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THE SEDONA CONFERENCE

Framework for Analysis on Trade Secret Issues Across International Borders: Extraterritorial Reach

A Project of The Sedona Conference
Working Group on Trade Secrets (WG12)

MARCH 2021
PUBLIC COMMENT VERSION
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A Project of The Sedona Conference Working Group (WG12) on Trade Secrets

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Preface

Welcome to the March 2021 Public Comment Version of The Sedona Conference *Framework for Analysis on Trade Secret Issues Across International Borders: Extraterritorial Reach*, a project of The Sedona Conference Working Group on Trade Secret Law (WG12). This is one of a series of Working Group commentaries published by The Sedona Conference, a 501(c)(3) research and educational institute dedicated to the advanced study of law and policy in the areas of antitrust law, complex litigation, intellectual property rights, and data privacy and security law. The mission of The Sedona Conference is to move the law forward in a reasoned and just way.

The mission of WG12, formed in February 2018, is "to develop consensus and nonpartisan principles for managing trade secret litigation and well-vetted guidelines for consideration in protecting trade secrets, recognizing that every organization has and uses trade secrets, that trade secret disputes frequently intersect with other important public policies such as employee mobility and international trade, and that trade secret disputes are litigated in both state and federal courts." The Working Group consists of members representing all stakeholders in trade secret law and litigation.

The WG12 *Framework* drafting team was launched in November 2018. Earlier drafts of this publication were a focus of dialogue at the WG12 Annual Meeting, Online, in November 2020, the WG12 Annual Meeting in Charlotte, North Carolina, in November 2019, the WG12 Inaugural Meeting in Los Angeles, California, in November 2018, and the Inaugural Sedona Conference on Developing Best Practices for Trade Secret Issues in Scottsdale, Arizona, in December 2017. The editors have reviewed the comments received through the Working Group Series review and comment process.

This *Framework* represents the collective efforts of many individual contributors. On behalf of The Sedona Conference, I thank in particular James Pooley, the Chair of WG12, and Victoria Cundiff, the Vice-Chair of WG12, who serve as the Editors-in-Chief of this publication, and Randall Kay and Mark Schultz, who serve as the Senior Editors of this publication. I also thank everyone else involved for their time and attention during this extensive drafting and editing process, including our Contributing Editors G. Brian Busey, Seth Gerber, Dean Harts, and Jeff A. Pade, and our Sedona WG10-WG12 Steering Committee Liaison Monte Cooper.

The Working Group had the benefit of candid comments by the Judicial Advisor designated to this *Framework* drafting team effort—the Honorable Nina Y. Wang. The statements in this *Framework* are solely those of the nonjudicial members of the Working Group; they do not represent any judicial endorsement of any recommended practices.

The drafting process for this *Framework* has also been supported by the Working Group 12 Steering Committee and Judicial Advisors.

Please note that this version of the *Framework* is open for public comment through July 31, 2021, and suggestions for improvements are welcome. After the deadline for public comment has passed, the drafting team will review the public comments and determine what edits are appropriate for the

final version. Please send comments to comments@sedonaconference.org or fax them to 602-258-2499.

We encourage your active engagement in the dialogue. Membership in The Sedona Conference Working Group Series is open to all. The Series includes WG12 and several other Working Groups in the areas of electronic document management and discovery, cross-border discovery and data protection laws, international data transfers, data security and privacy liability, patent remedies and damages, and patent litigation best practices. The Sedona Conference hopes and anticipates that the output of its Working Groups will evolve into authoritative statements of law, both as it is and as it should be.

Craig W. Weinlein
Executive Director
The Sedona Conference
March 2021

Foreword

Trade secret misappropriation has increasingly international scope with expanding cross-border activity and wrongdoing. Indeed, when Congress passed the Defend Trade Secrets Act (DTSA) in 2016, the "Sense of Congress" portion of the Act indicated Congress had concern over trade secret theft "around the world."[1] Case reports, press accounts, and trade secret owners' experiences increasingly describe disputes that span several jurisdictions and cross international borders.

Litigating a trade secret dispute abroad and in multiple jurisdictions can prove extremely challenging or impracticable, so parties often seek redress in U.S.-based forums. A variety of U.S. forums adjudicate trade secret disputes, including federal courts, state courts, the International Trade Commission, arbitral forums, and administrative tribunals. When at least some of the parties, disputed actions, evidence, or harms are outside the United States, the issue of the extraterritorial reach of these forums and causes of action is implicated.

In a number of respects, the law regarding extraterritorial reach of trade secret law is still developing. For example, when this drafting team began its work in 2018, uncertainty existed as to the extraterritorial reach of the DTSA, largely because the case law on the issue was limited at the time. Since then, courts have decided cases on the issues, and this WG12 *Framework* now reports those developments. Still, no appellate court has addressed extraterritorial reach under the DTSA as of this writing. Similarly, we describe other recent developments, including the use of novel administrative remedies.

Given the breadth and relative newness of this topic, the Sedona Conference and the drafting team identified a *Framework for Analysis* as the proper way to address it. The *Framework* is designed to help practitioners and the judiciary identify the key means by which conduct abroad is reached by U.S. law. With respect to each of these means, the *Framework* identifies areas of agreement and disagreement or ambiguity and puts into the appropriate context the types of issues that frequently arise with respect to extraterritorial reach.

The Senior Editors would like to express their appreciation to the members of the drafting team for their valuable input and thoughtful commentary. Brian Busey, Monte Cooper, Seth Gerber, Dean Harts, Jeff Pade, and Judge Nina Wang were dedicated and invaluable participants. This was a tremendous team effort by all involved. We are grateful.

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[1] Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 § 5 (May 11, 2016) (uncodified).

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I. Introduction

This *Framework for Analysis on Trade Secret Issues Across International Borders: Extraterritorial Reach* ("*Framework*") addresses the extraterritorial reach of United States federal and state trade secret law. Trade secret misappropriation is increasingly a cross-border problem, with conduct that is difficult to reach in the United States. In some instances, foreign parties are accused of misappropriating U.S. trade secrets but never enter the United States physically and have little or no presence in the United States. Other cases involve parties and incidents that span multiple countries, including the United States. It often is equally difficult to address overseas and extraterritorial misappropriation through foreign legal proceedings due to shortcomings in national laws and enforcement in many countries. Moreover, it may be the case that no one country's courts are able to offer a complete remedy.

Finding a remedy for such cross-border claims in U.S. courts poses several challenges, particularly territoriality, which limits the ability of a country's courts to apply its laws to conduct outside its borders. Under U.S. law, territoriality gives rise to a presumption against extraterritorial application of law.[2] Nevertheless, the presumption against extraterritoriality is just that—a presumption. There are exceptions to the rule. For instance, the presumption against extraterritorial application of domestic law does not entirely preclude the use of domestic laws and forums to seek relief for extraterritorial acts.

This *Framework* thus identifies key means by which U.S. trade secret law reaches conduct abroad. For each of these means, it identifies primary areas of agreement, disagreement, and ambiguity. It catalogs some successful approaches, offers guidance as to how they can be used, and identifies potential limitations of existing approaches.

The discussion here is framed as a resource to parties and lawyers seeking to remedy a misappropriation of trade secrets where some or all of the conduct, parties, or evidence are outside of the United States. Nevertheless, this *Framework* should serve equally as a resource to a party defending a claim for misappropriation of trade secrets with extraterritorial aspects—the framing will serve to ensure comprehensive coverage.

The first part of the *Framework* identifies six key means of reaching conduct abroad:

- claims pursuant to the Defend Trade Secrets Act
- claims pursuant to state trade secret laws
- the International Trade Commission
- criminal prosecution
- extrajudicial regulatory remedies against foreign wrongdoers
- litigation abroad

The second part of the *Framework* then addresses significant challenges when parties attempt to use these means to reach conduct abroad:

- sovereign immunities

[2] *See* Morrison v. Nat'l Austl. Bank Ltd., 561 U.S. 247, 253–54 (2010).

- choice of law issues
- jurisdiction and venue
- where and how to get evidence
- enforceability of trade secret judgments against foreign entities

II. Key Means of Reaching Conduct Abroad

A. THE DEFEND TRADE SECRETS ACT

The Defend Trade Secrets Act of 2016 (DTSA) was motivated in part by concerns about the misappropriation of trade secrets of U.S. companies that occurs outside of the United States, including by foreign adversaries and competitors.[3] The DTSA's aim is to provide a "single, national standard for trade secret misappropriation with clear rules and predictability for everyone involved."[4] The DTSA provides a federal private right of action and complementary federal remedies, including injunctive relief, *ex parte* seizure orders, damages for actual loss or unjust enrichment, or a reasonable royalty, along with an award of attorneys' fees and double damages for willful and malicious misappropriation.[5] A plaintiff can pursue civil claims for misappropriation of trade secrets under the DTSA in federal or state court along with (and without preempting) claims for misappropriation under state law variations of the Uniform Trade Secrets Act (UTSA).

The DTSA states that "[a]n *owner* of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate *or foreign commerce*."[6] The term "owner," with respect to a trade secret, means "the person or entity in whom or in which rightful legal or equitable title to, or license in, the trade secret is reposed."[7] The DTSA does not mandate that the owner of a trade secret be a U.S. citizen or permanent resident, nor an organization organized under the laws of the United States or a state or political subdivision thereof. Moreover, diversity of citizenship is not required under the DTSA because the statute provides for original jurisdiction in federal court.[8]

The DTSA defines a "trade secret" as "financial, business, scientific, technical, economic, or engineering information" that (A) the owner thereof has taken reasonable measures to keep secret; and which (B) derives independent economic value, actual or potential, from not being generally

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3 H.R. REP. NO. 114-529, at 4–6, 12–14 (2016); *see also* BRIAN T. YEH, CONGRESSIONAL RESEARCH SERVICE, R43714, PROTECTION OF TRADE SECRETS: OVERVIEW OF CURRENT LAW AND LEGISLATION, at 1, 14–15 (2016) (citing OFFICE OF NATIONAL COUNTERINTELLIGENCE EXECUTIVE, FOREIGN SPIES STEALING US ECONOMIC SECRETS IN CYBERSPACE, at i–ii (2011); China: Effects of Intellectual Property Infringement and Indigenous Innovation Policies on the U.S. Economy, Inv. No. 332-519, USITC Publication 4226, at 3–42 (May 2011); Austar Int'l Ltd. v. AustarPharma LLC, 425 F. Supp. 3d. 336, 365 (D. N.J. 2019) (stating "the very rationale and purpose of the DTSA is, of course, the protection of trade secrets from foreign encroachment").

4 S. REP. NO. 114-220, at 2–3 (2016).

5 18 U.S.C. § 1836(b)(1), (b)(3), (c) (2016). The Economic Espionage Act of 1996 provides for criminal remedies for trade secret theft that has an interstate or foreign nexus. *See* 18 U.S.C. § 1832 (2016).

6 18 U.S.C. § 1836(b)(1) (2016) (emphasis added).

7 18 U.S.C. § 1839(4) (2016).

8 18 U.S.C. § 1836(c) (2016).

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.[9]

"Misappropriation" occurs under the DTSA where there is an "acquisition" of a trade secret by a person who knows or has reason to know that the trade secret was acquired by improper means; *or* the "disclosure or use" of a trade secret without express or implied consent by a person who used improper means to acquire knowledge of the trade secret or knew or had reason to know that the knowledge was gained through a person who had improperly acquired it or owed a duty to maintain its secrecy.[10] The DTSA only provides a cause of action for acts of misappropriation that occurred on or after the date of its enactment, May 11, 2016.[11]

A court may issue an injunction under the DTSA to prevent any actual or threatened misappropriation of trade secrets provided that the order does not prevent a person from entering into an employment relationship, conditions placed on such employment be based on threatened misappropriation and not merely on the information the person knows, and the order does not otherwise conflict with an applicable state law prohibiting restraints on the practice of a lawful profession, trade, or business.[12] In "extraordinary circumstances," a plaintiff may seek an *ex parte* order to seize "property necessary to prevent the propagation or dissemination of the trade secret."[13] An *ex parte* seizure order may be appropriate when "a defendant is seeking to flee the country or planning to disclose the trade secret to a third party immediately or is otherwise not amenable to the enforcement of the court's orders."[14]

B. INTERPRETATION OF 18 U.S.C. § 1837

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.'"[15] As discussed below, courts thus far have found that such contrary intent appears in 18 USC § 1837, which specifies the circumstances in which Chapter 90 of Title 18 governs extraterritorial conduct, and in the "Sense of Congress" portion of the DTSA, which expresses an unmistakable congressional concern about trade secret theft "around the world."[16] Thus, under this view, in the

9 18 U.S.C. § 1839(3) (2016).

10 18 U.S.C. § 1839(5) (2016).

11 Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376, 381–82 (May 11, 2016); Veronica Foods Co. v. Ecklin, No. 16-CV-07223-JCS, 2017 WL 2806706, at * 13 (N.D. Cal. June 29, 2017). Courts have generally held that the DTSA applies to acts of misappropriation that began prior to May 11, 2016 and continue after that date. S*ee* Brand Energy & Infrastructure Servs., Inc. v. Irex Contracting Grp., No. CV 16-2499, 2017 WL 1105648, at *4 (E.D. Pa. Mar. 24, 2017) (collecting district court decisions nationwide).

12 18 U.S.C. § 1836(b)(3)(A) (2016).

13 18 U.S.C. § 1836(b)(2)(A)(i) (2016).

