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Trade Secrets Go Federal - Parade to Follow

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INTRODUCTION

Trade secrets, despite being vital to the growth and operation of the U.S. economy, are regularly and extensively—but typically with little public notice— subject to misappropriation.[1] Could you imagine if thousands of banks were robbed daily? Yet, businesses of all types and sizes that rely on their trade secrets to maintain commercial competitiveness within their respective markets are frequently victimized.[2] It is quite remarkable that trade secret misappropriation has pervaded the U.S. economy with neither federal relief nor a national enforcement policy considering that railroads and other less consequential elements of our economy have been federally regulated for more than a century.[3] So perhaps there should have been a parade when on May 11, 2016, a nearly unanimous Congress passed the Defend Trade Secrets Act of 2016

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1. Given that trade secrets are meant to be "secret," no exact monetary value can be calculated with absolute certainty. *See* BRIAN T. YEH, CONG. RESEARCH SERV., R43714, PROTECTION OF TRADE SECRETS: OVERVIEW OF THE CURRENT LAW AND LEGISLATION 13–14 (2016) [hereinafter CRS REPORT]. However, some have attempted to quantify it. *See* Elizabeth A. Rowe, *Contributory Negligence, Technology, and Trade Secrets*, 17 GEO. MASON L. REV. 1, 5 (2009); PWC & CREATE.ORG, ECONOMIC IMPACT OF TRADE SECRET THEFT: A FRAMEWORK FOR COMPANIES TO SAFEGUARD TRADE SECRETS AND MITIGATE POTENTIAL THREATS, 5 (2014), http://www.pwc.com/us/en/forensic-services/publications/assets/economic-impact.pdf.

2. Some notable businesses include (but are not limited to): Motorola, DuPont, Goodyear, Boeing, Dow Chemicals, and Goldman Sachs. Brooklyn Law Sch., *Cases from Economic Espionage Act*, TRADE SECRETS INSTITUTE http://tsi.brooklaw.edu/category/legal-basis-trade-secret-claims/economic-espionage-act (last visited Feb. 5, 2017).

3. *See* City of Auburn v. United States, 154 F.3d 1025, 1029 (9th Cir. 1998) ("We begin by first noting that Congress and the courts long have recognized the need to regulate railroad operations at the federal level. Congress' authority under the Commerce Clause to regulate the railroads is well established.") (internal citations omitted).

(DTSA) providing trade secrecy recourse beyond the mix of civil remedies available under State laws.[4]

Congress passed DTSA in order to create a federal solution to the national problem of trade secret misappropriation in interstate commerce.[5] DTSA, generally creates a private cause of action under the Economic Espionage Act of 1996 ("EEA"),[6] permits a federal court to conduct *ex parte* seizures respecting trade secrets, provides for remedies and damages, and protects whistleblowers by extending civil and criminal immunity.[7] Mindful that trade secrets have been regulated by the States, Congress clearly intended that DTSA give plaintiffs another remedial opportunity by supplementing rather than preempting State laws on the subject.[8]

Some scholars find federalizing trade secret protection, and therefore DTSA, to be a recipe for disaster.[9] Among the numerous arguments made, one in particular stands out: DTSA will bring forth the "Trade Secret Troll" ("TST").[10] A TST is a commercially oriented entity formed to accumulate rights to trade secrets that an "unsuspecting" party may misappropriate in order to demand a licensing fee, royalties, or other forms of payment.[11] If the unsuspecting party refuses to pay, the TST will initiate expensive litigation when it is warranted.[12] The argument that DTSA will inspire TSTs to troll is premised on two foundational points: (1) trolls will bring trade secret misappropriation claims under a false belief that they own a trade secret,

4. *See generally* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (establishing a federal civil action for trade secret misappropriation).

5. *See* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 384.

6. Economic Espionage Act of 1996, 18 U.S.C. §§ 1831–32 (2012).

7. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376–85. DTSA also establishes: (1) U.S. district courts to have original jurisdiction for actions brought under DTSA, (2) new definitions for "misappropriation" and "improper means," (3) rights of trade secret owners to keep their trade secret confidential, (4) a requirement for the Attorney General to create a public report biannually of the instances of trade secret misappropriation and what the federal government is doing to stop it, (5) Congress' findings about trade secret misappropriation, and (6) requirements for the Federal Judicial Center to develop and recommend "best practices" to enforce certain provisions of DTSA to Congress. *Id.*

8. H.R. REP. NO. 114-529, at 5 (2016); 162 CONG. REC. S16, 630 (daily ed. Apr. 4, 2016) (statement of Sen. Coon).

9. David S. Levine & Sharon K. Sandeen, *Here Come the Trade Secret Trolls*, 71 WASH. & LEE L. REV. ONLINE 230, 238 (2015) [hereinafter *Troll*]; Letter from David S. Levine, et al., Professor, Princeton Univ., to members of Congress (August 26, 2014) (on file with author); Letter from David S. Levine, et al., Professor, Princeton Univ., to Senator Charles Grassley, Senator Patrick Leahy, Representative Robert Goodlatte, and Representative John Conyers, Jr., (Nov. 17, 2015) (on file with author); Zoe Argento, *Killing the Golden Goods: The Dangers of Strengthening Domestic Trade Secret Rights in Response to Cyber-Misappropriation*, 16 YALE J.L. & TECH. 172, 176–77 (2014); Christopher B. Seaman, *The Case Against Federalizing Trade Secrecy*, 101 VA. L. REV. 317, 321–22 (2015).

10. *Troll*, *supra* note 9, at 234.

11. *Id.*

12. *Id.*

and (2) DTSA's *ex parte* seizure will become the troll's greatest coercion weapon.[13] They conclude that, TSTs, like the Patent Troll,[14] will not remain under the "bridge"[15] and will cause havoc for businesses and entrepreneurs alike.[16]

This Comment argues that while TSTs may pursue frivolous or specious claims, DTSA makes it no easier for them to prevail than State laws had previously.[17] Preliminarily, to misappropriate a trade secret under both DTSA and all State laws, there must be an *intent* to misappropriate by *improper means*; this is not the case under the strict liability standard[18] for patent infringement to which trade secret misappropriation has been compared.[19] Without the requisite intent and the improper means, both of which are apparently absent from most of the TST's intended targets, the TST has no one to troll.[20] As for the concern that the TST will bring an action under DTSA even if there is no trade secret, it does not follow that DTSA would *increase* trolling behavior.[21] Put differently, prospective plaintiffs in trade secret misappropriation cases should first decide whether the information in question constitutes a trade secret before pursuing litigation. TSTs are therefore logically discouraged from organizing and aggressively litigating cases under DTSA, rendering claims of their potential danger too speculative to be accepted.[22]

This Comment also argues that TSTs will not be able to easily wield their supposed greatest coercion weapon, the *ex parte* seizure, because of DTSA's stringent requirements and the possibility of defending against a wrongful seizure action.[23] Ultimately, if a TST improperly sues an unsuspecting entity, it is likely that the litigation will include an affirmative claim of bad faith against the TST that could result in substantial attorney's fees and deter future trolling behavior.[24]

Part I of this Comment provides a brief overview of how trade secrets have impacted the U.S. economy and what DTSA does to remedy trade secret

13. *Troll*, *supra* note 9, at 241, 252.

