresenta-
5 tion, breach or inducement of a breach of a
6 duty to maintain secrecy, and espionage
7 through electronic or other means; and

8 (B) does not include reverse engineering or
9 independent derivation alone;

10 (3) the term “misappropriate” means—

11 (A) to acquire a trade secret of another by
12 improper means, if the person who acquires the
13 trade secret knows or has reason to know that
14 the acquisition is by improper means; or

15 (B) to disclose or use a trade secret of an-
16 other without express or implied consent, if the
17 person who discloses or uses the trade secret—

18 (i) used improper means to acquire
19 knowledge of the trade secret; or

20 (ii) at the time of the disclosure or
21 use, knows or has reason to know that his
22 or her knowledge of the trade secret was—

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

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

9 (4) the term “person” means a natural person,
10 corporation, business trust, estate, trust, partner-
11 ship, limited liability company, association, joint ven-
12 ture, government, governmental subdivision or agen-
13 cy, or any other legal or commercial entity; and

14 (5) the term “trade secret” means any informa-
15 tion, including a formula, pattern, compilation, pro-
16 gram, device, method, technique, or process, that—

17 (A) derives independent economic value,
18 actual or potential, from not being generally
19 known to, and not being readily ascertainable
20 through proper means by, the public or other
21 persons who can obtain economic value from
22 the disclosure or use of the information; and

23 (B) is the subject of efforts that are rea-
24 sonable under the circumstances to maintain
25 the secrecy of the information.

1 **SEC. 3. CIVIL ACTION.**

2 (a) IN GENERAL.—The owner or lawful possessor of
3 a covered trade secret may bring a civil action against a
4 person who misappropriates, threatens to misappropriate,
5 or conspires to misappropriate the covered trade secret—

6 (1) while located outside the territorial jurisdic-
7 tion of the United States; or

8 (2) on behalf of, or for the benefit of, a person
9 located outside the territorial jurisdiction of the
10 United States.

11 (b) FEDERAL COURT JURISDICTION.—The district
12 courts of the United States shall have exclusive jurisdic-
13 tion of a civil action under this Act.

14 (c) EXTRATERRITORIALITY.—A civil action under
15 this Act may arise from conduct outside the territorial ju-
16 risdiction of the United States if the conduct, either by
17 itself or in combination with conduct within the territorial
18 jurisdiction of the United States, causes or is reasonably
19 anticipated to cause an injury—

20 (1) within the territorial jurisdiction of the
21 United States; or

22 (2) to a United States person.

23 **SEC. 4. REMEDIES.**

24 In a civil action brought under this Act, a court
25 may—

26 (1) issue—

1 (A) an order for appropriate injunctive re-
2 lief against any conduct described in section
3 3(a);

4 (B) an order requiring affirmative actions
5 to be taken to protect a covered trade secret
6 from further misappropriation; and

7 (C) if the court determines that it would
8 be unreasonable to prohibit further possession,
9 disclosure, or use of a covered trade secret, an
10 order requiring payment of a reasonable royalty
11 for any ongoing disclosure or use of a covered
12 trade secret, in addition to the damages de-
13 scribed in paragraph (2);

14 (2) award—

15 (A) damages for actual loss caused by the
16 misappropriation of a covered trade secret; and

17 (B) damages for any unjust enrichment
18 caused by the misappropriation of a covered
19 trade secret that is not addressed in computing
20 damages for actual loss under subparagraph
21 (A);

22 (3) if a trade secret is willfully or maliciously
23 misappropriated, award punitive or exemplary dam-
24 ages in an amount not more than twice the amount
25 of the damages awarded under paragraph (2); and

1 (4) if a claim of misappropriation is made in
2 bad faith, a motion to terminate an injunction is
3 made or opposed in bad faith, or a trade secret is
4 willfully or maliciously misappropriated, award rea-
5 sonable costs and attorney's fees to the prevailing
6 party.

7 **SEC. 5. PROCEDURE.**

8 (a) PLEADINGS.—

9 (1) COMPLAINT.—A complaint filed in a civil
10 action brought under this Act shall include a sworn
11 representation by the plaintiff that the dispute in-
12 volves conduct described in section 3(a).

13 (2) AFFIRMATIVE DEFENSE.—It shall be an af-
14 firmative defense in a civil action brought under this
15 Act that each alleged covered trade secret in dispute
16 was readily ascertainable through proper means by
17 other persons who did not already know the covered
18 trade secret at the time of any alleged misappropria-
19 tion, threat to misappropriate, or conspiracy to mis-
20 appropriate.

21 (b) FORUM NON CONVENIENS.—In considering a
22 motion to dismiss or stay on forum non conveniens
23 grounds filed in a civil action brought under this Act, a
24 court shall—

1 (1) give great weight to the plaintiff's choice of
2 forum; and

3 (2) consider whether the plaintiff reasonably
4 could receive fair and impartial treatment in the
5 courts of the jurisdiction in which the defendant is
6 domiciled.

7 (c) ANTI-SUIT INJUNCTIONS.—In a civil action
8 brought under this Act, the court may enter an injunction
9 enjoining a defendant over whom the court has personal
10 jurisdiction from pursuing subsequently filed litigation in
11 another jurisdiction if—

12 (1) the parties are the same in both matters;

13 (2) the resolution of the case before the enjoin-
14 ing court will be dispositive of the action to be en-
15 joined; and

16 (3) the action in the other jurisdiction threatens
17 the jurisdiction of the court or the purposes of this
18 Act.

