To: U.S. Intellectual Property Enforcement Coordinator

From: Joseph M. Potenza, Chair, Section of Intellectual Property Law, American Bar Association

Date: April 22, 2013

Docket No: IPEC-2013-XXX

RE: Trade Secret Theft Strategy Legislative Review

This letter is being submitted pursuant to the request by the U.S. Intellectual Property Enforcement Coordinator (IPEC) for public input to determine if there are legislative changes that would enhance enforcement against, or reduce the risk of, the misappropriation of trade secrets for the benefit of foreign competitors or foreign governments.

The views expressed herein have not been submitted to or adopted by the ABA House of Delegates or the ABA Board of Governors, and should not be considered to be views of the Association.

The Section of Intellectual Property Law of the American Bar Association (“the Section”) recently passed a resolution supporting a federal civil claim for the misappropriation of a trade secret when certain circumstances are present and certain specified requirements are met. We recognize that there is a risk of misappropriation of trade secrets for the benefit of foreign competitors or foreign governments and a federal civil claim may provide an effective mechanism to deter such theft and provide an effective remedy against such theft.

The Section supports exploring options concerning expanded federal jurisdiction for civil actions for misappropriation of trade secret claims that incorporate four general principles:

• A definition of trade secret that is consistent with the Uniform Trade Secrets Act;
• The availability of remedies that are similar to the Uniform Trade Secrets Act, including injunctive relief, royalty damages, attorneys’ fees, and exemplary damages;

• A comprehensible definition of what requirements must be met to trigger federal jurisdiction, which includes, at a minimum, actions involving the misappropriation of trade secrets by or for the benefit of foreign governments, companies, or individuals; and

• A seizure order provision that adequately addresses how seized information should be stored or protected, who will gather it, and who will have access to it.

Considerations that led to the Section’s decision to support legislation to create a federal civil cause of action include the following:

• Published reports indicate that there is a growing rise in trade secret theft from foreign hackers and rogue employees interested in obtaining U.S. businesses’ trade secrets. Foreign economic and industrial espionage against the United States represents a significant and growing threat to the nation’s prosperity and security. The Obama Administration’s recently released report regarding trade secret theft recognized the accelerating pace of economic espionage and trade secret theft against U.S. corporations. For example, it provides the example of a recent case where a project engineer for a large car manufacturer copied 4,000 documents onto an external hard drive and delivered them to a competitor in China. The documents contained trade secret design specifications for engines and electric power supply systems estimated to be worth between $50 million and $100 million. Additionally, a respected security company recently published a report finding that foreign governments are sponsoring cyber-espionage to attack top U.S. companies. Further, a recent report commissioned by a respected IT security company revealed that half of the survey respondents, employees from various countries, including the United States, revealed that they have taken their former employer’s trade secret information, and 40 percent say they will use it in their new jobs.

• The recent expansion of penalties and expanded definition of trade secret under the Economic Espionage Act reflects recognition by the government that the Act is a valuable tool to protect secret, valuable commercial information from theft and that Congress can work in a bipartisan effort to address such theft.

• Currently, trade secret law in the United States is governed primarily by the Uniform Trade Secret Act which provides effective civil remedies with respect to acts of domestic trade secret misappropriation. Unfortunately, due to current
territorial limits on trade secret misappropriation claims and well-established rules of personal jurisdiction, it is often difficult for U.S. companies to assert such claims against foreign governments, companies, or individuals that are not located within the United States. Although the federal Economic Espionage Act of 1996 addressed acts of trade secret misappropriation by or on behalf of foreign interests by making defined acts of trade secret misappropriation a federal crime, a private federal civil cause of action could provide enhanced civil remedies, particularly with respect to infringing goods that are imported into the United States.

Accordingly, the American Bar Association Section of Intellectual Property Law supports establishing a federal civil claim for the misappropriation of a trade secret consistent with the framework outlined in this letter. The Section is committed to work with IPEC and other enforcement and policy making authorities to further address this serious and important issue.