

The Global Harmonization of Trade Secret Law: The Convergence of Protections for Trade Secret Information in the United States and European Union

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AS major regions across the world seek to harmonize trade secret law within and across jurisdictions, international companies now should focus on building their own uniform policies and procedures for protecting their intellectual property and defending against claims of misappropriation. Given the recent passage of the Defend Trade Secrets Act (“DTSA”) and the EU Trade Secrets Directive (the “Directive”), it is clear that both regions have recognized the substantial value of trade secrets to the global economy and have decided to take analogous stances on the basics of trade secret law, including what constitutes a trade secret and how a violation occurs. Although the similarities are not unexpected the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”)¹ provides many foundational provisions there are important nuances in each locale’s rules that affect how companies should consider enforcing trade secret rights and defending against misappropriation claims across those major international jurisdictions.

I. Overview of the DTSA

After several unsuccessful attempts over more than five years,² Congress in April overwhelmingly approved³ and President

Obama in May signed⁴ the DTSA, which provides a Federal private right of action for trade secret misappropriation. The DTSA is incorporated into the previously-enacted Economic Espionage Act (“EEA”),⁵ which provides criminal penalties for misappropriation.⁶

The DTSA pulls heavily from the Uniform Trade Secrets Act (“UTSA”),⁷ already in force in some form in 48 states,⁸

Cong. (2015), available at <https://www.congress.gov/bill/114th-congress/house-bill/3326>.

⁴ See “Remarks by the President at Signing of S. 1890 – Defend Trade Secrets Act of 2016,” (May 11, 2016), available at <https://www.whitehouse.gov/the-press-office/2016/05/11/remarks-president-signing-s-1890-defend-trade-secrets-act-2016>; 18 U.S.C. §§ 1831-1839 (2016). The text of the Defend Trade Secrets Act is available at <https://www.govtrack.us/congress/bills/114/s1890/text> (hereinafter “DTSA”).

⁵ See 18 U.S.C. §§ 1831-1839 (2013).

⁶ *Id.* §§ 1831, 1832. Remedies for EEA violations include fines; forfeiture of property constituting or derived from the violation and proceeds thereof; destruction of that property; restitution to the victim; and jail time, with the possibility of greater penalties if the misappropriation constituted “espionage” (the violation benefited a foreign government, agent, or instrumentality).

⁷ The text of the UTSA is available at http://www.uniformlaws.org/shared/docs/trade%20secrets/utsa_final_85.pdf.

⁸ See Legislative Fact Sheet – Trade Secrets Act, available at <http://www.uniformlaws.org/LegislativeFactSheet.aspx?title=Trade%20Secrets%20Act> (noting also that Massachusetts and New York have introduced Bills that would enact the UTSA in those states).

¹ The text of the TRIPS Agreement is available at https://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm.

² See S.Amdt. 729 to S. 1619, 112th Cong. (2011); see also John Cannan, *A [Mostly] Legislative History of the Defend Trade Secrets Act of 2016* (May 4, 2016), available at <http://ssrn.com/abstract=2775390>.

³ See S. 1890, 114th Cong. (2015), available at <https://www.congress.gov/bill/114th-congress/senate-bill/1890>; see also H.R. 3326, 114th

by providing similar definitions of key terms and remedies for misappropriation.⁹ In addition to providing the right to sue in Federal court (importantly, without preempting parallel state law claims¹⁰), the DTSA provides an *ex parte* seizure mechanism and whistleblower immunity.

II. Overview of the EU Directive

In 2013, after studies¹¹ showed the importance of trade secrets to the economy, particularly to small and medium-sized enterprises, and the fears of many organizations that asserting claims for misappropriation would result in inadequate remedies and potentially place their trade secrets at risk of public disclosure, the European Commission proposed a Directive to address differences in the

trade secret laws of the EU Member States.¹² Late last year, members of the European Parliament and Council reached a preliminary agreement on the text of the Directive,¹³ which was approved by the European Parliament¹⁴ and adopted by the European Council on May 27, 2016.¹⁵

EU Member States now will have until May 2018 to implement the Directive's provisions.¹⁶

¹² Proposal for a Directive of the European Parliament and of the Council on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against their Unlawful Acquisition, Use and Disclosure (Nov. 28, 2013), available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013PC0813>.

¹³ See European Commission – Trade Secrets, http://ec.europa.eu/growth/industry/intellectual-property/trade-secrets/index_en.htm; *Protecting trade secrets – MEPs strike a deal with Council*, EUROPEAN PARLIAMENT NEWS (Dec. 15, 2015), available at <http://www.europarl.europa.eu/news/en/news-room/20151215IPR07674/Protecting-trade-secrets-%E2%80%93-MEPs-strike-a-deal-with-Council>.

