Trade Secrets Litigation Concerning Foreign Acts

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ACTS of trade secrets misappropriation occur both domestically and internationally, but the international portion of that theft is a growing concern to U.S. interests. The annual cost to the U.S. economy of intellectual property theft is estimated to have grown to at least $225 billion and may even approach

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$600 billion annually.[2] Actors hailing from countries in the Asia-Pacific region, particularly China, commit a majority of this theft.[3] Through a mix of state and federal laws, U.S. courts are well-suited to address purely domestic disputes, as well as complex international disputes involving issues of jurisdiction, foreign discovery, choice of law, and criminality. But when the misappropriation of U.S. trade secrets interests occurs entirely overseas and does not touch the United States, the path for aggrieved parties is less clear. In such circumstances, courts must assess if U.S. trade secrets laws apply extraterritorially.

I. Extraterritorial Limits of Defend Trade Secrets Act Claims

All but two states have enacted trade secret laws adopted from the Uniform Trade Secrets Act ("UTSA"). Although the UTSA was intended to harmonize disparate trade secret laws among the states, due to varying statutory language, interpretations, and application across the states, this harmonization has been far from perfect, and these laws have fostered forum shopping and uncertainty among businesses. For example, while many states agree that the state-enacted UTSA broadly preempts state common law claims,[4] the scope of that

[2] The National Bureau of Asian Research, *2017 Update to the IP Commission Report, The Commission on the Theft of American Intellectual Property*, available at http://www.ipcommission.org/report/IP_Commission_Report_Update_2017.pdf.

[3] *Id.* at 8-13.

[4] AccuImage Diagnostics Corp. v. Terarecon, Inc., 260 F. Supp.2d 941, 953–954 (N.D. Cal. 2003) (common law misappropriation claim preempted); Mortgage Specialists, Inc. v. Davey, 904 A.2d 652, 666 (D. N.H. 2006) (conversion claim preempted); Digital Envoy, Inc. v. Google, Inc., 370 F. Supp.2d 1025 (N.D. Cal. 2005), *vacated on other grounds,* No. 04-cv-1497 RS, 2006 U.S. Dist. LEXIS 6449 (N.D. Cal. Jan. 25, 2006) (common law and statutory unfair competition and unjust enrichment preempted); Convolve, Inc. v. Compaq Comput. Corp., No. 00CV5141, 2006 U.S. Dist. LEXIS 13848 (S.D.N.Y. Mar. 29, 2006) (claims for tortious interference with contract and prospective business advantage preempted); Opteum Fin. Servs., LLC v. Spain, 406 F. Supp.2d 1378 (N.D. Ga. 2005) (claim for quantum meruit preempted); Thomas & Betts Corp. v. Panduit Corp., 108 F. Supp.2d 968, 972 (N.D. Ill. 2000) (claim for breach of fiduciary duty preempted); MicroStrategy, Inc. v. Bus.

preemption varies dramatically from state to state.[5] In 2016, Congress passed the Defend Trade Secrets Act ("DTSA"), which amended Chapter 90 of Title 18, "Protection of Trade Secrets," to provide a federal civil cause of action for the misappropriation of trade secrets, thereby streamlining a medley of state civil statutes. Title 18 had been previously added to Chapter 90 by the Economic Espionage Act of 1996 ("EEA"), which criminalized the theft of trade secrets and conspiracies or attempts to steal trade secrets. While the EEA already had broad trade secret definitions and other language modeled from the UTSA, it did not provide a private civil action for aggrieved parties. The DTSA added a federal civil cause of action, *ex parte* seizure provisions, and whistleblower immunity to Chapter 90, while also relying on some pre-existing language of the EEA. This continued reliance on the EEA is potentially critical to the application of the DTSA to foreign acts outside the United States.

The DTSA applies to any misappropriation of trade secrets "for which any act occurs on or after" its effective date, May 11, 2016.[6] The DTSA defines "misappropriation" as (a) "acquisition of a trade secret" by a person who knows or should know the secret was improperly acquired or (b) "disclosure or use of a trade secret of another without express or implied consent . . . ."[7] The DTSA broadly protects trade secrets related to a product or service used in, or intended for use in, interstate or foreign commerce,[8] and largely relies on the pre-existing definition of trade secrets from the EEA.[9] With respect to the potential applicability of the DTSA to conduct that occurs outside of the United States, the DTSA's statutory language is relatively silent. However, unlike the DTSA, the EEA is specific on its extraterritorial reach. Section 1837 of the EEA, "[a]pplicability to conduct outside the United States" provides:

> This chapter also applies to conduct occurring outside the United States if—

Objects, S.A., 429 F.3d 1344 (Fed. Cir. 2005) (claim for civil conspiracy preempted).

[5] *Compare* Burbank Grease Serv., LLC v. Sokolowski, 717 N.W.2d 781 (Wis. 2006) (UTSA preempts only common law actions for trade secret misappropriation) *with* Silvaco Data Sys. v. Intel Corp., 184 Cal.App.4th 210, 239, *modified by* No. H032895, 2010 Cal App. LEXIS 771 (Cal. Ct. App. May 27, 2010) (applying preemption broadly), *overruled in part on other grounds by* Kwikset v. Super. Ct. (Benson), 51 Cal. 4th 310 (Cal. 2011).

