No. 24-___

IN THE

Supreme Court of the United States

HYTERA COMMUNICATIONS CORPORATION LTD.,

Petitioner,

V.

MOTOROLA SOLUTIONS, INC. AND
MOTOROLA SOLUTIONS MALAYSIA SDN. BHD.,

Respondents.

On Petition for Writ of Certiorari to the
U.S. Court of Appeals for the Seventh Circuit

PETITION FOR WRIT OF CERTIORARI

BOYD CLOERN
ALICE E. LOUGHRAN
MARK C. SAVIGNAC
Counsel of Record
JOHN WILLIAM TOTH
STEPTOE LLP
1330 Connecticut Ave., N.W.
Washington, D.C. 20036
(202) 429-3000
msavignac@steptoe.com

Counsel for Petitioner

QUESTION PRESENTED

In 1996, Congress enacted the Economic Espionage Act, which created Chapter 90 of Title 18 and criminalized trade secret theft (18 U.S.C. § 1832). That Act expressly provides for extraterritorial application of "[t]his chapter" (i.e., Chapter 90) only if "an act in furtherance of the offense was committed in the United States." *Id.* § 1837.

In construing another Title 18 provision that applies to "offenses," this Court held that it applies "only to criminal charges" and not "also to civil claims." *Kellogg Brown & Root Services, Inc. v. United States ex rel. Carter*, 575 U.S. 650, 653 (2015). "Although the term ['offense'] appears hundreds of times in Title 18," *not a single one* of those instances "actually labels a civil wrong as an 'offense.'" *Id.*

The next year, Congress enacted the Defend Trade Secrets Act of 2016 (DTSA), which amends Chapter 90 of Title 18 to create the civil wrong of trade secret misappropriation and a private right of action for such misappropriation. 18 U.S.C. § 1836(b). The DTSA did not alter § 1837, which still grants extraterritorial reach only to "offense[s]" under Chapter 90.

The question presented is:

Does the private right of action for trade secret misappropriation created by the Defend Trade Secrets Act of 2016 rebut the presumption against extraterritorial application of U.S. law?

PARTIES TO THE PROCEEDING, CORPORATE DISCLOSURE STATEMENT, AND LIST OF RELATED PROCEEDINGS

The caption contains the names of all of the parties to the proceeding in the court whose judgment is sought to be reviewed (i.e., the U.S. Court of Appeals for the Seventh Circuit). Two Hytera subsidiaries were also named as defendants in the district court, but they later entered bankruptcy and were not parties to the Seventh Circuit appeal.

Petitioner Hytera Communications Corporation Ltd. is a business entity formed under the laws of the People's Republic of China. It has no parent corporation, and no publicly held company owns 10% or more of its stock.

The only directly related proceedings within the meaning of this Court's Rule 14.1(b)(iii) are the proceedings below:

- *Motorola Solutions, Inc. v. Hytera Communications Corp.*, Nos. 22-2370 & 22-2413 (7th Cir.) (judgment entered July 2, 2024).
- *Motorola Solutions, Inc. v. Hytera Communications Corp.*, No. 1:17-cv-01973 (N.D. Ill.) (judgment entered March 5, 2020).

TABLE OF CONTENTS

TABLE OF APPENDICES

TABLE OF AUTHORITIES

Page(s)

Cases

Statutes

OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the Seventh Circuit is reported at 108 F.4th 458. The opinions of the U.S. District Court for the Northern District of Illinois include opinions reported at 436 F. Supp. 3d 1150 and 495 F. Supp. 3d 687 as well as unreported opinions. The Seventh Circuit's opinion and the relevant district court opinions are reproduced in the appendix to this petition (App.).

JURISDICTION

The Seventh Circuit entered judgment on July 2, 2024. Petitioner filed a timely petition for rehearing or rehearing en banc, which the Seventh Circuit denied on October 4, 2024. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant provisions of the Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, and of Title I of the Economic Espionage Act of 1996, Pub. L. No. 104-294, both of which are largely codified in Chapter 90 of Title 18 (18 U.S.C. §§ 1831-1839), are reproduced in the appendix.

STATEMENT OF THE CASE

Petitioner Hytera Communications Corporation Ltd. is a Chinese radio manufacturer. Respondents are the American electronics company Motorola Solutions, Inc. and a related Motorola entity in Malaysia (collectively, "Motorola").

Hytera and Motorola are the two main competitors in the global market for two-way radio systems (i.e., the walkie-talkies and related devices that first responders and similar entities use to coordinate their public-safety operations). App. 3a. This case concerns Hytera products that are "used by governments and public-safety entities around the world." App. 4a.

In 2017, Motorola filed this lawsuit against Hytera for copyright infringement and trade secret misappropriation. App. 6a. The jury returned a verdict for Motorola. App. 7a. It found that a group of Motorola engineers in Malaysia had taken Motorola intellectual property with them when they moved from Motorola's Malaysian entity to work for Hytera in China, and that the Motorola intellectual property was wrongfully incorporated into certain Hytera products. App. 4a-6a.

Specifically, Hytera hired an engineer named GS Kok to help launch its DMR product, and GS Kok, in turn, recruited six additional engineers from Motorola's Malaysian research and development facility. R.1088:3. Those seven Motorola employees stole documents and computer code. R.1088:3.

Hytera learned of the thefts only a decade later, when it was served with Motorola's 2017 complaint. R.802, Tr. 3131:12-17. When Hytera learned that one of the seven tried to erase her hard drive containing the Motorola source code, Hytera worked to recover that hard drive. R.801, Tr. 3117:7-3120:21. Hytera turned over what it recovered to Motorola, which then used these materials to prove its liability case against Hytera. R.790, Tr. 1468:1-18.

Internal Motorola emails show that it had strong suspicions from the beginning that GS Kok's team had stolen the code and documents. R.835-10, Tr. 32:5-33:4, 34:20-35:2. But Motorola did not raise these concerns with Hytera at that time. Instead, it sat on its rights until Hytera had risen to become Motorola's main worldwide competitor. *See* App. 3a. Only then did Motorola file this suit, wielding U.S. litigation as a weapon to undermine its main global competitor.

Following the liability verdict, the district court ordered Hytera to disgorge more than half a billion dollars in profits that it had made on sales of accused products anywhere in the world. App. 8a. The court also ordered Hytera to pay a court-imposed royalty on future sales anywhere in the world. App. 9a. The court ordered this disgorgement under the Copyright Act for the period up to May 11, 2016—which was the effective date of the Defend Trade Secrets Act (DTSA)—and ordered disgorgement and royalties from that date forward under the DTSA. App. 8a. In doing so, the district court rejected Hytera's argument that, under the presumption against extraterritoriality, Motorola could not recover profits from extraterritorial sales under U.S. law. App. 7a, 9a.

The U.S. Court of Appeals for the Seventh Circuit affirmed in part and reversed in part. App. 11a, App. 86a. It agreed with Hytera that the Copyright Act does not rebut the presumption against extraterritorial application of U.S. law and that Motorola failed to show that Hytera's overseas sales resulted from a domestic act. App. 11a-18a.

But the Seventh Circuit reached the opposite conclusion under the DTSA. App. 28a-47a. As discussed further below, it reasoned that Congress gave a clear indication that the DTSA's private right of action applies extraterritorially through a *separate, preexisting criminal statute* that extends the crime of trade secret theft to "conduct occurring outside the United States if … an act in furtherance of *the offense* was committed in the United States." 18 U.S.C. § 1837 (emphasis added).

The Seventh Circuit's reasoning is further described where directly relevant below.

REASONS FOR GRANTING THE PETITION

In holding that the DTSA's private cause of action for civil trade secret misappropriation applies worldwide because civil misappropriation is an "offense" under § 1837, the Seventh Circuit contravened this Court's precedents on both the presumption against extraterritoriality and the interpretation of the word "offense" when used in Title 18. It also created an anomaly in the private enforcement of U.S. intellectual property law, for this Court has held that the other three forms of federally protected intellectual property (patents, copyrights, and trademarks) have no extraterritorial reach. And it created a split with the Tenth Circuit over the proper interpretation of the word "offense" in Title 18 and this Court's decision in *Kellogg Brown & Root Services, Inc. v. United States ex rel. Carter*, 575 U.S. 650, 653 (2015).

For these reasons, the petition for certiorari should be granted. Indeed, in light of the clear irreconcilability between the decision below and this Court's precedents, including *Kellogg*, summary reversal would be appropriate.

I. The decision below is directly contrary to this Court's precedents.

A. The presumption against extraterritoriality

"It is a basic premise of our legal system that, in general, 'United States law governs domestically but does not rule the world.'" *RJR Nabisco v. European Community*, 579 U.S. 325, 335 (2016) (quoting *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454 (2007)). "In other words, exclusively '[f]oreign conduct is generally the domain of foreign law.'" *Abitron Austria GmbH v. Hectronic International, Inc.*, 143 S. Ct. 2522, 2528 (2023) (quoting *Microsoft*, 550 U.S. at 455).

"This principle finds expression in a canon of statutory construction known as the presumption against extraterritoriality: Absent clearly expressed congressional intent to the contrary, federal laws will be construed to have only domestic application." *RJR Nabisco*, 579 U.S. at 335; *see also, e.g.*, *Abitron*, 143 S. Ct. at 2528.

In applying the canon, "[t]he question is not whether we think 'Congress would have wanted' a statute to apply to foreign conduct 'if it had thought of the situation before the court,' but whether Congress has affirmatively and unmistakably instructed that the statute will do so." *RJR Nabisco*, 579 U.S. at 335 (quoting *Morrison v. National Australia Bank Ltd.*, 561 U.S. 247, 255 (2010)). "When a statute gives no clear indication of an extraterritorial application, it has none." *Id.* (quoting *Morrison*, 561 U.S. at 255).

The presumption "serves to protect against unintended clashes between our laws and those of other nations which could result in international discord." *Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 115 (2013) (quoting *EEOC v. Arabian American Oil. Co.*, 499 U.S. 244, 248 (1991)); *see also Hernandez v. Mesa*, 589 U.S. 93, 110 (2020) (same). "But it also reflects the more prosaic 'commonsense notion that Congress generally legislates with domestic concerns in mind.'" *RJR Nabisco*, 579 U.S. at 336 (quoting *Smith v. United States*, 507 U.S. 197, 204 n.5 (1993)). Courts therefore "apply the presumption across the board," regardless of whether there is a demonstrated risk of conflict or discord in a particular case. *Id.* "In fact, consistent application of the presumption 'preserv[es] a stable background against which Congress can legislate with predictable effects.'" *Yegiazaryan v. Smagin*, 599 U.S. 533, 541 (2023) (quoting *Morrison*, 561 U.S. at 261).

This Court's extraterritoriality precedents apply a now-familiar "two-step framework for analyzing extraterritoriality issues." *Nestlé USA, Inc. v. Doe*, 593 U.S. 628, 632 (2021) (quoting *RJR Nabisco*, 579 U.S. at 336).

"At the first step, we ask whether the presumption against extraterritoriality has been rebutted—that is, whether the statute gives a clear, affirmative indication that it applies extraterritorially." *RJR Nabisco*, 579 U.S. at 336. "[T]hat determination turns on whether 'Congress has affirmatively and unmistakably instructed that' the provision at issue should 'apply to foreign conduct.'" *Abitron*, 143 S. Ct. at 2528 (quoting *RJR Nabisco*, 579 U.S. at 335, 337).

"If the statute is not extraterritorial, then at the second step we determine whether the case involves a domestic application of the statute." *RJR Nabisco*, 579 U.S. at 336. And "if the conduct relevant to the focus occurred in a foreign country, then the case involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory." *Id.*

B. The DTSA does not rebut the presumption against extraterritoriality.

1. Congress enacted the DTSA in 2016. Pub. L. 114-153. Section 2 of the DTSA creates a private right of action for trade secret misappropriation, which is codified at 18 U.S.C. § 1836(b).

Before the DTSA, Title I of the Economic Espionage Act of 1996 made trade secret theft a federal crime. *See* 18 U.S.C. § 1832. But there was no federal private right of action for trade secret misappropriation, which was instead solely a matter of state law.[1]

The federal offense of trade secret *theft* created by the 1996 Economic Espionage Act and the federal civil wrong of trade secret *misappropriation* created twenty years later by the 2016 DTSA have different definitions and elements. *Compare* 18 U.S.C. § 1832(a) ("Theft of trade secrets") *with* § 1839(5) (defining "misappropriation"). The concept of misappropriation under the DTSA is drawn from the Uniform Trade Secrets Act adopted by most of the States.

In short, the DTSA does not create a private right of action for the preexisting crime of trade secret theft; it creates a new type of civil wrong not previously addressed by federal law (trade secret

---

[1] The Economic Espionage Act also created the offense of economic espionage, which is similar to trade secret theft but requires that the defendant know that the offense will benefit a foreign government or instrumentality. *See* 18 U.S.C. § 1831(a).

misappropriation) and a private right of action for that civil wrong.

2. The DTSA does not say—much less "affirmatively and unmistakably instruct[]"—that its private right of action extends to extraterritorial conduct. The Seventh Circuit acknowledged as much. App. 32a ("neither the private right of action in 18 U.S.C. § 1836(b) nor the definition of 'misappropriation' added by the DTSA in section 1839(5) includes express references to extraterritorial conduct"). And that strongly suggests that the provision in question is not extraterritorial, for "[i]t is a 'rare statute that clearly evidences extraterritorial effect despite lacking an express statement of extraterritoriality.'" *Abitron*, 143 S. Ct. at 2529 (quoting *RJR Nabisco*, 579 U.S. at 340).

Nonetheless, the Seventh Circuit held that Congress rebutted the presumption against extraterritoriality through 18 U.S.C. § 1837. App. 32a. Section 1837 is not part of the DTSA but rather was previously adopted as part of the Economic Espionage Act of 1996. App. 32a. The DSTA did not amend § 1837. App. 29a.

Section 1837 expressly rebuts the presumption against extraterritoriality for U.S. criminal defendants and for "offense[s]" committed partly in the United States:

> **Applicability to conduct outside the United States.** This chapter also applies to conduct occurring outside the United States if—
>
> **(1)** the offender is … organized under the laws of the United States or a State … ; or

> **(2)** an act in furtherance of the offense was committed in the United States.

18 U.S.C. § 1837.

Applying § 1837(2), the Seventh Circuit reasoned that Hytera "committed an 'act in furtherance of' its worldwide 'offense' within the United States" when Hytera representatives attended U.S. trade shows to promote the accused products. App. 46a; *see also id.* ("Hytera's 'offense' encompassed all misappropriations arising from the initial unlawful acquisitions by the former Motorola employees."). The Seventh Circuit thus held that "Motorola can recover damages for all foreign sales" of accused products. App. 46a.

C. The Seventh Circuit's conclusion that § 1837's term "offense" unambiguously encompasses civil wrongs is clearly inconsistent with this Court's case law.

1. The Seventh Circuit contravened this Court's precedents when it held that § 1837 rebuts the presumption against extraterritoriality for the private right of action that the DTSA created for trade secret misappropriation. Under a correct application of this Court's case law, § 1837 applies only to *crimes* ("offense[s]"), such as trade secret theft. It does not apply to private suits for civil trade secret misappropriation under the DTSA. And § 1837 can express no congressional intent as to the scope of the DSTA because it was adopted decades earlier, as part of the Economic Espionage Act.

By its terms, § 1837 applies to "[t]his chapter," meaning Chapter 90 of Title 18 (which is titled

"Protection of Trade Secrets"). 18 U.S.C. § 1837. And Congress added the DTSA to Chapter 90. But § 1837's terms also make clear that it applies only to an "offense," 18 U.S.C. § 1837(2), which is consistent with the fact that it was adopted as part of a criminal statute (the Economic Espionage Act). Thus, § 1837's rebuttal of the presumption extends to the DTSA's private right of action for trade secret misappropriation if—and only if—the civil wrong of trade secret misappropriation is *unambiguously* an "offense" within the meaning of § 1837(2), such that Congress's placement of the DTSA in Title 90 provides a "clear, affirmative indication" of extraterritorial reach under § 1837. *RJR Nabisco*, 579 U.S. at 337.

As the Seventh Circuit recognized, the question therefore is whether the term "offense" in § 1837(2) encompasses civil as well as criminal wrongs.[2] The Seventh Circuit held that it must. App. 39a-41a. It noted that "offense" *can* be used broadly to include both criminal and civil misconduct. App. 35a, 41a. And it observed that the Congress that passed DTSA was concerned about trade secret theft worldwide. App. 34a-36a. From this, the Seventh Circuit inferred that Congress would have intended the broader meaning of "offense"—and that the inference was so

[2] As noted above, § 1837(1) provides for extraterritorial application where the "offender" is a U.S. person. The analysis for § 1837(1)'s term "offender" parallels the analysis for § 1837(2)'s term "offense": Neither term unambiguously encompasses mere civil misconduct redressed by a private lawsuit.

clear as to rebut the presumption against extraterritoriality. App. 40a-41a.

2. The Seventh Circuit's reasoning directly conflicts with this Court's authoritative precedent on the meaning of "offense" in Title 18.

In *Kellogg Brown & Root Services, Inc. v. United States ex rel. Carter*, the Court addressed "whether the Wartime Suspension of Limitations Act (WSLA) applies only to criminal charges or also to civil claims." 575 U.S. 650, 653 (2015). In holding that it applies only to crimes, the unanimous Court found it dispositive that the WSLA—just like § 1837—is part of Title 18 and applies only to "offenses."

As the Court explained, "[t]he term 'offense' is most commonly used to refer to crimes." *Id.* 658 (citing dictionaries). "It is true that the term 'offense' is sometimes used more broadly," to encompass both civil wrongs and crimes. *Kellogg*, 575 U.S. at 659. "But while the term 'offense' is sometimes used in this way, *that is not how the word is used in Title 18*." *Id.* (emphasis added). "Although the term appears hundreds of times in Title 18," *not a single one* of those instances "actually labels a civil wrong as an 'offense.'" *Id.*

This Court thus found it "clear" that "offense" in the WSLA—like every single other instance of the word "offense" in Title 18—refers solely to crimes. *Id.* at 661. And the Court added that "even if there were some ambiguity in the WSLA's use of that term, our cases [on exceptions to statutes of limitations] instruct us to resolve that ambiguity in favor of the narrower definition." *Id.* "Applying that principle here means that the term 'offense' must be construed to refer only to crimes." *Id.* Of course, the presumption against extraterritoriality likewise requires that any ambiguity be resolved against extraterritorial application.

Especially in light of *Kellogg*, § 1837's use of "offense" (which was on the books in Title 18 when *Kellogg* was decided) could not possibly provide a "clear, affirmative indication" of extraterritorial reach for the DTSA's civil private right of action.

3. The Seventh Circuit correctly acknowledged that, before the 2016 enactment of the DTSA, the term "offense" in § 1837 indeed referred solely to crimes. App. 40a-41a. Two points compelled that conclusion.

First, § 1837 was enacted in 1996 as part of the Economic Espionage Act, which created the federal crimes of trade secret theft and economic espionage, *see* 18 U.S.C. §§ 1831-1832. Before the DTSA, Chapter 90 did not define *any* civil wrongs, so § 1837's reference to "offense[s]" under "[t]his chapter" could only refer to crimes. App. 40a.

Second, as described above, this Court held in *Kellogg* that the term "offense," when used in Title 18, *invariably* refers *solely* to criminal offenses. *Kellogg* thus made clear that, at least as of 2015 (when *Kellogg* was decided), § 1837's reference to "offense[s]"—like each and every one of the hundreds of other such references in Title 18—referred only to crimes, not civil wrongs like the one at issue here. App. 40a-41a.

4. Incredibly, the Seventh Circuit went on to conclude that Congress *silently changed* the meaning of offense in § 1837 when, a year after *Kellogg*, it enacted the DTSA. *See* App. 40a-41a.

This reasoning is deeply flawed. The DTSA did not touch § 1837 (as the Seventh Circuit observed, *see* App. 29a). Given that § 1837's term "offense" indisputably referred only to crimes before the DTSA was enacted—and that this Court had held the year before both that (1) "offense" most commonly means just crimes and (2) "offense" *always* just means crimes when it appears in Title 18—Congress plainly did not "affirmatively and unmistakably instruct[] that" § 1837's existing term "offense" should now encompass civil trade secret misappropriation.

This Court made a similar point about the statutory history of the WSLA in *Kellogg*. "The retention of the same term in the later laws suggests that no fundamental alteration was intended." *Kellogg*, 575 U.S. at 660. "Fundamental changes in the scope of a statute are not typically accomplished with so subtle a move. … If Congress had meant to make such a change [like expanding the WSLA to cover civil wrongs as well as crimes], we would expect it to have used language that made this important modification clear to litigants and courts." *Id.* at 661. The same reasoning applies at least as strongly here.

Indeed, the far more natural inference is the very opposite of the one that the Seventh Circuit drew: When it enacted the DTSA against the backdrop of the one-year-old *Kellogg* decision, Congress had every reason to expect that courts would continue to read "offense" in § 1837 to mean what it (undisputedly) had always meant. *See, e.g.*, Scalia & Garner, Reading Law § 54 (prior-construction canon).

Finally, any expression of congressional intent as to the sweep of the DTSA would have to be part of the DTSA itself, yet the DTSA did not modify (or even mention) § 1837. *At most*, one might draw an inference from the fact that the DTSA amended a neighboring provision, § 1836, to add a civil cause of action. But such an inference is not the "clear, affirmative indication" that this Court requires to rebut the presumption against extraterritoriality.

5. The use of the term "offense" elsewhere in the DTSA and in the Economic Espionage Act provides further confirmation.

The substantive provisions of the Economic Espionage Act repeatedly call the crimes they define "offenses." *See* 18 U.S.C. §§ 1831 (offense of economic espionage), 1832 (offense of trade secret theft). By contrast, the DTSA uses that term only once—to refer to those provisions of the Economic Espionage Act. *See* Pub. L. 114-153 § 3(b).[3] Congress plainly understood that a crime (like trade secret *theft*) is an "offense," while a civil wrong (like trade secret *misappropriation*) is not.

6. Though no operative provision of the Economic Espionage Act or of the DTSA supports the Seventh

[3] DTSA § 3(b), which is unrelated to the private right of action for misappropriation created in § 2, amends the Racketeer Influenced and Corrupt Organizations Act (RICO) to add the crimes created by the Economic Espionage Act to RICO's list of predicate offenses. *See* Pub. L. 114-153 § 3(b); 18 U.S.C. § 1961(1). Under *RJR Nabisco*, RICO applies extraterritorially to the same extent as the underlying predicates. Thus, by raising the specter of RICO prosecution, § 3(b) strengthens deterrence of extraterritorial trade secret crimes.

Circuit's interpretation, that court reasoned that Congress *must* have intended to extend § 1837 to civil wrongs because the DTSA's "Sense of Congress" section says that "trade secret theft occurs in the United States and around the world" and harms intellectual property owners "wherever it occurs." Pub. L. 114-153 § 5; *see* App. 34a-36a.

It is doubtful that such a truism in a statute's purpose statement—practically every type of wrongdoing occurs worldwide and harms its victims wherever it occurs—could ever provide the "clear, affirmative indication" required to rebut the presumption against extraterritoriality. But even assuming that it could, the DTSA's "Sense of Congress" provision does not. The fatal flaw in the Seventh Circuit's reasoning is that *other* sections of the DTSA *expressly* address the problem of "trade secret theft … around the world," negating any inference that Congress must have intended to address that problem through the DTSA's private right of action for trade secret misappropriation. *See also RJR Nabisco*, 579 U.S. at 335 ("The question is not whether we think 'Congress would have wanted' a statute to apply to foreign conduct 'if it had thought of the situation before the court,' but whether Congress has affirmatively and unmistakably instructed that the statute will do so." (quoting *Morrison*, 561 U.S. at 255)).

The civil wrong of misappropriation and the private right of action are created by § 2 of the DTSA. And the "Sense of Congress" provision is § 5. Between those two sections are § 3 ("Trade Secret Theft Enforcement") and § 4 ("Report on Theft of Trade

Secrets Occurring Abroad"). Section 3 amends the Economic Espionage Act's criminal prohibitions—for which § 1837 plainly rebuts the presumption—by increasing the penalties for those crimes and making them RICO predicates. And § 4 directs the Attorney General to submit to Congress biannual reports addressing "the theft of the trade secrets of United States companies occurring outside the United States," along with related extraterritorial issues.

Given that §§ 3 and 4 of the DTSA are explicitly addressed to the problem of *extraterritorial* trade secret theft, there is no basis whatsoever to infer from § 5's reference to the worldwide problem of trade secret theft that the private right of action for misappropriation created by § 2—the one section of the DTSA that says *nothing* about extraterritorial application—must apply worldwide.

If anything, § 4's provision for ongoing factfinding by the Attorney General suggests that Congress did *not* expect the DTSA to be the last word—i.e., the complete solution to the problem of global trade secret theft—and, instead, anticipated considering further possible solutions in the future.

Moreover, the lack of a clear indication that § 2 is extraterritorial is all the more significant given that § 2 is the only part of either the Economic Espionage Act or the DTSA that can be enforced by private parties. As this Court explained in *RJR Nabisco*, "providing a private civil remedy for foreign conduct creates a potential for international friction beyond that presented by merely applying U.S. substantive law [enforced by the Executive Branch] to that foreign conduct," including because the Executive Branch takes international relations into account while private plaintiffs do not. 579 U.S. at 346-47.

The Seventh Circuit's reliance on the DTSA's purpose statements also proves far too much. Those statements say that trade secret theft occurs "around the world" and, "wherever it occurs, harms the companies that own the trade secrets and the employees of the companies." DTSA § 5(1)-(2). On the Seventh Circuit's reasoning, these statements must mean that Congress intended to extend the DTSA's private right of action to every act of misappropriation "wherever it occurs," with no territorial limit whatsoever.

Yet it is undisputed that § 1837 provides only a *limited* rebuttal of the presumption against extraterritoriality, for cases where the offender is a U.S. person or commits an act in furtherance of the offense in the United States. *See* 18 U.S.C. § 1837. It plainly does not reach every extraterritorial offense, or even every offense where the victim is an American company or individual. And, of course, the presumption against extraterritoriality dictates that any rebuttal of the presumption must be "limit[ed] … to its terms." *Morrison*, 561 U.S. at 265; *see also Abitron*, 143 S. Ct. at 2528 (any rebuttal of the presumption is "subject to 'the limits Congress has (or has not) imposed on the statute's foreign application'" (quoting *RJR Nabisco*, 579 U.S. at 337-38)).

There is simply no basis for reading the DTSA's purpose statements, as the Seventh Circuit did, to give an indication (much less a "clear, affirmative indication") of the intended territorial reach of the DTSA's private right of action.

7. Finally, while the DTSA is a relatively recent enactment, Congress's longstanding treatment of civil protections for other forms of intellectual property as purely territorial further confirms that Congress did not make a different choice sub silentio in the DTSA. *See, e.g.*, *Abitron*, 143 S. Ct. at 2527 ("two provisions of the Lanham Act that prohibit trademark infringement … are not extraterritorial"); *id.* at 2533 ("In nearly all countries, including the United States, trademark law is territorial"); *Impression Products, Inc. v. Lexmark International, Inc.*, 581 U.S. 360, 379 (2017) ("copyright protections … do not have any extraterritorial operation"); *Microsoft*, 550 U.S. at 454-55 ("The presumption that United States law … does not rule the world applies with particular force in patent law."); *cf. Abitron*, 143 S. Ct. at 2534 ("Because of the territorial nature of trademarks, the 'probability of incompatibility with the applicable laws of other countries is so obvious that if Congress intended such foreign application it would have addressed the subject of conflicts with foreign laws and procedures.'" (quoting *Morrison*, 561 U.S. at 269)).

* * *

In short, nothing in either the DTSA or the preexisting extraterritoriality provision of the Economic Espionage Act (§ 1837) gives a clear, affirmative indication that Congress intended to rebut the presumption against extraterritoriality with respect to the DTSA's private right of action for trade secret misappropriation. To the contrary, the far stronger inference in light of this Court's precedents on both the presumption against extraterritoriality and the meaning of the term "offense" is that Congress intended for civil trade secret misappropriation to be a purely domestic concept, just as with other civil protections for intellectual property rights.[4]

---

[4] The Seventh Circuit "agree[d] with the district court's alternative finding that, even if the DTSA did not apply extraterritorially …, this case would still amount to a permissible domestic application …." App. 46a; *see also* App. 30a (discussing this "alternative finding" at App. 215a-218a). As the district court explained, though, "[t]he tricky issue … is what damages would be proper under a use-based theory under this second step of the extraterritorial analysis." App. 217a-218a. While Hytera does not seek review of the lower courts' rulings about domestic violations (including U.S. sales), such violations plainly do not permit Motorola to recover profits from foreign sales absent some causal nexus connecting the foreign sale to a domestic violation—and Motorola did not even purport to prove any such nexus. After all, "the presumption against extraterritorial application would be a craven watchdog indeed if it retreated to its kennel whenever *some* domestic activity is involved in the case." *Nestlé USA*, 593 U.S. at 634 (2021) (quoting *Morrison*, 561 U.S. at 266); *see, e.g.*, *Abitron*, 143 S. Ct. at 2529 ("if the relevant conduct occurred in another country, 'then the case involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory'" (quoting *WesternGeco LLC v. ION Geophysical Corp.*, 585 U.S. 407, 414 (2018))); *Yegiazaryan*, 559 U.S. at 545 (where a statute does not rebut the presumption against extraterritoriality, a plaintiff can prevail only if "it is clear that the injury arose domestically").

II. This Court's intervention is necessary to secure the uniform application of the presumption against extraterritoriality to private suits under U.S. intellectual property law.

A. Time and again over the past 20 years, this Court has granted certiorari to correct lower-court decisions that disregard the "basic premise of our legal system that, in general, 'United States law governs domestically but does not rule the world.'" *RJR Nabisco*, 579 U.S. at 335 (quoting *Microsoft*, 550 U.S. at 454). Among the Court's extraterritoriality precedents are cases addressing all three of the other federally protected forms of intellectual property—patents, copyrights, and trademarks. *See Abitron*, 143 S. Ct. 2522 (trademarks); *Impression Products*, 581 U.S. at 379 (copyrights); *Microsoft*, 550 U.S. at 454-55 (patents).

These decisions have been necessary because lower courts continue to take a much more expansive view of the extraterritorial reach of federal laws than this Court's clear pronouncements allow.

It was this Court's decision in *Impression Products* that caused the Seventh Circuit to reverse the district court's award of Hytera's extraterritorial profits under the Copyright Act. App. 12a ("With respect to the Copyright Act at [step one of the extraterritoriality analysis], the Supreme Court has said no." (citing *Impression Products*)). Without direct guidance from this Court, however, the Seventh Circuit reached the opposite conclusion for the DTSA—creating an anomalous situation where companies can bring private suits over extraterritorial conduct implicating one class of intellectual property but not the others.

This Court should grant review to bring uniformity to the federal intellectual property laws. Indeed, while the presumption against extraterritoriality does not necessarily require a showing that extraterritorial application of a given statute threatens to cause international discord, that threat is clearly present when it comes to private intellectual property litigation. *See, e.g.*, *Abitron*, 143 S. Ct. at 2534 ("Because of the territorial nature of trademarks, the 'probability of incompatibility with the applicable laws of other countries is so obvious that if Congress intended such foreign application it would have addressed the subject of conflicts with foreign laws and procedures.'" (quoting *Morrison*, 561 U.S. at 269)); *RJR Nabisco*, 579 U.S. at 346-47 ("providing a private civil remedy for foreign conduct creates a potential for international friction beyond that presented by merely applying U.S. substantive law to that foreign conduct"); *Sosa v. Alvarez-Machain*, 542 U.S. 692, 727 (2004) ("The creation of a private right of action raises issues beyond the mere consideration whether underlying primary conduct should be allowed or not, entailing, for example, a decision to permit enforcement without the check imposed by prosecutorial discretion.").

As shown above, Congress has never provided the requisite "clear indication" that it intended for the DTSA's private right of action to "rule the world." To the contrary, it is far likelier that Congress—like this Court—understood "offense" to mean "crime" and affirmatively chose *not* to give extraterritorial reach to private civil claims for trade secret misappropriation. This Court's intervention is necessary to prevent erroneous judicial interpretation of the DTSA from creating international friction that Congress never intended.

B. Even setting aside its broader implications, this case is itself very important.

Motorola and Hytera are "the two main competitors in the global market" for two-way radio products that are "used by governments and public-safety entities around the world." App. 3a-4a. The enormous judgment in this case, based almost entirely on Hytera's sales in its home country of China and in third countries, threatens Hytera's business and is plainly seen by Motorola as an opportunity to seek to destroy its competition and secure a global monopoly in a line of business that is crucial for public safety.

The case thus has major implications for public safety and for relations between the parties' respective home countries.

C. At least two other courts of appeals have taken the position that § 1837 allows extraterritorial claims for trade secret misappropriation under the DTSA.

In *dmarcian, Inc. v. dmarcian Europe BV*, the Fourth Circuit reasoned that § 1837 allows for extraterritorial application of the DTSA's private right of action. 60 F.4th 119, 141-42 (4th Cir. 2023).

In *Amyndas Pharmaceuticals, S.A. v. Zealand Pharma A/S*, the First Circuit said that "the DTSA's text and legislative history make pellucid that Congress was concerned with the theft of American trade secrets abroad and intended the DTSA to have extraterritorial reach." 48 F.4th 18, 34-35 (1st Cir. 2022).

Neither court considered that § 1837 was enacted as part of a different, criminal statute, or that it applies only to "offender[s]" and "offense[s]," not to civil wrongs. Rather, as demonstrated by the decision below, the courts of appeals appear to be driven by the unbounded notion that Congress "was concerned with the theft of American trade secrets abroad" (48 F.4th at 34-35) and thus would surely have wanted the DTSA's new private right of action to extend worldwide.

In so reasoning, the courts of appeals have disregarded this Court's teaching that "[t]he question is not whether we think 'Congress would have wanted' a statute to apply to foreign conduct 'if it had thought of the situation before the court,' but whether Congress has affirmatively and unmistakably instructed that the statute will do so." *RJR Nabisco*, 579 U.S. at 335 (quoting *Morrison*, 561 U.S. at 255). Only this Court can correct their entrenched misinterpretation of this important intellectual property statute.

III. This Court should also grant review to resolve the circuit split over the proper reading of *Kellogg* and the term "offense" in Title 18.

The Seventh Circuit's holding conflicts with the Tenth Circuit's interpretation of "offense" and application of *Kellogg* in *United States v. Collins*, 859 F.3d 1207 (10th Cir. 2017). At issue there was the meaning of "offense" in yet another provision of Title 18, § 3583, "which limits reincarceration following revocation of supervised release to the 'term of supervised release authorized by statute for *the offense* that resulted in such term of supervised release.'" *Id.* at 1209 (quoting 18 U.S.C. § 3583(e)(3)).

The Tenth Circuit recognized, citing *Kellogg*, that "the term 'offense' ordinarily contemplates an individual's criminal activity." *Id.* at 1212; *see also id.* at 1213-14. Further discussing *Kellogg*, and in direct conflict with the Seventh Circuit's decision in this case, the Tenth Circuit explained that "[t]he Supreme Court, although noting that 'the term "offense" is sometimes used more broadly' and is 'not necessarily synonymous' with the word 'crime,' *affirmatively stated that it has this specific meaning within the context of Title 18—the title at issue here*." *Id.* at 1214 (emphasis added); *see also id.* at 1220 ("*Kellogg* instructs that the term 'offense,' at least as it is used in Title 18, refers to criminal conduct"); *id.* at 1222 ("*Kellogg* held that the term 'offense' in Title 18 refers to crimes").

Looking both to *Kellogg* and to other provisions in Title 18, the Tenth Circuit held that "Congress intended to restrict the meaning of the term 'offense' throughout Title 18 … to crimes." *Id.* at 1218. The Tenth Circuit thus concluded, consistent with *Kellogg*, that the term "offense" in § 3583(e)(3) refers only to crimes, not to other conduct that can result in revocation of supervised release. *See id.* at 1214.

In light of *Collins*, there is no doubt that this case would have come out differently—to the tune of around half a billion dollars—if it had been filed in the Tenth Circuit rather than the Seventh. This Court should resolve the conflict.

IV. This Court should summarily reverse the Seventh Circuit's direct contravention of the Court's decision in *Kellogg*.

As shown above, the Seventh Circuit's conclusion that the term "offense" in 18 U.S.C. § 1837 *unambiguously* encompasses civil wrongs is utterly irreconcilable with this Court's holding in *Kellogg* that "[t]he term 'offense' is most commonly used to refer to crimes" and that, though the term is "sometimes" used to encompass civil wrongs, "that is not how the word is used in Title 18" (which, then as now, included § 1837). 575 U.S. at 658-59.

Incredibly, the Seventh Circuit dismissed Hytera's argument as "get[ting] the Supreme Court's reasoning in *Kellogg Brown* exactly backwards." App. 40a-41a. It reasoned that Congress must have intended the DTSA to transform § 1837 into "the 'single provision of that title [i.e., Title 18]' [using the word 'offense' to encompass civil wrongs as well as crimes that] the Supreme Court looked for but did not find in *Kellogg Brown*." App. 41a (quoting *Kellogg*, 575 U.S. at 659). For the Seventh Circuit, *Kellogg* actually *strengthens* the notion that "offense" in § 1837 now encompasses civil wrongs, because *Kellogg* acknowledged that "offense" *can* be used in that broader sense (though it usually is not). App. 40a-41a.

This is not plausible. In enacting the DTSA, Congress did not touch § 1837 or otherwise indicate that it now understood the term "offense" to include civil wrongs. The one instance of the term "offense" in the DTSA is directly referring to the crimes created by the Economic Espionage Act, not to the DTSA's new civil wrong of misappropriation. Any legislator voting for the DTSA would have understood that, in light of *Kellogg*'s reading of "offense," the presumption that Congress legislates against the background of this Court's decisions, and the strong presumption against extraterritoriality, the federal courts would not treat § 1837 as applying to civil wrongs like misappropriation.

The Seventh Circuit's contrary holding directly conflicts with both *Kellogg* and the extraterritoriality presumption's "clear indication" requirement. In light of that direct conflict, summary reversal would be appropriate.

CONCLUSION

The petition for a writ of certiorari should be granted. In light of the direct conflict between the decision below and this Court's decisions in *Kellogg* and in numerous extraterritoriality cases, the Court should consider summary reversal.

Respectfully submitted,

BOYD CLOERN
ALICE E. LOUGHRAN
MARK C. SAVIGNAC
Counsel of Record
JOHN WILLIAM TOTH
STEPTOE LLP
1330 Connecticut Ave., N.W.
Washington, D.C. 20036
(202) 429-3000
msavignac@steptoe.com

January 2, 2025

APPENDIX

TABLE OF APPENDICES

Page

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT, DECIDED JULY 2, 2024

In the United States Court of Appeals
for the Seventh Circuit

Nos. 22-2370 & 22-2413

MOTOROLA SOLUTIONS, INC. and
MOTOROLA SOLUTIONS MALAYSIA SDN. BHD.,

Plaintiffs-Appellees, Cross-Appellants,

v.

HYTERA COMMUNICATIONS CORPORATION LTD.,

Defendant-Appellant, Cross-Appellee.

Appeals from the United States District Court for the
Northern District of Illinois, Eastern Division.
No. 1:17-cv-01973 – Charles R. Norgle, Judge.

Decided July 2, 2024
Argued December 5, 2023

Before Hamilton, Brennan, and St. Eve, *Circuit Judges.*

Hamilton, *Circuit Judge.* This case concerns a large and blatant theft of trade secrets. Plaintiff Motorola and defendant Hytera compete globally in the market for two-way radio systems. Motorola spent years and tens of millions of dollars developing trade secrets embodied in its line of high-end digital mobile radio (DMR) products.

For a brief period in the early 2000s, Hytera struggled to overcome technical challenges to develop its own competing DMR products.

After failing for years, Hytera hatched a new plan: "leapfrog Motorola" by stealing its trade secrets. Hytera, headquartered in China, poached three engineers from Motorola in Malaysia, offering them high-paying jobs in exchange for Motorola's proprietary information. Before those engineers left Motorola, and acting at Hytera's direction, they downloaded thousands of documents and computer files containing Motorola's trade secrets and copyrighted source code. Relying on that stolen material, between 2010 and 2014, Hytera launched a line of DMR radios that were functionally indistinguishable from Motorola's DMR radios. Hytera sold these professional-tier radios containing Motorola's confidential and proprietary technology for years in the United States and abroad.

In 2017, Motorola sued Hytera for copyright infringement and trade secret misappropriation. After three and a half months of trial, the jury found that Hytera had violated both the Defend Trade Secrets Act of 2016 (DTSA) and the Copyright Act. The jury awarded compensatory damages under the Copyright Act and both compensatory and punitive damages under the DTSA for a total award of $764.6 million. The district court later reduced the award to $543.7 million and denied Motorola's request for a permanent injunction. Hytera has appealed, and Motorola has cross-appealed.

The most startling fact about these appeals is that Hytera's liability is not at issue. It concedes that it engaged in the blatant theft of trade secrets and copying of proprietary computer code. Instead, Hytera raises several challenges only to the damages awards under the Copyright Act and the DTSA. As we explain below, we must remand for the district court to recalculate copyright damages, which will need to be reduced substantially from the district court's original award of $136.3 million. On the DTSA damages, we affirm the district court's award of $135.8 million in compensatory damages and $271.6 million in punitive damages.

On Motorola's cross-appeal, we find that the district court erred in denying Motorola's motion for reconsideration of the denial of permanent injunctive relief. On remand, the district court will need to reconsider the issue of permanent injunctive relief. We continue to commend both district judges (Judge Norgle and, after his retirement, Judge Pacold) who have presided over this case for their careful handling of this complex and sprawling case. We remain confident of the court's ability to resolve the remaining issues on remand.

I. Factual and Procedural History

A. Factual History

Motorola and Hytera both design, manufacture, and sell two-way radios and related products worldwide. They are the two main competitors in this global market. They rely on the same underlying software protocols to enable their radios to communicate across brands, but each manufacturer enhances its radios by adding unique hardware and software features. From the late 1980s through the early 2000s, Motorola worked to develop and patent the technology underlying these standard software protocols, known as "digital mobile radio" or DMR.[1]

Hytera manufactures and sells different tiers of two-way DMR radios, including commercial and professional. The products at issue in this case are Hytera's professional-tier radios, used by governments and public-safety entities around the world. They sell at premium prices compared to Hytera's non-infringing commercial-tier radios. In 2006, as internal Hytera documents show, Hytera was struggling to develop its own DMR radios comparable to Motorola's. Instead of continuing to compete fairly, Hytera decided to steal Motorola's trade secrets and copyrighted code. Hytera's goal was to "leapfrog Motorola" to become the world's preeminent provider of DMR radios.

In June 2007, the president and CEO of Hytera, Chen Qingzhou, reached out to an engineer who worked for Motorola in Malaysia, G.S. Kok, claiming that Hytera hoped to set up a potential research-and-development center in Malaysia. The two negotiated Kok's departure from Motorola. Hytera offered Kok 600,000 shares of Hytera stock as compensation, worth roughly $2.5 million when Hytera's stock later went public. Internal Hytera emails show that once Kok joined Hytera, he facilitated the

1. Citations to the record are abbreviated as follows: "Dkt." refers to the district court docket entries; "A" refers to the required appendix at the end of Hytera's opening brief; and "SA" refers to the supplemental appendix at the end of Motorola's response brief.

hiring of two additional Motorola engineers in Malaysia, Y.T. Kok and Sam Chia. Y.T. Kok initially maintained his employment with Motorola while surreptitiously also working for Hytera. In June 2008, shortly after Y.T. Kok had secretly been added to Hytera's payroll, he downloaded over a hundred Motorola documents in response to specific requests from Hytera about unresolved issues with its own DMR radios. Evidence at trial showed that Y.T. Kok and Chia downloaded more than 10,000 technical documents from Motorola's secure ClearCase and COMPASS databases and brought them to Hytera. At the time of trial, Motorola argued, more than 1,600 of those documents remained in Hytera's possession.

The stolen files included Motorola's source code for its DMR radio project. Segments of the stolen code were later directly inserted into Hytera's products. Proof of the theft and copying included the fact that minor coding errors in Motorola's code appeared in exactly the same spots in Hytera's code.