¹⁴ See *Trade secrets: protecting businesses, safeguarding the right to information*, EUROPEAN PARLIAMENT NEWS (April 4, 2016) available at <http://www.europarl.europa.eu/news/en/news-room/20160407IPR21787/Trade-secrets-protecting-businesses-safeguarding-the-right-to-information>.

¹⁵ See *Trade secrets protection: Council adopts new directive*, (May 27, 2016), available at <http://www.consilium.europa.eu/en/press/press-releases/2016/05/27-trade-secrets-new-directive/>.

¹⁶ See Directive of the European Parliament and of the Council on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against their Unlawful Acquisition, Use and Disclosure, Art. 19 (Apr. 26, 2016) (hereinafter “Directive”), available at <http://data.consilium.europa.eu/doc/document/PE-76-2015-INIT/en/pdf>.

⁹ See James Pooley, *What You Need to Know about the Amended Defend Trade Secrets Act*, PATENTLYO (Jan. 31, 2016), available at <http://patentlyo.com/patent/2016/01/amended-defend-secrets.html>.

¹⁰ 18 U.S.C. § 1838 (Except for whistleblower disclosures under 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 . . .”).

¹¹ See Explanatory Memorandum to Proposal for a Directive of the European Parliament and of the Council on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against their Unlawful Acquisition, Use and Disclosure § 2 (Nov. 28, 2013), available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013PC0813>; see also Executive Summary of the Impact Assessment (Nov. 28, 2013), available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013SC0472>.

Like the DTSA, the Directive seeks to harmonize trade secret laws across the EU, in accordance with the TRIPS Agreement, by providing a common definition of what a trade secret is, how trade secrets are to be protected, and what remedies are available for misappropriation. At the same time, the Directive only sets a floor for what is required of Members; individual States can craft more stringent provisions, if desired.¹⁷ Additional harmonization discussions are expected once Member States begin drafting national legislation.

III. Key Provisions

I. Trade Secret Definitions and Requirements for Misappropriation

The DTSA¹⁸ and Directive¹⁹ both seek to protect confidential commercial infor-

mation, and they therefore set out similar definitions for what information is eligible to qualify as trade secret (i.e., almost all types of confidential business and technical information). Both require that the information be kept secret and that it derive economic value from not being generally known or readily ascertainable. They also focus on protecting the underlying information itself, as opposed to simply the memorialization of that information (e.g., documents)—although that distinction often blurs in the practical sense, since proving a trade secret is more easily done via documentary evidence. Both provisions presumably should protect a combination of otherwise public information if it has economic value and is not generally known or readily ascertainable.²⁰

¹⁷ *Id.* ¶ 10.

¹⁸ 18 U.S.C. § 1839(3) (“the term ‘trade secret’ means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if—

(A) the owner thereof has taken reasonable measures to keep such information secret; and

(B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information”).

¹⁹ Directive, Art. 2(1) (“‘trade secret’ means information which meets all of the following requirements:

(a) it is secret in the sense that it is not, as a body or in the precise configuration and

assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

(b) it has commercial value because it is secret;

(c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret”).

²⁰ *Cf., e.g.,* *Servo Corp. of Am. v. GE*, 393 F.2d 551, 554 (4th Cir. 1968) (combination of public information qualifies as trade secret); *Imperial Chem. Indus. Ltd. v. Nat’l Distillers & Chem. Corp.*, 342 F.2d 737, 742 (2d Cir. 1965) (same). *See also* Directive, Art. 2(1)(a).

The requirements for a finding of misappropriation are also similar under the DTSA²¹ and EU Directive,²² with

²¹ 18 U.S.C. § 1839(5)-(6) (“(5) the term ‘misappropriation’ means—

(A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper 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’ . . . includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means”).

²² Directive, Art. 4(2)-(4) (“2. The acquisition of a trade secret without the consent of the trade secret holder shall be considered unlawful, whenever carried out by:

(a) unauthorised access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files, lawfully under the control of the trade secret holder, containing the trade secret or from which the trade secret can be deduced;

(b) any other conduct which, under the circumstances, is considered contrary to honest commercial practices.

3. The use or disclosure of a trade secret shall be considered unlawful whenever carried out, without the consent of the trade secret holder, by a person who is found to meet any of the following conditions:

(a) having acquired the trade secret unlawfully;

(b) being in breach of a confidentiality agreement or any other duty not to disclose the

each setting forth that a violation can be found for wrongful acquisition, wrongful use, and wrongful disclosure. Acquisition of a trade secret via conduct considered contrary to honest commercial practices will constitute misappropriation of a trade secret (e.g., acquisition by unauthorized access), as will use or disclosure of a trade secret by a person who unlawfully acquired that trade secret. The DTSA²³ and Directive²⁴ also deem independent development and reverse engineering as lawful

trade secret;

(c) being in breach of a contractual or any other duty to limit the use of the trade secret.

4. The acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever a person, at the time of the acquisition, use or disclosure, knew or ought, under the circumstances, to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully within the meaning of paragraph 3.”).