[6] 18 U.S.C. § 1836(d) (2016).

[7] *Id.* § 1839(5)(A), (B).

[8] *Id.* § 1836(b)(1).

[9] 18 U.S.C.§ 1839(3) (the DTSA slightly modified the pre-existing definition of a trade secret from the EEA, which was modeled from the UTSA).

> (1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or
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> an organization organized under the laws of the United States or a State or political subdivision thereof; or
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> (2) an act in furtherance of the offense was committed in the United States.[10]

The EEA reaches two groups. First, the criminal offenses of the EEA will apply if the offender is a citizen or permanent resident alien of the United States or an organization under the laws of the United States. These U.S. entities may be held liable for criminal trade secret activities committed entirely outside the United States. Second, the EEA's criminal provisions will apply to foreign persons and organizations if some act in furtherance of the offense takes place on U.S. soil.[11]

Although there is currently no case law interpreting the "act in furtherance" requirement under the EEA, this provision could conceivably apply to any individuals or entities that direct a minor act toward the U.S., including (i) emailing with another party in the U.S., (ii) conducting an interview of a potential lateral employee, a contractor, or a consultant to the company with U.S. connections, or (iii) engaging in a contract with a U.S. entity. For example, in *United States v. Kolon*, the United States indicted Kolon under the EEA based on plethora of alleged overseas activities, where the primary jurisdictional hooks, outside of a sting operation, largely concerned emails and phone calls directed at the Eastern District of Virginia.[12] In another EEA case involving Chinese defendants, extraterritorial jurisdiction was predicated on emails, Skype chats, and other activity directed from China, including conduct that caused the use of stolen software in the United States. [13]

[10] *Id.* § 1837.

[11] *See* 18 U.S.C. § 1837(2) (1996).

[12] United States v. Kolon Indus., Inc., No. 3:12-CR-137, D.I. 3, Unsealed Indictment, at ¶72 (email to Virginia), ¶85 (email to Virginia), ¶98 (phone call to Virginia), ¶102 (meeting with undercover U.S. officials in Virginia), ¶109 (arranging travel for a person from Virginia) (E.D. Va. Aug. 21, 2012).

[13] United States v. Sinovel Wind Group Co., No. 3:13-CR-84, D.I. 25, Indictment at ¶24, Count 2 (EEA§ 1832 claim) (W.D. Wis. July 27, 2013).

Activities like these that have only the slightest nexus to the United States are often viewed by U.S. authorities as sufficient to support jurisdiction over criminal § 1832 theft of trade secrets claims. Section 1837 of the EEA therefore provides some hook by which overwhelmingly foreign criminal trade secrets activity can fall within U.S. prescriptive or legislative jurisdiction.[14] Less clear, however, is whether this quasi-extraterritorial language in Section 1837 also applies to civil DTSA claims, which Congress purposefully integrated into the EEA.

As a general rule, courts presume that federal statutes should not apply extraterritorially.[15] Courts must overcome this presumption before applying U.S. statutes to overseas conduct.[16] For example, outside of the trade secrets context, the District of Connecticut, in *United States v. Ivanov*,[17] analyzed the potential application of extraterritorial jurisdiction for federal statutes containing language similar to that in the DTSA. In *Ivanov*, the court exercised extraterritorial jurisdiction over a Russian defendant's violations of the Hobbs Act, Computer Fraud and Abuse Act, and the access device statute because "the intended and actual detrimental effects . . ." of the defendant's actions in Russia occurred within the United States.[18] That description of the court's jurisdictional test is somewhat misleading, however, given that the

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[14] Whether the EEA may constitutionally govern foreign conduct is a separate, but related analysis to whether a court also has personal jurisdiction over a foreign defendant before it. The difference lies between jurisdiction to adjudicate versus legislative or extraterritorial jurisdiction. *See* Willis L.M. Reese, *Legislative Jurisdiction*, 78 COLUM. L. REV. 1587, 1587-1594 (1978). Adjudicative jurisdiction generally concerns the power to resolve a dispute through the courts, while versus legislative jurisdiction involves "determining the extraterritorial reach of a statute . . . ." Hartford Fire Ins. Co. v. California, 509 U.S. 764, 813, 113 S. Ct. 2891, 125 L. Ed. 2d 612 (1993) (Scalia, J., dissenting).

[15] *See* Kiobel v. Royal Dutch Petroleum Co., - 133 S. Ct. 1659 (2013); *see also* RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2108 (2016) (holding that although the Racketeer Influenced and Corrupt Organizations Act (RICO) can apply extraterritorially, RICO's private right of action does not apply extraterritorially and requires a domestic injury); EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 248 (1991) (it is a "longstanding principle of American law 'that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'").

