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**UNDER THE  
ECONOMIC  
ESPIONAGE ACT**

# UNDER THE ECONOMIC ESPIONAGE ACT

COMBATING ECONOMIC ESPIONAGE  
IS NO LONGER LIMITED TO CIVIL ACTIONS  
TO PROTECT TRADE SECRETS.

BY LOUIS A. KARASIK

Clients who are involved with the litigation of intellectual property cases are familiar with the often expensive and sometimes uncertain process involved in redressing the misappropriation of trade secrets. The litigation usually begins with the preparation of a complaint and a request for a temporary restraining order (TRO), a process which typically requires substantial declarations identifying the trade secrets that have been stolen, the steps taken to protect their confidentiality, and the harm caused by the defendant's theft. Whether or not the TRO is granted, the client can expect a preliminary injunction hearing in less than two weeks, prior to which costly discovery will be expedited as the client must promptly determine what the defendant knows about the client's trade secrets. The defendant will often take the opportunity to mount a challenge to the trade secret status of the information that has been taken and will undertake discovery that probes (sometimes painfully) the nature, quality, and extent of the client's trade secrets. Some of this discovery may include protective orders "for lawyers' eyes only" that leave the client in the dark regarding the information being exchanged.

Even if the preliminary injunction is granted, the defendant will demand a substantial bond from the client to protect from harm in the event it is later established that the trade secrets were not entitled to protection. Typically, experts must be retained to opine about the nature of the trade secrets and their value, and a trial may well be necessary that creates further risk of public disclosure of sensitive business information or the very secrets the client is seeking to protect. All of the above will be costly for both sides, and defendants may battle vigorously to obtain custody of trade secret information that has significant value in the marketplace.

Consider, however, an alternative approach to this scenario with a sharply different pattern. Upon presentation of evidence to the U.S. attorney that trade secrets have been misappropriated, the U.S. government, will devote its considerable resources to securing the client's trade secrets, criminally

prosecuting the competitor or former employee who stole them (seeking both a jail sentence and a stiff fine), and obtaining an order of civil restitution against the defendant to compensate the client for the damages caused. When the matter commences, the government will not tell the defendant about the action being contemplated but, instead, will go to federal magistrates and grand juries to obtain permission for search warrants, subpoenas, and other discovery devices not available to civil litigants. The initial discovery will be conducted by special agents of the FBI, who will, without notice to the defendant, subpoena phone and bank records from third parties that may substantiate evidence of the crime.

The FBI will also confront witnesses with evidence of misconduct, requesting their full cooperation in the government's pursuit of claims against the target defendant and will obtain other information from "inside" sources that choose to cooperate on a confidential basis. At the appropriate time, comprehensive search warrants will be executed (with no advance notice to the defendant) by teams of agents, and all trade secrets – together with related records, invoices, business documents, equipment, electronic computer information, and all other materials that may be evidence of the crime – will be physically removed from the defendant's premises. In some cases, this will result in the effective shut-down of the defendant's business. The fruits of this seizure will be shared with the victim to assist the government in identifying the trade secrets that have been stolen. The defendant will in due time be sent to jail, but not before the court enters an order of civil restitution that operates as a final judgment providing compensation to the client for the harm caused by the trade secret theft.

All of the above will certainly be costly for the defendant, but the client will expend resources only as necessary to help government prosecutors understand the nature of the trade secrets and the way the defendant may be using them. The defendant's opportunity to conduct offensive discovery into

the prosecution's case will likely be nonexistent; to the extent any challenges are made by defendants, they will be in the context of criminal arrests and the government's posture that those who cooperate will serve less time and/or pay less fines than those who forestall the prosecution. The deterrent effect of sending competitors to jail will be a strong medicine that goes well beyond the impact of any civil claim that the client might bring to redress the misconduct.

This scenario may sound like a "wish list" for companies seeking to protect trade secrets, but all of the above has been accomplished, under the Economic Espionage Act (EEA), found at 18 U.S.C. § 1831 *et seq.* The statute provides for stiff criminal penalties against individuals and corporate defendants who misappropriate trade secrets. Passed in 1996, the EEA has received little attention, with only a handful of prosecutions reported in the press to date. In part, this lack of widespread use arises from lack of knowledge about the statute and how to implement a successful prosecution by the U.S. attorney.<sup>1</sup>

This article reviews the EEA and discusses steps a company can take to bring the theft of trade secrets to the attention of the U.S. attorney to obtain prosecution. We also discuss the pros and cons of pursuing an EEA matter as compared to traditional civil litigation, and some of the issues that may arise in the course of criminal prosecution that may significantly impact the chances for success.