14 H.R. REP. NO. 114-529, at 10 (2016); S. REP. NO. 114-220, at 6 (2016).

15 TianRui Grp. Co. v. Int'l Trade Comm'n, 661 F.3d 1322, 1328 (Fed. Cir. 2011) (quoting EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 248 (1991)); *see also* Kiobel v. Royal Dutch Petroleum Co., 569 U.S. 108 (2013); 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).

16 Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 § 5 (May 11, 2016) (uncodified).

circumstances specified in 18 USC § 1837, the DTSA will likely be interpreted to apply outside the borders of the United States. Further indicative of the requisite congressional intent, section 4 of the DTSA titled "Report on Theft of Trade Secrets Occurring Abroad" 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 acts.[17] 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[.]"[18] 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."[19] 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."[20]

Despite these clear international concerns, however, Congress did not include specific language in the DTSA as such authorizing extraterritorial reach of the DTSA. Nevertheless, the DTSA was not enacted as a standalone statute, but rather incorporated a civil cause of action into the Economic Espionage Act of 1996 (EEA). Section 1837 of the EEA, titled "[a]pplicability to conduct outside the United States," specifies the circumstances in which the statute governs extraterritorial conduct under "[t]his chapter," meaning Chapter 90 of Title 18.[21] Because the DTSA amends Chapter 90 (titled "Protection of Trade Secrets"), some courts have concluded that section 1837's extraterritorial provisions also apply to the DTSA.[22] Under this interpretation of section 1837, a DTSA misappropriation claim can be based on "conduct occurring outside the United States" either where (i) the "offender"[23] is a natural person who is a citizen or permanent resident alien of the

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17 *Id.* at § 4(b)(1) (emphasis added).

18 *Id.* at § 5(2).

19 162 CONG. REC. H2031 (daily ed. Apr. 27, 2016) (statement of Rep. Goodlatte).

20 JAMES POOLEY, TRADE SECRETS § 2.05[8] (2016). The "effects test," originally set forth in the U.S. Supreme Court opinion of *Calder v. Jones*, 465 U.S. 783 (1984), looks to the harm, or the domestic effects of a defendant's conduct on a plaintiff in the U.S., as opposed to focusing on where the defendant's unlawful conduct took place. *See, e.g.,* Applied Materials, Inc. v. Advanced Micro-Fabrication Equip., Inc., No. C07-05248JW, 2008 WL 11398913 (N.D. Cal. Feb. 29, 2008) (applying the effects test to a state law claim).

21 TianRui Grp. Co. v. Int'l Trade Comm'n, 661 F.3d 1322, 1343 n.4 (Fed. Cir. 2011) (stating that enactment of the Economic Espionage Act of 1996 "recognized that misappropriation of U.S. trade secrets can, and does, occur abroad, and that it is appropriate to remedy that overseas misappropriation when it has a domestic nexus").

22 *See, e.g.*, vPersonalize Inc. v. Magnetize Consultants Ltd., 437 F. Supp. 3d 860, 878–79 (W.D. Wash. 2020) (stating that "18 U.S.C. § 1837 authorizes civil enforcement actions against foreign entities to the same extent as criminal actions" and collecting cases); T&S Brass & Bronze Works, Inc. v. Slanina, No. CV 6:16-03687-MGL, 2017 WL 1734362, at *12 (D.S.C. May 4, 2017) (applying section 1837 to a DTSA claim without analysis); Micron Tech., Inc. v. United Microelectronics Corp., No. 17-CV-06932-MMC, 2019 WL 1959487, at *4, 8 (N.D. Cal. May 2, 2019) (stating that sections 1832 and 1836 apply if "an act in furtherance of the [misappropriation] was committed in the United States" and citing section 1837 when noting that "federal law provides for jurisdiction over misappropriation occurring outside the United States") (citation omitted); Luminati Networks Ltd. v. BI Science Inc., No. 2:18-CV-00483-JRG, 2019 WL 2084426, at *9 (E.D. Tex. May 13, 2019) (summarily finding that the DTSA "applies to conduct occurring outside the United States if . . . an act in furtherance of the offense was committed in the United States.") (citations omitted).

23 Because section 1837 refers to an "offender" and an "offense," terms only used in the criminal sections of Chapter 90 of Title 18, those terms arguably do not refer to a section 1836 civil claim or action. *See, e.g.*, 18 U.S.C. § 3559 (2006) ("Sentencing classification of *offenses*") (emphasis added); Kellogg Brown & Root Servs., Inc. v. U.S. *ex rel.*

United States, or an "organization" organized under the laws of the United States or a state or political subdivision thereof; or where (ii) "an act in furtherance of the offense was committed in the United States."[24]

The courts that have addressed the potential applicability of the DTSA to conduct outside the United States have uniformly found that section 1837 applies to DTSA civil misappropriation claims.[25] In the few decisions that applied section 1837 to DTSA claims, courts adopted two separate tests to determine if the "act in furtherance" is satisfied. First, the Northern District of California applied a "but for" analysis to find that DTSA misappropriation claims arise out of U.S. acts when the claim would not arise "but for" the U.S. activities in furtherance of the misappropriation.[26] Second, the Eastern District of Texas adopted a narrower interpretation from common conspiracy law, concluding that an act in furtherance need not be the offense itself nor any element of the offense, but it must "manifest that the [offense] is at work" and is not simply "a project in the minds of the" offenders or a "fully completed operation."[27]

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)). *But see* Motorola Sols., Inc. v. Hytera Commc'ns Corp., 436 F. Supp. 3d 1150, 1163–65 (N.D. Ill. 2020) (discussing a broad interpretation of "offenses" that encompasses trade secret misappropriation).

24 18 U.S.C. § 1837 (1996); *see Micron Tech., Inc.*, 2019 WL 1959487, at *3–4 (motion to dismiss denied where complaint sufficiently alleged facts to support a finding that recruitment efforts at a U.S. job fair and meetings with semiconductor equipment vendors in the U.S. forum were acts made in furtherance of misappropriation); Vendavo, Inc. v. Price f(x) AG, No. 17-cv-06930-RS, 2018 WL 1456697, at *3–4, *7 (N.D. Cal. Mar. 23, 2018) (granting motion to dismiss given the territorial and temporal limits of the DTSA).

25 *vPersonalize Inc.*, 437 F. Supp. 3d at 878–79 (stating that "18 U.S.C. § 1837 authorizes civil enforcement actions against foreign entities to the same extent as criminal actions" and collecting cases); *Motorola Sols.*, 436 F. Supp. 3d at 1165 (holding that Section 1836 may have extraterritorial reach subject to the restrictions in Section 1837). In some cases involving foreign defendants and conduct, courts address personal jurisdiction without discussing if the DTSA even applies extraterritorially. *See, e.g.,* Genentech, Inc. v. JHL Biotech, Inc., No. C 18-06582 WHA, 2019 WL 1045911, at *4–8 (N.D. Cal. Mar. 5, 2019) (analyzing personal jurisdiction over foreign defendant JHL without addressing extraterritorial reach of the statute itself); Austar Int'l Ltd. v. AustarPharma LLC, 425 F. Supp. 3d 336, 360–62 (D.N.J. 2019) (same).

26 *Micron Tech*, 2019 WL 1959487, at *4 (finding that section 1837 applied, despite significant acts of misappropriation alleged to have occurred overseas, because the defendants' alleged development and manufacturing activities in China using the stolen trade secrets was alleged to have been furthered by the defendants' U.S.-based activities of recruiting Dynamic Random-access Memory engineers and meeting with equipment suppliers).

27 *Luminati Networks Ltd.*, 2019 WL 2084426, at *9–10; *see also* MedImpact Healthcare Sys., Inc. v. IQVIA Inc., No. 19CV1865-GPC(LL), 2020 WL 5064253, at *14–15 (S.D. Cal. Aug. 27, 2020) (finding that defendants accessing U.S. servers and communicating with U.S. plaintiffs through phone calls, virtual meetings, board meetings and correspondence sufficiently pled that misappropriation was "at work" and acts in furtherance were committed in the U.S.); MACOM Tech. Solutions Inc. v. Litrinium, Inc., No. SACV 19-220 JVS (JDEx), 2019 WL 4282906, at *4–5 (C.D. Cal. June 3, 2019) (concluding plaintiffs sufficiently alleged conduct occurring in California under the DTSA and California Uniform Trade Secrets Act where defendant uses trade secrets in products that are in the stream of interstate commerce, a California company and its CEO recruited a French employee and coordinated the alleged misappropriation during his trips to California, and plaintiff's California locations assisted in developing the trade secrets); ProV Int'l Inc. v. Lucca, No. 8:19-cv-978-T-23AAS, 2019 WL 5578880, at *3 (M.D. Fla. Oct. 29, 2019) (concluding former employee's trip to a trade show in Nevada and to tender his resignation to the plaintiff, and damages to a Florida corporation resulting from the misappropriation, were insufficient to allege that an act in furtherance of the offense was committed in the United States).

Although Congress did not include an express jurisdiction clause in the DTSA to address its concern with international trade secret misappropriation (as reflected in the legislative history and the "Sense of Congress" provision), the DTSA's potential adoption of the EEA's "act in furtherance" requirement arguably combats misappropriation occurring abroad as long as there is some nexus to the United States. The few courts that have applied the EEA's "act in furtherance" language to the DTSA, whether appropriate or not, likely satisfy constitutional due process requirements, as it is not "arbitrary or fundamentally unfair" to expect application of U.S. law against one who commits an act in furtherance of the offense (or misappropriation) in the United States.[28] If the U.S. connection constitutes an "act in furtherance," then foreign actors are on notice that U.S. law may apply. Under a few courts' current readings of section 1837, where there is a sufficient domestic nexus, a court may enjoin defendants under the DTSA from engaging in wrongful conduct within *and* outside of the territory of the United States.[29]

C. EXTRATERRITORIAL REACH OF STATE TRADE SECRET LAWS

When evaluating the protection of trade secrets outside the United States, one must also consider the applicability of state trade secret laws. The DTSA was crafted as an additional federal claim of trade secret protection, but unlike many other federal claims expressly does not preempt state claims, including trade secret misappropriation. Section 1838 ("Construction with other laws") provides:

> Except as provided in section 1833(b),[30] 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 . . . .[31]

Thus, because state trade secret laws are not preempted, plaintiffs may pursue state trade secret claims (in addition to or in lieu of a DTSA claim). State trade secret claims also may have extraterritorial application, under standards that could differ from the DTSA. However, state trade secret statutes are typically unclear or silent on their extraterritorial reach, and courts have provided limited guidance.

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28 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 U.S.) (citation omitted).

29 *See* T&S Brass and Bronze Works, Inc. v. Slanina, No. CV 6:16-03687-MGL, 2017 WL 1734362, at *12 (D.S.C. May 4, 2017).

30 Section 1833(b) includes a whistleblower mechanism that allows individuals to disclose trade secrets to the government or in a court filing without creating liability.

31 18 U.S.C. § 1838 (2016).

In general, a state's adjudicative jurisdiction is limited by the Constitution's due process clause.[32] A state statute's extraterritorial jurisdiction, while a separate issue,[33] is similarly limited.[34] When testing the due process limits on extraterritorial jurisdiction, the Supreme Court often relies on tests 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."[35] For example, in *Home Insurance Co. 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.[36] Without sufficient contacts, the Court concluded that Texas was without power to apply its law to alter the insurance contract without violating due process.[37] Thus, the Constitution generally does not permit a state to apply its law when the contacts between it and the transaction are too attenuated,[38] but few decisions have tested the conditional limits of a state trade secret statute's extraterritorial reach.[39]

Outside of constitutionality concerns, some states require that a state statute should not have extraterritorial effect absent clear statutory intent.[40] For example, there is a "long-standing rule of construction in Illinois which holds that a 'statute is without extraterritorial effect unless a clear intent in this respect appears from the express provisions of the statute.'"[41] Despite Illinois's presumption against extraterritorial application, some Illinois courts have determined that the

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32 Asahi Metal Indus. Co. v. Superior Court of Cal., 480 U.S. 102, 113 (1987) (states may not exercise jurisdiction over a foreign person if to do so would run afoul of "traditional notions of fair play and substantial justice") (citation omitted).

33 *See, e.g.*, Sec. Inv'r Prot. Corp. v. Bernard L. Madoff Inv. Sec. LLC (*In re* Madoff), Adv. P. No. 08-01789 (SMB), 2016 WL 6900689, at *18 (Bankr. S.D.N.Y. Nov. 21, 2016) (noting that personal jurisdiction over a party and the extraterritorial application of a statute are two separate inquiries).

34 Allstate Ins. Co. v. Hague, 449 U.S. 302, 312–13 (1981) (a state may not apply its substantive law if to do so would be fundamentally unfair).

35 398 U.S. 306, 314 n.2 (1970); *see also* McCluney v. Jos. Schlitz Brewing Co., 649 F.2d 578, 581 (8th Cir. 1981), *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.").

36 281 U.S. 397, 407–10 (1930).

37 *See id.* at 408.

38 *See* John Hancock Mut. Life Ins. Co. v. Yates, 299 U.S. 178, 182 (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 310–11 ("*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.").

39 Courts are rarely clear on these issues. *See, e.g.*, Westco Sci. Instruments, Inc. v. Georgiou, No. CV064005637S, 2006 WL 1828628 (Conn. Super. Ct. June 21, 2006) (questioning whether the Connecticut Uniform Trade Secrets Act has extraterritorial effect when analyzing personal jurisdiction); Dow Chem. Co. v. Organik Kimya Holding A.S., No. CV 12090-VCG, 2018 WL 2382802, at *5 (Del. Ch. May 25, 2018) (treating an extraterritoriality argument concerning the Delaware Uniform Trade Secrets Act as one of a choice of law).