²³ 18 U.S.C. § 1839(6)(B) (“the term ‘improper means’ . . . does not include reverse engineering, independent derivation, or any other lawful means of acquisition”).

²⁴ Directive, Art. 3 (“1. The acquisition of a trade secret shall be considered lawful when the trade secret is obtained by any of the following means:

(a) independent discovery or creation;

(b) observation, study, disassembly or testing of a product or object that has been made available to the public or that is lawfully in the possession of the acquirer of the information who is free from any legally valid duty to limit the acquisition of the trade secret;

(c) exercise of the right of workers or workers’ representatives to information and consultation in accordance with Union law and national laws and practices;

(d) any other practice which, under the circumstances, is in conformity with honest commercial practices.

2. The acquisition, use or disclosure of a trade secret shall be considered lawful to the extent that such acquisition, use or disclosure is required or allowed by Union or national law.”).

conduct except when otherwise agreed by contract which, the EU Directive notes, may be limited by law.²⁵

2. Standing

One potentially significant difference between the DTSA and the EU Directive concerns who has standing to pursue a misappropriation action. Although a few state trade secrets statutes require ownership for standing to sue,²⁶ the UTSA itself does not explicitly address this issue²⁷ and some courts have concluded that ownership is not an element of an UTSA claim.²⁸ However, the DTSA deviates from the UTSA by

specifically providing that an “owner of a trade secret” may bring a civil misappropriation action, similar to how only a “patentee” may bring a patent infringement action under 35 U.S.C. § 281.²⁹ Defendants therefore could argue that the DTSA does not confer standing on plaintiffs that own or have a license to less than substantially all rights to a trade secret.³⁰ In contrast, under the Directive, remedies and relief may be requested by a “trade secret holder,” which is “any natural or legal person lawfully controlling a trade secret.”³¹ Plaintiffs may argue that this definition confers standing to more than just the owner or exclusive licensee of the trade secret, such as a non-exclusive licensee who controls the trade secret, which potentially broadens the application of the Directive as compared to the DTSA.³²

²⁵ *Id.* ¶ 16 (“Reverse engineering of a lawfully acquired product should be considered as a lawful means of acquiring information, except when otherwise contractually agreed. The freedom to enter into such contractual arrangements can, however, be limited by law.”).

²⁶ *See, e.g.,* RMS Software Dev., Inc. v. LCS, Inc., No. 01-96-00824-CV, 1998 Tex. App. LEXIS 1053, at *10-11 (Tex. Ct. App. Feb. 19, 1998) (holding that ownership is required because Colorado UTSA clearly referenced protection of the secret by “the owner thereof” and required “the owner” to take measures to prevent the secret from becoming known “to persons other than those selected by the owner”); N.C. GEN. STAT. § 66-153 (“The owner of a trade secret shall have remedy by civil action for misappropriation of his trade secret.”).

²⁷ *See* UTSA §§ 2, 3 cmt.

²⁸ *See, e.g.,* Metso Minerals Indus., Inc. v. FLSmidth-Excel LLC, 733 F. Supp.2d 969, 972 (E.D. Wis. 2010) (interpreting Wisconsin UTSA only to require rightful possession, as opposed to ownership); DTM Research, L.L.C. v. AT&T Corp., 245 F.3d 327, 330-333 (4th Cir. 2001) (concluding that ownership for standing is not imported into the Maryland UTSA). *Cf.* Tubos de Acero de Mexico, S.A. v. Am. Int’l Inv. Corp., 292 F.3d 471, 483 n.5 (5th Cir. 2002) (stating in dicta that “there is some question as to whether [the claimant] has

standing, as a non-owner, to assert a [Louisiana] UTSA claim”).

²⁹ 18 U.S.C. § 1836(b)(1) (“An owner of a trade secret that is misappropriated may bring a civil action under this subsection”); *see* 35 U.S.C. § 281 (“A patentee shall have remedy by civil action for infringement of his patent.”).

³⁰ *Cf.* Diamond Coating Techs., LLC v. Hyundai Motor Am., No. 2015-1844, 2016 U.S. App. LEXIS 8971, at *12 (Fed. Cir. May 17, 2016) (holding that, because the operative agreements “did not convey all of the substantial rights in the patents-in-suit to [the buyer, he] is not a ‘patentee’ under 35 U.S.C. § 281” and therefore has no independent standing to sue). *See generally* Prima Tek II, L.L.C. v. A-Roo Co., 222 F.3d 1372, 1377 (Fed. Cir. 2000) (holding that only the patent owner or an exclusive licensee may bring suit under Section 281; a non-exclusive licensee has no standing to sue).

³¹ Directive, Art. 2(2).