[16] Once the presumption against extraterritorially is overcome, courts then apply different tests depending on the context to determine if wholly foreign conduct comes within a statute's jurisdictional reach. In the context of antitrust claims, Courts assess if the "foreign conduct that was meant to produce and did in fact produce some substantial effect in the United States." *Hartford Fire*, 509 U.S. at 796.

[17] 175 F. Supp.2d 367 (D. Conn. 2001).

[18] *Id.* at 370.

court focused on the defendant's conduct in the United States, as opposed to the harm plaintiff suffered there. The defendant was physically located in Russia when the offenses occurred and used a computer there at all relevant times, but he ultimately accessed computers located in the United States and controlled plaintiff's data.[19] The court stated, "[t]he fact that the computers were accessed by means of a complex process initiated and controlled from a remote location does not alter the fact that the accessing of the computers . . . occurred at the place where the computers were physically located [in the United States]." [20] Notably, the court in *Ivanov* concluded that the Hobbs Act (18 U.S.C. § 1951), the Computer Fraud and Abuse Act (18 U.S.C. § 1030), and the access device statute (18 U.S.C. § 1029) all applied extraterritorially. The court stated there was "clear evidence that the statute[s were] intended by Congress to apply extraterritorially" because: (1) the Hobbs Act is broadly worded and manifests the purpose to punish interference with interstate commerce; (2) the Computer Fraud and Abuse Act was amended in 1996 to include any computer "used in interstate or foreign commerce"; and (3) the Access Device Statute applies "if the offense affects interstate or foreign commerce."[21]

Similar to the statutes at issue in *Ivanov*, the DTSA protects trade secrets related to a "product or service used in, or intended for use in, interstate or *foreign commerce*."[22] The broad interpretation of the statutes at issue in *Ivanov* on the basis of their reference to "foreign commerce" arguably provides support for a less stringent extraterritoriality test for DTSA claims. However, the U.S. Supreme Court generally foreclosed that argument in *Morrison v. Nat'l Austl. Bank Ltd.*[23] In *Morrison*, the Court held that the inclusion of "foreign commerce" in the Securities Exchange Act's definition of "interstate commerce" was insufficient to rebut the presumption against extra-territorial application.[24] Under the *Morrison* holding, the DTSA's reference to "foreign commerce," standing alone, is unlikely to influence a court to apply the DTSA to overseas conduct. [25] Instead, courts are more likely to consider

[19] *Id.* at 371.
[20] *Id.* at 371.
[21] *Id.* at 373-375 (internal quotation marks omitted).
[22] 18 U.S.C. § 1836(b)(1) (emphasis added).
[23] 561 U.S. 247, 262-263, 130 S. Ct. 2869 (2010).
[24] *Morrison*, 130 S. Ct. at 2881-2882.
[25] Although *Morrison* undermines one basis for exercising extraterritorial jurisdiction in

the remaining language of the DTSA for anything that might rebut *Morrison*'s presumption against extraterritorial application.[26]

Courts will have a few provisions to consider. First, parties will likely debate whether the extraterritoriality provisions in the EEA's Section 1837 apply to the DTSA. Congress did not include specific language in the DTSA authorizing the extraterritorial reach of the DTSA."[27] However, Section 1837, entitled "[a]pplicability to conduct outside the United States," plainly states that it "applies" to "[t]his chapter," meaning Chapter 90 of Title 18. The DTSA is an amendment to Chapter 90 and is therefore now part of Chapter 90. As such, a plain and literal reading of Section 1837 could lead courts to conclude that its extraterritorial provisions apply to the entire Chapter, which includes both the EEA and the DTSA. Under this reading, potential culpable foreign actors could argue that the language of Section 1837, subsections (1) (U.S. residents and U.S. organizations) and (2) (an act in furtherance occurs on U.S. soil) prevent the reach of the DTSA to conduct occurring ***entirely outside*** of the United States.

Plaintiffs, however, may argue that Section 1837 should not apply to the DTSA, and that other language in the Act suggests that Congress intended the DTSA to apply to entirely extraterritorial conduct. First, the extraterritorial language of section 1837 refers to an "offender" and an "offense," terms typically used for criminal provisions, not a "defendant" or "claim," which generally apply in the civil context. Section 1837's language also arguably references only the criminal claims in Chapter 90 given that "offender" and "offense" appear only in those provisions of the EEA.[28] Thus, as suggested by other commenters, plaintiffs may argue that the extraterritorial language of Section 1837 refers and applies only

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Ivanov, in that case the defendant's actions arguably touched the United States, which could have provided sufficient grounds to extend the statute territorially.

[26] *Id.* at 2878 ("When a statute gives no clear indication of extraterritorial application, it has none.").

[27] Even if the DTSA did have extraterritorial language, it is debatable if it is constitutionally permissible to reach entirely foreign trade secrets conduct under the foreign commerce clause or another enumerated power.

