

Union Calendar No. 494

113TH CONGRESS
2^D SESSION

H. R. 5233

[Report No. 113–657]

To amend chapter 90 of title 18, United States Code, to provide Federal jurisdiction for the theft of trade secrets, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 2014

Mr. HOLDING (for himself, Mr. NADLER, Mr. COBLE, Mr. CONYERS, Mr. CHABOT, Mr. JEFFRIES, Mr. RICHMOND, and Ms. DELBENE) introduced the following bill; which was referred to the Committee on the Judiciary

DECEMBER 11, 2014

Additional sponsors: Mr. COLLINS of Georgia, Mr. REED, Mr. SENSENBRENNER, Mr. SMITH of Texas, Mr. HANNA, Mr. MCHENRY, Mr. DEUTCH, Mr. SMITH of Missouri, Mr. CONNOLLY, Mr. CHAFFETZ, Mr. GUTHRIE, Mr. KING of Iowa, Mr. MARINO, Mr. BACHUS, Mr. NUNNELEE, and Mr. PALLONE

DECEMBER 11, 2014

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on July 29, 2014]

A BILL

To amend chapter 90 of title 18, United States Code, to provide Federal jurisdiction for the theft of trade secrets, and for other purposes.

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 “Trade Secrets Protection*
 5 *Act of 2014”.*

6 **SEC. 2. FEDERAL JURISDICTION FOR THEFT OF TRADE SE-**
 7 **CRETS.**

8 *(a) IN GENERAL.—Section 1836 of title 18, United*
 9 *States Code, is amended by striking subsection (b) and in-*
 10 *serting the following:*

11 *“(b) PRIVATE CIVIL ACTIONS.—*

12 *“(1) IN GENERAL.—An owner of a trade secret*
 13 *may bring a civil action under this subsection if the*
 14 *person is aggrieved by a misappropriation of a trade*
 15 *secret that is related to a product or service used in,*
 16 *or intended for use in, interstate or foreign commerce.*

17 *“(2) CIVIL SEIZURE.—*

18 *“(A) IN GENERAL.—*

19 *“(i) APPLICATION.—Based on an affi-*
 20 *davit or verified complaint satisfying the*
 21 *requirements of this paragraph, the court*
 22 *may, upon ex parte application, issue an*
 23 *order providing for the seizure of property*
 24 *necessary to preserve evidence in a civil ac-*
 25 *tion brought under paragraph (1) or to pre-*

1 vent the propagation or dissemination of
2 the trade secret that is the subject of the ac-
3 tion.

4 “(ii) *REQUIREMENTS FOR ISSUING*
5 *ORDER.*—The court may not grant an ap-
6 plication under clause (i) unless the court
7 finds that it clearly appears from specific
8 facts that—

9 “(I) an order issued pursuant to
10 Rule 65(b) of the Federal Rules of Civil
11 Procedure would be inadequate to
12 achieve the purpose of this paragraph
13 because the party to which the order
14 would be issued would evade, avoid, or
15 otherwise not comply with such an
16 order;

17 “(II) an immediate and irrep-
18 arable injury will occur if such seizure
19 is not ordered;

20 “(III) the harm to the applicant
21 of denying the application outweighs
22 the harm to the legitimate interests of
23 the person against whom seizure would
24 be ordered of granting the application
25 and substantially outweighs the harm

1 to any third parties who may be
2 harmd by such seizure;

3 “(IV) the applicant is likely to
4 succeed in showing that the person
5 against whom seizure would be ordered
6 misappropriated the trade secret by
7 improper means, or conspired to use
8 improper means to misappropriate the
9 trade secret, and is in possession of the
10 trade secret;

11 “(V) the application describes
12 with reasonable particularity the mat-
13 ter to be seized and, to the extent rea-
14 sonable under the circumstances, iden-
15 tifies the location where the matter is
16 to be seized;

17 “(VI) the person against whom
18 seizure would be ordered, or persons
19 acting in concert with such person,
20 would destroy, move, hide, or otherwise
21 make such matter inaccessible to the
22 court, if the applicant were to proceed
23 on notice to such person; and

24 “(VII) the applicant has not pub-
25 licized the requested seizure.