14. *See infra* note 61.

15. *See* Katharine Pyle, *The Three Billy Goats Gruff: Three Billy Goats Gruff Try to Cross a Bridge – and Outwit a Troll Who Wants to Eat Them!*, STORYBERRIES: FREE STORIES FOR KIDS, http://storyberries.com/the-three-billy-goats-gruff/.

16. *See Troll*, *supra* note 9, at 263.

17. *See infra* Part III and Part IV.

18. Strict liability is a legal doctrine that makes a person or a company responsible for their actions or products which cause damages regardless of any intent or negligence on their part. *See generally* Kenneth S. Abraham, *Strict Liability in Negligence*, DEPAUL L. REV. 271 (2012) (illustrating a thorough analysis of strict liability and its role in Tort law).

19. *See infra* Part III(A).

20. *See infra* Part III.

21. *See infra* Part III(B).

22. *See id*.

23. *See infra* Part III(C).

24. *See infra* Part IV.

misappropriation. Part II focuses on what constitutes a "troll" in patent law and how some scholars have argued that similar trolling will occur because of DTSA. Part III will discuss how TSTs will fail in their attempt to use DTSA to their advantage, and that DTSA renders the TST weak and ineffective. Part IV discusses a DTSA remedy which an unsuspecting entity has to combat the TST in court.

I. DEFEND TRADE SECRETS ACT OF 2016: A NATIONAL SOLUTION TO A NATIONAL PROBLEM

A. Trade Secrets and Their Impact

A trade secret is confidential and commercially valuable information that provides a business with a competitive advantage in the marketplace.[25] Interest in protecting these secrets has existed since antiquity.[26] This interest has not abated.[27] In fact, multiple U.S. International Trade Commission surveys indicate that internationally-engaged businesses have classified trade secrets as "very important" to the vitality of their business.[28] This importance likely stems from trade secrets making up a majority of those businesses' intellectual property portfolios.[29] For "knowledge-intensive" industries,[30] trade secrets compose an even higher percentage of the intellectual property portfolio.[31] U.S. publicly traded companies own five trillion dollars in trade secret information.[32] In addition, trade secret misappropriation is rampant and harming American businesses.[33] Although the net effect of trade secret theft is difficult to quantify, analysts believe that such theft costs the United States up to three percent

25. CRS REPORT, *supra* note 1, at 2.

26. See generally A. Arthur Schiller, *Trade Secrets and the Roman Law: The Actio Servi Corrupti*, 30 COLUM. L. REV. 837 (1930) for a fascinating read on how Roman law punished a party who attempted to induce a slave owner's slave into disclosing their owner's business secrets.

27. KATHERINE LINTON, THE UNEXPECTED IMPORTANCE OF TRADE SECRETS: NEW DIRECTIONS IN INTERNATIONAL TRADE POLICY MAKING AND EMPIRICAL RESEARCH 1–2 (2016), http://www.eastwestcenter.org/sites/default/files/filemanager/pubs/pdfs/2-3Linton-201606.pdf

28. U.S. INT'L TRADE COMM'N, TRADE, INVESTMENT, AND INDUSTRIAL POLICIES IN INDIA; EFFECTS ON THE U.S. ECONOMY, Investigation Number: 332-543, Publication Number 4501, at 144 (Dec. 2014); *see* U.S. INT'L TRADE COMM'N, CHINA: EFFECTS OF INTELLECTUAL PROPERTY INFRINGEMENT AND INDIGENOUS INNOVATION POLICIES ON THE U.S. ECONOMY, Investigation Number: 332-519, Publication Number 4226, at 3-21 (May 2011) ("Firms that reported IPR [intellectual property right] infringement in China said their top IP-related concerns during 2007-2009 were stolen trade secrets . . .").

29. U.S. CHAMBER OF COMMERCE, THE CASE FOR ENHANCED PROTECTION OF TRADE SECRETS IN THE TRANS-PACIFIC PARTNERSHIP AGREEMENT 10 (2014), https://www.uschamber.com/sites/default/files/legacy/international/files/Final%20TPP%20Trade%20Secrets%208_0.pdf.

30. These industries include manufacturing, information services, and scientific services. *Id.*

31. *Id.*

32. Rowe, *supra* note 1, at 5.

33. EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES, ADMINISTRATION STRATEGY ON MITIGATING THE THEFT OF U.S. TRADE SECRETS, 1 (2013).

in Gross Domestic Product.[34] Misappropriation of trade secrets is a national problem that requires a national solution.[35] On May 11, 2016, the national solution was signed into law: the Defend Trade Secrets Act of 2016.[36]

B. What does the Defend Trade Secrets Act of 2016 do?

DTSA creates a federal civil remedy for trade secret misappropriation when the trade secret is "related to a product or service used in, or intended for use in, interstate or foreign commerce."[37] DTSA also provides remedies to victims of trade secret misappropriation.[38] In an attempt to harmonize federal and State trade secrets law, DTSA incorporates the Uniform Trade Secrets Act's[39]("UTSA") definitions of "misappropriation" and "improper means."[40] To further educate the public and Congress about trade secrets, DTSA mandates that the Attorney General publish a biannual report on trade secret misappropriation and how to combat it.[41] DTSA summarizes legislative intent and provides civil and criminal immunity to any person who discloses a trade secret to an agent of the government[42] to report a suspected violation of the law.[43] Finally, DTSA requires employers to notify their employees about DTSA's immunity clause or else forfeit the ability to recover exemplary damages or attorney's fees in any action under DTSA.[44]

34. PwC & CREATe.org, *supra* note 1, at 3.

35. *See* 162 Cong. Rec. H2, 32 (daily ed. Apr. 27, 2016) (statement of Rep. Conyers) ("S. 1890 would provide trade secret owners access to uniform national law and the ability to make their case in Federal court."); 162 Cong. Rec. H2, 33 (daily ed. Apr. 27, 2016) (statement of Rep. Collins) ("Protecting the trade secrets of American businesses is crucial to keeping our country a leader in the world economy."); 162 Cong. Rec. H2, 32 (daily ed. Apr. 27, 2016) (statement of Rep. Jeffries) ("But because of the increasing nature of the problem and the fact that it is both multistate and multinational in nature, the State law domain has become inadequate . . ."); 162 Cong. Rec. S16, 30 (daily ed. Apr. 4, 2016) (statement of Sen. Coon) ("Not only does trade secret theft cost American businesses revenue, which puts American jobs at risk, but it also discourages businesses from investing in critical research and development . . .").

36. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

37. *Id.*

38. These remedies are: (1) an injunction, (2) a reasonable royalty (in exceptional circumstances), (3) damages for actual loss and unjust enrichment, and (4) exemplary damages (if the trade secret was willfully and maliciously misappropriated). *Id.* at 379–80.

39. Unif. Trade Secrets Act With 1985 Amendments, 4–5 (Unif. Law Comm'n, 1979) (amended 1985). Only New York, Massachusetts, and North Carolina have not adopted the Uniform Trade Secrets Act. CRS Report, *supra* note 1, at 6 n.37.

40. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 381. See *infra* Part IV for a detailed discussion on how these terms play a critical role in subduing the Trade Secret Troll.

41. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 382–83.

42. This agent can be a federal, state, or local official. *Id.*

43. *Id.* at 383–85.

44. *Id.* at 385.

DTSA is also Congress' response to the weakness of the EEA.[45] While the EEA does provide substantial criminal fines and imprisonment penalties when there is either economic espionage or theft of a trade secret, it has not proved to be as effective as Congress hoped.[46] Since its enactment, there have only been 125 indictments and ten convictions.[47] Moreover, the EEA rarely compensates the victim; rather, it only punishes the felon.[48] DTSA fills these gaps by creating a civil cause of action, assuring more actions for trade secret misappropriation will be brought and victims will be compensated.[49]

C. Key Provision of the Defend Trade Secrets Act of 2016: Ex Parte *Seizure*

DTSA permits a federal judge to grant an *ex parte* seizure of a trade secret under "extraordinary circumstances."[50] The Supreme Court has interpreted the term "extraordinary" to require litigants to meet a high threshold: the circumstances must be "truly unusual."[51] To find such circumstances, a judge must, based on the facts of the case, conclude that:[52] (1) the applicant is likely to succeed in showing that the

45. *See* 162 CONG. REC. S16, 27 (daily ed. Apr. 4, 2016) (Statement of Sen. Hatch) ("Currently, the only Federal vehicle for trade secret protection is the 1996 Economic Espionage Act, which makes trade secret theft by foreign nationals a criminal offense. But this remedy criminalizes a small subset of trade secret theft and relies on the thinly stretched resources of the Department of Justice to investigate and prosecute such offenses."); 162 CONG. REC. H2, 32 (daily ed. Apr. 27, 2016) (statement of Rep. Collins) ("However, this [the EEA] addresses part of the problem, and criminalizes only a portion of trade secrets theft, whereas a civil remedy for misuse and misappropriation would allow companies to more broadly protect their property."); 162 CONG. REC. H2, 33 (daily ed. Apr. 27, 2016) (statement of Rep. Nadler) ("While the Federal Government may bring criminal prosecutions and may move for civil injunctions, this power is rarely exercised and often fails to adequately compensate victims.").

46. Economic Espionage Act of 1996, 18 U.S.C. §1831(a)(5), §1832(b), (2012); *See* 142, CONG. REC. H10, 461 (daily ed. Sept. 17, 1996) (Statement of Rep. Hyde) ("I support this bill [the EEA] because it will enact a comprehensive statute to combat this crime [trade secret theft]."); 142 CONG. REC. S12, 211 (daily ed. Oct. 2, 1996) (Statement of Sen. Kohl) ("Mr. President, this legislation [the EEA] is crucial."); 142 CONG. REC. S12, 214 (daily ed. Oct. 2, 1996) (Statement of Sen. Hatch) ("I am confident that all my colleagues will agree that H.R. 3723 [what would become the EEA], a bill which we have crafted and has undergone minor House modification, is a strong and meaningful deterrent to criminals considering engaging in economic espionage.").

47. CRS Report, *supra* note 1, at 18.

48. *Id.*

49. *See* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

50. *Id.*

51. Fuentes v. Shevin, 407 U.S. 67, 90 (1972). The lower courts have also attempted to define extraordinary circumstances. *See* Cmty. Dental Servs. v. Tani, 282 F.3d 1164, 1168 (9th Cir. 2002) (Defining extraordinary circumstances in the context of setting aside a default judgment); Budget Blinds, Inc. v. White 536 F.3d 244, 255 (3d Cir. 2008) ("We have explained that a showing of extraordinary circumstances involves a showing that without relief from the judgment, 'an "extreme" and "unexpected" hardship will result.'"); *see generally* Harper v. Ercole 648 F.3d 132, 137 (2d Cir. 2011) ("The term 'extraordinary' refers not to the uniqueness of a party's circumstances, but rather to the severity of the obstacle impeding compliance with a limitations period.").

52. For purposes of brevity, the Author has selected the most pertinent conclusions a judge must make before issuing an order for an *ex parte* seizure above-the-line. The other conclusions which a judge must make

information is a trade secret, (2) the person whom the seizure is being ordered against has either misappropriated the trade secret of the applicant by improper means or conspired to do so, (3) the application describes with "reasonable particularity" the property to be seized and where the property is located, (4) the applicant will suffer "immediate and irreparable injury" if the seizure is not ordered, and (5) the applicant has not publicized the requested seizure.[53]

Assuming the applicant convinces the judge that an *ex parte* seizure is necessary, DTSA requires that the court order "provide for the narrowest seizure of property necessary. . ."[54] In other words, vast swaths of property cannot be seized.[55] When the court does seize the trade secret, it does not mean that it becomes public.[56] The court must have a hearing within seven days of the seizure where the applicant has the burden of proof in "supporting the findings of fact and conclusions of law necessary to support the order."[57] If the applicant fails to meet this burden, the seizure order is either dissolved or modified.[58] Also, a person who suffers from the wrongful seizure can assert an action for damages under section 34(d)(11) of the Trademark Act of 1946.[59]

II. THE PATENT TROLL AND A DEFENSE OF THE TRADE SECRET TROLL

A. The Patent Troll

In the realm of patent law, the Patent Troll[60] is the harbinger of litigation and intimidation.[61] It is an individual or entity that acquires ownership of a patent

are: (1) an injunction or another form of equitable relief would not suffice, (2) the harm of denying the application outweighs the harm of the person subject to the seizure, (3) the person against whom the seizure would be ordered has actual possession of the trade secret and any property that is to be seized, and (4) the person against whom the seizure is ordered would make the trade secret inaccessible to the court. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376–77.

53. *Id.*

54. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 377.

55. *See id.*; *Cf. Troll*, *supra* note 9, at 255 ("Instead, seizure would extend to wide swaths of information that need not include actual trade secrets.").

56. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 378.

57. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 379.

58. *Id.*

59. The Lanham Act, 15 U.S.C. § 1116(d)(11) (2012); Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 379.

60. The term "Patent Troll" was coined by Peter Detkin (then assistant general counsel for Intel Corporation) who argued that "a patent troll is somebody who tries to make a lot of money off a patent that they are not practicing and have no intention of practicing and in most cases never practiced." Anna Mayergoyz, *Lessons from Europe on How to Tame U.S. Patent Trolls*, 42 CORNELL INT'L L.J. 242, 245 (2009).

61. *See* WILLIAM J. WATKINS, JR., PATENT TROLLS PREDATORY LITIGATION AND THE SMOTHERING OF INNOVATION 11 (2013).

without the intention of actually using it to produce a product.[62] Instead, when the troll discovers that its patent is being infringed upon, it will either demand that the infringer pay for the use of the patent (a license) or drag the infringer into court.[63] Patent Trolls have played a key role in the dramatic increase in patent lawsuits, forcing businesses to spend more money on patent litigation than on research and development.[64] According to the Executive Office of the President and the Congressional Research Service, Patent Trolls' litigation cost businesses "$29 billion per year in direct out-of-pocket costs, with an aggregate destruction of over sixty billion dollars per year."[65] It is clear that Patent Trolls are only focused on profit at the cost of innovation.[66] The question, therefore, is how Patent Trolls take advantage of the law to exact their tribute.

