

The EEA/DTSA/ RICO Widens the Scope of Civil Liability for Trade Secret Theft and Foreign Economic Espionage



R. Mark Halligan

FisherBroyles LLP

Mark is an accomplished trial lawyer who focuses his practice on intellectual property litigation and complex commercial litigation, including antitrust and licensing issues.

The passage of the Defend Trade Secrets Act (DTSA) is a watershed event in intellectual property law. The Senate passed the DTSA on April 11, 2016 (87-0). The House of Representatives passed the DTSA on April 27, 2016 (410-2). President Obama signed the bill into law on May 11, 2016.

There is a lot of commentary and fanfare about the DTSA's creation of a federal cause of action for trade secret misappropriation and the enactment of *ex parte* seizure provisions. These are two critical amendments that can be traced back to this author's law review article in 2008 entitled *Protection of U.S. Trade Secret Assets: Critical Amendments to the Economic Espionage Act of 1996*.¹

However, there is a much bigger development in the DTSA legislation. Although overlooked by most legal pundits, the DTSA also adds Sections 1831 and 1832 of the Economic Espionage Act of 1996 (EEA)² as predicate criminal acts in Section 1961(1) of the Racketeering Influenced and

Corrupt Organizations Act (RICO).³ Adding Sections 1831 and 1832 to the list of RICO predicate acts activates EEA Section 1837⁴ which extends extraterritorial jurisdiction to conduct occurring outside the United States if (1) the offender is a citizen or permanent resident alien of the United States, or (2) an organization that is organized under the laws of the United States or a

¹ Protection of U.S. Trade Secret Assets: Critical Amendments to the Economic Espionage Act of 1996. 7 J. Marshall Law Review Intell. Property 656 (2008).

² Economic Espionage Act of 1996 18 U.S.C. Sections 1831-1839.

³ Racketeer Influenced and Corrupt Organizations Act, Title IX of the Organized Crime Control Act of 1970. 18 U.S.C. Sections 1961-1968.

⁴ 18 U.S.C. Section 1837 (Applicability to Conduct Occurring Outside the United States).

State or political subdivision thereof, or (3) an act in furtherance of the offense was committed in the United States.⁵ This means that the target list of potential defendants in a civil action now includes RICO defendants which extends civil liability for trade secret theft well beyond the statutory limitations of a Uniform Trade Secrets Act (UTSA) claim.

Historical Development of Trade Secret Law in the United States

Protecting confidential business information dates to Roman law.⁶ The development of U.S. trade secrets law began with decisions by the Massachusetts Supreme Court citing cases decided under the common law in England. The first reported trade secret decision was *Vickery v Welch*, decided in 1837⁷ by the Supreme Court of Massachusetts holding that a contract for the sale of a secret process for making chocolate with a non-competition bond by the seller was lawful and enforceable. Some 30 years later, the

“Protecting confidential business information dates to Roman law.”

Massachusetts Supreme Court enforced an employee’s promise not to disclose the employer’s trade secrets in *Peabody v Norfolk* in 1868.⁸ Thereafter, notable trade secret cases were decided in New York, Pennsylvania, New Jersey and other commercial states.⁹

⁵ Id.

⁶ A. Arthur Schiller, Trade Secrets and the Roman Law; The Actio Servi Corrupti. Columbia Law Review Vol. 30, No. 6 (June.1930), pp. 837-845

⁷ *Vickery v. Welch*, 36 Mass. 523 (1837).

⁸ *Peabody v. Norfolk*, 98 Mass. 452 (1868).

⁹ *Pressed Steel Car Co. v. Standard Steel Car Co.*, 210 Pa. 464, 60 A.4 (1904); *Taber v. Hoffman*, 118 N.Y. 30, 23 N.E. 12 (1889); *Stone v. Goss*, 65 N.J. Eq. 756, 55A 736 (1903).