[28] *See, e.g.*, 18 U.S.C. § 3559 "Sentencing classification of *offenses*" (emphasis added); Kellogg Brown & Root Servs., Inc. v. United States *ex rel.* Carter, 135 S. Ct. 1970, 1972 (2015) (discussing how the "term 'offense' is most commonly used to refer to crimes … in Title 18 … where no provision appears to employ 'offense' to denote a civil violation…."); *see also* 22 C.J.S. CRIMINAL LAW: SUBSTANTIVE PRINCIPLES § 3 (2013) ("The terms 'crime,' 'offense,' and 'criminal offense' are all said to be synonymous, and ordinarily used interchangeably." (footnote omitted)).

to criminal EEA claims rather than civil DTSA claims.[29]

Second, plaintiffs may argue that other language in the DTSA supports the statute's broad extraterritorial application. The "Sense of Congress" portion of the DTSA, although not statutory, expresses an unmistakable Congressional concern about trade secret theft "around the world," which potentially reflects an intent to not limit the DTSA's application to acts occurring within the United States.[30] Consistent with that intent, section 4 of the DTSA, for example, is titled "Report on Theft of Trade Secrets *Occurring Abroad*," and requires the Director of the U.S. Patent and Trademark Office to issue regular reports on the "scope and breadth of the theft of trade secrets of United States companies *occurring outside of the United States*" and the "threat posed" by such these acts.[31] In addition, Congress noted that "wherever [trade secret theft] occurs, [it] harms the companies that own the trade secrets and the employees of the companies[.]"[32] As an example, the House committee report on the DTSA states: "Misappropriation can take many forms, whether it is an employee selling blueprints to a competitor or a foreign agent hacking into a server."[33]

Given this legislative expression of concern over foreign activity, "a strong case can be made that Congress intended [the DTSA's] reach to be coextensive with constitutional standards and limitations under the 'effects test' for establishing personal jurisdiction in U.S. courts over a foreign defendant."[34] In view of these international concerns, it is difficult to reconcile why Congress did not specify the DTSA's extraterritorial application; unless, perhaps, Congress viewed Section 1837 as applying to the DTSA with sufficient reach (and constitutionality) for its international objectives. If this was the case, ideally, Congress should have amended Section 1837 to clarify that it applies to Section 1831 and 1832 criminal "offenses" of the

[29] *See,* JAMES POOLEY, TRADE SECRETS, § 2.05[7] (2016). According to Pooley, the "DTSA did not change or amend [the 'act in furtherance' section of the EEA], which on its face seems awkward as applied to civil claims." *Id.* However, prior to enactment of the DTSA, the "act in furtherance" language of section 1837 already applied to civil actions (at least in the context of criminal violations) as the "Attorney General may, in a civil action, obtain appropriate injunctive relief against any violation of this chapter." 18 U.S.C. § 1836(a) (1996).

[30] Pub. L. No. 114-153, § 5, 130 Stat. 376 (May 11, 2016)).

[31] *Id*. at § 4(b)(1) (emphasis added).

[32] *Id.* at § 5(2).

[33] 162 Cong. Rec. H2031 (April 27, 2016).

[34] TRADE SECRETS, *supra* note 29, at § 2.05[8]. The "effects test," as discussed below, looks to the harm, or the domestic effects of a defendant's conduct on a plaintiff in the United States, as opposed to focusing on where the defendant's unlawful conduct took place.

EEA and to Section 1836 "civil actions" of the DTSA.

Although the legislative history of the DTSA indicates that Congress was concerned with international trade secret misappropriation, the DTSA's potential adoption of the EEA's "act in furtherance" requirement arguably still combats misappropriation occurring abroad as long as there is some nexus to the United States. Courts could easily conclude that application of the EEA's "act in furtherance" language to the DTSA satisfies constitutional due process requirements, as it is not "arbitrary or fundamentally unfair" to expect application of United States law against one who commits an act in furtherance of the offense in the United States.[35] If the United States connection exists, then foreign actors are on notice that U.S. law may apply. Moreover, logic would hope for consistent application of Section 1837 to EEA claims and DTSA claims, thereby avoiding the awkward but rare result of potential liability for a civil DTSA claim without any threat of federal criminal prosecution under the EEA. Nonetheless, courts have not yet addressed whether the "act in furtherance" requirement is solely limited to criminal EEA claims, but both views on the issue have some merit.

If the "act in furtherance language" of the EEA is deemed not to apply, some courts might only apply the DTSA domestically, given the DTSA's lack of any other clear statutory language on point. As such, the DTSA would only apply to conduct having sufficient nexus to the United States. Plaintiffs will press for the slightest nexus to the United States that might require minimal acts or only injurious effects in the United States. Defendants, on the other hand, will likely push for a nexus requiring domestic acts of misappropriation because "even where the claims touch and concern the territory of the United States, they must do so with sufficient force to displace the presumption against extraterritorial application."[36] Accordingly, if the DTSA is determined to only apply domestically, then courts must struggle with what U.S. connection is constitutionally sufficient.

Outside of trade secrets cases, in the context of a private right of action under the Racketeer Influenced and Corrupt

[35] United States v. Ali, 718 F.3d 929, 944 (D.C. Cir. 2013) (addressing due process requirements when applying a U.S. criminal law to conduct outside the United States).