40 *See, e.g.*, Turnkey Sols. Corp. v. Hewlett Packard Enter. Co., No. 15-CV-01541-CMA-CBS, 2017 WL 3425140, at *7–8 (D. Col. Aug. 9, 2017) (applying the presumption against extraterritoriality from RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090 (2016), to the Colorado Uniform Trade Secrets Act).

41 Avery v. State Farm Mut. Auto. Ins. Co., 835 N.E.2d 801, 852 (Ill. 2005) (citation omitted).

Illinois Trade Secrets Act does have extraterritorial effect.[42] Like Illinois, California courts similarly recognize a presumption against a state statute's extraterritorial application,[43] "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."[44] However, unlike Illinois, some California courts have found that the California Uniform Trade Secrets Act does not apply to conduct occurring outside of California, because "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.'"[45] As these examples demonstrate, both trade secret plaintiffs and defendants should carefully consider the potential applicability of state law trade secret claims to overseas conduct.

D. THE INTERNATIONAL TRADE COMMISSION

The U.S. International Trade Commission (ITC) provides a venue where trade secret claimants can seek a partial but significant nonmonetary remedies for trade secret misappropriation outside of the United States. Under 19 U.S.C. § 1337 ("Section 337"), the ITC has the authority to block the importation of articles into the U.S. that were manufactured using misappropriated trade secrets through an exclusion order and to issue a cease and desist order blocking further distribution, marketing, or sale of any offending merchandise already in the United States.

An ITC exclusion order blocks products from entry into the U.S. market. It has certain limitations, as it does not provide for damages, nor can it require a respondent to cease further exploitation of a trade secret outside of the United States or take any other affirmative act. However, given the size and importance of the U.S. market, the remedy can have a very significant effect. Also, denying the U.S. market to a respondent may give a complainant the leverage it needs to reach a desirable settlement.

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42 Miller UK Ltd. v. Caterpillar Inc., No. 10-CV-03770, 2017 WL 1196963, at *7 (N.D. Ill. Mar. 31, 2017) (concluding that the Illinois Trade Secrets Act (ITSA) does have extraterritorial effect because 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 limitation on the duty.") (citation omitted); IPOX Schuster, LLC v. Nikko Asset Mgmt. Co., 304 F. Supp. 3d 746, 759 (N.D. Ill. 2018) (agreeing with the reasoning set forth in *Miller* without substantive discussion). *But see* Motorola Sols., Inc. v. Hytera Commc'ns. Corp., 436 F. Supp. 3d 1150, 1169–70 (N.D. Ill. 2020) (disagreeing with *Miller* and holding that the ITSA does not have extraterritorial effect).

43 Sullivan v. Oracle Corp., 254 P.3d 237, 248 (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 . . . .'") (citation omitted). As under federal law, whether the California Uniform Trade Secrets Act applies extraterritorially is considered a merits question. Meggitt San Juan Capistrano, Inc. v. Yongzhong, 575 F. App'x. 801, 802–03 (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 v. Nat'l Austl. Bank, Ltd., 561 U.S. 247 (2010)).

44 *Sullivan*, 254 P.3d at 248 (quoting Diamond Multimedia Sys., Inc. v. Superior Court, 968 P.2d 539 (1999)).

45 Cave Consulting Grp., Inc. v. Truven Health Analytics, Inc., No. 15-CV-02177-SI, 2017 WL 1436044, at *6 (N.D. Cal. Apr. 24, 2017) (quoting O'Connor v. Uber Techs., Inc., 58 F. Supp. 3d 989, 1004 (N.D. Cal. 2014)); Micron Tech., Inc. v. United Microelectronics Corp., No. 17-CV-06932-MMC, 2019 WL 1959487, at *13 (N.D. Cal. May 2, 2019) (following the holding in *Cave Consulting*). *But see* Applied Materials, Inc. v. Advanced Micro-Fabrication Equip. Co., No. C 07-05248 JW, 2009 WL 10692715, at *7 (N.D. Cal. Nov. 30, 2009) (finding that the California Uniform Trade Secrets Act applied because California law "reaches extraterritorial transactions or conduct which cause an injury in California.") (citations omitted).

With respect to extraterritorial application, as confirmed in *TianRui Group Co. v. International Trade Commission*,[46] Section 337 provides potential remedies even if the acts of misappropriation occurred entirely outside the United States. Before *TianRui,* the ITC had addressed trade secret claims, but their extraterritorial reach was uncertain.[47] In *TianRui*, the respondent TianRui imported railway wheels made using trade secrets misappropriated from complainant's licensee in China.[48] The misappropriation took place wholly abroad, but the Commission issued a 10-year exclusion order.[49] Notably, not only did the misappropriation occur abroad, but the complainant no longer used the trade secret to manufacture in the United States.[50] The Federal Circuit affirmed, explaining that Section 337 applies to unfair acts in the importation of articles.[51] In determining that Section 337 applies extraterritorially in the trade secret context, the court highlighted the congressional intent to cover conduct abroad, and section 337's focus on an inherently international transaction (importation).[52] Thus, the ITC provides a forum for trade secret disputes involving imported goods even if all acts of misappropriation occur outside of the United States.

Since *TianRui*, the use of the ITC to address overseas trade secret activities has increased. While patent claims continue to dominate the Section 337 portion of the ITC's docket, there have been at least 18 ITC investigations based on trade secrets since *TianRui*, many of which concern foreign acts of misappropriation. The following chart lists investigations that have been instituted prior to publication:

ITC Investigation No.	Parties	Articles	Result
655	*Amsted v. TianRui*	Railway Wheels	• Violation found • 10-year exclusion order • Court of Appeals for the Federal Circuit (CAFC) affirmed
698	*Richtek v. uPI and others*	DC-DC Controllers	• Settlement/ consent order • 10-year exclusion order
791/826	*Twin-Star v. Reliap*	Electric Fireplaces	• Default • 5-year exclusion order

46 661 F.3d 1322 (Fed. Cir. 2011).

47 A claim under section 337 based on trade secret misappropriation requires proof of four elements: (1) an imported product; (2) the importation or sale of which arises from unfair methods of competition or unfair acts in the importation of goods; (3) the importation will destroy, substantially injure, or prevent the establishment of a U.S. industry; and (4) injury to the complainant. *Id.* at 1329–35.

48 *Id.* at 1324.

49 *Id.* at 1326–37.

50 *Id.* at 1324.

51 *Id.*

52 *Id.* at 1329, 1333.

849	*SI Group v. Sino Legend*	Rubber Resins	• Violation found • 10-year exclusion order • CAFC affirmed
863	*Fellowes v. New United*	Paper Shredders	• Settlement • 5-year exclusion order
869	*Innovation First v. Zuru Toys*	Robotic Toys	• Settlement • License Agreement
883	*Rohm & Haas and Dow v. Organik Kimya*	Opaque Polymers	• Default due to spoliation of evidence • 25-year exclusion order • CAFC affirmed
887	*Manitowoc v. Sany*	Crawler Cranes	• Violation • 10-year exclusion • CAFC affirmed
933	*Valbruna v. Viraj*	Stainless Steel Products	• Default due to spoliation of evidence • 16.7-year exclusion • CAFC affirmed
963	*Jawbone v. Fitbit*	Activity Tracking Devices	• No violation, on the merits • Subject of other U.S. civil litigation and criminal prosecution
1002	*U.S. Steel v. Baosteel*	Carbon and Alloy Steel Products	• Voluntarily withdrew trade secret claims (allegations based on cybertheft)
1078	*Hitachi Metals & Metglas, Inc. v. Qingdao Yunlu Energy Tech. Co., Ltd. et al.*	Certain Amorphous Metal and Products Containing Same	• Voluntarily withdrew claim, reportedly after failure to find evidence in discovery
1145	*Medytox Inc. et al. v. Daewong Pharmaceuticals Co., Ltd. et al.*	Certain Botulinium Toxic Products	• Violation found, but the Commission partially reversed the Initial Determination • Currently under appeal to the CAFC
1153	*Heraeus Medical LLC and Heraeus Medical GmbH v. Zimmer Biomet Holdings, Inc., et al.*	Certain Bone Cements, Components Thereof and Products Containing the Same	• No violation, due to failure to prove substantial injury to a domestic industry

1159	*LG Chem Ltd. and LG Chem Michigan Inc. v. SKI Innovation Co., Ltd. and SK Battery America, Inc.*	Certain Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, and Processes Therefore	• Default due to spoliation of evidence • 10-year exclusion, with transition periods due to public interest
1166	*Illinois Tool Works Inc. et al. v. Guangzhou Rebenet Catering Equipment Manufacturing Co., Ltd et al.*	In the Matter of Certain Foodservice Equipment and Components Thereof	• Currently pending after remand from Commission reversing determination of no violation
1175	*Zimmer, Inc., and Zimmer US, Inc. v. Heraeus Medical GmbH and Heraeus Medical LLC*	Certain Bone Cements and Bone Cement Accessories	• No violation, on the merits
1186	*Knowles Corporation et al. v. Liang Li et al.*	Certain Balanced Armature Devices, Products Containing Same, and Components Thereof	• Pending

While the ITC provides a potential forum and nonmonetary remedies for extraterritorial claims, it does not relieve the challenge of obtaining evidence in other countries. However, it may be easier to obtain foreign discovery and depositions from parties to an ITC proceeding without the need to proceed through the Hague Convention, compared with a district court.

E. CRIMINAL PROSECUTION

In addition to potential state and federal civil trade secret liability, those who misappropriate trade secrets also face potential criminal liability in the United States. The DTSA amended Chapter 90 of Title 18, "Protection of Trade Secrets," to provide a federal civil cause of action for the misappropriation of trade secrets. Title 18 had been previously added by the Economic Espionage Act of 1996, which criminalized the theft of trade secrets and conspiracies or attempts to steal trade secrets. The federal statutory framework of the earlier EEA provides for criminal prosecution and penalties for two primary activities, "economic espionage" (section 1831) and "theft of trade secrets" (section 1832).

Sections 1831 and 1832 both criminalize, among other acts, the theft, duplication, or receipt of trade secrets.[53] However, section 1831 violations require intent or knowledge that the trade secret misappropriation "benefit any foreign government, foreign instrumentality or foreign agent,"[54] while section 1832 violations require intent to convert a trade secret that is "related to a product or service used in or intended for use in interstate or foreign commerce." Although the civil liability from a

[53] 18 U.S.C. §§ 1831–32 (2012).

[54] 18 U.S.C. § 1831 (2013).

trade secret suit can have severe consequences, including damages and an injunction, federal criminal liability for economic espionage or theft of trade secrets under the EEA can be even more devastating. Prison, significant criminal fines, forfeiture of ill-gotten profits, and restitution to the aggrieved party are all possible.[55]

Because the DTSA and the EEA share the same definition of what constitutes a trade secret, any confidential and proprietary information of value, whether financial, business, technical, or other nature, can be viewed as a trade secret by federal prosecutors.[56] Thus, in many instances, acts that constitute civil trade secret misappropriation under section 1836 may also constitute criminal economic espionage or criminal theft of trade secrets under sections 1831 or 1832.[57] For example, in the matter involving Micron Technology, Inc.'s trade secrets, defendant United Microelectronics Corporation pled guilty to criminal trade secret theft in violation of 18 U.S.C. § 1832(a)(3).[58] Even if the subject information is not a trade secret, federal prosecutors can still pursue indictments if an attempt or conspiracy existed to obtain what was thought to be trade secrets.[59] Since the EEA carries a five-year statute of limitations[60] that begins from the date the offense is "committed,"[61] federal prosecutors may also pursue cases involving older wrongful acts based on conspiracy theories, for which the limitations period begins on the date of the last "overt act" committed in furtherance of the conspiracy.[62] Thus, in some instances, criminal liability may exist where civil liability is already time-barred.

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55 18 U.S.C. §§ 1834, 2323 (2008).

56 [T]he 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, the public."

18 U.S.C. § 1839 (2016).

57 *Compare* Criminal Indictment, United States v. United Microelectronics Corp., 3:18-CR-00465 (N.D. Cal. Sept. 27, 2018), *with* Civil Complaint, Micron Tech., Inc. v. United Microelectronics Corp., No. 17-CV-06932-MMC, (N.D. Cal. Dec. 5, 2017); *compare* Criminal Indictment, United States v. Huawei Device Co., 2:19-CR-00010 (W.D. Wash. Jan. 16, 2019), *with* Civil Complaint, T-Mobile USA, Inc., v. Huawei Device USA, Inc., 2:14-CV-01351 (W.D. Wash. Sept. 2, 2014); *compare* Criminal Complaint, United States v. Hou, 2:17-MJ-07049 (D.N.J. Apr. 6, 2017), *with* Civil Complaint, E.I. Du Pont De Nemours & Co. v. Hou, 1:17-CV-00224 (D. Del. Mar. 2, 2017); compare Criminal Indictment, United States v. Kolon Indus., Inc., 3:12-CR-00137 (E.D. Va. Aug. 21, 2012), *with* Civil Complaint, E.I. Du Pont De Nemours & Co. v. Kolon Indus., Inc., No. 3:09-CV-00058 (E.D. Va. Feb. 3, 2009).

58 United States v. United Microelectronics Corp., 3:18-CR-00465 (N.D. Cal.), Dkt. 148 (Oct. 28, 2020).

59 18 U.S.C. § 1832(a)(5) (2012).