³² *But see* Faiveley Transp. USA, Inc. v. Wabtec Corp., 758 F. Supp.2d 211, 220 (S.D.N.Y. 2010) (“The Second Circuit has consistently held, however, that possession of a trade secret

3. Remedies

The DTSA³³ and Directive³⁴ both allow for monetary and equitable relief,

is sufficient to confer standing on a party for a

³³ 18 U.S.C. § 1836(b)(3)(B) (“Remedies. In a civil action brought under this subsection with respect to the misappropriation of a trade secret, a court may . . .

(B) award—

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

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

id. § 1836(b)(3)(A) (“Remedies. In a civil action brought under this subsection with respect to the misappropriation of a trade secret, a court may—

(A) grant an injunction—

(i) to prevent any actual or threatened misappropriation described in paragraph (1) on such terms as the court deems reasonable, provided the order does not (I) prevent a person from entering into an employment relationship, and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows; or (II) otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business;

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

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

³⁴ Directive, Art. 14(1)-(2) (“1. Member States shall ensure that the competent judicial authorities, upon the request of the injured party,

including reasonable royalties, lost profits,

order an infringer who knew or ought to have known that he, she or it was engaging in unlawful acquisition, use or disclosure of a trade secret, to pay the trade secret holder damages appropriate to the actual prejudice suffered as a result of the unlawful acquisition, use or disclosure of the trade secret. . . .

2. When setting the damages referred to in paragraph 1, the competent judicial authorities shall take into account all appropriate factors, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the trade secret holder by the unlawful acquisition, use or disclosure of the trade secret.”);

id., Art. 12(1)-(2) (“1. Member States shall ensure that, where a judicial decision taken on the merits of the case finds that there has been unlawful acquisition, use or disclosure of a trade secret, the competent judicial authorities may, at the request of the applicant, order one or more of the following measures against the infringer:

(a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret;

(b) the prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes;

(c) the adoption of the appropriate corrective measures with regard to the infringing goods;

(d) the destruction of all or part of any document, object, material, substance or electronic file containing or embodying the trade secret or, where appropriate, the delivery up to the applicant of all or part of those documents, objects, materials, substances or electronic files.

2. The corrective measures referred to in point (c) of paragraph 1 shall include:

(a) recall of the infringing goods from the market;

(b) depriving the infringing goods of their infringing quality;

(c) destruction of the infringing goods or, where appropriate, their withdrawal from the market, provided that the withdrawal does not undermine the protection of the trade secret in question.”).

and pre- and post-judgment injunctive relief.

Besides the above remedies, the DTSA allows for enhancement of damages and attorney's fees based on willful or malicious violations and for claims made or opposed in bad faith.³⁵ It further provides for *ex parte* seizure by a Federal law enforcement officer of property "necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action."³⁶ The seized property is held by the court³⁷ pending a hearing on the

merits of the seizure³⁸ at which the claimant bears the burden of proof.³⁹

The statute provides some protections for the accused party by requiring the requestor to post security that would be adequate to compensate the accused in the event of a

³⁵ 18 U.S.C. § 1836(b)(3)(C)-(D) ("Remedies. In a civil action brought under this subsection with respect to the misappropriation of a trade secret, a court may . . .

(C) if the trade secret is willfully and maliciously misappropriated, award exemplary damages in an amount not more than 2 times the amount of the damages awarded . . . ; and

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

³⁶ See *id.* § 1836(b)(2)(A)(i) ("Based on an affidavit or verified complaint satisfying the requirements of this paragraph, the court may, upon *ex parte* application but only in extraordinary circumstances, issue an order providing for the seizure of property necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action.").

³⁷ *Id.* § 1836(b)(2)(D)(i) ("Any materials seized under this paragraph shall be taken into the custody of the court. The court shall secure the seized material from physical and electronic access during the seizure and while in the custody of the court.").

³⁸ *Id.* § 1836(b)(2)(A)(ii) (The court may not grant an *ex parte* seizure application "unless the court finds that it clearly appears from specific facts that—

(I) an order issued pursuant to Rule 65 of the Federal Rules of Civil Procedure or another form of equitable relief would be inadequate to achieve the purpose of this paragraph because the party to which the order would be issued would evade, avoid, or otherwise not comply with such an order;

(II) an immediate and irreparable injury will occur if such seizure is not ordered;

(III) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application and substantially outweighs the harm to any third parties who may be harmed by such seizure;

(IV) the applicant is likely to succeed [on the merits];

(V) the person against whom seizure would be ordered has actual possession of (aa) the trade secret; and (bb) any property to be seized;

(VI) the application describes with reasonable particularity the matter to be seized and, to the extent reasonable under the circumstances, identifies the location where the matter is to be seized;

(VII) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person; and

(VIII) the applicant has not publicized the requested seizure.").