[36] Litigants will debate the required nexus for territorial application of the DTSA because "even where the claims touch and concern the territory of the United States, they must do so with sufficient force to displace the presumption against extraterritorial application." *Kiobel*, 133 S. Ct. at 1669.

Organizations Act ("RICO"), which does not apply extraterritorially, the U.S. Supreme Court requires a "domestic injury."[37] But Courts are largely split on what a "domestic injury" entails. The Southern District of New York and other district courts have held that a domestic injury is "the location where the plaintiff suffered the alleged injury . . . ."[38] The Central District of California, on the other hand, declined to follow New York and instead held that there was a domestic injury when the "defendants specifically targeted their conduct at California with the aim of thwarting [Plaintiff]'s rights in California."[39] This line of reasoning focuses not on where the injury was suffered, but where the conduct occurred that caused the injury.[40] These and other cases may be instructive in determining what connection to the United States is sufficient if, like RICO's private right of action, the DTSA can only be extended domestically.[41]

II. Extraterritorial Limits of State Uniform Trade Secrets Act Claims

Importantly, the DTSA was crafted as an additional claim of trade secrets protection and does not preempt state trade secrets actions. Section 1838 ("Construction with other laws") provides:

> Except as provided in section 1833(b), this chapter shall not be construed to preempt or displace any other remedies, whether civil or criminal, provided by United States Federal, State, commonwealth, possession, or territory law for the misappropriation of a trade secret…. [42] Because state trade secrets laws are not preempted, opportunities exist for plaintiffs to pursue state trade secrets law claims that have extraterritorial application

[37] RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2108 (2016).

[38] *See, e.g.*, Bascuñan v. Daniel Yarur Elsaca, Amended Complaint A, No. 15–CV–2009 (GBD), 2016 WL 5475998, at *5 (S.D.N.Y. Sept. 28, 2016).

[39] Tatung Co. v. Shu Tze Hsu, 217 F. Supp.3d 1138, 1156 (C.D. Cal. 2016) (internal quotation marks omitted).

[40] *See* Cevdet Aksut Ogullari Koll. Sti v. Cavusoglu, No. 2:14–3362, 2017 WL 1157862, at *4 (D. N.J. March 28, 2017) (discussing courts' varying approaches to defining "domestic injury").

[41] Prior to the holding in *RJR Nabisco*, courts determined RICO's extraterritorial reach by applying either the "effects" or "conduct" tests. *See* Wiwa v. Royal Dutch Petroleum Co., No. 01 CIV. 1909 (KMW) (HBP), 2009 WL 928297, at *4 (S.D.N.Y. Mar. 18, 2009) ("These precedents establish two kinds of tests, 'conduct' and 'effects,' which assess the extent to which the otherwise extraterritorial racketeering activity *involved conduct in, or had sufficient effects in*, the United States.") (emphasis added).

[42] 18 U.S.C. § 1838.

> only limited by the reach of the U.S. Constitution and state long-arm statutes. However, jurisprudence in this area is unclear, at best.

In general, a state's adjudicative jurisdiction is limited by the Constitution's due process clause.[43] A state's extraterritorial jurisdiction, while a separate issue, is similarly limited.[44] When testing the due process limits on extraterritorial jurisdiction, the Supreme Court, confusingly, relies on tests that are similar to those used when weighing personal jurisdiction. In *Hellenic Lines Ltd. v. Rhoditis*, the court stated "[t[here must be at least some minimal contact between a State and the regulated subject before it can, consistently with the requirements of due process, exercise legislative jurisdiction."[45] For example, in *Home Insurance Company v. Dick,* the Court concluded that a Texas insurance statute could not be applied to invalidate a provision contained in an insurance policy that had been issued in Mexico because the contacts with Texas were lacking.[46] Without sufficient contacts, the Court concluded that Texas was without power to apply its law to alter the insurance contract without violating due process.[47] Thus, the Constitution does not permit a state to apply its law when the contacts between it and the transaction are

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[43] Asahi Metal Indus. Co. v. Super. Ct. (Cheng Shin Rubber Indus. Co.), 480 U.S. 102, 113, 107 S. Ct. 1026, 94 L. Ed. 2d 92 (1987) (states may not exercise judicial jurisdiction over a foreign person if to do so would run afoul of "traditional notions of fair play and substantial justice" (internal quotation marks omitted)). With respect to foreign corporations, a court must have either general or specific personal jurisdiction. In Daimler AG v. Bauman, 134 S. Ct. 746, 760-762 (2014), the Court held that general jurisdiction typically exists only where a party is incorporated or has its principal place of business, and rejected prior law holding that the presence of a party's office in a state is sufficient to confer general personal jurisdiction. A court may assert general or "all purpose" personal jurisdiction over a nonresident corporation only when the corporation's affiliations with the state are "so continuous and systematic as to render [it] essentially at home in the forum State." *Id.* at 761 (alteration in original) (internal quotation marks omitted). For corporations that meet the "at home" test, a court "may adjudicate *all* claims against that corporation – even those entirely unrelated to the defendant's contacts with the state." Sonera Holding B.V. v. Cukurova Holding A.S., 750 F.3d 221, 225 (2d Cir. 2014).

