

December 1, 2015

Senator Orrin Hatch
104 Hart Senate Office Building
Washington, DC 20510

Senator Chris Coons
127A Russell Senate Office Building
Washington, D.C. 20510

Congressman Doug Collins
1504 Longworth House Office Building
Washington, DC 20515

Congressman Jerrold Nadler
2109 Rayburn House Office Building
Washington, DC 20515

Congressman Hakeem Jeffries
1607 Longworth House Office Building
Washington, DC 20515

Dear Senators Hatch and Coons and Representatives Collins, Nadler and Jeffries:

The undersigned commend your bipartisan leadership to strengthen and protect trade secrets by introducing and serving as primary sponsors of the Defend Trade Secrets Act of 2015, along with the other members of the Senate and House who have joined as co-sponsors of your legislation.¹

We are all experienced trial lawyers who have handled trade secret litigation, for both plaintiffs and defendants, criminal and civil, involving a diverse variety of industries. Collectively, our cases have involved a wide range of trade secrets for small, medium and large businesses in numerous industries and for trade secret owners who have yet to form a business structure.² Based on our litigation experience, we have seen firsthand the need to protect trade secrets and the challenges in obtaining adequate remedies under current state trade secret laws.

Trade secrets are used by nearly every industry. They are central to the development of new ideas, products, and services. Trade secrets remain vital to the innovation process and make significant contributions to our world-leading innovation economy, helping to produce jobs and enhance our country's global competitiveness. They are often what allows American business to compete and thus protect our standard of living, while bringing innovation to the entire world.

Because of their importance and the competitive edge they bestow, trade secrets are often targeted for theft by insiders, competitors and foreign governments. Trade secret owners currently must rely on state laws to remedy any theft. In several respects, the state trade secret laws are ineffective in dealing with trade secret theft given today's challenges. Trade secrets are often removed from one state to another state or country. Given the increasingly interstate and international nature of trade secret theft and the value of trade secrets and their contributions to the national economy, remedies for trade

¹ S. 1890, 114th Cong., 1st Sess. (2015); H.R. 3326, 114th Cong., 1st Sess. (2015).

² Our views are based on our experience handling trade secret litigation and do not necessarily reflect the views of our employers, former employers, clients, or former clients.

secret theft should no longer be based solely on local state laws. The need for a national remedial framework is particularly important in the digital era when it has become easy to copy and transfer trade secrets electronically across borders in a matter of seconds.

The trade secret legislation you have introduced will help strengthen the law and the remedies available and protect trade secrets and the innovation they promote in several significant respects. We highlight some of the primary benefits:

- **Federal Private Right of Action Consistent With Other Intellectual Property Rights**

Trade secrets represent the only one of the important forms of intellectual property, the others being copyrights, trademarks, and patents, for which no federal civil remedy currently exists.

Your legislation corrects this disparity. There is no reason to continue this discrepancy given the importance of and many contributions from trade secrets to our economy. Relying exclusively on state law for remedies for trade secret theft is an anachronism in an era of instant communications and information-transfer across state and national borders, and your bill will modernize the law to reflect this modern reality.

- **Enhancing The Chance To Recover Stolen Trade Secrets**

One of the greatest challenges in trade secret litigation involves the recovery of stolen trade secrets. If a stolen trade secret is not recovered promptly its value to the victim can be effectively eliminated, and other remedies may not be as meaningful in compensating for the loss.

The legislation addresses this problem by giving a federal court the authority to issue in limited circumstances a short-term, ex parte civil seizure order, contingent on a proper showing, to seize the allegedly stolen trade secret and prevent its dissemination. The court must then hold a hearing within seven days with all parties present to decide whether to extend the seizure. Importantly, the seized materials would remain in the custody of the court pending a judicial resolution of this preliminary stage of the proceedings. In our experience, the civil seizure provision is reasonable, fair and balanced and contains appropriate protections that go beyond current federal remedies in order to deter abuse of the seizure authority. Without this limited tool, current law lacks effective means to recover trade secrets.