## THE STATUTE

The EEA has four basic components: (1) "Economic Espionage" (theft of trade secrets to benefit a foreign government) 18 U.S.C. § 1832(a); (2) commercial theft of trade secrets 18 U.S.C. § 1832(b); (3) penalties, fines, and forfeitures for parties who steal trade secrets 18 U.S.C. §§ 1832(a), (b) and 1834; and (4) provisions entitling the government to obtain civil injunctive relief and to protect confidentiality in connection with prosecution under the statute. 18 U.S.C. §§ 1835 and 1836. The theft of a trade secret is a felony, punishable by up to \$250,000 for individuals, \$5 million for corporations, and 10 years' imprisonment. 18 U.S.C. § 1832(b). The elements of the offense are substantially the same, but the penalties are stiffer in cases involving transfers of trade secrets to foreign governments; in such cases, the crime is punishable by \$500,000 for individuals, \$10 million for corporations, and 15 years' imprisonment. 18 U.S.C. § 1831(a). Alternatively, a defendant can be fined twice the amount of the value of the victim's loss or the defendant's gain. 18 U.S.C. § 3751(d).

The principal elements of an EEA claim for commercial theft of trade secrets are as follows: (1) the intentional and/or knowing theft, appropriation, destruction, alteration, or duplication of (2) a trade secret placed in interstate commerce (3) with intent to convert the trade secret and (4) intent or knowl-

edge that such action will injure the owner. *See* 18 U.S.C. § 1832(a); *United States v. Hsu* 155 F.3d 189, 195-196 (3<sup>rd</sup> Cir. 1998); *United States v. Krumrei*, 258 F.3d 535 (6<sup>th</sup> Cir. 2001).

The EEA broadly defines trade secrets to include all forms of financial, business, scientific, technical, economic, or engineering information, including plans, designs, formulas, and processes that have independent economic value in not being generally known to the public, where the owner has taken reasonable measures to keep such information secret. 18 U.S.C. § 1839(3). The test for a trade secret under the EEA is intended to be broader than the definition found under the Uniform Trade Secrets Act adopted by most states. *See Prosecuting Intellectual Property Crimes, supra*, § VIII.B.2.c.

With the exception of the requirement that the trade secret can be used in interstate commerce (which is typically not hard to establish), the elements of an EEA claim closely resemble the elements of a civil claim for misappropriation of trade secrets. The chief potentially significant difference between the requirements of an EEA prosecution and a civil prosecution lies in the element of *mens rea*. Under the EEA, the prosecutor must produce evidence that the defendant acted "knowingly" to misappropriate trade secrets. While a civil claim for misappropriation of trade secrets is likewise an intentional tort, there is no requirement in the civil law for the kind of criminal *mens rea* specified in the EEA that requires proof of an intent to injure or harm the victim. Indeed, in some jurisdictions, a competitor's receipt and use of trade secrets can be sufficient under some circumstances to establish a civil claim, even when the defendant did not have an intent to steal a trade secret but rather acted negligently by failing to determine the trade secret status of the information used. *See e.g., Rohn & Haas Co. v. Adco Chemical Co.*, 689 F.2d 424 (3<sup>rd</sup> Cir. 1982); *Metallurgical Industries Inc. v. Fourtek Inc.*, 790 F.2d 1195 (5<sup>th</sup> Cir. 1986); *Colgate-Palmolive Co. v. Carter Products Inc.*, 230 F.2d 855 (4<sup>th</sup> Cir. 1956), *cert. denied*, 355 U.S. 823.

While the EEA element of criminal intent is important, in most cases involving misappropriation of trade secrets, the evidence of civil misappropriation overlaps with and substantiates the criminal intent necessary under the statute. For example, where trade secret plans and specifications are involved, attempts by defendant to delete proprietary information or otherwise conceal confidential identifying information will clearly suffice to meet the requirements of the statute. Direct or circumstantial evidence that the defendant was aware of the trade secret nature of the information appropriated – for example, through contractual confidentiality agreements or other awareness of the company's attempt to protect the information – would also seem to suffice. In cases where the defendant is a former employee, there is often a range of evidence available to prove that the defendant was fully aware that the information being appropriated was confidential and proprietary to the former employer.

Thus, in many situations the commercial theft of trade

secrets will support both civil and criminal prosecution. The question arises of how to bring evidence of the theft to the attention of the U.S. attorney in a manner that will convince the government to prosecute and how to decide whether government prosecution is preferable to pursuit of civil claims.

