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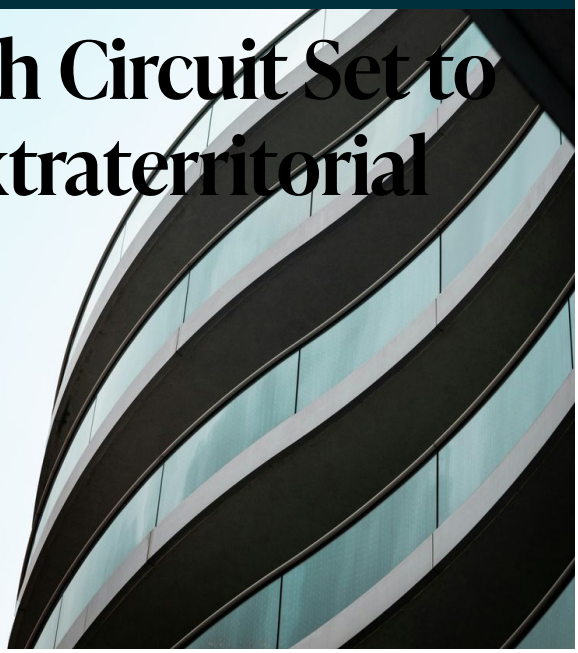
# Motorola v. Hytera: Seventh Circuit Set to Hear Arguments on the Extraterritorial Reach of DTSA



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On December 5, the Seventh Circuit in *Motorola Solutions, Inc. v. Hytera Communications Corp.* will hear high-stakes arguments concerning the application of the federal Defend Trade Secrets Act ("DTSA") to trade secrets taken abroad. Thus, it is poised to be the first U.S. Court of Appeals to substantively address the extraterritorial reach of the DTSA in civil actions, and private litigants should pay close attention to the outcome.

In *Motorola Solutions, Inc. v. Hytera Communications Corp.*, 436 F.Supp.3d 1150 (N.D. Ill. 2020), Motorola brought a DTSA action against Hytera in the Northern District of Illinois. Interestingly, the alleged acts of misappropriation occurred outside the United States. However, the district court held that a civil action under DTSA may lie where an act in furtherance of the offense had been committed inside the United States.[1] Motorola successfully argued that (i) the misappropriated trade secrets had been downloaded from U.S.-based servers, and (ii) Hytera's marketing of products featuring the misappropriated technology to foreign buyers at trade shows in the United States comprised acts in furtherance of the misappropriation. It also recovered $135.8 million in unjust enrichment damages based on a disgorgement of Hytera's profits on worldwide, non-U.S. sales.

In regards to the extraterritorial reach of the DTSA, the Seventh Circuit will consider two specific issues. The first issue is whether the DTSA extends to extraterritorial conduct in civil actions. More specifically, Hytera argues that the extraterritorial provisions of 18 U.S.C. § 1337

apply only to criminal actions (i.e., "offenses") under the Economic Espionage Act ("EEA"), and do not apply to civil actions under the DTSA (which itself was an amendment to the EEA). The thrust of Hytera's argument is that, under *RJR Nabisco, Inc. v. European Community*, 579 U.S. 325 (2016), the DTSA lacks clear legislative intent to reach conduct occurring outside the United States. Numerous district court decisions have held that the DTSA may reach conduct outside the United States provided that the requirements of Section 1337 are satisfied. However, none have been the subject of appellate review.

The second issue is whether a civil action under the DTSA (assuming it extends to certain extraterritorial conduct) permits the recovery of damages based on sales outside the United States. Hytera argues that its only relevant acts in the United States after the effective date of the DTSA were trade shows, which were not acts taken in furtherance of purely extraterritorial sales. Motorola argues, on the other hand, that there is some connection between these trade shows and extraterritorial sales at least because some of Hytera's foreign customers attended the trade shows. Thus, the Seventh Circuit could provide useful guidance on when, if at all, a defendant's profits on its sales outside the United States may be included as compensatory damages under the DTSA.

The Seventh Circuit's decision could have serious consequences for litigants. In particular, the contours of the extraterritorial reach of the DTSA may increase a defendant's potential liability for conduct generally undertaken abroad. Moreover, the availability of damages arising from one's foreign sales of products embodying misappropriated technology may greatly amplify potential damages claims.

[1] The district court also noted that a private right of action would lie if the defendant was a citizen of the United States or an entity organized or incorporated under the laws of the United States or a subdivision thereof. *Motorola Sols., Inc. v. Hytera Comms. Corp.*, 436 F.Supp.3d 1150, 1163 (N.D. Ill. 2020) (quoting 18 U.S.C. § 1837).

> **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.**
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