Trade secret cases continued to proliferate into the early 20th Century. In 1939, the American Law Institute Restatement of Torts (First) reviewed 100 years of trade secret cases in the United States and enunciated *six factors*¹⁰ for ascertaining the existence of a trade secret that continue to be the litmus test for trade secrets today in Section 757.¹¹ However, the drafters of the Restatement First of Torts also enunciated an arbitrary, structural limitation on trade secrets by restricting the protection of trade secrets to only those trade secrets used continuously in operating a business.¹²

¹⁰ Section 757 (Cmt.b.) Secrecy. The Six Factors are as follows:

- (1) The extent to which information is known outside the company (the more extensively the information is known outside the company, the less likely it is a protectable trade secret);
- (2) The extent to which information is known by employees and others involved in the company (the greater the number of employees who know the information, the less likely that it is a protectable trade secret);
- (3) The extent of measures taken by the company to guard the secrecy of the information (the greater the security measures, the more likely that it is a protectable trade secret);
- (4) The value of the information to the company and competitors (the greater the value of the information to the company and its competitors, the more likely that it is a

protectable trade secret);

- (5) The amount of time, effort, and money expended by the company in developing the information (the more time, efforts and money expended in developing the information, the more likely that it is a protectable trade secret);

- (6) The ease or difficulty with which the information could be properly acquired or duplicated by other (the easier it is to duplicate the information, the less likely that it is a protectable trade secret).

¹¹ Three sections were promulgated by the American Law Institute in the Restatement of Torts (First): Section 757—Liability for the Disclosure or Use of Another's Trade Secret (General Principle); Section 758—Innocent Discovery of the Secret—Effect of Subsequent Notice or Change in Position; Section 759—Procuring Information by Improper Means.

¹² See Section 757 Cmt.b. Definition of a Trade Secret.

The structural limitation in Section 757 did not survive the test of time. As the United States transitioned from an “industrial revolution” society to an “information-based” society, the artificial limitation of a trade secret to something used continuously in operating a business was much too restrictive. Many trade secrets, including non-technical information and negative know-how were not eligible for common law trade secret protection.

In 1979, the National Conference of Commissioners on Uniform State Laws released the model Uniform Trade Secrets Act (UTSA).¹³ Work on the UTSA began in 1968. The National Conference of Commissioners on Uniform State Laws approved the UTSA and the fifth tentative draft at the 1979 Annual Meeting of the National Conference of Commissioners on Uniform State Laws in San Diego, California. Thereafter, the American Bar Association approved the UTSA at its meeting in Chicago, Illinois, on February 4–5, 1980. Today, every state (except New York and Massachusetts) have enacted the UTSA.

The UTSA established the building blocks for the development and growth of trade secret protection in the United States. The drafters jettisoned the artificial restrictions in Section 757 Restatement of Torts and replaced it with a broad definition of trade secret that encompasses both technical and non-technical information, combination trade secrets and negative know how.¹⁴

The UTSA also sets forth a statutory definition of misappropriation that includes protection against the unauthorized acquisition, disclosure or use of trade secrets.¹⁵ Damages can be recovered for plaintiff’s actual loss caused by the misappropriation and for unjust enrichment not

¹³ National Conference of Commissioners on Uniform State Laws, Uniform Trade Secrets Act 1979 (with 1985 Amendments).

¹⁴ UTSA Section 1. See Uniform Law Commission, The National Conference of Commissioners on Uniform State Laws Trade Secrets Act Summary <https://tinyurl.com/y6uhfleo>

¹⁵ UTSA Section 1 (Definitions).

taken into account in computing damages for actual loss.¹⁶ A reasonable royalty is also an available remedy for the plaintiff.¹⁷

In an UTSA action, the trial court may award attorney's fees to the defendant if a claim of trade secret misappropriation is made in bad faith or if a motion to terminate an injunction is made or resisted in bad faith.¹⁸ For the plaintiff, if willful and malicious misappropriation is proven, the court may award exemplary damages in an amount not exceeding two times compensatory damages plus reasonable attorney's fees.¹⁹

The UTSA preserves the secrecy of the alleged trade secret during the litigation and this obligation is mandatory.²⁰ The UTSA statute of limitations is three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered.²¹ A continuing misappropriation constitutes a single claim.²²

The UTSA displaces conflicting tort and restitutionary causes of action pertaining to civil

liability for misappropriation of a trade secret but the UTSA does not displace contractual or other civil liability (that is not based upon misappropriation of a trade secret) and does not displace criminal liability for misappropriation of a trade secret.²³

The Economic Espionage Act of 1996

On October 11, 1996, President Clinton signed the Economic Espionage Act of 1996 (EEA) into law.²⁴ The EEA imported the UTSA definition of a "trade secret" but expanded it to include "all

¹⁶ UTSA Section 3 (Damages).