## GETTING THE ATTENTION OF THE U.S. ATTORNEY

### *Initial Presentation*

In most cases, initiating a prosecution under the EEA is a question of convincing the U.S. attorney that the case is deserving of prosecution when weighed against the many other crimes that that office prosecutes. Like other government agencies, the U.S. attorney's office is often understaffed and the prosecutors' dockets are already crowded with crimes. In that regard, some U.S. attorneys may consider EEA crimes a lower priority than those involving personal injury and threats to public health and safety. Your case under the EEA may be competing for prosecution time with matters involving drugs, crimes against minors, and other offenses that are the day-to-day fare of the criminal justice system.<sup>2</sup>

Even so, it is becoming common in every U.S. attorney's office to have one or more assistant U.S. attorneys who specialize in white-collar crime and, increasingly, in cybercrimes and trade secret matters. The recent surge in "hacker" crimes and other offenses affecting the technology community has given rise to renewed interest for the federal prosecutor's office to respond to the needs of the public in this area. The first step in initiating a successful prosecution is to determine which U.S. attorneys are active in this area in your local jurisdiction. The prosecutors most knowledgeable about the EEA are the appropriate audience to which to present evidence of a possible violation of the statute.

Once the government attorney with whom you should meet is identified, perhaps the most significant action a company can take in convincing the U.S. attorney to prosecute is to do sufficient homework to make prosecution an attractive alternative. A briefing book or materials that summarize the key information and provide relevant evidence and declarations substantiating the right to trade secret protection will make it easier for the U.S. attorney to understand the case and to act quickly in obtaining the necessary approvals to proceed. The more complete the briefing and evidence and the more clear the documented evidence of the crime, the more likely the U.S. attorney will be to conclude that the case is a "winner" that, if prosecuted, will lead to a sure conviction. Your goal in presenting the case should be to demonstrate the strong evidence that is either immediately available or is likely to be discovered that would make prosecution of the case desirable.

One important consideration in explaining the matter to the U.S. attorney is to identify the nature of the loss suffered by the client. Prosecution of EEA cases may be driven by the nature of the harm sustained – a frequent measure of the

"value" of the case. The client must be prepared to explain the impact of the trade secret loss on the business and to quantify the harm. In some cases, the harm suffered by the client from the loss of a trade secret can be measured by the amount of research and development expenses incurred to create it – the "avoided cost" enjoyed by the defendant when misappropriating the trade secret to its own advantage. These expenses can be very substantial, and articulating the effort that went into creation of the trade secrets will often help establish an important justification for the U.S. attorney's decision to prosecute.

In presenting possible EEA cases for prosecution, the client should also be aware of the strong bias in the legislative history against use of the EEA for competitive business purposes as opposed to criminal justice. The legislative history reflects congressional concern that the EEA not become a tool by large corporations to wage battle against their competitors, using the government's resources in the process. But the statute does not provide a demarcation between matters that fall on the side of civil warfare between competitors and those that are worthy of criminal prosecution. The mere fact that the misappropriation also gives rise to civil claims, or that the client is economically able to pursue such civil claims, does not disqualify the matter from criminal prosecution. One important purpose of the EEA is to protect U.S. companies from the steady erosion of their competitive positions by the theft of trade secrets. *See* 142 Cong. Rec. § 12201, 12209 (daily ed. Oct. 2, 1992) (statements of Sen. Arlen Specter). Concerns voiced in the legislative history directed to the use of the EEA as a substitute for civil litigation between large corporations would appear secondary to the underlying purpose of the statute to protect companies of all sizes from trade secret theft when the evidence is clear that misappropriation has occurred.

### *Cooperation Between the Government and the Victim*

Cases under the EEA likely differ from most crimes prosecuted by the U.S. attorney with respect to the level of information shared with the victim and the victim's ongoing participation in the prosecution. In the typical case, the victim's ongoing support is needed to help the government understand the technical aspects of the trade secrets and the context of the defendant's unlawful use. At the outset of the case, the client should be up front with the U.S. attorney about the client's expectations in connection with the exchange of information and victim support. Just as the government will need cooperation from the victim to understand and assess the evidence – particularly involving technology issues – in the course of prosecution, the victim should be kept informed of key developments in the case. The victim may request that the government make information as readily available as possible and establish a contact person to field requests for information and to obtain status reports. While the government's usual practice is to not share "302 forms" (the interview notes of FBI agents, likely an important source of information) with the victim at all or only after the

prosecution is complete, the government can provide oral reports and other communications to advise the company of the information being obtained. This information-sharing is important for understanding the direction the prosecution is taking and for providing appropriate feedback about information being obtained in the course of the investigation.