³⁹ *Id.* § 1836(b)(2)(F)(ii) ("At a hearing held under this subparagraph, the party who obtained the order under subparagraph (A) shall have the burden to prove the facts supporting the findings of fact and conclusions of law necessary to support the order.").

wrongful seizure order.⁴⁰ The potential extraterritorial reach of this explicitly “extraordinary” DTSA remedy against both physical and electronic assets held abroad by individuals and corporations could prompt constitutional challenges, test international treaties, and inflame diplomatic and political sensitivity.

Separately, the DTSA also made economic espionage and trade secrets theft under the EEA “racketeering activities” under the Racketeer Influenced and Corrupt Organizations (“RICO”) Act.⁴¹ Under the RICO Act as amended by the DTSA, one who conducts the affairs of a distinct enterprise through a pattern of trade secrets theft⁴² may be subject to two potentially onerous remedies: treble damages and the aggrieved party’s attorney’s fees.⁴³ The DTSA has the potential to spawn a relatively new class of civil RICO actions premised directly on trade secret theft.⁴⁴

⁴⁰ *Id.* § 1836(b)(2)(B)(vi) (The court shall “require the person obtaining the order to provide the security determined adequate by the court for the payment of the damages that any person may be entitled to recover as a result of a wrongful or excessive seizure or wrongful or excessive attempted seizure under this paragraph.”).

⁴¹ DTSA § 3(b); *see* 18 U.S.C. § 1961(1) (2016).

⁴² *See* 18 U.S.C. § 1962.

⁴³ *Id.* § 1964(c).

⁴⁴ *Cf.* *Thermodyn Corp. v. 3M Co.*, 593 F. Supp.2d 972, 981 (N.D. Ohio 2008) (alleging trade secret misappropriation under the RICO Act using predicate crimes, among others, of wire fraud, mail fraud, transportation of stolen property, travel in aid of racketeering activity, and receipt of stolen goods); *General Motors Corp. v. Ignacio Lopez de Arriortua*, 948 F. Supp. 670 (E.D. Mich. 1996) (same); Gould,

Unlike the DTSA, the Directive does not provide for explicit *ex parte* relief, and unlike the Economic Espionage Act, it does not provide for criminal remedies. Similar to the DTSA, the Directive allows for injunctions,⁴⁵ including provisional remedies,⁴⁶ lost profits, and a reasonable royalty. The Directive cautions that the remedies should be applied in a manner that is proportionate; avoids the creation of barriers to legitimate trade in the internal market; and provides for safeguards against their abuse.⁴⁷ The Directive does not allow for enhanced damages, but instead allows Member States to cap damages if an employee-misappropriator acted without intent.⁴⁸ Although the EU Directive does not provide for seizure of the property necessary to prevent the

Inc. v. Mitsui Mining & Smelting Co., 750 F. Supp. 838 (N.D. Ohio 1990) (same).

⁴⁵ *See* n.34.

⁴⁶ Directive, Art. 10(1) (“Member States shall ensure that the competent judicial authorities may, at the request of the trade secret holder, order any of the following provisional and precautionary measures against the alleged infringer:

(a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret on a provisional basis;

(b) the prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes;

(c) the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.”).

⁴⁷ *Id.*, Art. 7.

⁴⁸ *Id.*, Art. 14(1) (“Member States may limit the liability for damages of employees towards their employers for the unlawful acquisition, use or disclosure of a trade secret of the employer where they act without intent.”).

propagation of the trade secret, it does provide for the seizure of “infringing goods” to prevent those goods from entering the market and to remove them from the market.⁴⁹ Because infringing goods are essentially defined to cover goods that benefit from the misappropriated trade secrets,⁵⁰ that unique remedy has the potential to be a significant deterrent in the EU. The Directive moreover expressly permits an order after trial directing the destruction or delivery to the requestor of “all or part of any document, object, material, substance or electronic file containing or embodying the trade secret”⁵¹ Finally, the Directive provides that Member States may impose sanctions or other remedies where a claim of misappropriation is manifestly un-

founded and was initiated abusively or in bad faith.⁵²

4. Employee Mobility

An employee’s right to seek work at a competing company has been a contentious point for the DTSA and Directive, which each address employee movement to varying degrees.

Earlier versions of the DTSA⁵³ were criticized for potentially allowing employers to prevent free movement of employees to competitors in the absence of a non-compete agreement (the so-called “inevitable disclosure” injunction).⁵⁴ In response, the Bill enacted as the DTSA was amended to prohibit the grant of an injunction to prevent a person from entering into an employment relationship and to permit injunctive relief to “prevent [or place conditions on] a person from entering into an employment relationship” only when there is “evidence of threatened misappropriation and not merely on the

⁴⁹ *Id.*, Art. 10(1)(c) (“Member States shall ensure that the competent judicial authorities may, at the request of the trade secret holder, order any of the following provisional and precautionary measures against the alleged infringer: . . . (c) the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market.”).

⁵⁰ *Id.*, Art. 2(4) (“‘infringing goods’ means goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed”).

