

AMENDMENT NO. _____ Calendar No. _____

Purpose: In the nature of a substitute.

IN THE SENATE OF THE UNITED STATES—114th Cong., 2d Sess.

S. 1890

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

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT IN THE NATURE OF A SUBSTITUTE intended to be proposed by Mr. HATCH (for himself and Mr. COONS)

Viz:

1 Strike all after the enacting clause and insert the fol-
2 lowing:

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Defend Trade Secrets
5 Act of 2016”.

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
10 inserting the following:

11 “(b) PRIVATE CIVIL ACTIONS.—

1 “(1) IN GENERAL.—An owner of a trade secret
2 that is misappropriated may bring a civil action
3 under this subsection if the trade secret is related to
4 a product or service used in, or intended for use in,
5 interstate or foreign commerce.

6 “(2) CIVIL SEIZURE.—

7 “(A) IN GENERAL.—

8 “(i) APPLICATION.—Based on an affi-
9 davit or verified complaint satisfying the
10 requirements of this paragraph, the court
11 may, upon ex parte application but only in
12 extraordinary circumstances, issue an
13 order providing for the seizure of property
14 necessary to prevent the propagation or
15 dissemination of the trade secret that is
16 the subject of the action.

17 “(ii) REQUIREMENTS FOR ISSUING
18 ORDER.—The court may not grant an ap-
19 plication under clause (i) unless the court
20 finds that it clearly appears from specific
21 facts that—

22 “(I) an order issued pursuant to
23 Rule 65 of the Federal Rules of Civil
24 Procedure or another form of equi-
25 table relief would be inadequate to

1 “(BB) conspired to use
2 improper means to mis-
3 appropriate the trade secret
4 of the applicant;

5 “(V) the person against whom
6 seizure would be ordered has actual
7 possession of—

8 “(aa) the trade secret; and

9 “(bb) any property to be
10 seized;

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

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

24 “(VIII) the applicant has not
25 publicized the requested seizure.

1 “(B) ELEMENTS OF ORDER.—If an order
2 is 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 narrowest seizure
6 of property necessary to achieve the pur-
7 pose of this paragraph and direct that the
8 seizure be conducted in a manner that
9 minimizes any interruption of the business
10 operations of third parties and, to the ex-
11 tent possible, does not interrupt the legiti-
12 mate business operations of the person ac-
13 cused of misappropriating the trade secret;

14 “(iii)(I) be accompanied by an order
15 protecting the seized property from diselo-
16 sure by prohibiting access by the applicant
17 or the person against whom the order is
18 directed, and prohibiting any copies, in
19 whole or in part, of the seized property, to
20 prevent undue damage to the party against
21 whom the order has issued or others, until
22 such parties have an opportunity to be
23 heard in court; and

24 “(II) provide that if access is granted
25 by the court to the applicant or the person

1 against whom the order is directed, the ac-
2 cess shall be consistent with subparagraph
3 (D);

4 “(iv) provide guidance to the law en-
5 forcement officials executing the seizure
6 that clearly delineates the scope of the au-
7 thority of the officials, including—

8 “(I) the hours during which the
9 seizure may be executed; and

10 “(II) whether force may be used
11 to access locked areas;

12 “(v) set a date for a hearing described
13 in subparagraph (F) at the earliest pos-
14 sible time, and not later than 7 days after
15 the order has issued, unless the party
16 against whom the order is directed and
17 others harmed by the order consent to an-
18 other date for the hearing, except that a
19 party against whom the order has issued
20 or any person harmed by the order may
21 move the court at any time to dissolve or
22 modify the order after giving notice to the
23 applicant who obtained the order; and

24 “(vi) require the person obtaining the
25 order to provide the security determined

1 adequate by the court for the payment of
2 the damages that any person may be enti-
3 tled to recover as a result of a wrongful or
4 excessive seizure or wrongful or excessive
5 attempted seizure under this paragraph.

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

13 “(D) MATERIALS IN CUSTODY OF
14 COURT.—

15 “(i) IN GENERAL.—Any materials
16 seized under this paragraph shall be taken
17 into the custody of the court. The court
18 shall secure the seized material from phys-
19 ical and electronic access during the sei-
20 zure and while in the custody of the court.

21 “(ii) STORAGE MEDIUM.—If the seized
22 material includes a storage medium, or if
23 the seized material is stored on a storage
24 medium, the court shall prohibit the me-
25 dium from being connected to a network or

1 the Internet without the consent of both
2 parties, until the hearing required under
3 subparagraph (B)(v) and described in sub-
4 paragraph (F).