¹⁷ *Id.*

¹⁸ UTSA Section 4 (Attorney's Fees).

¹⁹ *Id.*

²⁰ UTSA Section 5 (Preservation of Secrecy).

²¹ UTSA Section 6 (Statute of Limitations).

²² *Id.*

²³ UTSA Section 7 (Effect on Other Law).

²⁴ The Economic Espionage Act of 1996 (Pub.L. 104-294, 110 Stat. 3488, enacted October 11, 1996).

forms and types of financial, business, scientific, technical, economic or engineering information, including (but not limited to) patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs or codes.”²⁵

The economic strength, competitiveness and security of the United States rests upon protecting trade secret assets. Congress recognized that, in the wake of the birth of the Internet and the proliferation of computers, it must enact strong criminal statutes to prevent foreign economic espionage and the domestic theft of trade secret assets.²⁶

The EEA (before the enactment of the DTSA) was a criminal statute and major U.S. corporations did not have immediate access to the federal courts to protect against the actual or threatened misappropriation of trade secrets. Usually absent a violation of the Computer Fraud and Abuse Act, jurisdiction was limited to UTSA state causes of action or common law claims. Unlike patents, copyrights and trademarks, access to the federal

courts, including national service of process, was not available to the victims.²⁷

The EEA captures any trade secret theft, including attempted offenses and conspiracies, with two criminal statutes: Section 1831 (Economic Espionage) and Section 1832 (Theft of Trade Secrets). This includes extraterritorial jurisdiction encompassing conduct that occurs outside the United States if 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) or if an act in furtherance of the offense was committed in the United States.²⁸

²⁵ 18 U.S.C. Section 1839 (Definitions).

²⁶ Protection of U.S. Trade Secret Assets: Critical Amendments to the Economic Espionage Act of 1996. 7 J. Marshall Law Review Intell. Property 656 (2008).

²⁷ *Id.*

²⁸ 18 U.S.C. Section 1837 (Conduct Outside the United States).

Section 1831: Economic Espionage

(a) Whoever, intending or knowing that the offense will benefit any foreign government, foreign instrumentality, or foreign agent, knowingly—

- (1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains a trade secret;
 - (2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys a trade secret;
 - (3) receives, buys, or possesses a trade secret, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;
 - (4) attempts to commit any offense described in any of paragraphs (1) through (3); or
 - (5) conspires with one or more other persons to commit any offense described in any of paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy,
- shall, except as provided in subsection (b), be fined not more than \$5,000,000 or imprisoned not more than 15 years, or both.

18 U.S.C. Section 1831 (Economic Espionage).

Section 1831 is directed to foreign economic espionage. The statutory terms “foreign instrumentality” and “foreign agent” are defined terms.²⁹ A “foreign instrumentality” means any agency, bureau, ministry, component, institution, association, or any legal, commercial or business organization, corporation, firm, or entity that is substantially owned, controlled, sponsored, commanded, managed or dominated by a foreign government.” In turn, a “foreign agent” means any officer, employee, proxy, servant, delegate, or representative of a foreign government.”³⁰

²⁹ 18 U.S.C. Section 1839(1) (“foreign instrumentality”).

³⁰ 18 U.S.C. Section 1839(2) (“foreign agent”).

