

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.

○