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(Original Signature of Member)

113TH CONGRESS
2D SESSION

H. R. _____

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

Mr. HOLDING introduced the following bill; which was referred to the Committee on _____

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 Protec-
5 tion Act of 2014”.

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

3 (a) IN GENERAL.—Section 1836 of title 18, United
4 States Code, is amended by striking subsection (b) and
5 inserting the following:

6 “(b) PRIVATE CIVIL ACTIONS.—

7 “(1) IN GENERAL.—An owner of a trade secret
8 may bring a civil action under this subsection if the
9 person is aggrieved by a misappropriation of a trade
10 secret that is related to a product or service used in,
11 or intended for use in, interstate or foreign com-
12 merce.

13 “(2) CIVIL SEIZURE.—

14 “(A) IN GENERAL.—

15 “(i) APPLICATION.—Based on an affi-
16 davit or verified complaint satisfying the
17 requirements of this paragraph, the court
18 may, upon ex parte application, issue an
19 order providing for the seizure of property
20 necessary to preserve evidence in a civil ac-
21 tion brought under paragraph (1) or to
22 prevent the propagation or dissemination
23 of the trade secret that is the subject of
24 the action.

25 “(ii) REQUIREMENTS FOR ISSUING
26 ORDER.—The court may not grant an ap-

1 plication under clause (i) unless the court
2 finds that it clearly appears from specific
3 facts that—

4 “(I) an order issued pursuant to
5 Rule 65(b) of the Federal Rules of
6 Civil Procedure would be inadequate
7 to achieve the purpose of this para-
8 graph because the party to which the
9 order would be issued would evade,
10 avoid, or otherwise not comply with
11 such an order;

12 “(II) an immediate and irrep-
13 arable injury will occur if such seizure
14 is not ordered;

15 “(III) the harm to the applicant
16 of denying the application outweighs
17 the harm to the legitimate interests of
18 the person against whom seizure
19 would be ordered of granting the ap-
20 plication and substantially outweighs
21 the harm to any third parties who
22 may be harmed by such seizure;

23 “(IV) the applicant is likely to
24 succeed in showing that the person
25 against whom seizure would be or-

1 dered misappropriated the trade se-
2 cret and is in possession of the trade
3 secret;

4 “(V) the application describes
5 with reasonable particularity the mat-
6 ter to be seized and, to the extent rea-
7 sonable under the circumstances,
8 identifies the location where the mat-
9 ter is to be seized;

10 “(VI) the person against whom
11 seizure would be ordered, or persons
12 acting in concert with such person,
13 would destroy, move, hide, or other-
14 wise make such matter inaccessible to
15 the court, if the applicant were to pro-
16 ceed on notice to such person; and

17 “(VII) the applicant has not pub-
18 licized the requested seizure.

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

21 “(i) set forth findings of fact and con-
22 clusions of law required for the order;

23 “(ii) provide for the seizure of any
24 property in a manner that minimizes any
25 interruption of the business operations of

1 third parties and, to the extent possible,
2 does not interrupt those legitimate busi-
3 ness operations of the person accused of
4 misappropriating the trade secret that are
5 unrelated to the trade secret that has al-
6 legedly been misappropriated;

7 “(iii) be accompanied by an order pro-
8 tecting the property from disclosure by re-
9 stricting the access of the applicant, in-
10 cluding during the seizure, and prohibiting
11 any copies, in whole or in part, of the
12 seized property, to prevent undue damage
13 to the party against whom the order has
14 issued or others, until such parties have an
15 opportunity to be heard in court;

16 “(iv) set a date for a hearing at the
17 earliest possible time, and not later than 7
18 days after the order has issued, unless the
19 party against whom the order is directed
20 and others harmed by the order consent to
21 another date for such hearing, except that
22 a party against whom the order has issued
23 or any person harmed by the order may
24 move the court at any time to dissolve or

1 modify the order after giving notice to the
2 applicant who obtained the order; and

3 “(v) require the person obtaining the
4 order to provide the security determined
5 adequate by the court for the payment of
6 such damages as any person may be enti-
7 tled to recover as a result of a wrongful or
8 excessive seizure or wrongful or excessive
9 attempted seizure under this paragraph.