60 *See id.* § 1832(a); 18 U.S.C. § 3282(a) (2003).

61 *See* 18 U.S.C. § 3282(a).

62 Both the U.S. Department of Justice and courts have recognized as such. *See* U.S. DEPT. OF JUSTICE, CRIMINAL RESOURCE RES. MANUAL § 652. STATUTE OF LIMITATIONS FOR CONSPIRACY, http://www.justice.gov/usam/criminal-resource-manual-652-statute-limitations-conspiracy (last updated Jan 22, 2020) (acknowledging that for conspiracy statutes that contain an overt act requirement, the "statute of limitations begins to run on the date of the last overt act") (citations omitted); United States v. Case, No. 3:06-CR-210, 2008 WL 1932403 (S.D. Miss. Apr. 25, 2008) (applying a five-year limitations period under 18 U.S.C. § 3282 to an indictment alleging conspiracy under 18

As explained earlier, the extraterritorial reach of a DTSA civil cause of action is unsettled. Unlike the DTSA, however, 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—
>
> > (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.[63]

The EEA therefore reaches two groups. First, the criminal offenses of the EEA apply if the offender is a citizen or permanent resident alien of the United States or an organization formed under U.S. laws. These U.S. entities may be held liable for even criminal trade secret activities committed entirely outside of the United States Second, the EEA's criminal provisions apply to foreign persons and organizations if an act in furtherance of the offense takes place on U.S. soil.[64]

While case law defining the "act in furtherance" requirement of section 1837 in the context of criminal prosecution is limited thus far, federal prosecutors have predicated indictments under the EEA on a broad array of relatively minor acts directed toward the United States. For example, in criminal cases involving Chinese defendants, extraterritorial jurisdiction is often predicated on emails, chats, and other activity directed from China.[65] U.S. prosecutors could view activities that have only a slight nexus to the United States as sufficient to support jurisdiction over potential criminal defendants, including (i) conducting a meeting in the United States with the intent to obtain trade secrets abroad, (ii) sending an email to trade secret holders in the United States, (iii) conducting an interview of a potential lateral employee, contractor, or consultant with U.S. connections, or (iv) engaging in a contract with a U.S. entity.[66] How courts might view the sufficiency of such acts as the basis for an EEA claim remains to be seen. However, one indication is how courts have interpreted this same requirement in the context of a civil DTSA claim. One civil court has employed an

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U.S.C. § 1832(a)(5)), *aff'd in relevant part*, 309 F. App'x. 883 (5th Cir. 2009); *see also* United States v. Hsu, 155 F.3d 189, 204 n.21 (3d Cir. 1998) (acknowledging that section 1832(a)(5) contains an "overt act" requirement).

63 18 U.S.C. § 1837 (1996).

64 *See id.* § 1837(2).

65 United States v. Sinovel Wind Grp. Co., No. 3:13-CR-00084, D.I. 25, Indictment at ¶ 24, Count 2 (W.D. Wis. June 27, 2013) (relying on emails, Skype chats, and other activity directed from China, including conduct that caused the use of stolen software in the U.S.); United States v. Huawei Device Co., No. 2:19-CR-00010, D.I. 1, Indictment at ¶¶ 1–50; Count 1 (W.D. Wash. Jan. 16, 2019) (relying on unauthorized activity in the U.S. and emails directed to a U.S. subsidiary); United States v. Yanjun Xu, No. 1:18-CR-00043, D.I. 1, Indictment at ¶¶ 11–14; Count 1 (S.D. Ohio, Apr. 4, 2018) (relying on communications from China directed to the U.S.).

66 The Deterring Espionage by Foreign Entities through National Defense Act of 2018 proposed even further broadening the extraterritorial reach of the statute by amending section 1837 to also encompass any offense that "causes substantial economic harm in the United States." DEFEND Act, S. 3743, 115th Cong. (2d Sess. 2018).

interpretation that likely would support such actions as the basis for a claim, applying a "but for" analysis to find that a claim arises out of U.S. acts if the claim would not arise "but for" the acts in the United States.[67] On the other hand, a different civil court adopted a somewhat narrower interpretation from common conspiracy law.[68]

Section 1837 of the EEA therefore provides one avenue by which foreign criminal trade secret activity can fall within U.S. criminal jurisdiction.[69] And unlike some situations in the civil context, entirely foreign criminal defendants cannot avoid service of criminal indictments due to a lack of a physical presence in the United States.[70] The EEA can therefore provide U.S. criminal liability where civil liability under the UTSA or DTSA might be impossible or have significant weaknesses from, for example, issues with stating a viable claim,[71] service of process, statute of limitations, or the extraterritorial reach of the statute itself. In these situations, aggrieved trade secret owners should evaluate reaching out to U.S. authorities about potential criminal prosecution over foreign actors.[72]

F. EXTRAJUDICIAL REGULATORY REMEDIES AGAINST FOREIGN WRONGDOERS

Two nonjudicial remedies have proven effective in combatting trade secret misappropriation by foreign wrongdoers. Both involve the U.S. government's intervention, and both invoke regulatory schemes as mechanisms to assist victims of trade secret misappropriation. For the first remedy, the government places the misappropriator on the "Entity List," banning the wrongdoer from acquiring exports of U.S.-origin items. For the second remedy, the government names the misappropriator on the "Specially Designated Nationals and Blocked Persons (SDN) List," which prohibits U.S. persons from engaging in transactions with the wrongdoer. Both remedies can mitigate harm for trade secret victims.

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67 Micron Tech., Inc. v. United Microelectronics Corp., No. 17-CV-06932-MMC, 2019 WL 1959487, at *4 (N.D. Cal. May 2, 2019) (applying a "but for" test to satisfy section 1837 for United States-based activities constituting "acts in furtherance" of misappropriation).

68 Luminati Networks Ltd. v. BI Science Inc., No. 2:18-CV-00483-JRG, 2019 WL 2084426, at *9–10 (E.D. Tex. May 13, 2019).

69 Many state laws also criminalize trade secret theft; these laws are sometimes applicable to acts outside the state, including overseas, but ordinarily only in cases where there is some clear nexus to the state. Thus, aggrieved trade secret owners should also consider approaching state criminal authorities when the state criminal statute at issue has the potential to reach extraterritorial conduct.

70 In 2016, Federal Rule of Criminal Procedure 4 was expanded to authorize service at a place not within a judicial district of the U.S. *See* John G. Roberts, Proposed Amendments to the Federal Rules of Criminal Procedure (Apr. 28, 2016), https://www.supremecourt.gov/orders/courtorders/frcr16_mj80.pdf. This amendment made it more difficult for foreign persons and businesses (sometimes in countries that do not recognize U.S. service of process) to avoid U.S. criminal service of process. *See* FED. R. CRIM. P. 4(c)(2) and 4(c)(3)(D).

71 For example, criminal charges for conspiracies or attempts to steal trade secrets are sometimes more viable than civil UTSA or DTSA misappropriation claims, particularly when many of the acts of misappropriation occur abroad and are difficult to discover.

72 The decision to approach federal prosecutors requires careful evaluation of many additional factors beyond those mentioned here. *See generally* OFFICE OF LEGAL EDUCATION, EXECUTIVE OFFICE FOR UNITED STATES ATTORNEYS, PROSECUTING INTELLECTUAL PROPERTY CRIMES (4th ed. 2013), *available at* https://www.justice.gov/sites/default/files/criminal-ccips/legacy/2015/03/26/prosecuting_ip_crimes_manual_2013.pdf .

The first remedy, the Entity List, is a list administered by the Department of Commerce as part of the Export Administration Regulations (EAR). Here, the victim approaches the End-User Review Committee, composed of representatives from the Departments of Commerce, State, Defense, Energy and, where appropriate, Treasury, requesting that a foreign wrongdoer be added to the Entity List. Names on this list see additional restrictions on exports of U.S.-origin items (if those items contain more than a *de minimis* amount of U.S. content).

The End-User Review Committee can add entities to the Entity List where there is "reasonable cause to believe, based on specific and articulable facts, that the entity has been involved, is involved, or poses a significant risk of being or becoming involved in activities that are contrary to the national security or foreign policy interests of the United States . . . ."[73] The EAR provides five examples of activity that could be contrary to the national security or foreign policy interests of the United States, one of which is most relevant here: "[e]ngaging in conduct that poses a risk of violating the EAR when such conduct raises sufficient concern that the End-User Review committee believes that prior review of exports, reexports, or transfers (in-country) involving the party and the possible imposition of license conditions or license denial enhances [the Bureau of Industry and Security's] ability to prevent violations of the EAR."[74] [75]

On October 30, 2018, the Department of Commerce invoked the Entity List and restricted exports to Fujian Jinhua Integrated Circuit Company, Ltd. ("Jinhua"), which stands accused of misappropriation of Dynamic Random-access Memory (DRAM) technology from U.S.-based semiconductor manufacturer Micron Technology, Inc.[76] The government's announcement of Jinhua's placement on the Entity List stated that "Jinhua Integrated Circuit Company poses a significant risk of becoming involved in activities that could have a negative impact on the national security interests of the United States." In reference to Jinhua nearing completion of production capacity for DRAM-integrated circuits, the Department of Commerce's announcement referred to that production as "likely U.S.-origin technology"—suggesting the action was based on claims of trade secret misappropriation by U.S.-based Micron.[77] The announcement further stated that

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73 15 C.F.R. § 744.11 (b) (2009).

74 15 C.F.R. § 744.11(b)(5) (2009).

75 The other four examples of activities relate to acts of terror, terrorism, certain uses of weapons, and preventing accomplishment of an end-use check. The last category seems most relevant to a potential misappropriation of trade secrets. It includes preventing accomplishment of an end-use check conducted by or on behalf of the Bureau of Industry and Security or the Directorate of Defense Trade Controls of the Department of State by precluding access to, refusing to provide information about, or providing false or misleading information about parties to the transaction or the item to be checked. Examples of such conduct include expressly refusing to permit a check, providing false or misleading information, or engaging in dilatory or evasive conduct that effectively prevents the check from occurring or makes the check inaccurate or useless. A nexus between the conduct of the party to be listed and the failure to produce a complete, accurate, and useful check is required, even though an express refusal by the party to be listed is not required.

76 *See* Addition of an Entity to the Entity List, 83 Fed. Reg. 54519-20 (Oct. 30, 2018).

77 Micron Tech., Inc. sued Jinhua and another entity for trade secret misappropriation in the Northern District of California. Micron Tech., Inc. v. United Microelectronics Corp., No. 17-CV-06932-MMC, 2019 WL 1959487 (N.D. Cal. May 2, 2019). The United States brought a criminal case against Jinhua for conspiracy to commit theft of trade secrets from Micron and a civil injunction case seeking to enjoin Jinhua and others from using Micron's trade secrets (Northern District of California Case Nos. CR 18-465-MMC and 3:18-CV-06643-MMC). The criminal indictment against Jinhua was filed under seal on Sept. 27, 2018, and unsealed on Nov. 1, 2018, just two days after Jinhua's Oct. 30, 2018, placement on the Entity List.

Jinhua's anticipated production of DRAM "threatens the long term viability of U.S. suppliers of these essential components of U.S. military systems."[78] Thus, Jinhua's placement on the Entity List as an alleged misappropriator of trade secrets resulted from the DRAM technology at issue in the dispute having importance to U.S. military systems. Jinhua's inclusion on the Entity List reportedly stalled its efforts to ramp up production of DRAM, as it was no longer able to acquire necessary DRAM manufacturing equipment from U.S. suppliers.

For the second remedy to combat misappropriation, a complainant can contact the U.S. Department of the Treasury's Office of Foreign Assets Control to demand that a foreign wrongdoer be named to the SDN List under Executive Order 13757 for engaging in significant malicious cyber-enabled activities. U.S. persons are prohibited from engaging in any transactions with foreign wrongdoers named to this list, and non-U.S. persons who engage with the foreign wrongdoer in significant transactions (including investments or major deals or partnerships) can incur sanctions for doing so.

With Executive Order13757 signed December 28, 2016, the U.S. government can name to the SDN list any person determined by the U.S. government to be

> . . . responsible for or complicit in, or to have engaged in, directly or indirectly, cyber-enabled activities originated from, or directed by persons located, in whole or in substantial part, outside the United States that are reasonably likely to result in, or have materially contributed to, a significant threat to the national security, foreign policy, or economic health or financial stability of the United States and that have the purpose or effect of . . . (D) causing a significant misappropriation of funds or economic resources, trade secrets, personal identifiers, or financial information for commercial or competitive advantage or private financial gain.[79]

Executive Order 13757 also provides authority to name to the SDN List any person the U.S. government deems to be

> . . . responsible for or complicit in, or to have engaged in, the receipt or use for commercial or competitive advantage or private financial gain, or by a commercial entity, outside of the United States of trade secrets misappropriated through cyber-enabled means,[80] knowing they have been misappropriated, where the misappropriation of such trade secrets is reasonably likely to result in, or has materially contributed to, a significant threat to the national security, foreign policy, or economy of the United States.[81]

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78 The Department of Commerce's press announcement further quotes Secretary of Commerce Wilbur Ross stating "When a foreign company engages in activity contrary to our national security interests, we will take strong action to protect our national security. Placing Jinhua on the Entity List will limit its ability to threaten the supply chain for essential components in our military systems." Press Release, U.S. Dep't of Commerce, Addition of Fujian Jinhua Integrated Circuit Company, Ltd (Jinhua) to the Entity List (Oct. 29, 2018), https://www.commerce.gov/index.php/news/press-releases/2018/10/addition-fujian-jinhua-integrated-circuit-company-ltd-jinhua-entity-list.