Hytera's employees understood that their use of Motorola's copyrighted code and trade secrets was unlawful. At times, Hytera modified Motorola's code to conceal its illicit origins. Hytera's engineers also circulated Motorola's code and technical documents, sometimes with the Motorola logo replaced by a Hytera logo, but other times still labeled with Motorola's logo.

Between 2010 and 2014, Hytera launched a line of DMR radios that were, as described at trial, functionally indistinguishable from the DMR radios developed and sold by Motorola. For years, Hytera sold these professional-tier radios containing Motorola's confidential and proprietary technology worldwide, including in the United States. Hytera also regularly attended trade shows in the United States where it marketed and demonstrated its infringing products to customers from around the world. According to Motorola, Hytera has continued to sell products using Motorola's misappropriated trade secrets and copyrighted code up to the present day.

B. Procedural History

This brings us to the present lawsuit. In March 2017, Motorola filed this lawsuit in the Northern District of Illinois alleging that Hytera had misappropriated its trade secrets in violation of the federal Defend Trade Secrets Act of 2016, 18 U.S.C. § 1836(b), and the Illinois Trade Secrets Act (ITSA), 765 ILCS 1065/1 et seq. In August 2018, Motorola amended its complaint to add infringement claims under the Copyright Act, 17 U.S.C. §§ 106, 501 et seq.

The case was tried to a jury starting in November 2019. After three and a half months of trial, the jury reached its verdict. With respect to the DTSA, the jury was instructed that Motorola was seeking damages from May 11, 2016 (the statute's effective date) to June 30, 2019. With respect to copyright infringement, the jury was instructed that Motorola was entitled to recover Hytera's profits through June 30, 2019. The jury was also instructed that damages for Motorola's trade secret claims and copyright claims should not result in double recovery for the same injury. During trial, Motorola argued that it was entitled to all of Hytera's worldwide profits from the infringing products. Motorola presented expert testimony that Hytera's radios would be unable to function without the stolen components.

Hytera, for its part, argued that Motorola's damages should be limited on a number of grounds, including that: (1) copyright damages should be limited to the three-year period before Motorola added its copyright claims; (2) the Copyright Act and the DTSA should not be applied to Hytera's sales outside the United States; and (3) DTSA damages and copyright damages should be "apportioned" to account for Hytera's own contributions to the success of its products. The district court rejected all of these arguments. The jury returned a verdict in favor of Motorola in all respects, awarding Motorola $345.8 million in compensatory damages and $418.8 million in punitive damages, for a total of $764.6 million.

Post-trial motions followed. Hytera moved under Federal Rules of Civil Procedure 50(b) and 59 for judgment as a matter of law and for a new trial or remittitur, respectively, arguing that under both the Copyright Act and the DTSA, the proper amount of unjust enrichment damages was an equitable issue for the court rather than the jury. Hytera renewed its extraterritoriality and Copyright Act statute of limitations arguments. Hytera also argued that the punitive damages award under the DTSA violated its due process rights.

The district court agreed with Hytera that unjust enrichment damages presented an equitable issue for the court. That meant the jury's findings on those amounts were advisory and the district court was required to state its findings of fact and conclusions of law under Federal Rule of Civil Procedure 52(a)(1). The parties submitted proposed findings and conclusions on the unjust enrichment issues after trial. Motorola was required to file its proposal first. It was not given an opportunity to reply to Hytera's proposal. Hytera's proposal renewed an argument from trial that recovery of its unjustly enriched profits would duplicate recovery of its avoided research and development (R&D) costs. Hytera also renewed its arguments that both the copyright and DTSA unjust enrichment awards should be apportioned to account for Hytera's own contributions to its infringing products.

In a follow-up order, the district court agreed with Hytera that the unjust enrichment damages awarded by the jury improperly double-counted Hytera's profits and its avoided R&D costs. The district court deducted the amount of avoided R&D costs of $73.6 million from the jury's original $209.4 million DTSA compensatory damages award, arriving at $135.8 million as the total amount of Hytera's unjust profits under the DTSA. The court then adjusted the punitive damages downward in accord with the advisory jury's two-to-one ratio, yielding a punitive damages award of $271.6 million. After these rulings, the district court formally issued its final findings and conclusions. Hytera's unjustly enriched profits under the Copyright Act from 2010 to May 2016 were $136.3 million, its unjustly enriched profits under the DTSA from May 2016 to June 2019 were $135.8 million, and punitive damages under the DTSA were $271.6 million, yielding a total award of $543.7 million. Along the way, the district court also found that Motorola's lost profits under the DTSA were $86.2 million, and that Hytera's avoided R&D costs were $73.6 million. The court again rejected Hytera's arguments with respect to extraterritoriality, apportionment, and the copyright statute of limitations, and rejected the due process challenge to punitive damages.

After trial, Motorola sought a permanent injunction to prohibit Hytera from selling the infringing products worldwide or making any other use of the stolen intellectual property. The district court denied permanent injunctive relief in December 2020, finding that Motorola could not establish that it had no other adequate remedy at law. The district court found that Motorola could be adequately compensated for Hytera's continuing use of its intellectual property and trade secrets with a reasonable, ongoing royalty, which the court later set at 100 percent of Hytera's profits on the infringing products beginning in July 2019. Motorola moved for reconsideration of this denial under Federal Rule of Civil Procedure 60(b) in September 2021, submitting new evidence of Hytera's inability or unwillingness to make its required royalty payments. Before the district court ruled on that motion, however, Hytera filed this appeal, and Motorola then filed its cross-appeal of the district court's denial of permanent injunctive relief. Holding that Motorola's notice of appeal stripped it of jurisdiction to decide Motorola's Rule 60(b) motion, the court denied that motion without expressing any view on the merits.

We must conclude our discussion of this case's procedural history by noting that for much of the intervening six years of litigation, including after these appeals were filed, Hytera has continued its gamesmanship and deception. It deleted stolen documents rather than producing them. It presented fabricated evidence inflating its research-and-development costs. Its witnesses have repeatedly contradicted themselves in depositions and at trial. It has dragged its feet in paying the royalty ordered by the district court, and it has obstructed discovery into its assets and ability to pay. Meanwhile, Hytera continues to sell DMR radios worldwide that Motorola claims still incorporate its copyrighted code and stolen trade secrets. Whether Hytera's new DMR products continue the illicit use of Motorola's trade secrets is the subject of ongoing contempt proceedings before the district court. Hytera's violation of the district court's anti-suit injunction issued in the course of those contempt proceedings and the resulting contempt sanctions were recently the subject of emergency motions in a successive appeal pending before this panel. See *Motorola Solutions Malaysia SDN. BHD. v. Hytera Communications Corp.*, No. 24-1531, Order, ECF No. 9 at 7 (April 6, 2024) ("Given Hytera's record of behavior, from the underlying theft of trade secrets and copyright infringement to sanctionable conduct before trial, the post-verdict litigation in this case, the failure to pay royalties as ordered (leading to an earlier contempt finding), filing the long-secret Shenzhen case, and its responses to the injunctions at issue here, Hytera has shown that its unverified representations to the tribunal cannot be trusted.").

In this appeal, Hytera raises six distinct challenges to the damages awarded under the Copyright Act and the

DTSA. Three concern copyright and three the DTSA. With respect to the copyright award, Hytera argues: (1) copyright damages should not have been awarded for its sales outside the United States; (2) copyright damages should have been apportioned to account for its own contributions to its profits; and (3) the Copyright Act bars recovery of damages incurred more than three years before the claims were added. With respect to the DTSA, Hytera argues: (1) DTSA damages should not have been awarded for its sales outside the United States; (2) DTSA damages should have been apportioned to account for its own contributions to its profits; and (3) the \$271.6 million punitive damages award violates the Fifth Amendment's due process clause. In its cross-appeal, Motorola challenges the district court's denial of both its motion for permanent injunctive relief and its Rule 60(b) motion for reconsideration.

We address the issues in that order. On the copyright issues, we remand for the district court to recalculate the copyright damages limited to Hytera's domestic sales and to reconsider the issue of apportionment. This means the copyright award will ultimately be reduced substantially from the original award of \$136.3 million, perhaps by roughly an order of magnitude. On the DTSA issues, we affirm the compensatory damages award of \$135.8 million and the punitive damages award of \$271.6 million. Finally, we hold that the district court needs to reconsider Motorola's Rule 60(b) motion and the issue of permanent injunctive relief.

II. Copyright Damages for Foreign Sales

First, we address the extraterritorial application of the Copyright Act. Motorola argues that it is entitled to recover Hytera's profits on worldwide sales of infringing products. Hytera argues that Motorola's recovery should be limited to only Hytera's sales of infringing products in the United States.

Like all federal statutes, the Copyright Act is subject to the presumption against extraterritoriality, which assumes that "United States law governs domestically but does not rule the world." *RJR Nabisco, Inc. v. European Community*, 579 U.S. 325, 335, 136 S. Ct. 2090, 195 L. Ed. 2d 476 (2016), quoting *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454, 127 S. Ct. 1746, 167 L. Ed. 2d 737 (2007). The Supreme Court has set out a two-step framework for determining whether a statute applies extraterritorially. See *id.* at 337. First, courts should ask "whether the presumption against extraterritoriality has been rebutted—that is, whether the statute gives a clear, affirmative indication that it applies extraterritorially." *Id.* With respect to the Copyright Act at this step, the Supreme Court has said no. *Impression Products, Inc. v. Lexmark Int'l, Inc.*, 581 U.S. 360, 379, 137 S. Ct. 1523, 198 L. Ed. 2d 1 (2017).

If the statute does not rebut the presumption against extraterritoriality, courts should proceed to the second step: determining whether "the conduct relevant to the statute's focus occurred in the United States" or "in a foreign country." *RJR Nabisco*, 579 U.S. at 337. The second step asks whether the present case involves only a permissible domestic application of the statute. *Id.* Under this second step, copyright protection extends to infringing acts committed abroad if those acts are sufficiently related to a predicate act of infringement in the United States. Circuit courts have developed the "predicate-act doctrine" to govern this second step of the extraterritoriality analysis under the Copyright Act. The doctrine holds that a copyright owner may recover damages for foreign infringement if two conditions are met: (1) an initial act of copyright infringement occurred in the United States, and (2) the domestic infringement enabled or was otherwise "directly linked to" the foreign infringement for which recovery is sought. *Tire Engineering & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 306–08 (4th Cir. 2012) (collecting cases and locating origins of doctrine in *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939) (Hand, J.)).

The predicate act required by the first prong of the doctrine must constitute "a domestic violation of the Copyright Act." *Tire Engineering*, 682 F.3d at 307. Motorola, as the plaintiff, bears the burden of establishing a domestic violation of the Copyright Act. *Id.* At trial and on appeal, Motorola has offered only one theory for a potential predicate act of copyright infringement completed by Hytera in the United States: its so-called "server theory." The parties agree that Hytera's thieves in Malaysia downloaded copyrighted source code from Motorola's ClearCase database. Motorola argues that because the ClearCase database has a "main server in Illinois" that is "mirrored" on other servers around the world, the thieves' unauthorized download constituted a domestic predicate act of copyright infringement.[2] The question for us is whether the download of Motorola's source code from the company's ClearCase database constituted "a domestic violation of the Copyright Act." *Id.* at 307.

The district court accepted Motorola's argument, relying on Motorola's server theory to supply the domestic predicate act of infringement and finding that Motorola was entitled to damages for Hytera's worldwide sales as unjust enrichment. We must respectfully disagree. Motorola failed to provide evidence that the code was downloaded from its Illinois server versus one of the mirrored instances of the ClearCase database stored on servers outside the United States. The district court's factual finding that the code was downloaded from the Illinois server lacks adequate support in the record,

2. "Mirroring" means creating a duplicate copy of a database, or subsets of a database, on a new server, turning that new server into a "mirror." The mirror is instructed to check with the main server and every other mirrored server worldwide in real-time or near real-time for updates and changes made to the database. Mirroring thereby creates a network of servers around the world, each housing either a complete and up-to-date copy of the database or at least the most frequently accessed parts of the database, so that the database can be used and modified simultaneously by programmers around the world. Multinational corporations sometimes choose to mirror key databases onto servers that are geographically closer to programmers on other continents, reducing the time it takes for those programmers to exchange messages with the server and building in redundancies to guard against a server failure in one part of the world.

and we reverse that factual finding as clearly erroneous. Motorola thus failed to establish the first prong of the predicate-act doctrine: a completed act of copyright infringement in the United States. Motorola is not entitled to recover damages for any of Hytera's foreign sales of infringing products under the Copyright Act.[3]

Motorola failed to supply evidence that the source code was illicitly downloaded from its Illinois server as opposed to one of the mirrored servers located abroad. At trial, Motorola's primary technical expert explained that the "main" ClearCase server is in Illinois and that the contents of that server are "mirrored" on servers in other locations around the world, including Sri Lanka, Bangladesh, Malaysia, and China.

Crucially, Motorola's expert admitted that "there's no evidence of the actual downloads from" the main ClearCase server in Illinois, as opposed to one of the mirrored servers abroad. SA77. Motorola counters with the same expert's testimony that, even if there is no evidence that the source code was downloaded from the

---

3. In awarding relief for foreign sales under the Copyright Act, the district court also seemed to rely on the fact that Hytera "promoted, advertised, marketed, and sold its DMR products containing Motorola's copyrighted source code in the United States, including at trade shows." Hytera pointed out in its opening brief that marketing, advertising, and promoting products containing copyrighted code are not themselves copyright violations and thus cannot be domestic predicate violations. In its response brief, Motorola did not challenge this argument, forfeiting reliance on the trade-show theory to support extraterritorial copyright damages.

Illinois server, "anything that happens on one of [the foreign mirrored servers] goes to Illinois." SA74. The district court considered this second statement sufficient to support a factual finding that Motorola's copyrighted code was illicitly downloaded from the Illinois server. We disagree.

We understand this second statement to mean that the mirrored ClearCase servers are linked in a way typical of mirrored servers, in which a log of everything that happens to every copy of the database worldwide is automatically reported to every other mirrored server, so that each mirror can then make identical changes to its own local copy of the database. For instance, if Hytera's thieves in Malaysia downloaded parts of the ClearCase database from the mirrored server in Malaysia, a notice that a download had occurred would be immediately forwarded to the server in Illinois, which would add the notice of the download to the records of events that had happened to the database. Only in this sense is it true that "anything that happens on one of" Motorola's mirrored servers "goes to Illinois." See SA74.

The existence of a typical mirroring relationship between foreign and domestic servers does not mean that an illicit copy made anywhere in the world was necessarily downloaded from a domestic server. Motorola's expert admitted there was no evidence that the stolen code had been downloaded from the Illinois server. He did not know "which particular cache or server" the Hytera thieves "connected to" in order to download the stolen source code. SA75. Rather, the most that Motorola's expert could say was that material on ClearCase servers outside the United States "reflected," that is, duplicated, "material that is in Illinois." *Id.* Given the location of the thieves in Malaysia, it seems likelier (or at least, would have been more efficient) for the thieves to download the copyrighted code from Motorola's Malaysia server. And in any event, the burden of proof was on Motorola on this issue.

Downloads of copyrighted data from mirrored servers located abroad cannot serve as predicate acts of domestic infringement even if the "main" instance of those databases is stored on a U.S.-based server. A contrary rule would stretch U.S. copyright law far beyond its proper borders, giving global businesses an incentive to store local copies of copyrighted files in the United States as insurance against intellectual property theft worldwide. Consider the parallel case of a book publisher who chooses to distribute identical copies of a book in the United States and in multiple other countries. If a foreign competitor obtains one of the copies distributed abroad, reproduces it abroad, and sells it abroad, no domestic act of copyright infringement has occurred. The existence of the original copy of the book in the United States makes no difference.

In the same way, by choosing to store copies of their copyrighted data abroad in mirrored servers, U.S. copyright owners take the risk that illicit copying will be beyond the reach of U.S. copyright law. If a copyright owner hopes to prove infringement based solely on the illicit download of copyrighted material but has stored identical copies of that material in servers abroad, it must be prepared to show that the unauthorized download was made from a U.S.-based server. See *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87, 98–99 (2d Cir. 2014) (treating back-ups of copyrighted data stored in mirrored servers as complete copies for purposes of copyright fair-use analysis).[4]

Because Motorola failed to prove that Hytera's thieves made their unauthorized download from the Illinois server, as opposed to one of Motorola's mirrored servers abroad, its server theory fails at step one of the predicate-act doctrine. Without a completed domestic violation of the Copyright Act, Motorola is not entitled to recover damages for any of Hytera's foreign sales of infringing products as unjust enrichment. We reverse the district court on this issue and remand with instructions to limit Motorola's copyright award to Hytera's domestic sales of infringing products.[5]

---

4. Even if Motorola had offered evidence that Hytera's thieves in Malaysia had downloaded the source code from Motorola's server in Illinois, at least two circuits (one in a precedential opinion) have refused to extend the predicate-act doctrine to reach foreign infringement where the only predicate act alleged was the download of content from a server located in the United States to a computer located abroad. See *IMAPizza, LLC v. At Pizza Ltd.*, 965 F.3d 871, 877–79, 878 n.2, 448 U.S. App. D.C. 231 (D.C. Cir. 2020); *Superama Corp. v. Tokyo Broadcasting System Television, Inc.*, 830 F. App'x 821, 823–24 (9th Cir. 2020) (non-precedential). This circuit has not addressed this issue. Because Motorola has no evidence that its copyrighted data was downloaded from a U.S.-based server, we do not need to reach it here.

5. Motorola also argues that its entitlement to extraterritorial damages is barred from reexamination because it was actually and

III. Copyright Apportionment

Next, Hytera seeks to pare the copyright damages further, arguing that even limited to Hytera's profits within the United States, the district court's award overcompensates Motorola. Under the Copyright Act, an infringer may trim a disgorgement award by showing "elements of profit attributable to factors other than the copyrighted work." 17 U.S.C. § 504(b).

We agree with Hytera that this issue needs a fresh look because we cannot determine whether the district court applied the correct legal standard in deciding whether to apportion those damages. We remand for the district court to apply the proper legal standard, taking no position on the outcome of the apportionment analysis in this case. We hold only that Hytera should get a chance to prove a proximate-cause theory of apportionment.[6]

---

necessarily decided by a jury. The jury verdict awarded Motorola copyright damages for foreign sales. However, the district court later ruled that disgorgement of Hytera's profits was an equitable remedy for the court to resolve, and the court decided the extraterritoriality issues itself. Any jury findings on the issue were rendered advisory by the district court's later ruling. The district court's factual findings on the locations of the illicit downloads are properly subject to appellate review for clear error.

6. Motorola argues that Hytera forfeited this theory of proximate-cause apportionment by failing to present it to the jury. We disagree. Hytera presented these arguments to the proper factfinder, the district court, at its first opportunity to do so with its Federal Rule of Civil Procedure 52(b) filings, so the arguments are not forfeited. See Dkt. No. 1096-1, at ¶¶ 95–285. Because the

Hytera takes aim at the district court's reliance on "but-for" causation to refuse copyright apportionment. The district court accepted Motorola's argument that, without the stolen intellectual property, Hytera's infringing radios would never have reached the market. It found that "none of Hytera's DMR radios would function without Motorola's copyrighted source code." A93. That conclusion apparently justified the district court's next move. It opted not to apportion damages, instead ordering Hytera to disgorge all of its profits from infringing radio sales.

That last move may have been based on a legal error. We explain by reviewing the origins of apportionment in copyright law. The doctrine emerged in the early days of the film industry. When Hollywood adapted the play *Dishonored Lady* for the silver screen, the resulting movie—called *Letty Lynton*—was released without permission from the original playwright. See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 396–97, 60 S. Ct. 681, 84 L. Ed. 825 (1940). Infringement was plain. The question, though, was how to divide up the profits from the infringing movie. The storyline from the play helped draw crowds to movie theaters, but so did the headline

---

parties tried this case to an advisory jury, at least as to these unjust-enrichment issues, the district court was the proper fact-finder. See Fed. R. Civ. P. 52(a)(1); see also *OCI Wyoming, L.P. v. PacifiCorp*, 479 F.3d 1199, 1205–06 (10th Cir. 2007) (for factual issues presented to an advisory jury, district court retains "duty to conduct factfinding" and "review on appeal is of the findings of the court as if there had been no verdict from an advisory jury." (quoting *Marvel v. United States*, 719 F.2d 1507, 1515 n.12 (10th Cir. 1983)).

actors and the producers' skill in bringing the film to market. Harmonizing copyright law with patent cases, the Supreme Court concluded that, to avoid "the manifest injustice of giving to [the playwright] all the profits made by the motion picture," it would apportion the profits "so that neither party will have what justly belongs to the other." *Id.* at 408. The Court affirmed an apportionment that gave the playwright 20 percent of the film's profits. *Id.* at 408–09.

Today, *Sheldon*'s legacy is a two-part test for entitlement to apportionment of profits: the infringer must show (1) "that all the profits are not due to the use of the copyrighted material," and (2) that "the evidence is sufficient to provide a fair basis of division." *Id.* at 402. In the intervening decades, Congress has amended the Copyright Act to follow *Sheldon*: "In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." 17 U.S.C. § 504(b).

Over the years, case law has developed two parallel tracks for infringers to meet *Sheldon*'s first element, which is really a "rule of causation." *Walker v. Forbes, Inc.*, 28 F.3d 409, 412 (4th Cir. 1994). We refer to these as the "but-for" and "proximate-cause" tracks. Under the first, "the defendant can attempt to show that consumers would have purchased its product even without," that is, but for, "the infringing element." *Data General Corp. v. Grumman Systems Support Corp.*, 36 F.3d 1147, 1175 (1st

Cir. 1994), abrogated on other grounds by *Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 130 S. Ct. 1237, 176 L. Ed. 2d 18 (2010).

Under the second "proximate-cause" track, the defendant can attempt to show that "its profits are not the natural and probable consequences of the infringement alone, but are also the result of other factors" under its own control. *Data General*, 36 F.3d at 1175. Put another way, the infringement might be a necessary cause of the profits without being a proximate cause of *all* of the profits. To the extent those other causes stem from the defendant's own skill and effort, the defendant can profit from those without offending copyright law.

The proximate-cause track is well-trodden. In case after case, defendants have shown they were entitled to apportionment even when their products could not exist without the infringement. Take *Sheldon* itself. Absent the original play, the film could not exist; it makes no sense to imagine a film without its plot and then wonder whether audiences would have paid to watch it. The play and film were bound up together. The Supreme Court determined that some "fair apportionment" was required, "so that neither party will have what justly belongs to the other." *Sheldon*, 309 U.S. at 408.

We explained the concept in *Bucklew v. Hawkins, Ash, Baptie & Co.*: an "infringer's profits that are due to features of his work that do not infringe ... belong to him and not the copyright owner." 329 F.3d 923, 932 (7th Cir. 2003). Other cases have put this theory of apportionment to good use. See, e.g., *Bruce v. Weekly World News, Inc.*, 310 F.3d 25, 26–27, 32 (1st Cir. 2002) (splitting profits evenly between holder of copyright in "routine and generic" photo of President Clinton and artist who added "exponentially greater appeal" by adding image of an extraterriestrial shaking his hand); *Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826, 828–29 (9th Cir. 1985) (affirming award of one-tenth of one percent of defendant's annual profit for infringing use of a "ten-note ostinato" in music for beer commercial).

In this case, the district court applied the but-for track correctly, finding that "none of Hytera's [products] would function without Motorola's copyrighted source code," so that Hytera was not entitled to apportionment under this track. A93. On appeal, Hytera does not challenge the district court's factual determinations barring apportionment under this but-for track, and there is no error in the district court's holdings in this respect.

But the district court erred by apparently closing the "proximate-cause" track to Hytera. The court's findings did not address Hytera's own contributions, if any, to the value of its products. Hytera claimed in its Rule 52(b) briefing that its customers valued its flexibility with customizations; that it brought the first DMR radio with a color screen to market, as well as an "intrinsically safe" radio for use in oil drilling and other industries dependent on explosives; that it boasted a superior dealer network; and that it sells non-infringing radios for about 12 percent less cost—suggesting that not all the value of Hytera's DMR radios comes from infringement.

In summarizing these arguments, we do not endorse them. The problem is that the district court did not engage with them. Even a willful infringer like Hytera is entitled to offer a proximate-cause theory for apportionment. *Data General*, 36 F.3d at 1175–76. The district court erred in denying Hytera the opportunity to prove that theory and instead requiring Hytera to disprove but-for causation. See also *Cream Records*, 754 F.2d at 828–29 ("In cases ... where an infringer's profits are not entirely due to the infringement, and the evidence suggests some division which may rationally be used as a springboard *it is the duty of the court* to make some apportionment." (emphasis added) (quoting *Orgel v. Clark Boardman Co.*, 301 F.2d 119, 121 (2d Cir. 1962))).

To avoid apportionment on remand, Motorola argues that the district court's silence on Hytera's proximate-cause arguments was simply an implicit rejection of Hytera's evidence, a factual decision on damages that we should review for clear error. See *Entm't USA, Inc. v. Moorehead Communications, Inc.*, 897 F.3d 786, 792 (7th Cir. 2018). But the failure to recognize Hytera's right to seek apportionment under the proximate-cause track would be a legal error subject to de novo review. See *Clanton v. United States*, 943 F.3d 319, 325 (7th Cir. 2019). The problem is that we cannot tell from the record whether the district court made a factual determination (that Hytera's proximate-cause arguments and evidence failed) or a legal error (that but-for causation ended the apportionment inquiry). See *Stop Illinois Health Care Fraud, LLC v. Sayeed*, 957 F.3d 743, 751 (7th Cir. 2020) (remanding in similar situation); see also *Mozee* *v. Jeffboat, Inc.*, 746 F.2d 365, 370, 375 (7th Cir. 1984) (vacating judgment and remanding for new trial where district court "made the necessary ultimate finding" but "failed to make the subsidiary findings necessary for us to follow its chain of reasoning"). The absence of any findings on Hytera's proximate-cause theory "precludes effective appellate review" of the issue. *Mozee*, 746 F.2d at 370. We also cannot decide on this appeal the proper method of apportioning Motorola's domestic copyright damages. We are "a court of review," not "one of first view." *Arreola-Castillo v. United States*, 889 F.3d 378, 383 (7th Cir. 2018), quoting *Wood v. Milyard*, 566 U.S. 463, 474, 132 S. Ct. 1826, 182 L. Ed. 2d 733 (2012). The district court must reconsider apportionment under the proximate-cause standard on remand based on the evidence presented at trial and in the parties' Rule 52(b) filings.

IV. The Copyright Statute of Limitations

Before leaving copyright damages, we address one final copyright issue regarding the three-year statute of limitations for civil actions under the Copyright Act. The Copyright Act provides: "No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b). Hytera argues that Motorola's copyright damages should be limited to copyright violations *committed* in the three years before the date Motorola amended its complaint to add copyright claims. Motorola responds that under the "discovery rule" adopted by this circuit, it can recover for any copyright violations *discovered* in the three years prior to adding those claims.

See *Chicago Bldg. Design v. Mongolian House, Inc.*, 770 F.3d 610, 614 (7th Cir. 2014) ("Our circuit recognizes a discovery rule in copyright cases ...."); *Taylor v. Meirick*, 712 F.2d 1112, 1117–18 (7th Cir. 1983) (adopting discovery rule).

The "overwhelming majority of courts" interpreting section 507(b) have adopted a discovery rule to determine when a claim accrues under this provision. *Starz Entertainment, LLC v. MGM Domestic Television Distrib., LLC*, 39 F.4th 1236, 1242 (9th Cir. 2022), quoting 6 William F. Patry, *Patry on Copyright* § 20:19 (2013); see also *Warner Chappell Music, Inc. v. Nealy*, 601 U.S. __, __, 218 L. Ed. 2d 363, 144 S. Ct. 1135, 1139 (2024) (eleven circuits apply a copyright discovery rule). The discovery rule holds that a copyright claim accrues and thus the copyright statute of limitations starts to run "when the plaintiff learns, or should as a reasonable person have learned, that the defendant was violating his rights." *Mongolian House*, 770 F.3d at 614, quoting *Gaiman v. McFarlane*, 360 F.3d 644, 653 (7th Cir. 2004). The alternative would be an "injury rule," under which the claims accrue "when the harm, that is, the infringement, occurs, no matter when the plaintiff learns of it." *Nealy v. Warner Chappell Music, Inc.*, 60 F.4th 1325, 1330 (11th Cir. 2023), *affirmed*, 601 U.S. 366, 218 L. Ed. 2d 363, 144 S. Ct. 1135 (2024).

The proper interpretation of section 507(b)'s three-year statute of limitations was the subject of a circuit split and recent Supreme Court decision in *Warner Chappell Music, Inc. v. Nealy*. In its briefs filed before that decision, Hytera had asked us to adopt the Second Circuit's holding from *Sohm v. Scholastic Inc.* which applied the discovery rule but then imposed a three-year limit on damages entirely distinct from any rule of accrual. 959 F.3d 39, 51–52 (2d Cir. 2020). In *Nealy*, the Supreme Court abrogated *Sohm*'s reading of section 507(b), rejecting any such "judicially invented damages limit." 601 U.S. at __, 144 S. Ct. at 1140. We thus reject Hytera's argument on this point.

We also decline Hytera's alternative request that we overrule *Taylor*, 712 F.2d at 1117–18, which adopted the discovery rule. *Nealy* was careful to leave the discovery rule intact. The question presented in *Nealy* "incorporate[d] an assumption: that the discovery rule governs the timeliness of copyright claims." 601 U.S. at __, 144 S. Ct. at 1138–39. The defendant in *Nealy* did not challenge the application of the discovery rule in its appeal to the Eleventh Circuit. *Id.* at _, 144 S. Ct. at 1139. The Supreme Court has "never decided whether that assumption is valid," and in *Nealy*, its review "exclud[ed] consideration of the discovery rule." *Id. Nealy* did not overturn this circuit's settled adoption of the discovery rule in copyright cases. See *Mongolian House*, 770 F.3d at 614. District courts throughout our circuit may continue to apply the discovery rule to copyright claims, as they routinely do. See *Design Basics LLC v. Campbellsport Bldg. Supply Inc.*, 99 F. Supp. 3d 899, 919 (E.D. Wis. 2015) (collecting cases).

Without a Supreme Court mandate to do so, we decline Hytera's invitation to depart from our precedent and ten other circuits. Consistent with the discovery rule, Motorola is entitled to damages for all copyright violations it discovered in the three years before it added its copyright claims.

V. Trade Secret Damages for Foreign Sales

We now proceed to issues under the Defend Trade Secrets Act. The DTSA issues parallel two of the copyright issues, dealing with (1) damages for sales outside the United States and (2) apportionment of damages. Hytera also challenges (3) the punitive damages awarded under the DTSA. We address the issues in that order.

The DTSA, like the Copyright Act, is subject to the presumption against extraterritoriality. The same two-step framework from *RJR Nabisco* discussed above also governs whether the DTSA applies extraterritorially. See *RJR Nabisco, Inc. v. European Community*, 579 U.S. 325, 335–38, 136 S. Ct. 2090, 195 L. Ed. 2d 476 (2016). At the first step, courts should ask "whether the presumption against extraterritoriality has been rebutted—that is, whether the statute gives a clear, affirmative indication that it applies extraterritorially." *Id.* at 337. Once it is determined that the statute is extraterritorial, the scope of the statute "turns on the limits Congress has (or has not) imposed on the statute's foreign application." *Id.* at 337–38.

Whether the DTSA rebuts the presumption against extraterritoriality at the first step of the *RJR Nabisco* inquiry is a question of first impression for our circuit, and as far as we can tell, for any circuit.[7] The DTSA took effect in May 2016, amending sections of the Economic Espionage Act of 1996 (EEA), Pub. L. No. 104-294, § 101, 110 Stat. 3488. The EEA had added chapter 90 to title 18 of the United States Code, making the theft of trade secrets a federal crime in many situations. § 101, 110 Stat. 3488. Section 1837 of chapter 90, entitled "Applicability to conduct outside the United States," provides: "This chapter also applies to conduct occurring outside the United States if ... an act in furtherance of the offense was committed in the United States." § 101, 110 Stat. at 3490.

Two decades later, the DTSA amended chapter 90. It created a private right of action, 18 U.S.C. § 1836(b), and added a definition of "misappropriation," 18 U.S.C. § 1839(5), mirroring the definition in the Uniform Trade Secrets Act. See Defend Trade Secrets Act of 2016, Pub. L. 114-153, § 2(a) & (b)(3), 130 Stat. 376, 376, 380–81 (2016). The DTSA made no changes to section 1837.

During trial, Hytera objected to any award of damages under the DTSA for sales outside the United States. In a careful opinion that parsed the DTSA and the EEA, the district court held that the DTSA rebutted the presumption against extraterritoriality and allowed damages for Hytera's foreign sales. *Motorola Solutions, Inc. v. Hytera Communications Corp. Ltd.*, 436 F. Supp.

---

7. The First Circuit has said in *dicta* that "Congress was concerned with the theft of American trade secrets abroad and intended the DTSA to have extraterritorial reach." *Amyndas Pharmaceuticals, S.A. v. Zealand Pharma A/S*, 48 F.4th 18, 35 (1st Cir. 2022). We agree.

3d 1150 (N.D. Ill. 2020). The court explained that "the clear indication of Congress in amend[ing] Chapter 90 of Title 18 of the U.S. Code was to extend the extraterritorial provisions of Section 1837 to Section 1836, meaning Section 1836 may have extraterritorial reach subject to the restrictions in Section 1837." *Id.* at 1162. That is, the district court found that the DTSA rebutted the presumption against extraterritoriality at step one of the *RJR Nabisco* test. See *id.* at 1163. The court further found that Hytera's misappropriation fell within the limits on extraterritorial reach set by section 1837, so Motorola was entitled to recover all of Hytera's foreign profits from the misappropriation. *Id.* at 1163–66. In the alternative, the district court held that even if the DTSA does not apply extraterritorially, the facts of this case constituted a permissible domestic application of the statute under *RJR Nabisco*'s step two, and Motorola could still recover Hytera's profits from foreign sales on those grounds. *Id.* at 1166–67.

We agree with the district court, and we rely on its reasoning that section 1836 has extraterritorial reach subject to the restrictions in section 1837 under *RJR Nabisco*'s first step. We summarize the key points of statutory interpretation that led the district court to conclude the DTSA rebuts the presumption against extraterritoriality. We then address Hytera's counterarguments.[8]

---

8. At least three district courts outside this circuit have also cited with approval Judge Norgle's reasoning on the DTSA's extraterritoriality. *Syntel Sterling Best Shores Mauritius Ltd. v. Trizetto Grp., Inc.*, No. 15-cv-211-LGS, 2021 U.S. Dist. LEXIS

A. The DTSA Applies Extraterritorially in This Case

The district court began by explaining the history of the DTSA as a 2016 amendment to chapter 90 of title 18, a chapter of the U.S. Code that had been created to codify the EEA in 1996. *Motorola*, 436 F. Supp. 3d at 1157. Because "Congress was not acting to change an existing interpretation of the EEA, but rather was creating a private right of action in the statutory chapter," the district court concluded that "the chapter amended through the DTSA should be read as a cohesive whole." *Id.* at 1158. The district court was correct that the relevant statutory text is all of chapter 90.

The district court applied the "traditional tools of statutory interpretation" under *RJR Nabisco*'s step one to determine whether the statutory text of chapter 90 clearly rebuts the presumption against extraterritoriality. *Id.* at 1156. On "this first step of the extraterritorial analysis, *RJR Nabisco* cautions that '[t]he question is not whether we think Congress would have wanted a statute to apply to foreign conduct if it had thought of the situation before the court, but whether Congress has affirmatively and unmistakably instructed that the statute will do so.'" *Id.*

75875, 2021 WL 1553926, at *14 (S.D.N.Y. Apr. 20, 2021), aff'd in part and vacated in part on other grounds, 68 F.4th 792 (2d Cir. 2023); *Aldini AG v. Silvaco, Inc.*, No. 21-cv-06423-JST, 2022 U.S. Dist. LEXIS 242829, 2022 WL 20016826, at *14 (N.D. Cal. Aug. 3, 2022); *Herrmann Int'l, Inc. v. Herrmann Int'l Europe*, No. 17-cv-00073-MR, 2021 U.S. Dist. LEXIS 42277, 2021 WL 861712, at *16 (W.D.N.C. Mar. 8, 2021).

at 1155–56 (alteration in original), quoting *RJR Nabisco*, 579 U.S. at 335. An express statement of extraterritorial application is the clearest instruction Congress could give. Here, however, neither the private right of action in 18 U.S.C. § 1836(b) nor the definition of "misappropriation" added by the DTSA in section 1839(5) includes express references to extraterritorial conduct.

The district court correctly looked to the rest of chapter 90 for guidance, including the express extraterritoriality provision in section 1837. *Motorola*, 436 F. Supp. 3d at 1159. Section 1837 has been part of chapter 90 since the EEA's passage in 1996 with the title "Applicability to conduct outside the United States." See § 101, 110 Stat. at 3490. It says in relevant part: "This chapter also applies to conduct occurring outside the United States if ... an act in furtherance of the offense was committed in the United States." 18 U.S.C. § 1837(2). The district court wrote that section 1837 expressly rebutted the presumption against extraterritoriality, but that a question remained as to whether, as Hytera argues, "Section 1837 limits that rebuttal only to criminal matters." *Motorola*, 436 F. Supp. 3d at 1159.

To resolve this question, the district court applied the usual tools of statutory interpretation. Section 1837 says that its provisions governing extraterritoriality apply to "This chapter," meaning all of chapter 90. "From this language, which Congress did not amend when it amended the chapter," the district court drew the inference "that Congress intended Section 1837 to apply to Section 1836." *Motorola*, 436 F. Supp. 3d at 1159. That is the most straightforward reading of the statutory text.

The district court buttressed this inference with other references to extraterritorial conduct in the DTSA, including the "notes that Congress included in the piece of legislation passed as the DTSA." *Id.* at 1159–60. "It is a mistake to allow general language of a preamble to *create* an ambiguity in specific statutory or treaty text where none exists." *Jogi v. Voges*, 480 F.3d 822, 834 (7th Cir. 2007) (emphasis added). At the same time, "[w]e cannot interpret federal statutes to negate their own stated purposes." *King v. Burwell*, 576 U.S. 473, 493, 135 S. Ct. 2480, 192 L. Ed. 2d 483 (2015), quoting *New York State Dep't of Social Servs. v. Dublino*, 413 U.S. 405, 419–20, 93 S. Ct. 2507, 37 L. Ed. 2d 688 (1973). After courts have applied the traditional tools of statutory construction to arrive at what appears to be the best reading of a statute, they may consider express textual evidence of congressional purpose elsewhere in the statute to double-check their work, while keeping in mind that "no legislation pursues its purposes at all costs." E.g., *Rodriguez v. United States*, 480 U.S. 522, 525–26, 107 S. Ct. 1391, 94 L. Ed. 2d 533 (1987). When Congress has enacted its findings and purposes in the statutory text, a judicial "allergy to the word 'purpose' is strange." *Harrington v. Purdue Pharma L.P.*, 603 U.S. _, _, 2024 U.S. LEXIS 2848, 2024 WL 3187799, at *31 n.6 (June 27, 2024) (Kavanaugh, J., dissenting). "After all, 'words are given their meaning by context, and context includes the purpose of the text. The difference between textualist interpretation' and 'purposive interpretation is not that the former never considers purpose. It almost always does,' but 'the purpose must be derived from the text.'" *Id.*, quoting A. Scalia & B. Garner, Reading Law 56 (2012); accord, William N.

Eskridge, Interpreting Law: A Primer on How to Read Statutes and the Constitution 105-06 (2016) ("[P]urpose clauses are enacted into law as part of the statute and ... they provide authoritative context for reading the entire statute."); Abbe R. Gluck, *Comment: Imperfect Statutes, Imperfect Courts: Understanding Congress's Plan in the Era of Unorthodox Lawmaking*, 129 Harv. L. Rev. 62, 91 (2015) ("Textualists have suggested for years that such enacted statements of purpose would obviate the dangers posed by legislative history," collecting sources). Congressionally enacted legislative purposes and findings are part of a statute's text, and thus are one "permissible indicator of meaning" for courts. Scalia & Garner, Reading Law 63.

In the DTSA, Congress enacted its purposes in the statutory text itself. The DTSA's legislative purposes and findings expressed "the sense of Congress that ... trade secret theft occurs in the United States and around the world; ... trade secret theft, wherever it occurs, harms the companies that own the trade secrets and the employees of the companies; ... [and] chapter 90 ... applies broadly to protect trade secrets from theft." DTSA § 5, 130 Stat. at 383–84. The DTSA also added new reporting requirements for the Attorney General that had been absent in the original EEA. *Motorola*, 436 F. Supp. 3d at 1160. Those required reports cover the "scope and breadth of the theft of the trade secrets of United States companies occurring outside of the United States," the "threat posed" by those thefts, and the "ability and limitations of trade secret owners to prevent the misappropriation of trade secrets outside of the United States, to enforce any judgment against foreign entities for theft of trade secrets, and to prevent imports based on theft of trade secrets overseas." *Id.*, quoting DTSA § 4(b), 130 Stat. at 383. The district court correctly concluded: "Taken together, it is clear that Congress was concerned with actions taking place outside of the United States in relation to the misappropriation of U.S. trade secrets when it passed the DTSA." *Motorola*, 436 F. Supp. 3d at 1160.

The court paused to distinguish *RJR Nabisco*, which had held that limiting language in the Racketeer Influenced and Corrupt Organizations Act as to the types of damages available for civil claims limited the extraterritorial reach of RICO's private right of action as compared to its criminal provisions. *Id.* The district court found no such limiting language in the DTSA's private right of action in section 1836(b), which defined the remedies more broadly than RICO's private right of action. *Id.*

The district court then rejected Hytera's alternative argument that section 1837(2)'s use of the word "offense" limits its extraterritorial reach to criminal cases. The court explained that "offense" could reach both criminal and civil violations, so that the extraterritorial provisions of section 1837 apply to civil claims under section 1836(b). *Id.* at 1160–62.

We agree with the district court's careful interpretation of the text of chapter 90, including the private right of action in section 1836(b), the extraterritoriality provisions in section 1837(2), and the definition of "misappropriation" in section 1839(5). We also agree that other sections of the DTSA confirm that Congress was especially concerned with foreign misappropriation of U.S. trade secrets. See DTSA, § 5, 130 Stat. at 383–84.

Because the DTSA rebuts the presumption against extraterritoriality, the only limits on its reach are "the limits Congress has ... imposed on the statute's foreign application" in section 1837(2). See *RJR Nabisco*, 579 U.S. at 337–38. Section 1837(2) is satisfied if "an act in furtherance of the offense was committed in the United States." As the district court wrote: "The offense, in the context of the DTSA private cause of action, is the misappropriation of a trade secret." *Motorola*, 436 F. Supp. 3d at 1163.

Hytera argued in the district court and on appeal that even if section 1837(2) does encompass civil violations, section 1837(2) is not satisfied here because there was no domestic "'act in furtherance' of the purely extraterritorial sales whose profits the district court awarded to Motorola." Hytera Br. at 60. The district court found, however, that Motorola had "presented evidence sufficient to support a finding that an act in furtherance of the offense has been committed in the United States." *Motorola*, 436 F. Supp. 3d. at 1163. We agree with the district court.

The DTSA defines "misappropriation" as "acquisition of a trade secret" by "improper means," or "disclosure or use of a trade secret" by an unauthorized person meeting certain other conditions. 18 U.S.C. § 1839(5)(A)–(B); accord, *Motorola*, 436 F. Supp. 3d at 1163 ("[M]isappropriation can occur through any of three actions: (1) acquisition, (2) disclosure, or (3) use."). The DTSA does not further define "use," but we agree with the district court. "Use" is "any exploitation of the trade secret that is likely to result in injury to the trade secret owner or enrichment to the defendant," including "marketing goods that embody the trade secret, employing the trade secret in manufacturing or production, relying on the trade secret to assist or accelerate research or development, or soliciting customers through the use of information that is a trade secret." *Motorola*, 436 F. Supp. 3d at 1164, quoting Restatement (Third) of Unfair Competition, § 40, cmt. c (Am. L. Inst. 1995). The district court found that "use" of the alleged trade secrets had occurred in the United States because Hytera had advertised, promoted, and marketed products embodying the stolen trade secrets at numerous trade shows in the United States. *Id.* at 1165.

