IRWIN IP
INTELLECTUAL PROPERTY LITIGATION

IP CASE OF THE WEEK

Money Talks: Trade Secret's New Extraterritorial Reach

Motorola Sols., Inc. v. Hytera Commc'ns Corp. Ltd., No. 22-2370, 2024 WL 3268954 (7th Cir. July 2, 2024)

Authors: Joseph Saltiel & Nick Wheeler | Editor: Jason Keener | July 12, 2024

The Seventh Circuit has opened the flood gates by allowing trade secret owners to recover damages for foreign sales of products using misappropriated trade secrets. On July 2, 2024, the Seventh Circuit affirmed a district court's decision that the Defend Trade Secrets Act ("DTSA") applied extraterritorially, allowing the plaintiff to recoup $407.4 million in damages from *worldwide* sales.

Motorola Solutions, Inc. ("Motorola") and Hytera Communications Corporation Ltd ("Hytera") both compete within the two-way, high-end digital radio market. In an attempt to gain a competitive edge over Motorola, Hytera convinced three Motorola engineers in Malaysia to steal thousands of files containing Motorola's trade secrets. Hytera used Motorola's trade secrets to develop and then sell functionally indistinguishable radios worldwide. In 2017, Motorola sued Hytera for trade secret misappropriation. A jury found that Hytera violated the DTSA, and Motorola was awarded $407.4 million in damages, which included foreign sales. Hytera appealed the damages award.

As background, in 1996, Congress enacted the Economic Espionage Act ("EEA") that criminalized the theft of trade secrets. The EEA was codified as Chapter 90 of Title 18 of the United States Code. Section 1837 of Chapter 90 provides that "[t]his chapter also applies to conduct occurring outside the United States if . . . an act in furtherance of the offense was committed in the United States." In 2016, Congress added the DTSA to Chapter 90, which provided a civil cause of action for trade secret misappropriation.

On appeal, Hytera argued that generally the DTSA did not apply extraterritoriality, and specifically that Section 1837 did not apply to the DTSA because it used the term "offense," which only applied to criminal acts under the EEA. The Seventh Circuit rejected this argument holding that because Congress added the DTSA to Chapter 90, which already applied extraterritorially via Section 1837, Congress meant for the DTSA to have an extraterritorial reach too. Further, the Seventh Circuit explained the term "offense" is applicable to both civil and criminal offenses, and the fact that Congress did not amend Section 1837 to remove the introductory phrase "this chapter" meant that Section 1837 applied to all offenses in Chapter 90, including criminal and civil actions.

Hytera also argued that Section 1837's "act in furtherance" language required Hytera to have acquired Motorola's trade secrets within the U.S. for extraterritoriality to apply. The Seventh Circuit rejected that argument holding that Section 1837 does not require a completed act of domestic misappropriation or any causation between the domestic act and the foreign sales for which damages are sought. Instead, the Seventh Circuit stated that any disclosure or use of the misappropriated trade secret in the U.S. satisfies this clause as it is part of the "conspiracy" to misappropriate the trade secrets. The Seventh Circuit then affirmed the damages award that included Hytera's foreign sales because Hytera used the trade secrets at a trade show in the U.S., and even though the trade show use was unrelated to the foreign sales, it was part of the same conspiracy to misappropriate Motorola's trade secrets.

By allowing plaintiffs to recoup damages for foreign sales, many businesses should consider the impact of foreign activity in misappropriation claims. The availability of damages for foreign activity may lead businesses to aggressively pursue trade secret litigation in the U.S. under the DTSA. Conversely, businesses should be mindful of their foreign activity as it may used against them in future trade secret misappropriation cases in the U.S.