79 Exec. Order No. 13,757, 82 F.R. 1 (Dec. 28, 2016).

80 While neither "cyber-enabled activities" nor "cyber-enabled means" is defined in the executive order or accompanying regulations, Merriam-Webster defines "cyber" as "of, relating to, or involving computers or computer networks (such as the Internet)."

81 Exec. Order No. 13,757, 82 F.R. 1 (Dec. 28, 2016).

Both of these extrajudicial remedies for trade secret misappropriation, the Entity List and SDN List, can aid in combatting bad acts. But since both require government action, victims should marshal their facts and consider submitting a letter to the appropriate government review committee in order to spur action.

G. LITIGATION ABROAD

While a comprehensive survey of trade secret remedies throughout the world is beyond the scope of this project, a brief survey is appropriate. This section provides an overview of the international litigation framework, considers some significant ways in which laws vary among countries, and considers certain major issues that litigants may face when pursuing remedies in other countries.

The intent of this section is to provide an overview to lawyers immersed in U.S. law and make them aware of certain key issues.[82]

1. The international framework for trade secret protection

The World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)[83] was the first multilateral agreement to force its members to protect trade secrets.

Article 39 of the TRIPS Agreement sets forth this obligation: 39(1) requires members to "protect undisclosed information," and 39(2) defines the subject matter of this obligation:

> Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:
>
> (a) 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) has commercial value because it is secret; and
>
> (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

The definition set forth in TRIPS has led to a great deal of convergence among countries with respect to how their laws define a trade secret, but some countries still deviate from the norm.[84]

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82 For some comprehensive resources surveying national trade secret laws, *see* MELVIN F. JAGER, TRADE SECRETS THROUGHOUT THE WORLD (2020); MARK F. SCHULTZ & DOUGLAS C. LIPPOLDT, APPROACHES TO PROTECTION OF UNDISCLOSED INFORMATION (TRADE SECRETS), OECD TRADE POLICY PAPERS NO. 162, at 7–8 (2014), *available at* http://dx.doi.org/10.1787/5jz9z43w0jnw-en.

83 Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Trade-Related Aspects of Intellectual Property Rights, arts. 39.1, 39.2, 1869 U.N.T.S. 299 (Apr. 15, 1994) [hereinafter TRIPS Agreement].

84 DOUGLAS C. LIPPOLDT & MARK F. SCHULTZ, TRADE SECRETS, INNOVATION AND THE WTO 1 (Aug. 2014), *available at* http://e15initiative.org/wp-content/uploads/2015/09/E15-Innovation-LippoldtSchultz-FINAL.pdf, (stating that "[f]ollowing TRIPS, this definition has been widely adopted into national laws.").

TRIPS also mandates basic enforcement requirements for all IP rights that it covers, including trade secrets. Thus, member states' laws must include:

- Civil judicial procedures to enforce rights (Article 42)
- Judicial authorities who have the authority to require the production of evidence (Article 43)
- And remedies, including injunctions (Article 44), damages (Article 45), and seizure and destruction of infringing goods (Article 46).

Beyond these basics, the TRIPS Agreement does not provide much guidance on the national systems needed to protect trade secrets. TRIPS also leaves latitude to its members regarding enforcement procedures, access to evidence, the protection of secrets during litigation, and other key issues. As one might expect, TRIPS does not require a unique judicial system for the enforcement of intellectual property rights or prioritization of intellectual property (IP) enforcement. Article 41, paragraph 5 makes these points clear, stating that it "does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general." Article 41 also does not oblige TRIPS members to prioritize enforcement of IP rights versus enforcement of other laws.

In sum, TRIPS provides a definition of trade secrecy and specifies the availability of basic procedures for enforcement of rights. Beyond that, many details of drafting and implementing laws are left to each individual country. Not surprisingly, there is great variance with respect to how countries draft and enforce trade secret rights.

2. Notable variations in national laws protecting trade secrets

One of the fundamental principles of the global IP system is territoriality. This principle means that IP rights do not extend beyond the country in which they are granted and are independent from those granted by other countries. In fact, there are exceptions to this rule, many of which are explored in this *Framework*. However, territoriality remains a fundamental principle and an important starting point for considering trade secret protection throughout the world.

In short, one should expect differences regarding how trade secret laws are drafted and enforced among countries. Lawyers with training and experience in one country will likely find some of those differences unfamiliar and perhaps unexpected.

Some of the key differences among countries include:

- Consequential differences in definition and scope of protection
- Access to evidence
- The security of secrets in litigation

While there are many other differences and pitfalls for the unwary and uninformed, research shows that these issues are often cited by trade secret owners as reasons they forego pursuing a claim for trade secret misappropriation.[85]

a. Consequential differences in definition and scope of protection

While the laws of most countries have converged with respect to the definition of trade secrecy since TRIPS, importance differences remain in key jurisdictions. First, jurisdictions may effectively, or *de facto*, narrow the definition of what may be a trade secret by imposing additional qualifications or requirements. While most do not require that trade secrets be embodied in a tangible form, the laws of some expressly or effectively require this. For example, Mexico requires that trade secrets be embodied in a physical medium, as Article 83 of its Industrial Property Law states that trade secrets "consist of documents, electronic or magnetic media, optical disks, microfilms, films or other similar instruments."[86] And Russia mandates extra steps to qualify for trade secret protection in the "regime of commercial secrecy" set forth in Article 10 of the Commercial Secrets Law.[87] These steps include extensive record-keeping requirements and written notices and labels.

In China, experts advise that there is a de facto requirement that trade secrets be reduced to writing because the courts prefer documentary evidence.[88]

Second, the scope of protection is narrower in some countries, as unrelated third parties have no duty to respect trade secrets. Thus, competitors who engage in economic espionage by unfair means—but who do not involve employees, for example—may avoid liability. This is the case in some common law jurisdictions, as older English cases did not impose a duty to keep secrets unless there was an express agreement or a relationship of trust between the parties, such as an employment relationship. While the law in most common law jurisdictions, including the U.K., has evolved to impose a duty on unrelated third parties, India and New Zealand still do not impose a duty on third parties.

b. Access to evidence

Access to evidence in trade secret litigation is often an outcome-determinative issue, since the best evidence may be in the other party's hands. Evidence regarding trade secrets is often difficult to obtain, since trade secrets are by nature capable of concealment, and parties have strong incentives

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85 BAKER MCKENZIE, STUDY ON TRADE SECRETS AND CONFIDENTIAL BUSINESS INFORMATION IN THE INTERNAL MARKET 3–10 (Apr. 2013), https://ec.europa.eu/growth/content/study-trade-secrets-and-confidential-business-information-internal-market-0_en.

86 Ley de la Propiedad Industrial [LPI], Diario Oficial de la Federación [DOF] 27-06-1991, últimas reformas DOF 13-03-2018 (Mex.); Industrial Property Law of June 25, 1991, art. 83 (as amended March 13, 2018), https://www.wipo.int/edocs/lexdocs/laws/en/mx/mx113en.pdf.

87 Federal'nyi Zakon RF o Kommercheskoi Taine [Federal Law of the Russian Federation on Commercial Secrets], Sobranie Zakonodatel'stva Rossiĭskoĭ Federatsii [SZ RF] [Russian Federation Collection of Legislation] 2004, No. 98, art. 10 (s ism. i dop., vnesennimi Federal'nim zakonom ot 29 July 2004). Federal Law No. 98-FZ on Commercial Secrecy, art. 10 (July 29, 2004) (as amended July 24, 2007) https://www.wto.org/english/thewto_e/acc_e/rus_e/WTACCRUS58_LEG_370.pdf.

88 *See* TERRENCE F. MACLAREN & CHIANG LING LI, TRADE SECRETS THROUGHOUT THE WORLD § 8.52 (2012); J. Benjamin Bai & Guoping Da, *Strategies for Trade Secrets Protection in China*, 9 NW. J. TECH. & INTELL. PROP. 351, 374–75 (2011).

to keep them concealed—to meet legal requirements, maintain competitive advantage, and, in the case of defendants, avoid liability. The ability to obtain evidence from the opposing party is thus often essential.

From the perspective of U.S.-trained lawyers, many countries offer extremely limited opportunities to obtain evidence. In fact, arguably no country provides access to evidence as extensive as that afforded by the U.S. discovery system, nor are duties to disclose unfavorable evidence as robust (if present at all). While common law legal systems afford some opportunities to obtain evidence before a trial, opportunities are particularly limited in civil law systems, which constitute a majority of the world's legal systems—e.g., China, Japan, Germany, France, Brazil, and Korea.

Despite these limitations, litigants in other countries do find ways to obtain necessary evidence. For example, some parties urge prosecutors to first file criminal trade secret cases and use the evidence obtained in such a case to initiate a private lawsuit. Such is the case in Germany.[89] In both common law countries and civil law countries, litigants are often able to use preliminary searches to preserve evidence to obtain the evidence they need; in common law countries, these are referred to as "Anton Pillar" orders. Parties in overseas litigation may also be able to use American courts to obtain evidence for use in a non-U.S. case where there is evidence in the United States pursuant to 28 U.S.C. § 1782. This provision allows a foreign party to apply to a U.S. court to obtain evidence for use in the non-U.S. proceeding if it meets the requirements of the statute. The Sedona Conference's Working Group 10 will address Cross-Border Discovery in Patent and Trade Secret Cases in a forthcoming Commentary.

c. Security of secrets during litigation

In most countries, including the United States, lawsuits are public proceedings, with open hearings and public filings. There are exceptions to this rule in the United States, where accompanying practices and procedures are well established to protect confidential information, including trade secrets. But such practices and procedures to preserve secrecy are unavailable in many countries and unfamiliar in many more, which presents a challenge for trade secret litigants.[90]

Concerns about the security of secrets during litigation was one of the issues that motivated the European Union's (EU) Trade Secrets Directive. Research authorized by the European Commission found that many parties who experienced trade secret theft decided to forego claims because of fears of further loss in court.[91] The Commission also found that several EU members lacked protection for secrets in litigation or had legal requirements that undermined it. Thus, the Trade Secrets Directive has required EU member states to provide sufficient secrecy during litigation.[92]

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89 HOGAN LOVELLS INTERNATIONAL LLP, REPORT ON TRADE SECRETS FOR THE EUROPEAN COMMISSION, App. 2, at 93; MACLAREN, *supra* note 88, § 15:29.

90 These issues will be discussed in a forthcoming Sedona Conference publication: *Commentary on Protecting Trade Secrets in Litigation About Them*.

91 BAKER MCKENZIE, *supra* note 85.

92 Directive 2016/943, of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, art. 9, 2016 O.J. (L 157/1) (EU), *available at* https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016L0943&from=EN.

While the situation regarding this issue has improved for litigants in the EU, the issue persists in other countries. Parties and their counsel thus need to consider and investigate this issue when deciding whether to litigate in a particular country.

The issues highlighted here are only a small sample of the issues that must be considered in deciding whether to bring a trade secret claim outside of the United States. Parties and attorneys will find it necessary to consult local experts to consider whether such a claim is feasible and what form it might take.

III. Challenges and Issues When Attempting to Reach Conduct Abroad

A. SOVEREIGN IMMUNITY

In the United States, claims for misappropriation of trade secrets against foreign states or their political subdivisions, agencies, or instrumentalities will likely trigger the assertion of a jurisdictional defense based on sovereign immunity. The Foreign Sovereign Immunities Act of 1976 (FSIA) provides that foreign states and their political subdivisions, agencies, and instrumentalities[93] are immune from the jurisdiction of the federal and state courts of the United States unless one of the FSIA's statutorily defined exceptions applies.[94] Under the FSIA's commercial activity exception, section 1605(a)(2), a foreign state shall not be immune from the jurisdiction of the United States or of the states in any case in which the action is:

> [1] based upon a commercial activity carried on in the United States by the foreign state; or [2] upon an act performed in the United States in connection with a commercial activity of the foreign state elsewhere; or [3] upon an act outside the territory of the United States in connection with a commercial activity of the foreign state elsewhere and that act causes a direct effect in the United States[.][95]

The FSIA defines "commercial activity" as "either a regular course of commercial conduct or a particular commercial transaction or act."[96] The central inquiry is whether the foreign government has engaged in activities "'in the manner of a private player within' the market."[97] The FSIA defines the phrase "commercial activity carried on in the United States" as meaning "commercial activity carried on by [a foreign] state and having substantial contact with the United States."[98] Proof of

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93 The FSIA defines an "agency or instrumentality of a foreign state" as any entity "(1) which is a separate legal person, corporate or otherwise, and (2) which is an organ of a foreign state or political subdivision thereof, or a majority of whose shares or other ownership interest is owned by a foreign state or political subdivision thereof, and (3) which is neither a citizen of a State of the United States as defined in section 1332 (c) and (e) of this title, nor created under the laws of any third country." 28 U.S.C. § 1603(b) (2005).

94 28 U.S.C. §§ 1604–07 (2016); Republic of Argentina v. Weltover, Inc., 504 U.S. 607, 610–11 (1992); 28 U.S.C. § 1603 (2005). In addition to jurisdictional immunity, the FSIA provides that property in the U.S. shall be immune from attachment, arrest, and execution except as provided in sections 1610 and 1611. *See* 28 U.S.C. § 1609 (1976).