We agree that Hytera's marketing of products embodying Motorola's stolen trade secrets constituted domestic "use" of those trade secrets, amounting to completed acts of domestic "misappropriation" under 18 U.S.C. § 1839(5)(B). Hytera's completed domestic acts of misappropriation are sufficient to satisfy section 1837(2). We affirm the district court's holding that Hytera committed an act in furtherance of misappropriation of Motorola's trade secrets in the United States. *Id.* at 1166. The district court did not err by awarding Motorola relief based on Hytera's worldwide sales of products furthered by that misappropriation, regardless of where in the world the remainder of Hytera's illegal conduct occurred.

B. Hytera's Counterarguments

Hytera makes several arguments to oppose application of the DTSA to its sales outside the United States. First, Hytera argues that the district court erred by considering 18 U.S.C. § 1837 in its extraterritoriality analysis. That provision was not added to chapter 90 as part of the DTSA but was adopted earlier in 1996 as part of the EEA, a different statute. Hytera cites *RJR Nabisco* for its argument that courts assessing the extraterritoriality of a remedy must determine "whether the *statute* gives a clear, affirmative indication that it applies extraterritorially." Hytera Br. at 54 (emphasis by Hytera), quoting 579 U.S. at 337. Hytera takes this to mean that courts must "look at the statute adopting the remedy, not to another statute codified in a neighboring provision." *Id.* at 55.

This argument asks courts to disregard the plain text of the DTSA and the EEA and misreads *RJR Nabisco*, which determined the extraterritoriality of RICO's criminal provisions by considering a variety of other criminal statutes used as predicate offenses for RICO. 579 U.S. at 338–39. Section 1837 applies by its terms to all of chapter 90, including section 1836. Hytera's suggestion that we treat section 1837 as meaning something other than what it says faces a steep uphill climb, and further statutory context makes the climb impossible. See *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 265, 130 S. Ct. 2869, 177 L. Ed. 2d 535 (2010) ("Assuredly context can be consulted as well."). We have already mentioned the DTSA's legislative purposes section stating Congress's concerns about foreign theft of trade secrets.

In addition, Congress wrote the DTSA in such a way that it must be interpreted in the larger context of chapter 90. See DTSA § 5(3), 130 Stat. at 383–84; see also 130 Stat. at 376 (DTSA formally titled "An Act [t]o amend chapter 90 of title 18 ... to provide Federal jurisdiction for the theft of trade secrets, and for other purposes."). The DTSA's detailed line-editing of chapter 90 indicates that Congress carefully relied on the existing provisions of the EEA and wrote the DTSA so that the provisions of both acts would mesh smoothly. For example, to the EEA's list of exceptions from criminal liability, the DTSA added that chapter 90 also would not "create a private right of action" for the same exceptions. DTSA § 2(c), 130 Stat. at 381. Congress made detailed changes to other sections of chapter 90 but not to section 1837. We treat that choice as intentional, not an oversight, and we apply the plain meaning of section 1837. See *Gross v. FBL Financial Services, Inc.*, 557 U.S. 167, 174, 129 S. Ct. 2343, 174 L. Ed. 2d 119 (2009). The extraterritorial provisions of section 1837 extend to the private right of action in section 1836(b).

Hytera also renews its argument that the term "offense" in section 1837(2) reaches only criminal trade secret thefts. First, Hytera argues that because the EEA provided only criminal jurisdiction over trade secret thefts, Congress must have meant the term "offense" in section 1837 to refer only to criminal violations. Second, Hytera argues that interpreting "offense" to cover civil violations runs contrary to the Supreme Court's earlier statement that, "while the term 'offense' is sometimes used" to denote civil violations, "that is not how the word is used in Title 18." *Kellogg Brown & Root Services, Inc.*

v. United States ex rel. Carter, 575 U.S. 650, 659, 135 S. Ct. 1970, 191 L. Ed. 2d 899 (2015). Neither argument is persuasive.

Hytera's first argument would have been persuasive before passage of the DTSA in 2016. The EEA extended federal jurisdiction only over criminal violations, so "offense" in section 1837 could have referred initially only to criminal violations.[9] But as the district court noted, "the fact that Congress has amended a statute sheds light on how the statute is to be interpreted." *Motorola*, 436 F. Supp. 3d at 1157, citing *Gross*, 557 U.S. at 174. The district court reiterated that "Congress also did not amend the introductory language of Section 1837, which states that Section 1837 applies to 'this chapter'—a chapter which now includes Section 1836's private cause of action." *Id.* We agree that Congress's decision to leave the introductory language in section 1837 unchanged, such that it continues to cover all of chapter 90, is more persuasive textual evidence than Hytera's assertion that the Congress believed the term "offense" could not encompass civil violations.

Second, Hytera also relies on language from *Kellogg Brown* that, "while the term 'offense' is sometimes used" to denote civil violations, "that is not how the word is used in Title 18." 575 U.S. at 659. The argument gets the Supreme Court's reasoning in *Kellogg Brown* exactly

9. As enacted in 1996, the EEA contained a limited a civil remedy, codified in 18 U.S.C. § 1836(a), authorizing only the Attorney General to seek injunctions against criminal violations of the EEA.

backwards. The Court recognized that "the term 'offense' is sometimes used ... to denote a civil violation." *Id.* The Court's statement that the term was not used that way in title 18 was a description of title 18 in 2015, not a sweeping command that the word may never be used in title 18 to refer to a civil violation. *Id.* ("Although the term appears hundreds of times in Title 18, neither respondent nor the Solicitor General, appearing as an *amicus* in support of respondent, has been able to find a single provision of that title in which 'offense' is employed to denote a civil violation.").

Kellogg Brown was decided a year before the DTSA was enacted. To the extent the DTSA's drafters considered the Supreme Court's guidance on whether it was necessary to modify the term "offense," *Kellogg Brown* would have reassured them that "offense" could in fact encompass civil violations. If *Kellogg Brown* had been handed down after the DTSA amended title 18, Hytera's argument might be stronger. But because the DTSA was enacted after *Kellogg Brown*, section 1837's use of the term "offense" to encompass section 1836's civil violations would have provided the "single provision of that title" the Supreme Court looked for but did not find in *Kellogg Brown*. *Id.*

Hytera also argues briefly that it would be anomalous for the DTSA's private right of action to have extraterritorial reach when other intellectual property statutes, such as the Copyright Act, do not. We see nothing necessarily anomalous about making different policy choices for different statutes. The issue for us is statutory interpretation, not the public policy choices. The DTSA's text expressly applies outside the United States and distinguishes it from other intellectual property laws. See DTSA § 2(g), 130 Stat. at 382, to be set out as a note under 18 U.S.C. § 1833 ("[T]he amendments made by this section shall not be construed to be a law pertaining to intellectual property for purposes of any other Act of Congress."). We agree with the district court that the express extraterritoriality provisions of section 1837 apply to the DTSA's private right of action in section 1836(b). Motorola may recover damages for Hytera's "conduct occurring outside the United States," including its foreign sales of products containing the stolen trade secrets.

C. Domestic "Act in Furtherance"

Hytera also argues on appeal that the district court erred in holding that it had committed a domestic act in furtherance of its foreign misappropriation. Hytera asserts in a single sentence that its "participation [in] U.S. trade shows certainly was not an 'act in furtherance' of ... purely extraterritorial sales," pointing to arguments earlier in its brief about Motorola's trade-show theory of extraterritoriality under the Copyright Act. Hytera Br. at 60. Hytera's argument seeks to import the completed-act and causation requirements from copyright law's predicate-act doctrine into section 1837(2). For reasons we have explained, though, the extraterritorial reach of the DTSA is far broader than that of the Copyright Act. Section 1837(2)'s requirement of "an act in furtherance of" the misappropriation does not require a *completed* act of domestic misappropriation, nor does it impose a specific causation requirement.

Instead, as at least one other court has recognized, the "act in furtherance of" language in section 1837(2) "is regularly used in the area of federal conspiracy law." *Motorola*, 436 F. Supp. 3d at 1165, quoting *Luminati Networks, Ltd. v. BIScience Inc.*, No. 2:18-cv-00483-JRG, 2019 U.S. Dist. LEXIS 79843, 2019 WL 2084426, at *9 (E.D. Tex. May 13, 2019), citing in turn *Yates v. United States*, 354 U.S. 298, 334, 77 S. Ct. 1064, 1 L. Ed. 2d 1356 (1957) ("[T]he *overt act* must be found ...to have been *in furtherance of* a conspiracy ....") (emphasis added); see also *Findlay v. McAllister*, 113 U.S. 104, 114, 5 S. Ct. 401, 28 L. Ed. 930 (1885) ("[I]t must be shown not only that there was a conspiracy, but that there were tortious *acts in furtherance of* it ....") (emphasis added). "[W]here Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts ... the meaning its use will convey to the judicial mind unless otherwise instructed." *Morissette v. United States*, 342 U.S. 246, 263, 72 S. Ct. 240, 96 L. Ed. 288 (1952). We thus consider the established legal meaning of "an act in furtherance of" when interpreting section 1837(2).

These origins in the law of conspiracy make clear that, unlike copyright's predicate-act doctrine for extraterritorial application, section 1837(2) does not require a *completed* act of domestic misappropriation, nor does it impose a causation requirement. The Copyright Act does not apply extraterritorially, so to recover damages for foreign copyright infringement under *RJR Nabisco*'s step two, a plaintiff is required to show specific causation. See *Tire Engineering & Distrib., LLC v.*

Shandong Linglong Rubber Co., 682 F.3d 292, 308 (4th Cir. 2012) ("[P]laintiff is required to show a domestic violation of the Copyright Act and damages *flowing from foreign exploitation of that infringing act* to successfully invoke the predicate-act doctrine.") (emphasis added). Conversely, there is a causation requirement in the DTSA between misappropriation and the resulting damages, but it is imposed in the cause of action itself, not by section 1837's extraterritoriality provisions. See § 1836(b)(3)(B)(i) (authorizing award of damages and unjust enrichment "caused by the misappropriation."). We therefore reject the proposition that section 1837(2)'s "in furtherance of" language requires specific causation between the qualifying domestic act and particular foreign sales for which damages are sought.

Nor does the "act in furtherance of" language require a *completed* act of domestic misappropriation. To further a criminal conspiracy, an overt act, "taken by itself," need not "be criminal in character." *Yates*, 354 U.S. at 334. By the same reasoning, an act in furtherance of a civil misappropriation need not itself be a complete violation of the law:

> Applied to the DTSA, *Yates* makes clear that the act in furtherance of the offense of trade secret misappropriation need not be the offense itself or any element of the offense, but it must "manifest that the [offense] is at work" and is not simply "a project [...] in the minds of the" offenders or a "fully completed operation." Put another way, an act that occurs before

> the operation is underway or after it is fully completed is not an act "in furtherance of" the offense.

Luminati, 2019 U.S. Dist. LEXIS 79843, 2019 WL 2084426, at *10, quoting *Yates*, 354 U.S. at 334.

We agree with this analysis. We also agree with Judge Norgle's conclusion that under the DTSA, misappropriation does not begin and end with the defendant's initial acquisition of plaintiff's trade secrets. Rather, "misappropriation" includes the defendant's illicit and ongoing "disclosure or use" of the stolen secrets. 18 U.S.C. § 1839(5)(B). Section 1837(2) is satisfied if "an act in furtherance of" a disclosure or use of a stolen trade secret occurred in the United States. Once that condition is met, the private right of action in section 1836(b) "also applies to conduct occurring outside the United States" for any foreign conduct related to "the offense." 18 U.S.C. § 1837. Just as a single criminal conspiracy can encompass a large number of independently unlawful acts within its scope, so too can an "offense" in section 1837(2) encompass an entire "operation" comprising many individual acts of misappropriation. See *Yates*, 354 U.S. at 334. So long as "an act in furtherance of the offense was committed in the United States," 18 U.S.C. § 1837(2), then all damages caused by the offense are recoverable under sections 1836(b) and 1837(2), wherever in the world the rest of the underlying conduct occurred.

We have already agreed with the district court's finding that Hytera's use of Motorola's trade secrets at U.S. trade shows was not just a domestic "act in furtherance of" misappropriation but was itself a complete domestic act of misappropriation. *Motorola*, 436 F. Supp. 3d. at 1165. Hytera thus committed an "act in furtherance of" its worldwide "offense" within the United States, and thus satisfied "the limits Congress has ... imposed on the statute's foreign application" in section 1837(2). See *RJR Nabisco*, 579 U.S. at 337–38. We reject Hytera's arguments to the contrary. The district court properly awarded Hytera's profits on all worldwide sales of products caused by the offense, regardless of where in the world the remainder of Hytera's illegal conduct occurred. In this case, Hytera's "offense" encompassed all misappropriations arising from the initial unlawful acquisitions by the former Motorola employees. Thus, under the DTSA's private right of action in 18 U.S.C. § 1836(b), Motorola can recover damages for all foreign sales involving the trade secrets acquired by theft.

We conclude on extraterritoriality with two further issues. First, we agree with the district court's alternative finding that, even if the DTSA did not apply extraterritorially under *RJR Nabisco*'s step one, this case would still amount to a permissible domestic application of the DTSA under *RJR Nabisco*'s step two. See 579 U.S. at 337. Second, because Motorola can recover all of Hytera's global profits caused by its illicit acquisition and use of Motorola's trade secrets, regardless of where the misappropriations occurred, any recovery under the Illinois Trade Secrets Act would duplicate recovery to Motorola for the same injuries from the loss of its trade secrets. Because additional damages would not be available under the ITSA, we need not address the district court's holding that the ITSA does not apply extraterritorially. See *Motorola*, 436 F. Supp. 3d at 1170.

VI. DTSA Apportionment and Harmless Error

Hytera raises the same arguments with respect to apportionment of the DTSA compensatory damages that it raised on copyright damages. The DTSA's compensatory damages scheme closely parallels the language of the Copyright Act discussed above. The Copyright Act allows recovery for "actual damages ... and any profits of the infringer that are ... not taken into account in computing the actual damages." 17 U.S.C. § 504(b). The DTSA allows recovery of "damages for actual loss ... and ... for any unjust enrichment ... that is not addressed in computing damages for actual loss ...." 18 U.S.C. § 1836(b)(3)(B)(i).

Federal courts routinely apply their reasoning about apportionment to unjust enrichment awards under a variety of statutes. See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 401, 60 S. Ct. 681, 84 L. Ed. 825 (1940) (extending apportionment causation doctrine from patent law to copyright infringement). Applying a different federal statute, this court has noted:

> The problem of apportioning a wrongdoer's profits between those produced by his or her own legitimate efforts and those arguably resulting from his or her wrong is familiar to courts in other areas of the law. Where [a federal statute] is silent as to how profits should

> be apportioned, we draw on those other areas of law for guidance. Perhaps the closest analogy is the apportionment of a copyright infringer's profits.

Leigh v. Engle, 727 F.2d 113, 138 (7th Cir. 1984) (extending copyright and patent apportionment reasoning to profitable investments made through breaches of fiduciary duties under ERISA). Here, we apply the case law regarding proof of causation for apportionment of awards under the Copyright Act to the DTSA. As with copyright damages, the district court also erred in closing off to Hytera the proximate-cause track to support possible apportionment of DTSA damages.

But this does not end our inquiry. Motorola argues that failure to apportion the DTSA compensatory damages award was harmless. Its theory is that 18 U.S.C. § 1836(b)(3)(B) offers an alternative calculation of compensatory damages under the DTSA. This alternative calculation would add Motorola's own lost profits ($86.2 million, as found by the district judge) to Hytera's avoided R&D costs ($73.6 million, as also found by district judge), for a total of $159.8 million. Neither of those amounts is subject to apportionment, so Motorola would be entitled to the entire $159.8 million under this calculation. This amount is greater than the amount of Hytera's profits actually awarded by the district court as unjust enrichment, $135.8 million, which was potentially subject to apportionment. Motorola does not seek the $24 million difference in its cross-appeal, but it argues that the availability of a $159.8 million compensatory damages award makes the district court's failure to apportion the $135.8 million award a harmless error.

Hytera counters with two arguments: first, that the district court did not actually make a factual finding on Motorola's amount of lost profits, and second, that even if the court made such a factual finding, the amount of Motorola's lost profits is a legal (not equitable) remedy on which Hytera is entitled to a jury finding in the first instance. Neither argument is persuasive. The first is clearly incorrect on the record. The second is a true statement of the law—lost profits are a legal remedy rather than an equitable one—but Hytera forfeited the argument that it was entitled to a jury trial on that issue by failing to raise it in its opening brief.

We thus find that the district court's failure to apportion the $135.8 million in compensatory damages under the DTSA was a harmless error. We first explain why Motorola's alternate calculation of compensatory damages is valid under the DTSA. We then explain why Hytera forfeited its arguments that the jury needed to make any finding on the issue.

A. Compensatory Damages Under the DTSA

The DTSA offers a trade secret plaintiff the greatest of three distinct calculations for compensatory damages in 18 U.S.C. § 1836(b)(3)(B). Under the DTSA, Motorola is entitled to "(I) damages for actual loss caused by the misappropriation of the trade secret; and (II) damages for any unjust enrichment caused by the misappropriation of the trade secret that is not addressed in computing damages for actual loss," § 1836(b)(3)(B)(i), or "in lieu of damages measured by any other methods, [the district court may award] damages caused by the misappropriation measured by imposition of liability for a reasonable royalty for the misappropriator's unauthorized disclosure or use of the trade secret," § 1836(b)(3)(B)(ii). See *MedImpact Healthcare Systems, Inc. v. IQVIA Holdings Inc.*, No. 19-cv-1865-GPC (DEB), 2022 U.S. Dist. LEXIS 186470, 2022 WL 5460971, at *4 (S.D. Cal. Oct. 7, 2022) (describing DTSA's "three separate measures of damages"). The third method for calculating damages, ascertaining the value of a reasonable royalty, is not at issue here. We do not discuss it further.

The statutory language for the DTSA's first two methods of calculating damages parallels the Copyright Act. See 17 U.S.C. § 504(b). A plaintiff's first option is to recover as unjust enrichment the entire amount of the defendant's profits caused by the misappropriation. On this path, once the plaintiff proves the defendant's total profits from the theft, the defendant has an opportunity to seek apportionment by proving how its own efforts contributed to those profits. See *id.* A plaintiff's second option is to prove as damages its actual losses (a legal remedy) plus any gains to the defendant not accounted for in plaintiff's actual losses as unjust enrichment (an equitable remedy). If a plaintiff follows this path and tries to prove its own losses, it must also show that the additional amount of unjust enrichment it seeks from defendant will not duplicate its own lost profits. In this case, for example, it would be double-counting for Motorola to count the same unit of sale as both lost profits to itself and unjust enrichment to Hytera. We explained this principle under the Copyright Act in *Taylor v. Meirick*:

> Taylor presented no evidence that selling the infringing maps was more profitable to Meirick than selling more of the original maps would have been to himself. *True, he would not have had to present such evidence if he were seeking to recover Meirick's profits as the sole item of damages, as the statute permitted him to do*. But since he was trying to recover both his lost profits and Meirick's profits, he had to show what part of Meirick's profits he, Taylor, would *not* have earned had the infringement not occurred; in other words, he had to subtract his profits from Meirick's.

712 F.2d 1112, 1120 (7th Cir. 1983) (first emphasis added).

A successful plaintiff is entitled to the larger of these two amounts. *Id.* (characterizing the paths as a choice for plaintiff, but "an easy choice" where one amount is larger than the other). Judge Shadur made the same point in *Respect Inc. v. Committee on Status of Women*, also interpreting the Copyright Act:

> [T]he ... plain meaning of [Section 504(b)] is that the copyright owner is entitled to the *greater* of (1) its own actual damages and (2) the infringer's profits. Indeed the enactment was a corrective measure to overturn the line of

> some prior case law authority that had granted copyright owners the *sum* of their actual damages plus the infringer's profits.

821 F. Supp. 531, 532 (N.D. Ill. 1993) (emphases in original). The bottom line is that Motorola is entitled to the larger of (1) Hytera's total profits from the theft, as unjust enrichment (subject to apportionment), or (2) the sum of Motorola's own actual losses and any additional amount of unjust enrichment not accounted for in those actual losses, which in this case includes Hytera's avoided R&D costs.[10]

Crucially for this case, a plaintiff is entitled to factual determinations as to the amounts available under both paths for calculating its compensatory damages. "There is of course only one way to determine which of two numbers is larger, and that is to ascertain *both* of those numbers." *Respect Inc.*, 821 F. Supp. at 532 (emphasis in original); accord, *Navarro v. Procter & Gamble Co.*, 529 F. Supp. 3d 742, 749 (S.D. Ohio 2021) ("While [the Copyright] Act

10. We agree with the Second Circuit that "avoided costs are recoverable as damages for unjust enrichment under the DTSA" when the defendant's "misappropriation injure[s plaintiff] *beyond* its actual loss." *Syntel Sterling Best Shores Mauritius Ltd. v. The TriZetto Grp., Inc.*, 68 F.4th 792, 809–10 (2d Cir. 2023) (emphasis in original). Hytera's avoided R&D costs are recoverable as unjust enrichment in this case because its misappropriation injured Motorola beyond its actual losses. Hytera "'used the claimant's trade secrets in developing its own product,' thereby diminishing the value of the trade secret to the claimant." *Id.* at 812, quoting *GlobeRanger Corp. v. Software AG U.S. of America, Inc.*, 836 F.3d 477, 499 (5th Cir. 2016) (alteration omitted).

did not expressly tell courts to take actual damages into account in ascertaining the profits award, that is inherent in the statutory scheme."). If a plaintiff adequately preserves its arguments for compensatory damages under both theories through the close of trial and any relevant post-trial motions, as Motorola did here, the factfinder is obliged to make findings as to the amount of compensatory damages available by each path. Plaintiff should then be awarded the greater of the two amounts.

B. Key Procedural Steps and Missteps

The path to the final judgment on this issue included some missteps and course corrections during and after trial. First, Motorola (and Hytera) believed throughout trial that Motorola's unjust-enrichment theory would likely produce a higher verdict than its lost-profits theory. Still, Motorola always preserved its right to receive the higher of the two sums. The jury was also instructed to calculate both numbers and to award the higher.[11]

---

11. Motorola's expert, its counsel, and the district judge proceeded through trial under the misapprehension (eventually corrected by the district judge) that the amount of Hytera's avoided R&D costs ($73.6 million) could be added to Hytera's profits (ultimately argued by Motorola to be $135.8 million) without causing a double recovery. Motorola persisted in this mistaken argument, seeking $209.4 million in unjust enrichment from Hytera, until Judge Norgle's post-trial findings of fact and conclusions of law corrected the mistake and reduced the unjust enrichment award to $135.8 million.

Second, the district court submitted all damages issues to the jury under the mistaken impression that all awards would be legal remedies rather than equitable. After the trial, Hytera convinced Judge Norgle that he had been wrong. He then treated the jury verdict as advisory. The jury's verdict form included only one total for compensatory damages and one total for exemplary damages. After trial, however, the evidence and arguments allowed Judge Norgle to break down the separate amounts awarded by the jury for copyright and trade secret damages.

Third, in post-trial briefing and proposed findings and conclusions, Motorola asked Judge Norgle to find two facts specifically: (1) that Motorola's lost profits under the DTSA were $86.2 million, and (2) that Hytera's avoided R&D costs were $73.6 million. Hytera objected to both numbers on their merits. It also objected to having the district court make the initial finding on lost profits, arguing that lost profits were a legal remedy requiring a jury determination in the first instance.

After receiving the parties' proposed findings of fact and law, Judge Norgle adopted both of Motorola's proposed findings on the amounts of its lost profits and Hytera's avoided R&D expenses. Hytera mistakenly argues on appeal that the district court made no express finding as to the amount of Motorola's lost profits. See Dkt. No. 1100, ¶ 10 ("The $209.4 million [awarded by the jury for Hytera's unjust enrichment] exceeds *Motorola's $86.2 million in Motorola's lost profits* due to Hytera's trade secret misappropriation under the DTSA.") (emphasis added); *id.*

¶ 46 ("[T]he Court finds that the evidence *supports \$73.6 million for Hytera's avoided research and development costs* for Hytera's trade secret misappropriation under the DTSA.") (emphasis added). The court made these express findings in the course of figuring out which of the two compensatory damages paths produced the greater number. The court did not expressly address Hytera's argument that the jury would have had to make any finding about Motorola's lost profits, but it incorporated by reference the reasoning in its earlier post-trial order that "the jury award for actual losses pursuant to the DTSA is ... a legal remedy." *Motorola Solutions, Inc. v. Hytera Commc'ns Corp.*, 495 F. Supp. 3d 687, 708 (N.D. Ill. 2020). The problem with this answer is that the jury verdict did not include any explicit finding on the amount of Motorola's actual losses.

Fourth, the district court's post-trial decisions and findings should have brought the present harmless-error and jury-versus-judge problems into focus for the parties. The district court correctly found that the avoided R&D costs should be subtracted from Hytera's profits to avoid double-counting. That lowered the potential unjust-enrichment award from \$209.4 million to \$135.8 million, which put that amount now below the sum of Motorola's own lost profits and Hytera's avoided R&D costs (\$159.8 million). The district court also made an express finding on the amount of Motorola's lost profits, (\$86.2 million) while incorporating by reference its own earlier reasoning that the amount of that award was a legal (not equitable) remedy. And after saying (incorrectly) that the maximum compensatory damages recoverable by Motorola under the DTSA were Hytera's unjust enrichment profits of $135.8 million, the court failed to show it applied the right causation standard to Hytera's contributions to its profits.

If the district court had properly followed DTSA's statutory remedial scheme, the court should have awarded Motorola the sum of its own lost profits and Hytera's avoided R&D for a total of $159.8 million (not subject to apportionment) as soon as it became clear that this total was greater than the amount of Hytera's profits recoverable through unjust enrichment, $135.8 million (still subject to reduction by apportionment). Motorola has not cross-appealed, however, on the $24 million difference between that amount and the final award of $135.8 million. Still, the district court's failure to apportion its erroneous lower amount of $135.8 million was harmless unless Hytera was entitled to have the jury decide the amount of Motorola's lost profits.

C. Forfeiture on Appeal

No one should be surprised that in a case of this complexity and scope, the leisurely hindsight available on appeal will turn up arguable errors favoring both sides. Nor should anyone be surprised that some arguable errors were not properly preserved for appeal. Most rights, including constitutional rights, are subject to waiver and forfeiture. That includes a party's right to have a jury determine any legal remedy in the first instance. That right is not absolute. It can be waived, leaving factual questions instead to the court. E.g., *Lacy v. Cook County*, 897 F.3d 847, 860 (7th Cir. 2018). In addition, orderly presentation of issues for appeal is critical, particularly in a case with as many issues swirling around as in this one. "An issue that falls within the scope of the judgment appealed from that is not raised by the appellant in its opening brief on appeal is necessarily waived." *Lexion Medical, LLC v. Northgate Technologies, Inc.*, 618 F. Supp. 2d 896, 902 (N.D. Ill. 2009), citing *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1360 (Fed. Cir. 2008); accord, *Dinerstein v. Google, LLC*, 73 F.4th 502, 512 (7th Cir. 2023). We find that Hytera forfeited its objections to the district court's determination of Motorola's lost profits and Hytera's own avoided R&D costs when it failed to challenge those findings in its opening brief on appeal.

Here, Hytera sufficiently preserved in the district court its arguments that Motorola's lost profits were a legal remedy to be decided by a jury. It made that point in its proposed findings of fact and conclusions of law after trial. The critical forfeiture occurred in its opening brief on appeal, however, when Hytera did not challenge the district court's finding of fact on Motorola's lost profits. Recall the structure of the trade secret statute, with its two paths to calculate compensatory damages. Motorola is entitled to recover by whichever path awards the larger amount and entitled to a factual finding on both amounts. Motorola preserved both paths for itself through trial and post-trial briefing. Hytera's arguments (that eventually proved successful) to reduce the maximum amount of Hytera's profits obtainable as unjust enrichment on the first path necessarily put in issue the amount alternatively available on the second path (the sum of Motorola's lost profits and Hytera's avoided R&D). The district court, as required by statute, made express calculations and findings as to the amounts available on both paths. Those findings were available to support the judgment unless Hytera challenged them. Hytera did not do so in its opening brief in its own appeal, forgoing its opportunity to challenge them.

As noted, Hytera contested the $86.2 million lost profits finding in its own proposed findings of fact before the district court made its final decision on the issue. But after the court issued its order and findings of fact, Hytera dropped any dispute with the amount of Motorola's lost profits and with whether the issue was for the jury or the court. Critically, Hytera failed to raise the issue in the opening brief for its appeal to this court. We have explained:

> [P]arties can waive the right to jury trial by conduct just as they can by written or oral statements. ... A failure to object to a proceeding in which the court sits as the finder of fact "waives a valid jury demand as to any claims decided in that proceeding, at least where it was clear that the court intended to make fact determinations."

Fillmore v. Page, 358 F.3d 496, 503 (7th Cir. 2004), quoting *Lovelace v. Dall*, 820 F.2d 223, 227 (7th Cir. 1987); accord, *United States v. Resnick*, 594 F.3d 562, 569 (7th Cir. 2010) (same).

In its second brief on appeal, in response to Motorola's argument for harmless error, Hytera argued that it had no reason to raise the issue in its opening brief because neither the judge nor the jury had made a finding on lost profits. That is not correct. The text of the DTSA plainly required a comparison of the amounts recoverable by Motorola under both paths to determine the greater amount. Neither party has disputed that requirement during or after trial. The district court made crystal clear that it was treating the jury verdict as advisory. That meant the court was obliged to make findings on both theories of compensatory damages. See *Respect Inc.*, 821 F. Supp. at 532. It did so here. Even (or especially) if the district court erred in failing to apportion the amount recoverable by Motorola on the unjust-enrichment path, we would still have to consider the alternative calculation to determine Motorola's entitlement to compensatory damages under the DTSA. That alternate path, Motorola's lost profits plus Hytera's avoided R&D, was supported by express factual findings by the district court. Hytera was not entitled to take aim at lowering just one of the two alternative paths for awarding damages for its theft of trade secrets while being forgiven for failing to challenge a clear finding by the district court concerning a higher amount available on the alternate path.

To be clear, we do not adopt or apply here a broad rule that any appellant must anticipate and address any possible harmless-error arguments in its opening brief. Hytera's forfeiture of its challenge to the district court's lost profits finding in this case is based on the structure of these alternative statutory remedies, where the statute requires the factfinder to calculate both amounts and to award the higher. The statutory text is plain. Both sides were clearly aware throughout trial that lost profits and unjust enrichment were two alternate theories of recovery. Both were aware that Motorola would be entitled to recover the greater amount. Motorola did not sneak its $86.2 million figure in under Hytera's nose; far from it. Hytera spent several pages challenging this figure in its own proposed findings of fact and law. But after the district court adopted Motorola's proposed lost profits amount, Hytera failed to challenge it in its opening brief to this court.

This situation is akin to a simpler case. Imagine a defendant is sued for one injury on both a tort theory and a contract theory. At trial, the defendant loses on both theories, and in a special verdict, the jury awards the same amount under each theory. The defendant cannot win on appeal without challenging both theories. Showing only, for example, that the jury instructions on the tort theory were wrong would not affect the contract verdict. On appeal, the defendant-appellant could not argue only that the tort finding was erroneous, saving its contract issues for its reply brief, after the winning plaintiff points out that any tort-theory errors were harmless because the defendant failed to challenge an independent basis for the verdict. "When a district court bases its ruling on two grounds and a plaintiff challenges only one on appeal, she 'waive[s] any claim of error in that ruling.'" *Appvion, Inc. Retirement Savings & Employee Stock Ownership Plan by & through Lyon v. Buth*, 99 F.4th 928, 954 (7th Cir. 2024) (alteration in original), quoting *Landstrom v. Illinois Dep't of Children & Family Services*, 892 F.2d 670, 678 (7th Cir. 1990).

Finally, Hytera's failure does not implicate any of the countervailing interests that have motivated us in rare cases to overlook forfeiture or waiver of the right to a jury trial on legal issues. Both parties to this case are highly sophisticated, and the district court's intent to make factual findings was clear. Hytera had plenty of notice and opportunity to challenge them on appeal. Cf. *Lacy*, 897 F.3d at 860 (declining to find waiver where "the district court failed to communicate its intent to make conclusive factual determinations"); see also *Chapman v. Kleindienst*, 507 F.2d 1246, 1253 (7th Cir. 1974) (explaining "[n]ormally, the failure to object [to resolution of factual issues by the trial judge] ... would constitute a waiver of the right to a jury trial," but making exception for *pro se* litigant who "may not have been aware of his right to object to a hearing to the court").

In sum, although the district court erred by failing to apply the correct causation standard to Hytera's claim for apportionment of the $135.8 million DTSA compensatory damages award, we nevertheless uphold the award. The legal error on apportionment was harmless, and Hytera forfeited on appeal its argument that the jury should have made any finding on Motorola's lost profits.

VII. Due Process Challenge to DTSA Punitive Damages Award

Hytera argues that the punitive damages awarded by the district court under the DTSA, $271.6 million, violated the substantive limits on punitive damages imposed by the due process clause of the Fifth Amendment. We reject this challenge.

We begin with a review of the procedural history of this award. The jury originally awarded Motorola $418.8 million in punitive damages under the DTSA, twice the jury's award of $209.4 million in DTSA compensatory damages. This ratio matched the DTSA's statutory cap, which sets an upper limit on punitive damages at twice the award of compensatory damages. 18 U.S.C. § 1836(b)(3)(C). After trial, the district court ruled that DTSA compensatory damages, when based on defendant's gains rather than plaintiff's losses, were actually an equitable remedy subject to determination by the court rather than the jury. The district court then made its own factual findings on DTSA compensatory damages, reducing the award from $209.4 million to $135.8 million to avoid double-counting Hytera's avoided R&D costs with its profits. The district court then adopted the jury's now-advisory finding as to the proper ratio of punitive damages, sticking with the statutory maximum of two-to-one. The judge doubled the reduced compensatory damages award to calculate the new punitive damages award, arriving at $271.6 million.

"Review of a constitutional challenge to a punitive damages award is *de novo*, which operates to 'ensure that an award of punitive damages is based upon an application of law, rather than a decisionmaker's caprice.'" *Estate of Moreland v. Dieter*, 395 F.3d 747, 756 (7th Cir. 2005) (alterations omitted), quoting *State Farm Mutual Automobile Ins. Co. v. Campbell*, 538 U.S. 408, 418, 123 S. Ct. 1513, 155 L. Ed. 2d 585 (2003). The Supreme Court established the framework for assessing the constitutionality of punitive damages awards in three opinions: *BMW of North America, Inc. v. Gore*, 517 U.S.

559, 116 S. Ct. 1589, 134 L. Ed. 2d 809 (1996); *Cooper Industries, Inc. v. Leatherman Tool Grp., Inc.*, 532 U.S. 424, 121 S. Ct. 1678, 149 L. Ed. 2d 674 (2001); and *State Farm*, 538 U.S. 408 (2003). In *Gore*, the Supreme Court "instructed courts reviewing punitive damages to consider three guideposts: (1) the degree of reprehensibility of the defendant's misconduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases." *State Farm*, 538 U.S. at 418, citing *Gore*, 517 U.S. at 575.

In *Gore*, the Supreme Court assessed the constitutionality of a state common law punitive damages award. Here, by contrast, we assess the constitutionality of punitive damages awarded pursuant to a federal statute expressly authorizing them, "a different question than the Supreme Court considered in *Gore*." *Arizona v. ASARCO LLC*, 773 F.3d 1050, 1055 (9th Cir. 2014) (en banc). Circuit courts applying the *Gore* factors have recognized that the "landscape of our review is different when we consider a punitive damages award arising from a statute that rigidly dictates the standard a jury must apply in awarding punitive damages and narrowly caps ... compensatory damages and punitive damages." *Id.*; see also *BNSF Ry. Co. v. U.S. Dep't of Labor*, 816 F.3d 628, 643 (10th Cir. 2016) (agreeing that review is more flexible where Congress has spoken explicitly on proper scope of punitive damages); *Abner v. Kansas City Southern Railroad Co.*, 513 F.3d 154, 164 (5th Cir. 2008) ("As we see it, the combination of the statutory cap and high threshold of culpability for any award confines the amount of the award to a level tolerated by due process. Given that Congress has effectively set the tolerable proportion, the three-factor *Gore* analysis is relevant only if the statutory cap itself offends due process."). As the Ninth Circuit explained further in *ASARCO*:

> An exacting *Gore* review, applying the three guideposts rigorously, may be appropriate when reviewing a common law punitive damages award. However, when a punitive damages award arises from a robust statutory regime, the rigid application of the *Gore* guideposts is less necessary or appropriate. Thus, the more relevant first consideration is the statute itself, through which the legislature has spoken explicitly on the proper scope of punitive damages.

773 F.3d at 1056.

Gore itself shows that substantial deference is due to the Congressional judgment about punitive damages under the DTSA. The third of its three guideposts instructs courts to defer to "legislative judgments concerning appropriate sanctions for the conduct at issue." *Gore*, 517 U.S. at 583, quoting *Browning-Ferris Industries of Vt., Inc. v. Kelco Disposal, Inc.*, 492 U.S. 257, 301, 109 S. Ct. 2909, 106 L. Ed. 2d 219 (1989) (O'Connor, J., concurring in part and dissenting in part). The "appropriate sanctions" for misappropriation under the DTSA, in Congress's judgment, cap out at twice the compensatory damages awarded by the district court. 18 U.S.C. § 1836(b)(3)(C).

Still, all three of *Gore*'s guideposts are "undeniably of some relevance in this context." *ASARCO*, 773 F.3d at 1055, citing *Cooper Industries*, 532 U.S. at 441–43 (applying *Gore* to punitive damages under federal Lanham Act). In *ASARCO*, the Ninth Circuit applied *Gore* to analyze the due process implications of a punitive damages award authorized and capped by a federal statute, 42 U.S.C. § 1981a, which governs damages in federal employment discrimination cases. In line with other circuits, we consider first whether the federal statutory damages cap complies with due process, and second, whether the challenged punitive damages award falls within those statutory limits. See *ASARCO*, 773 F.3d at 1055; *Abner*, 513 F.3d at 164.

A. The DTSA's Limits on Punitive Damages

Under the DTSA, if a trade secret "is willfully and maliciously misappropriated," a court may award "exemplary damages in an amount not more than 2 times the amount of the damages awarded under" the compensatory damages provisions. 18 U.S.C. § 1836(b)(3)(C). As relevant here, the compensatory damages provisions allow recovery for actual loss caused by the misappropriation and any unjust enrichment not addressed in computing actual loss. § 1836(b)(3)(B)(i). We have no doubt that the DTSA's exemplary damages provision complies with due process.

First, keeping in mind due process considerations of fair notice, the DTSA clearly sets forth the type of conduct and the mental state a defendant must have to be found liable for punitive damages. The DTSA provides a private right of action to redress "the misappropriation of a trade secret" using two terms defined in the statute. 18 U.S.C. §§ 1839(3), (5) (defining "trade secret" and "misappropriation"). Trade secret law is familiar and well-developed. There is no doubt that Hytera's conduct falls squarely within the statutory prohibitions. The DTSA also limits punitive damages to willful and malicious violations. 18 U.S.C. § 1836(b)(3)(C). This mens rea requirement for punitive damages easily satisfies *Gore's* concern that conduct be reprehensible. 517 U.S. at 575; see also *ASARCO*, 773 F.3d at 1057.

Second, the DTSA sets a cap on the punitive damages available at "not more than 2 times the amount of the damages awarded" under the DTSA's compensatory damages provisions. 18 U.S.C. § 1836(b)(3)(C). In capping punitive damages at a ratio of two-to-one, the DTSA functions like a host of other federal statutes authorizing double or treble damages—especially for wrongdoing in commerce—whose constitutionality is virtually beyond question. *State Farm*, 538 U.S. at 425 ("[S]anctions of double, treble, or quadruple damages to deter and punish" have "a long legislative history, dating back over 700 years and going forward to today."); *Gore*, 517 U.S. at 580 & n.33 (noting centuries-long history of such legislation); see, e.g., 15 U.S.C. § 15(a) (mandating treble damages for antitrust violations); 18 U.S.C. § 1964(c) (mandating treble damages for racketeering violations); 35 U.S.C. § 284 (authorizing treble damages for patent infringement); and 15 U.S.C. § 1117(a) (authorizing treble damages for trademark infringement).

In addition, the compensatory damages that may be multiplied to calculate punitive damages under the DTSA themselves require solid proof and must avoid duplicative and excessive recoveries. See § 1836(b)(3)(B) (courts may award "damages for actual loss ... and ... damages for any unjust enrichment ... *that is not addressed in computing damages for actual loss*; or ... *in lieu of damages measured by any other methods*, the damages ... measured by imposition of liability for a reasonable royalty") (emphases added). The DTSA narrowly describes the categories of harm for which compensatory damages are available, and its two-to-one limit on punitive damages reasonably caps liability under the statute. Thus, *Gore*'s ratio analysis has less applicability under the DTSA because § 1836(b)(3)(C) expressly governs the ratio of punitive damages. The two-to-one limit on punitive damages is strong evidence that "Congress supplanted traditional ratio theory and effectively obviated the need for a *Gore* ratio examination" of awards that comport with DTSA's statutory scheme. See *ASARCO*, 773 F.3d at 1057.[12]

12. The DTSA and 42 U.S.C. § 1981a, analyzed in *ASARCO* and *Abner*, differ in that § 1981a caps the total amount of punitive and compensatory damages at a fixed dollar amount, while the DTSA caps the ratio of punitive damages to compensatory damages without an absolute limit on either type of damages. That did not make a difference to the Ninth Circuit in *ASARCO*:

> When a statute narrowly describes the type of conduct subject to punitive liability, and reasonably caps that liability, it makes little sense to formalistically apply a ratio analysis devised for unrestricted state common law damages awards. That logic applies with special force here because the statute provides a consolidated cap on *both* compensatory and punitive damages.

Here, as in § 1981a and other federal statutes like the Sherman Act, RICO, and patent and trademark laws authorizing double or treble damages, Congress has made a specific and reasonable legislative judgment about punitive damages in cases like this one. There is no reason to search outside the text of the DTSA for legislative guidance in analogous contexts. *Id.* at 1057; see also *E.E.O.C. v. AutoZone, Inc.*, 707 F.3d 824, 840 (7th Cir. 2013) ("we need not look far to determine the legislature's judgment concerning the appropriate level of damages in this case: Congress has already defined the statutory cap"). The $271.6 million punitive damages award here complies with the DTSA's statutory limits. Hytera "willfully and maliciously misappropriated" Motorola's trade secrets. See 18 U.S.C. § 1836(b)(3)(C). As explained above, we affirm the district court's $135.8 million compensatory damages award because a procedural error in determining apportionment was harmless. The evidence amply supports a compensatory award of that amount. The $271.6 million in DTSA punitive damages is exactly double, and thus, "not more than 2 times the amount" of compensatory damages awarded

773 F.3d at 1057 (emphasis in original). The Ninth Circuit's "special force" language makes clear that the same logic would also apply to a statute like the DTSA, which caps only punitive damages by way of a ratio to compensatory damages. We agree with the Ninth Circuit on this point. For reasons explained in the text, the DTSA's damages provisions work together to keep both compensatory and punitive damages award within reasonable, evidence-based bounds. Those statutory limits should ensure that an award that satisfies them will also comply with due process, except perhaps in rare cases.

by the district court. *Id.*; see also *AutoZone*, 707 F.3d at 840 (existence of a "statutory cap suggests that an award at the capped maximum is not outlandish"). Based on the statutory limits on punitive damages in the DTSA, the award here is consistent with *Gore* and its progeny.