1 “(B) *ELEMENTS OF ORDER.*—If an order is
2 issued under subparagraph (A), it shall—

3 “(i) *set forth findings of fact and con-*
4 *clusions of law required for the order;*

5 “(ii) *provide for the seizure of any*
6 *property in a manner that minimizes any*
7 *interruption of the business operations of*
8 *third parties and, to the extent possible,*
9 *does not interrupt those legitimate business*
10 *operations of the person accused of mis-*
11 *appropriating the trade secret that are un-*
12 *related to the trade secret that has allegedly*
13 *been misappropriated;*

14 “(iii) *be accompanied by an order pro-*
15 *tecting the property from disclosure by re-*
16 *stricting the access of the applicant, includ-*
17 *ing during the seizure, and prohibiting any*
18 *copies, in whole or in part, of the seized*
19 *property, to prevent undue damage to the*
20 *party against whom the order has issued or*
21 *others, until such parties have an oppor-*
22 *tunity to be heard in court;*

23 “(iv) *set a date for a hearing at the*
24 *earliest possible time, and not later than 7*
25 *days after the order has issued, unless the*

1 party against whom the order is directed
2 and others harmed by the order consent to
3 another date for such hearing, except that a
4 party against whom the order has issued or
5 any person harmed by the order may move
6 the court at any time to dissolve or modify
7 the order after giving notice to the appli-
8 cant who obtained the order; and

9 “(v) require the person obtaining the
10 order to provide the security determined
11 adequate by the court for the payment of
12 such damages as any person may be enti-
13 tled to recover as a result of a wrongful or
14 excessive seizure or wrongful or excessive at-
15 tempted seizure under this paragraph.

16 “(C) *PROTECTION FROM PUBLICITY.*—The
17 court shall take appropriate action to protect the
18 person against whom an order under this para-
19 graph is directed from publicity, by or at the be-
20 hest of the person obtaining the order, about such
21 order and any seizure under such order.

22 “(D) *MATERIALS IN CUSTODY OF COURT.*—
23 Any materials seized under this paragraph shall
24 be taken into the custody of the court. The court
25 shall secure the seized material from physical

1 *and electronic access during the seizure and*
2 *while in the custody of the court.*

3 “(E) *SERVICE OF ORDER.*—*The court shall*
4 *order that service of a copy of the order under*
5 *this paragraph shall be made by a Federal law*
6 *enforcement officer, or may be made by a State*
7 *or local law enforcement officer, who, upon mak-*
8 *ing service, shall carry out the seizure under the*
9 *order.*

10 “(F) *ACTION FOR DAMAGE CAUSED BY*
11 *WRONGFUL SEIZURE.*—*A person who suffers*
12 *damage by reason of a wrongful or excessive sei-*
13 *zure under this paragraph has a cause of action*
14 *against the applicant for the order under which*
15 *such seizure was made, and shall be entitled to*
16 *the same relief as is provided under section*
17 *34(d)(11) of the Trademark Act of 1946 (15*
18 *U.S.C. 1116(d)(11)). The security posted with*
19 *the court under subparagraph (B)(v) shall not*
20 *limit the recovery of third parties for damages.*

21 “(3) *REMEDIES.*—*In a civil action brought*
22 *under this subsection with respect to the misappro-*
23 *priation of a trade secret, a court may—*

24 “(A) *grant an injunction—*

1 “(i) to prevent any actual or threat-
2 ened misappropriation described in para-
3 graph (1) on such terms as the court deems
4 reasonable;

5 “(ii) if determined appropriate by the
6 court, requiring affirmative actions to be
7 taken to protect the trade secret; and

