Consider the following scenario. Your client is a technology company that works closely with a research startup or university to develop new technology. The parties have tight contracts agreeing to share the benefits of whatever is created and maintaining confidentiality.

Then, your client finds out that one of the researchers is a student who collected and downloaded sensitive information, which he emailed abroad, and who subsequently fled the country. What can you advise your client to do?

Trade secret theft has gone international. A recent report by the U.S. trade representative found that Chinese sponsorship of hacking into American businesses and commercial networks has been taking place for more than a decade and poses a significant threat to the nation’s economic prosperity and competitiveness. Trade secret theft from actors in other countries has also been reported. And, in 2018 the Department of Justice announced the “China Initiative” which is “focused on preventing and prosecuting thefts of American technology and intellectual property for the benefit of China.”

While government enforcement efforts are increasing, trade secret owners cannot completely depend on government action to protect their valuable rights. Private civil actions remain an important part of the trade secret owner’s arsenal. Fortunately, Congress already provided a strong weapon for that in 2016.

The Defend Trade Secrets Act

In 2016, Congress passed the Defend Trade Secrets Act (DTSA), 18 U.S.C. §1836, which provides a federal civil remedy for misappropriation of trade secrets. Federal courts have now
become the main forum for trade secret litigation, applying a federal standard.

In the last year, a number of federal courts have issued rulings about DTSA enforcement in the international realm. The DTSA has been read broadly to reach many international transactions, further strengthening the enforcement hand of trade secret owners.

A review of these cases teaches several different statutory bases for applying the DTSA to international activities. Understanding these different options can help counsel ascertain the best way to obtain protection for the client in each case.

**Statutory Reach of the DTSA**

First, counsel must understand the statutory history of the DTSA. Unusually, the DTSA is a civil remedy provision that is codified as part of the federal criminal code, 18 U.S.C. §§1831-39. Congress created those provisions in the Economic Espionage Act of 1996 (EEA), which, until the DTSA, was exclusively a criminal provision.

The EEA contains a section that applies the law internationally:

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.


Does the above provision apply to civil actions under the DTSA? Some have argued that the use of the terms “offender” and “offense” should be read to limit §1837 to only the criminal provisions. But federal courts that have considered the issue assume that §1837 does apply to civil actions. *Micron Tech. v. United Microelectronics*, 2019 U.S. Dist. LEXIS 74527, *11 (N.D. Cal. 2019); Lumi-


The first part of §1837 has not yet been the subject of litigation, but practitioners should note its broad reach: Any action by a U.S. citizen or permanent resident alien, or U.S. corporation or other legal entity, anywhere in the world is subject to both the EEA and the DTSA.

So, to return to our scenario, if the student that was involved in downloading the confidential information is a U.S. citizen or permanent resident alien, then the DTSA applies, regardless of where that happened or where the information was exploited.

The second part of §1837 has been litigated—several cases that deal with international activities have considered whether actions that took place in the United States were committed “in furtherance” of the misappropriation.

There are two kinds of actions that courts have relied upon: actual misappropriation that takes place in the United States, and other acts that support misappropriation.

**Misappropriation: Acquisition, Disclosure and Use**

The DTSA allows a trade secret owner to bring a civil action when its trade secret “is misappropriated.” 18 U.S.C. §1836(b). Misappropriation means more than stealing trade secret information—the DTSA defines misappropriation to include three actions: acquisition, disclosure, and use of the information. So long as any one of these acts is done with knowledge (or with reason to know) that the information was acquired by improper means, then that is an act of misappropriation. See 18 U.S.C. §1839(5).

So, three different acts—acquisition, disclosure, or use—can each separately give rise to DTSA liability, and, if done in the United States, subject the activity to the DTSA.

**Misappropriation Through Others.**

If the defendant committed one of the three acts of misappropriation in the United States, then clearly the DTSA applies. But courts have gone farther—the acts can be committed by other parties with a connection to the defendant in the U.S., even if the defendant itself is located abroad.

In *vPersonalize*, the court rejected a motion to dismiss by a British defendant who argued that all of its actions had taken place in the United Kingdom. But the complaint alleged that a different, U.S.-based entity improperly downloaded the trade secrets, and conveyed them to its British business partner, who then used them in its manufacturing. Section 1837, the court observed, does not require that the defendant have acted in the United States—only that some act of misappropriation occurs here.

In another case, the court applied agency principles to hold a Taiwan-based company subject to the DTSA. The complaint alleged that the company hired and directed one of the trade-secret owner’s employees to download trade secrets from computer servers located in the United States. *Micron Tech. v. United Microelectronics*, 2019 U.S. Dist. LEXIS 74527, *7 (N.D. Cal. 2019). Since the Taiwan company was “acting through”
the employee, a U.S. act of misappropriation had occurred.