Section 1832 covers any trade secret offense involving an intent to convert a trade secret knowing that it will injure any owner of a trade secret if the trade secret is related to a product or service used or intended for use in interstate or foreign commerce³¹. The statutory term “owner” is defined “to mean the person or entity in whom or in which rightful legal or equitable title to, or license in, the trade secret is reposed.”³²

A careful review of Sections 1831 and Section 1832 reveals over 25 offenses in Section 1831, over 25 offenses in Section 1832, plus offenses for attempts and conspiracies to commit each offense. This translates into a matrix of over 75 offenses in Section 1831 and 75 possible offenses in Section 1832.³³

Section 1832: Theft of Trade Secrets

(a) Whoever, with 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, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret, knowingly—

- (1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains such information;
 - (2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys such information;
 - (3) receives, buys, or possesses such information, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;
 - (4) attempts to commit any offense described in paragraphs (1) through (3); or
 - (5) conspires with one or more other persons to commit any offense described in paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy,
- shall, except as provided in subsection (b), be fined under this title or imprisoned not more than 10 years, or both.
- 18 U.S.C. Section 1832 (Theft of Trade Secrets).

³¹ 18 U.S.C. Section 1832(a).

³² 18 U.S.C. Section 1839(4).

³³ Over 25 actual offenses, plus attempts to commit over 25 actual offenses, plus conspiracies to commit over 25 actual offenses equals over 75 RICO predicate acts.

The Defend Trade Secrets Act of 2016

The Defend Trade Secrets Act of 2016, effective May 11, 2016, creates a new civil cause of action for trade secret misappropriation and requirements and procedures for *ex parte* seizure provisions into EEA Section 1836.³⁴ There are also “whistleblower” provisions added to Section 1833³⁵ and enhanced requirements in Section 1835 for protecting alleged trade secrets during litigation.³⁶ Section 1839 adds a definition for “misappropriation” and “improper means” copied from the UTSA.³⁷ There is no federal preemption so both UTSA (state) and DTSA (federal) causes of action can be filed.³⁸

The DTSA also adds Section 1831 and Section 1832 as RICO predicate acts to Section 1961 of the RICO Act. This is a game-changer for civil litigation involving the theft of trade secrets and it exponentially increases the exposure of third-parties to RICO violations for foreign economic espionage and trade secret theft.

³⁴ 18 U.S.C. Section 1836 (The title of this section was “Civil Proceedings to Enjoin Violations” in the EEA. The new title is “Civil Proceedings.”).

³⁵ 18 U.S.C. Section 1833 grants immunity for the confidential disclosure of a trade secret to the Government or in a court filing if protected under seal and permits the use of trade secret information in an anti-retaliation lawsuit if the trade secret information is protected by court order and kept under seal.

³⁶ 18 U.S.C. Section 1835 (As amended, Section 1835 now requires district courts to permit a trade secret holder to file a brief under seal that explains why its trade secrets should be kept confidential by the court.

³⁷ 18 U.S.C. Section 1839(5) (“misappropriation”) and Section 1839(6) (“improper means”). There is an explicit statutory recognition in Section 1839(6)(B) that “improper means” does not include reverse engineering, independent derivation, or any other lawful means of acquisition of a trade secret. This statutory declaration is consistent with well-established trade secret law dating back almost 200 years.

³⁸ See 18 U.S.C. Section 1836(3)(c). The district courts have original but not exclusive jurisdiction for DTSA civil actions.

Racketeer Influenced and Corrupt Organizations Act, Title IX of the Organized Crime Control Act of 1970

The Organized Crime Control Act (OCCA) was passed in 1970. The OCCA attacked organized crime in the United States by strengthening the legal tools available to both prosecutors and victims of organized crime. The RICO Act created four new criminal offenses³⁹ and a new civil cause of action for “[a]ny person injured in his business or property by reason of a violation” of those offenses.⁴⁰ As Justice Blackmun observed in 1983: “The legislative history clearly demonstrates that the RICO statute was intended to provide new

weapons of unprecedented scope for an assault upon organized crime and its economic roots.”⁴¹

The rampant rise in foreign economic espionage and trade secret theft parallels the rampant rise in “organized crime” years ago. Today, Former NSA Director General Keith Alexander says cyber-

“The legislative history clearly demonstrates that the RICO statute was intended to provide new weapons of unprecedented scope for an assault upon organized crime and its economic roots.”

³⁹ 18 U.S.C. Section 1962(a)-(d).