5 “(iii) PROTECTION OF CONFIDEN-
6 TIALITY.—The court shall take appropriate
7 measures to protect the confidentiality of
8 seized materials that are unrelated to the
9 trade secret information ordered seized
10 pursuant to this paragraph unless the per-
11 son against whom the order is entered con-
12 sents to disclosure of the material.

13 “(iv) APPOINTMENT OF SPECIAL MAS-
14 TER.—The court may appoint a special
15 master to locate and isolate all misappro-
16 priated trade secret information and to fa-
17 cilitate the return of unrelated property
18 and data to the person from whom the
19 property was seized. The special master
20 appointed by the court shall agree to be
21 bound by a non-disclosure agreement ap-
22 proved by the court.

23 “(E) SERVICE OF ORDER.—The court shall
24 order that service of a copy of the order under
25 this paragraph, and the submissions of the ap-

1 plicant to obtain the order, shall be made by a
2 Federal law enforcement officer who, upon
3 making service, shall carry out the seizure
4 under the order. The court may allow State or
5 local law enforcement officials to participate,
6 but may not permit the applicant or any agent
7 of the applicant to participate in the seizure. At
8 the request of law enforcement officials, the
9 court may allow a technical expert who is unaf-
10 filiated with the applicant and who is bound by
11 a court-approved non-disclosure agreement to
12 participate in the seizure if the court deter-
13 mines that the participation of the expert will
14 aid the efficient execution of and minimize the
15 burden of the seizure.

16 “(F) SEIZURE HEARING.—

17 “(i) DATE.—A court that issues a sei-
18 zure order shall hold a hearing on the date
19 set by the court under subparagraph
20 (B)(v).

21 “(ii) BURDEN OF PROOF.—At a hear-
22 ing held under this subparagraph, the
23 party who obtained the order under sub-
24 paragraph (A) shall have the burden to
25 prove the facts supporting the findings of

1 fact and conclusions of law necessary to
2 support the order. If the party fails to
3 meet that burden, the seizure order shall
4 be dissolved or modified appropriately.

5 “(iii) DISSOLUTION OR MODIFICATION
6 OF ORDER.—A party against whom the
7 order has been issued or any person
8 harmed by the order may move the court
9 at any time to dissolve or modify the order
10 after giving notice to the party who ob-
11 tained the order.

12 “(iv) DISCOVERY TIME LIMITS.—The
13 court may make such orders modifying the
14 time limits for discovery under the Federal
15 Rules of Civil Procedure as may be nec-
16 essary to prevent the frustration of the
17 purposes of a hearing under this subpara-
18 graph.

19 “(G) ACTION FOR DAMAGE CAUSED BY
20 WRONGFUL SEIZURE.—A person who suffers
21 damage by reason of a wrongful or excessive
22 seizure under this paragraph has a cause of ac-
23 tion against the applicant for the order under
24 which such seizure was made, and shall be enti-
25 tled to the same relief as is provided under sec-

1 employment shall be based on evi-
2 dence of threatened misappropriation
3 and not merely on the information the
4 person knows; or

5 “(II) otherwise conflict with an
6 applicable State law prohibiting re-
7 straints on the practice of a lawful
8 profession, trade, or business;

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

12 “(iii) in exceptional circumstances
13 that render an injunction inequitable, that
14 conditions future use of the trade secret
15 upon payment of a reasonable royalty for
16 no longer than the period of time for which
17 such use could have been prohibited;

18 “(B) award—

19 “(i)(I) damages for actual loss caused
20 by the misappropriation of the trade se-
21 cret; and

22 “(II) damages for any unjust enrich-
23 ment caused by the misappropriation of
24 the trade secret that is not addressed in
25 computing damages for actual loss; or

1 “(ii) in lieu of damages measured by
2 any other methods, the damages caused by
3 the misappropriation measured by imposi-
4 tion of liability for a reasonable royalty for
5 the misappropriator’s unauthorized disclo-
6 sure or use of the trade secret;

7 “(C) if the trade secret is willfully and ma-
8 liciously misappropriated, award exemplary
9 damages in an amount not more than 2 times
10 the amount of the damages awarded under sub-
11 paragraph (B); and

12 “(D) if a claim of the misappropriation is
13 made in bad faith, which may be established by
14 circumstantial evidence, a motion to terminate
15 an injunction is made or opposed in bad faith,
16 or the trade secret was willfully and maliciously
17 misappropriated, award reasonable attorney’s
18 fees to the prevailing party.

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

22 “(d) PERIOD OF LIMITATIONS.—A civil action under
23 subsection (b) may not be commenced later than 3 years
24 after the date on which the misappropriation with respect
25 to which the action would relate is discovered or by the

1 exercise of reasonable diligence should have been discov-
2 ered. For purposes of this subsection, a continuing mis-
3 appropriation constitutes a single claim of misappropria-
4 tion.”.