95 28 U.S.C. § 1605(a)(2) (2016). "Under international law, states are not immune from the jurisdiction of foreign courts insofar as their commercial activities are concerned, and their commercial property may be levied upon for the satisfaction of judgments rendered against them in connection with their commercial activities." 28 U.S.C. § 1602 (1976).

96 28 U.S.C. § 1603(d) (2005).

97 Saudi Arabia v. Nelson, 507 U.S. 349, 360 (1993) (citing *Republic of Argentina*, 504 U.S. at 614). "The commercial character of an activity shall be determined by reference to the nature of the course of conduct or particular transaction or act, rather than by reference to its purpose." 28 U.S.C. § 1603(d) (2005).

98 28 U.S.C. § 1603(e) (2005).

substantial contact requires more than minimum contacts sufficient to satisfy due process in establishing personal jurisdiction.[99]

Courts have applied the FSIA's commercial activity exception to claims for misappropriation of trade secrets brought against foreign states and their wholly owned companies.[100] For example, the U.S. Court of Appeals for the Eighth Circuit held that a Chinese company, Sopo, owned by the Chinese government, was not immune from suit for misappropriation of trade secrets under the commercial activity exception to the FSIA.[101] The plaintiff, BP Chemicals, an English corporation, alleged that Sopo's attempts through an agent to contact American vendors to produce goods needed to build a manufacturing plant in China constituted commercial activity carried on in the United States.[102] The Chinese government required Sopo's representatives to participate in vendor meetings in the United States, during which equipment utilizing trade secrets stolen from the plaintiff was discussed, inspected, and tested.[103] Based on findings that at least twenty representatives of Sopo attended these meetings and actively participated in technical discussions, inspections, and tests of the equipment, the Eighth Circuit found that Sopo engaged in commercial activity in the United States connected to the use of the plaintiff's trade secrets.[104]

B. CHOICE-OF-LAW ISSUES

State trade secret claims that address acts of foreign misappropriation could also be subject to choice-of-law challenges if a conflict exists between multiple trade secret laws.[105] This conflict of law could arise between the trade secret laws of different states (e.g., an interstate trade secret conflict),[106] or, as potentially relevant to actions involving foreign acts of misappropriation, could arise between state trade secret law and the laws of another country (e.g., an international trade secret conflict). For example, in *BP Chemicals Ltd. v. Formosa Chemical & Fibre Corp.*, the Third Circuit held that Taiwanese trade secret law should govern instead of New Jersey law (at least to the extent that a conflict of law

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99 Int'l Shoe Co. v. Washington, 326 U.S. 310 (1945); BP Chemicals Ltd. v. Jiangsu Sopo Corp., 285 F.3d 677, 686 (8th Cir. 2002) (citing Maritime Int'l Nominees Establishment v. Republic of Guinea, 693 F.2d 1094, 1109 n.23 (D.C. Cir. 1983)).

100 *See, e.g.,* Cybersitter, LLC v. People's Republic of China, 805 F. Supp. 2d 958 (C.D. Cal. 2011) (finding that the FSIA's commercial activity exception applies where China intentionally misappropriated plaintiff's copyrighted software and trade secrets by licensing, sublicensing, and distributing the program); Supra Medical Corp. v. McGonigle, 955 F. Supp. 374, 380 (E.D. Pa. 1997) (finding that the FSIA's commercial activity exception would apply, assuming the defendants are entitled to immunity, where misappropriation related to testing in Great Britain of a U.S. corporation's product). *But see* TJGEM LLC v. Republic of Ghana, 26 F. Supp. 3d 1, 10–11 (D.D.C. 2013) (finding that the FSIA commercial activity exception did not apply to Ghana and the alleged misappropriation did not have any "direct effect" in the U.S. beyond an alleged loss to an American individual and firm).

101 *BP Chemicals*., 285 F.3d at 688.

102 *Id.* at 686–88.

103 BP Chemicals Ltd. v. Jiangsu Sopo Corp., 420 F.3d 810, 817–18 (8th Cir. 2005).

104 *Id.* at 818.

105 Courts ordinarily do not apply conflict-of-laws determinations to federal claims because if the statute does not reach the conduct in question, then the claim is generally dismissed. Thus, state trade secret claims are more prone to conflicts-of-law challenges than federal DTSA claims.

106 Although nearly all U.S. states have adopted the Uniform Trade Secret Act (UTSA), conflicts may still arise, as the enacted version of UTSA deviates from the model version in many states, and there are differences among state courts regarding interpretation.

actually existed).[107] Similarly, in *SciGrip, Inc. v. Osae*, a North Carolina court concluded that the North Carolina Trade Secrets Protection Act did not apply to misappropriation that occurred in the United Kingdom.[108]

When presented with a potential choice-of-law challenge in diversity cases, courts typically apply the choice-of-law principles of the forum state to determine the applicable law.[109] Where there is no substantive conflict among the laws of multiple jurisdictions,[110] then the choice-of-law analysis is generally not necessary,[111] and courts typically will apply the law of the forum state.[112]

States have varying choice-of-law tests, although many are modeled after the Second Restatement of the Conflict of Laws. For example, North Carolina courts sometimes apply the traditional *lex loci delicti* rule to trade secret misappropriation actions sounding in tort.[113] Under the *lex loci* test, the focus is the state "where the last act occurred giving rise to [the] injury."[114] Thus, the North Carolina inquiry "is not the place where the information was learned, but where the tortious act of misappropriation and use of the trade secret occurred."[115] Similarly, in Virginia, the "place of the wrong . . . is defined as the place where the last event necessary to make an act liable for an alleged tort takes place."[116] As such, "Virginia's choice of law rule selects the law of the state in which the

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107 229 F.3d 254, 268 (3d Cir. 2000).

108 No. 13 CVS 2854, 2018 WL 632950, at *5–6 (N.C. Super. Jan. 30, 2018), *aff'd*, 373 N.C. 409 (2020).

109 Klaxon Co. v. Stentor Elec. Mfg. Co., 313 U.S. 487, 496–97 (1941); *see also, e.g.,* Bigio v. Coca-Cola Co., 675 F.3d 163, 169 (2d Cir. 2012) (applying choice-of-law rules of the forum state, New York, where jurisdiction is based on the diversity of the parties' citizenship).

110 Because many states' trade secret laws are grounded in the UTSA, in many instances, state trade secret laws may not conflict on substantive issues. *See* Tradesmen Int'l, Inc. v. Black, No. 10-2098, 2011 WL 5330589, at *4 (C.D. Ill. Nov. 7, 2011) (finding no conflict of law between the trade secret statutes of Ohio, Indiana, and Illinois); Jano Justice Sys., Inc. v. Burton, No. 08-cv-3209, 2010 WL 2012941, at *6 n.2 (C.D. Ill. May 20, 2010) (finding no conflict of law between the trade secret statutes of Illinois and Mississippi). Substantive conflicts between state and foreign trade secret laws therefore are more likely, depending on the country at issue.

111 Phillips Petroleum Co. v. Shutts, 472 U.S. 797, 816 (1985).

112 *See, e.g.*, Gould v. Artisoft, Inc., 1 F.3d 544, 549 n.7 (7th Cir. 1993) ("Where the parties have not identified a conflict between the two bodies of state law that might apply to their dispute, we will apply the law of the forum state . . . .") (citations omitted).

113 SciGrip, Inc. v. Osae, No. 13 CVS 2854, 2018 WL 632950, at *5–6 (N.C. Super. Jan. 30, 2018), *aff'd*, 373 N.C. 409 (2020) (applying the *lex loci* rule to resolve an international trade secret conflict).

114 Harco Nat'l Ins. Co. v. Grant Thornton LLP, 206 N.C. App. 687, 694 (2010) (alteration in original) (quoting United Virginia Bank v. Air-Lift Assocs., Inc., 79 N.C. App. 315, 321 (1986).

115 Domtar AI Inc. v. J.D. Irving, Ltd., 43 F. Supp. 3d 635, 641 (E.D. N.C. 2014) (finding a claim under North Carolina's trade secret act inappropriate when the alleged misappropriation occurred in Canada); 3A Composites USA, Inc. v. United Indus., Inc., No. 5:14-CV-5147, 2015 WL 5437119, at *4 (W.D. Ark. Sept. 15, 2015) (following the approach taken in *Domtar*); Chattery Int'l, Inc. v. JoLida, Inc., No. WDQ-10-2236, 2012 WL 1454158, at *3 (D. Md. Apr. 24, 2012) (applying the *lex loci delicti* rule and noting that "[m]isappropriation occurs where the misappropriated information is received and used, not necessarily where it was taken or where the economic harm is felt").

116 Hilb Rogal & Hobbs Co. v. Rick Strategy Partners, Inc., No. 3:05CV355, 2010 WL 5908727, at *5 (E.D. Va. Feb. 10, 2006) (internal quotation marks omitted); Jones v. R.S. Jones & Assocs., Inc., 431 S.E. 2d 33, 34 (Va. 1993) (Virginia choice of law rules for tort claims apply the "lex loci delicti, or place of the wrong, standard that [is] the settled rule in Virginia.") (internal quotation marks omitted).

wrongful act took place, wherever the effects of that act are felt."[117] As opposed to those conduct-focused tests, Delaware courts focus on the jurisdiction with the most significant relationship to the occurrence and the parties under the Restatement (Second) of the Conflict of Laws, which is guided by four factors: (1) where the injury occurred; (2) the place where the conduct causing the injury occurred; (3) the parties' domicile, residence, nationality, place of incorporation, and place of business; and (4) where the parties' relationship, if any, is centered.[118] New York courts—which operate under the Restatement of Torts, since the state has not adopted some form of the UTSA—often take a slightly different view, focusing on the locus of the misappropriation to determine the locus of the tort and the state with the greatest interest.[119] New York courts thus generally apply to trade secret actions a two-factor analysis to determine the forum with the greater interest,[120] and sometimes apply the "last event necessary" rule, which finds the locus to be the place where the last event necessary to render the defendant liable occurred.[121]

Because courts apply different choice-of-law tests, interstate and international conflicts of law could have widely varying results, depending on a courts' chosen choice-of-law methodology and the underlying facts. In addition, the appropriate law could vary for each trade secret misappropriation claim. As the above exemplary choice-of-law rules demonstrate, if specific and sufficient alleged acts of trade secret misappropriation occurred outside of the United States, then the laws of the foreign jurisdiction could apply, as occurred in *BP Chemicals*.[122] Accordingly, both forum selection and trade secret claim selection could dictate whether a court's choice-of-law rules allow application of state trade secret law to overseas activity, regardless of the state law's potential extraterritorial reach.

C. JURISDICTION AND VENUE

1. Subject-matter jurisdiction

As explained earlier, the DTSA establishes a federal private right of action under the EEA for trade secret misappropriation and economic espionage, and it authorizes a variety of remedies, including injunctions, damages, and seizure of property.[123] Although the DTSA does not preempt state law, the statute provides federal courts original section 1331 jurisdiction to hear civil trade secret

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117 Milton v. IIT Research Inst., 138 F.3d 519, 522 (4th Cir. 1998).

118 *See, e.g.*, Dow Chem. Co. v. Organik Kimya Holding A.S., No. CV 12090-VCG, 2018 WL 2382802, at *5 (Del. Ch. May 25, 2018) (quoting the Restatement (Second) of Conflict of Laws § 145(2) (1971) when analyzing a possible conflict of trade secret law).

119 *See* Nostrum Pharms., LLC v. Dixit, No. 13 CIV. 8718(CM)(AP), 2015 WL 2208167, at *6 (S.D.N.Y. May 8, 2015) (reciting New York's choice-of-law test for trade secret conflicts of law); Sarkissian Mason, Inc. v. Enter. Holdings, Inc., 955 F. Supp. 2d 247, 254 (S.D.N.Y. 2013) (same).

120 *See* Fedders Corp v. Haier Am. Trading, LLC, No. 00-CV-5583-JSM, 2002 WL 519733, at *3 (S.D.N.Y. Apr. 4, 2002) (inquiring into "(1) what are the significant contacts and in which jurisdiction are they located and (2) whether the purpose of the law is to regulate conduct or allocate loss") (citation omitted).

121 *See* Reed Const. Data Inc. v. McGraw-Hill Cos., 49 F. Supp. 3d 385, 426 (S.D.N.Y. 2014) (reciting the "last event necessary" rule in a trade secret conflict-of-law analysis).

122 BP Chems. Ltd. v. Formosa Chem. & Fibre Corp., 229 F.3d 254, 261(3d Cir. 2000).

123 18 U.S.C. § 1836 (2018).

claims,[124] but it is not exclusive—state courts may hear DTSA claims as well.[125] The scope of the DTSA is more limited than that of traditional state law trade secret statutes. Specifically, section 1836(b)(1) of the DTSA provides a cause of action for misappropriation of trade secret cases "if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce."[126]

a. Nexus to interstate and foreign commerce

The weight of authority interprets the DTSA's "interstate commerce" provision as jurisdictional, requiring a nexus between the alleged trade secret and interstate or foreign commerce.[127] However, courts vary in their interpretation of what must be pled to meet this nexus requirement. For instance, a U.S. district court in the Northern District of Illinois found that at the motion to dismiss phase, it was reasonable to infer that the goods at issue were used in or intended for use in interstate commerce even though an interstate meeting to discuss the goods between the plaintiff and a third party was canceled prior to its occurrence.[128] On the other hand, a district court in Hawaii dismissed a plaintiff's claim under the DTSA because the plaintiff failed to establish subject-matter jurisdiction.[129] Since the dispute was between Hawaii-based corporations (serving Hawaiian residents) and a Hawaiian-resident employee, the court rejected the argument that there was a sufficient interstate nexus based on the plaintiff's services being "subject to federal law relating to receipt of federal funds" and their clients' federal registration numbers.[130]

b. Supplemental jurisdiction

As in other cases, federal courts can exercise supplemental jurisdiction over state law claims when original jurisdiction is premised on the DTSA. However, also as in other cases, if a district court dismisses the DTSA claim, it can also refuse jurisdiction over the state law claims. "[I]n the usual case in which all federal-law claims are eliminated before trial, the balance of factors to be considered under the pendent jurisdiction doctrine—judicial economy, convenience, fairness, and

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124 28 U.S.C. § 1331 (2018).