- **Strengthening and Modernizing Trade Secret Law**

Your legislation strengthens and improves trade secret law in several areas. Your legislation provides for a five year statute of limitations. This longer period will help trade secret owners in seeking remedies particularly when evidence of a trade secret theft is removed to another jurisdiction, especially a foreign country.

Today, trade secret theft can be accomplished by electronic means such as by copying, downloading or emailing the trade secret. In only a few seconds, valuable trade secrets can be in the hands of a

competitor or foreign government. Your legislation contains useful provisions to help protect trade secrets in the digital era. The court can prohibit any seized trade secrets from being connected to the Internet without the prior consent of both parties. A party can move to encrypt any seized materials. These provisions recognize the realities and digital nature of many trade secrets in the modern world and promote a balanced protection for all interests in the litigation.

- **Promoting Uniform and Reliable Federal Standards**

Your legislation will help establish a uniform national standard that applies to trade secret theft, promoting greater certainty for trade secret owners regarding available remedies. It is also likely to reduce satellite litigation filed in multiple jurisdictions. The bill should also serve as a signal to our trading partners around the world that the United States is serious about protecting trade secrets at the national level and provide a model to which other countries can refer and aspire in developing their own protections for trade secrets.

- **Trade Secret Owners Can Decide Whether Federal or State Remedies Are Appropriate**

One of the benefits of the legislation is that it does not preempt existing state laws, so trade secret owners can decide whether to rely on federal or state law for relief. Local trade secret theft may be remedied by relying on state laws in state courts. However, for the theft of trade secrets across state or national borders, the legislation would provide trade secret owners with a more effective remedy.

Given our experience litigating trade secret cases, we also wish to respond to some questions that have been or may be raised concerning the legislation:

Q1. Will the legislation favor large companies over small companies?

Appropriately, the legislation is focused on protecting trade secrets of any type and is neutral regarding the size of any company or the industry. It is our experience that often small businesses are more dependent than large businesses on trade secrets. Larger firms can afford to protect their intellectual property through patents, but that approach can be cost-prohibitive to smaller firms. A small business is also likely to be harmed more dramatically from the theft of its trade secrets. Therefore, we believe that businesses of all sizes will benefit from the bill, but small business has the most to gain from its enactment.

Q2. Is the ex parte seizure provision unnecessary based on the district courts' current authority to use its general power to grant ex parte temporary restraining orders?

The ex parte seizure provision is tailored to address the unique needs that arise in trade secret cases. The provision gives federal courts, when certain requirements are satisfied, the authority to seize stolen trade secrets within the jurisdiction of the court. This provision provides the best chance to recover

stolen trade secrets. The provision contains reasonable and balanced features to guard against abuse. These protections are not available under current law.

Q3. Can the ex parte provision be abused by baseless claims of misappropriation?

The provision expressly contains provisions to empower the court to address any claims of abuse. The court can consider a motion to dissolve or modify the seizure order “at any time” by “any person harmed by the order.” Any person who suffers damage by a wrongful or excessive seizure can bring a cause of action against the applicant to recover damages, including punitive damages, and a reasonable attorney’s fee. The court can impose sanctions if warranted. Finally, the court may award reasonable attorney’s fees for any claim of misappropriation made in bad faith. These protections do not apply to the federal court’s current general injunction authority.

Q4. Will the legislation prompt the creation of “trade secret trolls”?

So-called “patent trolls” operate by exaggerating the scope of a patent claim and then accusing numerous businesses in the very similar industry, many of which had no knowledge of the patent, of infringement. The troll scenario does not translate to trade secrets because misappropriation requires the defendant to have acquired the secret by improper means including, for example, theft.

In addition, “trade secret trolls” have not developed under existing state trade secret laws, and a federal law, with the same definitions as state laws, will not produce different results. The so-called “trade secret trolls” are really a legal fiction and have never been seen in any jurisdiction with trade secret laws.

The United States continues to lead the world in innovation. Trade secrets are a key part of the innovation process, which suffers when trade secret owners cannot adequately obtain effective remedies to redress the theft of their trade secrets. Current state-law-based remedies cannot address unique issues that commonly arise in current trade secret litigation. Based on our litigation experience, your legislation is necessary to strengthen and protect trade secrets and, concurrently, the U.S. economy.

Sincerely,

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