Another point the client may want to discuss up front is access to seized evidence. It is likely that the government will, at an appropriate time, seize evidence from the defendant through search warrants authorized by local magistrates. Whereas information obtained by the government from grand jury subpoenas usually cannot be shared under Rule 6 of the Federal Rules of Criminal Procedure,<sup>3</sup> there is often no formal restriction on sharing evidence seized from such search warrants, and strong arguments exist that disclosure of such information with the victim is necessary to assist the government to understand the trade secret issue involved and to prosecute the crime.

The U.S. attorney may be reluctant to turn over hard copies of the seized materials – at least until the criminal prosecution has run its course. Concerns may arise in the U.S. attorney's office that turning over seized materials during the pendency of the prosecution constitutes an inappropriate use of criminal prosecution to enable potential civil litigation. A compromise position is to request that the government permit turnover or copying of the seized materials after the defendant has pled guilty or when the prosecution has otherwise been substantially completed.

#### *Making a Decision on Pursuit of Civil Relief*

At the outset of the client's meetings with the government, stiff resistance to initiation of a criminal prosecution is likely unless the client is prepared to forgo simultaneous pursuit of civil relief. The U.S. attorney may believe that parallel civil proceedings will interfere with the government's prosecution activity. The evidence and individuals involved in any civil litigation will likely be the same as the subject of the criminal prosecution. Defendants in the civil action might initiate discovery proceedings in that proceeding that would not be available in the criminal prosecution, or they may use the civil proceeding to probe the nature of the government's case, perhaps targeting FBI discovery. In addition, the government will want to control the timing of the prosecution and the development of the evidence and may well conclude that parallel civil proceedings will interfere with their management of the prosecution. Thus, while there is nothing in the law that forbids parallel civil and criminal prosecution in trade secret cases, in practice, the impact of seeking government prosecution of the case is that the client will likely have to forgo, at least during pendency of the criminal prosecution, initiation of civil action.

#### *The Role of the FBI*

If the U.S. attorney agrees to go forward, the first step in the process will be the selection of a lead agent from the FBI to

develop the evidence. The FBI is the fact-gathering arm of the U.S. attorney's office, and, in many cases, the success or failure of the prosecution will be determined by the quality of the investigation and the attention the matter receives from its agents. It is important to insist that a strong agent be assigned. The U.S. attorneys are well-aware of differences in the skill and thoroughness of the available agents, and you should ask them to be candid about the available choices because it could influence your interest in having the matter prosecuted. You may ask to speak with the head of the local FBI field office to press your case for assignment of experienced agents.

Once a lead agent is selected, it is likely that the opportunity will be given to meet directly with the FBI to explain the issues and to review the available evidence. You can assist the FBI by suggesting target areas for subpoenas and search warrants and by helping to craft case strategy. While most FBI agents are perfectly capable of developing an effective case strategy, cases involving theft of intellectual property are less common and raise particular issues about which the FBI may not be fully aware.

At a minimum, it is important for the agents to know the names of potential witnesses and to have discussions regarding individuals working for the competitor who may be more susceptible to cooperation when confronted by the FBI. A common approach by the FBI is to confront witnesses – often lower-level employees – about the evidence of the crime and to elicit their cooperation in the investigation. FBI agents have many stories of such encounters – the flashing of the badge and mention of the FBI appear to have a wondrous impact in getting people to provide prompt cooperation. In most cases, the U.S. attorney and the FBI will be focused on the “chiefs, not the Indians” and will follow a strategy intended to develop the evidence against senior management by enlisting assistance from lower-level employees who have knowledge of the crimes that have been committed.

#### *The Prosecution's Decision and the Victim's Input on the Remedy*

After conducting an investigation into the defendant's acts, the U.S. attorney will decide whom to prosecute. While this decision rests entirely within the discretion of the government prosecutor, the U.S. attorney may advise the victim in advance of the person(s) being targeted and the nature of the evidence that has been gathered against them. Dialogue with the U.S. attorney is particularly appropriate in cases where the theft may have been committed by the client's existing employees to ensure there are no unexpected surprises. If arrests will be made of company employees, the process can be coordinated to avoid undue publicity or embarrassment to other employees.