8 “(iii) in exceptional circumstances that
9 render an injunction inequitable, that con-
10 ditions future use of the trade secret upon
11 payment of a reasonable royalty for no
12 longer than the period of time for which
13 such use could have been prohibited;

14 “(B) award—

15 “(i)(I) damages for actual loss caused
16 by the misappropriation of the trade secret;
17 and

18 “(II) damages for any unjust enrich-
19 ment caused by the misappropriation of the
20 trade secret that is not addressed in com-
21 puting damages for actual loss; or

22 “(ii) in lieu of damages measured by
23 any other methods, the damages caused by
24 the misappropriation measured by imposi-
25 tion of liability for a reasonable royalty for

1 the misappropriator's unauthorized disclo-
2 sure or use of the trade secret;

3 “(C) if the trade secret is willfully and ma-
4 liciously misappropriated, award exemplary
5 damages in an amount not more than 3 times
6 the amount of the damages awarded under sub-
7 paragraph (B); and

8 “(D) if a claim of the misappropriation is
9 made in bad faith, a motion to terminate an in-
10 junction is made or opposed in bad faith, or the
11 trade secret was willfully and maliciously mis-
12 appropriated, award reasonable attorney's fees to
13 the prevailing party.

14 “(c) *JURISDICTION.*—The district courts of the United
15 States shall have original jurisdiction of civil actions
16 brought under this section.

17 “(d) *PERIOD OF LIMITATIONS.*—A civil action under
18 subsection (b) may not be commenced later than 5 years
19 after the date on which the misappropriation with respect
20 to which the action would relate is discovered or by the exer-
21 cise of reasonable diligence should have been discovered. For
22 purposes of this subsection, a continuing misappropriation
23 constitutes a single claim of misappropriation.”.

24 “(b) *DEFINITIONS.*—Section 1839 of title 18, United
25 States Code, is amended—

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

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

5 (3) *by adding at the end the following:*

6 “(5) *the term ‘misappropriation’ means—*

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

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

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

16 “(ii) *at the time of disclosure or use,*
17 *knew or had reason to know that the knowl-*
18 *edge of the trade secret was—*

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

22 “(II) *acquired under cir-*
23 *cumstances giving rise to a duty to*
24 *maintain the secrecy of the trade secret*
25 *or limit the use of the trade secret; or*

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

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

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

11 “(II) knowledge of the trade secret
12 had been acquired by accident or mis-
13 take;

14 “(6) the term ‘improper means’—

15 “(A) includes theft, bribery, misrepresenta-
16 tion, breach or inducement of a breach of a duty
17 to maintain secrecy, or espionage through elec-
18 tronic or other means; and

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

21 “(7) the term ‘Trademark Act of 1946’ means the
22 Act entitled ‘An Act to provide for the registration
23 and protection of trademarks used in commerce, to
24 carry out the provisions of certain international con-
25 ventions, and for other purposes, approved July 5,

1 1946 (15 U.S.C. 1051 *et seq.*) (commonly referred to
 2 as the “Trademark Act of 1946” or the “Lanham
 3 Act”)).’.”.

4 (c) *EXCEPTIONS TO PROHIBITION.*—Section 1833 of
 5 title 18, United States Code, is amended, in the matter pre-
 6 ceding paragraph (1), by inserting “or create a private
 7 right of action for” after “prohibit”.

8 (d) *CONFORMING AMENDMENTS.*—

9 (1) *The section heading for section 1836 of title*
 10 18, United States Code, is amended to read as follows:

11 **“§ 1836. Civil proceedings”.**

12 (2) *The table of sections for chapter 90 of title*
 13 18, United States Code, is amended by striking the
 14 item relating to section 1836 and inserting the fol-
 15 lowing:

 “1836. *Civil proceedings.*”.