⁴⁰ 18 U.S.C. 1964©.

⁴¹ *Russello v. United States*, 464 U.S. 16 (1983).

espionage is causing the “the greatest transfer of wealth in history.”⁴² Symantec places the cost of intellectual property theft in the U.S. economy at over \$250 billion a year.⁴³ Adding EEA Sections 1831 and 1832 as RICO predicate acts now opens entire new avenues for victims of economic espionage and trade secret theft.

RICO punishes enterprise criminality. The criminal offenses created by RICO target a pattern of racketeering activity committed by, through, or against an enterprise.⁴⁴ Organized crime is a special category of crimes involving the activities of organized criminal groups in relation to an enterprise.⁴⁵ EEA Sections 1831 and 1832 fall naturally into a RICO “organized crime” framework. Without RICO offenses, foreign governments can operate by or through foreign instrumentalities and foreign agents or other U.S. persons without exposure to civil liability under U.S. law.⁴⁶

RICO is the key enforcement tool used by the

FBI to expand criminal liability across multiple members of a criminal enterprise and to capture RICO defendants and conspirators that often reside in “safe haven” countries.⁴⁷

The RICO statute defines “racketeering activity” to encompass over 50 federal and state offenses—now including EEA Sections 1831 and 1832—as

⁴² <https://www.youtube.com/watch?v=JOFk44yy6IQ>

⁴³ *Id.*

⁴⁴ 18 U.S.C. Section 1962 (prohibited activities). Section 1831 and Section 1832 offenses fall within RICO Section 1962 (c): It shall be unlawful for any person employed by or associated with any enterprise engaged in , or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise’s affairs through a pattern of racketeering activity or collection of unlawful debt.”

⁴⁵ See <https://www.fbi.gov/investigate/organized-crime>.

⁴⁶ See the Annual Report to Congress on Foreign Economic Collection and Industrial Espionage https://fas.org/irp/ops/ci/docs/fecie_fy00.pdf.

⁴⁷ See endnote 46 *supra*.

RICO “predicate” acts.⁴⁸ A RICO predicate is itself a crime. RICO utilizes Section 1961 crimes—“racketeering activity”⁴⁹—to establish predicate criminal acts as the foundation for enterprise liability for RICO defendants. A defendant can face criminal or civil liability under RICO even if the defendant has not been convicted of the underlying RICO predicate acts.⁵⁰

The elements of a RICO civil cause of action appear intricate and complex at first blush but are really not complicated: The plaintiff (victim) sues the RICO defendant for conducting the affairs of a distinct and separate RICO enterprise through a *pattern of racketeering activity*. A “pattern of racketeering activity” requires at least two Section 1961 predicate criminal acts committed within 10 years of each other. The United States Supreme Court has also superimposed the judicially-created requirement that the “pattern of racketeering activity” include the existence or threat of continued criminal activity.⁵¹

The RICO “enterprise” is defined as “any individual, partnership, corporation, association or other legal entity, and any union or group of individuals associated in fact although not a legal entity.”⁵² A RICO enterprise is *separate and distinct* from the RICO defendant.⁵³ RICO does not target the RICO enterprise. RICO targets the RICO defendants who corrupt legitimate

⁴⁸ 18 U.S.C. Section 1961.

⁴⁹ 18 U.S.C. Section 1961(1).

⁵⁰ *Sedima, S.P.R.L. v. Imrex Company, Inc.* The predicate acts involve conduct that is “chargeable” or “indictable” and “offenses” that are “punishable.”

⁵¹ *H.J. Inc. V. Northwestern Bell Telephone Co.*, 492 U.S. 229 (1989). Predicate acts extending over a few weeks or months and threatening no future criminal conduct do not satisfy a [pattern of racketeering activity]. Congress was concerned in RICO with long-term criminal conduct and whether there is a threat of continued racketeering activity.

⁵² 18 U.S.C. Section 1961(4).