So, to return to our scenario, if the student downloads sensitive information in the United States, then the persons who engaged him to do so (presumably where he transmitted it) are now subject to the DTSA.

**Use in the United States.** As discussed, “use” is one of the three acts of misappropriation, such that the DTSA may apply if there is “use” in the United States. The DTSA does not define “use,” however. One very influential source that broadly construes “use” is the Restatement (Third) of Unfair Competition:

There are no technical limitations on the nature of the conduct that constitutes “use” of a trade secret … As a general matter, any exploitation of the trade secret that is likely to result in injury to the trade secret owner or enrichment to the defendant is a “use” under this Section. Thus, marketing goods that embody the trade secret, employing the trade secret in manufacturing or production, relying on the trade secret to assist or accelerate research or development, or soliciting customers through the use of information that is a trade secret … all constitute “use.”

Restatement (Third) of Unfair Competition (1995), §40 comment c.

This comment has been widely quoted and relied upon to interpret “use” under the Uniform Trade Secrets Act (UTSA), which is now in force in 48 states. See Wellogix v. Accenture, 716 F.3d 867, 876 (5th Cir. 2013) (Texas UTSA); Penalty Kick Mgmt. v. Coca Cola Co., 318 F.3d 1284, 1292-93 (11th Cir. 2003) (Georgia UTSA); PMC v. Kadisha, 78 Cal. App. 4th 1368, 1383, 93 Cal. Rptr. 2d 663 (2000) (California UTSA).

Since the DTSA was modeled on the UTSA, we expect federal courts to follow this example, and indeed one court already applied the same broad standard of “use” to both the DTSA and Texas UTSA claims. StoneCoat of Tex. v. Procal Stone Design, 2019 U.S. Dist. LEXIS 155430 *67-68; 2019 U.S.P.Q.2D (BNA) 342074 (E.D. Tex. 2019).

This means that, for example, even if a trade secret is improperly acquired abroad and used in manufacture abroad, “marketing goods that embody the trade secret” in the United States would constitute “use” and then subject the market to the DTSA.

One U.S. court accepted such an argument in a DTSA case. uPersonalize, 2020 U.S. Dist. LEXIS 18491, *36 (sale and marketing of products in the United States that embodied the trade secret sufficed for DTSA liability).

Another situation sometimes encountered is that a stolen trade secret is then incorporated by the receiving party in a patent application. That has been held to be misappropriation, since that is not only a “use” of the trade secret, but a “disclosure” as well. See Roeslein & Assoc. v. Elgin, 2018 U.S. Dist. LEXIS 34000 (E.D. Mo. 2018); Harper v. Wellbeing Genomics Pty, 2018 Tex. App. LEXIS 9867 (Tex. App. Dec. 4, 2018).

So if a company’s trade secrets are stolen abroad, but then the trade secrets are used to manufacture a product that is sold in the United States, then the entire scheme is subject to the DTSA. Similarly, if the information is used in further U.S. research or to apply for U.S. patents, that is “use” of the trade secret, and, again, the DTSA applies.

**Other ‘In Furtherance’ Acts.** Section 1837 does not require that an act of misappropriation occur in the United States; it suffices if “an act in furtherance” of misappropriation occur here. There is no statutory definition of “an act in furtherance” and little case law. One court, however, noted that the same language is regularly used in federal conspiracy law, and adopted that definition for the DTSA. Luminati Networks v. BScience, 2019 U.S. Dist. LEXIS 79843, *23 (E.D. Tex. 2019).

Citing to Yates v. United States, 354 U.S. 298, 334 (1957), a classic criminal conspiracy decision, the Luminati decision set out several parameters:

1. the act in furtherance need not itself be the substantive crime or indeed any crime;
2. it must somehow support the primary criminal acts (or, under the DTSA, acts of misappropriation);
3. the act must take place during the misappropriation period, not simply in the pre-planning stage, nor after it is completed.


One court relied on the “in furtherance” provision to apply the DTSA to a Taiwan company that traveled to California to participate in a job fair to hire engineers and meet with equipment vendors, both to support its manufacturing in Taiwan, of product embodying the plaintiff’s trade secrets. Micron Tech., 2019 U.S. Dist. LEXIS 74527, *9-10. Although none of these activities themselves constituted misappropriation, they were acts “in furtherance” as they supported the exploitation of the trade secrets in Taiwan.

Another court held that a French defendant that made business trips to the United States to recruit an employee of plaintiff and oversee the misappropriation of the plaintiff’s trade secrets was subject to the DTSA. MACOM Tech. Sols. v. Litiriniunum, 2019 U.S. Dist. LEXIS 167880 *11-12 (C.D. Cal. 2019).