The Patent Troll is enabled by the strict liability standard of § 271(a) of The Patent Act of 1952.[67] The provision states that "[e]xcept as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent."[68] Courts have interpreted this provision to mean infringement of a patent is a strict liability offense.[69] Thus, unintentional or inadvertent infringement is not a defense to a patent infringement claim.[70] The infringer becomes liable for all economic injuries that the

62. *Id.*

63. *Id.* at 13.

64. *Id.* at 15.

65. Sean D. Harding, *Meet the Patents: Fostering Innovation and Reducing Costs by Opening Patent Portfolios*, 11 J. BUS. & TECH. L. 199, 206 (2016).

66. *Id.* at 208. For an interesting discussion of why Patent Trolls benefit society and are part of the natural evolution of the patent market see generally James F. McDonough III, *The Myth of the Patent Troll: An Alternative View of the Function of Patent Dealers in an Idea Economy*, 56 EMORY L.J. 189 (2006).

67. *See* 35 U.S.C. §271(a) (2012).

68. *Id.*

69. Jurgens v. CBK, Ltd., 80 F.3d 1566, 1570 n.2 (Fed. Cir. 1996) (citing Hilton Davis Chem. Co. v. Warner-Jenkinson Co. 62 F.3d 1512, 1527 (Fed. Cir. 1995) (en banc), *rev'd on other grounds*, 520 U.S. 17 (1997)); *In re* Seagate Tech., LLC, 497 F.3d 1360, 1368 (Fed. Cir. 2007), *abrogated on other grounds by*, 136 S.Ct. 1923 (2016); Paone v. Microsoft Corp., 881 F. Supp. 2d 386, 394 (E.D.N.Y. 2012).

70. Freedman v. Friedman, 242 F.2d 364, 366 (4th Cir. 1957) ("We think it is clear, also, that knowledge by an infringer or a contributory infringer of the existence of a patent and that he is infringing is not necessary to render him liable for infringement."); Thurber Corp. v. Fairchild Motor Corp., 269 F.2d 841, 845 (5th Cir. 1959) ("Of course it is true that determination of the validity and infringement of a patent can be made irrespective of the purpose and intent of the alleged infringer, and that is not necessary that he even have knowledge of the patent alleged to be infringed."); *In re* Omeprazole Patent Litig., 490 F. Supp. 2d 381, 413 (S.D.N.Y. 2007) ("Intent is not an element of direct infringement, and neither ignorance nor good faith belief in non-infringement is a defense to a charge of direct infringement."); Blair v. Westinghouse Elec. Corp., 291 F. Supp. 664, 670 (D.D.C. 1968) ("It is, of course, elementary, that an infringement may be entirely inadvertent and unintentional and without knowledge of the patent.").

infringement has caused even if there was no intent to infringe.[71] Strict liability clearly favors the Patent Troll because it need not prove intentional infringement, just that it happened.[72] Whether regrettable or not, Patent Trolls have been sufficiently successful in courts so that this otherwise unproductive but profitable business continues.[73] When the troll wins, the court is likely to grant him attorney's fees, damages if there was willful infringement,[74] and a permanent injunction[75] prohibiting the victim from further manufacture, use, importation, or sale of the infringing item. Simply put, current patent law enables trolls to run amuck.[76]

B. The Trade Secret Troll

It is argued that DTSA will bring forth a new type of troll: the Trade Secret Troll.[77] Like the Patent Troll, the TST could coerce an unsuspecting entity to pay for its use of the TST's trade secret which actually may not be a trade secret but valuable or embarrassing information the TST thinks the unsuspecting entity does not want made public.[78] Although TSTs are not currently prevalent, DTSA could spur TSTs to form because DTSA fails to address the problem of prohibiting harmful acts toward businesses.[79] In other words, DTSA does not punish an individual for engaging in torts such as cyber-espionage. Rather, it punishes an individual who engages in a tort *and* takes what the statute defines as a trade secret.[80] Therefore, when an entity takes

71. Roger D. Blair & Thomas F. Cotter, *Strict Liability and its Alternatives in Patent Law*, 17 BERKLEY TECH. L.J. 799, 821 (2002).

72. *See id.*

73. *See* Microsoft Corp. v. i4i Ltd. P'ship, 564 U.S. 91, 113–14 (2011) (finding that Microsoft did infringe on a Patent Troll's patent); *See also* NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282, 1325–26 (Fed. Cir. 2005) *abrogated on other grounds by* Avid Tech., Inc. v. Harmonic, Inc. 812 F.3d 1040 (Fed. Cir. 2016) (finding NTP's Blackberry system infringed on a Patent Troll's patents). Generally speaking, Patent Trolls prefer to stay out of court and demand tribute from the victim instead. Mark A. Lemley & A. Douglas Melamed, *Missing the Forest for the Trolls*, 113 COLUM. L. REV. 2117, 2126 (2013) ("[A] growing number of trolls are interested in quick, low-value settlements for a variety of patents. These plaintiffs do not want to go to trial and are thus not particularly interested in the quality of their patents or whether they are infringed.").

74. Warsaw Orthopedic, Inc., v. NuVasive, Inc., 824 F.3d 1344, 1347 (Fed. Cir. 2016); Power Lift, Inc., v. Lang Tools, Inc., 774 F.2d 478, 481 (Fed. Cir. 1985).

75. *See* eBay Inc. v. MercExchange, LLC, 547 U.S. 388, 391 (2006) (establishing a four-factor test for determining if a district court can grant a permanent injunction in a patent infringement case).

76. *See* WATKINS, *supra* note 61, at 49 ("Right now, the trolls place a hefty tax on innovative activity . . .").

77. *Troll*, *supra* note 9, at 234. The Author recognizes that *Troll* predates the Defend Trade Secrets Act of 2016. The Author also notes that *Troll*'s main criticisms were directed at the Defend Trade Secrets Act of 2014, S. 2267, 113th Cong. (2014) and the Trade Secret Protection Act of 2014, H.R. 5233, 113th Cong. (2014). Even so, the criticisms are still valid because for the most part, both 2014 bills were incorporated into the Defend Trade Secrets Act of 2016. *See generally* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

78. *Troll*, *supra* note 9, at 241.

79. *Id.* at 232, 235.

80. *Id.* at 235; *See* Economic Espionage Act of 1996, 18 U.S.C. § 1839 (2012) (explaining what is classified as a trade secret).

property through an improper act,[81] and that property is not a trade secret, it is not trade secret misappropriation under DTSA.[82]

DTSA, it is argued, will make the TST more powerful than the Patent Troll because DTSA gives the TST a powerful coercive weapon: the right to request an *ex parte* seizure.[83] Preliminarily, the *ex parte* seizure will permit "vast swaths" of information to be collected even if that information is not associated with the trade secret.[84] Knowing this, the troll will first demand its intended target to pay tribute or else face a possible *ex parte* seizure.[85] It would then fall to the intended target to decide whether it is worth taking the risk or not, given that such a seizure would likely disrupt business operations.[86] Moreover, the TST is not likely to care about the potential success of acquiring the *ex parte* seizure order; so long as the ends (profit) justify the means (that being a form of lawful extortion), the troll will do whatever it takes.[87]

III. THE HARMLESS TRADE SECRET TROLL

A. Intent

Unlike patent infringement, trade secret misappropriation under both DTSA and UTSA, as well as New York, Massachusetts, and North Carolina state law requires that the party accused of misappropriation has intended to misappropriate the trade secret.[88] This difference can best be exhibited in three scenarios that demonstrate the significance of intent under DTSA.

