



Invention & Industry

# Trade Secret Misappropriation and Remedies

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Trade Secret - Misappropriation and Remedies

# Remedies

## Sources of law

- Uniform Trade Secrets Act
  - Preempts common law
  - Adopted in 48 states + DC, PR, VI
    - with variations, of course
  - NC has a statute that is similar
  - Not adopted in NY
- Common Law
  - NY
- Defend Trade Secrets Act
  - Federal, new as of May 2016
  - Applies nationally to any secret used in interstate or foreign commerce
  - Does not preempt state law

## Remedies under UTSA:

- Injunctions
  - Can be prophylactic
  - Can be against innocent third parties
- Damages
  - Larger of
    - Plaintiff's losses
    - Defendant's wrongful gains
  - Reasonable royalties as an alternative

## The Defend Trade Secrets Act of 2016 (1/3)

- 18 U.S.C. § § 1831-1839
- In the code, an amendment and expansion of the Economic Espionage Act of 1996, which was criminal
- "arguably the most sweeping change to the nation's intellectual property laws in a generation or more"
- Passed in May 2016:
  - House: 410-2
  - Senate 87-0
  - Signed by President Obama

## The Defend Trade Secrets Act of 2016 (2/3)

- Provides new federal civil cause of action for trade secret misappropriation
- Scope: "if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce" § 1836(b)(1)
- Does not preempt state law
- Has whistleblower protection provisions
- Damages - § 1836(b)(3)
  - actual loss
  - unjust enrichment
  - reasonable royalties
  - treble damages if willful and malicious

## The Defend Trade Secrets Act of 2016 (3/3)

- Ex parte seizure - § 1836(b)(2)
  - Powerful new remedy, cf. state law
  - For "seizure of property necessary to prevent the propagation or dissemination of the trade secret" in "extraordinary circumstances"
  - Heavily criticized by scholars
- Cause of action for wrongful seizure
  - Meant as a balance to the power of ex parte seizure
  - Damages: same as those available under 34(d)(11) of the Lanham Act
    - lost profits, cost of materials, loss of goodwill
    - punitive damages if in bad faith
    - attorney's fees unless extenuating circumstances

# Misappropriation

## With trade secrets ...

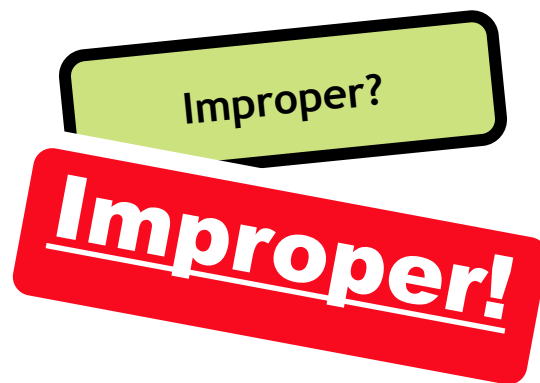
- We speak of "misappropriation" rather than "infringement"

## Forms of misappropriation:

- Improper disclosure.
  - E.g., violating confidence, breaching contract
- Improper use.
  - E.g., breaching contract, violating business norms, violating reasonable expectations
- Improper acquisition.
  - Includes criminal actions, contract breach, and torts, but need not be any of those

## Things that are not improper acquisition:

- Reverse engineering.
- Independent discovery.
- Getting from patent or published patent application.
- Getting through a business deal or license.



El DuPont DeNemours & Company v.  
Christopher, 431 F. 2d 1012 (5th Cir. 1970)

"This is a case of industrial espionage in which an airplane is the cloak and a camera the dagger. ... In taking this position we realize that industrial espionage of the sort here perpetrated has become a popular sport in some segments of our industrial community. However, our devotion to free wheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations."

El DuPont DeNemours & Company v.  
Christopher, 431 F. 2d 1012 (5th Cir. 1970)

"To require DuPont to put a roof over the unfinished plant to guard its secret would impose an enormous expense to prevent nothing more than a school boy's trick. We introduce here no new or radical ethic since our ethos has never given moral sanction to piracy."

El DuPont DeNemours & Company v.  
Christopher, 431 F. 2d 1012 (5th Cir. 1970)