⁵³ 18 U.S.C. Section 1962(c).

enterprises through a pattern of racketeering activity.⁵⁴

The origin of RICO is organized crime. The statute reaches RICO defendants who do “not have blood on their hands” but who operate or manage or corrupt the RICO enterprise by engaging in a pattern of racketeering activity. RICO exposes the “mastermind” or “Mr. Big” or the “Godfather” to criminal or civil liability for engaging in a pattern of racketeering activity while sitting in a three-piece suit in an executive office suite or perhaps serving as high-ranking official working for a foreign government.

The critical point for litigators is that the defendant may violate RICO even if he or she does not commit the underlying crimes, does not direct someone else to commit the underlying crimes, and does not conspire with someone else to commit the underlying crimes. A defendant can violate RICO simply by operating or managing an enterprise through a pattern of racketeering activity.

RICO/EEA Extraterritorial Jurisdiction

The RICO enterprise can encompass foreign governments, foreign instrumentalities and foreign agents. There is also applicability of Sections 1831 and 1832 to conduct outside the United States.⁵⁵ Therefore, RICO applies to extraterritorial conduct because the predicate Section 1831 and 1832 offenses themselves apply extraterritorially. This is the holding in the recent U.S. Supreme Court decision in *RJR Nabisco, Inc. v. European Community* decided on June 20, 2016.⁵⁶

RICO Treble Damages, Costs and Attorney’s Fees

RICO civil remedies are clear-cut and mandatory. If a plaintiff proves \$100,000 in damages resulting from a RICO violation, then

⁵⁴ *United States v. Turkette*, 452 U.S. 576, 591 (1981).

⁵⁵ 18 U.S.C. Section 1837.

⁵⁶ *RJR Nabisco, Inc. v. European Community*, 136 S. Ct. 2090.

the plaintiff gets \$300,000 in damages plus its costs and attorney's fees.⁵⁷ In contrast, the plaintiff in a UTSA action must prove that the defendant's trade secret misappropriation was "willful and malicious" to recover increased damages and attorney's fees and such additional awards are discretionary with the trial court.⁵⁸ In a DTSA action, the plaintiff cannot obtain increased damages and attorney's fees if the trade secret owner has not complied with the whistleblower notification provisions in the DTSA.⁵⁹ And, like the UTSA, an award of increased damages and attorney's fees is discretionary with the trial court in a DTSA action.⁶⁰

RICO Jurisdiction and Venue Provisions

RICO also has jurisdiction and venue provisions that favour plaintiffs.⁶¹ Section 1965(a) provides that venue is proper in any district in which the defendant resides, is found, has an agent, or transacts his affairs. Section 1965(b) provides that

in any RICO action "in which it is shown that the ends of justice require that other parties residing in any other district be brought before the court, the court may cause such parties to be summoned, and process for that purpose may be served in any judicial district of the United States by the marshal thereof." Finally, Section 1965(d) provides that all other process may be served on any person in any judicial district in which such person resides, is found, has an agent, or transacts his affairs. Combining these three statutory provisions, the courts have approved national service of process under Section 1965(b) and Sections 1965

⁵⁷ 18 U.S.C. Section 1964(c).

⁵⁸ UTSA Section 3 (Damages).

⁵⁹ 18 U.S.C. Section 1833.

⁶⁰ 18 U.S.C. Section 1836.

⁶¹ 18 U.S.C. 1965(a)-(d). (Venue and Process).

⁶² See e.g., *Cory v. Aztec Steel Bld., Inc.*, 486 F.3d 1226, 1231 (10th Cir. 2006).

(d);⁶² venue under Section 1965(a)⁶³; and the halting into a federal district court of out-of-district RICO defendants under Section 1965(b) if venue is proper as to at least one RICO defendant under Section 1965(a).⁶⁴

RICO Widens the Scope of Liability for Trade Secret Theft

The UTSA and DTSA statutory causes of action impose liability on the direct misappropriator who wrongfully acquires, discloses or uses trade secrets and a very limited class of third parties who know or have reason to know that the trade secret was acquired by improper means.⁶⁵ However, in a global economy, the threat and continuing misappropriation of trade secrets involves various actors involved in sophisticated multinational schemes, conspiracies and criminal enterprises to steal trade secrets.⁶⁶ Often the bad actors involve foreign governments, foreign agents and foreign instrumentalities far removed from the actual misappropriators but who actively operate

or manage the criminal enterprise to steal (or attempt to steal) trade secrets.⁶⁷ Utilizing Section 1831 and 1832 predicate offenses, all the participants and co-conspirators can now be sued in a RICO civil action in a U.S. District Court.