1. Scenario One: Strict Liability

Company A is a small corporation in the business of making ice cream. Unlike other ice cream makers, Company A has created a special type of ice cream that hardens into a gummy like substance and becomes chewable when it comes into contact with

81. *See* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 381 (explaining what is classified as an improper act).

82. *Troll*, *supra* note 9, at 235.

83. *Id.* at 255; Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

84. *Troll*, *supra* note 9, at 255.

85. *Id.* at 255, 257.

86. *Id.* at 255.

87. *Id.* at 257.

88. *See* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 381; UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS, 4 (UNIF. LAW COMM'N, 1979) (amended 1985). *See also* Integrated Cash Mgmt. Servs., Inc. v. Dig. Transactions, Inc., 920 F.2d 171, 173 (2d Cir. 1990) (holding that in New York, a plaintiff asserting misappropriation of a trade secret has to prove the trade secret was acquired by a breach of duty or discovery by improper means – both of which are intent based). *See* MASS. GEN. LAWS ANN. ch. 93 § 42 (West 2002) (illustrating the elements – all of which are intent based – that Massachusetts defines as misappropriation). *See* N.C. GEN. STAT. ANN. § 66-152 (West 2003) (explaining how North Carolina defines misappropriation as use of a trade secret without express or implied consent, which is also intent based).

saliva and tooth enamel. Company A decided not to file for a patent, believing that it was not worth the time and money. A few months into production, gummy ice cream became a world-wide phenomenon, making Company A very profitable.

Company B (a Patent Troll) is a business entity whose sole purpose is to threaten unsuspecting companies with litigation for patent infringement. As it happens, prior to Company A's invention of gummy ice cream, Company B had a utility patent[89] on any food product that transforms from a liquid substance into a gummy and chewable one. Company B decides rather than demand Company A to stop making the gummy ice cream, it would "request" Company A to pay a licensing fee of a hundred million dollars and a royalty of ten dollars per unit of ice cream sold. If Company A refused the terms, Company B would threaten with litigation. In this case, Company B would likely succeed because patent infringement is not intent based. As already noted, it is a strict liability offense.[90] The fact that Company A did not know that Company B had a utility patent that covered the creation process of gummy ice cream is irrelevant.

2. Scenario Two: No Intent to Misappropriate

Assume the same facts as outlined in Scenario 1 except: (1) Company B is in the business of threatening trade secret litigation against unsuspecting companies (*i.e.* a Trade Secret Troll), (2) Company B does not have a utility patent, (3) Company A did not invent the gummy ice cream, instead, it was invented by John Doe, (4) John Doe sold the recipe to make gummy ice cream to Company A, and (5) Company B owned the rights to the recipe and did not consent to John Doe's sale. In this scenario, Company B would not succeed in a claim for trade secret misappropriation because for a trade secret to be misappropriated under DTSA, Company A must have intended to misappropriate Company B's trade secret by improper means.[91] DTSA classifies improper means as "theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic or other means."[92] Each of these means are intent based.[93] Therefore, Company A's

89. A utility patent is granted for an invention that is a "process, machine, manufacture, or composition of matter." *Utility Patent*, BLACK'S LAW DICTIONARY (10th ed. 2014).

90. *See supra* Part II(A).

91. *See* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

92. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 381.

93. *See* U.S. v. Hanjuan Jin, 733 F.3d 718, 721–22 (7th Cir. 2013) (finding that defendant misappropriated plaintiff's trade secrets by stealing thousands of documents with the intent to harm plaintiff); U.S. v. Alfisi, 308 F.3d 144, 149 (2d Cir. 2002) ("The 'corrupt' intent necessary to a bribery conviction is in the nature of a *quid pro quo* requirement; that is, there must be a 'specific intent to give … something of value in exchange for an official act.'") (internal citations omitted); U.S. v. Jennings, 160 F.3d 1006, 1013 (4th Cir. 1998) ("A bribe requires that the payment be made or promised 'corruptly,' that is, with 'corrupt intent.'"); U.S. v. Agrawal, 726 F.3d 235, 244 (2d Cir. 2013) (explaining that electronic espionage requires intent); Radiator Express v. Shie, 708 F. Supp. 2d 762, 771 (E.D. Wis. 2010) (defining intent to deceive a plaintiff as an element of intentional misrepresentation

lack of intent to misappropriate Company B's trade secret would protect it from liability.[94]

3. Scenario Three: A DTSA Violation

Assume the same facts from Scenario 1 and 2 except: (1) Company B is Company A's competitor (not a TST), and (2) Company A stole Company B's recipe for gummy ice cream by bribing John Doe, an agent of Company B. This is a DTSA violation because Company A intended to misappropriate Company B's trade secret (the gummy ice cream recipe) by improper means (bribery).[95]

B. The Troll's "Trade Secret"

As a general matter, a trade secret troll needs to be familiar with the nuances of the law affecting the subject of its trolling. That being said, it is highly unlikely that DTSA will increase the likelihood that trade secret misappropriation claims will be brought by a TST (or a "genuine" claimant) believing it has a trade secret if in fact the subject matter does not qualify as a trade secret.[96] Cases of this nature are not novel and have been litigated in the courts frequently.[97] Perhaps DTSA will spur more trade secret cases to be settled now that a plaintiff can forum shop between state and federal courts.[98] Even so, this does not eliminate the requirement that plaintiffs (including TSTs, of course) must have a trade secret as defined by DTSA.[99] The assertion, therefore, that TSTs will use DTSA "too aggressively"[100] under the false pretense of owning a trade secret is without merit because it will not be so simple to prove a

under Wisconsin law); Tel. Mgmt. Corp. v. Goodyear Tire & Rubber Co., 32 F. Supp. 2d 960, 973 (N.D. Ohio 1998) (defining intent to mislead another as an element of intentional misrepresentation under Ohio law). *See generally* First Fin. Bank, N.A. v. Bauknecht, 71 F. Supp. 3d 819 (C.D. Ill. 2014) (explaining how breach of fiduciary duty is intent based).

94. The only way which Company A has trade secret liability is if it has reason to know that John Doe didn't really own the rights to the recipe and was selling it without permission from Company B. *See generally* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

95. *See* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 381.

96. *Cf. Troll*, *supra* note 9, at 241.

97. *See* Strategic Directions Grp., Inc. v. Bristol-Myers Squibb Co., 293 F.3d 1062, 1064–65 (8th Cir. 2002); R.C. Olmstead, Inc. v. CU Interface, LLC, 606 F.3d 262, 276 (6th Cir. 2010); Guy Carpenter & Co., Inc. v. Provenzale, 334 F.3d 459, 468 (5th Cir. 2003).