B. Epic Systems Does Not Control

Given the express federal statutory authority for this punitive damages award, Hytera's constitutional challenge to the \$271.6 million award leans primarily on our opinion in *Epic Systems Corp. v. Tata Consultancy Services Ltd.*, 980 F.3d 1117 (7th Cir. 2020). Despite some similarities, Hytera's reliance is not persuasive. *Epic Systems* also involved a multi-year campaign of trade secret misappropriation by one large competitor against another. In that case, an employee of defendant Tata Consultancy Services (TCS) gained access to Epic's private web portal by disguising himself as an Epic customer. He then shared his credentials with other TCS employees, who accessed and downloaded over 6,000 confidential documents over two years. TCS's employees lied to investigators and failed to preserve relevant evidence once litigation had started. A jury awarded Epic \$140 million in compensatory damages for the misappropriation and \$700 million in punitive damages. *Id.* at 1123. The district court reduced the \$700 million award to \$280 million to comply with a state statute capping punitive damages on most state-law claims at a ratio of two-to-one (or \$200,000, whichever was greater). See Wis. Stat. § 895.043(6).

TCS appealed, arguing that the size of the award violated its substantive due process rights under the

Fourteenth Amendment. We agreed that the award was "constitutionally excessive" and remanded with instructions to reduce the punitive damages award to a maximum of $140 million, a ratio of one-to-one with the compensatory damages awarded. 980 F.3d at 1145. (The district court did so, and we affirmed in a successive appeal after the remand. See *Epic Sys. Corp. v. Tata Consultancy Servs. Ltd.*, No. 22-2420, 2023 U.S. App. LEXIS 17953, 2023 WL 4542011 (7th Cir. 2023).)

Despite similarities, there are critical differences between *Epic Systems* and this case. Although both cases concerned the theft of trade secrets, the *Epic Systems* defendants challenged punitive damages awarded under state law. 980 F.3d at 1123–24. In this case, Hytera challenges punitive damages awarded under a federal statute, the DTSA. The two-to-one statutory punitive damages cap applied by the district court in *Epic Systems* was generic, applying to nearly all Wisconsin-law claims. It did not reflect a more precise, reasoned legislative judgment with respect to the particular claims for which punitive damages were sought.

The opposite is true here. The two-to-one punitive damages cap is tailored to the wrongdoing, included by Congress in the same federal statute creating the cause of action. Recalling the purposes and values driving *Gore*, this difference alone is sufficient to distinguish the two cases. "When a statute narrowly describes the type of conduct subject to punitive liability, and reasonably caps that liability, it makes little sense to formalistically apply a ratio analysis devised for unrestricted state common law damages awards." *ASARCO*, 773 F.3d at 1057. The state statutory and common law claims at issue in *Epic Systems* looked much more like the state common law claims the Supreme Court considered in *Gore* itself, justifying more exacting *Gore* review.

If the due process holding of *Epic Systems* were read to elide this key distinction, it would call into question the constitutionality of many federal statutes expressly authorizing punitive or multiple damages. This important limit on *Epic Systems* was highlighted when the plaintiff in that case sought Supreme Court review of our due process ruling. The Court invited the views of the Solicitor General, who recommended denial of certiorari by pointing to exactly this limit:

> If a court of appeals relies on the Seventh Circuit's decision to hold that an enhanced-damages award *under federal law* violates the Due Process Clause, this Court's review may be warranted at that time. But given the important distinctions between the Wisconsin cap at issue here and the various federal laws that authorize enhanced damages, the decision below is not properly understood to affect those statutes.

Brief for the United States as Amicus Curiae at 23, *Epic Systems Corp. v. Tata Consultancy Services Ltd.*, 142 S. Ct. 1400, 212 L. Ed. 2d 343 (2022) (mem.), 2022 WL 476882, at *23 (emphasis added). We agree with the Solicitor General's reasoning. Our decision in *Epic Systems* is not properly understood to affect federal statutes like the

DTSA that allow for enhanced damages awards. On that basis alone, *Epic Systems* does not control this case.[13]

This case is distinguishable from *Epic Systems* for two further factual reasons. First, Hytera's conduct

---

13. We also addressed similar due process issues in *Saccameno v. U.S. Bank N.A.*, 943 F.3d 1071 (7th Cir. 2019), where we affirmed a verdict under a state consumer protection law awarding compensatory and punitive damages for oppressive conduct by a creditor. We ultimately applied the due process clause of the Fourteenth Amendment to reduce the punitive damages awarded in that case to a ratio of one-to-one ($582,000 for each type), using as the denominator in our *Gore* ratio analysis the sum of compensatory damages awarded for all claims. *Id.* at 1084–91.

Our thorough discussion of the factual details in *Saccameno* shows that we were not suggesting that a one-to-one ratio must govern in all applications of that state consumer protection statute, let alone of all statutes authorizing punitive damages in commercial settings involving monetary harm. Our application of the *Gore* factors was, as required, fact-intensive. Critically, we deemed the defendant's wrongdoing in *Saccameno* to be the result of indifference, not the willful and malicious conduct Hytera has undertaken here. See *id.* at 1090. We also gave weight to the fact that plaintiff Saccameno's compensatory damages award included emotional distress damages, which "already contain [a] punitive element." *Id.*, quoting *State Farm*, 538 U.S. at 426. We have no such elements in the compensatory damages award in this case. Moreover, unlike the DTSA, the state law authorizing punitive damages in *Saccameno* did not reflect a specific legislative judgment as to the appropriate ratio of punitive damages in the case at hand. See 18 U.S.C. § 1836(b)(3)(C). In light of the important factual differences and the deference owed to specific legislative judgments under *Gore*'s third guidepost, 517 U.S. at 583, *Saccameno*'s sound reasoning does not require a one-to-one ratio in this case.

here was reprehensible "to an extreme degree," far worse than even the behavior of defendant TCS in *Epic Systems*. 980 F.3d at 1144. Second, Motorola proved it had suffered significantly greater harm resulting from the misappropriation than did plaintiff Epic Systems.

First, in *Epic Systems*, we found that the conduct of TCS was "reprehensible, but not to an extreme degree." 980 F.3d at 1144. *Gore*'s reprehensibility guideline involves a consideration of five factors, and for the same reasons articulated in *Epic Systems*, the first three weigh against punitive damages here. See *id.* at 1141. We focus on the fourth and fifth: whether "the conduct involved repeated actions or was an isolated incident;" and whether "the harm was the result of intentional malice, trickery, or deceit, or mere accident." *Id.*, quoting *State Farm*, 538 U.S. at 419.

As to the fourth factor, unlawful access to Epic's trade secrets extended to only internal use by "dozens of TCS employees." *Id.* at 1125. Hytera, in contrast, used Motorola's trade secrets to launch an entirely new and successful product line of professional-tier radios between 2010 and 2014 that it then sold worldwide, in direct competition with Motorola. And with respect to the fifth factor, in *Epic Systems*, the original deceitful act used to gain access to Epic's trade secrets was done by someone outside of TCS's control; TCS discovered this employee's illicit access belatedly and only then took advantage of it. *Id.* at 1125 ("Before working for TCS, [the thief] worked for a different company .... While working for that company, [he] falsely identified himself to Epic as a [customer], and Epic granted [him] full access to" its trade secrets.).

Hytera's conduct was even more reprehensible. Hytera's CEO directly solicited Motorola employees to steal trade secrets while they still worked for Motorola. The Motorola employees spent months illicitly downloading Motorola's source code and other trade secrets for Hytera, and they all eventually left Motorola for high-paying jobs at Hytera.

In addition, *Epic Systems* considered the defendant's deceit and foot-dragging during litigation of the trade secret theft as evidence of increased reprehensibility. *Id.* at 1126, 1142. Hytera's litigation misconduct in this case seems to have been even more severe. See *Motorola Solutions Malaysia SDN. BHD. v. Hytera Communications Corp.*, No. 24-1531, Order, ECF No. 9 at 7 (April 6, 2024) ("Hytera's record of behavior" including "sanctionable conduct before trial, the post-verdict litigation in this case, the failure to pay royalties as ordered (leading to an earlier contempt finding), filing the long-secret Shenzhen case, and its responses to the injunctions at issue ... show[] that its unverified representations to the tribunal cannot be trusted.").

Second, and even more important, unlike the plaintiff in *Epic Systems*, Motorola suffered large and measurable harms caused by the theft of its trade secrets: $86.2 million in lost profits, and $73.6 million in Hytera's avoided R&D costs. The second *Gore* guidepost requires us to "analyze the ratio of punitive damages to the 'harm, or potential harm' inflicted on the plaintiff." *Epic Systems*, 980 F.3d at 1142, quoting *State Farm*, 538 U.S. at 424. "In most cases, the compensatory-damages award approximates the plaintiff's harm" and can thus be used as the denominator for *Gore*'s ratio analysis. *Id.*

Hytera argues here that because the district court awarded punitive damages of twice its finding of unjust enrichment, the award did not reflect any actual harm to Motorola. We explained above, however, the alternative damages calculations required under the DTSA, as well as the district court's factual findings on the amounts of Motorola's lost profits and Hytera's avoided R&D costs.

In *Epic Systems*, we raised questions about the extent to which unjust enrichment to the defendant could provide an appropriate measuring stick for punitive damages, 980 F.3d at 1143, because *Gore*'s denominator typically measures harm to the plaintiff. 517 U.S. at 580. We need not announce here a sweeping rule about unjust enrichment, punitive damages, and the due process clause. Several features of this case persuade us that, to the extent our due process analysis of a punitive damages award within the DTSA's statutory cap is aided by a ratio analysis, the Fifth Amendment's due process clause does not forbid including both Motorola's lost profits and Hytera's avoided R&D costs in the denominator as harms to Motorola. First, of course, the DTSA expressly authorizes as a compensatory award the sum of those numbers. See 18 U.S.C. § 1836(b)(3)(B)(i). That is part of the legislative judgment that deserves our deference. See *Gore*, 517 U.S. at 583.

Second, we acknowledged in *Epic Systems* that, in certain circumstances, courts may "account for [unjust enrichment] in the harm-to-punitive-damages ratio." See 980 F.3d at 1142, citing *Sommerfield v. Knasiak*, 967 F.3d 617, 623–24 (7th Cir. 2020); see also *id.* at 1143, citing *Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp.*, 272 F.3d 1335, 1351 (Fed. Cir. 2001) (punitive damages may be based on an unjust enrichment award when defendant's gain is "logically related" to plaintiff's "harm or potential harm"), vacated, 538 U.S. 974, 123 S. Ct. 1828, 155 L. Ed. 2d 662 (2003), on remand, 345 F.3d 1366 (reaching same result as to punitive damages).

Third, the nature of this unjust enrichment award differs from the unjust enrichment award in *Epic Systems* in ways that make it more appropriate to account for unjust enrichment in the harm-to-punitive-damages ratio here. In trade secret cases, "unjust enrichment can take several forms and cover a broad array of activities." *Syntel Sterling Best Shores Mauritius Ltd. v. TriZetto Grp., Inc.*, 68 F.4th 792 (2d Cir. 2023); see also *Epic Systems*, 980 F.3d at 1130 ("Simply put, there is no single way to measure the benefit conferred on a defendant; the measurement is context dependent."). In both *Epic Systems* and this case, the relevant unjust enrichment awards were calculated based on avoided R&D costs. See 980 F.3d at 1130. But even two awards of avoided R&D costs can differ meaningfully in their method of calculation, depending on how defendants used and profited from the stolen trade secrets. See *Syntel*, 68 F.4th at 810 ("[T]he amount of avoided costs damages recoverable must still derive from 'a comparative appraisal of all the factors in the case,' among which are 'the nature and extent of the appropriation' and 'the relative adequacy to the plaintiff of other remedies.'"), quoting Restatement (Third) of Unfair Competition § 45(2) (Am. L. Inst. 1995). These differences help determine whether a particular unjust enrichment award can be counted as harm to the plaintiff for purposes of *Gore*'s ratio analysis.

In *Epic Systems*, the avoided R&D costs were awarded based on a "'head start' TCS gained in development and competition" that was indirectly related to product sales and hard to quantify: "a free shot—using stolen information—to determine whether it would be profitable" to improve an existing product to enter a new market. *Id.* at 1130, 1132. In *Epic Systems*, TCS put Epic's trade secrets to use primarily to create a "comparative analysis" of the two competitors' software, which it then used to try—without success—to poach one of Epic's largest clients, to enter the U.S. market, and to address key gaps in its own software. *Id* at 1131. Thus, any competitive harm to Epic was "hard to quantify" because "Epic was not deprived of the enjoyment of its software, did not lose business, and did not face any new competition." *Id.* at 1142. Consequently, it was clear that the $140 million in avoided R&D costs did not "reflect Epic's harm." *Id.* at 1143.

The opposite is true here. Hytera's avoided R&D costs of $73.6 million were not, as in *Epic Systems*, based on speculative, hard-to-quantify competitive harms where stolen information was used only to determine *whether* to improve a product or enter a new market. Hytera's theft of trade secrets included not just documentation *about* Motorola's radios but the source code itself, perhaps the most valuable part of a functional DMR radio. Before the theft, Hytera had struggled internally to develop its own DMR radio source code. After the theft, Hytera relied on the stolen code to launch a profitable line of products that it sold worldwide. The avoided R&D costs (and Hytera's reduced time to bring its products to market) in this case had a direct competitive effect on Motorola. In a case between the two largest competitors in the relevant global market, these avoided R&D costs are "no less beneficial to the recipient than a direct transfer" of $73.6 million from Motorola to Hytera. *Syntel*, 68 F.4th at 810 (cleaned up), quoting Restatement (Third) of Unfair Competition § 1 cmt. d. We have already found that Hytera's misappropriation harmed Motorola "*beyond* its actual loss of [$86.2 million] in lost profits." See *Syntel*, 68 F.4th at 810; see also *id.* at 811–12 (whether there is "compensable harm supporting an unjust enrichment award of avoided costs" depends on "the extent to which the defendant has used the secret in developing its own competing product, the extent to which the defendant's misappropriation has destroyed the secret's value for the original owner, or the extent to which the defendant can be stopped from profiting further from its misappropriation in the future.").

Given the particularly harmful nature of Hytera's misappropriation to the value of Motorola's trade secrets and the nature of the unjust enrichment award in this case, we find it appropriate to treat Hytera's avoided R&D costs as a competitive harm to Motorola. Accordingly, the economic and competitive harms to Motorola were quantifiable and large: Motorola's lost profits of $86.2

million and Hytera's avoided R&D costs of $73.6 million. Given the increased reprehensibility of Hytera's actions here and the significant, quantifiable harms to Motorola, *Epic Systems* does not control, and the punitive damages award did not violate due process.

VIII. Permanent Injunctive Relief

Finally, we address Motorola's cross-appeal asserting that the district court abused its discretion in denying Motorola's request for a permanent injunction on Hytera's worldwide sales of infringing products. The DTSA authorizes injunctions "to prevent any actual or threatened misappropriation." 18 U.S.C. § 1836(b)(3)(A)(i). Motorola moved in the district court for a permanent injunction enjoining Hytera from continuing to misappropriate Motorola's trade secrets and infringing its copyrights, including any further sales of any of Hytera's infringing products anywhere in the world. The district court denied that motion, opting instead to order a reasonable royalty at a rate to be determined later. *Motorola Solutions, Inc. v. Hytera Communications Corp.*, No. 1:17-cv-1973, 2020 U.S. Dist. LEXIS 272779, 2020 WL 13898832, at *1 (N.D. Ill. Dec. 17, 2020).

A few months later, Motorola moved to reconsider that denial under Federal Rule of Civil Procedure 60(b), arguing that its harm could not be remedied by money damages because Hytera's actions during the intervening months showed that it was either unwilling or unable to pay an ongoing royalty. Rule 60(b) allows relief from orders for reasons including mistake, newly discovered evidence, and misconduct by an opposing party. Motorola argued that relief was justified because, when the district court had denied Motorola's request for a permanent injunction, it believed that Motorola could and would be fully compensated for the harms Motorola had already suffered and would continue to suffer as a result of Hytera's theft. Motorola argued: "Recent events in connection with Motorola's judgment enforcement efforts have now revealed that belief was incorrect." Dkt. No. 1240 at 2.

Before the district court ruled on Motorola's motion, however, Hytera filed its appeal. Motorola responded by filing a cross-appeal that included the denial of its motion for a permanent injunction. Shortly after Motorola filed its cross-appeal, the district court denied Motorola's Rule 60(b) motion for reconsideration, reasoning that Motorola's appeal of the denial of an injunction deprived the district court of jurisdiction.

In its cross-appeal, Motorola argues that even if the district court lacked jurisdiction, it still should have considered the motion for reconsideration and issued an indicative ruling, citing *Boyko v. Anderson*, 185 F.3d 672, 675 (7th Cir. 1999). These are matters entrusted to a district court's sound discretion. In light of the post-judgment developments here, however, we agree with Motorola that the district court's denial of the Rule 60(b) motion for lack of jurisdiction reflected a legal error. We begin with a discussion of the procedure that should be followed by district courts confronting Rule 60(b) motions after an appeal has been docketed, including the history and effects of Federal Rule of Civil Procedure 62.1, which applies in this situation.

"The effect of pending ... appeals on the power of the trial court to grant relief under Rule 60 is not free from doubt." 11 Charles Alan Wright & Arthur R. Miller, *Federal Practice & Procedure* § 2873 (3d ed. 2024). Rule 60(b) "is silent on the question." *Id.* In past decades, some courts adopted the view the district court did here: "that the district court has no power to consider a motion under Rule 60(b) after a notice of appeal has been filed." *Id.* But this circuit adopted a "different and more satisfactory procedure," so that "during the pendency of an appeal the district court may consider a Rule 60(b) motion and if it indicates that it is inclined to grant it, application then can be made to the appellate court for a remand." *Id.*, citing *Boyko*, 185 F.3d 672. "The logical consequence" of this rule "is that the district court may deny the motion although it cannot, until there has been a remand, grant it." *Id.*; see *Boyko*, 185 F.3d at 675 ("[W]e are among the courts that hold that the judge does have the power to deny, though not to grant, a Rule 60(b) motion filed while an appeal is pending."). We spelled this out in *Brown v. United States*:

> The district court refused to consider [plaintiff's] Rule 60(b) motion, assuming that it had no jurisdiction to do so because a notice of appeal had been filed. In fact, the court did have jurisdiction to consider the motion. Parties may file motions under Rule 60(b) in the district court while an appeal is pending. In such circumstances, we have directed district

> courts to review such motions promptly, and either deny them or, if the court is inclined to grant relief, to so indicate so that we may order a speedy remand.

976 F.2d 1104, 1110–11 (7th Cir. 1992).

The problem posed by Rule 60(b) motions during a pending appeal was addressed in 2009 by adoption of Rule 62.1 on indicative rulings, which adopted our practice. 11 Wright & Miller, *supra*, § 2873. When a district court faces a motion for relief it cannot grant because of a pending appeal, the court may defer or deny the motion, but it also may indicate that it would grant the motion on remand or that the motion raises a substantial issue. *In re Checking Account Overdraft Litigation*, 754 F.3d 1290, 1297 (11th Cir. 2014) (footnote omitted). The final subsection of Rule 62.1 confirms that "the district court may grant the motion only if the appellate court specifically remands for that purpose." 11 Wright & Miller, *supra*, § 2911.

Rule 62.1 means that "the district judge had an option other than a summary denial of [Motorola's] Rule 60(b) motion based on the still-pending appeals." See *Ameritech Corp. v. Int'l Brotherhood of Elec. Workers, Local 21*, 543 F.3d 414, 419 (7th Cir. 2008).

> A motion to vacate a judgment pursuant to Rule 60(b) is addressed to the sound discretion of a district court .... However, a trial court may abuse its discretion by failing to exercise its discretion. Furthermore, the abuse of

> discretion standard implies that the judge must actually exercise his discretion. In this case, the district court's erroneous denial of jurisdiction resulted in an abuse of its discretion when it failed to exercise any discretion in not reaching the merits of the plaintiff's Rule 60(b) motion. We reverse the district court's denial of plaintiff's Rule 60(b) motion and remand for a determination of the merits of the motion.

LSLJ Partnership v. Frito-Lay, Inc., 920 F.2d 476, 479 (7th Cir. 1990) (internal quotations and alteration omitted).

Under this standard, the district court here erred by finding that it could not even consider the possibility of an indicative ruling on Motorola's Rule 60(b) motion. The motion identified recent developments that called into serious question the court's reason for denying a permanent injunction. Under these circumstances, that denial needs a fresh look. We vacate the denial of Motorola's Rule 60(b) motion and remand to the district court to consider it on the merits.

One proper procedure after Motorola's notice of appeal was filed would have been for the district court to issue an indicative ruling on the outstanding Rule 60(b) motion under Rule 62.1. Or, if the district court believed that motion presented a substantial issue that might require evidentiary hearings beyond the scope of its limited jurisdiction over Rule 60(b) motions once an appeal is pending, it could have issued an order noting the substantial issue. See *Boyko*, 185 F.3d at 675. The

Advisory Committee Notes to Rule 62.1 instruct that when a Rule 60(b) motion "present[s] complex issues that require extensive litigation and that may either be mooted or be presented in a different context by decision of the issues raised on appeal," the best practice for the district court is to "state that the motion raises a substantial issue, and to state the reasons why it prefers to decide only if the court of appeals agrees that it would be useful to decide the motion before decision of the pending appeal." Fed. R. Civ. P. 62.1 advisory committee's note to 2009 amendment.

If, in considering these options, "the judge thought there was some chance that he would grant the Rule 60(b) motion, but he needed to conduct an evidentiary hearing in order to be able to make a definitive ruling on the question, he should have indicated that this was how he wanted to proceed." *Boyko*, 185 F.3d at 675. At that point, Motorola

> would then have asked us to order a limited remand to enable the judge to conduct the hearing. If after the hearing the judge decided ... that he did want to grant the Rule 60(b) motion, he should have so indicated on the record and [Motorola] would then have asked us to remand the case to enable the judge to act on the motion and we would have done so. As we explained earlier, this would not be a limited remand but the scope of our eventual review of any appeal taken from the order entered by the district court on remand would depend on the nature of that order.

See *id.* at 675–76 (citations omitted).

Under Federal Rule of Appellate Procedure 12.1, the decision to remand is left to the discretion of the appellate court. "[I]t is premature to relinquish appellate jurisdiction before the district court has given any indication of its likely response to the Rule 60(b) motion." *Boyko*, 185 F.3d at 674. Here we are remanding the case for reconsideration of the copyright damages award. There is no need for a limited remand for an indicative ruling on permanent injunctive relief. However, the district court's earlier procedural error means that on remand, the court must take a fresh look at Motorola's Rule 60(b) motion for reconsideration of the denial of a permanent injunction to determine whether the new evidence of Hytera's non-payment and other post-judgment conduct and events calls for a different result.

On remand on this issue, Motorola will be free to supplement its motion or to file a new Rule 60(b) motion including additional evidence of Hytera's litigation misconduct that has come to light since the original denial of a permanent injunction. Since that denial, Hytera has acted in ways that might well have surpassed the judge's worst-case predictions. Because we have not ruled on the merits of either Motorola's original motion for a permanent injunction or its motion for reconsideration in finishing with this case, there is no jurisdictional obstacle for the district court in reconsidering Motorola's original Rule 60(b) motion. See *Standard Oil Co. of California v. United States*, 429 U.S. 17, 18–19, 97 S. Ct. 31, 50 L. Ed. 2d 21 (1976) (district court may take appropriate action without appellate court's leave on Rule 60(b) motion that would reopen a case which has been reviewed on appeal); *LSLJ Partnership*, 920 F.2d at 478–79 (same). After Judge Norgle's retirement, after a long and distinguished career, this case was assigned to Judge Pacold. We have commended her close attention to crafting appropriate temporary injunctive relief in recent proceedings in this case. See *Motorola Solutions Malaysia SDN. BHD. v. Hytera Communications Corp.*, No. 24-1531, Order, ECF No. 24 at 7 (April 16, 2024). We remain confident of the court's ability to do so with respect to permanent injunctive relief on remand.

The judgment of the district court is REVERSED IN PART with respect to the availability of copyright damages for Hytera's extraterritorial sales, Hytera's entitlement to prove apportionment of its copyright damages under a proximate-cause theory, and the denial of Motorola's Rule 60(b) motion for reconsideration of the denial of injunctive relief. The case is REMANDED for further proceedings on those issues consistent with this opinion. In all other respects, the judgment of the district court is AFFIRMED.

APPENDIX B — OPINION OF THE UNITED STATES DISTRICT COURT, N.D. ILLINOIS, EASTERN DIVISION, SIGNED JANUARY 8, 2021

United States District Court,
N.D. Illinois, Eastern Division

Civil Action No. 1:17-cv-1973

MOTOROLA SOLUTIONS, INC., *et al.*,

Plaintiffs,

v.

HYTERA COMMUNICATIONS CORP. LTD., *et al.*,

Defendants.

Filed January 8, 2021
Decided January 8, 2021

FINDINGS OF FACT AND CONCLUSIONS OF LAW IN RELATION TO THE COURT'S OCTOBER 19 AND NOVEMBER 10, 2020 ORDERS

CHARLES RONALD NORGLE, Judge

FINDINGS OF FACT

I. BACKGROUND

1. Following a nearly four-month trial, the jury returned a verdict for Motorola and awarded $345,761,165 in compensatory damages for Hytera's misappropriation of Motorola's trade secrets and infringement of Motorola's

copyrights. Dkt. 898 at 5.

2. With respect to the DTSA, the jury was properly instructed that Motorola was seeking damages from May 11, 2016 to June 30, 2019. Dkt. 895 at Instruction No. 32. With respect to copyright infringement the jury was properly instructed that Motorola was entitled to recover profits Hytera made through June 30, 2019 because of Hytera's copyright infringement. *Id.* at Instruction No. 40.

3. The jury was properly instructed regarding lost profits under the DTSA. The jury was instructed: "Instruction No. 30: To recover its actual loss, Motorola must prove: 1. A reasonable probability that, if Hytera had not misappropriated trade secrets, Motorola would have made additional sales of DMR products that Hytera made; and 2. The amount of profit Motorola would have made on those sales." Dkt. 895 at Instruction No. 30. Hytera did not object to this instruction. Tr. at 5575:23-5578:5.

4. The jury was similarly appropriately instructed that it could award Motorola's actual loss and Hytera's unjust enrichment to the extent it exceeds Motorola's actual loss: "Instruction No. 31: Unjust enrichment is the amount Hytera benefited as a result of any misappropriation to the extent it exceeds Motorola's actual loss. If you find that Motorola has proven by a preponderance of the evidence the amount that it is entitled to unjust enrichment damages in excess of its actual loss, you must deduct the costs and expenses that Hytera proves by a preponderance of the evidence that it incurred related to that benefit." Dkt. 895 at Instruction No. 31. Hytera did not object to

this instruction. Tr. at 5575:23-5578:5.

5. The jury was also instructed on damages for Motorola's claim for copyright infringement: "Instruction No. 40: Motorola is entitled to recover the profits that Hytera made through June 30, 2019, because of Hytera's copyright infringement. Hytera's profits are revenues that Hytera made because of the infringement, minus Hytera's expenses in producing and selling the infringing DMR radios. Motorola must prove Hytera's revenues and a causal relationship between the infringement and those revenues. Hytera must prove its own expenses and any portion of its profits that resulted from factors other than infringement of Motorola's copyright." Dkt. 895 at Instruction No. 40. Hytera did not object to this instruction, other than with respect to the temporal scope of copyright damages. Tr. at 5575:23-5578:5.

6. The jury was properly instructed not to award double recovery to Motorola: "Instruction No. 42—No Double Recovery: If you award Motorola damages for both its trade secret misappropriation claims and its copyright claims, you must not award damages in a manner that results in double recovery for the same injury." Dkt. 895 at Instruction No. 42. Hytera did not object to this instruction. Tr. at 5575:23-5578:5.

II. THE TRADE SECRET MISAPPROPRIATION DAMAGES AWARDED TO MOTOROLA BY VIRTUE OF THE ADVISORY JURY VERDICT CONTAINED DOUBLE RECOVERY

7. Motorola proved that Hytera stole 21 distinct trade secrets at trial (collectively, "Misappropriated Trade Secrets"). For each trade secret, Motorola presented highly confidential technical and engineering materials relevant to that specific trade secret and explained those materials through five fact witnesses and numerous experts across more than 25 hours of testimony. Motorola's witnesses explained that these stolen materials constituted the "playbook" by which Motorola engineers built its two-way radio devices. Tr. at 723:16-724:5. Motorola's fact witnesses and experts testified in detail when explaining what was contained in each confidential technical and engineering material and how the processes contained therein combined into a coherent whole to create the digital radio functionalities at issue in the trial. Tr. at 615:8-621:25, 625:7-626:19, 630:14-631:14, 706:6-707:2, 709:1-715:12, 716:10-717:2, 718:13-719:3, 739:9-740:15, 741:15-747:4.

8. The Court denied Hytera's motion for judgment as a matter of law or new trial with respect to Motorola's trade secret misappropriation claim. Dkt. 1088 at 7-11.

9. The jury awarded $209.4 million for Hytera's trade secret misappropriation under the DTSA. Tr. at 2191:23-2192:7; 2198:9-17; PTX-2071, PTX-2226, DTX-4057; Tr. at 2184:20-2189:20; PTX-2070.2-.4, .8; PTX-2077. The $209.4

million was comprised of $73.6 million in Hytera's avoided R&D costs and $135.8 million in Hytera's profits. Tr. at 5365:10-18 (avoided R&D); PTX-2071.2-.4; DTX-4057, PTX-2071.18-19.

10. The $209.4 million exceeds Motorola's $86.2 million in Motorola's lost profits due to Hytera's trade secret misappropriation under the DTSA. Tr. at 2205:15-20; 5396:16-20; PTX-2068.2, PTX-2069.2, PTX-2067.5; DTX-4057.

11. The disgorgement of Hytera's profits is an equitable remedy. See Dkt. 1088 and Order accompanying these findings.

12. The Court initially misapprehended the nature of the $135.8 million award in its October 19, 2020 Order, but the parties agree that that number reflects a measure of Hytera's profits in the relevant time period, not the actual losses suffered by Motorola (though Hytera disputes the substantive accuracy of that number). The $135.8 million figure does not reflect Motorola's actual losses, despite the Court characterizing them as such in Dkt. 1088.

A. Hytera Needed Motorola's Trade Secrets to Enter the DMR Market

13. In 2004, the FCC announced new regulations requiring companies and users around the world, including in the United States, to move from analog products to digital products. Tr. at 2159:25-2160:7. Mr. Malackowski testified that this provided a business incentive for Hytera

to enter the digital radio market quickly in order to develop a digital radio before the regulation took effect. *Id.* at 2160:8-12. Hytera discussed this incentive in a presentation, explaining that Hytera needed to create new business and replace analog radios in line with the FCC mandate. *Id.* at 2160:20-2161:2; PTX-1129.

14. Hytera's CEO recognized Hytera's need to develop a DMR product quickly. Tr. at 1849:3-14, PTX-416 (2007 Hytera slideshow with statement from Chairman Chen shows "that Mr. Chen has identified DMR as critical and has recognized Motorola as a key competitor in that segment of the market and wants to leapfrog Motorola.").

15. Mr. Malackowski testified that email communications between Chairman Chen and G.S. Kok highlighted the importance entering the DMR market quickly, as shown by the fact that the project was being dealt with at the senior-most level within Hytera. Tr. at 2166:22-2167:2.

16. About two weeks after G.S. Kok joined Hytera, he emailed Chairman Chen to say that he was "surprised also to find out that we do not have a prototype after three years. In addition, that each circuit block needs to be merged and a new board layout." PTX-421; PDX-9.57; Tr. at 1885:9-1886:20. He stated that Hytera's DMR "team will need injection of Subject Matter Expert; (SME) from Motorola Penang and Motorola Chengdu. This will be most important if we want to leap frog onto the DMR business." *Id.*

17. Hytera entered the DMR market in 2010, making Hytera the second to the DMR market behind Motorola.

Tr. at 2167:10-2168:10. According to Mr. Malackowski, there is a significant advantage to being the second to enter the market. Tr. at 2163:1-6. Hytera's witnesses confirmed this competitive advantage, noting that being late to the market is difficult because competitors will have a lead so Hytera would always be playing catchup. Tr. at 2167:23-2168:5.

18. Mr. Malackowski testified that Hytera's access to Motorola's copyrights and trade secrets allowed Hytera to accelerate their entry to the market, which allowed them to enter the market sooner than they otherwise would have. Tr. at 2161:12-18.

19. Dr. Rangan described "four high-level reasons" why Hytera would not have been able to independently without using or accessing Motorola's trade secrets. These reasons include: "there's no architecture or framework for this. That's the overall way that the whole product would have been architected. The protocol stack was not complete. In fact, it was extremely limited. There was no demonstration of interoperability. And the source code, the way it was structured, was fundamentally flawed and would prevent any further progress." Tr. at 1888:19-1889:7; PDX-9.58.

20. Specifically, Dr. Rangan testified that he saw a "complete absence" of "architectural framework components," such as an operating system, in Hytera's development documents and materials prior to February 2008, despite Hytera's claim that it had a prototype for a DMR radio that was 75 percent complete by that time. Tr. at 1890:19-1892:5.

21. Dr. Rangan also testified that Hytera's DMR development lacked a protocol stack, which "defines the sequence of operations that the transmitter or receiver would have to do to communicate." Tr. at 1892:6-1893:20. Dr. Rangan did not see any evidence in Hytera's development documents as of February 2008 that Hytera "was able to send a group call, short message, or data service message" as it claimed. DTX-3219; Tr. at 1894:8-1896:24. Hytera also lacked the ability to perform basic functions like emergency calls, showing that "Hytera, prior to 2008, was still very far from coming close to a 75 percent complete protocol stack." Tr. at 1900:6-1901:22; PTX-1987 at 29-30; Tr. at 1902:5-1903:12, PTX-1085 (email from Roger Zhang to Sam Chia stating that "Our group has been engaged in protocol development for a period of time" and has "met many problems which have troubled us for a long time."); PTX-203, PTX-204, Tr. at 1904:12-1906:17 (Hytera engineer Yu Yang stating that "When we were doing the work" prior to the arrival of G.S. Kok, Y.T. Kok, and Sam Chia, "most of the requirements [in PTX-204 listing protocol stack requirements] cannot be met," and the DMR project "has grown up in an unhealthy situation").

22. Dr. Rangan further explained that Hytera's purported prototype "did not demonstrate interoperability, meaning "the ability of a device from one manufacturer to communicate to the device of another manufacturer," which is "absolutely essential" for DMR radios. Tr. at 1907:5-1908:5. While Hytera relied upon PTX-1988 to "demonstrate interoperability," Dr. Rangan explained that this document does not show that Hytera had the

ability to complete a group call, and instead described a "debugging hardware platform" that is "a version of the system that's in a much earlier stage of development [than a prototype] where you're still trying to build up basic features." Tr. at 1908:6-1909:16. The "debugging platform" "doesn't have that man/machine interface, the interface between the keypad and the screen. So that's being simulated here on this PC," and did not allow a call with a question and response but instead "[w]e just have a portion of the sound, and it's just echoing back." Tr. at 1910:7-1913:6.

23. Additionally, Dr. Rangan explained that in reviewing the source code directories Hytera produced, he "found really that there were two fundamental flaws in the way that the source code was written in a manner that would prevent the developers from continuing development. First of all, the source code files were unfinished but also what you would say that the code was monolithic spaghetti code." Tr. at 1916:1-17. "Essential" source code files were classified by Hytera as "unfinished," and there was no indication that they were ever completed by Hytera prior to G.S. Kok's arrival in February of 2008 or prior to the arrival of Y.T. Kok and Sam Chia. Tr. at 1916:18-1919:8; PTX-2031, PTX-2025.

24. Hytera also had "monolithic spaghetti code" prior to the arrival of G.S. Kok, Y.T. Kok, and Sam Chia. Tr. at 1919:9-25; PTX-607.6. An internal Hytera presentation given by Y.T. Kok in July 2008, titled "HYT common platform architecture," describes Hytera's DMR development as a "monolithic, spaghetti system." *Id.*

Dr. Rangan explained that "monolithic" code is not well organized because it "just appears as one large piece of code," and a "spaghetti system" is "a highly problematic way of software and refers to the following, that any one part of the code can affect other parts of the code. So when you're trying to analyze the code, looking how one part of the code affects another is like trying to find two ends of a strand of spaghetti in a big bowl of pasta." Tr. at 1920:1-15. Y.T. Kok identified in his presentation problems caused by the monolithic spaghetti system, including that "it's difficult to isolate components and reuse them" because "they're completely intertwined with one another," and also because "it's poorly portable. So if you want to take one piece of software out and use it in another piece of software or in another hardware platform, it becomes very, very difficult to do that." Tr. at 1921:2-23. Additionally, both Dr. Rangan and Y.T. Kok's presentation recognized that "once you get spaghetti code, it becomes harder to change and the development becomes more and more laborious. It costs more and it takes longer. But also what's very important is the problem of debugging or fixing errors. It's very hard to trace errors because of the spaghetti problem. And any time you try to fix one part of the code, you generally introduce bugs in other parts of the code." Tr. at 1921:25-1922:15; PTX-607.7.

25. Dr. Rangan testified that Hytera never released a DMR product based on its pre-February 2008 development efforts, and instead Hytera "abandoned those efforts and ended up following a development path based on Motorola misappropriated code." Tr. at 1925:6-1926:2 ("Two and a half years since this lawsuit has

began, ... Hytera continues to use Motorola confidential and proprietary information for its development," which "indicates that Hytera is still not possible to independently develop [a] DMR product without Motorola confidential and proprietary information.")

26. As Dr. Rangan explained, Hytera "would actually have never conceived of these or implemented these trade secrets in any commercially reasonable period of time, but even if they were to, the time for Motorola took to develop these trade secrets would be an absolute minimum or baseline for that time." Tr. at 1950:13-1951:7. Because Hytera still has not, to this day, developed a comparable DMR product without use of Motorola's trade secrets and source code, the sales of its accused DMR products are due to its misappropriation and ongoing use of Motorola's trade secrets.

B. Hytera Avoided Spending $76.3 Million in Research and Development by Misappropriating the 21 Trade Secrets

27. As a result of Hytera's theft of Motorola's trade secrets, Hytera was able to significantly reduce the amount of money that it spent on developing the accused DMR products. Tr. at 2156:21-24 (Mr. Malackowski testifying that "Hytera benefited from use of the Motorola trade secrets and copyrights, and they were able to reduce their own R&D expense accordingly").

28. Motorola spent $117.8 million to develop the Misappropriated Trade Secrets, which was only a portion

of the research and development that Motorola invested to launch its DMR radios. Tr. at 2155:9-2156:14 (citing PDX-10.6). By contrast, Hytera spent $12.6 million in R&D before launching its DMR radios, confirming the substantial savings Hytera realized from its theft. Tr. at 2156:2-9; PDX-10.6.

29. Motorola's expert, Mr. Malackowski, testified that Motorola should be awarded $73.6 million in Hytera's avoided R&D costs. Tr. at 5365:10-18.

a. Mr. Malackowski Properly Relied on Development Times for the Misappropriated Trade Secrets

30. Motorola presented extensive testimony concerning the amount of time it took Motorola to develop the Misappropriated Trade Secrets in staff months, i.e., the amount of work an engineer could perform in one month. Tr. at 193:18-194:7, 2185:18-2189:20. Staff months is a common way to perform engineering project management. *Id.* at 1928:4-13.

31. Motorola presented testimony from Motorola engineers Russ Lund, Mark Boerger, Jesus Corretjer, Dan Zetzl, and Sanjay Karpoor, who developed and oversaw development of the trade secrets at issue. Tr. at 593:24-594:1, 597:7-9, 622:5-7, 633:4-6, 640:8-10, 707:14-708:3, 729:17-22, 741:6-14, 754:19-23, 866:11-15, 877:10-13, 880:2-6, 883:8-12, 887:15-20, 892:14-18, 998:25-999:5.

32. Motorola also presented testimony from Dr. Rangan, who relied on his experience leading software and hardware

teams that worked on similar types of technology to the Misappropriated Trade Secrets, to establish the staff months necessary to develop the Misappropriated Trade Secrets. Tr. at 1926:3-1928:13 (Dr. Rangan testifying that his determination of the development times for Motorola's trade secrets was based on trial and deposition testimony from Motorola's senior engineers who "were deeply involved in the DMR development" about the "head count and staff months for each asserted trade secret[]," consideration of Motorola's "source code and all the design documents as well for the asserted trade secrets to try to assess the development effort," and application of his own experience leading software and hardware teams).

33. The following are the staff months to develop each Misappropriated Trade Secret:

Trade Secret	**Staff Months to Develop**	**Citation**
DMR Source Code	87 engineers 9,468 staff months	Tr. at 593:24-595:10; PDX-4.6
DMR Mobile Source Code	80 engineers 3,600 staff months	Tr. at 595:11-609:14; PDX-4.8
DMR Software Architecture	80 engineers 5,478 staff months	Tr. at 622:1-12; PDX-4.15
Operating System Architecture	5 engineers 294 staff months	Tr. at 632:24-634:5; PDX-4.19
VRIS	17 engineers 600 staff months	Tr. at 639:25-641:11; PDX-4.23

Appendix B

Digital Signal Processing Framework	25 engineers 900 staff months	Tr. at 707:13-708:16; PDX-5.4
Noise Suppression	2 engineers 7 staff months	Tr. at 707:13-708:16; PDX-5.4
Squelch	4 engineers 20 staff moths	Tr. at 707:13-708:16; PDX-5.4
Carrier Detection	2 engineers 8 staff months	Tr. at 707:13-708:16; PDX-5.4
DSP Code	25 engineers 3000 staff month	Tr. at 707:13-708:16; PDX-5.4
Testing and Benchmarking	12 engineers 720 staff months	Tr. at 729:17-730:4; PDX-5.7
Hardware Abstraction Layer	15 engineers 376 staff months	Tr. at 741:3-14; PDX-5.11
L1 Timer, Framer, and Frame Scheduler	8 engineers 72 staff months	Tr. at 741:3-14; PDX-5.11
Hardware	75 engineers 2,700 staff months	Tr. at 754:19-23; PDX-5.14
Ergonomic Layer	20 engineers 1,584 staff months	Tr. at 866:11-867:3; PDX-6.6
Application Layer	40 engineers 2,700 staff months	Tr. at 877:9-25; PDX-6.9
VOX	4 engineers 36 staff months	Tr. at 880:2-10; PDX-6.12
DMR Protocol Stack	42 engineers 1,512 staff months	Tr. at 883:8-884:2; PDX-6.15

Connectivity	4 engineers 65 staff months	Tr. at 887:15-24; PDX-6.18
XCMP	15 engineers 720 staff months	Tr. at 892:14-893:3; PDX-6.21
Repeater	20 engineers 3,248 staff month	Tr. at 998:25-999:5; PDX-7.4

34. Based on Motorola's costs per engineer, Mr. Malackowski determined that Motorola spent $117.8 million to develop the Misappropriated Trade Secrets. Tr. at 2155:15-2156:9; PTX-2070.8 ($6,391 Motorola cost per head). To arrive at the $117.8 million, Mr. Malackowski only included development times for the following trade secrets to avoid double counting: Connectivity, XCMP, Software, DMR Protocol Stack, Hardware, Testing and Benchmarking, and Repeater Functionality. Tr. at 2189:9-20 (Mr. Malackowski explaining that the remaining trade secrets "are simply subcomponents or a subset, parts of the whole [accounted for by these seven trade secrets] as described"); *see also* Tr. at 1946:24-1948:17.

35. Motorola also presented evidence that it would have taken Hytera at least as long as Motorola to develop the misappropriated trade secrets. Tr. at 1950:13-1951:7 (Dr. Rangan: "It's my view that [Hytera] would actually have never conceived of these or implemented these trade secrets in any commercially reasonable period of time, but even if they were to, the time for Motorola took to develop these trade secrets would be an absolute minimum or baseline for that time.").

36. Motorola's estimates for the development of the Misappropriated Trade Secrets were conservative, and were based on the work of highly skilled engineers. *Id* at 1948:18-1949:21. Prior to the arrival of G.S. Kok, Y.T. Kok, and Sam Chia, Hytera did not have engineers with comparable skills to those at Motorola because they lacked DMR experience and the ability to recruit similar levels of talent. *Id.* at 1949:22-1950:20.