19 (d) CONFIDENTIALITY.—In any proceeding relating
20 to a civil action brought under this Act, the court shall
21 enter any order and take any other action that is nec-
22 essary and appropriate to preserve the confidentiality of
23 trade secrets, consistent with the requirements of the Fed-
24 eral Rules of Civil Procedure, the Federal Rules of Evi-
25 dence, and all other applicable laws.

1 (e) STATUTE OF LIMITATIONS.—A civil action
2 brought under this Act may not be commenced later than
3 3 years after the date on which the conduct described in
4 section 3(a) that forms the basis for the action was discov-
5 ered or by the exercise of reasonable diligence should have
6 been discovered.

7 **SEC. 6. SEIZURES.**

8 (a) IN GENERAL.—In a civil action brought under
9 this Act, the court may, upon ex parte application and
10 if the requirements under subsection (b) are satisfied,
11 issue an order (referred to in this section as a “seizure
12 order”) providing for—

13 (1) the seizure of any property (including com-
14 puters) used, in any manner or part, to commit or
15 facilitate the commission of conduct described in sec-
16 tion 3(a) that is alleged in the civil action; and

17 (2) the preservation of evidence in the civil ac-
18 tion.

19 (b) REQUIREMENTS.—A court may issue a seizure
20 order if—

21 (1) the applicant provides security in an
22 amount that the court determines is adequate to pay
23 any damages a person may be entitled to recover as
24 a result of a wrongful seizure or wrongful attempted
25 seizure under this section; and

1 (2) the court finds that specific facts clearly
2 show that—

3 (A) any order other than an ex parte sei-
4 zure order is not adequate to effectively cause
5 the cessation of the conduct described in section
6 3(a) that forms the basis of the action;

7 (B) the applicant has not publicized the re-
8 quested seizure;

9 (C) the applicant is likely to succeed in
10 showing that the person against whom seizure
11 is sought misappropriated, threatened to mis-
12 appropriate, or conspired to misappropriate a
13 covered trade secret of which the applicant is
14 the owner or lawful possessor;

15 (D) the applicant will suffer an immediate
16 and irreparable injury if a seizure is not or-
17 dered;

18 (E) the matter to be seized is located at
19 the place identified in the application;

20 (F) the harm to the applicant that would
21 be caused by denying the application outweighs
22 the harm to the legitimate interests of the per-
23 son against whom seizure is sought that would
24 be caused by granting the application; and

1 (G) if the applicant were to proceed on no-
2 tice to the person against whom seizure is
3 sought, that person, or persons acting in con-
4 cert with that person, would destroy, move,
5 hide, or otherwise make the matter to be seized
6 inaccessible to the court.

7 (c) PROCEDURE.—A seizure order shall—

8 (1) direct that service of a copy of the seizure
9 order shall be made by a Federal law enforcement
10 officer (such as a United States marshal), who, upon
11 making service, shall carry out the seizure under the
12 seizure order;

13 (2) direct that any items seized shall be taken
14 into the custody of the court;

15 (3) include a protective order with respect to
16 items seized, to ensure that confidential, private,
17 proprietary, or privileged information contained in
18 the items seized, including any such information be-
19 longing to the defendant and third parties, is appro-
20 priately protected and that access to the items seized
21 is appropriately restricted; and

22 (4) specify a hearing date, not earlier than 3
23 days and not later than 10 days after the seizure
24 order is issued, for the court to review whether the

1 items seized should remain in the custody of the
2 court.

3 (d) ORDER UNDER SEAL.—

4 (1) IN GENERAL.—Except as provided under
5 paragraph (2), a seizure order, together with any
6 supporting documents, shall be sealed until the per-
7 son against whom the seizure order is directed has
8 an opportunity to contest the seizure order.

9 (2) ACCESS AFTER SEIZURE.—A court shall
10 allow a person against whom a seizure order is di-
11 rected to have access to the seizure order and any
12 supporting documents after the seizure is carried
13 out.

14 (e) SEIZURE HEARING.—

15 (1) DATE.—A court that issues a seizure order
16 shall hold a hearing under this subsection on the
17 date set by the court under subsection (c)(4) unless
18 a party shows good cause for setting a different
19 date.

20 (2) BURDEN OF PROOF.—At a hearing under
21 this subsection, the party that obtained the seizure
22 order shall have the burden of proving that the fac-
23 tual and legal grounds necessary to support the sei-
24 zure order are still in effect.

1 (3) DISSOLUTION OR MODIFICATION OF
2 ORDER.—If a party fails to meet the burden speci-
3 fied under paragraph (2), the court shall dissolve or
4 modify the seizure order appropriately.

5 (4) DISCOVERY TIME LIMITS.—The court may
6 issue an order modifying the time limits for dis-
7 covery under the Federal Rules of Civil Procedure as
8 necessary to prevent the frustration of the purposes
9 of a hearing under this subsection.

10 (f) INJURED PARTY.—

11 (1) CAUSE OF ACTION.—A party that is injured
12 by a seizure carried out in a civil action brought
13 under this Act and that prevails in the civil action
14 may bring a civil action under this subsection
15 against the applicant for the seizure order in a dis-
16 trict court of the United States.

17 (2) REMEDIES.—A party that prevails in a civil
18 action brought under this subsection shall recover—

19 (A) reasonable costs and attorney’s fees in-
20 curred in defense against the seizure order de-
21 scribed in paragraph (1) unless the court finds
22 that extenuating circumstances merit denying
23 such costs and fees; and

1 (B) lost profits and punitive damages if
2 the seizure order described in paragraph (1)
3 was sought in bad faith.

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