98. *See* Ned Himmelrich, *Federal Defend Trade Secrets Act of 2016: Action item, Added Ammunition and Comparison to Maryland's Statute*, MD. BAR ASS'N INTELL. PROP. SEC. BULL., June 2016, at 2 ("Litigators now should include in their forum-shopping calculus the fact that their local federal court is now available when previously a trade secret dispute might otherwise have necessitated a state court action.").

99. DTSA incorporates the EEA's definition of what constitutes a trade secret. *See* Economic Espionage Act of 1996, 18 U.S.C. §§ 1839 (2012).

100. *Troll*, *supra* note 9, at 241 ("Thus, it portends the creation of the 'trade secret troll' because there is a significant risk that a new federal civil cause of action for trade secret misappropriation will be used *too aggressively* by those who think they own trade secrets . . .") (emphasis added).

prima facie case for trade secret misappropriation under DTSA.[101] For example, the TST may well be stymied by the challenges of proving what constitutes a trade secret, and whether it was even misappropriated.[102] If the TST were to go ahead and assert trade secret misappropriation when there is uncertainty whether a trade secret exists,[103] as will be discussed below, the TST could be subject to potential sanctions by the court.[104] In a sense, it appears that DTSA requires greater scrutiny and preparation of trolls than the Patent Act.[105]

C. The Troll's Presumed Weapon: Ex Parte *Seizure*

The TST's request for an *ex parte* seizure of its intended target's trade secret is unlikely to be granted because of DTSA's stringent requirements.[106] DTSA states that "the court may, upon ex parte application but only in extraordinary circumstances, issue an order providing for the seizure of property necessary to prevent the propagation or dissemination of the trade secret that is subject of the action."[107] As previously mentioned, the Supreme Court has classified "extraordinary" as "truly unusual."[108] The TST, then, has the burden of proving how its situation is extraordinary and how an injunction or another form of equitable remedy would not suffice.[109] If the troll were to pass this test, DTSA has additional burdens that would likely deter the troll from proceeding any further with a request:[110] (1) proof of immediate and irreparable

101. R. Mark Halligan, *Revisited 2015: Protection of U.S. Trade Secret Assets: Critical Amendments to the Economic Espionage Act of 1996*, 14 J. MARSHALL REV. INTELL. PROP. L. 476, 487 (2015).

102. This is unlike patent infringement where simply attaching a publicly issued patent as an exhibit to a federal complaint meets the burden of proving possible infringement. *Id.*

103. The assumption here is that the TST is not "reasonably" certain that it owns a trade secret and therefore is making a specious claim. *See infra* Part IV.

104. *See infra* Part IV.

105. *Compare* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 379–80, *with* 35 U.S.C. §271(a) (2012).

106. *See* James Pooley, *The Myth of the Trade Secret Troll: Why Defend Trade Secrets Act Improves the Protection of Commercial Information*, 23 GEO. MASON L. REV. 1045, 1071 (2016) ("The DTSA requirements for trade secret seizure are significantly more stringent than those in the Lanham Act."). *Cf. Troll*, *supra* note 9, at 252-253.

107. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

108. Fuentes v. Shevin, 407 U.S. 67, 90 (1972).

109. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376–77.

110. While there are other requirements for a court to consider before granting an *ex parte* seizure, the two listed above are quintessential because Congress intended those to be threshold requirements. *See* H.R. REP. NO. 114-529, at 5 (2016); 162 CONG. REC. S16, 627 (daily ed. Apr. 4, 2016) (statement of Sen. Hatch) ("To ensure that companies do not use the seizure authority for anti-competitive purposes, this legislation requires those seeking redress to make a rigorous showing that they own the trade secret, that the trade secret was stolen, and that their parties would not be harmed if an ex parte order were granted."). However, an *ex parte* seizure must be carried out without any notice to the intended target. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 377 ("[T]he applicant has not publicized the requested seizure."). If the TST attempts to coerce the intended target with a threat of an *ex parte* seizure, it would likely defeat the TST's ability to get a seizure order, and it might

injury, and (2) the danger of instigating a wrongful seizure action against the applicant (the troll).[111]

1. Immediate and Irreparable Injury

The TST will likely be unable to prove that it will suffer an immediate and irreparable injury because, as with the Patent Troll, the TST will hide its trade secrets until they are misappropriated or, in the alternative, the TST will fail to demonstrate why a legal or equitable solution does not suffice.[112] DTSA specifically requires that the district court find that "an immediate and irreparable injury will occur if such seizure is not ordered."[113] The courts have understood the term "immediate" to mean "imminent."[114] In the context of the Lanham Act,[115] courts have interpreted irreparable injury to mean a "potential harm which cannot be redressed by a legal or an equitable remedy following a trial."[116] The harm must "be of a peculiar nature, so that compensation in money cannot atone for it."[117] In this regard, courts have established that a risk of irreparable harm is not enough to demonstrate actual irreparable harm.[118]

Like the Patent Troll, whose sole purpose is to hoard patents until they are infringed upon, the TST is likely to hoard trade secrets without ever making use of them until they are misappropriated.[119] If this hoarding without use takes place, the troll has suffered no immediate harm because the troll has not utilized his trade secret

also give the intended target the ability to file a declaratory judgment action asking a court (of the intended target's choosing) to declare that there is no trade secret and/or no misappropriation.

111. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376, 379.

112. *See infra* notes 119–21 and accompanying text.

113. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

114. Direx Isr., Ltd. v. Breakthrough Med. Corp., 952 F.2d 802, 812 (4th Cir. 1991); *In re* Microsoft Corp. Antitrust Litig. 333 F.3d 517, 528–29 (4th Cir. 2003), *abrogated on other grounds by* Pashby v. Delia, 709 F.3d 307 (4th Cir. 2013).

115. A comparison to the Lanham Act is acceptable because the both the Lanham Act's and DTSA's *ex parte* seizure provisions share similar (and in some instances, identical) language and a common *raison d'etre*. *See* Northcross v. Bd. of Educ. of Memphis City Schs. 412 U.S. 427, 428 (1973). As such, it is appropriate to interpret the *ex parte* seizure of each statute *pari passu*. *See id*.

116. Instant Air Freight Co. v. C.F. Air Freight, Inc., 882 F.2d 797, 801 (3d Cir. 1989). *See also* Sampson v. Murray 415 U.S. 61, 94 (1974) ("The key word in this consideration is *irreparable*. Mere injuries, however substantial, in terms of money, time and energy necessarily expended in the absence of a stay are not enough. The possibility that adequate compensatory or other corrective relief will be available at a later date, in the ordinary course of litigation, weighs heavily against a claim of irreparable harm.") (internal citations omitted).

117. ECRI v. McGraw-Hill, Inc., 809 F.2d 223, 226 (3d Cir. 1987) (citing Glasco v. Hills, 558 F.2d 179, 181 (3d Cir. 1977)).

118. *Id.*; Tucker Anthony Realty Corp. v. Schlesinger, 888 F.2d 969, 975 (2d Cir. 1989).