37. Hytera's attempts to dispute this evidence regarding the amount of time that it took to develop the Misappropriated Trade Secrets were not credible. For example, Hytera's expert, Barbara Frederiksen-Cross, testified that it would take Hytera between 1.7 and 6.4 months to rewrite the misappropriated source code contained in the DSP, RFhal, and RAF libraries Hytera misappropriated. Tr. at 3972:3-7, 3973:23-3974:9. But the methodology she used to calculate Hytera's rewrite time is not reliable and has been referred to as "malpractice" in the relevant field. PTX-2370.552 (The expert whom Barbara Frederiksen-Cross relied on, Capers Jones, wrote "LOC metrics became less and less useful until sometime around 1985 they started to become actually harmful. .. . [I]t is fair to say that in many situations usage of LOC metrics can be viewed as professional malpractice.. . ."); Tr. at 4133:6-4134:2, 4137:24-4138:23, 4139:12-16 ("Q. In—despite the—despite the concerns and problems that the expert you're relying on is saying applies to the metrics you used, you still presented your testimony to the jury, fair? A. That is correct, yes.") (Barbara Frederiksen-Cross); *see also* Tr. at 5074:1-20 (Dr. Wicker explaining that merely counting lines of code "fails to take into account the importance

of the source code, how the code is used ... and does not accurately reflect what happened in this case."); Tr. at 5076:4-5080:23 (Dr. Wicker explaining that Hytera radios "simply would not function").

38. Dr. Aron's reliance on 7,920 staff months was similarly not credible. Although Dr. Aron testified that the 7,920 staff months was Dr. Grimmett's opinion, Tr. at 4864:7-16, all Mr. Grimmett said was that a Motorola document supposedly suggested that the entire MotoTRBO project would take "7,900 or so staff months." *Id.* at 4559:17-4560:6. Mr. Malackowski explained that the Motorola document Dr. Aron referred to (DTX-4715) was incomplete with respect to development times for the Misappropriated Trade Secrets because it included only a portion of the work that went into those trade secrets. *Id.* at 2331:12-2332:8.

39. Thus, just as he did to calculate Motorola's R&D costs, Mr. Malackowski used Motorola's estimated staff months for developing seven non-overlapping trade secrets in order to ensure there was no overlap in his calculations of Hytera's avoided R&D costs. Tr. at 2188:18-2189:20; PTX-2070.1.

b. Mr. Malackowski Used Reliable Data to Determine the Cost Per Engineer in China

40. To calculate Hytera's avoided R&D costs, Mr. Malackowski multiplied Hytera's average monthly engineering costs by the estimated staff months required to develop each of the trade secrets. Tr. at 2184:25-2185:10.

Because Mr. Malackowski found that Hytera's financial records were incomplete and inaccurate, Tr. at 2258:20-2259:1, he used Motorola's engineering costs for engineers located in China to estimate Hytera's engineering costs, which Mr. Malackowski testified would represent the same cost to Hytera because it was a competitive market. Tr. at 2186:20-2188:13 (Mr. Malackowski testifying that he "used the Chengdu, China figures, which at the bottom [of PTX-2070.8] are $3,992 per month per engineer.").

41. Hytera, however, asserts that the amount of avoided R&D should be calculated using Hytera's engineering costs, instead of Motorola's. Dkt. 954 at 6; Tr. at 4858:4-4864:16 (Dr. Aron using Hytera's engineering cost of $1,638 in 2010); DTX-4715; DTX-5607. As Mr. Malackowski explained, however, Hytera's data were not credible. Specifically, Mr. Malackowski testified that Hytera's labor rates in China "varie[d] in unexplainable ways on a year-by-year, hour-by-hour basis," e.g., "a secretary [was paid] $5 an hour, []an engineer [was paid] less than that, and then two years later [he] would see huge differences." Tr. at 2258:10-2260:10 (explaining costs increased by 70% one year and then decreased again). "Cherry-picking" Hytera's 2010 engineering costs, as Dr. Aron did, was thus not a fair reflection of Hytera's engineering costs. *Id.* at 2262:2-18.

42. Thus, using the time it took Motorola to develop the seven, non-overlapping trade secrets and Motorola's cost-per engineer in China, Mr. Malackowski concluded that Hytera avoided spending at least the following in R&D by misappropriating the 21 trade secrets.

Appendix B

Motorola Solutions, Inc., and Motorola Solutions Malaysia Sdn. Bhd. v. Hytera Communications Corporation Ltd., Hytera America, Inc., and Hytera Communications America (West), Inc.

SUMMNARY OF MOTOROLA DEVELOPMENT COST AND HYTERA AVOIDED COSTS DUE TO TRADE SECRETS

Appendix 7.0

Updated October 30, 2019

Trade Secret [1]	Motorola's Estimated Development Cost [2]	Hytera's Development Cost Savings [3]
Connectivity	$415,434	$259,478
DMR Protocol Stack	9,663,630	6,035,852
NCMP	4,601,726	2,874,215
Repeaters	20,758,908	12,965,903
Product Testing/ Benchmarking	4,601,726	2,874,215
Hardware	17,256,481	10,778,306
DMR Source Code/Software	60,512,728	37,795,928
Total	$117,810,638	$73,583,897

Notes:

[1] To avoid double counting, I have included only trade secrets that are not whole or partial subsets of other trade secrets. I have included trade secrets in this appendix based on my review of deposition testimony of Motorola witnesses.

[2] Appendix 7.2.
[3] Appendix 7.1.
PTX-2070.1; Tr. at 2184:25-2189:15.

43. Hytera avoided spending this $73,583,897 million in R&D after the enactment of the DTSA on May 11, 2016. As Mr. Malackowski explained, Hytera avoided spending this R&D "with each and every [accused] product. There is no product that can be brought to the market in this case without the benefits of that research and development. So it relates to each and every product at the time that product is introduced," including "products released in February 2017 and January 2019." Tr. at 5364:22-5365:6.

44. In addition, Hytera continued to launch new products using Motorola's trade secrets and copyrighted source code after this lawsuit was filed. Tr. at 5364:16-5365:6; DDX-22.12 (Dr. Aron's slide showing three accused products launching in January 2019). These products were sold in the United States after the DTSA's enactment, meaning Hytera avoided spending the $73.6 million in the United States. PTX-2070, PTX-2071, PTX-2226, DTX-4057.

c. The Amount of Hytera's Avoided R&D Would Not Equate to a Perpetual License

45. Hytera asserts that an award of $73.6 million amounts to a perpetual license. Dkt. 954 at 6. Hytera, however, agreed that the jury should not be instructed to award a reasonable royalty, nor did Hytera present any evidence that its avoided R&D would, in fact, constitute a royalty, perpetual or otherwise.

46. Accordingly, the Court finds that the evidence supports $73.6 million for Hytera's avoided research

and development costs for Hytera's trade secret misappropriation under the DTSA.

47. As discussed further below, however, although this figure is supported, an award of the avoided research and development and Hytera's profits would constitute double recovery.

C. Hytera Earned $135.8 Million in Profits from Its Misappropriation

48. Hytera began selling DMR radios that contained or were created with the Misappropriated Trade Secrets in 2010. Tr. at 204:19-20, 2020:22-2021:4, 2395:3-4, 5138:15-5140:8.

49. Without the benefit of the Misappropriated Trade Secrets, Hytera could not have made the sales and profits on its DMR products at issue in this case. *See* Section II.A., *supra*; *see also* Tr. at 4717:20-4719:8 (Mr. Grimmett agreeing that ROSAL specification contains "utmostly necessary" technology), 4090:23-4091:7 (Ms. Frederiksen-Cross testifying that "but for the Motorola code that was stolen," the libraries Hytera claims to have independently written "would not work"), 5075:2-5076:12 (Dr. Wicker explaining that without Motorola's source code, Hytera's DMR radios "simply would not function."). Thus, Hytera's profits on its DMR radios are a direct result of Hytera's theft.

50. Mr. Malackowski identified a causal nexus between Hytera's trade secret misappropriation and gross revenues for DMR radios based on the amount Hytera spent on R&D to launch their first DMR product. Tr.

at 2156:2-24 ("I was looking here for the nexus of my damage claim, which is basically whether or not there was a relationship between the trade secrets and copyright at issue and the profits that I seek for both companies. Hytera benefited from the use of Motorola trade secrets and copyrights, and they were able to reduce their own R&D expenses accordingly.").

51. Hytera stole the Misappropriated Trade Secrets from Motorola's COMPASS system and ClearCase system, respectively, servers for which are located in the United States and are accessible at Motorola's facilities, including its Schaumburg office. Tr. at 209:22-210:11, 211:2-14, 373:21-24, 379:21-380:5, 380:18-21, 396:20-25, 443:16-21, 521:18-20, 989:17-19, 997:10-998:2, 1001:2-20, 1009:15-1010:21, 5150:5-12.

52 Hytera committed acts in furtherance of its misappropriation in the United States by advertising, promoting, and marketing products embodying the Misappropriated Trade Secrets in the United States, including at numerous trade shows. For example, Qi Yin, the "Director of Presales Support and Post-Sales Service for the Americas at Hytera," stated that his "responsibilities span initial client development through service after a sale of products and/or systems and include learning and understanding customers' technical requirements," including for Hytera's customers in the U.S. Dkt. 916 ¶¶ 3-5, 7. And Hytera's trial witnesses acknowledged that Hytera attended the IWCE trade show in the United States to advertise and promote its DMR products that benefit from its misappropriation. Tr. at 3310:3-15 (Xu Hailin: Hytera launched DMR radios in the United States); *id.* at 3460:15-17 (Andrew Yuan:

"in America ... the most important event is the IWCE [conference]"); *id.* at 3528:21-3529:25 (Andrew Yuan prepares "talking points for Hytera's employees who are at this trade show"); *id.* at 3231:8-16 (Jim Luo: IWCE in the U.S. is where "all the companies, such as Motorola ... or Hytera, would distribute information about their companies, including their products as well."); Dkt. 834 at 21-22 ("Plaintiffs have introduced evidence in this case sufficient to support a finding that 'use' of the alleged trade secrets has occurred domestically. Specifically, it has been undisputed throughout trial that Defendants have advertised, promoted, and marketed products embodying the allegedly stolen trade secrets domestically at numerous trade shows. This constitutes 'use.'").

53. Because Hytera committed acts in furtherance of its misappropriation in the United States after the DTSA's enactment, Motorola is entitled to damages based on Hytera's worldwide revenues for its DMR radios.

a. Mr. Malackowski Properly Calculated Hytera's Profits From Its Misappropriation

54. From 2010 to June 2019, Mr. Malackowski identified Hytera's revenue for the accused DMR portable radios as $532,025,673, with mobile radios adding "another 111 million" dollars; for accused DMR repeaters as $91,166,965; and for DMR accessories as $53,202,567. Tr. at 2191:14-2193:13; 2195:8-12; PDX-10.25; PTX-2071, PTX-2226, DTX-4057.

55. Dr. Aron did not dispute the revenues Mr. Malackowski presented for the accused Hytera products. Tr. 4958:23-4959:2; PTX-2226.

56. In determining the amount of Hytera's profits, Mr. Malackowski deducted costs that would vary with production of additional radios, i.e., costs of goods sold, patent royalties, sales department, and asset impairment. *Id.* at 2196:5-2197:12. Mr. Malackowski did not deduct costs associated with management or administration, legal fees, or research and development. *Id.*

57. Mr. Malackowski calculated Hytera's profits from its misappropriation of Motorola's trade secrets by multiplying Hytera's actual revenues for the accused products by Hytera's profit margin. Tr. at 2189:21-2190:7 (citing PDX-10.24, PTX-2071), Tr. at 2191:14-2192:18 (citing PDX-10.25). After deducting costs and expenses, Mr. Malackowski identified the amount of worldwide profits Hytera earned as a result of Hytera's trade secret misappropriation as $272 million. Tr. at 2195:13-2198:20, 5389:18-22 (referring to PDX 26.7). Adjusting the calculation for May 11, 2016 forward, the amount of Hytera's profits is $135.8 million.

58. Dr. Aron agreed with Mr. Malackowski's deductions in calculating Hytera's profit margins, except with respect to Hytera's research and development expenses. Tr. at 4826:25-4827:8, 4838:4-4840:2.

59. Mr. Malackowski explained that he did not deduct Hytera's research and development expenses because he found that data, which Hytera produced during fact discovery, to be unreliable. Tr. at 2196:5-2198:8; PDX-10.28. For example, Hytera's R&D data indicated that in 2014, Hytera spent $6 million in R&D to launch two radios, but in 2016, Hytera spent two-and-a-half times that amount ($17 million) to launch a single radio. *Id.*

Mr. Malackowski further explained that data "was not specific to these products [at issue] and was not correlated or related to the introduction of these products in a way that they should be deducted." Tr. at 2197:7-2198:8; PDX-10.28; PTX-2352.

60. As a result, Mr. Malackowski did not deduct Hytera's R&D costs from its revenues when determining the amount of profit Hytera earned from its trade secret misappropriation. Tr. at 5363:11-18 (Mr. Malackowski explaining that "the accounting standards specifically talk about the use of data and that that data must be reliable, and if it isn't, it shouldn't be used. So in my opinion, consistent with what I testified to last year, those deductions should not be made. They're not appropriate.").

61. Hytera, however, contends that its profits should be reduced by the amount that it claims to have actually spent on R&D for its DMR radios and for its "legitimate contributions" to its DMR radios. Dkt. 954 at 7-9. Hytera's arguments are without merit and not supported by the facts.

62. At trial, Dr. Aron did not assert that the R&D data Hytera produced during fact discovery was reliable. Instead, Dr. Aron revised her own opinions at trial based on new, revised R&D data that Hytera produced mid-trial. Tr. at 5355:10-5356:3; DTX-5502. According to Dr. Aron, there was only one change to the R&D data produced during trial, that is, "It was a filtering down of the data that was originally produced. It's the same data, but it's a subset of the data." Tr. at 5012:6-12. Andrew Yuan, Hytera's VP of Sales and President of North and South America, testified that the R&D data was created and

stored by Hytera in the ordinary course of business. Tr. at 3422:13-21.

63. Neither Dr. Aron's nor Mr. Yuan's testimony was credible. Although Dr. Aron asserted that the "new" data was only a subset of the "old" data, Mr. Malackowski explained that was not the case. According to Mr. Malackowski, if the newly produced R&D data is "a subset of the [original] data, it should be less than what was originally produced. It's filtered away and you're just looking at part of it. That's not what happened," and instead, "It's not just data filtering. Somebody went in and changed the codes to attribute more R&D expense to the products to this litigation, and that change was made during the litigation." Tr. at 5356:16-5361:13; PDX-28 at 176; *compare* PTX-2352 at 24-25 *with* DTX-5502 at 27.

64. Mr. Malackowski also explained that, contrary to Mr. Yuan's assertion, "it just cannot be possible that the data that was received during trial was prepared in normal course based upon records that happened 5 to 10 years ago and that are not a subset but now are greater than they ever were." Tr. at 5362:16-5363:10.

65. Because Hytera's R&D data was not credible, it was appropriate for Mr. Malackowski not to deduct those purported expenditures in arriving at Hytera's profit margins.

66. Dr. Aron also incorrectly asserted that Mr. Malackowski's "analysis overstates the unjust enrichment claim because it fails to deduct research and development expenses that were incurred by Hytera after the accused devices were introduced over a long period of time and that

wouldn't have been incurred had those products not been introduced into the market." Tr. at 4827:1-8; *see also* Tr. at 4854:10-14 (Dr. Aron opining that "Mr. Malackowski's refusal to deduct these post-launch research and development expenses" "inflates or increases his [unjust enrichment] damages amount by $79.6 million."); Tr. at 4856:3-23.

67. Hytera's R&D expenses are not accurate, and thus, should not be deducted. *See also* Tr. at 5447:10-18. In addition, Mr. Malackowski explained that Hytera used the substantial amount of R&D expenditures that it saved through its misappropriation to try to "leapfrog" Motorola in the market by developing additional DMR features to differentiate its products. Tr. at 2157:8-19 (Mr. Malackowski explaining that "the one who takes the intellectual property without payment can then use whatever money they have, not to catch up, but to actually try to get ahead, to develop something that will differentiate themselves and leap ahead of the innovator.").

b. Hytera's Attemot to Limit Disgorgement of Its Profits with a "Head Start" Period Fails

68. Hytera asserts that its disgorgement must be limited to a head start period. Dkt. 954 at 6-7. Specifically, Hytera asserted that disgorgement should be limited to Hytera's profits from 2010 to 2014 because (i) all of the Misappropriated Trade Secrets other than Motorola's DMR Source Code, DSP Source Code, and Repeaters could have been developed in under four years; and (ii) the DMR Source Code, DSP Source Code, and Repeater trade secrets were supposedly invalid. *Id.*

69. Hytera's head start argument fails because the Court concluded that none of the Misappropriated Trade Secrets, including DMR Source Code, DSP Source Code, and Repeater, were invalid as a matter of law. Dkt. 1088 at 7-9. Thus, Hytera still, to this day, could not have launched DMR radios comparable to Motorola's without the Misappropriated Trade Secrets, making the head start period is inapplicable. *See* Tr. at 593:24-595:10 (DMR Source Code trade secret took 87 engineers 9,468 staff months to develop), 707:13-708:16 (DSP Code trade secret took 25 engineers 3,000 staff months to develop), 998:25-999:5 (Repeater trade secret took 20 engineers 3,248 staff months to develop); PDX-10.30 (DMR Source Code, DSP Source Code, Repeaters took 108 calendar months to develop), Tr. at 2199:2-13.

70. Hytera nonetheless contends that despite the Court's finding that the Misappropriated Trade Secrets were valid, "the Court must make an independent finding of what the head start period would have been and award no more than the equitable amount." Dkt. 954 at 7 n. 1. Hytera cites no case law mandating such an analysis. Nonetheless, even if such an analysis were required, the evidence demonstrates that it was appropriate to award Hytera's profits through June 30, 2019.

71. Hytera was incapable of developing a comparable DMR radio in any commercially reasonable time; to this day, Hytera still has not been able to develop a "comparable" DMR radio on its own. Dkt. 935-3 (Ex. 36) (Dr. Rangan slide: "Hytera Could Not Conceive Of Or Develop The Trade Secrets In A Commercially Reasonable Time"); Tr. at 1823:10-13 (testimony re same), 1950:21-1951:7 (Dr. Rangan: Hytera is still using Motorola's trade secrets

"almost ten years" after Hytera's first DMR product release so "it would take at least ten years of time for them to develop these asserted trade secrets.").

72. Motorola also presented evidence that even if Hytera could develop a comparable DMR radio in a certain period of time, that would be years from now. Tr. at 2016:22-2017:3 (Dr. Rangan: DSP source code trade secret and repeater took 23.5 years to develop), 2062:19-21 (Dr. Rangan: "Q. And your opinion is that what Hytera developed would never have worked? A. In any commercially reasonable time, no."), 1950:13-1951:7 (Dr. Rangan: "It's my view that [Hytera] would actually have never conceived of these or implemented these trade secrets in any commercially reasonable period of time, but even if they were to, the time for Motorola took to develop these trade secrets would be an absolute minimum or baseline for that time.").

73. Hytera still has not released a DMR radio comparable to Motorola's that was not designed with the Misappropriated Trade Secrets almost four years after this case was filed, and nearly a year after the jury verdict. Tr. at 2480:10-12 ("[Q.] And you can't deny that Hytera . . . whether or not Hytera is currently using a single line of Motorola source code? [A.] I don't deny it. I know it as a fact.") (Pengfei Sun), 1950:21-1951:7 (Dr. Rangan: Hytera is currently still using Motorola's trade secrets "almost ten years" after Hytera's first DMR product release so "it would take at least ten years of time for them to develop these asserted trade secrets.").

74. Hytera's experts attempted to argue that the Misappropriated Trade Secrets were not important to

Hytera's development of DMR radios, and that without the misappropriation, Hytera could have released its radios in six months, but those assertions were not credible.

75. Mr. Grimmett claimed that Hytera used only a "very small amount" of Motorola's trade secrets to develop its DMR radios and that six months was "quite generous." Tr. 4282:23-4284:9. Yet Mr. Grimmett admitted that PTX-479, Hytera's ROSAL specification, describes "a standard and common operating system environment that is utmostly necessary," and is thus "important" and presumably "would provide a competitive advantage." Tr. at 4718:7-4719:8; PTX-479. Mr. Grimmett further admitted that this ROSAL specification was written by Y.T. Kok, and that he copied "a good amount" of its contents from a Motorola confidential document. Tr. at 4719:9-17. While Mr. Grimmett further admitted that Hytera's Professor Sun sent an email in September 2009—after G.S. Kok, Y.T. Kok, Sam Chia, and Peiyi Huang joined Hytera but before Hytera launched its DMR product—declaring that Hytera's common platform architecture ("CPA"), which it stole from Motorola, "is very important to the standardization of Hytera's future products" (Tr. at 4720:4-4721:2; PTX-2205), Mr. Grimmett also acknowledged that just the day prior, he had "testified that the entire software architecture trade secret ... did not provide any competitive advantage to Hytera" and "was generally known" (Tr. at 4721:9-23). And despite acknowledging that Hytera's Roger Zhang "is talking about having many problems" with "the transplanting of the protocol stack" in January 2007 (PTX-1984), prior to G.S. Kok, Y.T. Kok, Sam Chia, and Peiyi Huang

joining Hytera, and is "still having many problems with the DMR protocol stack" a year and a half later in June 2008 (PTX-542), Mr. Grimmett stood by his testimony that "Motorola's protocol stack provides no competitive advantage to Hytera." Tr. at 4732:14-4734:5.

76. Hytera's other technical expert, Ms. Frederiksen-Cross, confirmed that "but for the Motorola code that was stolen," the libraries Hytera claims to have independently written "would not work." Trial Tr. 4091:4-7.

77. Dr. Aron's claim that Hytera would immediately catch up to its current level of sales whenever it released a DMR radio was likewise not credible. Indeed, even Dr. Aron agreed that a late market entrant "may lose more sales if the late or delayed entry would have affected its ability to build its demand up." Tr. at 4880:19-4881:9. Dr. Aron also testified that as Hytera releases additional models, Hytera will customize those products for specific uses based on customer feedback. Tr. at 4853:19-23 ("As the company puts out additional models, . . . customers see customization of those products for their specific uses, so they will come back to Hytera, and the engineers will do customization on those products."). This was consistent with Mr. Malackowski's testimony. Tr. at 5375:2-21 (Malackowski: had Hytera "entered the market in 2014, [i]t would make no sense they could have obtained all the sales they actually did with the benefit of having started several years earlier."), 5375:22-5377:9 (Malackowski: in DMR market, "you build sales over time because you work with your customers to ramp up their need across their entire business. So you can't come in years later and pick

up where you otherwise would have been.").

78. The Court finds the evidence supports disgorgement of $135.8 million for Hytera's profits due to Hytera's trade secret misappropriation under the DTSA.

D. Hytera's $135.8 Million Profits from Its Misappropriation Are the Proper Amount of Unjust Enrichment, the $73,583,897 Addition for Avoided Research and Development Constitutes Double Recovery

79. Mr. Malackowski testified that, because all of the trade secrets were misappropriated, the full amount of Hytera's profits in addition to Hytera's avoided R&D should be awarded. Tr. at 2200:5-11; *see also* Tr. at 5353:3-14 (Mr. Malackowski testifying that "there are two components" to his unjust enrichment opinion: "There are the profits that Hytera actually made on the sales that are accused and it's the R&D that they saved that they did not have to spend because they misappropriated the trade secrets."); PDX-10.29-.32, PDX-26.7.

80. Awarding both the amount of R&D that Hytera avoided spending through its misappropriation and Hytera's profits from sales of DMR radios developed with the misappropriated trade secrets constitutes double recovery, however. See Tr. 4856:3-22 (Dr. Aron explaining why Motorola's request for both Hytera's profits and avoided research and development amounts to double recovery).

81. By force of the Court's reasoning in the October 19, 2020, the disgorgement of Hytera's profits is an equitable remedy, as the award is not a specific proxy for Motorola's actual losses.

82. By force of the Court's reasoning in the October 19, 2020 Order, awarding Hytera's avoided costs and Hytera's profits is double recovery.

83. The Court finds that $135.8 million should be awarded for Hytera's trade secret misappropriation under the DTSA. The disgorgement of Hytera's profits and the award of Hytera's avoided research and development would constitute double recovery, however.

84. The proper award, then, is $272,117,268, when including the Copyright Act disgorgement, discussed below.

85. Because the punitive damages in this case are a function of the compensatory damages under the DTSA, the punitive damages award must therefore also be reduced so as to adhere to the statutory provision of the DTSA. 18 U.S.C. 1836 (b)(3)(C) (stating that an award of exemplary damages may not exceed 2 times the amount of the compensatory award).

86. Punitive damages, then, shall be reduced to $271.6 million.

III. THE COPYRIGHT INFRINGEMENT AWARD TO MOTOROLA IS PROPER

A. Hytera's Infringement

87. Motorola holds certificates of copyright registration for the MotoTRBO program in its radios. PTX-1527, PTX-I 528, PTX-1645, PTX-1659, Tr. at 200:22-202:23; Dkt. 895 at Instruction No. 3 ("The following are stipulated facts: ... 9. The U.S. Copyright Office issued registration certificates relating to certain software associated with Motorola's DMR radio products at issue in this case.").

88. Motorola witnesses testified that the content of Motorola's copyrights was original and creative. Tr. at 607:11-23, 862:18-864:9, 1437:7-12. Hytera presented no countervailing evidence.

89. Hytera had access to Motorola's copyrighted source code, and copied thousands of lines of that copyrighted source code that was original to Motorola into its own products. Tr. at 874:19-876:9, 1432:5-1436:8; PTX-2090 and PTX-2091 (Exhibits C and D to Dr. Wicker's report). Hytera concedes that it copied Motorola's copyrighted DMR source code. Tr. at 3781:14-21.

90. The Court denied Hytera's motion for judgment as a matter of law or new trial with respect to Motorola's copyright infringement claim. Dkt. 1088 at 11-13.

B. Hytera's Profits

91. Hytera began selling DMR radios that contain Motorola's copyrighted DMR source code in 2010. Tr. 204:19-20, 2020:22-2021:4, 2395:3-4, 5138:15-5140:8.

92. Dr. Wicker explained that none of Hytera's DMR radios would function without Motorola's copyrighted source code. Tr. at 5075:7-5076:12 (citing PDX-20.5) (Dr. Wicker describing three libraries "in extensive use in Hytera's radios" that Hytera acknowledges were taken from Motorola; explaining that Hytera radios "would not function" without stolen code), 5073:10-25 (Dr. Wicker explaining that "all 3500 ... source code files" in Hytera's radios "are contaminated or were developed with knowledge and availability of Motorola source code"), 5080:3-23 (Dr. Wicker explaining that even source code "done by someone other than what [Mr. Grimmett] refers to as the Malaysian team" is "still making use of Motorola's code" by "calling on Motorola's library ... for its functionality."

93. The copyrighted source code that Hytera copied was taken from Motorola's ClearCase system and brought over to Hytera. Tr. at 443:18-21, 5087:3-5088:13; PTX-2100.825; PTX-1316.3. Dr. Stephen Wicker, Motorola's technical expert, explained that the main ClearCase server is in Illinois, and that server is mirrored in other locations. Tr. 5150:5-5151:3. As a result, the other ClearCase servers "reflect[] material that is in Illinois" and "anything that happens on one of those other [ClearCase] sites goes to Illinois." *Id.*

94. Because Hytera's copyright infringement in the United States is directly linked to its foreign sales of DMR radios, Motorola is entitled to Hytera's worldwide profits from its DMR radios.

95. Mr. Malackowski identified a causal nexus between Hytera's copyright infringement and gross revenues for DMR radios based on the amount Hytera spent on R&D to launch their first DMR product. Tr. at 2156:2-24 ("I was looking here for the nexus of my damage claim, which is basically whether or not there was a relationship between the trade secrets and copyright at issue and the profits that I seek for both companies. Hytera benefited from use of the Motorola trade secrets and copyrights, and they were able to reduce their own R&D expense accordingly.").

96. From 2010 to June 2019, Mr. Malackowski identified Hytera's revenue for the accused DMR portable radios as $532,025,673, with mobile radios adding "another 111 million" dollars; for accused DMR repeaters as $91,166,965; and for DMR accessories as $53,202,567. Tr. at 2191:14-2193:13; 2195:8-12; PDX-10.25; PTX-2071, PTX-2226, DTX-4057.

97. Dr. Aron did not dispute the revenues Mr. Malackowski presented for the accused Hytera products. Tr. 4958:23-4959:2; PTX-2226.

98. In determining the amount of Hytera's profits, Mr. Malackowski deducted costs that would vary with production of additional radios, i.e., costs of goods sold, patent royalties, sales department, and asset impairment.

Tr. at 2196:5-2197:12. Mr. Malackowski did not deduct costs associated with management or administration, legal fees, or research and development. *Id.*

99. Mr. Malackowski calculated Hytera's profits from its infringement of Motorola's copyrights by multiplying Hytera's actual revenues for the accused products by Hytera's profit margin. Tr. at 2189:21-2190:7 (citing PDX-10.24, PTX-2071), Tr. at 2191:14-2192:18 (citing PDX-10.25). After deducting costs and expenses, Mr. Malackowski identified the amount of worldwide profits Hytera earned as a result of Hytera's copyright infringement as $272 million. Tr. at 2195:13-2198:20, 5389:18-22 (referring to PDX 26.7).

100. Dr. Aron agreed with Mr. Malackowski's deductions in calculating Hytera's profit margins, except with respect to Hytera's research and development expenses. Tr. at 4826:25-4827:8, 4838:4-4840:2. For the reasons explained above, Mr. Malackowski properly concluded that Hytera's R&D expenses should not be deducted in calculating Hytera's profits.

101. The Court finds that the evidence supports disgorgement of $136.3 million in Hytera's profits for Hytera's copyright infringement.

IV. HYTERA'S MOBILE RADIOS ARE PROPERLY INCLUDED IN THE DAMAGES AWARD FOR COPYRIGHT INFRINGEMENT AND TRADE SECRET MISAPPROPRIATION

102. Motorola's technical expert, Dr. Wicker, testified that mobile radios use the same code as the accused devices and repeaters, and Hytera's interrogatory response confirming that fact was admitted without objection from Hytera's counsel. Tr. at 1428:5-13; 1431:14-21; 5124:2-20; DDX-14.10; PTX-1740. Hytera's expert, Barbara Frederiksen-Cross, agreed, testifying that Hytera's accused mobile devices include the same code as Hytera's accused devices and repeaters. Tr. at 3795:4-14 ("The way the code is organized is there is repeater specific code and then subscriber specific code, which includes the code that's used in both the mobile and handheld devices.").

103. Motorola introduced testimony related to Hytera's mobile products, to which Hytera did not object. For example, Mr. Malackowski testified to the amount of Hytera's revenue from the accused mobile products, as well as the profit margin for Hytera's accused products, including mobiles. Tr. at 2191:23-2192:3; 2198:9-17; PTX-2071, PTX-2226, DTX-4057. Hytera did not object to any of this evidence when it was admitted. On rebuttal, Mr. Malackowski provided a sum of that information. Tr. at 5395:11-24.

104. Hytera does not contend that Mr. Malackowski's calculations are inaccurate. Instead, Hytera's witnesses disputed in a conclusory manner that Hytera's DMR mobile radios were accused. Tr. at 2581:3-7 (Mr. Sun

testifying that he understands mobiles are not at issue in the case); 3278:7-9 (Mr. Luo testifying that he understands Motorola is not accusing mobile radios); 3408:22-24 (Mr. Yuan testifying that 101 of the mobiles was not accused"); 3426:21-25 (same); Dkt. 898. Hytera's witness testimony is plainly contradicted by the facts, which unequivocally demonstrate that Hytera's mobile radios include Hytera's DMR mobile radios and misappropriated trade secrets. 105.

Because Hytera's DMR mobile radios include Motorola's misappropriated trade secrets and infringed copyrights (Tr. at 1428:5-13; 1430:17-1431:21 3795:4-14; DDX-14.10; PTX-1740), they are properly included in the award.

V. THE REDUCED AWARD OF $272,117,268 IS NOT EXCESSIVE AND NO REMITTITUR SHOULD BE GRANTED

106. The award of $345,761,165 must be reduced to avoid double recovery for Motorola. The award cannot contain a disgorgement of profits and the avoided research and development costs, as outlined in the Court's October 19, 2020 Order and as further discussed below.

107. The reduced award of $272,117,268 is not excessive.

108. Hytera asserts that "there is no rational connection between the evidence in this case and award of $345.8 million for trade secret misappropriation and copyright infringement." Dkt. 954 at 39-40. In support, Hytera repeats arguments that that have been addressed above.

Id. at 39 (Hytera arguing damages should be limited to a head start period,); *id.* at 40 (Hytera arguing copyright damages should be limited to U.S. only); *id.* (Hytera arguing compensatory damages should be limited to $73.6 million).

109. Second, Hytera argues that the award is "monstrously excessive because it exceeds total profits for all products—not just accused products." *Id.* at 39. Hytera's argument is misleading. As Mr. Malackowski explained at trial, Hytera's claim that it made only $265 million in profits over a 9.5 year period ignored that Hytera used its $734 million in accused revenues "to make acquisitions to enhance its competitive position." Tr. 5343:18-5344:3, 5348:25-5351:20; *see also* PTX-968. Even Hytera's expert did not deduct Hytera's expenditures in acquiring new companies to enhance its competitive position in calculating Hytera's ill-gotten profits. Tr. 4837:16-4840:14.

110. Third, Hytera contends that the award of $345 million is not comparable to awards in similar cases. Dkt. 954 at 40. This is incorrect. Hytera sold the accused products for nearly ten years, continued to sell the accused products after they were sued, and made $734.1million in revenue on those products. Tr. 2191:23-2192:7, 5344:1-3. Awards in trade secret cases with a similar breadth of theft have neared or exceeded the $345 million awarded in this case. *E.I. DuPont de Nemours & Co. v. Kolon Indus., Inc.*, No. 3:09-cv-58, 2012 WL 1202485, at *1 (E.D. Va. Apr. 10, 2012) ($919.9 million compensatory damages verdict in trade secret misappropriation case); *Syntel Sterling Best Shores Mauritius Ltd. v. TriZetto Grp., Inc.*, 328 F.R.D.

450, Dkt. 931 at 4 (S.D.N.Y. Oct. 27, 2020) (jury verdict form awarding $284 million compensatory damages for trade secret misappropriation).

VI. MOTOROLA SHOULD BE AWARDED $272,117,268 FOR HYTERA'S TRADE SECRET MISAPPROPRIATION AND COPYRIGHT INFRINGEMENT

111. The Court finds that Motorola should be awarded $135.8 million for Hytera's profits due to Hytera's trade secret misappropriation under the DTSA, for the time period from May 11, 2016 to June 30, 2019.

112. The Court finds that Motorola should be awarded $136.3 million in Hytera's profits for Hytera's copyright infringement, for the time period from 2010 to May 10, 2016.

113. The total compensatory award, therefore, is $272,117,268, excluding punitive damages.

CONCLUSIONS OF LAW

I. DAMAGES—BURDEN OF PROOF

1. Motorola had the burden of proving whether Hytera caused the damage that Motorola is claiming by a preponderance of the evidence. *See Playwood Toys, v. Learning Curve Toys*, No. 94-cv-6884, 2000 WL 36740990 (N.D. Ill. Aug. 15, 2000), ECF No. 19 (Jury Instructions); Federal Civil Jury Instructions of the Seventh Circuit, Instruction No. 12.8.1

II. TRADE SECRET DAMAGES

2. Under the DTSA, the Court may award the following for misappropriation of trade secrets: "(i)(I) damages for actual loss caused by the misappropriation of the trade secret; and (II) damages for any unjust enrichment caused by the misappropriation of the trade secret that is not addressed in computing damages for actual loss[.]" 18 U.S.C.A. § 1836(3)(B).

3. "[T]he measure of unjust enrichment damages is the benefit conferred to the defendant." *Medmarc Cas. Ins. Co. v. Avent Am., Inc.*, 612 F.3d 607, 611 (7th Cir. 2010). "[I]n the trade secret misappropriation context, the proper measure of unjust enrichment damages is 'the total gains of [a defendant's] wrongdoing,'" which includes the defendant's profits from the misappropriation and the costs the defendant avoided incurring due to the misappropriation. *Sieves & Sons, Inc. v. JELD-WEN, Inc.*, No. 3:16-CV-545, 2018 WL 2172502, at *6-7 (E.D. Va. May 10, 2018); *Syntel Sterling Best Shores Mauritius Ltd. v. TriZetto Grp.*, No. 15 CIV. 211 (LGS), 2020 WL 5822058.

4. To establish the defendant's ill-gotten profits, "[t]he plaintiff has the burden of establishing the defendant's sales"; the defendant has the burden of establishing any portion of the sales not attributable to the trade secret and any expenses to be deducted in determining net profits. *Cartel Asset Mgmt. v. Ocwen Fin. Corp.*, 249 F. App'x 63, 79 (10th Cir. 2007) (quoting Comment (f) to the Restatement (Third) of Unfair Competition § 45 (1995)); *Peerless Indus., Inc. v. Crimson AV LLC*, No. 11-cv-1768, Jury Instructions at 45 (N.D. Ill. June 24, 2016) (Dkt. 610).

5. Avoided costs are "the avoided costs that would have been incurred to achieve the same result without access to those trade secrets." *Miller UK Ltd v. Caterpillar, Inc.*, No. 10-CV-03770, 2015 WL 10818831, at *13 (N.D. Ill. Nov. 1, 2015) (internal quotations omitted).

6. Unjust enrichment for trade secret misappropriation is not limited to a head start period. *RRK Holding Co. v. Sears, Roebuck & Co.*, 563 F. Supp. 2d 832, 836 (N.D. Ill. 2008) ("While Illinois case law requires damages be limited to a head start period for injunctive relief, it has not made such a requirement for monetary damages.").

7. Rather, "[t]o prevent underenforcement and to remedy the defendant's increased market share, therefore, it is equitable to grant ... monetary damages beyond [a] 'head start' period." *Agilent Techs., Inc. v. Kirkland*, No. CIV.A. 3512-VCS, 2010 WL 610725, at *27 (Del. Ch. Feb. 18, 2010); *see also Russo v. Ballard Med Prods.*, 550 F.3d 1004, 1020 (10th Cir. 2008).

8. Hytera's avoided R&D does not constitute a fully paid up royalty because there is no evidence supporting that conclusion. *See Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, No. 15-cv-1202, 2017 WL 3034655, at *2-3 (E.D. Tex. July 18, 2017) (rejecting argument verdict was fully paid-up license where "parties did not argue to the jury (or the Court) that the damages award would constitute compensation for a paid-up license").

9. Notwithstanding Motorola's request to the jury for an award of Hytera's profits only, this Court previously

ruled that the jury's award "is properly characterized as a 'case-specific proxy for ... losses' that rendered the award a "legal remedy." Dkt. 1088 at 26.

10. That ruling was based on the belief by the Court that the $135.8 award represented Motorola's lost profits, not Hytera's profits.

11. The Court's legal reasoning remains the same, but this factual inaccuracy must be corrected.

12. *Texas Advanced Optoelectronic Sols., Inc. v. Renesas Elecs. Am., Inc. ("TAOS")*, 895 F.3d 1304,1318-26 (Fed. Cir. 2018) instructs that "[i]n some cases, a plaintiff seeking disgorgement as a remedy for trade secret misappropriation might prove that this measure of relief, though focused on the defendant's gains, is good evidence of damages in the form of the plaintiff's losses or of a reasonable royalty for use of the secret."

13. Hytera's profits are not a proxy for Motorola's actual losses in this case. *See Fair Isaac Corp. v. Fed. Ins. Co.*, 408 F. Supp. 3d 1019,1031 (D. Minn. 2019), aff'd, 468 F. Supp. 3d 1110 (D. Minn. 2020).

14. Motorola may not recover both Hytera's profits and avoided R&D because this amounts to impermissible double recovery. If Motorola recovers Hytera's profits, then it is recovering the amounts Hytera saved in research and development from the alleged misappropriation. *Salisbury Laboratories, Inc. v. Merieux Laboratories, Inc.*, 908 F.2d 706 (11th Cir. 1990); *see also In re Mud*

King Prods., Inc., 514 B.R. 496,523-24 (Bankr. S.D. Tex. 2014) (rejecting trade secret owner's request to recover both disgorgement of debtor's profits and "hypothetical development costs" because "no case allows development costs where defendant's profits are shown"); *Hallmark Cards, Inc. v. Monitor Clipper Partners, LLC*, No. 08-0840-CV-W-ODS, 2012 WL 3047308, at *3 n.4 (W.D. Mo. July 25, 2012) ("Most of the authorities cited indicate that the defendant's cost savings may be used to value gain instead of, and not as well as, profits earned from the misappropriation. This is undoubtedly based on the need to avoid double counting of gains.").

15. The clear indication of Congress in amended Chapter 90 of Title 18 of the U.S. Code was to extend the extraterritorial provisions of Section 1837 to Section 1836, meaning Section 1836 may have extraterritorial reach subject to the restrictions in Section 1837. Dkt. 834 at 15.

16. 18 U.S.C. § 1837 provides: "This chapter also applies to conduct occurring outside the United States if—(1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States or a State or political subdivision thereof; or (2) an act in furtherance of the offense was committed in the United States."

17. The "offense," in context of the 18 U.S.C. § 1837(2), is the misappropriation of a trade secret. This is clear through the plain language of the statute. *See* 18 U.S.C. § 1836(b). As courts have recognized, misappropriation can occur through any of three actions: (1) acquisition, (2)

disclosure, or (3) use. *Zaccari v. Apprio, Inc.*, 390 F. Supp. 3d 103, 112-13 (D.D.C. 2019) (the DTSA "permits plaintiffs to bring private causes of action if they 'own[] a trade secret that is misappropriated.' 18 U.S.C. § 1 836(b)(1). Misappropriated means either '(A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (B) disclosure or use of a trade secret of another without express or implied consent by a person' who meets one of several conditions. 18 U.S.C. § 1839(5)(A)-(B). As some courts have put it, the DTSA thus authorizes suits alleging three theories of trade secret misappropriation: (1) acquisition, (2) disclosure, and (3) use. *See, e.g., AUA Private Equity Partners, LLC v. Soto*, No. 1:17-8035-GHW, 2018 WL 1684339, at *4 (S.D.N.Y. Apr. 5, 2018); *Carrick v. Holladay*, 758 F. App'x 640, 645 (10th Cir. 2018).").

18. "[M]arketing goods that embody the trade secret, employing the trade secret in manufacturing or production, relying on the trade secret to assist or accelerate research or development, or soliciting customers through the use of information that is a trade secret ... all constitute 'use.' *Cognis Corp. v. CHEMCENTRAL Corp.*, 430 F. Supp. 2d 806, 812 (N.D. Ill. 2006).

19. Section 1837 of the DTSA does not define what constitutes "an act in furtherance of the offense." In *Luminati Networks Ltd. v. BIScience Inc.*, No. 2:18-CV-00483-JRG, 2019 WL 2084426, at *9 (E.D. Tex. May 13, 2019), a Texas district court case analyzing Section 1837 wrote, "this language is not foreign to the common law

but is regularly used in the area of federal conspiracy law." *Id.* (citing *Yates v. United States*, 354 U.S. 298, 334 (1957) ("[T]he overt act must be found...to have been in furtherance of a conspiracy. "); *Findlay v. McAllister*, 113 U.S 104, 114 (1885) ("[T]o sustain the action it must be shown not only that there was a conspiracy, but that there were tortious acts in furtherance of it.")

20. "[W]here Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts ... the meaning its use will convey to the judicial mind unless otherwise instructed." *Morissette v. United States*, 342 U.S. 246, 263 (1952).

21. As did the *Luminati* court, this Court looks to the established common law meaning of "in furtherance of when interpreting the extraterritoriality provision of the DTSA. 18 U.S.C. § 1837(2). The Court agrees with *Luminati's* analysis on this point: "Applied to the DTSA, *Yates* makes clear that the act in furtherance of the offense of trade secret misappropriation need not be the offense itself or any element of the offense, but it must 'manifest that the [offense] is at work' and is not simply 'a project in the minds of the' offenders or a 'fully completed operation.' [*Yates*, 354 U.S. at 334.] Put another way, an act that occurs before the operation is underway or after it is fully completed is not an act 'in furtherance of' the offense." 2019 WL 2084426, at *10.