125 *See, e.g.,* Universal Plant Servs., Inc. v. Dresser-Rand Grp., Inc., 571 S.W.3d 346, 352 (Tex. App. 2018).

126 18 U.S.C. § 1836(b)(1) (2016).

127 *See, e.g.,* United States v. Agrawal, 726 F.3d 235, 246 (2d Cir. 2013) (recognizing the interstate commerce requirement as jurisdictional); Gov't Emps. Ins. Co. v. Nealey, 262 F. Supp. 3d 153, 172 (E.D. Pa. June 13, 2017) (same); Hydrogen Masters Rights, Ltd. v. Weston, 228 F. Supp. 3d 320, 338 (D. Del. Feb. 6, 2017) (dismissing a complaint that "fail[ed] to allege any nexus between interstate or foreign commerce and the [products or services at issue]"); Islands Hospice, Inc. v. Duick, No. CV 19-00202-JMS-WRP, 2019 WL 4620369, at *3 (D. Haw. Sept. 23, 2019); Officia Imaging, Inc. v. Langridge, No. SA CV 17-2228-DOC-DFMX, 2018 WL 6137183, at *6 (C.D. Cal. Aug. 7, 2018) (holding that the "interstate commerce" requirement is jurisdictional); Cave Consulting Grp., Inc. v. Truven Health Analytics Inc., No. 15-CV-02177-SI, 2017 WL 1436044, at *3 (N.D. Cal. Apr. 24, 2017) (same); Hawkins v. Fishbeck, 301 F. Supp. 3d 650, 657 (W.D. Va. Oct. 16, 2017) (stating that "[i]n order to plead a violation of the Act, [a p]laintiff must allege . . . that the trade secret implicates interstate or foreign commerce.").

128 Wells Lamont Indus. Grp. LLC v. Richard Mendoza & Radians, Inc., No. 17 C 1136, 2017 WL 3235682, at *2–3 (N.D. Ill. July 31, 2017) (holding that plaintiff had adequately alleged the nexus, but observed that, "[b]ecause the DTSA was enacted only recently, there is limited case law relating to whether pleading this specific aspect of a DTSA claim is required").

129 DLMC, Inc. v. Flores, No. CV 18-00352 DKW-RT, 2019 WL 309754 (D. Haw. Jan. 23, 2019).

130 *Id.* at *2.

comity—will point toward declining to exercise jurisdiction over the remaining state-law claims."[131] In a contrary outcome, a district court in Louisiana continued to exercise jurisdiction over supplemental state law claims, despite granting defendants' summary judgment motion on the DTSA cause of action, finding that the plaintiffs' amended complaint was "drafted in such a way as to interweave all predicate facts in the fabric of each and every legal claim," and therefore, the federal and state claims clearly formed part of the same case or controversy satisfying section 1367(a).[132]

2. Personal jurisdiction

Because the DTSA does not contain a "special jurisdictional hook," like the Securities Act of 1933 or the Securities Exchange Act of 1934, issues remain as to whether U.S. courts can obtain personal jurisdiction over foreigners who commit an act within the United States and whether any resulting judgment can be enforced. Not surprisingly then, courts use a variety of tests and tools to determine if they can exercise personal jurisdiction. This inconsistent treatment of the DTSA across the district courts must be considered in the litigation calculus, particularly if subject-matter jurisdiction is rooted in the DTSA.

a. Federal Rule of Civil Procedure 4(k)(2)

Whether a federal court has personal jurisdiction in a DTSA case is determined by Federal Rule of Civil Procedure 4(k)(1)(A), which allows federal courts to use the long-arm statute of the forum state, or by Rule 4(k)(2), which serves as a federal long-arm statute as long as the plaintiff can show that the exercise of jurisdiction comports with due process.[133] Pursuant to Rule 4(k)(2), a foreign citizen or foreign company may be subject to personal jurisdiction in federal court for federal trade secret claims as long as those defendants are not subject to personal jurisdiction in any U.S. state and have "minimum contacts" with the United States as a whole.[134] Instead of requiring a plaintiff to demonstrate that the defendant is not subject to personal jurisdiction in any of the individual states, most federal courts of appeal require a defendant who seeks to preclude application of Rule 4(k)(2) to identify a state in which the suit could proceed.[135] If a federal court has 4(k)(2) personal jurisdiction over a defendant for a DTSA claim, this may also give rise to supplemental personal jurisdiction for state law trade secret claims.

b. Minimum contacts

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131 Carnegie–Mellon Univ. v. Cohill, 484 U.S. 343, 350 n.7 (1988), *superseded on other grounds by statute as recognized in* Fent v. Okla. Water Res. Bd., 235 F.3d 553, 557 (10th Cir. 2000); DLMC, Inc. v. Flores, No. CV 18-00352 DKW-RT, 2019 WL 985275, at *2 (D. Haw. Feb. 27, 2019) (finding that the balance of factors, including comity with state courts, weighed in favor of dismissal of the claim arising under the state trade secret act).

132 Sapienza v. Trahan, No. 6:16-CV-01701, 2019 WL 348820, at *14 (W.D. La. Jan. 28, 2019).

133 ZVELO, Inc. v. Check Point Software Techs., Ltd., 418 F. Supp. 3d 664, 668 (D. Colo. 2019).

134 *Id.*; *see also* United States v. Swiss Am. Bank, Ltd., 116 F. Supp. 2d 217 (D. Mass. 2000), *aff'd*, 274 F.3d 610 (1st Cir. 2001).

135 *E.g.*, ISI Int'l, Inc. v. Borden Ladner Gervais LLP, 256 F.3d 548, 552 (7th Cir. 2001) (citations omitted); Touchcom, Inc. v. Bereskin & Parr, 574 F.3d 1403, 1415 (Fed. Cir. 2009); Holland Am. Line, Inc. v. Wartsila N.A., Inc., 485 F.3d 450, 461 (9th Cir. 2007); Mwani v. Bin Laden, 417 F.3d 1, 11 (D.C. Cir. 2005); Adams v. Unione Mediterranea Di Sicurta, 364 F.3d 646, 651 (5th Cir. 2004).

The touchstone of the constitutional analysis of whether a court can exercise personal jurisdiction over a defendant is whether the defendant has certain "minimum contacts" with the forum.[136] Complicating this analysis is the question of whether intangible harms can be treated as minimum contacts.

c. *Calder* effects test

When minimum contacts are lacking under traditional tests, courts can also rely on the "*Calder* effects" test, which is used to establish personal jurisdiction in intentional tort cases.[137] Under the *Calder* effects test, specific personal jurisdiction is established if:

> (1) the defendant committed an intentional tort, (2) the plaintiff felt the brunt of the harm in the forum such that the forum can be said to be the focal point of the harm suffered by the plaintiff as a result of that tort, and (3) the defendant "expressly aimed" its tortious conduct at the forum state such that the forum can be said to be the "focal point" of the tortious activity.[138]

Thus, parties litigating personal jurisdiction over a foreign defendant in federal court would be well served to consider both Rule 4(k)(2) of the Federal Rules of Civil Procedure and the *Calder* effects test in evaluating venue.

3. Venue

Even when personal jurisdiction is established, venue is not a foregone conclusion—the application of *forum non conveniens*, particularly in federal court, can have a dispositive effect. *Forum non conveniens* is a common law doctrine under which a court has discretion to dismiss a lawsuit with otherwise proper venue and personal jurisdiction when a foreign forum would be more convenient. In federal courts, the application of *forum non conveniens* is limited to cases where the alternate forum is abroad, or "in rare instances where a state or territorial court serves litigational convenience best."[139] Although some courts continue to observe that *forum non conveniens* is "an exceptional tool to be employed sparingly," the doctrine has become a backstop in cases involving foreign activity where a minimum contact with an American forum might exist and the exercise of jurisdiction seems burdensome or unfair.[140] As the United States Supreme Court has articulated, "[a]t bottom, the doctrine of *forum non conveniens* is nothing more or less than a supervening venue provision, permitting displacement of the ordinary rules of venue when, in light of certain conditions, the trial court thinks that jurisdiction ought to be declined."[141] And because dismissal on *forum non conveniens* is a non-merits determination, a trial court may dispose of a case on *forum non conveniens* grounds

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136 Int'l Shoe Co. v. Washington, 326 U.S. 310, 316 (1945).

137 *See* Calder v. Jones, 465 U.S. 783 (1984); *see also* Austar Int'l Ltd. v. AustarPharma LLC, 425 F. Supp. 3d 336, 360–62 (D.N.J. 2019) (finding personal jurisdiction over Chinese company based on *Calder* effects test where the defendant misappropriated trade secrets developed in New Jersey and hired away employees from a New Jersey company).

138 Gov't Emps. Ins. Co. v. Nealey, 262 F. Supp. 3d 153, 163 (E.D. Pa. 2017).

139 Sinochem Int'l Co. v. Malaysia Int'l Shipping Corp., 549 U.S. 422, 430 (2007).

140 *See* Carijano v. Occidental Petroleum Corp., 643 F.3d 1216, 1224 (9th Cir. 2011) (quoting Dole Food Co. v. Watts, 303 F.3d 1104, 1118 (9th Cir. 2002)).

141 Am. Dredging Co. v. Miller, 510 U.S. 443, 453 (1994).

without first deciding issues of subject matter and personal jurisdiction (though generally, a court must analyze both before proceeding to other issues).[142]

In deciding *forum non conveniens* issues, a court will consider a number of public and private factors to determine whether the court should decline to hear a case because another forum would be a more appropriate venue for resolution of the dispute. There are two threshold questions in the *forum non conveniens* analysis. First, courts consider whether there is an adequate alternative forum in which the defendant is amenable to process.[143] Second, courts consider whether foreign law applies.[144] If the answer to either of these questions is no, *forum non conveniens* is inapplicable.[145] If the answer to both questions is yes, the court proceeds to weigh the private and public interests bearing on *forum non conveniens*.[146]

Private interests include the: (1) relative ease of access to sources of proof; (2) availability of compulsory process for compelling attendance of witnesses; (3) cost of obtaining attendance of willing non-party witnesses; (4) possibility of a view of the premises, if appropriate; and (5) other practical problems that make trial of the case easy, expeditious, and inexpensive.[147] Courts may also consider the enforceability of a judgment if obtained as well as the relative advantages and obstacles to a fair trial.[148]

Public-interest factors include: (1) the administrative burdens of the respective courts; (2) the relationship between the litigation and the chosen forum; (3) the court's own familiarity with the applicable substantive law; and (4) whether the alternative forum can provide an adequate—even if less favorable—level of relief.[149] These issues may also involve a conflicts-of-law analysis, or contractual interpretation if a forum-selection clause is at issue. Generally, a plaintiff's choice of forum is favored[150] and *forum non conveniens* is inapplicable when the alternative forum would effectively leave the plaintiff with "no remedy at all."[151] But as globalization has expanded American interests abroad, courts have observed that "parties who choose to engage in international transactions should know that when their foreign operations lead to litigation[,] they cannot expect

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142 *Sinochem*, 549 U.S. at 432.

143 Piper Aircraft Co. v. Reyno, 454 U.S. 235, 254 n.22 (1981).

144 *See* Rivendell Forest Prod., Ltd. v. Canadian Pac. Ltd., 2 F.3d 990, 994 (10th Cir. 1993).

145 Gschwind v. Cessna Aircraft Co., 161 F.3d 602, 605–06 (10th Cir. 1998).

146 *Id.*

147 *See* Gulf Oil Corp. v. Gilbert, 330 U.S. 501, 508 (1947).

148 *Id.*

149 *Id.*

150 *Atl. Marine Constr. Co. v. U.S. Dist. Court,* 571 U.S. 49 (2013); Sinochem Int'l Co. v. Malaysia Int'l Shipping Corp., 549 U.S. 422, 430 (2007) (stating that "[a] defendant invoking *forum non conveniens* ordinarily bears a heavy burden in opposing the plaintiff's chosen forum"); Piper Aircraft Co. v. Reyno, 454 U.S. 235, 255 (1981) (holding that public and private factors must "clearly point" to the alternate forum being preferable to overcome a "strong presumption" in favor of plaintiff's choice of forum).

151 *Piper Aircraft*, 454 U.S. at 254.

always to bring their foreign opponents into a United States forum when every reasonable consideration leads to the conclusion that the site of the litigation should be elsewhere."[152]

In trade secret cases, the issue of whether a foreign tribunal can afford appropriate relief is of particular importance. Trial courts have declined to apply *forum non conveniens* in cases where the defendant failed to establish that the foreign tribunal would have subject-matter jurisdiction over the trade secret causes of action.[153] Courts have also been reluctant to have foreign tribunals apply American law, though the application of foreign law is not, in and of itself, dispositive.[154] But the unavailability of certain hallmarks of the U.S. legal system, such as a jury trial, does not render a foreign tribunal inadequate.[155] Neither do differences in discovery between the competing fora.[156] Courts are also persuaded if there is related litigation already in the foreign court.[157]

D. WHERE AND HOW TO GET EVIDENCE

Sedona Conference Working Group 10 will address Cross-Border Discovery in Patent and Trade Secret Cases in a forthcoming Commentary.