⁵¹ *Id.*, Art. 12(1)(d) (“1. Member States shall ensure that, where a judicial decision taken on the merits of the case finds that there has been unlawful acquisition, use or disclosure of a trade secret, the competent judicial authorities may, at the request of the applicant, order one or more of the following measures against the infringer: . . . (d) the destruction of all or part of any document, object, material, substance or electronic file containing or embodying the trade secret or, where appropriate, the delivery up to the applicant of all or part of those documents, objects, materials, substances or electronic files.”).

⁵² *Id.*, Art. 7(2) (“Member States shall ensure that competent judicial authorities may, upon the request of the respondent, apply appropriate measures as provided for in national law, where an application concerning the unlawful acquisition, use or disclosure of a trade secret is manifestly unfounded and the applicant is found to have initiated the legal proceedings abusively or in bad faith. Such measures may, as appropriate, include awarding damages to the respondent, imposing sanctions on the applicant or ordering the dissemination of information concerning a decision”).

⁵³ *E.g.*, S. 2267, 113th Cong. § (2)(a) (2014).

⁵⁴ S. Rep. No. 114-220, 114th Cong., § 2 (2016) (noting concerns by Senator Feinstein over the potential use of the inevitable disclosure doctrine against employees in jurisdictions limiting the availability of that doctrine).

information the person knows.”⁵⁵ Parties undoubtedly will test the bounds of what constitutes evidence of “threatened misappropriation,” including potential evidence of untrustworthy and suspicious behavior prior to an employee’s departure. The DTSA also prohibits injunctions that otherwise conflict with applicable state laws prohibiting restraints on the practice of a lawful profession, trade, or business.⁵⁶ And as described below, the DTSA also provides certain immunities to employee whistleblowers.

The Directive includes relatively stronger language on the need to protect employee mobility: “Nothing in this Directive shall be understood to offer any ground for restricting the mobility of employees.”⁵⁷ Unlike the DTSA, the Directive includes catch-all provisions making *lawful* the acquisition, use, and disclosure of trade secrets if “allowed by . . . national law,”⁵⁸ if the trade secret was disclosed “by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance with [European] Union or national law,”⁵⁹ or was acquired through “any other practice which, under the circumstances, is in conformity with honest commercial practices.”⁶⁰ Accused misappropriators could attempt to rely on those broad exceptions to argue that national workers’ rights laws permit acquisition or disclosure of former employers’ trade secrets in certain circumstances.

5. Confidentiality During Litigation

The DTSA and Directive afford claimants similar protections during litigation. The DTSA requires courts to protect the confidentiality of trade secrets,⁶¹ likely using sealed filings as the primary tool for that protection.⁶² Courts also must give the trade secret owner the opportunity to describe its interest in keeping the information confidential before the Court may decide to disclose the trade secret information.⁶³ As opposed to injunctive relief brought by the U.S. under Sections 1835(a) and 1836(a), a private party likely does not have an interlocutory appeal as of right when a court authorizes the disclosure of the party’s trade secret over its objection.⁶⁴

⁶¹ 18 U.S.C. § 1835(a) (“[T]he court shall enter such orders and take such other action as may be necessary and appropriate to preserve the confidentiality of trade secrets, consistent with the requirements of the Federal Rules of Criminal and Civil Procedure, the Federal Rules of Evidence, and all other applicable laws.”).

⁶² *See id.* § 1833(b)(1)(B) (“An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that . . . is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.”).

⁶³ *Id.* § 1835(b) (“The court may not authorize or direct the disclosure of any information the owner asserts to be a trade secret unless the court allows the owner the opportunity to file a submission under seal that describes the interest of the owner in keeping the information confidential.”).

⁶⁴ *See id.* § 1835(a) (“An interlocutory appeal by the United States shall lie from a decision or order of a district court authorizing or directing the disclosure of any trade secret.”).

⁵⁵ DTSA § 2(a) at (b)(3)(A)(i)(I).

⁵⁶ 18 U.S.C. § 1836(b)(3)(A)(i)(II).

⁵⁷ Directive, Art. 1(3).

⁵⁸ *Id.*, Art. 3(2).

⁵⁹ *Id.*, Art. 5(c).

⁶⁰ *Id.*, Art. 3(1)(d).

The EU Directive likewise allows for the apparent equivalent to American “sealed” filings and redacted public decisions upon application by a party.⁶⁵ One key difference between the Directive and DTSA is that the former gives at least one party representative access to the trade secret.⁶⁶ Thus, the common American practice of designating certain materials “Attorney’s Eyes Only” under a protective order, thereby limiting access to those

materials only to outside counsel,⁶⁷ seems to be unavailable under the Directive, which in some circumstances could dissuade aggrieved parties from pursuing a trade secrets action.⁶⁸ The Directive does provide however that recipients of confidential information may be subject to restrictions on using or disclosing that information.⁶⁹

6. Whistleblower Provisions

While both trade secret regimes provide some protection for whistleblowers who disclose trade secrets, the DTSA’s immunity is far more restricted.