22. If Motorola has shown that Hytera has taken actions that "manifest that the offense is at work"—the offense

being the misappropriation—then Section 1837 has been satisfied and the chapter (including Section 1836(b)) also applies to acts occurring outside the United States.

23. Motorola introduced evidence in this case sufficient to support a finding that "use" of the trade secrets has occurred domestically. It was undisputed throughout trial that Hytera has advertised, promoted, and marketed products embodying the allegedly stolen trade secrets domestically at numerous trade shows and that as a result, Section 1837(2) was satisfied and the DTSA applied extraterritorially. *See* Dkt. 834 at 21-23; *Gen. Universal Sys., Inc. v. HAL, Inc.*, 500 F.3d 444, 450 (5th Cir. 2007); *Cognis Corp. v. CHEMCENTRAL Corp.*, 430 F. Supp. 2d 806, 812 (N.D. Ill. 2006).

24. The DTSA applies to a "use"-based private cause of action even if the acquisition occurred before effective date of the statute or if the use began before the effective date. *See* Pub. L.114-153, May 11, 2016 (18 U.S.C. § 1833 Note) ("The amendments made by this section shall apply with respect to any misappropriation of a trade secret ... for which any act occurs on or after the date of the enactment of this Act."). This broad language, coupled with the omission of the provision in the Uniform Trade Secret Act limiting such recovery, support the position that "use" in this case occurring after effective date serves as a proper basis for this action.

25. Alternatively, the application of the DTSA and the ITSA in this case is domestic because Hytera's misappropriation occurred in the United States. 18

U.S.C. § 1839(5)(A) (defining misappropriation to include "acquisition"). The theft occurred in the United States when Hytera employees stole Motorola's trade secrets from the Compass and ClearCase systems because those systems are accessible at Motorola's Schaumburg office. *Flavorchem Corp. v. Mission Flavors & Fragrances, Inc.*, 939 F. Supp. 593, 597-98 (N.D. Ill. 1996) (finding that because trade secrets were copied in Illinois and injury occurred in Illinois, Illinois was the location of the tortious conduct); *Specht v. Google, Inc.*, 660 F. Supp. 2d 858, 866 (N.D. Ill. 2009) (because infringement "took place on the Internet" it "presumably occurr[ed] in Illinois"); *Strabala v. Zhang*, 318 F.R.D. 81, 111 (N.D. Ill. 2016) ("where the internet is concerned, a person's conduct may be expressly aimed at a specific person or entity in another forum that causes harm in that forum without having express knowledge as to the ... location of the ... entity being affected").

26. This is sufficient to establish that Motorola's claim for misappropriation is based on conduct that occurred in this District. *See WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2138 (2018) ("[T]he object[s] of the statute's solicitude[] can turn on the 'conduct,' parties,' or interests that it regulates or protects."); *IPOX Schuster, LLC v. Nikko Asset Mgmt. Co.*, 304 F. Supp. 3d 746, 759 (N.D. Ill. 2018) (ITSA applied domestically because "[defendant] used a conduit to request and receive information from [plaintiff], which is based in Illinois"). The fact that the acquisition occurred prior to the enactment of the DTSA does not preclude a domestic application of the statute based on that acquisition because the DTSA applies to

continuing misappropriations, so long as "any act occurs on or after the date of the enactment of this Act." *See* Pub. L.114-153, May 11, 2016 (18 U.S.C. § 1833 Note).

27. As a result, "any damage award flowing from ... domestic misappropriation would not run afoul of the presumption against the extraterritorial application of law." *See Turnkey Sols. Corp. v. Hewlett Packard Enter. Co.*, No. 15-cv-1541, 2017 WL 3425140, at *8 (D. Colo. Aug. 9, 2017) (denying summary judgment that plaintiff could not seek damages for extraterritorial sales under Colorado's UTSA); *see also Envtl. Def Fund, Inc. v. Massey*, 986 F.2d 528, 531 (D.C. Cir. 1993) ("Even where the significant effects of the regulated conduct are felt outside U.S. borders, the statute itself does not present a problem of extraterritoriality, so long as the conduct which Congress seeks to regulate occurs largely within the United States.").

28. Hytera's profits due to Hytera's trade secret misappropriation under the DTSA, for the time period from May 11, 2016 to June 30, 2019, is $135.8 million.

29. The Court will award this disgorgement of Hytera's profits. "[B]y disgorging any net profits from the infringer, lost profit damages eliminate a major incentive to steal the copyright instead of fairly negotiating for its use with the owner." *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 568 (7th Cir. 2003).

III. COPYRIGHT INFRINGEMENT DAMAGES

30. Motorola's certificates of registration for the MotoTRBO program in its radios are "prima facie evidence of the validity of the copyright," 17 U.S.C. § 410(c), including "both valid ownership of copyright and originality." *Associated Press v. Meltwater U.S. Holdings, Inc.*, 931 F. Supp. 2d 537, 549 (S.D.N.Y. 2013).

31. The Copyright Act permits a plaintiff to recover "profits of the infringer that are attributable to the infringement." 17 U.S.C. § 504(b). To establish the infringer's profits, "the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." *Id.*; *see also* Dkt. 895 at Instruction No. 40.

32. The Seventh Circuit has held that the continuing violation doctrine applies in copyright cases. *See Taylor v. Meirick*, 712 F.2d 1112, 1118-19 (7th Cir. 1983). As Judge Posner wrote, "When the final act of an unlawful course of conduct occurs within the statutory period, these purposes are adequately served, in balance with the plaintiffs interest in not having to bring successive suits, by requiring the plaintiff to sue within the statutory period but letting him reach back and get damages for the entire duration of the alleged violation." Dkt. 1088 at 12 (quoting *Taylor*, 712 F.2d at 1119).

33. While "a plaintiff must show a causal nexus between the infringement and the gross revenues," *Bell v. Taylor*,

827 F.3d 699, 710 (7th Cir. 2016), "[t]he Seventh Circuit [requires] only a minimal connection between revenue and infringement in direct profit cases," *Bergt v. McDougal Littell*, 661 F. Supp. 2d 916, 927 (N.D. Ill. 2009). "Thus, all a plaintiff must do to meet his burden in the Seventh Circuit is provide a figure limited to the profit stream resulting from the infringement."

34. The defendant "bear[s] the burden of proving the amount and reasonableness of all deductions by a preponderance of the evidence." *Liu v. Price Waterhouse LLP*, No. 97 CV 3093, 2000 WL 1644585, at *5 (N.D. Ill. Oct. 30, 2000).

35. "If an infringing act occurred within the United States, then the plaintiff may recover for foreign violations that are directly linked to the domestic infringement." Dkt. 834 at 25-27; *see also Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 307 (4th Cir. 2012) ("Recovery of damages arising from overseas infringing uses [is] allowed [when] the predicate act of infringement occurring within the United States enabled further reproduction abroad."); *L.A. News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987, 991-92 (9th Cir. 1998) (tracing the predicate act doctrine to Judge Learned Hand's opinion in *Sheldon v. Metro—Goldwyn Pictures Corp.*, 106 F.2d 45 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940)); *Update Art, Inc. v. Modiin Publ'g, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988).

36. Hytera's profits from selling DMR radios that include Motorola's copyrighted works—whether in the U.S. or

outside the U.S.—are properly recoverable, including because Hytera has promoted, advertised, marketed, and sold its DMR products containing Motorola's copyrighted source code in the United States, including at trade shows. *See Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939) ("profits made from exhibiting the infringing picture outside the United States" were available as damages because infringer made negatives used to generate picture in U.S.), *aff'd*, 309 U.S. 390 (1940).

37. Hytera's profits from its copyright infringement are $136.3 million. Tr. at 5389:18-22.

38. Motorola is not entitled to a double recovery for the same wrongful conduct under both its trade secret misappropriation and copyright claims. *Thermodyne Food Serv. Prods. v McDonald's Corp.*, 940 F. Supp. 1300, 1310 (N.D. Ill. 1996).

39. As discussed above, the recovery of Hytera's profits and Hytera's avoided costs constitutes a double recovery.

40. The total award is comprised of $135.8 in disgorged profits under the DTSA, $136.3 million in disgorged profits under the Copyright Act, for a total of $272.177,259 million in disgorged profits to be awarded to Motorola.

41. Punitive damages are awarded only on the DTSA claim, and the Court follows the jury in awarding the maximum—$271.6 million.

42. The total award, then, shall be reduced to $543.7 million.

V. THE AWARD IS NOT EXCESSIVE AND NO REMITTITUR SHOULD BE GRANTED.

43. In deciding whether to award a new trial on damages or remittitur, courts consider [1] whether the award is 'monstrously excessive,' [2] whether there is a rational connection between the award and the evidence, and [3] whether the award is roughly comparable to awards made in similar cases." *Gracia v. SigmaTron Int'l, Inc.*, 842 F.3d 1010, 1022 (7th Cir. 2016) (declining to remit damages award); *Riemer v. Ill. Dep't of Transp.*, 148 F.3d 800, 808 (7th Cir. 1998) (same). The first two factors "are really just two ways of describing the same inquiry: whether the jury verdict was irrational." *Adams v. City of Chicago*, 798 F.3d 539, 543 (7th Cir. 2015). "In order to determine whether the jury's verdict was irrational, the district court must review the trial record as a whole in the light most favorable to the verdict." *Id*

44. Courts in the context of copyright infringement have held that "[d]efendants cannot limit the amount at issue in the underlying claim to the profits they received. . . ." *Owners Ins. Co. v. Cruz Accessories*, No. 2:17-CV-2215-PMD, 2018 WL 902290, at *2 (D.S.C. Feb. 15, 2018).

IT IS SO ORDERED.

APPENDIX C — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION, FILED OCTOBER 19, 2020

United States District Court, N.D. Illinois,
Eastern Division

Civil Action No. 1:17-cv-1973

MOTOROLA SOLUTIONS, INC., *et al.*,

Plaintiffs,

v.

HYTERA COMMUNICATIONS CORP. LTD., *et al.*,

Defendants.

Filed October 19, 2020
Decided October 19, 2020

ORDER

CHARLES RONALD NORGLE, Judge

Defendants' Rule 50(b) motion for judgment as a matter of law and Rule 59 motion for a new trial and/or remittitur [953] is denied. The Court agrees with Defendants that the Copyright Act disgorgement and the DTSA unjust enrichment awards were equitable in nature, and the Court's findings of fact and conclusions of law on those issues will be set out in a separate Order consistent with the below. On those issues, the Court agrees with the jury's advisory verdict.

STATEMENT

On November 6, 2019, a jury was selected for trial in this matter. Over the course of the next three-and-a-half months, the trial dealt with complex technological, factual, and legal issues. On February 14,2020, the jury returned a verdict in favor of the Plaintiffs, Motorola Solutions Inc. and Motorola Solutions Malaysia SDN. BHD. (hereinafter "Motorola"), against the Defendants, Hytera America, Inc., Hytera Communications America (West), Inc., Hytera Communications Corporation Ltd. (hereinafter "Hytera"). The jury awarded to Motorola the full amount for which it had been permitted to argue—$345,761,156 in compensatory damages and $418,800,000 in punitive damages, for a total of $764,561,156. The jury deliberated for roughly two hours.

Both parties have filed numerous post-trial motions. The scheduling and ability for the parties to appear in court on these motions was and has been complicated by the COVID-19 pandemic. Hytera's motion pursuant to Fed. R. Civ. P. 50(b) and Rule 59 is the subject of this Opinion. In its motion, Hytera argues that the Court made numerous errors related to the trial, ranging from actions taken at jury selection (which allowed the empanelment of an allegedly biased jury), substantive evidentiary decisions, administrative and procedural rulings, and others. Simply put, the Court disagrees, and Hytera has not met the high standard for judgment as a matter of law, or for a new trial, or for reconsideration of previous orders or remittitur under Rule 59(e). The jury and the Court were not biased, the procedures in this case were proper, the legal decisions were correct, the legal elements of Motorola's claims were met, and the jury returned a verdict and award that are proper under the law and supported by overwhelming evidence that was submitted at trial—evidence, the Court notes, which was robustly and meticulously challenged by skilled counsel for Hytera at each and every turn.

I. BACKGROUND

Before engaging the substantive issues, a brief, high level background based on the evidence presented is provided. By no means does this background capture, or even attempt to capture, the full scope of the evidence presented at trial. Rather, the context is helpful in evaluating the more specific facts discussed in the analysis section of this Opinion.

For decades, dating back to the late 1980's and into the 2000's, Motorola developed technology to create certain specific digital radios. In 2006, internal Hytera documents submitted by Motorola showed that Hytera was having difficulty in creating comparable radios. In June 2007, the president of Hytera Chen Qingzhou reached out to Motorola engineer G.S. Kok, who worked for Motorola in Malaysia. Chen told Kok that he was looking to set up a potential research and development center for Hytera in Malaysia. In those discussions, Chen made clear to Kok that he was hoping to make Hytera a public company and have it listed on a stock exchange—referencing the NASDAQ in an early email. Shortly thereafter, Chen and Kok negotiated Kok's departure from Motorola for

Hytera. In one email, Chen offered Kok 600,000 shares in Hytera, which Chen referred to as "really a great amount of money."[1]

Shortly after Kok joined Hytera, Kok expressed in an email that he was surprised that even after Hytera had been working on the relevant digital radio project for three years, Hytera did "not even have a prototype." Kok then stated in an email that Hytera needed an "injection of subject matter experts" in order to leapfrog Motorola in that market. Shortly thereafter, Hytera hired two additional Motorola Malaysia engineers—Y.T. Kok and Sam Chia. The evidence at trial showed that Y.T. Kok and Sam Chia, between them, downloaded more than 10,000 technical documents from Motorola's secure database and brought them to Hytera. At the time of trial, Motorola argued that more than 1,600 of those documents were still within Hytera's databases. When Y.T. Kok was hired by Hytera, he initially maintained his employment with Motorola[2] while surreptitiously also working for Hytera.

In June 2008, shortly after the addition of Y.T. Kok and Sam Chia, several emails circulated within Hytera which the entire digital mobile radio ("DMR radio") group was copied on, including one with a list of questions about issues that needed to be resolved in order for Hytera to create a DMR radio. Chia forwarded one of those emails

1. One Motorola expert witness quantified that amount as $2.5 million USD at the time Hytera eventually did go public.

2. Y.T. Kok submitted a resignation letter to Motorola on September 4, 2008 with a resignation date of October 3, 2008.

to Y.T. Kok and stated that he should focus on some of the specific questions. The same day, Y.T. Kok downloaded 50 technical documents from Motorola's database; the next day, he downloaded an additional 83; the third day, he downloaded 40 more. Again, in all, more than 10,000 technical documents were downloaded and brought to Hytera from Motorola.

Broadly, among the files taken were Motorola's source code for the DMR radio project. Segments of Motorola's source code were later directly inserted into Hytera's product. One exhibit at trial illustrated that in some cases misspelled words (which had no impact on the functionality of the code) appeared in both the Motorola code and the Hytera code. Additional evidence showed that at times Hytera re-wrote Motorola's code to conceal that it had been used. Motorola presented testimony and exhibits showing the code and Motorola technical documents being circulated among Hytera engineers, at times with the Motorola logo removed and replaced with a Hytera logo, and at times still labeled with Motorola's logo.

Eventually, Hytera developed a radio that was, as described at trial, functionally indistinguishable from the DMR radio developed by Motorola. Hytera sold that radio for years and, according to Motorola, continues selling the misappropriated trade secrets and infringing products to this day.

During trial, Hytera raised several factual defenses. First, Hytera argued that Motorola had not brought suit within the statute of limitations. Second, Hytera argued that G.S. Kok, Chia, and Y.T. Kok had essentially acted as rogue agents within Hytera and, instead of building off of the work Hytera had independently done, scrapped that work and used Motorola's technical information without wider knowledge of its use within the company. Throughout the trial, both Hytera and Motorola were very well represented by thorough and competent counsel, with dozens of lawyers present in court for both companies and specific lawyers handling specific witnesses or aspects of the case.

In the end, as noted above, the jury returned a verdict in favor of Motorola in all respects and awarded the maximum amount that Motorola had been allowed to argue for (a number dealt with in greater detail below). The jury's verdict followed testimony by more than 40 witnesses, a handful of expert witnesses, and hundreds of exhibits admitted into evidence.

With the above high-level background in mind, the Court now turns to the arguments raised by Hytera in its motion.

II. STANDARD OF REVIEW

Based on the Court's reading of Hytera's motion, Hytera raises three types of challenges to the trial: (1) matters it argues should result in judgment as a matter of law in its favor pursuant to Fed. R. Civ. P. 50(b); (2) matters it argues rendered the trial unfair and should result in a new trial pursuant to Fed. R. Civ. P. 59(a); and (3) challenges to previous legal rulings which it argues were incorrect and should result in a reduction of damages or other relief pursuant to Rule 59(e). Hytera also argues that the damages award should be reduced or reconsidered for several reasons.

Fed. R. Civ P. 50(a) provides that "[i]f a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue, the court may: (A) resolve the issue against the party; and (B) grant a motion for judgment as a matter of law against the party on a claim or defense that, under the controlling law, can be maintained or defeated only with a favorable finding on that issue." Pursuant to Rule 50(b), the Court took Hytera's previous Rule 50(a) motions under advisement and now addresses the legal issues raised in the renewed, joint motion together with its Rule 59 motion. Hytera's renewed motion was thus brought under Fed. R. Civ. P. 50(b).

With respect to the Rule 50 motion, the Court must "determine whether the evidence presented, combined with all reasonable inferences permissibly drawn therefrom, is sufficient to support the verdict when viewed in the light most favorable to the party against whom the motion is directed." *Clarett v. Roberts*, 657 F.3d 664, 674 (7th Cir. 2011). The Court will overturn a jury verdict "only if no reasonable juror could have found in the [prevailing party's] favor." *Id.* (citing *Erickson v. Wis. Dep't of Corr.*, 469 F.3d 600, 601 (7th Cir. 2006).

Fed. R. Civ. P. 59(a)(1) provides that "[t]he court may, on motion, grant a new trial on all or some of the issues—

and to any party—as follows: (A) after a jury trial, for any reason for which a new trial has heretofore been granted in an action at law in federal court[.]"

As to Rule 59(a), "[a] new trial should be granted only when the record shows that the jury's verdict resulted in a miscarriage of justice or where the verdict, on the record, cries out to be overturned or shocks our conscience." *Clarett*, 657 F.3d at 674.

Fed. R. Civ. P. 59(e) states simply that a "motion to alter or amend a judgment must be filed no later than 28 days after the entry of the judgment." Rule 59(e) motions "must clearly establish either a manifest error of law or fact or must present newly discovered evidence." *LB Credit Corp. v. Resolution Tr. Com.*, 49 F.3d 1263, 1267 (7th Cir. 1995) (citing *FDIC v. Meyer*, 781 F.2d 1260, 1268 (7th Cir. 1986)).

III. ANALYSIS

The analysis of Hytera's claims will proceed first with the Rule 50 arguments, second with the Rule 59(a) arguments, and third with the Rule 59(e) arguments. At times, arguments blend together or are presented as a ground for judgment as a matter of law or new trial, but the Court notes that even under the most deferential standard available to Hytera, its arguments would still be denied for the reasons stated below.

A. Hytera's Rule 50 Motion for Judgment as a Matter of Law

Hytera raises three distinct arguments claiming it is entitled to judgment as a matter of law: 1. Motorola has failed to satisfy the elements of a trade secret claim; 2. Motorola's trade secret claims are barred by the statute of limitations; and 3. Motorola has failed to state a copyright claim for several reasons. Hytera cannot overcome its high burden on any of these arguments, as the evidence presented supports the verdict. The Court will not overturn the jury verdict unless no reasonable juror could have found in favor of Motorola, and Hytera cannot meet this burden given the evidence presented in this case.

1. Motorola has satisfied the elements of a trade secrets claim.

Hytera first argues that Motorola has failed to satisfy the elements of a trade secret claim. Hytera argues that Motorola has not proven the existence of protectable trade secrets because Motorola has not identified the trade secrets with sufficient specificity and because Motorola has failed to show that the materials were "sufficiently secret." Dkt. 954 at 11-12 (citing *IDX Systems Corp. v. Epic Sys. Corp.*, 285 F.3d 581 (7th Cir. 2002) and *Mangren Research and Dev. Corp. v. Nat'l Chem. Co.*, 87 F.3d 937, 942 (7th Cir. 1996)).

The Court disagrees. Motorola proceeded on a theory of a theft of 21 distinct trade secrets at trial. For each alleged trade secret, Motorola tied certain documents to that specific trade secret and explained those documents through five fact witnesses and numerous experts across more than 25 hours of testimony. Motorola's witnesses explained that these documents constituted the "playbook" by which the engineers built its two-way radio devices. *E.g.* Tr. 723:16-724:5. The fact witnesses and experts went into detail when explaining what was contained in each document and how the processes contained therein combined into a coherent whole to create the digital radio functionalities at issue in the trial. E.g., Tr. 615:8-621:25, 625:7-626:19, 630:14-631:14, 706:6-707:2, 709:1-715:12, 716:10-717:2, 718:13-719:3, 739:9-740:15, 741:15-747:4.

In its presentation, Motorola has complied with and exceeded the standard set out in *3M v. Pribyl*, 259 F.3d 587, 595-96 (7th Cir. 2001), which explains:

> In order to be considered a trade secret, a pattern, technique, or process need not reach the level of invention necessary to warrant patent protection. A trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process, design and operation of which, in unique combination, affords a competitive advantage and is a protectable secret. *See Syntex Qphthalmics Inc. v. Tsuetaki*, 701 F.2d 677, 683 (7th Cir. 1983).

3M further instructs:

> [T]he [plaintiff] is seeking to prevent [defendant] from using and disclosing a process which it took the company six years and considerable income

> to perfect. These manuals and processes, even if comprised solely of materials available in the public domain, have been created by combining those materials into a unified system which is not readily ascertainable by other means. Thus, viewing the evidence in the light most favorable to [plaintiff], we believe there was sufficient evidence to support the jury's finding that [plaintiff] has a trade secret in the operating procedures, quality manuals, trade manuals, process standards and operator notes for using [plaintiff's] equipment that makes resin sheeting.

Id.

Moreover, *IDX* does not compel a contrary finding. The documents at issue in this case no doubt contained some public information, but the issue is not whether there "are a host of materials which would fall within the public domain[,]" but rather, when the documents are "collected and set out as a unified process, that compilation, if it meets the other qualifications, may be considered a trade secret[.]" *Id.*

Motorola illustrated at trial that the stolen confidential materials were the compilation of decades of engineering work that laid out the specific specifications as to how Motorola implemented types of functions within its radios. For example, as Motorola argues, the confidential testing specifications include excerpts from public radio standards before setting out in confidential detail the steps that

Motorola takes to exceed those standards. PTX-127; Tr. 5119:14-5121:5. As Motorola points out, that document was one that was circulated within Hytera rebranded as a Hytera document.

These details are not akin to those the Seventh Circuit was concerned with in *IDX*, where the court noted that the claimed trade secrets included clearly observable features such as the appearance of data entry screens that "ordinary users of the software could observe without reverse engineering." *IDX*, 285 F.3d at 584. Rather, the documents at issue in this case dealt with highly complex and technical specifications, circuit diagrams, testing plans, and product source code. Essentially, the bundle of documents stolen and used by Hytera showed a step-by-step method to build Motorola's digital radios. This is akin to the theft alleged in *3M* and is removed from the concerns raised in *IDX*. At trial, Motorola additionally discussed how those secrets combined to create a state-of-the-art digital radio that surpassed those of competitors.

Hytera argues that statements made about the superiority of Motorola's radios were puffery, citing to various statements by Motorola engineers. Those puffing statements, however, were made in the context of a specific discussion about the aspect of the technology being identified and often accompanied by a description of what specifically made Motorola's implementation of the technology better than the competitors. And in light of Motorola's market share, the jury could reasonably have drawn the inference that the implementation of these highly technical specifications—specifications which were stolen and circulated within Hytera—made the radios better.

Returning, then, to the standard under which a Rule 50 motion must be reviewed, Hytera cannot meet its high burden, and Motorola has provided a legally sufficient evidentiary basis to support the jury verdict on its trade secret claims.

Hytera next argues that Motorola failed to use reasonable security measures to protect its secrets. Hytera argues that Motorola allowed the stolen documents to be available to "everyone." Pkt. 954 at 14 (citing Tr. 521:18-524:14). This assertion is belied by the record at trial. Motorola's Chief Information Officer testified, and was subject to rigorous cross examination, on this point, and his testimony was sufficient to support a finding by the jury that Motorola took sufficient steps to safeguard its technical documents. Motorola employees were subject to a confidentiality agreement. The database that contained the technical documents and source code was accessible only to certain Motorola employees. That certain internal documents did not contain the specific words "trade secret" on them was repeatedly raised at trial, and the jury was entitled to give appropriate weight to that argument and the others raised by Hytera. As such, the Court will not overturn the jury verdict on this point.

Next, Hytera argues that no reasonable jury could find that Hytera (beyond the former Motorolans) knew or should have known that it was selling misappropriated trade secrets in its DMR products. Hytera further argues that no evidence was presented that the two U.S. entities had any knowledge of the misappropriation. Evidence in the record, however, supports the jury's verdict on this point. First, the former Motorolans were senior management in the DMR development for Hytera. Moreover, emails suggested that Hytera's CEO and Vice President of Research and Development knew of the theft. *See, e.g.*, Tr. 1848:5-1866:1, 1866:24-1868:15, 1869:21-25, 1870:12-1872:1, 1875:4-1876:21; PTX-233, PTX-404, PTX-416, PTX-426, PTX-429; see also VP of R&D Pengfei Sun (Tr. 2480:8-2481:25); Jue Liang (PTX-100; Dkt 766, Ex. D (Liang Dep. Desig.) at 68:3-11); Yang (PTX-654; Tr. 5089:19-5095:20); Qin Jun (PTX-573); Huang Ni (PTX-806); and others (PTX-47; PTX-530; Tr. 1359:13-1363:22; id. 4153:9-22).

With respect to the American entities, Motorola presented evidence to suggest that after it became known that Hytera's DMR radios used stolen Motorola source code, Hytera's U.S. president stated that Hytera was not going to leave the DMR marketplace until it was "number one in the DMR market." Tr. 3539:5-17, 3541:18-23. Hytera has not met its burden to be entitled to judgment as a matter of law on this point and the jury verdict will not be disturbed in the regard.

Finally, Hytera argues that it is entitled to judgment as a matter of law on its statute of limitations defense. Hytera incorporates by reference its previous arguments on this point and argues "Motorola had numerous reasons to suspect before March 2012 that its former employees had taken confidential materials with them to Hytera, and

Motorola could have confirmed the existence of its claims before March 2014 by pulling Compass logs." Dkt. 954 at 23. Hytera argues that Motorola's fraudulent concealment argument fails as a matter of law.

Motorola argues, citing *Sokol Crystal Prod., Inc. v. DSC Commc'ns Corp.*, 15 F.3d 1427, 1430 (7th Cir. 1994) that "concerns and suspicions ... do not start the clock on the statute of limitations." The Court agrees. Moreover, Motorola presented evidence related to the investigation it conducted, after which it concluded that no issue existed. Motorola provided sufficient facts to allow this question to go to the jury, and the jury was well informed of both party's arguments and found that it believed Hytera had concealed the theft. The legal instruction on this issue was correct, and Hytera has failed to show that no reasonable jury could find for Motorola on this point.

2. Motorola's copyright claim is supported by substantial evidence.

Hytera contends that it is entitled to judgment as a matter of law on Motorola's copyright claim for several reasons. First, Hytera argues that Motorola has failed to prove substantial similarities between the accused work and the copyrighted work. Specifically, Hytera argues that Motorola did not make any attempt to distinguish between protected and unprotected similar elements. Moreover, according to Hytera, Motorola offered no evidence "mapping the alleged copying to a particular asserted work, leaving the jury with no basis to assess substantiality of similarities to any asserted copyright work." Dkt. 954 at 16.

Hytera's argument on this point is contradicted by the record. Motorola identified the code that Hytera copied from each version of Motorola's DMR and mapped the copying to the asserted work. As Motorola points out in its response, Hytera solely points to its expert's testimony related to several lines of code that are allegedly similar to third party code. This ignores other code that was shown to the jury—including, notably, code which contained identical misspellings at points.[3] From the exhibits and testimony presented to the jury, the Court cannot overturn the verdict.

Next, Hytera argues that Motorola is barred by the statute of limitations from recovering any damages allegedly suffered more than three years before adding its copyright claim in its Amended Complaint on August 2, 2018. However, *Taylor v. Meirick*, 712 F.2d 1112, 1119 (7th Cir. 1983) guides the analysis in this case. As Judge Posner wrote, "When the final act of an unlawful course of conduct occurs within the statutory period, these purposes are adequately served, in balance with the plaintiff's interest in not having to bring successive suits, by requiring the plaintiff to sue within the statutory period but letting him reach back and get damages for the entire duration of the alleged violation." *Id.* In light of the similar circumstances with *Taylor*, the Court stands by its decision to allow copyright damages to extend more than three years prior to the addition of the claim. Moreover, Motorola provided to the jury evidence by which the jury determined damages for the particular time period. PTX-2071. Thus, Hytera has

3. PTX-2090, PTX-2091; Tr. 1433:1-1436:8.

not met its burden either for a new trial or for judgment as a matter of law on this point.

Finally with respect to the copyright claim, Hytera argues that it was improper for the copyright claim related to Copyright Reg. Nos. TXu 1-572-947 and TX 8-654-512 to proceed. The Court stands by the previous orders issued on this point, Dkts. 597, 885, and agrees with Motorola that Hytera has waived any argument arising from *Fourth Estate Public Benefit Corp. v. Wall-Street.com, LLC*, 139 S. Ct. 881, 203 L. Ed. 2d 147 (2019) by first raising this non-jurisdictional argument through a summary judgment reply brief filed late during trial. The Court will not overturn the jury verdict based on a waived and already decided issue.

B. Hytera's Rule 59 Issues

Next, Hytera argues that it is entitled to a new trial because of various legal rulings made during trial. Hytera argues that prejudicial evidence was admitted and relevant evidence was excluded. Hytera also argues that the Court made remarks during trial that prejudiced it, that the jury was biased, and that Motorola was permitted to attempt to stir up alleged anti-China sentiment during closing argument by stating that Hytera had "blatant disregard [of] the laws of this country."

A party seeking a new trial based on alleged errors in evidentiary rulings bears a heavy burden to show that the result reached was inconsistent with substantial justice. *Johnson v. Gen Bd. of Pension & Health Benefits of United*

Methodist Church, 2012 U.S. Dist. LEXIS 24918, 2012 WL 638731, at 84 (N.D. Ill. Feb 23, 2012), *aff'd* 733 F.3d 722 (7th Cir. 2013). With this burden in mind, Hytera's arguments will be addressed in turn.

1. Motorola's expert testimony was proper.

Hytera argues that Motorola experts Dr. Rangan and Dr. Wicker were permitted to testify about the mental impressions of Hytera employees. Specifically, Hytera argues that these experts were allowed to testify about the meaning of certain parts of emails that Motorola could have asked the percipient witnesses about. Hytera's characterization of this expert testimony is incorrect, however. In each instance cited by Hytera, the Motorola experts were simply using their scientific and technical expertise to explain technical meanings within otherwise difficult (for a lay person) to understand contexts. *E.g. United States v. Vallone*, 2008 U.S. Dist. LEXIS 14410, 2008 WL 516715, at *4 (N.D. Ill. Feb 21, 2008). No prejudice accrued from these explanations, as the testimony was proper and Hytera's experts were given the opportunity to rebut these points.

Second, Hytera argues that the two above-mentioned experts gave overlapping testimony. No prejudice accrued from any alleged brief overlap.

Third, Hytera argues that two exhibits prepared by Dr. Wicker which showed where admitted Hytera code was identical to admitted Motorola code were improperly admitted. Those exhibits were proper under Fed. R.

Evid. 1006, as Dr. Wicker described his methodology and identified the exhibits as summaries. Tr. 599:25-601:8. These exhibits were proper.

Fourth, Hytera argues that Dr. Wicker was allowed to give improper rebuttal testimony. The Court disagrees. The testimony related to testimony proffered by Hytera's experts and involved accused products.

None of the above alleged errors, alone or in concert, resulted in an outcome that was inconsistent with substantial justice.

2. Hytera was not prejudiced by the treatment of certain fact witnesses.

Hytera next argues that the Court improperly sua sponte qualified three Motorola fact witnesses—Scott Shepherd, Mark Boerger, and Jesus Corretjer—as expert witnesses on certain limited issues. Given the totality of the testimony and the cross examination of each witness, no prejudice accrued to Hytera with respect to any potential improper speculation. The witnesses each testified using their specialized knowledge to give context to the factual questions that they were answering throughout their lengthy testimony.

3. Testimony by Hytera's experts as to the information contained in patents was properly excluded.

Hytera next argues that the Court improperly limited its expert Ms. Frederickson-Cross from testifying about

Motorola's copyright registrations and publicly disclosed materials in a Motorola patent. Matters related to the interpretation of copyrights and patents were outside the scope of Ms. Frederickson-Cross's expertise and this decision was well within the Court's gatekeeping function under *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 589-97, 113 S. Ct. 2786, 125 L. Ed. 2d 469 (1993). Copyrights and patents are complex and distinct disclosures that should have been dealt with by specific experts qualified to testify about those issues, which Ms. Frederickson-Cross was not.

Even if these limitations were improper, Hytera still submitted the copyrights and patents as exhibits and other testimony was given relating to these materials. Moreover, no prejudice accrued because, as the Court discussed above, including publicly available information within documents that reflect a "playbook," does not invalidate a trade secret claim. *3M v. Pribyl*, 259 F.3d 587, 596 (7th Cir. 2001). The jury was also instructed as to Hytera's public disclosures. Jury Instruction 23.

4. The Court properly excluded Mr. Grimmett's legal conclusion related to the statute of limitations.

Next, Hytera argues that the Court improperly instructed the jury to disregard testimony including legal conclusions by a non-lawyer expert related to when the statute of limitations began to run in this case. The Court only limited the expert, Mr. Grimmett, from testifying that Motorola should have filed this lawsuit before 2017. This was a proper exclusion. Mr. Grimmett's other testimony related to the measures Motorola took to investigate the theft and protect its data were heard and considered by the jury (and argued about during closing argument). No error was made in this regard.

5. Any exclusion of comparisons to non-party products was proper.

Hytera next argues that the Court improperly excluded testimony from Hytera's expert Dr. Wicker related to the comparisons between the sound suppression technology implemented by Motorola and the technology used by other, non-Hytera manufacturers. The Court disagrees that this limitation, which came after Mr. Grimmett was given the opportunity to testify about other reasons he believed that Motorola's technology was "nothing special." The Court disagrees with Hytera that comparisons between Motorola's products with products not at issue in this case was relevant. First, as Motorola argues, whether Motorola's technology was actually the best on the market or whether other companies implemented similar technologies was not relevant to whether Hytera stole and implemented Motorola's secret processes. Moreover, even if this testimony should have been allowed, this omission does not warrant a new trial, as Hytera was given ample opportunity to rebut Motorola's claims that the implementations of the technology at issue did not involve trade secrets. Given the totality of the evidence presented at trial, an error related to this omission would be harmless.

6. The Court's discretionary ruling to disallow sur-rebuttal after nearly four months of trial was not improper.

Hytera next argues that the Court erred by not allowing Hytera to present a sur-rebuttal case. The Court disagrees with Hytera's assessment of this discretionary ruling. Moreover, Hytera had ample opportunity to challenge Motorola's damages expert on cross examination during the rebuttal case. Motorola also points out that Hytera made no proffer as to what different testimony its expert would give during a sur-rebuttal. In light of the length of the trial and the fact that it was unclear what changes Hytera would make with respect to its damages argument (which itself was well developed during the earlier days of the trial), the Court sees no error in its discretionary ruling to move the trial forward and disallow sur-rebuttal.

7. The Court's administration of the trial and demand for formality did not prevent Hytera from presenting its defense.

Next, Hytera argues that the Court made a litany of errors in its treatment of witnesses, and Hytera specifically argues that the Court treated Motorola's witnesses with deference while challenging Hytera's experts. See Dkt. 954 at 28-29. The Court will not list every instance that Hytera has included in its briefing, but, having reviewed these alleged improper statements, disagrees that any of these statements made in the administration of this lengthy trial were improper or prejudicial. The Court was evenhanded in the administration of this three month trial, and the Court uniformly required the parties to conduct the case with the requisite formality demanded in federal court. As such, the Court will not disturb the jury's verdict on account of these alleged errors, as the jury was given a fair, thorough presentation by both sides in this matter and reached a result that is supported by the evidence presented, even after rigorous challenges by Hytera.

8. The Court did not make evidentiary errors warranting a new trial.

Hytera additionally makes several arguments related to evidentiary rulings that it claims warrant a new trial. Specifically, Hytera argues: (a) the Court improperly admitted Fifth Amendment testimony in violation of Fed. R. Evid. 403; (b) the Court admitted evidence without proper foundation; (c) the Court erred by admitting evidence related to visa applications; (d) the Court allowed Motorola to give an inflammatory closing argument; and (e) the Court did not allow Hytera to properly vet jurors during voir dire. Either alone, or in conjunction, these arguments fail to show that the result of the trial resulted in an outcome inconsistent with substantial justice. *Johnson*, 2012 U.S. Dist. LEXIS 24918, 2012 WL 638731, at *4.

(a) The Court properly admitted Fifth Amendment testimony.

Hytera argues that the more than 100 invocations[4] of the Fifth Amendment by G.S. Kok, Y.T. Kok, and Sam Chia, which were presented in the form of videotaped depositions to the jury, should not have been allowed at trial (and the adverse inference jury instruction should not have been given) because the prejudicial effect far exceeded the probative value of these statements. "[T]he party urging the use of the inference must show that the circumstances of the particular case justify the imputation of the negative inference." *State Farm Mut. Auto. Ins. Co. v. Abrams*, No. 96-cv-6365, 2000 U.S. Dist. LEXIS 6837, 2000 WL 574466, at *6 (N.D. Ill. May 11, 2000). Motorola met this burden, as those three individuals were central to the litigation and their invocations advanced their interest and Hytera's by shielding facts from discovery. Moreover, the jury was instructed that it could draw inferences if justified by independent corroborating evidence" and that it "may, but need not" draw adverse inferences based on the Fifth Amendment invocations.

In light of the highly relevant nature of these witnesses' knowledge and the other evidence that was

4. *See* Dkt 968 at 31 n. 58. Certain invocations dealt with whether the former Motorolans stole Motorola's files, whether they used Motorola's confidential files to create Hytera's DMR products, whether they deleted stolen files to conceal their theft, and whether Hytera's chairman and other management knew of the theft. Motorola presented independent corroborating evidence on each of these points.

presented and admitted during trial, this testimony was properly admitted. Hytera cannot show that the result reached was inconsistent with substantial justice.

(b) Hytera's foundation-related objections are meritless.

Hytera argues that the Court erred by admitting documents without foundation through witnesses that lacked personal knowledge in violation of Fed. R. Evid. 602. Specifically, Hytera argues that various exhibits were admitted over objection. See Dkt. 954 at 31. These internal Hytera documents should have been admitted through Hytera fact witnesses, Hytera argues, rather than through Motorola's expert witnesses. Rule 602 states that it "does not apply to a witness's expert testimony under Rule 703." Fed. R. Evid. 602. Rule 703 states that "[a]n expert may base an opinion on facts or data in the case that the expert has been made aware of or personally observed." Fed. R. Evid. 703. The Court is satisfied that the admission of these documents through Motorola's expert witness was proper. Hytera has not otherwise challenged the authenticity or admissibility of the documents admitted during expert testimony—documents that helped to form the basis of the expert's opinions.

With respect to DTX-5145, the Court agrees with Motorola that Hytera has waived this objection, and in any event, the document was properly admitted through Mr. Luo based on his knowledge of the contents of the document.

Hytera also argues that the Court improperly admitted deposition testimony and documents from other litigation between the parties. The Court agrees with Motorola that the parties agreed that evidence from the related Ohio case could be presented in this case. Moreover, the Court disagrees with Hytera's argument that Motorola violated the joint trial stipulation, as cross exhibits were excluded from disclosure requirements. Dkt. 729 at 5. Moreover, given the totality of the evidence in this case, Hytera was not prejudiced even if any of these documents was admitted in error.

(c) The probative value of the visa application was not substantially outweighed by unfair prejudice.

Hytera argues that the Court erred under Rule 403 by allowing testimony relating to Hytera advising its employees to act in a dishonest manner with U.S. agents. The Court allowed the admission of PTX-1075 and certain very limited testimony related to the issue of dishonesty with U.S. officials by Hytera employees. Even if this evidence was admitted in error, the admission was harmless given the totality of the evidence in the case.

(d) Motorola's closing argument was not improper.

Hytera argues that Motorola, during closing, argued for an amount of copyright damages that contradicted Motorola's expert's previous statement as to what the proper copyright damages in this case were. The Court disagrees. Evidence in the record supported the closing argument figure and Hytera had every opportunity to draw the jury's attention to any potential inconsistency by Motorola's witnesses.

Hytera also argues that Motorola's reference to the laws of the United States was improper, writing that the statement that Hytera has "blatantly disregarded the laws of this country" incited the jury to take up an anti-China sentiment. This argument is meritless and a mere passing reference to the laws of the United States was not inflammatory. No common theme of nationalistic pride ever arose during the trial, and this brief, un-objected-to reference did not rise to the level of being inflammatory or improper.

(e) Voir dire was properly conducted.

Hytera next attacks the jurors in this case, who patiently and diligently observed this lengthy trial. Hytera argues that it was not able to adequately vet whether any jurors harbored anti-China sentiment. This assertion is false. The parties were allowed to conduct the voir dire. When asked general questions about this topic, one juror stated that he felt that Chinese companies tended to steal from United States companies. That juror was then dismissed. Shortly thereafter, a second juror stated that he held a similar opinion, and he was also dismissed. No other jurors responded to that line of inquiry, and each empaneled juror stated that they had no belief which would render them unable to fairly evaluate the case before them.

At no point before this brief has Hytera stated that it believed this action by the Court was improper. Hytera now argues that the brief deliberations by the jurors is evidence of bias on the part of the jury. The brief deliberations, however, are better explained by the voluminous evidence presented by Motorola in proving its claims and a trial with a pride of competent counsel performing at commendable levels.

(f) No new trial is warranted.

Hytera argues that the cumulative effect of these errors justifies a new trial. For the reasons set out above, the Court disagrees because the legal rulings made were justified. Even if certain errors were made, Hytera has not met its burden to show that the result in this case was inconsistent with substantial justice.

9. The jury was properly instructed.

Hytera next argues that several jury instructions were erroneous: first, as to fraudulent concealment; second, as to spoliation; third as to extraterritoriality; fourth as to the statute of limitations; fifth as to respondeat superior; and sixth as to equitable issues.

(a) The fraudulent concealment instruction was proper.

The Court stands by its previous rulings on the issue of fraudulent concealment, which the jury was properly instructed on.

(b) The spoliation instruction was proper.

Hytera argues that the jury should not have been instructed on spoliation of evidence because the Court did not make a finding that Hytera acted intentionally in bad faith in destroying evidence. Evidence in the record supports such a bad faith finding, however. In June 2008, for example, G.S. Kok wrote to Sam Chia that they "needed to re-write softwares to look different from Motorola" in order to "protect the company from impending lawsuits." PTX-19. Huang and Chia deleted evidence of misappropriation to conceal their theft. *E.g.* Tr. 1365:7-19.

This is sufficient to justify providing the jury with a spoliation instruction.

(c) The extraterritorial instructions were proper.