119. *See* WATKINS, *supra* note 61, at 13.

to any effect.[120] Assuming, however, that the troll has made use of the trade secret in some capacity to increase its value as an entity, it would still be highly unlikely that it could prove an irreparable injury because unless the harm was "peculiar in function," monetary compensation (a legal remedy) or an injunction (an equitable remedy) can likely repair the damage caused by the misappropriation.[121]

2. Cause of Action for Wrongful Seizure

The TST will likely be deterred from requesting an *ex parte* seizure out of fear that the unsuspecting entity will retaliate with a wrongful seizure action.[122] In the context of the Lanham Act,[123] the courts have understood wrongful seizures to occur when: (1) an *ex parte* seizure has taken place, (2) the victim was damaged by the seizure, and (3) either the seized goods were not infringing or the party seeking the seizure did so in bad faith.[124] Assuming that the first two requirements are met, the question of greatest consequence is whether the troll requested the seizure in bad faith.[125] While courts determine bad faith on a case-by-case basis and define it in numerous ways,[126]

120. For a trade secret to have value, it must be used by an entity *at some point* and remain a secret. *See* UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS, 5 (UNIF. LAW COMM'N, 1979) (amended 1985). In New York and Massachusetts (which have not adopted UTSA) this argument is even stronger considering that for something to be considered a trade secret, it must be continuously used in the operation of business. J.T. Healy & Son, Inc. v. James A. Murphy & Son, Inc., 260 N.E. 2d 723, 729 (Mass. 1970); Ashland Mgmt. v. Janien, 624 N.E. 2d 1007, 1013 (N.Y. 1993).

121. Peculiar in function should not be construed as a trade secret losing its secrecy because in the context of trade secret misappropriation, this allegation is asserted frequently. *See* Lejune v. Coin Acceptors 849 A.2d 451, 464 (Md. 2004) (finding that plaintiff's pricing and cost information were trade secrets because plaintiff took steps to maintain its secrecy); Penalty Kick Mgmt. Ltd. v. Coca-Cola Co., 318 F.3d 1284, 1291–92 (11th Cir. 2003) (finding that plaintiff did not disclose a trade secret to the public because it was a unique combination of information); Trandes Corp. v. Guy F. Atkinson Co., 996 F.2d 655, 664 (4th Cir. 1993) (finding that plaintiff did possess a trade secret because absolute secrecy is not required).

122. *See* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 379.

123. DTSA specifically provides that an entity who has suffered from a wrongful seizure is entitled to "the same relief as is provided under section 34(d)(11) of the Trademark Act of 1946." Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 379; *See* The Lanham Act, 15 U.S.C. § 116(d)(11) (2012).

124. Prince of Peace Enters., Inc. v. Top Quality Food Mkt., LLC, 760 F. Supp. 2d 384, 396 (S.D.N.Y. 2011). *See* Waco Int'l, Inc. v. KHK Scaffolding Hous., Inc., 278 F.3d 523, 530 (5th Cir. 2002) ("Congress did identify, however, several guidelines for determining whether a seizure was wrongful. Congress indicated that a seizure may be wrongful: (1) where an applicant acted in 'bad faith' in seeking the order; or (2) if the goods seized are predominately legitimate merchandise, even if the plaintiff acted in good faith.").

125. Trade secrets cannot be infringed upon because they are not registered with the federal government. The infringement prong of the Lanham Act's wrongful seizure test is aimed at goods which are counterfeits and therefore infringe on a trademark. *See, e.g.*, Vuitton v. White, 945 F.2d 569, 570 (3d Cir. 1991); Pepe (U.K.) Ltd. v. Ocean View Factory Outlet Corp., 770 F. Supp. 754, 756–57 (D.P.R. 1991).

126. Zenith Electronics Corp. v. Exzec, Inc., 182 F.3d 1340, 1354 (Fed. Cir. 1999) ("Exactly what constitutes bad faith remains to be determined on a case by case basis.").

a general definition of what constitutes bad faith is "dishonesty in belief, purpose, or motive."[127] For the TST, all three forms of dishonesty are applicable.

One of the primary purposes behind the *ex parte* seizure is to prevent the party subject to the seizure from "propagation or dissemination of the trade secret that is subject of the action."[128] By making the request for an *ex parte* seizure, the troll believes that the unsuspecting entity will proceed with this form of action.[129] However, as advocates of the TST rightfully point out, the unsuspecting entity has no interest in making the trade secret public knowledge because that would hurt the entity's business interests.[130] Put differently, the unsuspecting entity relies on the trade secret's secrecy to be profitable; whether or not it realizes that the trade secret belongs to the TST is irrelevant to that purpose. This, combined with the unsuspecting entity's lack of intent to misappropriate, will make requesting an *ex parte* seizure in many or most instances difficult and unreasonable.[131] It is likely the TST would be aware of these facts and, therefore, requesting an *ex parte* seizure would be dishonest in belief.

A TST's dishonest purpose and motive in requesting the *ex parte* seizure would presumably seek to stifle innovation for monetary gain.[132] Like the Patent Troll, the TST's primary goal is to punish those who do not pay for the "wrongful" taking of the troll's property.[133] In addition, the purpose of the seizure request seemingly would be to disrupt the business operations of the unsuspecting entity, whether or not that entity may be a competitor of the troll in some capacity.[134] As a general matter, however, the troll would likely expect denial of its *ex parte* seizure request, yet would

127. *Bad faith*, BLACK'S LAW DICTIONARY (10th ed. 2014).

128. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376.

129. *See id.*

130. *Troll*, *supra* note 9, at 254.

131. *See supra* Part III(A).

132. For purposes of this Comment, the Author has combined purpose and motive because they are one in the same with respect to how the trade secret troll will use an *ex parte* seizure to his advantage. The Author also recognizes that this is questionable in as much as there is nothing wrong with ensuring that one's property is protected from harm. However, given that the requisite intent to harm is not evident combined with the trade secret troll's sole purpose in establishing itself as an entity is to initiate law suits against supposedly infringing entities, there is a strong policy argument that can be made which the troll's purpose for existing is dishonest. *See supra* Part III(A), Part II(B).

133. *See* WATKINS, *supra* note 61, at 17 ("patents are being held by non-operating companies [Patent Trolls] in hopes that someone will invent something that they can sue over.") (citing Gregory Ferenstein, *Mark Cuban's Awesome Justification for Endowing a Chair to "Eliminate Stupid Patents,"* Jan. 31, 2013, https://techcrunch.com/2013/01/31/mark-cubans-awesome-justification-for-endowing-a-chair-for-eliminating-stupid-patents/).

134. *See Troll*, *supra* note 9, at 257. In the context of patent trolling, this is very frequent. James Bessen, et al., *The Private and Social Costs of Patent Trolls*, REG. (Winter 2011-2012), at 26 ("To the extent that this litigation represents an unavoidable business cost to technology developers, it reduces the profits that these firms make on their technology investments. That is, these lawsuits reduce their incentives to innovate.").

pursue it because the troll "operate[s] based upon unsubstantiated threats of litigation, rather than a concern about losing in courts."[135] In rough form, in a typical trolling dispute, what you have is an unbalanced conflict between a troll concerned with litigation and a target protecting its business.