E. ENFORCEABILITY OF TRADE SECRET JUDGMENTS AGAINST FOREIGN ENTITIES

Once a party prevails or receives a favorable arbitration decision in a trade secret case against a foreign entity, the next issue is enforcement. Given the importance of enforcement, a party should think about it early on. Execution of judgments in the federal courts is governed by Rule 69 of the Federal Rules of Civil Procedure. The procedure of execution as well as proceedings supplementary to and in aid of judgment or execution must accord with the procedure of the state where the federal court is located, but a federal statute governs to the extent it applies.[158] Rule 69(b) also contemplates obtaining discovery consistent with the Federal Rules of Civil Procedure or the forum state's Rules of Civil Procedure to assist in the execution.[159]

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152 DTEX, LLC v. BBVA Bancomer, S.A., 508 F.3d 785, 795 (5th Cir. 2007) (quoting Contact Lumber Co. v. P.T. Moges Shipping Co., Ltd., 918 F.2d 1446, 1450 (9th Cir. 1990)); Lehman v. Humphrey Cayman, Ltd., 713 F.2d 339, 346 (8th Cir. 1983) (quoting Founding Church of Scientology v. Verlag, 536 F.2d 429, 435 (D.C. Cir. 1976)).

153 *E.g.*, Del Monte Fresh Produce Co. v. Dole Food Co., 136 F. Supp. 2d 1271, 1278 (S.D. Fla. 2001) (finding that the plaintiff's affidavit established that Costa Rican courts would lack subject-matter jurisdiction over the trade secret claims because the claims were exclusively between American parties contesting U.S. property rights, despite defendant's consent to personal jurisdiction in Costa Rica).

154 Gulf Oil Corp. v. Gilbert, 330 U.S. 501, 504, 508–09 (1947)*;* K-V Pharm. Co. v. J. Uriach & CIA, S.A., 648 F.3d 588, 598 (8th Cir. 2011). *But see* Flynn v. Gen. Motors, Inc., 141 F.R.D. 5, 10 (E.D. N.Y. 1992) (observing that "it is well settled that the application of foreign law is not in itself a reason to dismiss under *forum non conveniens*").

155 Adams v. Merck & Co. Inc., 353 Fed. Appx. 960, 964 (5th Cir. 2009); Logan Int'l Inc. v. 1556311 Alberta Ltd., 929 F. Supp. 2d 625, 633 (S.D. Tex. 2012).

156 Mercier v. Sheraton Int'l, Inc., 981 F.2d 1345, 1352 (1st Cir. 1992); *In re* Union Carbide Corp. Gas Plant Disaster at Bhopal, India in December, 1984, 809 F.2d 195, 205–06 (2d Cir. 1987).

157 *See, e.g.*, *Logan*, 929 F. Supp. 2d at 633.

158 FED. R. CIV. P. 69(a)(1) (2007).

159 FED. R. CIV. P. 69(a)(2) (2007).

Judgments issued by a court in the United States are enforceable in every state as a result of the Full Faith and Credit Clause,[160] usually involving a simple registration process. At the federal level, the judgment "may be registered by filing a certified copy of the judgment" in another district, which gives it "the same effect as a judgment of the district court of the district where registered and may be enforced in like manner."[161] The process can be similar at the state level. For example, in New York, a party must file a copy of an authenticated judgment "in the office of any county clerk[.]"[162] If a party taking action against a foreign entity decides to forego litigation for arbitration, there are procedural differences. For example, the creditor party is required to get the award confirmed by a court within a year before the party can execute the order.[163] Typically the confirming court must be located in the "jurisdiction of the situs," or place where the arbitration occurred. There are only a few reasons a court will deny confirmation.[164] Accordingly, when a foreign corporation has been found liable for trade secret misappropriation and is subject to personal jurisdiction by a state or federal court, execution of that judgment may be similar to executing a judgment against a domestic entity.[165] When a foreign individual or entity has been found liable for misappropriation of trade secrets and a court judgment or arbitral award has been entered against that party in the United States, for example, it may be possible to enforce that judgment or award in another country where the individual or entity resides or has substantial assets. In many foreign countries, it is generally more difficult to obtain enforcement of a judgment from a U.S. court than an arbitral award entered in the U.S., because the procedures in litigation in our state and federal courts, such as those regarding discovery, differ significantly from the procedures in those other countries.[166] Because the United States is one of more than 140 Contracting States under the New York Convention regarding arbitration, however, U.S.-based arbitral awards are likely to be enforced in other Contracting States much the same way they would be enforced in U.S. courts.[167]

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160 U.S. CONST. art. IV, § 1.

161 28 U.S.C. § 1963 (2018).

162 N.Y. C.P.L.R. § 5402(a)–(b) (McKinney 2018).

163 9 U.S.C. § 9 (2018).

164 9 U.S.C. § 9–11 (2018).

165 To the extent that a foreign court judgment is involved, a claimant should consider proceeding in accordance with the Uniform Foreign Money-Judgments Recognition Act, as it may have been adopted in the particular state where enforcement is sought. *See, e.g.*, DEL. CODE ANN. tit. 10, §§ 4801–08 (West 2011). If an arbitral award is obtained in a foreign country, the party that obtained the award may be able to seek enforcement of it in the United States under the New York Convention, discussed *infra* note 180.

166 *See* Christopher S. Gibson, *Arbitration, Civilization and Public Policy: Seeking Counterpoise Between Arbitral Autonomy and the Public Policy Defense in View of Foreign Mandatory Public Law*, 113 PENN ST. L. REV. 1227, 1251 n.109 (2009).

167 The Convention on the Recognition and Enforcement of Foreign Arbitral Awards adopted in 1958 by the United Nations Conference on International Commercial Arbitration (the "New York Convention") has received high praise as the most successful treaty in private international law, is adhered to by more than 140 nations and has been the subject of more than 1,400 court decisions reported in the Yearbook: Commercial Arbitration, which reportedly shows an enforcement rate of arbitral awards approaching 90 percent. Albert Jan van den Berg, *Convention on the Recognition and Enforcement of Foreign Arbitral Awards,* U.N. AUDIOVISUAL LIBR. INT'L L., 2008, http://legal.un.org/avl/pdf/ha/crefaa/crefaa_e.pdf. Among other things, the New York Convention deals with recognition and enforcement of foreign arbitral awards—i.e., awards made in the territory of another Contracting State. Article III, for example, sets forth the general obligation for the Contracting States to recognize such awards as binding and to enforce them in accordance with their rules of procedure. A party seeking enforcement of a foreign award needs to supply to the court (a) the arbitral award and (b) a written arbitration agreement. The New York Convention, art. IV(1), June 10, 1958, 21 U.S.T. 2517, 330 U.N.T.S. 3. Through a procedure somewhat analogous to that prescribed in the Federal Arbitration Act in the United States, 9 U.S.C. §§ 9–11 (2018), the party against whom enforcement is

As discussed earlier, litigation involving a foreign entity that constitutes a "foreign state" poses a particular challenge because the FSIA immunizes foreign sovereigns from suit unless an exception applies.[168] To the extent that a party seeks to invoke a federal court's jurisdiction in a separate action to enforce a trade secret judgment or award, the court must first consider, even if not raised by the parties, whether it has subject-matter jurisdiction over this separate action on the basis of any of these exceptions.[169] The plaintiff bears the initial burden of demonstrating that one of the statutory exceptions to FSIA immunity applies to confer subject-matter jurisdiction, and then "the burden shifts to the defendant to prove, by a preponderance of the evidence, that the plaintiff's claims do not fall within that exception."[170]

Even when a foreign state is subject to the court's subject-matter jurisdiction, the FSIA provides a second form of immunity "from attachment and execution of property."[171] However, section 1610 of the Act enumerates exceptions to FSIA immunity from attachment or execution for U.S. property owned by a foreign state that is used for commercial activity in the United States, if:

> (1) the foreign state has waived its immunity from attachment explicitly or by implication, notwithstanding any withdrawal of the waiver the foreign state may purport to effect except in accordance with the terms of the waiver; (2) the property is or was used for the commercial activity upon which the claim is based; (3) the execution relates to a judgment establishing rights in property which has been taken in violation of international law or has been exchanged for property taken in violation of international law, (4) the execution relates to a judgment establishing rights in property which is acquired by succession or gift or which is immovable and situated in the U.S.: *Provided*, That such property is not used for purposes of a diplomatic or consular mission or residence of the Chief of such mission); (5) the property consists of any contractual obligation or any proceeds from such a contractual obligation to indemnify or hold harmless the foreign state or its employees under a policy of automobile or other liability or casualty insurance covering the claim which merged into the judgment; (6) the judgment is based on an order confirming an arbitral award rendered against the foreign state, provided that attachment in aid of execution, or execution, would not be inconsistent with any provision of the arbitral agreement; or (7) the judgment relates to a claim for which the foreign state is not immune under 28 U.S.C. §§ 1605A or 1605(a)(7) . . . .[172]

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sought can object to the enforcement by submitting proof of one of five grounds for refusal of enforcement listed in Article V(1) of the New York Convention. The court in the country where recognition and enforcement of the arbitral award is sought also may refuse to enforce it, if that court finds that enforcing the award would be contrary to the public policy of that country. The New York Convention, art. V(2)(b), June 10, 1958, 21 U.S.T. 2517, 330 U.N.T.S. 3.

168 28 U.S.C. §§ 1603(a)–(b) (2005); 28 U.S.C. § 1605(a)(2) (2016); CYBERsitter, LLC v. People's Republic of China, 805 F. Supp. 2d 958, 975 (C.D. Cal. 2011).

169 Verlinden B.V. v. Cent. Bank of Nigeria, 461 U.S. 480, 493 n.20 (1983); Walters v. Indus. & Commercial Bank of China, Ltd., 651 F.3d 280, 287 (2d Cir. 2011).

170 Butler v. Sukhoi Co., 579 F.3d 1307, 1313 (11th Cir. 2009).

171 28 U.S.C. § 1609 (1976).

172 28 U.S.C. § 1610(a) (2018) (effective Jan. 27, 2008), as related to terrorism.

The FSIA also says that two types of property are always immune from execution: (1) "that of a foreign central bank or monetary authority," and (2) property "used in connection with a military activity."[173] Again, courts hold that they can *sua sponte* consider immunity from execution[174] and have observed that the exceptions to attachment immunity are narrower than the exceptions to jurisdictional immunity. "Although there is some overlap between the exceptions to jurisdictional immunity and those for immunity from execution and attachment, there is no escaping the fact that the latter are more narrowly drawn."[175] Courts have noted that attachment immunity is specific to a particular property alleged to be exempt.[176]

There are also practical concerns to execution through attachment. First, the property must be in the United States.[177] Tangible property, such as real property, provides the easiest opportunity for attachment and execution.[178] However, this requires a party to locate such property. Intangible property is more difficult to pursue and locate.[179] Regardless of the type of property, the party looking to collect must be aware of the property's existence, which requires time and effort. Second, obtaining both a court judgment and an arbitration award take time. By the time a party registers the judgment or confirmation of the arbitral order, years may have passed. Timing matters, as a foreign entity may move or sell funds or physical property quickly. If a party is aware of property ahead of time, it may be wise to move for prejudgment attachment, though the same concerns with respect to the FSIA may apply.[180]

Parties who want to attach a foreign entity's property for purposes of executing a judgment or award in a trade secret misappropriation case should consider these issues during the litigation rather than waiting until postjudgment or postaward. Those parties should also seek targeted discovery on what property or assets were involved in the commercial activity upon which the misappropriation claim is based when permitted under Rule 26(b)(1) or the corresponding state Rule of Civil Procedure.

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The extraterritorial reach of U.S. federal and state trade secret law is an issue of growing importance as cross-border trade secret disputes grow in prevalence. However, this remains largely uncharted territory because of the relatively limited number of lower court opinions addressing many of these issues and no appellate rulings thus far. As more cases emerge and are decided through trial and appellate courts, so will greater clarity in this area.

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173 28 U.S.C. § 1611(b) (1996).

174 Rubin v. Islamic Republic of Iran, 637 F.3d 783, 799 (7th Cir. 2011), as corrected (Apr. 1, 2011); Peterson v. Islamic Republic Of Iran, 627 F.3d 1117, 1124 (9th Cir. 2010); FG Hemisphere Assocs., LLC v. Republique du Congo, 455 F.3d 575, 590–91 (5th Cir. 2006).

175 *Rubin*, 637 F.3d at 796 (quoting Connecticut Bank of Commerce v. Republic of Congo, 309 F.3d 240, 252 (5th Cir. 2002)).

176 Autotech Techs. LP v. Integral Res. & Dev. Corp., 499 F.3d 737, 750 (7th Cir. 2007).

177 28 U.S.C. § 1610(a) (2012).

178 *See, e.g.* Permanent Mission of India to the United Nations v. City of New York, 551 U.S. 193, 195 (2007).

179 *See, e.g.*, Af-Cap Inc. v. Republic of Congo, 383 F.3d 361, 371 (5th Cir. 2004).

180 *See* 28 U.S.C. § 1610(d) (2012).

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