Hytera again challenges the Court's ruling with respect to the extraterritoriality of the relevant statutes. *See Motorola Sols., Inc. v. Hytera Commc'ns Corp.*, 436 F. Supp. 3d 1150,1154 (N.D. Ill. 2020). The Court stands by its previous reasoning on this issue along with the propriety of the instructions given in relation to this ruling. Other courts have reviewed and agreed with this Court's reasoning or come to similar conclusions as to the reach of the DTSA and the ITS A. *E.g. Inventus Power, Inc. v. Shenzhen Ace Battery Co.*, No. 20-CV-3375, 2020 U.S. Dist. LEXIS 122347, 2020 WL 3960451, at *7 (N.D. Ill. July 13, 2020) (J. Dow); *Personalize Inc. v. Magnetize*

Consultants Ltd., 437 F. Supp. 3d 860, 878 (W.D. Wash. 2020).

(d) The statute of limitations instruction accurately stated the law.

Hytera next argues that the statute of limitations argument misstated the law because, although properly quoting Seventh Circuit precedent, it should have included language from a subsequent Seventh Circuit case and clarified the burdens. The Court disagrees. The language contained in the instruction was an accurate representation of the law. Hytera argued strenuously to the jury that the information available within Motorola created more than "concerns and suspicions" within the company. The jury was entitled to weigh the evidence within this proper legal framework and reasonably concluded that Motorola brought its claims within the statute of limitations. With respect to the burden on the parties, Hytera objected to the inclusion only of the *Sokel* language, but the parties otherwise agreed to the form of the instruction. As such, the Court will not disturb the jury verdict on this issue.

Hytera repeatedly returns to the idea that Motorola should have checked the logs of who downloaded what documents throughout the time that Motorola became concerned about potential theft by Hytera. Hytera argues that Motorola should have used this "easy" means to determine that improper downloading had occurred. This became a key aspect of the case and it was within the province of the jury to determine, having been fully informed of both party's arguments and properly instructed, whether Hytera's argument about the ease of such a search was correct. This was a decision for the jury, and the jury's verdict on that issue was supported by adequate evidence in the record. The jury instruction correctly advised the jury of the law and allowed them to weigh the competing theories of the parties.

(e) The instructions on respondeat superior were correct.

Hytera argues that the Court erred by using Motorola's instruction on the issue of respondeat superior. Motorola responds by arguing that its proposed instruction actually imposed a higher standard on itself than Hytera's proposed instruction. The Court agrees and as such will not disturb the verdict on this theory.

(f) The additional alleged jury instruction errors are meritless.

Hytera additionally argues that various instructions were incorrect because they flowed from earlier incorrect rulings throughout the case. By force of the other portions of this opinion addressing those issues, the Court also rejects these additional arguments. Specifically, these relate to: the equitable issues (to be addressed below); the Fifth Amendment issue; and the copyright amendment issue. See Dkt. 954 at 38.

C. Damages

Finally, Hytera raises several challenges related to the ultimate damages figure awarded by the jury.

Hytera argues: (1) that disgorgement is an equitable remedy to which the Court must exercise its independent judgment; (2) the verdict awarded a double recovery by allowing disgorgement along with avoided research and development costs; (3) the disgorgement figure itself was too high (for various reasons); and (4) the verdict was "monstrously excessive" and must be reduced in accordance with case law.

(1) In this case, Motorola's actual lost profits award under the DTSA was a legal determination for the jury, but the unjust enrichment award for avoided research and development costs and the copyright award were equitable in nature.

With respect to damages, Hytera first argues that disgorgement in this case is an equitable remedy to which Motorola has no Seventh Amendment right to a jury trial. Hytera argues that determining the correct amount of disgorgement then becomes a question on which the Court must exercise its independent judgment. Hytera relies on *Texas Advanced Optoelectronic Sols., Inc. v. Renesas Elecs. Am., Inc.*, 895 F.3d 1304, 1326 (Fed. Cir. 2018), cert, denied, 139 S. Ct. 2741, 204 L. Ed. 2d 1132 (2019) ("*TAOS*"). In *TAOS*, the Federal Circuit provides a detailed discussion of the nature of the remedies available under Texas trade secret law and concluded that the prevailing plaintiff in that case had "no right to a jury decision on its request for disgorgement of [the defendant's] profits as a remedy for trade secret misappropriation." *Id.*

Hytera specifically argues that the jury's award of \$136.3 million under the Copyright Act, \$135.8 million under the DTSA for actual losses, and \$73.6 million for savings on avoided research and development costs (also under the DTSA) are advisory to the Court because that relief is equitable in nature in each instance. On the jury form, these categories of damages were combined into one question, with the jury awarding \$345,761,165 among these three categories.[5]

TAOS does not categorically hold that awards in a trade secret case are equitable relief. Rather, consistent with other courts that have analyzed the fine line between equitable and legal relief, it analyzed the nature of the remedy being awarded in that case. *See Reich v. Cont'l Cas. Co.*, 33 F.3d 754, 756 (7th Cir. 1994) ("restitution is a legal remedy when ordered in a case at law and an equitable remedy ... when ordered in an equity case.")

Indeed, *TAOS* instructs that "[i]n some cases, a plaintiff seeking disgorgement as a remedy for trade secret misappropriation might prove that this measure of relief, though focused on the defendant's gains, is good evidence of damages in the form of the plaintiff's losses or of a reasonable royalty for use of the secret." *TAOS*, 895 F.3d at 1320. In determining that the disgorgement in *TAOS* was equitable in nature, the Federal Circuit noted that "nothing in the jury instructions required that, to award [defendant's] profits, the jury had to find that

5. The specific amounts attributed to each category can be inferred from Motorola's closing argument (and the evidence presented throughout the case), as the award corresponded with the highest amount Motorola had been permitted to argue for after various legal rulings on the issue.

those profits were related in any way to either TAOS's lost profits or a reasonable royalty." *Id. TAOS* continues: "To be sure, monetary relief in the form of disgorgement, like other monetary relief, has been labeled a form of 'compensation' where awarded to a wronged plaintiff for an injury." *Id.* at 1321 (citing *Kokesh v. S.E.C.*, 137 S. Ct. 1635, 1644, 198 L. Ed. 2d 86 (2017)). In *TAOS*, the Federal Circuit clarified, the question was "whether disgorgement of the defendant's profits, considered on its own terms, without proof that it was a sound measure of the plaintiff's harm, was available at law in 1791 for this sort of wrong." *Id.* The jury instruction in *TAOS* dealt with disgorgement "for the harm that was proximately caused by the Defendant as a result of the misappropriation of the Plaintiff's trade secrets." *Id.*

In the present case, the awards relating to lost profits under the DTSA were tied directly to economic losses by Motorola by virtue of the jury instructions given and the expert testimony related to those damages. See Jury Instruction 30 (Dkt. 895) ("To recover its actual loss, Motorola must prove: 1. A reasonable probability that, if Hytera had not misappropriated trade secrets, Motorola would have made additional sales of DMR products that Hytera made; and 2. The amount of profit Motorola would have made on those sales.").

Given this instruction and the evidence presented, the jury award for actual losses pursuant to the DTSA is properly categorized as a "case-specific proxy for . . . losses" and as such a legal remedy. *TAOS*, 895 F.3d at 1320-22.

With respect to the copyright award, however, Hytera is correct that the jury's award was equitable in nature and thus an advisory verdict. As to copyright, the award was measured not as a direct proxy for Motorola's damages, but rather as the benefit Hytera unjustly received. See Jury Instruction 39 ("Motorola is entitled to recover the profits that Hytera made through June 30,2019, because of Hytera's copyright infringement. Hytera's profits are revenues that Hytera made because of the infringement, minus Hytera's expenses in producing and selling the infringing DMR radios. Motorola must prove Hytera's revenues and a causal relationship between the infringement and those revenues. Hytera must prove its own expenses and any portion of its profits that resulted from factors other than infringement of Motorola's copyright."). In this respect, the copyright award was simply disgorgement of Hytera's profits—not, like with the DTSA actual loss award, a measure of what sales Motorola would have made if Hytera had not stolen its materials.

With respect to the avoided research and development costs award under the DTSA, the Court agrees with Hytera that this award for unjust enrichment also takes on an equitable nature, as it is not tied directly to Motorola's loss. Although the jury awards as to Hytera's profits under the Copyright Act and the avoided research and development costs awarded under the DTSA were equitable in nature and thus advisory verdicts, the Court agrees with the amounts awarded and will issue a separate order with the Court's findings of fact and conclusions of law on this issue. That separate order will be consistent with the reasoning set forth below as to why the award was proper, despite Hytera's several objections raised in the motion presently before the Court.

(2) Motorola's recovery of lost profits and of Hytera's avoided research and development costs does not constitute a double recovery.

Hytera next argues that the award of Motorola's lost profits under the DTSA is duplicative of the award to Motorola for Hytera's avoided research and development savings for the cost avoided in creating those trade secrets. Specifically, Hytera argues that once the avoided research costs are awarded to Motorola, it puts Motorola in the position it would have been in had Hytera never stolen its trade secrets and copyrights because, hypothetically, once Hytera spent that money, it would have been able to develop and sell the trade secrets itself. Hytera cites to various non-binding cases to support this position. The Court disagrees, as the primary case cited by Hytera, *Salisbury Labs.. Inc. v. Merieux Labs., Inc.*, 908 F.2d 706 (11th Cir. 1990), dealt not with the actual losses to the plaintiff in that case, but the benefit conferred on the defendant, as discussed further below. The DTSA uses a different methodology to determine damages, and the award of both Motorola's lost profits (not measured simply as a disgorgement of Hytera's profits) and Hytera's avoided research and development costs is not duplicative.

The text of the DTSA states the Court may award: "(i)(I) damages for actual loss caused by the misappropriation of the trade secret; and (II) damages for any unjust enrichment caused by the misappropriation of the trade secret that is not addressed in computing damages for actual loss[.]" 18 U.S.C.A. § 1836(b)(3)(B). The question is whether the avoided research and development costs (roughly $73.6 million) was addressed in the computation of Motorola's actual losses (calculated by the jury as lost profits worth $136.6 million).

Hytera argues that Motorola is only entitled to the avoided research and development costs. Based on the statutory language, however, it appears that if either of the awards should be reduced, it is the unjust enrichment portion, because the jury instructions make clear that the lost profits were contemplated as the actual loss to Motorola. See Jury Instruction 30. With respect to unjust enrichment, the jury was instructed that it could also award to Motorola "the amount Hytera benefited to the extent it exceeds Motorola's actual loss." Jury Instruction 31. Thus, Motorola is only entitled to recover for unjust enrichment to the extent that the enrichment is not captured in the actual losses award.

On this point, the jury and the Court heard arguments from both parties related to this exact issue. Motorola's expert explained that it was Motorola's position that Hytera could never have developed the specific technology at issue without stealing Motorola's confidential materials. The jury credited this argument, as evidenced by the full award to Motorola on the actual losses issue. The Court agrees with the jury's finding. Motorola's damages expert, Mr. Malackowski, testified that the proper figure to be awarded encompasses both Motorola's actual losses and the unjust enrichment Hytera received in the form of the avoided research and development costs. On this point, Motorola argues that Hytera continues to retain the benefit of the stolen trade secrets and continues to sell misappropriating products, thus Hytera will continue to retain an improper benefit unless required to also pay for its avoided costs.

Hytera argues that simple accounting principles show that Motorola is recovering doubly. In support of this position, Hytera cites to *Salisbury Labs., Inc. v. Merieux Labs., Inc.*, 908 F.2d 706 (11th Cir. 1990). In *Salisbury*, the Eleventh Circuit upheld the district court's reduction of a jury award where the district court held that it constituted a double recovery. Id at 714-15. There, the courts were dealing with Texas trade secret law, and the measure of damages being discussed uniformly dealt with the benefit that had been conferred on the defendant, not on the actual losses that had been suffered by the plaintiff. *Id.* As such, both courts held that allowing the plaintiff to recover the avoided development costs and the *defendant's* profits constituted a double recovery, as those profits were a function of the avoided costs. *Id.* In other words, because the defendant's profits were inflated by the avoided costs—as profits are revenue minus costs—it was improper to award both. And because the court there credited the argument that that defendant could have developed the trade secrets in the same time that the plaintiff had if it had expended the avoided research costs, the proper measurement of damages was the avoided research and development costs.

This case presents a different issue. Here, as testified to by Motorola's damages expert in testimony the Court has re-reviewed, and as required by the DTS A, the first measure of damages in this case is the actual losses to Motorola. This is reflected in the award of Motorola's lost profits of $136.6 million. This number was not simply based off of a disgorgement of Hytera's profits, but rather was a market share analysis prepared by Motorola's expert that was meant to predict what share of Hytera's sales Motorola would have captured if Hytera had never sold the trade secrets, and the profit Motorola would have made on those sales. The jury credited Motorola on this entirely.

The second measure relates to whether Hytera has been unjustly enriched to an extent not captured in Motorola's actual losses. In this respect, the Court agrees with Motorola that Hytera still possesses the trade secrets, and as such is continuing to benefit from the avoided research and development costs. This benefit to Hytera is distinct from the award of Motorola's lost profits. And unlike in *Salisbury*, this is not a simple calculation that because Hytera avoided development costs its profits were higher. Rather, this award measures the benefit that Hytera has received separate from the profits that Motorola lost.

As such, the Court ratifies the jury's advisory award of the avoided research and development costs as will be set out further in the Court's findings of fact and conclusions of law.

(3) The actual loss figure was supported by evidence and the Court will not reduce it.

Hytera next argues that based on Mr. Malackowski's testimony and because *IDX* has invalidated certain Motorola trade secrets, Motorola's actual losses should be reduced to account for only a four-year head start period, not the indefinite period that Motorola argued for and the jury credited. As discussed above, the Court has rejected Hytera's IDX argument and rejects this argument as well.

In the same vein, Hytera argues that Motorola's calculation related to its lost profits improperly excluded Hytera's legitimate research and development costs. This calculation became a question for the jury, and Mr. Malackowski explained his reasoning for excluding certain costs provided by Hytera, noting that he did not find them to be reliable. *E.g.* Tr. 2258 (Malackowski stating that he did not find Hytera cost estimates to be reliable because they fluctuated between years and showed a Hytera engineer labor rate, at one point in time, of less than $5 an hour). Hytera argued and had the burden to show its data was credible and reliable, and it was a duty for the jury to weigh credibility in this respect, as this went to the actual losses award. As such, the Court will not disturb the jury's verdict on this point and agrees with its conclusion.

Hytera next argues that any extraterritorial recovery was improper in this case. The Court stands by its previous orders on this issue.

Hytera also argues that it was improper to consider Hytera's mobile products in the damages awards.

Motorola argues that it introduced testimony related to those products, which Hytera did not object to, and that Hytera challenged that testimony through its fact and expert witnesses, but that the jury credited Motorola's theory as to the mobile products. The Court agrees with Motorola and, to the extent it is an equitable issue, with Motorola's theory.

(4) The exemplary damages award was proper.

Finally, Hytera argues that the evidence presented in this case did not support an instruction related to exemplary damages, and that even if it was proper to allow the consideration of exemplary damages, that the ultimate award should be reduced because it is excessive as a matter of due process.

Section 1836(b)(3)(C) of the DTSA states that a court may, "if the trade secret is willfully and maliciously misappropriated, award exemplary damages in an amount not more than 2 times the amount of the damages awarded under subparagraph (B). 18 U.S.C.A. § 1836. For the reasons in the record set out in Motorola's briefing on this first issue, it was proper for the issue of exemplary damages to go to the jury. See Dkt. 968 at 20 (citing to various portions of the trial record to show intentional bad faith acts within Hytera).

With respect to the amount of the exemplary damages, this amount, as an initial matter, was legally valid under the DTSA as it was not more than 2 times the amount awarded under Subsection B of the damages provision. In light of this statutory provision and the conduct discussed at trial, the Court disagrees with Hytera that this award must be reduced as a matter of due process. *See BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 583, 116 S. Ct. 1589, 134 L. Ed. 2d 809 (1996) (advising that a reviewing court should "accord substantial deference to legislative judgments concerning appropriate sanctions for conduct at issue") (internal quotations omitted).

The final argument that the Court addresses is Hytera's argument that the award is monstrously excessive, has no connection to the evidence in the case, and is not comparable to other awards made in similar cases. Dkt. 954 at 39 (citing *Riemer v. Ill. Dep't of Transp.*, 148 F.3d 800, 808 (7th Cir. 1998)). This argument builds off and incorporates several other alleged errors that have been addressed throughout this Opinion. The Court has addressed these arguments (i.e. whether *IDX* invalidates Motorola's trade secret claims, whether Motorola is receiving a double recovery, etc.) and as such will not repeat that analysis here. The damages award was supported by substantial evidence and proper under that evidence presented. Moreover, the Court disagrees that no cases have resulted in similar recovery. *See, e.g., E.I. DuPont de Nemours & Co. v. Kolon Indus., Inc.*, No. 3:09CV58, 2012 U.S. Dist. LEXIS 50514, 2012 WL 1202485, at *1 (E.D. Va. Apr. 10, 2012) ($919.9 million in compensatory damages awarded in a trade secrets case).

As such, the Court will not order a new trial on the issue of damages.

IV. CONCLUSION

Consistent with the above, the Court rejects each and every argument raised by Hytera in its renewed Rule 50(b), Rule 59(a), and Rule 59(e) motion and denies the motion in its entirety, except as to the issue of the advisory jury verdict on the equitable issues. The Court reiterates that Hytera has been represented by highly skilled, specialized counsel that has meticulously challenged Motorola on nearly every aspect of this case. On the jury issues, Hytera has not met its burden to succeed given the standards under which this motion is reviewed. On the equitable issues, the Court will submit its findings of fact and conclusions of law in a separate Order which will reflect its decision consistent with the above on the equitable issues.

Simply put, Hytera's motion is denied except to the extent that certain monetary awards are properly considered equitable in nature, but the substantive arguments as to the awards are denied as to be reflected in the Court's findings of fact and conclusions of law, and the ultimate figure awarded by the jury, and to be further found by the Court, will not be disturbed,

IT IS SO ORDERED.

APPENDIX D — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION, FILED JANUARY 31, 2020

United States District Court, N.D. Illinois,
Eastern Division

Civil Action No. 1:17-cv-1973

MOTOROLA SOLUTIONS, INC., *et al.*,

Plaintiffs,

v.

HYTERA COMMUNICATIONS CORP. LTD., *et al.*,

Defendants.

Filed January 31, 2020, Decided January 31, 2020

ORDER

CHARLES RONALD NORGE, Judge

Defendants' motion to preclude Motorola from relying on extraterritorial damages [758] is granted in part and denied in part.

STATEMENT

On Monday, December 2, 2019, more than two years after this case was initially filed, Hytera Communications

Corporation Ltd., Hytera America, Inc., and Hytera Communications America (West), Inc. (collectively, "Defendants,") filed a motion "to preclude Motorola from relying on extraterritorial damages." Dkt. 758. The motion was filed shortly after midnight, only hours before the thirteenth day of the ongoing jury trial. On that same day, Motorola Solutions, Inc. and Motorola Solutions Malaysia Sdn. Bhd. (collectively, "Plaintiffs") intended to call an expert to testify on damages, including extraterritorial damages. The Court, after a brief colloquy with defense counsel, exercised its discretion to provisionally allow testimony regarding extraterritorial damages, subject to the understanding that after the Court analyzed the motion and issued a ruling the jury would be instructed as to what damages it could properly consider or a limiting instruction if the Court ruled in Defendants' favor.

For the following reasons, Defendants' motion is granted in part and denied in part.

I. BACKGROUND

By way of brief background, Plaintiffs have brought three claims against Defendants: trade secret misappropriation under the recently enacted Defend Trade Secrets Act of 2016, 18 U.S.C. §§ 1836(b), 1839 *et seq.*, trade secret misappropriation under the Illinois Trade Secret Act, 765 ILCS 1065 *et seq.*, and copyright infringement under the Copyright Act, 17 U.S.C. §§ 106, 501 *et seq.* In essence, Plaintiffs allege that Defendants hired three engineers away from Plaintiffs' Malaysian office, that those engineers stole and brought with them thousands of Plaintiffs' technical, confidential documents, and that Defendants used those documents, which contained trade secrets and lines of source code, to develop a state-of-the-art digital radio that is functionally indistinguishable from Plaintiffs' radios. Defendants then sold those radios all around the world, including in the United States.

Put simplistically, Defendants argue that none of these three statutes have extraterritorial effect and all damages should be limited only to domestic applications of the respective statutes. Plaintiffs respond by arguing that Defendants have waived this challenge, and even if they have not, the statutes should reach extraterritorially in this case—either because the statutes apply extraterritorially or because the conduct being regulated by the statutes was domestic in this case and thus this case represents a proper domestic application of the statutes, which in turn allows Plaintiffs also to recover for damages extraterritorially.

This issue of what the statutes authorize, in the Court's view, is not a defense and has not been waived by Defendants. The Court exercises its discretion to reach the merits of the motion rather than to hold that this important issue has been waived. No prejudice will accrue to Plaintiffs and an instruction on what damages may properly be considered will not destroy Plaintiffs' credibility with the jury. The Court thus turns to each statute in turn.

II. ANALYSIS

A. The Federal Claims under the Defend Trade Secrets Act and the Copyright Act

1. The Extraterritoriality Analysis, Generally

The Supreme Court has promulgated a two-step framework for analyzing extraterritoriality issues,[1] discussed in depth below. At the first step, a court asks whether the presumption against extraterritoriality "has been rebutted—that is, whether the statute gives a clear, affirmative indication that it applies extraterritorially." *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2101, 195 L. Ed. 2d 476 (2016). If no clear, affirmative indication exists, the statute is not extraterritorial and the court proceeds to a second step, in which it determines whether the case involves "a domestic application of the statute." *Id.* This determination is made by determining the statute's focus. "If the conduct relevant to the statute's focus occurred in the United States, then the case involves a permissible domestic application even if other conduct occurred abroad; but if the conduct relevant to the focus occurred in a foreign country, then the case involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory." *Id.*

1. *See Morrison v. National Australia Bank Ltd.*, 561 U.S. 247, 130 S. Ct. 2869, 177 L. Ed. 2d 535 (2010) and *Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 133 S. Ct. 1659, 185 L. Ed. 2d 671 (2013).

a. The Presumption Against Extraterritoriality

The first step of the extraterritoriality analysis deals with the presumption against extraterritoriality. The baseline principles underlying this canon of statutory construction are well developed by the Supreme Court. To begin, it is a "basic premise" of our legal system that, in general, United States law "governs domestically but does not rule the world." *RJR Nabisco, Inc.*, 136 S. Ct. at 2101 (citing *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 454, 127 S. Ct. 1746, 167 L. Ed.2d 737 (2007)) (internal quotations omitted). This principle is expressed as the "presumption against extraterritoriality," which governs a court's interpretation of whether a statute reaches beyond the United States. *Id.* Specifically, "[a]bsent clearly expressed congressional intent to the contrary, federal laws will be construed to have only domestic application." *Id.* (citing *Morrison v. National Australia Bank Ltd.*, 561 U.S. 247, 255, 130 S. Ct. 2869, 177 L. Ed. 2d 535 (2010)). This presumption rests on the "commonsense notion that Congress generally legislates with domestic concerns in mind.... And it prevents unintended clashes between our laws and those of other nations which could result in international discord." *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2136, 201 L. Ed. 2d 584 (2018) (internal citations and quotations omitted).

As to this first step of the extraterritorial analysis, *RJR Nabisco* cautions that "[t]he question is not whether we think Congress would have wanted a statute to apply to foreign conduct if it had thought of the situation before the court, but whether Congress has affirmatively and unmistakably instructed that the statute will do so." *Id.* (internal quotations omitted). When interpreting a statute, a court thus looks for a "clear indication" of extraterritorial application; if none is found, the statute applies only domestically, and the analysis shifts to the second step. *See Morrison*, 561 U.S. at 255, 130 S.Ct. 2869.

In determining whether a "clear indication" exists, courts use traditional tools of statutory interpretation. Specifically, courts analyze the plain language of the statute and the statutory provisions at issue, *e.g. Morrison*, 561 U.S. at 261, the surrounding context, *Morrison*, 561 U.S. at 265 ("[a]ssuredly context can be consulted as well[]"), and, relatedly, how that plain language interacts with the general statutory structure, *RJR Nabisco*, 136 S. Ct. 2101-03 (holding that, because certain predicate acts incorporated by reference into the RICO statute criminalized conduct occurring abroad, the criminal RICO provisions based on those violations had extraterritorial reach as well). The Supreme Court has cautioned, however, that the presumption against extraterritoriality is not a "clear statement rule" if "by that it is meant a requirement that a statute say 'this law applies abroad.'" *Id.*

In the wake of *RJR Nabisco*, it is clear that just because a federal statute establishes extraterritorial reach in a criminal context, a private right of action based on similar acts does not necessarily also have extraterritorial reach. In *RJR Nabisco*, the Court found that although certain criminal RICO actions could be applied extraterritorially (where the underlying predicate acts clearly incorporated extraterritorial-reaching crimes), the private right of action did not extend extraterritorially, even when based on the same predicates. This holding was based on what the Court held to be limiting language in the provision creating the private right of action, bolstered by the idea that:

> The creation of a private right of action raises issues beyond the mere consideration whether underlying primary conduct should be allowed or not, entailing, for example, a decision to permit enforcement without the check imposed by prosecutorial discretion. *Sosa v. Alvarez—Machain*, 542 U.S. 692,727 124 S. Ct. 2739, 159 L. Ed.2d 718 (2004). It is not enough to say that a private right of action must reach abroad because the underlying law governs conduct in foreign countries. Something more is needed[.]

RJR Nabisco, 136 S. Ct. at 2108 (internal quotation omitted); *see also id.* ("The statute's reference to injury to 'business or property' also does not indicate extraterritorial application. If anything, by cabining RICO's private cause of action to particular kinds of injury—excluding, for example, personal injuries—Congress signaled that the civil remedy is not coextensive with § 1962's substantive prohibitions.").

Thus, the language of the statute is key in determining whether the presumption against extraterritoriality has been rebutted.

b. The Focus of the Statute

Absent the clear indication discussed above, a party may in certain circumstances still recover damages from outside of the United States if "the conduct relevant to the statute's focus occurred in the United States[.]" *WesternGeco*, 138 S. Ct. at 2137 (citing *RJR Nabisco*, 136 S. Ct. at 2101). This is the case "even if other conduct occurred abroad." *Id*. *WesternGeco* dealt specifically with the private right of action for infringement contained in the Patent Act, 35 U.S.C. § 281. *Id.* In analyzing the statute, the Court opted to forego the first step of the extraterritorial analysis and instead contained its examination to the second step dealing with the focus of the statute.

WesternGeco advises that the "focus" of a statute is the "object of its solicitude, which can include the conduct it seeks to regulate, as well as the parties and interests it seeks to protect or vindicate." *Id.* (citations and internal quotations omitted). "When determining the focus of a statute, we do not analyze the provision at issue in a vacuum.... If the statutory provision at issue works in tandem with other provisions, it must be assessed in concert with those other provisions. Otherwise, it would be impossible to accurately determine whether the application of the statute in the case is a 'domestic application.'" *Id.* (citation omitted).

Discerning the focus of a statute involves an interpretation of what the legislature was concerned with when it enacted the law. *See Morrison*, 561 U.S. at 266

(Section 10(b) of the Securities Exchange Act "focus[e]d ... upon purchases and sales of securities in the United States. Section 10(b) does not punish deceptive conduct, but only deceptive conduct 'in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered.' 15 U.S.C. § 78j(b)."). The Court came to this conclusion by analyzing what the statute sought to regulate and the parties it sought to protect, as divined from the language of the statute itself. *See also Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 126, 133 S. Ct. 1659, 1670, 185 L. Ed. 2d 671 (2013) ("We also reiterated that a cause of action falls outside the scope of the presumption—and thus is not barred by the presumption—only if the event or relationship that was 'the "focus" of congressional concern' under the relevant statute takes place within the United States.")

With the structure of this analysis and these background principles in mind, this opinion will now turn to a discussion of the two relevant federal statutes.

2. The Defend Trade Secrets Act of 2016

a. The DTSA Overcomes the Presumption Against Extraterritoriality

The Defend Trade Secrets Act of 2016, 18 U.S.C. § 1831 *et seq.* ("DTSA") became effective in May 2016. The statute amended sections of the previously enacted Economic Espionage Act of 1996, Pub. L. 104-294 ("EEA"). The EEA had criminalized the theft of trade secrets in certain contexts. The DTSA, again, which amended the EEA, created a private right of action, codified in 18 U.S.C. § 1836(b), and included other amendments to the EEA including, among others, the addition of a definition of the term "misappropriation" which mirrors that within the Uniform Trade Secrets Act. 18 U.S.C. § 1839; *see* Pub. L. 114-153, § 2(a), (d)(1), May 11, 2016.

In certain contexts, the fact that Congress has amended a statute sheds light on how the statute is to be interpreted. *E.g., Gross v. FBL Fin. Servs., Inc.*, 557 U.S. 167, 174-75, 129 S. Ct. 2343, 2349, 174 L. Ed. 2d 119 (2009) ("We cannot ignore Congress' decision to amend Title VII's relevant provisions but not make similar changes to the ADEA. When Congress amends one statutory provision but not another, it is presumed to have acted intentionally."); *Firstar Bank, N.A. v. Faul*, 253 F.3d 982, 988 (7th Cir. 2001) ("[A] statute's longstanding meaning forms the background against which Congress legislates when it amends the law. The courts presume that Congress will use clear language if it intends to alter an established understanding about what a law means; if Congress fails to do so, courts presume that the new statute has the same effect as the older version."); *McClure v. United States*, 95 F.2d 744, 750 (9th Cir. 1938), *aff'd*, 305 U.S. 472, 59 S. Ct. 335, 83 L. Ed. 296 (1939) ("In *Conrad v. Nall*, 24 Mich. 275, a section in the chapter of the Code was amended, and it was held that it was not intended to operate independently of the other provisions of the chapter, but that the whole chapter, is its present form, must be read as one act.").

On this issue, because Congress was not acting to change an existing interpretation of the EEA, but rather was creating a private right of action in the statutory chapter, the chapter amended through the DTSA should be read as a cohesive whole. In other words, Congress was not reacting to an interpretation of the EEA that it disagreed with and amending to clarify its intent on a provision. Rather, Congress was introducing a new right. This suggests to the Court that the entire chapter is to be read as intertwined, and the pronouncements cited above relating to the interpretation of non-amended provisions do not carry weight in this circumstance. Chapter 90 of the U.S. Code is made up of 18 U.S.C. §§ 1831-1839. The proper context in considering the relevant DTSA provisions is thus within Chapter 90 of the U.S. Code, not simply by reference to the provisions included in the text of the DTSA itself.

With the above in mind, a court's interpretation of a statute must begin with the plain language of the statute. *Middleton v. City of Chicago*, 578 F.3d 655, 658 (7th Cir. 2009) ("After all, when interpreting a statute, we must begin with its text and assume that the ordinary meaning of that language accurately expresses the legislative purpose.") (citation and internal quotations omitted). Turning then, to the statute at issue, the private right of action is codified in Section 1836 and is written as follows:

> (b) Private civil actions.--
>
> (1) In general.--An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.

Appendix D

18 U.S.C.A. § 1836(b). Misappropriation, as relevant, is defined within the statute as follows:

(5) the term "misappropriation" means--

(A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(B) disclosure or use of a trade secret of another without express or implied consent by a person who-

(i) used improper means to acquire knowledge of the trade secret;

(ii) at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was--

(I) derived from or through a person who had used improper means to acquire the trade secret;

(II) acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret; or

> (III) derived from or through a person who owed a duty to the person seeking relief to maintain the secrecy of the trade secret or limit the use of the trade secret; ...

18 U.S.C.A. § 1839(5). As an initial matter, Section 1836 does not contain any explicit reference to extraterritorial conduct or application. Nor does the defined term "misappropriation." This does not end the inquiry, however, as the statute as a whole must be consulted in determining the proper interpretation of these specific provisions.

The interpretation of Section 1837 is the cornerstone for the extraterritorial analysis of the DTSA. Section 1837 provides:

> This chapter also applies to conduct occurring outside the United States if --
>
> (1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States or a State or political subdivision thereof; or
>
> (2) an act in furtherance of the offense was committed in the United States.

18 U.S.C.A. § 1837. Section 1837 does provide a clear indication that the presumption against extraterritoriality has been rebutted. The question, however, is whether Section 1837 limits that rebuttal only to criminal matters—in other words, whether Section 1837 also creates an extraterritorial application of the private right of action codified in Section 1836.

This is not an easy question, particularly in the wake of *RJR Nabisco*'s holding with respect to the distinction between extraterritorial criminal application and private application of the RICO statute. Neither the parties nor the Court have identified directly controlling precedent on this issue, which appears never to have been directly addressed by the Seventh Circuit or any others. Some district courts have assumed that Section 1836's private right of action can apply extraterritorially when reciting what conduct the DTSA regulates. These opinions do not provide any detailed analysis of the reason for assuming that Section 1837 applies to a private right of action. *See Luminati Networks Ltd. v. BIScience Inc.*, No. 2:18-CV-00483-JRG, 2019 U.S. Dist. LEXIS 79843, 2019 WL 2084426, at *9-10 (E.D. Tex. May 13, 2019) ("The DTSA 'applies to conduct occurring outside the United States if ... an act in furtherance of the offense was committed in the United States.' 18 U.S.C. § 1837(2)."); *Austar Int'l Ltd. v. AustarPharma LLC*, No. CV198356KMMAH, 2019 WL 6339848, at *11 (D.N.J. Nov. 27, 2019) (same); *ProV Int'l Inc. v. Lucca*, No. 8:19-CV-978-T-23AAS, 2019 WL 5578880, at *3 (M.D. Fla. Oct. 29, 2019) (same); *MACOM Tech. Sols. Inc. v. Litrinium, Inc.*, No. SACV19220JVSJDEX, 2019 WL 4282906, at *4 (C.D. Cal. June 3, 2019) (same);

Vendavo, Inc. v. Price f(x) AG, No. 17-CV-06930-RS, 2018 WL 1456697, at *3 (N.D. Cal. Mar. 23, 2018) (same); *Micron Tech., Inc. v. United Microelectronics Corp.*, No. 17-CV-06932-MMC, 2019 WL 1959487, at *8 (N.D. Cal. May 2, 2019) ("Micron has a substantial interest in trying the case in the United States, as federal law provides for jurisdiction over misappropriation occurring outside the United States, see 18 U.S.C. § 1837[.]").

The Court has identified no court that has held that the DTSA does not apply extraterritorially to private rights of action. It would be ill-advised to simply join the chorus of district courts that have held, without discussion, that the private right of action applies extraterritorially. The Court will thus turn to a discussion first of Section 1837 and to the notes that Congress included in the piece of legislation passed as the DTSA.

The biggest indicator that Congress did intend for the private right of action of the DTSA to apply extraterritorially is the fact that Section 1837 refers broadly to "this chapter," which includes within it Section 1836. 18 U.S.C. § 1837 ("*This chapter* also applies to conduct occurring outside the United States if ...") (emphasis added). From this language, which Congress did not amend when it amended the chapter, the Court could draw the inference that Congress intended Section 1837 to apply to Section 1836.

Moreover, the actual law passed by Congress, Pub. L. 114-253, includes numerous references to extraterritorial conduct that were absent in the previous versions of the statute. For example, Pub. L. 114-153 states:

> It is the sense of Congress that—
>
> (1) trade secret theft occurs in the United States and around the world;
>
> (2) trade secret theft, wherever it occurs, harms the companies that own the trade secrets and the employees of the companies;
>
> (3) chapter 90 of title 18, United States Code (commonly known as the "Economic Espionage Act of 1996"), applies broadly to protect trade secrets from theft; and
>
> (4) it is important when seizing information to balance the need to prevent or remedy misappropriation with the need to avoid interrupting the—
>
>> (A) business of third parties; and
>>
>> (B) legitimate interests of the party accused of wrongdoing.

Pub. L. 114-153, § 5. Additionally, Pub. L. 114-153, § 4(b) contains new reporting requirements for the Attorney General, absent in either the original EEA or in an earlier amendment in 2012, requiring the Attorney General prepare reports on a biannual basis about, *inter alia*:

> (1) The scope and breadth of the theft of the trade secrets of United States companies occurring outside of the United States.
>
> (2) The extent to which theft of trade secrets occurring outside of the United States is sponsored by foreign governments, foreign instrumentalities, or foreign agents.
>
> (3) The threat posed by theft of trade secrets occurring outside of the United States.
>
> (4) The ability and limitations of trade secret owners to prevent the misappropriation of trade secrets outside of the United States, to enforce any judgment against foreign entities for theft of trade secrets, and to prevent imports based on theft of trade secrets overseas.

Pub. L. 114-153, § 4(b); *compare with* Pub. L. 104-294, Title I and Pub. L. 112-269. Taken together, it is clear that Congress was concerned with actions taking place outside of the United States in relation to the misappropriation of U.S. trade secrets when it passed the DTSA. And, again, Section 1837 applies by its terms to the "chapter" to which the private right of action was added.

On the other hand, *RJR Nabisco* drew a line between criminal extraterritorial application and private extraterritorial application. There, the Supreme Court found that limiting language as to what damages were available civilly (that is, only damages to business or property) distinguished the civil reach of RICO from the criminal reach, which the Court held did apply extraterritorially in certain criminal circumstances.

Here, there does not appear to be such limiting language in Section 1836, which broadly creates a private right of action. *See* 18 U.S.C 1836(b) ("An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.").

Section 1837, however, could be viewed as containing such limiting language. Specifically, Section 1837 provides for extraterritorial application based on qualities related to the "offender" or the "offense." Broadly, and in everyday usage, an "offender" could simply mean one who has taken unlawful action and would include a suable entity such as a corporation. Sometimes in legal terminology, however, an "offender" falls more squarely within the realm of criminal law. Black's Law Dictionary, for example, defines offender as:

> offender (15c) *Criminal law.* Someone who has committed a crime; esp., one who has been convicted of a crime.

OFFENDER, Black's Law Dictionary (11th ed. 2019). No parallel definition within a civil context is included in Black's Law Dictionary. Similarly, the word "offense" has some criminal connotation noted:

> offense (ə-fents) (14c) 1. A violation of the law; a crime, often a minor one.—Also termed *criminal offense*. See crime. Cf. misbehavior.
>
> > "The terms 'crime,' offense,' and 'criminal offense' are all said to be synonymous, and ordinarily used interchangeably. 'Offense' may comprehend every crime and misdemeanor, or may be used in a specific sense as synonymous with 'felony' or with 'misdemeanor,' as the case may be, or as signifying a crime of lesser grade, or an act not indictable, but punishable summarily or by the forfeiture of a penalty." 22 C.J.S. *Criminal Law* § 3, at 4 (1989).

□ OFFENSE, Black's Law Dictionary (11th ed. 2019). Additionally, one could argue it is unclear whether Congress intended the interpretation of Section 1837 to remain consistent with its interpretation prior to the 2016 amendment, when Congress decided not to amend Section 1837. *See Firstar Bank, N.A. v. Faul*, 253 F.3d 982, 988 (7th Cir. 2001) ("a statute's longstanding meaning forms the background against which Congress legislates when it amends the law. The courts presume that Congress will use clear language if it intends to alter an established understanding about what a law means; if Congress fails to do so, courts presume that the new statute has the same effect as the older version."). On the other hand, Congress also did not amend the introductory language of Section

1837, which states that Section 1837 applies to "this chapter"—a chapter which now includes Section 1836's private cause of action. *See McClure v. United States*, 95 F.2d 744, 750 (9th Cir. 1938), *aff'd*, 305 U.S. 472, 59 S. Ct. 335, 83 L. Ed. 296 (1939).

With the above in mind, then, the Court returns to the principle question of extraterritoriality, whether Congress has given a clear indication that it intended extraterritorial application of the private cause of action of Section 1836. The clearest precedent on this issue appears to be *RJR Nabisco*. As referenced throughout the above, *RJR Nabisco* distinguished between the extraterritorial reach of the criminal provisions of RICO and the extraterritorial reach of the private right of action. *RJR Nabisco*, 136 S. Ct. at 2108. In addition to relying on the private right of action's limiting language with respect to damages, the Supreme Court additionally outlined concerns with extending a private right of action extraterritorially. Specifically, *RJR Nabisco* instructed:

> Allowing recovery for foreign injuries in a civil RICO action, including treble damages, presents the ... danger of international friction.... This is not to say that friction would necessarily result in every case, or that Congress would violate international law by permitting such suits. It is to say only that there is a potential for international controversy that militates against recognizing foreign-injury claims without clear direction from Congress. Although "a risk of conflict between the American statute and a

> foreign law" is not a prerequisite for applying the presumption against extraterritoriality, *Morrison*, 561 U.S., at 255, 130 S. Ct. 2869 where such a risk is evident, the need to enforce the presumption is at its apex.

RJR Nabisco, 136 S. Ct. at 2107; *see also id.* at 2106 ("The creation of a private right of action raises issues beyond the mere consideration whether underlying primary conduct should be allowed or not, entailing, for example, a decision to permit enforcement without the check imposed by prosecutorial discretion. *Sosa v. Alvarez-Machain*, 542 U.S. 692,727, 124 S. Ct. 2739, 159 L. Ed.2d 718 (2004). Thus, as we have observed in other contexts, providing a private civil remedy for foreign conduct creates a potential for international friction beyond that presented by merely applying U.S. substantive law to that foreign conduct. *See, e.g., Kiobel*, 133 S. Ct., at 1665 (Each of th[e] decisions involved in defining a cause of action based on conduct within the territory of another sovereign carries with it significant foreign policy implications.") (internal quotations omitted). The Court takes very seriously *RJR Nabisco's* directive that "the need to enforce the presumption is at its apex" where a risk of conflict between laws is evident. This case, and certainly the DTSA, may implicate such risks.

Considering all of the above, the Court holds that although Section 1837 contains what might be construed as limiting language, the clear indication of Congress in amended Chapter 90 of Title 18 of the U.S. Code was to extend the extraterritorial provisions of Section

1837 to Section 1836, meaning Section 1836 may have extraterritorial reach subject to the restrictions in Section 1837. First, although Black's Law Dictionary attaches a criminal connotation to the words "offenders" and an "offense," these words should be construed more broadly than simply to the criminal context in light of the other language of the DTSA. Moreover, an "offense," even in the Black's Law Dictionary definition, is a "violation of the law." This encompasses a violation of a civil statute. Moreover, in practical terms, "offense" is commonly used to refer to unlawful actions that are not criminal. *E.g. Sabreliner Corp. v. Int'l Bhd. of Teamsters, Local No. 600*, No. 1:08CV151 SNLJ, 2009 U.S. Dist. LEXIS 41347, 2009 WL 1383278, at *3 (E.D. Mo. May 14, 2009) (discussing non-criminal "offenses" within an employment policy). This broader reading of "offense" is bolstered by the other legislative statements in Pub. L. 114-153, which reference extraterritorial conduct and the need for the DTSA to address trade secret theft "wherever it occurs." Pub. L. 153.

Moreover, concerns that animated the *RJR Nabisco*'s distinction between criminal and private action are more muted in a case involving the DTSA because Section 1837 does require a nexus to the United States before the DTSA applies extraterritoriality. The RICO private right of action, on the other hand, could have theoretically applied to solely extraterritorial conduct where the predicate acts dealt with solely extraterritorial conduct. *RJR Nabisco*, 136 S. Ct. at 2101 ("At least one predicate—the prohibition against 'kill[ing] a national of the United States, while such national is outside the United States'—applies only to conduct occurring outside the United States. § 2332(a).").

Additionally, unlike in the RICO statute, which the Supreme Court read to be criminally extraterritorial only through principles related to the incorporation by reference of the extraterritorial predicate acts, the DTSA includes an explicit reference within the Act to its extraterritorial application. *Compare with id.* at 2103 ("Th[e] unique structure makes RICO the rare statute that clearly evidences extraterritorial effect despite lacking an express statement of extraterritoriality."). As *RJR Nabisco* instructed, "[i]t is not enough to say that a private right of action must reach abroad because the underlying law governs conduct in foreign countries. Something more is needed[.]" *RJR Nabisco*, 136 S. Ct. at 2108. Here, "something more" is present in the plain language of the statute because of the plain language of Section 1837—a reading which is bolstered by the broad pronouncements of Congress of the need to protect against trade secret theft wherever it occurs.

Thus, for the reasons discussed above, the Court holds that the DTSA may apply extraterritorially in a private cause of action if either of the requirements of Section 1837 are met.

b. Extraterritorial Application Is Proper in this Case under Section 1837

Holding that the statute may apply extraterritorially does not end the analysis. The next question is whether this case may meet the requirement of Section 1837.