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

22 (f) *RULE OF CONSTRUCTION.*—Nothing in the amend-
 23 ments made by this section shall be construed to modify
 24 the rule of construction under section 1838 of title 18,

1 *United States Code, or to preempt any other provision of*
2 *law.*

3 (g) *APPLICABILITY TO OTHER LAWS.—This section*
4 *and the amendments made by this section shall not be con-*
5 *strued to be a law pertaining to intellectual property for*
6 *purposes of any other Act of Congress.*

7 **SEC. 3. REPORT ON THEFT OF TRADE SECRETS OCCURRING**
8 **ABROAD.**

9 (a) *REPORTS.—Not later than 1 year after the date*
10 *of the enactment of this Act, and biannually thereafter, the*
11 *Attorney General, in consultation with the Intellectual*
12 *Property Enforcement Coordinator, the Director, and the*
13 *heads of other appropriate agencies, shall submit to the*
14 *Committees on the Judiciary of the House of Representa-*
15 *tives and the Senate, and make publicly available on the*
16 *Web site of the Department of Justice and disseminate to*
17 *the public through such other means as the Attorney Gen-*
18 *eral may identify, a report on the following:*

19 (1) *The scope and breadth of the theft of the*
20 *trade secrets of United States companies occurring*
21 *outside of the United States.*

22 (2) *The extent to which theft of trade secrets oc-*
23 *curring outside of the United States is sponsored by*
24 *foreign governments, foreign instrumentalities, or for-*
25 *ign agents.*

1 (3) *The threat posed by theft of trade secrets oc-*
2 *curring outside of the United States.*

3 (4) *The ability and limitations of trade secret*
4 *owners to prevent the misappropriation of trade se-*
5 *crets outside of the United States, to enforce any judg-*
6 *ment against foreign entities for theft of trade secrets,*
7 *and to prevent imports based on theft of trade secrets*
8 *overseas.*

9 (5) *A breakdown of the trade secret protections*
10 *afforded United States companies by each country*
11 *that is a trading partner of the United States and en-*
12 *forcement efforts available and undertaken in each*
13 *such country, including a list identifying specific*
14 *countries where trade secret theft, laws, or enforce-*
15 *ment is a significant problem for United States com-*
16 *panies.*

17 (6) *Instances of the Federal Government working*
18 *with foreign countries to investigate, arrest, and pros-*
19 *ecute entities and individuals involved in the theft of*
20 *trade secrets outside of the United States.*

21 (7) *Specific progress made under trade agree-*
22 *ments and treaties, including any new remedies en-*
23 *acted by foreign countries, to protect against theft of*
24 *trade secrets of United States companies outside of the*
25 *United States.*

1 (8) *Recommendations of legislative and executive*
2 *branch actions that may be undertaken to—*

3 (A) *reduce the threat of and economic im-*
4 *pact caused by the theft of the trade secrets of*
5 *United States companies occurring outside of the*
6 *United States;*

7 (B) *educate United States companies re-*
8 *garding the threats to their trade secrets when*
9 *taken outside of the United States;*

10 (C) *provide assistance to United States*
11 *companies to reduce the risk of loss of their trade*
12 *secrets when taken outside of the United States;*
13 *and*

14 (D) *provide a mechanism for United States*
15 *companies to confidentially or anonymously re-*
16 *port the theft of trade secrets occurring outside of*
17 *the United States.*

18 (b) *DEFINITIONS.—In this section:*

19 (1) *DIRECTOR.—The term “Director” means the*
20 *Under Secretary of Commerce for Intellectual Prop-*
21 *erty and Director of the United States Patent and*
22 *Trademark Office.*

23 (2) *FOREIGN INSTRUMENTALITY, ETC.—The*
24 *terms “foreign instrumentality”, “foreign agent”, and*

1 *“trade secret” have the meanings given those terms in*
2 *section 1839 of title 18, United States Code.*

3 (3) *STATE.—The term “State” includes the Dis-*
4 *trict of Columbia and any commonwealth, territory,*
5 *or possession of the United States.*

6 (4) *UNITED STATES COMPANY.—The term*
7 *“United States company” means an organization or-*
8 *ganized under the laws of the United States or a*
9 *State or political subdivision thereof.*

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