S. 2267

To modify chapter 90 of title 18, United States Code, to provide Federal jurisdiction for theft of trade secrets.

IN THE SENATE OF THE UNITED STATES

APRIL 29, 2014

Mr. COONS (for himself and Mr. HATCH) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

To modify chapter 90 of title 18, United States Code, to provide Federal jurisdiction for theft of trade secrets.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Defend Trade Secrets Act of 2014”.

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

(a) IN GENERAL.—Section 1836 of title 18, United States Code, is amended to read as follows:
"§ 1836. Civil proceedings

(a) Private Civil Actions.—

(1) In general.—An owner of a trade secret may bring a civil action under this subsection if the person is aggrieved by—

(A) a violation of section 1831(a) or 1832(a); or

(B) a misappropriation of a trade secret that is related to a product or service used in, or intended for use in, interstate or foreign commerce.

(2) Civil ex parte order for preservation of evidence and seizure.—

(A) In general.—Based on an affidavit or verified complaint satisfying the requirements of this paragraph, the court may, upon ex parte application and if the court finds that issuing the order is necessary to prevent irreparable harm, issue appropriate orders—

(i) providing for the preservation of evidence in a civil action brought under paragraph (1), including by making a copy of an electronic storage medium that contains the trade secret; or

(II) described in clause (i) or (ii) of paragraph (3)(A); and
“(ii) providing for the seizure of any property used, in any manner or part, to commit or facilitate the commission of a violation alleged under subparagraph (A), except that the order—

“(I) may not provide for the seizure of any property that is merely incidental to the alleged violation unless necessary to preserve evidence; or

“(II) shall provide for the seizure of any property in a manner that, to the extent possible, does not interrupt normal and legitimate business operations unrelated to the trade secret.

“(B) REQUIREMENTS FOR APPLICATION ORDER.—Notwithstanding rule 65 of the Federal Rules of Civil Procedure, the requirements in paragraphs (2) through (11) of section 34(d) of the Trademark Act of 1946 (15 U.S.C. 1116) shall apply to any ex parte application or seizure order under subparagraph (A). Any reference in such paragraphs (2) through (11) of section 34(d) of the Trademark Act of 1946 to section 32 of such Act shall be read as references to this section, and references to use of
a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services shall be read as references to a misappropriation of a trade secret.

“(3) REMEDIES.—In a civil action brought under this subsection, a court may—

“(A) grant an injunction—

“(i) to prevent any actual or threatened violation described in paragraph (1) on such terms as the court deems reasonable;

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

“(iii) in exceptional circumstances that render an injunction inequitable, that conditions future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited;

“(B) award—

“(i) damages for actual loss caused by the misappropriation of a trade secret;

“(ii) damages for any unjust enrichment caused by the misappropriation of
the trade secret that is not addressed in computing damages for actual loss; and

“(iii) in lieu of damages measured by any other methods, the damages caused by misappropriation measured by imposition of liability for a reasonable royalty for a misappropriator’s unauthorized disclosure or use of a trade secret;

“(C) if the trade secret described in paragraph (1)(B) is willfully or maliciously misappropriated, award exemplary damages in an amount not more than 3 times the amount of the damages awarded under subparagraph (B); and

“(D) if a claim of misappropriation is made in bad faith, a motion to terminate an injunction is made or opposed in bad faith, or a trade secret is willfully and maliciously misappropriated, award reasonable attorney’s fees to the prevailing party.

“(b) JURISDICTION.—The district courts of the United States shall have original jurisdiction of civil actions brought under this section.

“(c) PERIOD OF LIMITATIONS.—A civil action under this section may not be commenced later than 5 years
after the date on which the misappropriation is discovered
or by the exercise of reasonable diligence should have been
discovered. For purposes of this subsection, a continuing
misappropriation constitutes a single claim of misappro-
priation.”.

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

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

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

(3) by adding at the end the following:

“(5) the term ‘misappropriation’ means—

“(A) acquisition of a trade secret of an-
other by a person who knows or has reason to
know that the trade secret was acquired by im-
proper means; or

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

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

“(ii) at the time of disclosure or use,
knew or had reason to know that the
knowledge of the trade secret was—
“(I) derived from or through a person who had used improper means to acquire the trade secret;

“(II) acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret; or

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

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

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

“(II) knowledge of the trade secret had been acquired by accident or mistake;

“(6) the term ‘improper means’—

“(A) includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means; and
“(B) does not include reverse engineering or independent derivation; and

“(7) the term ‘Trademark Act of 1946’ means the Act entitled ‘An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes’, approved July 5, 1946 (15 U.S.C. 1051 et seq.) (commonly referred to as the ‘Trademark Act of 1946’ or the ‘Lanham Act’).”.

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

(d) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for chapter 90 of title 18, United States Code, is amended by striking the item relating to section 1836 and inserting the following:

“1836. Civil proceedings.”.

(e) RULE OF CONSTRUCTION.—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.