To potentially enable employees, broadly defined for those purposes to include consultants and contractors, to report allegations that their employers have engaged in unlawful conduct, the DTSA provides immunity to whistleblowers from liability under Federal and state trade secrets laws for disclosing a trade secret only when the disclosure is (i) confidential, made to the government, and for the sole purpose of reporting a suspected legal violation; or (ii) in a sealed court filing.⁷⁰ Employers must notify employees, contractors, and consultants of the immunity in any agreement governing confidential information entered into or amended after May 11, 2016, the date of enactment of

⁶⁵ Directive, Art. 9(2) (“Member States shall also ensure that the competent judicial authorities may, on a duly reasoned application by a party, take specific measures necessary to preserve the confidentiality of any trade secret or alleged trade secret used or referred to in the course of legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret. Member States may also allow competent judicial authorities to take such measures on their own initiative.”)

The measures referred to in the first subparagraph shall at least include the possibility:

(a) of restricting access to any document containing trade secrets or alleged trade secrets submitted by the parties or third parties, in whole or in part, to a limited number of persons;

(b) of restricting access to hearings, when trade secrets or alleged trade secrets may be disclosed, and the corresponding record or transcript of those hearings to a limited number of persons;

(c) of making available to any person other than those comprised in the limited number of persons referred to in points (a) and (b) a non-confidential version of any judicial decision, in which the passages containing trade secrets have been removed or redacted.”).

⁶⁶ *Id.* (“The number of persons referred to in points (a) and (b) of the second subparagraph shall be no greater than necessary in order to ensure compliance with the right of the parties to the legal proceedings to an effective remedy and to a fair trial, and shall include, at least, one natural person from each party and the respective lawyers or other representatives of those parties to the legal proceedings.”).

⁶⁷ See, e.g., *Paycom Payroll, LLC v. Richison*, 758 F.3d 1198, 1202 (10th Cir. 2014).

⁶⁸ See generally Directive ¶ 24 (“The prospect of losing the confidentiality of a trade secret in the course of legal proceedings often deters legitimate trade secret holders from instituting legal proceedings to defend their trade secrets, thus jeopardising the effectiveness of the measures, procedures and remedies provided for.”).

⁶⁹ *Id.*, Art. 9(2).

⁷⁰ 18 U.S.C. § 1833(b)(1).

the DTSA.⁷¹ Failure to do so disqualifies the employer from recovering enhanced damages or attorney's fees under the DTSA.⁷²

The Directive garnered much discussion during its drafting by affording more robust protections to whistleblowers and the press generally. The Directive now includes numerous exceptions that explicitly allow for the apparent public disclosure of trade secrets under circumstances that would otherwise be violations, including "for exercising the right to freedom of expression and information . . . , including respect for freedom and pluralism of the media"⁷³ and for revealing a "misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest."⁷⁴ The exception about freedom of the press, seemingly unqualified,⁷⁵ may make

companies nervous about commercially using or sharing trade secrets in the EU. The question of the proper balance between freedom of speech and press and trade secrets protection arises in the United States as well, but its resolution is not stated so unconditionally and is not incorporated into the DTSA.⁷⁶

7. Statute of Limitations

The DTSA sets a three-year limitations period for a misappropriation action, such that a suit must be brought within three years after the date on which the misappropriation is discovered or could have been reasonably discovered.⁷⁷ The Directive allows each Member State to set its own limitations period but provides that it should not exceed six years.⁷⁸ Member States have flexibility on when the limitations period begins.⁷⁹

⁷¹ *Id.* § 1833(b)(3) ("(A) In general. An employer shall provide notice of the immunity set forth in this subsection in any contract or agreement with an employee that governs the use of a trade secret or other confidential information. . . .

(D) Applicability. This paragraph shall apply to contracts and agreements that are entered into or updated after the date of enactment of this subsection.").

⁷² *Id.* § 1833(b)(3)(C) ("Non-compliance. If an employer does not comply with the notice requirement . . . , the employer may not be awarded exemplary damages or attorney fees . . . in an action against an employee to whom notice was not provided.").

⁷³ Directive, Art. 5(a).

⁷⁴ *Id.*, Art. 5(b).

⁷⁵ See, e.g., *id.* ¶ 19 ("While this Directive provides for measures and remedies which can consist of preventing the disclosure of information in order to protect the confidentiality of trade secrets, it is essential that the exercise of the right to freedom of expression and information which encompasses media freedom and

pluralism as reflected in Article 11 of the Charter of Fundamental Rights of the European Union . . . not be restricted, in particular with regard to investigative journalism and the protection of journalistic sources.").