The EEA Section 1831 and 1832 offenses—now RICO predicate acts—capture a much wider universe of bad acts using the stolen trade secrets: “copies, duplicates, sketches, draws photographs,

⁶³ See, e.g., *Lisak v. Mercantile Bancorp., Inc.*, 834 F.2d 668, 672 (7th Cir. 1987).

⁶⁴ *Id.*

⁶⁵ UTSA Section 1 Definitions (Misappropriation).

⁶⁶ See *Economic Espionage in 2017 and Beyond: 10 Shocking Ways They Are Stealing Your Intellectual Property and Corporate Mojo*, https://www.americanbar.org/publications/blt/2017/05/05_kahn.html.

⁶⁷ See *U.S. Charges Five Chinese Military Hackers for Cyber Espionage Against U.S. Corporations* <https://www.justice.gov/opa/pr/us-charges-five-chinese-military-hackers-cyber-espionage-against-us-corporations-and-labor>.

downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails communicates, or conveys a trade secret.”⁶⁸ Sections 1831 and 1832 are perfect predicates for a pattern of racketeering activity. There are over 25 wrongful acts to choose from (in *either* Section 1831 *or* Section 1832) and 75 wrongful acts (in *either* Section 1831 *or* Section 1832) when “attempts” and “conspiracies” to commit offenses are included.

RICO Statute of Limitations and 10-Year Discovery Period

The RICO statute of limitations is four years.⁶⁹ The UTSA and DTSA statute of limitations is three years. A continuing misappropriation constitutes a single claim under the UTSA and the DTSA. However, RICO does not consolidate predicate acts into one act, so a continuing theft of trade secrets will continue the pattern of racketeering activity and extend the statute of limitations.

In addition, a RICO civil cause of action supports a 10-year discovery period because a “pattern of racketeering activity” is defined by statute as two predicate acts committed within 10 years of each other. Placing litigation holds on RICO defendants dating back 10 years (or face spoliation claims and judicial sanctions) is also a powerful weapon in RICO litigation. The district courts have uniformly held that a time-barred predicate offense may still serve as a RICO predicate offense for an otherwise timely RICO claim.⁷⁰

Conclusion

The enactment of the DTSA is a watershed event in intellectual property law. Trade secrets are now on the same playing field as patents,

⁶⁸ 18 U.S.C. Section 1831(a)(2) and 18 U.S.C. Section 1832(a)(2).

⁶⁹ Agency Holding Corp. v. Malley-Drift Associates, Inc., 483 U.S. 143, 156 (1987).

⁷⁰ See, e.g., Hoxworth v. Blinder, Robinson & Co., 980

copyrights and trademarks with full access to the federal courts. Adding *ex parte seizure* provisions to the DTSA is also a critical amendment because defendants can now destroy trade secrets with the press of a button on a keyboard, or transfer the trade secrets to another part of the world. *An ex parte seizure order*—provides a necessary element of surprise—often necessary to protect trade secrets from destruction or transfer outside the jurisdiction of the federal court.

However, the real “gem” in the DTSA is the addition of EEA Sections 1831 and 1832 as RICO predicate acts. Now U.S. companies and other victims of trade secret theft can file RICO civil actions, based upon Section 1831 and 1832 predicate offenses, and obtain treble damages,

attorney’s fees and costs for RICO violations based upon Section 1831 and 1832 predicate offenses. Unleashing the offensive and deterrence impact of RICO on foreign economic espionage and trade secret theft is a huge step forward in protecting the national and economic interests of the United States. In the coming years, adding EEA Sections 1831 and 1832 as RICO predicate acts may well prove to be the most significant legislative enactment in the DTSA.

“In the coming years, adding EEA Sections 1831 and 1832 as RICO predicate acts may well prove to be the most significant legislative enactment in the DTSA.”