On the other hand, one court held that the DTSA did not apply to a case where the only U.S. connection was travel to Las Vegas by one defendant to tender his resignation to the plaintiff; that act had not been connected to the acts of misappropriation in any way. Prov Int’l v. Rubens Dalle Lucca, 2019 U.S. Dist. LEXIS 187060 *8-9; 2019 U.S.P.Q.2D (BNA) 414520 (M.D. Fla. 2019).

Thus, even where the acts of misappropriation (acquisition, use, and
disclosure) all take place outside the United States, U.S. actions that support the misappropriation may well mean that the DTSA applies.

One kind of U.S. connection that does not suffice is the fact that a U.S. company suffers lost customers or lost revenues as a result of misappropriation. Luminati Networks, 2019 U.S. Dist. LEXIS 79843, *25. Damages to a trade secret owner, that court reasoned, relate to the remedy for misappropriation, not themselves acts of misappropriation.

So if a foreign company does acts in the United States that support its acquisition or exploitation of the trade secret—like hiring engineers, ordering components from vendors, or obtaining other manufacturing assistance—then a client has another basis to assert the DTSA, even if the manufacturing and other exploitation of the trade secret takes place abroad.

**Remedies**

The international reach of the DTSA also has implications for remedies. The DTSA grants courts broad power to provide for injunctive relief. 18 U.S.C. §1836(3)(a). In one case, two individuals developed proprietary technology related to a food-waste disposal system. They sold their start-up company to another company hoping to develop it commercially and signed two-year covenants not to compete. In alleged violation of these covenants, the individuals created a competing company and began marketing the technology. All of these activities took place in the United States.

On motion of the purchasing company, the district court entered a preliminary injunction. Among other things, one defendant argued that his covenant not to compete was limited to the United States, and so the injunction should be so limited. But the court rejected that argument and ordered a worldwide injunction. It reasoned that the basis for the injunction was not only the covenant but also a violation of the DTSA. Since the DTSA applies worldwide (the defendants were U.S. citizens) so would the preliminary injunction. T&S Brass & Bronze Works v. Slanina, 2017 U.S. Dist. LEXIS 68155, *25 (D.S.C. 2017).

The broad reach of the DTSA could well extend to damages. The DTSA allows for recovery of actual loss caused by misappropriation, plus damages for unjust enrichment (usually the defendant’s profits) to the extent not addressed by recovery of loss damages. 18 U.S.C. §1836(3)(b). Alternatively, the DTSA allows for recovery of a reasonable royalty for misappropriation. See id.

Given the broad international sweep of the DTSA discussed above, it is easy to see how many international activities could be included in any damages calculation. For example, where a U.S. company’s trade secrets are misappropriated and then used to manufacture products sold in multiple foreign countries, the damages or profits could well include those from the foreign sales.

To return to our scenario, if the exchange student’s misappropriation is subject to the DTSA, then a worldwide injunction and worldwide damages could be obtained against any company or business that exploited the trade secrets.

**Seeking an Exclusion Order in the ITC**

Counsel advising trade secret owners should be aware of an alternative strategy sometimes used by trademark owners seeking an exclusion order from the International Trade Commission (ITC). The ITC is empowered by the Tariff Act to exclude from importation articles that violate domestic intellectual property rights. See 19 U.S.C. §1337. Although most often used in patent and trademark cases, the act also allows for exclusion of articles where there has been “[u]nfair methods of competition” in producing the article.

In TianRui Group Co. v. ITC, 661 F.3d 1322 (Fed. Cir. 2011), the Federal Circuit held that this provision allows exclusion of articles manufactured abroad using misappropriated trade secrets, even where all acts of acquiring the trade secrets and manufacture occurred abroad. And, the applicable law of trade secrets is general U.S. law—not the law of the country where the misappropriation occurred, nor the law of any particular state. Id. at 1327-28.

This meant that where trade secrets were misappropriated in China from a U.S. company’s licensee, U.S. law applied to find that there was misappropriation of trade secrets, and hence the products manufactured with those trade secrets in China were excludable from importation. See id. at 1329-35.

Since TianRui Group, the ITC has on several occasions investigated, and even excluded, goods manufactured using trade secrets. In one case, the ITC even excluded products made in China, where the alleged misappropriation had been adjudicated to be lawful in China.

**Conclusion**

Business continues to become more and more global. Technology and other business information developed in one country is routinely used in other countries to support worldwide business. This makes protection of intellectual property, which is usually territorially limited, all the more difficult.

While the U.S. government has now stepped up its enforcement against foreign commercial espionage, trade secret owners still often need to avail themselves of private remedies. The broad construction given the DTSA in the last year strengthens the enforcement hand of trade secret owners.