Returning, then, to the language of Section 1837, the provision states:

> This chapter also applies to conduct occurring outside the United States if—
>
> (1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States or a State or political subdivision thereof; or
>
> (2) an act in furtherance of the offense was committed in the United States.

18 U.S.C. § 1837. The parties have not directly addressed this point. The Court holds, however, that Plaintiffs have presented evidence sufficient to support a finding that an act in furtherance of the offense has been committed in the United States.

The offense, in the context of the DTSA private cause of action, is the misappropriation of a trade secret. This is clear through the plain language of the statute. *See* 18 U.S.C. § 1836(b). In briefing this motion, the parties have focused on the "acquisition" of the trade secrets as the relevant misappropriation. However, misappropriation, by its terms, is not limited to the acquisition of the secret. As courts have recognized, misappropriation can occur through any of three actions: (1) acquisition, (2) disclosure, or (3) use. *E.g. Zaccari v. Apprio, Inc.*, 390 F. Supp. 3d 103, 112-13 (D.D.C. 2019) (the DTSA permits plaintiffs to bring private causes of action if they 'own[] a trade secret that is misappropriated.' 18 U.S.C. § 1836(b)(1). Misappropriated means either '(A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (B) disclosure or use of a trade secret of another without express or implied consent by a person' who meets one of several conditions. 18 U.S.C. § 1839(5)(A)-(B). As some courts have put it, the DTSA thus authorizes suits alleging three theories of trade secret misappropriation: (1) acquisition, (2) disclosure, and (3) use. *See e.g., AUA Private Equity Partners, LLC v. Soto*, Civil No. 1:17-8035-GHW, 2018 U.S. Dist. LEXIS 58356, 2018 WL 1684339, at *4 (S.D.N.Y. Apr. 5, 2018); *Camick v. Holladay*, 758 F. App'x 640, 645 (10th Cir. 2018).").

Plaintiffs have argued that the acquisition of the trade secrets took place in the United States because, *inter alia*, the information was stored on servers that are housed in the United States and were accessible from its headquarters in Illinois. The Court need not reach the merits of this argument in this context, however, because it is clear from the record that even if this constitutes acquisition within the United States, any acquisition took place before the effective date of the DTSA.

Specifically, the "effective date" provision in the DTSA states:

> The amendments made by this section shall apply with respect to any misappropriation of a trade secret (as defined in section 1839 of title 18, United States Code, as amended by this

> section) for which any act occurs on or after the date of the enactment of this Act.

Pub. L.114-153, May 11, 2016 (18 U.S.C. § 1833 Note). From the undisputed evidence presented during the trial, it is clear that any improper acquisition of the alleged trade secrets occurred before the effective date of the DTSA.

However, as noted above, misappropriation can also be premised on a theory of "disclosure" or "use." 18 U.S.C.A. § 1839(5). "Use" is not defined in the DTSA, but has been interpreted by other courts applying similarly-defined state law. The Fifth Circuit, for example, has analyzed what constitutes "use" for purposes of Texas trade secret law, which contains an element of "use." *Gen. Universal Sys., Inc. v. HAL, Inc.*, 500 F.3d 444, 450 (5th Cir. 2007). There, the court pointed to the definition of "use" in the Restatement (Third) of Unfair Competition, which reads:

> As a general matter, any exploitation of the trade secret that is likely to result in injury to the trade secret owner or enrichment to the defendant is a "use" under this Section. Thus, marketing goods that embody the trade secret, employing the trade secret in manufacturing or production, relying on the trade secret to assist or accelerate research or development, or soliciting customers through the use of information that is a trade secret (see § 42, Comment f) all constitute "use."

Restatement (Third) of Unfair Competition § 40, cmt. c (1995). The Seventh Circuit has not explicitly adopted this definition of "use," but has cited to this section of the Restatement approvingly. *Salton, Inc. v. Philips Domestic Appliances & Pers. Care B.V.*, 391 F.3d 871, 878 (7th Cir. 2004). One other court in this district has considered the definition of "use" when interpreting the ITSA, which has an identical definition of "misappropriation" as the DTSA. *Cognis Corp. v. CHEMCENTRAL Corp.*, 430 F. Supp. 2d 806, 812 (N.D. Ill. 2006). There, the court wrote:

> The Seventh Circuit and the Illinois state courts also do not define what it means to "use" a trade secret ... However, Illinois courts have noted that:
>
>> ... The idea of "use" as embodied in this language indicates that the third party's actions have to be improper and damage the owner of the secret to some extent. This suggests that "use" is a very broad concept. Such a construction is consistent with the Restatement (Third) of Unfair Competition, which is often relied on by the Seventh Circuit in analyzing trade secret claims. See, for example, *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 342 F.3d 714, 728 (7th Cir. 2003) (relying on the Restatement (Third) of Unfair Competition and the Uniform Trade Secret Act to determine the criteria for trade secret protection); *Salton*, 391 F.3d at 878 (relying on the same to determine the scope of legal protection of trade secrets); *see also Peaceable Planet, Inc. v. TY, Inc.*, 362 F.3d 986, 989 (7th Cir. 2004). The Restatement states:

> There are no technical limitations on the nature of the conduct that constitutes "use" of a trade secret ... As a general matter, any exploitation of the trade secret that is likely to result in injury to the trade secret owner or enrichment to the defendant is a "use" ... Thus, marketing goods that embody the trade secret, employing the trade secret in manufacturing or production, relying on the trade secret to assist or accelerate research or development, or soliciting customers through the use of information that is a trade secret ... all constitute "use." The nature of the unauthorized use, however, is relevant in determining appropriate relief. [Restatement (Third) of Unfair Competition, § 40 cmt. c (1995)].

The Court agrees that "use" should be interpreted consistently with the above. For example, "marketing goods that embody the trade secret, employing the trade secret in manufacturing or production, relying on the trade secret to assist or accelerate research or development, or soliciting customers through the use of information that is a trade secret ... all constitute use." *Id.*

The question under Section 1837, then, becomes whether "an act in furtherance" of the "use" of the alleged trade secrets has occurred in the United States.

The statute does not define what constitutes "an act in furtherance of the offense." In *Luminati*, 2019 WL 2084426, at *9, a Texas district court case analyzing Section 1837 wrote, "this language is not foreign to the common law but is regularly used in the area of federal conspiracy law." *Id.* (citing *Yates v. United States*, 354 U.S. 298, 334, 77 S. Ct. 1064, 1 L. Ed. 2d 1356 (1957) ("[T]he overt act must be found ... to have been in furtherance of a conspiracy...."); *Findlay v. McAllister*, 113 U.S. 104, 114, 5 S. Ct. 401, 28 L. Ed. 930 (1885) ("[T]o sustain the action it must be shown not only that there was a conspiracy, but that there were tortious acts in furtherance of it....").

"[W]here Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts ... the meaning its use will convey to the judicial mind unless otherwise instructed." *Morissette v. United States*, 342 U.S. 246, 263, 72 S. Ct. 240, 96 L. Ed. 288 (1952). As a result, as did the *Luminati* court, this Court looks to the established common law meaning of "in furtherance of" when interpreting the extraterritoriality provision of the DTSA. 18 U.S.C. § 1837(2). In this respect, the Court agrees with *Luminati*'s analysis on this point:

> Applied to the DTSA, *Yates* makes clear that the act in furtherance of the offense of trade secret misappropriation need not be the offense itself or any element of the offense, but it must "manifest that the [offense] is at work" and is not simply "a project in the minds of the" offenders or a "fully completed operation."

> [*Yates*, 354 U.S. at 334.] Put another way, an act that occurs before the operation is underway or after it is fully completed is not an act "in furtherance of the offense.

2019 WL 2084426, at *10. Thus, if Plaintiffs have shown that Defendants have taken actions that "manifest that the offense is at work"—the offense being the misappropriation—then Section 1837 has been satisfied and the chapter also applies to acts occurring outside the United States.

Plaintiffs have introduced evidence in this case sufficient to support a finding that "use" of the alleged trade secrets has occurred domestically. Specifically, it has been undisputed throughout trial that Defendants have advertised, promoted, and marketed products embodying the allegedly stolen trade secrets domestically at numerous trade shows. This constitutes "use." *See Gen. Universal Sys., Inc. v. HAL, Inc.*, 500 F.3d 444, 450 (5th Cir. 2007) (relying on the Restatement (Third) of Unfair Competition, § 40 cmt. c (1995)); *Cognis Corp. v. CHEMCENTRAL Corp.*, 430 F. Supp. 2d 806, 812 (N.D. Ill. 2006) (same).

An additional point must be discussed now in the interest of completeness. The fact that the "use" in this case started before the DTSA was enacted is not a barrier for Plaintiffs. Nothing suggests that the DTSA forecloses a use-based theory simply because the trade secret being used was acquired or used before the DTSA's enactment. In this regard, the Court agrees with two other district courts that have noted that Congress omitted from the DTSA language included in Section 11 of the Uniform Trade Secret Act. That UTSA language states, "[w]ith respect to a continuing misappropriation that began prior to the effective date, the [Act] also does not apply to the continuing misappropriation that occurs after the effective date.'" *Cave Consulting Grp., Inc. v. Truven Health Analytics Inc.*, No. 15-CV-02177-SI, 2017 U.S. Dist. LEXIS 62109, 2017 WL 1436044, at *4 (N.D. Cal. Apr. 24, 2017); *Adams Arms, LLC v. Unified Weapon Sys., Inc.*, 16-1503, 2016 U.S. Dist. LEXIS 132201, 2016 WL 5391394, at *6 (M.D. Fla. Sept. 27, 2016) (quoting Unif. Trade Secrets Act, § 11).

The omission of this language suggests that the DTSA applies to a "use"-based private cause of action even if the acquisition occurred before effective date of the statute or if the use began before the effective date. Indeed, the plain language of the "effective date" provision of Pub. L. 114-153 further supports this interpretation. Pub. L.114-153, May 11, 2016 (18 U.S.C. § 1833 Note) ("The amendments made by this section shall apply with respect to any misappropriation of a trade secret ... for which any act occurs on or after the date of the enactment of this Act."). This broad language, coupled with the omission of the provision in the Uniform Trade Secret Act limiting such recovery, support the position that "use" in this case occurring after effective date serve as a proper basis for this action.

Finally, although Plaintiffs have briefly argued that they are entitled to research and development costs stretching back into the past prior to the effective date of the DTSA, Plaintiffs have failed to sufficiently support or explain this position. However, unjust enrichment may be recovered after the law came into effect if Plaintiffs can show such unjust enrichment. 18 U.S.C. § 1836(b)(3)(B)(II).

In summation, the Court holds that the DTSA may apply extraterritorially in this case because the requirement of Section 1837(b)(2) has been met. Plaintiffs thus may argue for extraterritorial damages resulting from the misappropriation, but only those damages that occurred after the effective date of the statute—May 11, 2016.

c. Alternatively, This Case Nonetheless Consists of a Permissible Domestic Application of the DTSA.

Even if the DTSA private right of action did not have extraterritorial reach, this case would still present a proper domestic application of the statute. As stated above, if no clear, affirmative indication exists, the statute is not extraterritorial and the court proceeds to a second step of the extraterritoriality analysis, in which it determines whether the case involves "a domestic application of the statute." *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2101, 195 L. Ed. 2d 476 (2016). This determination is made first by finding the statute's focus. "If the conduct relevant to the statute's focus occurred in the United States, then the case involves a permissible domestic application even if other conduct occurred abroad; but if the conduct relevant to the focus occurred in a foreign country, then the case involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory." *Id.*

The parties argue from the basic premise that focus of the DTSA is on "misappropriation." *See* Dkt. 774 at 10; Dkt. 806 at 13-14. "When determining the focus of a statute, we do not analyze the provision at issue in a vacuum." *WesternGeco*, 138 S. Ct. at 2137. "If the statutory provision at issue works in tandem with other provisions, it must be assessed in concert with those other provisions. Otherwise, it would be impossible to accurately determine whether the application of the statute in the case is a 'domestic application.'" *Id.*

WesternGeco advises that the "focus" of a statute is the "object of its solicitude, which can include the conduct it seeks to regulate, as well as the parties and interests it seeks to protect or vindicate." *Id.* (citations and internal quotations omitted). Discerning the focus of a statute involves an interpretation of what the legislature was concerned with when it enacted the law. *See Morrison*, 561 U.S. at 266. This is divined from the language of the statute itself. *See Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 126, 133 S. Ct. 1659, 1670, 185 L. Ed. 2d 671 (2013) ("We also reiterated that a cause of action falls outside the scope of the presumption—and thus is not barred by the presumption—only if the event or relationship that was 'the "focus" of congressional concern' under the relevant statute takes place within the United States.").

With respect to the DTSA, the Court finds that the focus of the statute is on the misappropriation of a trade secret. Specifically, Section 1836, as discussed at length above, fashions the private right of action around misappropriation and provides a civil remedy for the owner of that trade secret. 18 U.S.C. § 1836 ("An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce."). Additionally, both the "owner" and what constitutes "misappropriation" are defined in Section 1839. Indeed, the title of the chapter of the U.S. Code in which the DTSA was implemented is entitled "Protection of Trade Secrets" and the language in Pub. 114-153 further supports the conclusion that the statute is focused on misappropriation.

Thus, the focus of the DTSA is on creating a remedy for a trade secret's owner for misappropriation, and misappropriation can take place through "use." Therefore, "[i]f the conduct relevant to the statute's focus occurred in the United States, then the case involves a permissible domestic application even if other conduct occurred abroad[.]" *RJR Nabisco*, 136 S. Ct. at 2101. In other words, if the relevant misappropriation of the alleged trade secrets occurred domestically, then this case involves a permissible domestic application of the statute.

In the present case, Plaintiffs have provided evidence that "use" of the alleged trade secrets has occurred domestically. The tricky issue, however, is what damages would be proper under a use-based theory under this second step of the extraterritorial analysis. Because the Court has found that the statute applies extraterritorially, however, it is unnecessary to attempt to discern what damages in this alternative context would be proper.

3. The Copyright Act

The parties have provided considerably less argument with respect to damages under the Copyright Act, 17 U.S.C. §§ 106, 501 *et seq.* Dkt. 774 at 11-12 (Plaintiffs' argument); Dkt. 758 at 2 & Dkt. 806 at 14-15 (Defendants' argument). Defendants have pointed to clear pronouncements from the Supreme Court indicating that the Copyright Act has no extraterritorial application. *Impression Products, Inc. v. Lexmark International, Inc.*, 137 S. Ct. 1523, 1528, 198 L. Ed. 2d 1, (2017) ("The territorial limit on patent rights is no basis for distinguishing copyright protections; those do not have extraterritorial effect either."); *id.* at 1536-37 ("The territorial limit on patent rights is, however, no basis for distinguishing copyright protections; those protections 'do not have any extraterritorial operation' either. 5 M. Nimmer & D. Nimmer, Copyright § 17.02, p. 17-26 (2017).")

Plaintiffs agree that the Copyright Act does not have extraterritorial application but argue this lack of extraterritoriality does not foreclose recovering foreign profits. Dkt. 774 at 11. To support this claim, Plaintiffs cite to *Tire Eng'g & Distribution, LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 307 (4th Cir. 2012) ("*Shandong*"). In *Shandong*, the Fourth Circuit outlined "the predicate-act" doctrine. *Id.* In essence, the doctrine states that "[o]nce a plaintiff demonstrates a domestic violation of the Copyright Act, ... it may collect damages from foreign violations that are directly linked to the U.S. infringement." *Id.* The Fourth Circuit noted that the Second Circuit, Ninth Circuit, Sixth Circuit, and the Federal Circuit have adopted this doctrine. *Id.* (citing *Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988); *Los Angeles News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987, 992 (9th Cir. 1998), as amended on denial of reh'g and reh'g en banc (Aug. 25, 1998); *Liberty Toy Co. v. Fred Silber Co.*, 149 F.3d 1183 (6th Cir. 1998) (unpublished); *Litecubes, LLC v. N. Light Prod., Inc.*, 523 F.3d 1353, 1370 (Fed. Cir. 2008).

The thrust of this doctrine is that if an infringing act occurred within the United States, then the plaintiff may recover for foreign violations that are directly linked to the domestic infringement. Although not explicitly adopted by the Seventh Circuit, the Court agrees with the analysis by these five other Circuit Courts. Although Defendants argue that modern extraterritorial jurisprudence displaces the predicate-act doctrine, the Court disagrees, and the predicate-act doctrine holds similarities to the Supreme Court's recent analysis in *WesternGeco*, 138 S. Ct. at 2137.

Thus, the Court holds that Plaintiffs are entitled to recover damages flowing from exploitation abroad of the domestic acts of infringement committed by Defendants. Given the undeveloped nature of the arguments on this point, the Court will not throw itself into the bramblebush and analyze whether Defendants have shown that no such act has occurred. The burden is on the movant to make its point in this regard and Defendants' roughly three paragraphs of argument have not met this burden.

B. Misappropriation under the Illinois Trade Secret Act

This opinion now turns to Plaintiffs' claim under Illinois Trade Secret Act, 765 ILCS 1065/1 *et seq.* ("ITSA"). As an initial matter, principles surrounding the interpretation of whether an Illinois statute applies extraterritorially are similar to those in the federal context. "Our past decisions have established the rule that when a statute ... is silent as to extraterritorial effect, there is a presumption that it has none." *Graham v. Gen. U.S. Grant Post No. 2665, V. F. W.*, 43 Ill. 2d 1, 6, 248 N.E.2d 657, 660 (1969). An Illinois statute "should not be given extraterritorial effect [if] it does not clearly appear therefrom that such was the intention of the legislature." *Butler v. Wittland*, 18 Ill. App. 2d 578, 583, 153 N.E.2d 106, 109 (Ill. App. Ct. 1958).

With respect to the ITSA, the Court has located no controlling precedent as to the statute's extraterritorial application. Aside from one provision within the ITSA, the statute is silent as to geographic reach. That one provision, Section 1065/8(b)(1), reads as follows:

> (b) This Act does not affect:
>
> > (1) contractual remedies, whether or not based upon misappropriation of a trade secret, provided however,

> that a contractual or other duty to maintain secrecy or limit use of a trade secret shall not be deemed to be void or unenforceable solely for lack of durational or geographical limitation on the duty[.]

765 Ill. Comp. Stat. Ann. 1065/8. Plaintiffs argue that this provision indicates extraterritorial reach for the ITSA. At least one case from the Northern District of Illinois supports this reading. In *Miller UK Ltd. v. Caterpillar Inc.*, a court considered the extraterritorial reach of the ITSA:

> *Avery* invoked the general rule of statutory construction under Illinois law that denies extraterritorial effect to a statute unless its language appears to provide for such application. 835 N.E.2d at 852. *Avery* interpreted the Illinois Consumer Fraud Act, 815 ILCS 505, and its construction of the intended scope of that statute found significance in a provision that defined its coverage to include "any trade or commerce directly or indirectly affecting the people of this State." 835 N.E.2d at 850 (citing 815 ILCS 505/1(f)). ITSA contains no similar language and Caterpillar cites no precedent construing it to have any geographic limitation. In contrast to the consumer fraud statute at issue in *Avery*, ITSA's "Legislative intent" provision states that "a contractual or other duty to maintain secrecy or limit use of

> a trade secret shall not be deemed to be void or unenforceable solely for lack of durational or geographical limitation on the duty." 765 ILCS 1065/8(b)(1). It is thus apparent that ITSA not only lacks a geographic limitation, it authorizes broad geographic application for purposes of trade secret protection that would be invalid in other contexts. Caterpillar's duty to avoid misappropriation of Miller's trade secrets cannot be considered unenforceable merely because some of its employees and Miller were located beyond the borders of Illinois.

Miller UK Ltd. v. Caterpillar Inc., No. 10-CV-03770, 2017 U.S. Dist. LEXIS 49929, 2017 WL 1196963, at *7 (N.D. Ill. Mar. 31, 2017). In coming to the conclusion that "[i]t is thus apparent that ITSA not only lacks a geographic limitation, it authorizes broad geographic application for purposes of trade secret protection that would be invalid in other contexts[,]" *id.*, it appears to this Court that the *Miller* court drew an inference that the lack of limiting language supported the extraterritorial application of the statute. The question is not whether the ITSA contains language limiting the statute to Illinois, but whether extraterritoriality "clearly appear[s]" within the text of the statute. *Butler*, 18 Ill. App. 2d at 583, 153 N.E.2d 106.

As to that question, the *Miller* court found Section 1065/8 to contain such a clear indication. This Court disagrees. By its terms, Section 1065/8 clarifies that a duty to maintain secrecy, such as that in a restrictive covenant, should not be invalidated because of the lack of "lack of durational or geographical limitation on the duty[.]" The fact that Section 1065/8 twice references contractual duties supports this reading. Moreover, as Defendants point out, Dkt. 806 at 9, the *Miller* reading would create internal conflict within the statute because Section 765 ILCS 1065/7 expressly does set a durational limit for bringing actions under the statute. *See* 765 ILCS 1065/7 ("An action for misappropriation must be brought within 5 years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this Act, a continuing misappropriation constitutes a single claim.").

If Section 1065/8 was read broadly to remove durational and geographic limits on ITSA claims, one of the "durational" provisions would be rendered superfluous. "A fundamental principle of statutory construction is to view all provisions of a statutory enactment as a whole. Accordingly, words and phrases should not be construed in isolation, but must be interpreted in light of other relevant provisions of the statute." *DeLuna v. Burciaga*, 223 Ill. 2d 49, 60, 857 N.E.2d 229, 236, 306 Ill. Dec. 136 (2006). Moreover, courts should not adopt strained readings that render one aspect of a statute superfluous. *Panarese v. Hosty*, 104 Ill. App. 3d 627, 628-29, 432 N.E.2d 1333, 1335, 60 Ill. Dec. 434 (1982) ("It is a general rule of construction that where a statute can be reasonably interpreted so as to give effect to all its provisions, a court will not adopt a strained reading which renders one part superfluous. *Jarecki v. G. D. Searle & Co.*, 367 U.S. 303, 81 S. Ct. 1579, 6 L. Ed.2d 859, 1961-2 C.B. 254 (1961))".

Finally, this reading of Section 1065/8 is consistent with the Seventh Circuit's application of Section 1065/8 in *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1272 n.10 (7th Cir. 1995). There, the court, citing to Section 1065/8(b)(1), wrote that "[t]he confidentiality agreement is also not invalid for want of a time limitation." *Id.*; *see also Coady v. Harpo, Inc.*, 308 Ill. App. 3d 153, 161, 719 N.E.2d 244, 250, 241 Ill. Dec. 383 (1999) ("The reasonableness of some types of restrictive covenants, such as nonsolicitation agreements, also is evaluated by the time limitation and geographical scope stated in the covenant.... However, a confidentiality agreement will not be deemed unenforceable for lack of durational or geographic limitations where trade secrets and confidential information are involved.") (citations omitted).

In sum, the Court agrees with Defendants that the statutory language contained in Section 1065/8(b)(1) does not clearly express an intent by the legislature for extraterritorial reach of the ITSA. The clearer reading of the provision is that the legislature was concerned with courts' analysis of the reasonableness of restrictive covenants and sought to clarify that duties arising from such covenants should not be held to be unenforceable due to a lack of a geographic or temporal limitation. Thus, the Court holds that the ITSA does not have extraterritorial reach.

IT IS SO ORDERED.

APPENDIX E — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT, FILED OCTOBER 4, 2024

United States Court of Appeals
For the Seventh Circuit
Chicago, Illinois 60604

Nos. 22-2370 & 22-2413
No. 1:17-cv-01973

MOTOROLA SOLUTIONS, INC. and
MOTOROLA SOLUTIONS MALAYSIA SDN. BHD.,

Plaintiffs-Appellees, Cross-Appellants,

v.

HYTERA COMMUNICATIONS CORPORATION LTD.,

Defendant-Appellant, Cross-Appellee.

Before

DAVID F. HAMILTON, *Circuit Judge*

MICHAEL B. BRENNAN, *Circuit Judge*

AMY J. ST. EVE, *Circuit Judge*

Filed October 4, 2024

Appeals from the United States District Court for the Northern District of Illinois, Eastern Division.

Charles R. Norgle,
Judge.

ORDER

On consideration of Defendant-Appellant's petition for rehearing and rehearing en banc, filed August 6, 2024, and the Plaintiffs-Appellees' response, no judge in active service has requested a vote on the petition for rehearing en banc, and all judges on the original panel have voted to deny the petition for rehearing.*

Accordingly, the petition for rehearing and rehearing en banc filed by Defendant-Appellant is DENIED.

* Circuit Judge Nancy L. Maldonado did not participate in the consideration of the petition for rehearing en banc.

APPENDIX F — ECONOMIC ESPIONAGE ACT OF 1996

ECONOMIC ESPIONAGE ACT OF 1996

Public Law 104-294
104th Congress

An Act

To amend title 18, United States Code, to protect proprietary economic information, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Economic Espionage Act of 1996".

TITLE I – PROTECTION OF TRADE SECRETS

SEC. 101. PROTECTION OF TRADE SECRETS.

(a) In General. – Title 18, United States Code, is amended by inserting after chapter 89 the following:

"CHAPTER 90 – PROTECTION OF TRADE SECRETS

"Sec.

"Sec. 1831. Economic espionage

"(a) In General. – 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 $500,000 or imprisoned not more than 15 years, or both.

"(b) Organizations. – Any organization that commits any offense described in subsection (a) shall be fined not more than $10,000,000.

"Sec. 1832. Theft of trade secrets

"(a) Whoever, with intent to convert a trade secret, that is related to or included in a product that is produced for or placed 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.

"(b) Any organization that commits any offense described in subsection (a) shall be fined not more than $5,000,000.

“Sec. 1833. Exceptions to prohibitions

“This chapter does not prohibit –

“(1) any otherwise lawful activity conducted by a governmental entity of the United States, a State, or a political subdivision of a State; or

“(2) the reporting of a suspected violation of law to any governmental entity of the United States, a State, or a political subdivision of a State, if such entity has lawful authority with respect to that violation.

“Sec. 1834. Criminal forfeiture

“(a) The court, in imposing sentence on a person for a violation of this chapter, shall order, in addition to any other sentence imposed, that the person forfeit to the United States –

“(1) any property constituting, or derived from, any proceeds the person obtained, directly or indirectly, as the result of such violation; and

“(2) any of the person’s property used, or intended to be used, in any manner or part, to commit or facilitate the commission of such violation, if the court in its discretion so determines, taking into consideration the nature, scope, and proportionality of the use of the property in the offense.

"(b) Property subject to forfeiture under this section, any seizure and disposition thereof, and any administrative or judicial proceeding in relation thereto, shall be governed by section 413 of the Comprehensive Drug Abuse Prevention and Control Act of 1970 (21 U.S.C. 853), except for subsections (d) and (j) of such section, which shall not apply to forfeitures under this section.

"Sec. 1835. Orders to preserve confidentiality

"In any prosecution or other proceeding under this chapter, the court shall enter such orders and take such other action as may be necessary and appropriate to preserve the confidentiality of trade secrets, consistent with the requirements of the Federal Rules of Criminal and Civil Procedure, the Federal Rules of Evidence, and all other applicable laws. An interlocutory appeal by the United States shall lie from a decision or order of a district court authorizing or directing the disclosure of any trade secret.

"Sec. 1836. Civil proceedings to enjoin violations

"(a) The Attorney General may, in a civil action, obtain appropriate injunctive relief against any violation of this section.

"(b) The district courts of the United States shall have exclusive original jurisdiction of civil actions under this subsection.

“Sec. 1837. Applicability to conduct outside the United States

This chapter also applies to conduct occurring outside the United States if –

“(1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States or a State or political subdivision thereof; or

“(2) an act in furtherance of the offense was committed in the United States.

“Sec. 1838. Construction with other laws

“This chapter shall not be construed to preempt or displace any other remedies, whether civil or criminal, provided by United States Federal, State, commonwealth, possession, or territory law for the misappropriation of a trade secret, or to affect the otherwise lawful disclosure of information by any Government employee under section 552 of title 5 (commonly known as the Freedom of Information Act).

“Sec. 1839. Definitions

“As used in this chapter –

“(1) the term ‘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;

"(2) the term 'foreign agent' means any officer, employee, proxy, servant, delegate, or representative of a foreign government;

"(3) the term 'trade secret' means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if –

> "(A) the owner thereof has taken reasonable measures to keep such information secret; and
>
> "(B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public; and

"(4) the term 'owner', with respect to a trade secret, means the person or entity in whom or in which rightful legal or equitable title to, or license in, the trade secret is reposed.".

(b) Clerical Amendment. – The table of chapters at the beginning part I of title 18, United States Code, is amended by inserting after the item relating to chapter 89 the following:

“90. Protection of trade secrets. . . . . 1831”.

(c) Reports. – Not later than 2 years and 4 years after the date of the enactment of this Act, the Attorney General shall report to Congress on the amounts received and distributed from fines for offenses under this chapter deposited in the Crime Victims Fund established by section 1402 of the Victims of Crime Act of 1984 (42 U.S.C. 10601).

SEC. 102. WIRE AND ELECTRONIC COMMUNICATIONS INTERCEPTION AND INTERCEPTION OF ORAL COMMUNICATIONS.

Section 2516(1)(c) of title 18, United States Code, is amended by inserting “chapter 90 (relating to protection of trade secrets),” after “chapter 37 (relating to espionage),”.

APPENDIX G — DEFEND TRADE SECRETS ACT OF 2016

DEFEND TRADE SECRETS ACT OF 2016

Public Law 114-153
114th Congress

An Act

To amend chapter 90 of title 18, United States Code, to provide Federal jurisdiction for the theft of trade secrets, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Defend Trade Secrets Act of 2016".

SEC. 2. FEDERAL JURISDICTION FOR THEFT OF TRADE SECRETS.

(a) In General. – Section 1836 of title 18, United States Code, is amended by striking subsection (b) and inserting the following:

"(b) Private Civil Actions. –

"(1) In general. – An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.

"(2) Civil seizure. –

"(A) In general. –

"(i) Application. – Based on an affidavit or verified complaint satisfying the requirements of this paragraph, 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 the subject of the action.

"(ii) Requirements for issuing order. – The court may not grant an application under clause

(i) unless the court finds that it clearly appears from specific facts that –

"(I) an order issued pursuant to Rule 65 of the Federal Rules of Civil Procedure or another form of equitable relief would be inadequate to achieve the purpose of this paragraph because the party to which the order would be issued would evade, avoid, or otherwise not comply with such an order;

"(II) an immediate and irreparable injury will occur if such seizure is not ordered;

"(III) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application and substantially outweighs the harm to any third parties who may be harmed by such seizure;

"(IV) the applicant is likely to succeed in showing that –

"(aa) the information is a trade secret; and

"(bb) the person against whom seizure would be ordered –

"(AA) misappropriated the trade secret of the applicant by improper means; or

"(BB) conspired to use improper means to misappropriate the trade secret of the applicant;

"(V) the person against whom seizure would be ordered has actual possession of –

"(aa) the trade secret; and

"(bb) any property to be seized;

"(VI) the application describes with reasonable particularity the matter to be seized and, to the extent reasonable under the circumstances, identifies the location where the matter is to be seized;

"(VII) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person; and

"(VIII) the applicant has not publicized the requested seizure.

"(B) Elements of order. – If an order is issued under subparagraph (A), it shall –

"(i) set forth findings of fact and conclusions of law required for the order;

"(ii) provide for the narrowest seizure of property necessary to achieve the purpose of this paragraph and direct that the seizure be conducted in a manner that minimizes any interruption of the business operations of third parties and, to the extent possible, does not interrupt the legitimate business operations of the person accused of misappropriating the trade secret;

"(iii)(I) be accompanied by an order protecting the seized property from disclosure by prohibiting access by the applicant or the person against whom the order is directed, and prohibiting any copies, in whole or in part, of the seized property, to prevent undue damage to the party against whom the order has issued or others, until such parties have an opportunity to be heard in court; and

> "(II) provide that if access is granted by the court to the applicant or the person against whom the order is directed, the access shall be consistent with subparagraph (D);

"(iv) provide guidance to the law enforcement officials executing the seizure that clearly delineates the scope of the authority of the officials, including –

> "(I) the hours during which the seizure may be executed; and

> "(II) whether force may be used to access locked areas;

"(v) set a date for a hearing described in subparagraph (F) at the earliest possible time, and not later than 7 days after the order has issued, unless the party against whom the order is directed and others harmed by the order consent to another date for the hearing, except that a party against whom the order has issued or any person harmed by the order may move the court at any time to dissolve or modify the order after giving notice to the applicant who obtained the order; and

"(vi) require the person obtaining the order to provide the security determined adequate by the court for the payment of the damages that any person may be entitled to recover as a result of a wrongful or excessive seizure or wrongful or excessive attempted seizure under this paragraph.

"(C) Protection from publicity. – The court shall take appropriate action to protect the person against whom an order under this paragraph is directed from publicity, by or at the behest of the person obtaining the order, about such order and any seizure under such order.

"(D) Materials in custody of court. –

"(i) In general. – Any materials seized under this paragraph shall be taken into the custody of the court. The court shall secure the seized material from physical and electronic access during the seizure and while in the custody of the court.

"(ii) Storage medium. – If the seized material includes a storage medium, or if the seized material is stored on a storage medium, the court shall prohibit the medium from being connected to a network or the Internet without the consent of both parties, until the hearing required under subparagraph (B)(v) and described in subparagraph (F).

"(iii) Protection of confidentiality. – The court shall take appropriate measures to protect the confidentiality of seized materials that are unrelated to the trade secret information ordered seized pursuant to this paragraph unless the person against whom the order is entered consents to disclosure of the material.

"(iv) Appointment of special master. – The court may appoint a special master to locate and isolate all misappropriated trade secret information and to facilitate the return of unrelated property and data to the person from whom the property was seized. The special master appointed by the court shall agree to be bound by a non-disclosure agreement approved by the court.

"(E) Service of order. – The court shall order that service of a copy of the order under this paragraph, and the submissions of the applicant to obtain the order, shall be made by a Federal law enforcement officer who, upon making service, shall carry out the seizure under the order. The court may allow State or local law enforcement officials to participate, but may not permit the applicant or any agent of the applicant to participate in the seizure. At the request of law enforcement officials, the court may allow a technical expert who is unaffiliated with the applicant and who is bound by a court-approved non- disclosure agreement to participate in the seizure if the court determines that the participation of the expert will aid the efficient execution of and minimize the burden of the seizure.

"(F) Seizure hearing. –

"(i) Date. – A court that issues a seizure order shall hold a hearing on the date set by the court under subparagraph (B)(v).

"(ii) Burden of proof. – At a hearing held under this subparagraph, the party who obtained the order under subparagraph (A) shall have the burden to prove the facts supporting the findings of fact and conclusions of law necessary to support the order. If the party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

"(iii) Dissolution or modification of order. – A party against whom the order has been issued or any person harmed by the order may move the court at any time to dissolve or modify the order after giving notice to the party who obtained the order.

"(iv) Discovery time limits. – The court may make such orders modifying the time limits for discovery under the Federal Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of a hearing under this subparagraph.

"(G) Action for damage caused by wrongful seizure. – A person who suffers damage by reason of a wrongful or excessive seizure under this paragraph has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to the same relief as is provided under section 34(d)(11) of the Trademark Act of 1946 (15 U.S.C. 1116(d)(11)). The security posted with the court under subparagraph (B)(vi) shall not limit the recovery of third parties for damages.

"(H) Motion for encryption. – A party or a person who claims to have an interest in the subject matter seized may make a motion at any time, which may be heard ex parte, to encrypt any material seized or to be seized under this paragraph that is stored on a storage medium. The motion shall include, when possible, the desired encryption method.

"(3) Remedies. – In a civil action brought under this subsection with respect to the misappropriation of a trade secret, a court may –

"(A) grant an injunction –

"(i) to prevent any actual or threatened misappropriation described in paragraph (1) on such terms as the court deems reasonable, provided the order does not –

"(I) prevent a person from entering into an employment relationship, and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows; or

"(II) otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business;

"(ii) if determined appropriate by the court, requiring affirmative actions to be taken to protect the trade secret; and

"(iii) in exceptional circumstances that render an injunction inequitable, that conditions future use of the trade secret upon payment of a reasonable royalty for no longer than the period of time for which such use could have been prohibited;

"(B) award –

"(i)(I) damages for actual loss caused by the misappropriation of the trade secret; and

"(II) damages for any unjust enrichment caused by the misappropriation of the trade secret that is not addressed in computing damages for actual loss; or

"(ii) in lieu of damages measured by any other methods, the damages caused by the misappropriation measured by imposition of liability for a reasonable royalty for the misappropriator's unauthorized disclosure or use of the trade secret;

"(C) if the trade secret is willfully and maliciously misappropriated, award exemplary damages in an amount not more than 2 times the amount of the damages awarded under subparagraph (B); and

"(D) if a claim of the misappropriation is made in bad faith, which may be established by circumstantial evidence, a motion to terminate an injunction is made or opposed in bad faith, or the trade secret was willfully and maliciously misappropriated, award reasonable attorney's fees to the prevailing party.

"(c) Jurisdiction. – The district courts of the United States shall have original jurisdiction of civil actions brought under this section.

"(d) Period of Limitations. – A civil action under subsection (b) may not be commenced later than 3 years after the date on which the misappropriation with respect to which the action would relate is discovered or by the exercise of reasonable diligence should have been discovered. For purposes of this subsection, a continuing misappropriation constitutes a single claim of misappropriation.".

(b) Definitions. – Section 1839 of title 18, United States Code, is amended –

(1) in paragraph (3) –

(A) in subparagraph (B), by striking "the public" and inserting "another person who can obtain economic value from the disclosure or use of the information"; and

(B) by striking "and" at the end;

(2) in paragraph (4), by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following:

"(5) the term 'misappropriation' means –

"(A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

"(B) disclosure or use of a trade secret of another without express or implied consent by a person who –

"(i) used improper means to acquire knowledge of the trade secret;

"(ii) at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was –

"(I) derived from or through a person who had used improper means to acquire the trade secret;

"(II) acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret; or

"(III) derived from or through a person who owed a duty to the person seeking relief to maintain the secrecy of the trade secret or limit the use of the trade secret; or

"(iii) before a material change of the position of the person, knew or had reason to know that –

"(I) the trade secret was a trade secret; and

"(II) knowledge of the trade secret had been acquired by accident or mistake;

"(6) the term 'improper means' –

"(A) includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means; and

"(B) does not include reverse engineering, independent derivation, or any other lawful means of acquisition; and

> "(7) the term 'Trademark Act of 1946' means the Act entitled 'An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes, approved July 5, 1946 (15 U.S.C. 1051 et seq.) (commonly referred to as the "Trademark Act of 1946" or the "Lanham Act")'.".

(c) Exceptions to Prohibition. – Section 1833 of title 18, United States Code, is amended, in the matter preceding paragraph (1), by inserting "or create a private right of action for" after "prohibit".

(d) Conforming Amendments. –

> (1) The section heading for section 1836 of title 18, United States Code, is amended to read as follows:
>
> "Sec. 1836. Civil proceedings".
>
> (2) The table of sections for chapter 90 of title 18, United States Code, is amended by striking the item relating to section 1836 and inserting the following:
>
> "1836. Civil proceedings.".

(e) Effective Date. – The amendments made by this section shall apply with respect to any misappropriation of a trade secret (as defined in section 1839 of title 18, United States Code, as amended by this section) for which any act occurs on or after the date of the enactment of this Act.

(f) Rule of Construction. – Nothing in the amendments made by this section shall be construed to modify the rule of construction under section 1838 of title 18, United States Code, or to preempt any other provision of law.

(g) Applicability to Other Laws. – This section and the amendments made by this section shall not be construed to be a law pertaining to intellectual property for purposes of any other Act of Congress.

SEC. 3. TRADE SECRET THEFT ENFORCEMENT.

(a) In General. – Chapter 90 of title 18, United States Code, is amended –

(1) in section 1832(b), by striking "$5,000,000" and inserting "the greater of $5,000,000 or 3 times the value of the stolen trade secret to the organization, including expenses for research and design and other costs of reproducing the trade secret that the organization has thereby avoided"; and

(2) in section 1835 –

(A) by striking "In any prosecution" and inserting the following:

"(a) In General. – In any prosecution"; and

(B) by adding at the end the following:

"(b) Rights of Trade Secret Owners. – The court may not authorize or direct the disclosure of any information the owner asserts to be a trade secret unless the court allows the owner the opportunity to file a submission under seal that describes the interest of the owner in keeping the information confidential. No submission under seal made under this subsection may be used in a prosecution under this chapter for any purpose other than those set forth in this section, or otherwise required by law. The provision of information relating to a trade secret to the United States or the court in connection with a prosecution under this chapter shall not constitute a waiver of trade secret protection, and the disclosure of information relating to a trade secret in connection with a prosecution under this chapter shall not constitute a waiver of trade secret protection unless the trade secret owner expressly consents to such waiver.".

(b) RICO Predicate Offenses. – Section 1961(1) of title 18, United States Code, is amended by inserting "sections 1831 and 1832 (relating to economic espionage and theft of trade secrets)," before "section 1951".

SEC. 4. REPORT ON THEFT OF TRADE SECRETS OCCURRING ABROAD.

(a) Definitions. – In this section:

(1) Director. – The term "Director" means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

(2) Foreign instrumentality, etc. – The terms "foreign instrumentality", "foreign agent", and "trade secret" have the meanings given those terms in section 1839 of title 18, United States Code.

(3) State. – The term "State" includes the District of Columbia and any commonwealth, territory, or possession of the United States.

(4) United states company. – The term "United States company" means an organization organized under the laws of the United States or a State or political subdivision thereof.

(b) Reports. – Not later than 1 year after the date of enactment of this Act, and biannually thereafter, the Attorney General, in consultation with the Intellectual Property Enforcement Coordinator, the Director, and the heads of other appropriate agencies, shall submit to the Committees on the Judiciary of the House of Representatives and the Senate, and make publicly available on the Web site of the Department of Justice and disseminate to the public through such other means as the Attorney General may identify, a report on the following:

(1) The scope and breadth of the theft of the trade secrets of United States companies occurring outside of the United States.

(2) The extent to which theft of trade secrets occurring outside of the United States is sponsored by foreign governments, foreign instrumentalities, or foreign agents.

(3) The threat posed by theft of trade secrets occurring outside of the United States.

(4) The ability and limitations of trade secret owners to prevent the misappropriation of trade secrets outside of the United States, to enforce any judgment against foreign entities for theft of trade secrets, and to prevent imports based on theft of trade secrets overseas.

(5) A breakdown of the trade secret protections afforded United States companies by each country that is a trading partner of the United States and enforcement efforts available and undertaken in each such country, including a list identifying specific countries where trade secret theft, laws, or enforcement is a significant problem for United States companies.

(6) Instances of the Federal Government working with foreign countries to investigate, arrest, and prosecute entities and individuals involved in the theft of trade secrets outside of the United States.

(7) Specific progress made under trade agreements and treaties, including any new remedies enacted by foreign countries, to protect against theft of trade secrets of United States companies outside of the United States.

(8) <<NOTE: Recommendations.>> Recommendations of legislative and executive branch actions that may be undertaken to –

(A) reduce the threat of and economic impact caused by the theft of the trade secrets of United States companies occurring outside of the United States;

(B) educate United States companies regarding the threats to their trade secrets when taken outside of the United States;

(C) provide assistance to United States companies to reduce the risk of loss of their trade secrets when taken outside of the United States; and

(D) provide a mechanism for United States companies to confidentially or anonymously report the theft of trade secrets occurring outside of the United States.

SEC. 5. SENSE OF CONGRESS.

It is the sense of Congress that –

(1) trade secret theft occurs in the United States and around the world;

(2) trade secret theft, wherever it occurs, harms the companies that own the trade secrets and the employees of the companies;

(3) chapter 90 of title 18, United States Code (commonly known as the "Economic Espionage Act

of 1996"), applies broadly to protect trade secrets from theft; and

(4) it is important when seizing information to balance the need to prevent or remedy misappropriation with the need to avoid interrupting the –

(A) business of third parties; and

(B) legitimate interests of the party accused of wrongdoing.