10 “(C) PROTECTION FROM PUBLICITY.—The
11 court shall take appropriate action to protect
12 the person against whom an order under this
13 paragraph is directed from publicity, by or at
14 the behest of the person obtaining the order,
15 about such order and any seizure under such
16 order.

17 “(D) MATERIALS IN CUSTODY OF
18 COURT.—Any materials seized under this para-
19 graph shall be taken into the custody of the
20 court. The court shall secure the seized material
21 from physical and electronic access during the
22 seizure and while in the custody of the court.

23 “(E) SERVICE OF ORDER.—The court shall
24 order that service of a copy of the order under
25 this paragraph shall be made by a Federal law

1 enforcement officer, or may be made by a State
2 or local law enforcement officer, who, upon
3 making service, shall carry out the seizure
4 under the order.

5 “(F) ACTION FOR DAMAGE CAUSED BY
6 WRONGFUL SEIZURE.—A person who suffers
7 damage by reason of a wrongful or excessive
8 seizure under this paragraph has a cause of ac-
9 tion against the applicant for the order under
10 which such seizure was made, and shall be enti-
11 tled to the same relief as is provided under sec-
12 tion 34(d)(11) of the Trademark Act of 1946
13 (15 U.S.C. 1116(d)(11)). The security posted
14 with the court under subparagraph (B)(v) shall
15 not limit the recovery of third parties for dam-
16 ages.

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

20 “(A) grant an injunction—

21 “(i) to prevent any actual or threat-
22 ened misappropriation described in para-
23 graph (1) on such terms as the court
24 deems reasonable;

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

4 “(iii) in exceptional circumstances
5 that render an injunction inequitable, that
6 conditions future use of the trade secret
7 upon payment of a reasonable royalty for
8 no longer than the period of time for which
9 such use could have been prohibited;

10 “(B) award—

11 “(i)(I) damages for actual loss caused
12 by the misappropriation of the trade se-
13 cret; and

14 “(II) damages for any unjust enrich-
15 ment caused by the misappropriation of
16 the trade secret that is not addressed in
17 computing damages for actual loss; or

18 “(ii) in lieu of damages measured by
19 any other methods, the damages caused by
20 the misappropriation measured by imposi-
21 tion of liability for a reasonable royalty for
22 the misappropriator’s unauthorized disclo-
23 sure or use of the trade secret;

24 “(C) if the trade secret is willfully and ma-
25 liciously misappropriated, award exemplary

1 damages in an amount not more than 3 times
2 the amount of the damages awarded under sub-
3 paragraph (B); and

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

10 “(c) JURISDICTION.—The district courts of the
11 United States shall have original jurisdiction of civil ac-
12 tions brought under this section.

13 “(d) PERIOD OF LIMITATIONS.—A civil action under
14 subsection (b) may not be commenced later than 5 years
15 after the date on which the misappropriation with respect
16 to which the action would relate is discovered or by the
17 exercise of reasonable diligence should have been discov-
18 ered. For purposes of this subsection, a continuing mis-
19 appropriation constitutes a single claim of misappropria-
20 tion.”.

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

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

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

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

4 “(5) the term ‘misappropriation’ means—

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

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

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

14 “(ii) at the time of disclosure or use,
15 knew or had reason to know that the
16 knowledge of the trade secret was—

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

20 “(II) acquired under cir-
21 cumstances giving rise to a duty to
22 maintain the secrecy of the trade se-
23 cret or limit the use of the trade se-
24 cret; or

1 “(III) derived from or through a
2 person who owed a duty to the person
3 seeking relief to maintain the secrecy
4 of the trade secret or limit the use of
5 the 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 se-
12 cret had been acquired by accident or
13 mistake;

14 “(6) the term ‘improper means’—

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

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

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

1 5, 1946 (15 U.S.C. 1051 et seq.) (commonly re-
2 ferred to as the “Trademark Act of 1946” or the
3 “Lanham Act”)’.”.

4 (c) EXCEPTIONS TO PROHIBITION.—Section 1833 of
5 title 18, United States Code, is amended, in the matter
6 preceding 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 fol-
11 lows:

12 **“§ 1836. Civil proceedings”.**

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

 “1836. Civil proceedings.”.

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

23 (f) RULE OF CONSTRUCTION.—Nothing in the
24 amendments made by this section shall be construed to
25 modify the rule of construction under section 1838 of title

1 18, United States Code, or to preempt any other provision
2 of law.