IV. HOW TO CROSS THE BRIDGE SAFELY

TSTs exist and even flourish to the extent that frivolous or unmeritorious litigation can be profitably initiated. In the United States, there is an open marketplace for litigation of nearly every sort and against nearly anyone.[136] If this right is exercised in a frivolous manner, a court can dismiss the lawsuit, impose sanctions, or both.[137] In the context of trade secrecy law, frivolous claims for trade secret misappropriation are brought frequently.[138] If a TST brings an unsuspecting entity into court, the entity should assert that the TST brought the claim of misappropriation in bad faith.[139] Those, however, are only allegations– on both sides– and they come with a price (not the least of which being attorney's fees).

A. Misappropriation in Bad Faith

DTSA provides that "if a claim of the misappropriation is made in bad faith, which may be established by circumstantial evidence, . . . award reasonable attorney's fees to the prevailing party."[140] Modeled on § 4 of UTSA, this provision should be understood in light of the UTSA drafters' belief that awarding attorney fees are meant

135. *Troll*, *supra* note 9, at 257.

136. Chambers v. Balt. & Ohio R.R. Co., 207 U.S. 142, 148 (1907) ("The right to sue and defend in the courts is the alternative of force. In an organized society it is the right conservative of all other rights, and lies at the foundation of orderly government. It is one of the highest and most essential privileges of citizenship, and must be allowed by each state to the citizens of all other states to the precise extent that it is allowed to its own citizens. Equality of treatment in this respect is not left to depend upon comity between the states, but is granted and protected by the Federal Constitution.") (internal citations omitted).

137. The Constitution of the United States creates a federalist system of government in which a national government and multiple state governments coexist. *See* M'Culloch v. Maryland, 17 U.S. 316, 317 (1819) ("The states have no power, by taxation or otherwise, to retard, impede, burden, or in any manner control the operations of the constitutional laws enacted by congress to carry into effect the powers vested in the national government.") As such, there exist both federal and state courts which have different sets of rules for handling frivolous lawsuits. See Fed. R. Civ. P. 11 for how federal courts handle frivolous claims. Because each state has its own rules of court procedure, for purposes of brevity, the Author will not list them but encourages the reader to look up his/her local court's rules on the matter.

138. Homecare CRM, LLC v. Adam Grp., Inc., 952 F. Supp. 2d 1373, 1380 (N.D. Ga. 2013); Quantlab Techs. Ltd. v. Godlevsky 719 F. Supp. 2d 766, 780-81 (S.D. Tex. 2010); Fleming Sales Co. v. Bailey 611 F. Supp. 507, 518-20 (N.D. Ill. 1985).

139. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 380.

140. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 380.

"in specified circumstances as a deterrent to specious claims of misappropriation ."[141] Although the courts have interpreted bad faith in numerous ways, when deciding whether to award attorney fees in trade secret misappropriation cases, the Federal District Courts have widely adopted a two-prong test based on the UTSA drafters' commentary, requiring: (1) objective speciousness of the claim, and (2) subjective misconduct by the plaintiff in making the claim.[142]

1. Objective Speciousness

A TST's allegation that an unsuspecting entity misappropriated its trade secret is likely to be held objectively specious. Objective speciousness is present when "the action superficially appears to have merit but there is a complete lack of evidence to support the claim."[143] While the unsuspecting entity may have taken the TST's trade secret without the TST's consent, without the requisite intent it is impossible to misappropriate a trade secret under DTSA.[144]

2. Subjective Misconduct

Subjective misconduct is present when "a plaintiff knows or is reckless in not knowing that its claim for trade secret misappropriation has no merit."[145] A prevailing defendant can rely on the direct evidence of the plaintiff's knowledge or in the absence of direct proof, whether the plaintiff made the claim for an improper purpose.[146] A claim for improper purpose is "to harass the opposing party."[147] As critics of DTSA point out with their "apocalyptic speculation,"[148] the TST will "roam free in a confused and unsettled environment, threatening or initiating law suits for the sole purpose of exacting settlement payments, just like existing patent trolls."[149] This type of harassment, where the troll is interested in harming its intended target

141. UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS, 11–12 (UNIF. LAW COMM'N, 1979) (amended 1985). *See also* H.R. REP. NO. 114-529, at 13 (2016).

142. Contract Materials Processing, Inc. v. Kataleuna GMBH Catalysts, 222 F. Supp. 2d 733, 744 (D. Md. 2002); Degussa Admixtures, Inc. v. Burnett, 471 F. Supp. 2d 848, 857 (W.D. Mich. 2007).

143. FLIR Sys., Inc. v. Parrish, 95 Cal. Rptr. 3d 307, 313 (Cal. Ct. App. 2009).

144. *See supra* Part III(A).

145. Krafft v. Downey, 68 A.3d 329, 336 (Pa. Super. Ct. 2013) (citing Hill v. Best Medical International, Inc., Nos. 07-1709, 08-1404, 09-1194, 2011 WL 6749036, at *1, *4 (W.D. Pa. Dec. 22, 2011)).

146. *Id.* (citing Contract Materials Processing, Inc. v. Kataleuna GMBH Catalysts, 222 F. Supp. 2d 733, 744 (D. Md. 2002)).

147. *Id.* at 336–37 (citing Gemini Aluminum Corp. v. California Custom Shapes, Inc., 116 Cal. Rptr. 2d 358, 369 (Cal. Ct. App. 2002)).

148. Pooley, *supra* note 106, at 1078 (2016).

149. *Troll*, *supra* note 9, at 252.

for its own monetary gain, would likely be punished by the courts as subjective misconduct.[150]

CONCLUSION

DTSA does not welcome or herald the arrival of TSTs.[151] The fear that it will is premised on a misunderstanding, or lack of appreciation, of the difference between trade secret misappropriation and patent infringement; and is further exacerbated by discounting satisfaction of the very stringent requirements needed to obtain an *ex parte* seizure.[152] Contrary to patent infringement, where strict liability is in force, trade secret misappropriation is a purposeful wrong requiring the accused to have an intent to misappropriate.[153] This crucial difference is what makes patent trolling possible and trade secret trolling much more difficult and less likely to succeed.[154] As contemplated, DTSA is crafted with precautions to circumscribe undesirable trolling activity, making such activity wasteful and ill-advised.[155] Thus, while providing a seizure mechanism for enforcement, wrongful seizures and bad faith actions are subject to their own redress.[156] Ultimately, litigation experience will determine whether the benefits of DTSA are real, and whether the trolling concerns are misplaced. The potential benefit for U.S. commerce is sufficient to justify the federal effort. Strike up the band!

150. *See* Gemini Aluminum Corp., 116 Cal. Rptr. 2d at 369; FLIR Sys., Inc., 95 Cal. Rptr. 3d at 313.

151. *See* Halligan, *supra* note 101, at 14; Pooley, *supra* note 106, at 1077–78 (2016). *Cf. Troll*, *supra* note 9, at 234.

152. *See Troll*, *supra* note 9, at 252.

153. *See supra* Part III(A).

154. *See supra* Part III, Part IV.

155. *See supra* Part IV.

156. *See supra* Part IV.