[44] Allstate Ins. Co. v. Hague, 449 U.S. 302, 312-313, 101 S. Ct. 633, 66 L. Ed. 2d 521 (1981) (a state may not apply its substantive law if to do so would be fundamentally unfair).

[45] 398 U.S. 306, 314 n.2 (1970). *See also* McCluney v. Jos. Schlitz Brewing Co., 649 F.2d 578, 581 (8th Cir.), *aff'd,* 454 U.S. 1071 (1981) (observing that until *Hague* "it was unclear whether the due process limitation upon a state's extraterritorial application of law mirrored the due process analysis for determining the limits of a state court's judicial jurisdiction.").

[46] 281 U.S. 397, 407-410 (1930).

[47] *See id.* at 408.

too attenuated.[48] In the context of legislative jurisdiction, Courts may therefore look for guidance in the contact requirements of adjudicative jurisdiction.

Under specific or "conduct-linked" personal jurisdiction standards, the inquiry "depends on an affiliatio[n] between the forum and the underlying controversy, principally, activity or an occurrence that takes place in the forum State and is therefore subject to the State's regulation."[49] For a court to have specific jurisdiction over a nonresident defendant, the plaintiff must allege facts establishing that (i) the defendant has "purposefully avail[ed] itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws" and (ii) the plaintiff's claims "aris[e] out of or relate[] to the defendant's contacts with the forum."[50] "The fact that harm in the forum is foreseeable [] is insufficient for the purpose of establishing specific personal jurisdiction over a defendant."[51] Instead, to establish specific personal jurisdiction, the plaintiff must allege facts showing that the defendant took "intentional" actions "expressly aimed" at the forum.[52]

If the due process limitation upon a state's extraterritorial application of law should mirror the due process analysis for determining the limits of a state court's judicial jurisdiction, then in the trade secrets context, for the statute to apply a foreign defendant must have conducted some of the culpable activity within the forum State, invoking the benefits and protections of its laws, such that the plaintiff's claims arise out of or relate to the contacts with the forum. Unfortunately, it is unsettled if the contact requirement for extraterritorial application of laws should closely mirror that developed for judicial jurisdiction, if at all. Courts are rarely clear on these points, often convoluting the

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[48] *See* John Hancock Mut. Life Ins. Co. v. Yates, 299 U.S. 178, 182, 57 S. Ct. 129, 81 L. Ed. 106 (1936), (examining the relationship between a transaction to be regulated and the state when the contacts are attenuated); *see also Hague*, 449 U.S. at 310-311 ("*Dick* and *Yates* stand for the proposition that if a State has only an insignificant contact with the parties and the occurrence or transaction, application of its law is unconstitutional.").

[49] Goodyear Dunlop Tires Operations, S.A. v. Brown, 564 U.S. 915, 919, 131 S. Ct. 2846, 2851 (2011) (alteration in original) (internal quotation marks omitted).

[50] J. McIntyre Mach., Ltd. v. Nicastro, 564 U.S. 873, 880, 131 S. Ct. 2780, 2787-2788 (2011) (internal quotation marks omitted); *see also* Walden v. Fiore, 134 S. Ct. 1115, 1121 (2014) ("the defendant's suit-related conduct must create a substantial connection with the forum State").

[51] *In re* Terrorist Attacks on September 11, 2001, 714 F.3d 659, 674 (2d Cir. 2013); *see also J. McIntyre*, 131 S. Ct. at 2788-2789 (rejecting the notion that the foreseeable effects of a defendant's actions can be used to establish specific jurisdiction).

[52] *Walden*, 134 S. Ct. at 1124 n.7.

adjudicative and legislative jurisdictional analyses.[53] For purposes of discussion on this issue, California's Uniform Trade Secrets Statue ("CUTSA") presents a noteworthy example.

Substantively, a claim under California law for trade secret misappropriation shares similarities to a claim under the DTSA.[54] Unlike Section 1837 of the EEA, however, the CUTSA is silent on its extraterritorial application. Similar to federal law, California courts recognize a presumption against a statute's extraterritorial application,[55] "unless such intention is clearly expressed or reasonably to be inferred from the language of the act or from its purpose, subject matter or history."[56] A recent case from the Northern District of California applied this presumption and concluded that the plaintiff must show that some conduct occurred in California for the CUTSA to apply.