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

7 (1) in paragraph (3)—

8 (A) in subparagraph (B), by striking “the
9 public” and inserting “another person who can
10 obtain economic value from the disclosure or
11 use of the information”; and

12 (B) by striking “and” at the end;

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

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

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

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

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

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

1 “(ii) at the time of disclosure or use,
2 knew or had reason to know that the
3 knowledge of the trade secret was—

4 “(I) derived from or through a
5 person who had used improper means
6 to acquire the trade secret;

7 “(II) acquired under cir-
8 cumstances giving rise to a duty to
9 maintain the secrecy of the trade se-
10 cret or limit the use of the trade se-
11 cret; or

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

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

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

22 “(II) knowledge of the trade se-
23 cret had been acquired by accident or
24 mistake;

25 “(6) the term ‘improper means’—

1 “(A) includes theft, bribery, misrepresenta-
2 tion, breach or inducement of a breach of a
3 duty to maintain secrecy, or espionage through
4 electronic or other means; and

5 “(B) does not include reverse engineering,
6 independent derivation, or any other lawful
7 means of acquisition; and

8 “(7) the term ‘Trademark Act of 1946’ means
9 the Act entitled ‘An Act to provide for the registra-
10 tion and protection of trademarks used in commerce,
11 to carry out the provisions of certain international
12 conventions, and for other purposes, approved July
13 5, 1946 (15 U.S.C. 1051 et seq.) (commonly re-
14 ferred to as the “Trademark Act of 1946” or the
15 “Lanham Act”)’.”.

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

20 (d) CONFORMING AMENDMENTS.—

21 (1) The section heading for section 1836 of title
22 18, United States Code, is amended to read as fol-
23 lows:

1 **“§ 1836. Civil proceedings”.**

2 (2) The table of sections for chapter 90 of title
3 18, United States Code, is amended by striking the
4 item relating to section 1836 and inserting the fol-
5 lowing:

“1836. Civil proceedings.”.

6 (e) **EFFECTIVE DATE.**—The amendments made by
7 this section shall apply with respect to any misappropria-
8 tion of a trade secret (as defined in section 1839 of title
9 18, United States Code, as amended by this section) for
10 which any act occurs on or after the date of the enactment
11 of this Act.

12 (f) **RULE OF CONSTRUCTION.**—Nothing in the
13 amendments made by this section shall be construed to
14 modify the rule of construction under section 1838 of title
15 18, United States Code, or to preempt any other provision
16 of law.

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

21 **SEC. 3. TRADE SECRET THEFT ENFORCEMENT.**

22 (a) **IN GENERAL.**—Chapter 90 of title 18, United
23 States Code, is amended—

24 (1) in section 1832(b), by striking
25 “\$5,000,000” and inserting “the greater of

1 \$5,000,000 or 3 times the value of the stolen trade
2 secret to the organization, including expenses for re-
3 search and design and other costs of reproducing the
4 trade secret that the organization has thereby avoid-
5 ed”; and

6 (2) in section 1835—

7 (A) by striking “In any prosecution” and
8 inserting the following:

9 “(a) IN GENERAL.—In any prosecution”; and

10 (B) by adding at the end the following:

11 “(b) RIGHTS OF TRADE SECRET OWNERS.—The
12 court may not authorize or direct the disclosure of any
13 information the owner asserts to be a trade secret unless
14 the court allows the owner the opportunity to file a sub-
15 mission under seal that describes the interest of the owner
16 in keeping the information confidential. No submission
17 under seal made under this subsection may be used in a
18 prosecution under this chapter for any purpose other than
19 those set forth in this section, or otherwise required by
20 law. The provision of information relating to a trade secret
21 to the United States or the court in connection with a
22 prosecution under this chapter shall not constitute a waiv-
23 er of trade secret protection, and the disclosure of infor-
24 mation relating to a trade secret in connection with a pros-
25 ecution under this chapter shall not constitute a waiver

1 of trade secret protection unless the trade secret owner
2 expressly consents to such waiver.”.

3 (b) RICO PREDICATE OFFENSES.—Section 1961(1)
4 of title 18, United States Code, is amended by inserting
5 “sections 1831 and 1832 (relating to economic espionage
6 and theft of trade secrets),” before “section 1951”.

7 **SEC. 4. REPORT ON THEFT OF TRADE SECRETS OCCUR-**
8 **RING ABROAD.**

9 (a) DEFINITIONS.—In this section:

10 (1) DIRECTOR.—The term “Director” means
11 the Under Secretary of Commerce for Intellectual
12 Property and Director of the United States Patent
13 and Trademark Office.

