THE CINDERELLA OF INTELLECTUAL PROPERTY

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Law regarding trade secrets has long been seen as the ugly step-sister of intellectual property. Patents, trademarks, and copyrights have traditionally been held to be federal concerns, while trade secrets have been seen as principally protected by state laws. Now, two senators want to allow the trade secret Cinderella into federal court by introducing a federal cause of action for trade secret misappropriation.

The Economic Espionage Act ("EEA"), 18 U.S.C. § 1831-1839, criminalizes the theft of trade secrets used in interstate or international commerce, with prison terms of up to 10 years, and fines up to $5,000,000. While most of the public focus on the EEA has been on its provisions on foreign (including commercial) espionage, 18 U.S.C. § 1832 allows criminal prosecution of those who misappropriate trade secrets in interstate commerce, without a foreign actor or entity. While currently there is no private right of action under 18 U.S.C. § 1832, on October 5, 2011, Senators Herb Kohl (D-WI) and Chris Coons (D-DE) introduced an amendment to a bill that would introduce a private right of action in federal court in trade secret misappropriation cases when there is "either substantial need for nationwide service of process or misappropriation of trade secrets from the United States to another country." The senators claim that the amendment would allow for a uniform, nationwide cause of action. The press release of Senator Kohl (who sponsored the EEA back in 1996) claims that "[t]his amendment will help fill a gap in federal intellectual property law by providing legal protections for non-patentable, non-copyrightable innovations." However, a Federal Circuit case decided just six days after the amendment was introduced indicates that the amendment may be redundant.

The International Trade Commission. The Federal Circuit Court of Appeals recently acknowledged that the International Trade Commission ("ITC") has the authority to bar importing foreign products that used an American company's trade secrets.

The intervenor in *TianRui Group Co. Ltd. v. Int'l Trade Commission*, — F.3d —, (Fed. Cir. Oct. 11, 2011), Amsted Industries, Inc., licensed one of its secret processes for making railway wheels to foundries in China. Appellants TianRui Group Co., Ltd. and TianRui Group Foundry Co. Ltd. (jointly, "TianRui") make the same type of wheels, and

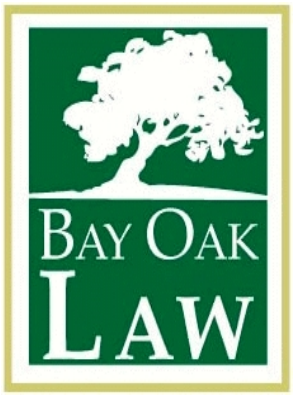
sought a license to Amsted's secret process. The negotiations failed, and TianRui retaliated by hiring away nine employees from one of Amsted's Chinese licensees. These employees had been trained in the secret process, and had been admonished about the importance of not disclosing the process to outsiders; all but one had signed confidentiality agreements. Amsted then filed a complaint with the International Trade Commission to prevent the import of TianRui's products.

TianRui sought to end the proceedings, arguing that because the misappropriation occurred outside the United States, the ITC did not have jurisdiction. The administrative law judge disagreed, as the law authorizing the barring the import of products that infringe upon intellectual property rights, 19 U.S.C. § 1337 focuses on the injury to the industry in the United States, not where the wrong occurred. The judge eventually found TianRui to have stolen 128 trade secrets that Amsted had licensed, and barred the import of TianRui's steel railway wheels.

The Federal Circuit largely upheld the trial court, with one exception. Instead of using trade secret misappropriation law of Amsted's home state of Illinois, it used federal common law regarding trade secret misappropriation, which is largely identical across many states. In fact, 45 states, the District of Columbia, Puerto Rico, and the US Virgin Islands all use substantially the same law: the Uniform Trade Secrets Act . Only Texas, North Dakota, New York, Massachusetts, and New Jersey do not; the last two have had it introduced as legislation in this term, and as of December 1st, 2011, New Jersey's version is almost ready for signature by the Governor.

Federal courts already have diversity jurisdiction in cases where the plaintiff and defendants reside in different states, and *TianRui* shows that where there might be damage from the importation of products using trade secrets stolen from the United States, the products can be barred from landing in the US. When the vast majority of the American population and industry reside in states that use a uniform set of laws about trade secret misappropriation, the need for a federalized code of law about trade secrets seems redundant.

Computer-Related Trade Secret Misappropriation. While trade secret misappropriation law as a whole has yet to be federalized, when the misappropriation involves computers or electronic data, there are already both federal criminal and civil claims available under 18 U.S.C. § 1030, which protects *any* data from a "protected" computer – which includes just about any computer around. Even those, like employees, who have some access to the computer but exceed their authorized access are liable under 18 U.S.C. § 1030(a)(4). For criminal violations, the Secret Service has primary authority to investigate, although the Federal Bureau of Investigation also has the right



to investigate when the subject matter involves the FBI's general authority. A private right of action, allowing a plaintiff to sue under 18 U.S.C. § 1030, does require proof of damages of at least $5000. In 2010, Oracle relied on 18 U.S.C. § 1030 to get a huge federal judgment against SAP for what, in essence, was the misappropriation of trade secrets (although earlier this year Judge Phyllis Hamilton ordered a new trial unless Oracle accepted "just" $272 million in damages).

As *TianRui*, 18 U.S.C. § 1030, and *Oracle v. SAP* show, trade secret misappropriation is no longer hidden from federal view: this Cinderella of Intellectual Property has already been allowed to attend the ball to find its Judge Charming.

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