The California plaintiff in *Cave Consulting Group v. Truven Health Analytics*, sued its competitor alleging patent infringement; misappropriation of trade secrets under the DTSA, CUTSA, and the Michigan Uniform Trade Secrets Act; unfair competition under California law ("UCL claim"); violations of the Lanham Act; and claims under California and Michigan common law.[57] The plaintiff's problems with the defendant began when the plaintiff started pursuing the defendant's existing client in Pennsylvania.[58] Once the defendant determined that the client account might be in jeopardy, the defendant allegedly requested the plaintiff's confidential presentation materials from plaintiff's former client in Rhode Island.[59] The defendant allegedly obtained plaintiff's confidential materials, and used them to retain its client in Pennsylvania and secure other clients and develop new products in

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[53] *See, e.g.*, Westco Sci. Instruments, Inc. v. Georgiou, No. CV064005637S, 2006 Conn. Super. LEXIS 1834 (Conn. Sup. Ct. June 21, 2006) (questioning whether the Connecticut Uniform Trade Secrets Act has extraterritorial effect).

[54] *See* CAL. CIV. CODE § 3426.1 (setting forth the elements of a CUTSA claim).

[55] Sullivan v. Oracle Corp., 51 Cal.4th 1191, 1207 (Cal. 2011) ("However far the Legislature's power may theoretically extend, we presume the Legislature did not intend a statute to be operative, with respect to occurrences outside the state . . . .") (internal quotation marks omitted). As under federal law, whether the CUTSA applies extraterritorially is considered a merits question. Meggitt San Juan Capistrano, Inc. v. Yongzhong, 575 Fed. Appx 801, 802–803 (9th Cir. 2014) ("Subject matter jurisdiction 'refers to a tribunal's power to hear a case' and presents a separate question from whether the California Uniform Trade Secrets Act [] applies extraterritorially.") (quoting *Morrison,* 561 U.S. 247).

[56] *Sullivan,* 51 Cal.4th at 1207.

[57] No. 15-cv-02177-SI, 2017 WL 1436044 (N.D. Cal. April 24, 2017).

[58] *Id.* at *1.

[59] *Id.*

unspecified locations.[60] The court noted that there were "no allegations that any conduct occurred in California."[61]

After acknowledging California's common law presumption against extraterritoriality, the court noted that neither party cited authority to rebut the presumption.[62] Accordingly, the court held the CUTSA did not apply to the conduct occurring outside of California, stating: "the California Supreme Court has made clear that [extraterritorial] limitations are *presumed to be present* unless the legislature's contrary intention 'is clearly expressed or reasonably to be inferred from the language of the act or from its purpose, subject matter or history.'"[63] The *Cave Consulting* court did not address whether it may have been sufficient that the plaintiff resided in California and allegedly suffered harm there due to the trade secrets misappropriation.

Nonetheless, the court did just such an analysis when analyzing the plaintiff's UCL claim.[64] Under a relatively well-developed line of California cases, the court observed that the UCL applies to "out-of-state conduct, especially when the plaintiff suffered in-state harm" (the so-called "effects test").[65] Several other California cases likewise hold that despite California's presumption against extraterritoriality, and the lack of legislative history clearly rebutting that presumption, UCL claims are subject to the effects test.[66] If some courts are willing to apply the UCL

[60] *Id.* at *2.

[61] *Id.* at *6. The Court did not discuss whether the plaintiff's confidential materials may have been stored or shared through a California server.

[62] *Id.*

[63] *Id.* (quoting O'Connor v. Uber Techs., Inc., 58 F. Supp.3d 989, 1004 (N.D. Cal. 2014)).

[64] *Id.*

[65] *Id.*

[66] *See, e.g.,* Speyer v. Avis Rent a Car Sys., Inc., 415 F. Supp.2d 1090, 1098 (S.D. Cal. 2005) ("While the text of the UCL is silent as to the intended geographic application of the statute, Plaintiffs cite two cases for the proposition that California residents may assert a UCL claim even though the defendants' wrongful conduct occurred outside California[.]"); Norwest Mortg., Inc. v. Super. Ct. (Conley), 72 Cal.App.4th 214, 223 (Cal. App. 1999) (discussing legislative history and noting that when the UCL was amended in 1992 "then-existing law authorized injunctive relief against unfair competition consisting of conduct occurring in other states that caused injury in California"); Adobe Sys. Inc. v. Blue Source Grp., Inc., 125 F. Supp.3d 945, 972 (N.D. Cal. 2015) ("Even assuming that Blue Source's sales of infringing products occurred out-of-state, Adobe—as a California resident who

extraterritorially through the effects test, this same logic could be applied to the CUTSA, given that both statutes are silent on extraterritorial reach and have similar legislative intent. Such an extension has occurred in two unreported California decisions.