⁷⁶ See, e.g., *Apple Inc. v. Samsung Elecs. Co.*, 727 F.3d 1214, 1220 (Fed. Cir. 2013) (discussing the interplay of First Amendment rights with access to confidential litigation materials); *In re Iowa Freedom of Info. Council*, 724 F.2d 658, 659 (8th Cir. 1983) (same).

⁷⁷ 18 U.S.C. § 1836(d) ("A civil action under subsection (b) may not be commenced later than 3 years after the date on which the misappropriation with respect to which the action would relate 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 misappropriation.").

⁷⁸ Directive, Art. 8(2).

⁷⁹ *Id.*, Art. 8(1) ("Member States shall, in accordance with this Article, lay down rules on

IV. Implications

While there is significant overlap between the DTSA and Directive in terms of definitions and requirements for liability, how the Directive is implemented by EU Member States over the coming years will greatly influence best practices for global companies going forward. Although the reach of EU Member States' national laws governing extraterritorial misappropriation activities likely will vary,⁸⁰ United States courts probably will become an increasingly attractive venue for those claiming that they are victims of trade secret misappropriation, to the extent available. In part, this is because American courts are permitted to exercise jurisdiction over any conduct—even extraterritorial conduct—if the misappropriator is a U.S. citizen or entity or “an act in furtherance of the offense” was committed in the U.S.⁸¹ Although the EU Directive contemplates some production of evi-

dence,⁸² based on the limited discovery generally available in Member States,⁸³ the amount of pretrial discovery and disclosure in EU cases likely will pale in comparison to the broad discovery typically afforded by U.S. courts. On the other hand, orders to preserve evidence may be available in the EU,⁸⁴ and in certain disputes, those may counteract a potential jurisdictional shift to the U.S.⁸⁵

In light of U.S. courts' expansive jurisdictional reach and extensive discovery tools, potential plaintiffs having standing to sue under the DTSA who are attempting to uncover additional evidence of misappropriation, even for acts of misap-

the limitation periods applicable to substantive claims and actions for the application of the measures, procedures and remedies provided for in this Directive. [Those rules] shall determine when the limitation period begins to run, the duration of the limitation period and the circumstances under which the limitation period is interrupted or suspended.”).

⁸⁰ See generally Kate Bonacorsi, *Not at Home with 'At-Home' Jurisdiction*, 37 FORDHAM INT'L L.J. 1822, 1832-1842 (2014).

⁸¹ See 18 U.S.C. § 1837 (“This chapter also applies to conduct occurring outside the United States if—

(1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States or a State or political subdivision thereof; or

(2) an act in furtherance of the offense was committed in the United States.”).

⁸² See, e.g., Directive ¶ 25 (discussing limiting access to evidence containing confidential information).

⁸³ See Alexander Harguth and Tamara Fraizer, *Navigating Between German and US Discovery Provisions*, LAW360 (Sept. 23, 2011), available at <http://www.law360.com/articles/270953/navigating-between-german-and-us-discovery-provisions> (“Germany is the forum of choice for European . . . trade secret litigation, but discovery there can be limited.”); Ian S. Forrester, *Legal Professional Privilege: Limitations on the Commission's Power of Inspection Following the AM & S Judgment*, 20 COMMON MARKET L. REV. 75, 77 (1983) (“In Continental Europe, discovery of documents in civil cases is very limited . . .”).

⁸⁴ See generally Corrigendum to Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (June 2, 2004), Art. 7 (measures for preserving evidence in litigation on the enforcement of intellectual property rights). Note that Directive 2004/48/EC does not address the protection of trade secrets, as defined in the Directive.

⁸⁵ The extent to which the evidence preserved may be available for litigation outside the EU likely will be the subject of further development.

propriation occurring outside the United States, will want to consider whether DTSA actions may fit into an overall global enforcement strategy. Moreover, the United States, unlike many EU States, makes misappropriation a Federal criminal offense,⁸⁶ which can give plaintiffs—by instigating and cooperating with parallel Federal criminal investigations and litigations—powerful leverage over accused misappropriators. In some circumstances, a multi-jurisdictional approach, involving actions in the EU and U.S., may be warranted, particularly where it appears that stolen trade secrets have been used to make infringing goods that touch EU Member States. And because the DTSA expressly provides that trade secret theft

under the EEA constitutes a RICO predicate offense,⁸⁷ in instances where there is a pattern of trade secret theft—or potentially even a pattern of use—through a culpable racketeering enterprise, aggrieved parties also should consider a United States civil RICO action, which further would provide for the opportunity for treble damages and an award of attorney’s fees. Regardless, aggrieved international companies should evaluate the requirements and available remedies for misappropriation in all potential jurisdictions to ensure that their intellectual property rights are protected and litigation strategy is optimized across the global landscape.

⁸⁶ See 18 U.S.C. §§ 1831, 1832.

⁸⁷ DTSA § 3(b); see 18 U.S.C. § 1961(1) (2016).