14 (2) FOREIGN INSTRUMENTALITY, ETC.—The
15 terms “foreign instrumentality”, “foreign agent”,
16 and “trade secret” have the meanings given those
17 terms in section 1839 of title 18, United States
18 Code.

19 (3) STATE.—The term “State” includes the
20 District of Columbia and any commonwealth, terri-
21 tory, or possession of the United States.

22 (4) UNITED STATES COMPANY.—The term
23 “United States company” means an organization or-
24 ganized under the laws of the United States or a
25 State or political subdivision thereof.

1 (b) REPORTS.—Not later than 1 year after the date
2 of enactment of this Act, and biannually thereafter, the
3 Attorney General, in consultation with the Intellectual
4 Property Enforcement Coordinator, the Director, and the
5 heads of other appropriate agencies, shall submit to the
6 Committees on the Judiciary of the House of Representa-
7 tives and the Senate, and make publicly available on the
8 Web site of the Department of Justice and disseminate
9 to the public through such other means as the Attorney
10 General may identify, a report on the following:

11 (1) The scope and breadth of the theft of the
12 trade secrets of United States companies occurring
13 outside of the United States.

14 (2) The extent to which theft of trade secrets
15 occurring outside of the United States is sponsored
16 by foreign governments, foreign instrumentalities, or
17 foreign agents.

18 (3) The threat posed by theft of trade secrets
19 occurring outside of the United States.

20 (4) The ability and limitations of trade secret
21 owners to prevent the misappropriation of trade se-
22 crets outside of the United States, to enforce any
23 judgment against foreign entities for theft of trade
24 secrets, and to prevent imports based on theft of
25 trade secrets overseas.

1 (5) A breakdown of the trade secret protections
2 afforded United States companies by each country
3 that is a trading partner of the United States and
4 enforcement efforts available and undertaken in each
5 such country, including a list identifying specific
6 countries where trade secret theft, laws, or enforce-
7 ment is a significant problem for United States com-
8 panies.

9 (6) Instances of the Federal Government work-
10 ing with foreign countries to investigate, arrest, and
11 prosecute entities and individuals involved in the
12 theft of trade secrets outside of the United States.

13 (7) Specific progress made under trade agree-
14 ments and treaties, including any new remedies en-
15 acted by foreign countries, to protect against theft
16 of trade secrets of United States companies outside
17 of the United States.

18 (8) Recommendations of legislative and execu-
19 tive branch actions that may be undertaken to—

20 (A) reduce the threat of and economic im-
21 pact caused by the theft of the trade secrets of
22 United States companies occurring outside of
23 the United States;

1 (B) educate United States companies re-
2 garding the threats to their trade secrets when
3 taken outside of the United States;

4 (C) provide assistance to United States
5 companies to reduce the risk of loss of their
6 trade secrets when taken outside of the United
7 States; and

8 (D) provide a mechanism for United States
9 companies to confidentially or anonymously re-
10 port the theft of trade secrets occurring outside
11 of the United States.

12 **SEC. 5. SENSE OF CONGRESS.**

13 It is the sense of Congress that—

14 (1) trade secret theft occurs in the United
15 States and around the world;

16 (2) trade secret theft, wherever it occurs, harms
17 the companies that own the trade secrets and the
18 employees of the companies;

19 (3) chapter 90 of title 18, United States Code
20 (commonly known as the “Economic Espionage Act
21 of 1996”), applies broadly to protect trade secrets
22 from theft; and

23 (4) it is important when seizing information to
24 balance the need to prevent or remedy misappropria-
25 tion with the need to avoid interrupting the—

1 (A) business of third parties; and

2 (B) legitimate interests of the party ac-
3 cused of wrongdoing.

4 **SEC. 6. BEST PRACTICES.**

5 (a) IN GENERAL.—Not later than 2 years after the
6 date of enactment of this Act, the Federal Judicial Center,
7 using existing resources, shall develop recommended best
8 practices for—

9 (1) the seizure of information and media stor-
10 ing the information; and

11 (2) the securing of the information and media
12 once seized.

13 (b) UPDATES.—The Federal Judicial Center shall
14 update the recommended best practices developed under
15 subsection (a) from time to time.

16 (c) CONGRESSIONAL SUBMISSIONS.—The Federal
17 Judicial Center shall provide a copy of the recommenda-
18 tions developed under subsection (a), and any updates
19 made under subsection (b), to the—

20 (1) Committee on the Judiciary of the Senate;
21 and

22 (2) Committee on the Judiciary of the House of
23 Representatives.