In *TSMC, North America v. SMIC Americas,* the court, in an unpublished decision, concluded that the CUTSA applies to "claims caused by wrongs outside California that cause damage in California . . . ." (i.e., the effects test).[67] Likewise, in *Applied Materials, Inc. v. Advanced Micro-Fabrication Equipment, Inc.*, the court applied the effects test, and summarily held that the plaintiff stated a CUTSA "claim in which California law may be applied extraterritorially."[68] Without re-stating the plaintiff's allegations, the court found that the plaintiff adequately "alleged that Defendants misappropriated its trade secrets and caused injurious effects in California."[69] The court relied on *Ready Transp., Inc. v. AAR Mfg., Inc*.,[70] for the proposition that "California law applies where an out-of-state defendant's conduct causes injury in California."[71] *Ready,* however, also involved a UCL claim. Thus, *Applied Materials* provides support for the proposition that, as with the UCL, the effects test should apply to CUTSA claims.[72]

Similarly, at least one federal court interpreting the Illinois Trade Secrets Act ("ITSA") determined that the law "authorizes broad geographic application," notwithstanding Illinois law denying extraterritorial effect to a statute unless its language appears to provide for such application.[73] The ITSA specifically states that "a contractual or other duty to maintain secrecy or limit use of a trade secret shall not be deemed to be void or unenforceable solely for lack of durational or geographical

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allegedly suffered harm in California—may still properly bring a cause of action under the UCL.") (citing *Norwest Mortgage*, 72 Cal.App.4th at 222).

[67] No. RG04-156932, 2004 WL 5257661 (Cal. Sup. Ct. Sept. 23, 2004). It is unclear from the opinion how much of the alleged conduct occurred in California.

[68] No. C07-05248JW, *2 (N.D. Cal. Feb. 29, 2008) (order granting in part and denying in part Defendants' various Motions to Dismiss).

[69] *Id.*

[70] No. 02:06-cv-1053-GEB-KLM, 2006 WL 2131308, at *3 (E.D. Cal. Jul. 27, 2006).

[71] *Id*.

[72] Assuming a plaintiff is successful in convincing a court to apply a state statue to overseas conduct, it may still face choice-of law battles, which can have a significant impact on issues like damages and injunctive relief (both areas where foreign trade secrets laws, assuming they even exist, differ from UTSA-modeled trade secrets laws, particularly as applied by foreign authorities).

[73] Miller UK Ltd. v. Caterpillar Inc., No. 10-cv-03770 , 2017 U.S. Dist. LEXIS 49929, at *23-24 (N.D. Ill. Mar. 31, 2017).

limitation on the duty." [74] The court thus applied ITSA to a nonresident entity and conduct occurring outside of Illinois.[75]

Trade secrets plaintiffs pursuing state UTSA claims are not currently foreclosed from pursuing an "effects test" for extraterritorial trade secret conduct when they cannot present evidence satisfying the "conduct test." Depending on how courts interpret the DTSA, this could result in the unique situation where the state's UTSA potentially has a broader extraterritorial reach than the DTSA. Because the DTSA does not preempt state trade secret claims, it is possible that a federal court would apply the effects test to a state UTSA claim, while refusing to do so for a DTSA claim in the same action. Aggrieved plaintiffs should therefore consider asserting both DTSA and state law trade secrets claims where the conduct occurs overseas, while foreign defendants should carefully analyze and potentially contest the constitutionality of those claims.[76]

Finally, even if aggrieved plaintiffs are foreclosed or unsuccessful in bringing trade secrets claims under the DTSA and state law for conduct that occurred entirely overseas, they may still have options. In *TianRui Group Co. v. ITC*, the court held that section 337(a)(1)(A) ("[u]nfair methods of competition and unfair acts in the importation of articles … into the United States[.]") (first and second alteration in original) of the Tariff Act of 1930 encompassed trade secrets misappropriation and applies extraterritoriality.[77] "To bar the Commission from considering such acts because they occur outside the United States would thus be inconsistent with the congressional purpose of protecting domestic commerce from unfair methods of competition in importation such as trade secret misappropriation."[78] In determining that Section 337 applies extraterritoriality in the trade secrets context, the Circuit court highlighted the congressional intent to cover conduct abroad and that Section 337 focuses on an inherently international trans-action—importation. [79] However, the dissent in *TianRui* disagreed, finding that "there is no basis for the extraterritorial application of our laws to punish TianRui's bad acts in China).[80] Thereafter, in *Sino Legend (Zhangjiagang) Chemical Co. v. ITC*, another case where all of the alleged

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[74] *Id.* at *24.

[75] *Id.*

[76] In the Ninth Circuit, the due process nexus requirement "serves the same purposes as the 'minimum contacts' test in personal jurisdiction," which effectively allows courts to assert jurisdiction over defendants when that should be reasonably anticipated. United States v. Klimavicius-Viloria, 144 F.3d 1249, 1257 (9th Cir. 1988), citing World-Wide Volkswagon Corp. v. Woodson, 444 U.S. 286, 297 (1980).

[77] 661 F.3d 1322, 1327 (Fed. Cir. 2011).

[78] *Id*. at 1335.

[79] *Id*. at 1333.

[80] *Id*. at 1342.

acts of misappropriation occurred overseas, Sino Legend renewed that extraterritorial challenge.[81] Sino Legend eventually pursued the issue in a petition for *certiorari* and the Chinese government, in the first instance ever, filed an amicus brief in support of Sino Legend. Because the Court declined review, the holding in *TianRui* still stands. For now, the ITC is the undisputed forum for trade secrets disputes involving imported goods where *all* of the acts of misappropriation occurred overseas.

[81] 137 S. Ct. 711 (2017).