It is typically the U.S. attorney's desire that the case proceed, not by way of indictment and defense, but by way of information and plea agreement; that is, the U.S. attorney will seek to obtain negotiated guilty pleas with the defendant before any formal charges are presented. Where successful,

this strategy results in the filing of “information” that charges specific offenses for which the defendant has agreed to plead guilty in advance. This prosecutorial system has substantial advantages for the victims in trade secret cases, because it eliminates even the potential for adverse proceedings seeking to litigate issues over the nature and extent of trade secrets. The downside of the process is that negotiated plea agreements typically involve some level of compromise by the government as to the nature and extent of the crimes charged against the defendant. Nevertheless, a certain and swift guilty plea to violation of the EEA, achieved without the necessity of civil litigation or the direct participation by the client in the process, can be a substantial benefit.

When a guilty plea is obtained, the defendant is then formally arraigned, and the plea is officially entered. At this stage, it is common for the U.S. attorney to prepare “factual résumés” for the court, to aid in establishing the basis for the defendant’s plea and to identify key facts substantiating the defendant’s guilt. The client may wish to provide input or assistance in this process to ensure that relevant information uncovered during the investigation is documented in the plea agreement. These factual résumés may also provide facts that are relevant to subsequent related civil litigation that might be pursued against defendants or third parties.

Once convicted, the probation department of the district court will prepare a presentencing report, which reviews the nature of the defendant’s crimes and sets forth a recommended sentence, according to the Federal Sentencing Guidelines. As part of this process, the probation department will follow the requirements of the Mandatory Victims Restitution Act (18 U.S.C. §§ 3663A and 3664), which requires the court to enter an order of civil restitution against the defendant and in favor of the victim to compensate for harm caused by the defendant’s misconduct. To ensure input from the victim, the probation department will request that a Declaration of Victim Losses and/or a Victim Impact Statement be submitted that provides information on the nature of the losses sustained.

The client will want to ensure that the probation department has a detailed understanding of the nature of the defendant’s crimes so that an appropriate recommendation can be made under the sentencing guidelines. It is appropriate to offer evidence of the impact of the defendant’s crimes on the ongoing operations of the company, including the typically very real impact of theft by employees or former employees on company morale. The guidelines contain sentence enhancements for persons who abuse positions of specialized skill and knowledge, and this may well be applicable in cases involving theft of trade secrets.

While the probation department personnel who prepare such presentencing recommendations are typically very familiar with the sentencing guidelines and the factors that mitigate or enhance a possible sentence, they are not likely to be familiar with the valuation of losses in trade secret cases. Unlike the more typical case involving theft or damage to personal prop-

erty, valuation of trade secrets is often complex, and the client should be prepared to provide substantial factual and legal support to the probation department to make the appropriate assessment. In that regard, guidelines issued by the Department of Justice indicate that valuation of trade secrets in criminal cases follows the same general principles as in civil cases. *Prosecuting Intellectual Property Crimes, supra*, § VIII.C.2.

No set formula has been developed for valuing loss in trade secret cases, and the authorities apply a flexible rule intended to do justice in each case. *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 538 (5<sup>th</sup> Cir. 1974). This flexible standard is specifically cited by the Department of Justice in its guidelines. *Prosecuting Intellectual Property Crimes, supra*, § VIII.C.2 Methods to value trade secret loss include: (a) the profits enjoyed by the defendant from its use of trade secrets; (b) the gain or other advantage obtained by the defendant; (c) the costs incurred by the trade secret owner to create the intellectual property, which is the “avoided cost” enjoyed by the defendant from stealing the trade secret. *See id.*; *Telex Corp. v. International Business Machines Corp.*, 510 F.2d 894, 931-932 (10<sup>th</sup> Cir. 1975); *General Clutch Corp. v. Lowry*, 10 F.Supp.2d 124, 131 (D.Conn. 1998); *Salisbury Laboratories Inc. v. Merieux Laboratories, Inc.*, 908 F.2d 706 (11<sup>th</sup> Cir. 1990). To the extent that the victim is afforded access to the defendant’s books and records, these should be used by the victim to assist the government to understand the nature and extent of the defendant’s use of the trade secrets to create an unlawful benefit.

The ultimate result of the prosecution should be criminal penalties and fines and an order of civil restitution for the victim. The order of civil restitution is the equivalent of a judgment and may well render it unnecessary to pursue supplemental civil relief against the defendant. 18 U.S.C. § 3664(m); *see Lyndonville Sav. Bank & Trust Co. v. Lussier*, 211 F.3d 697, 702 (2<sup>nd</sup> Cir. 2000).

## POSSIBLE DISADVANTAGES TO EEA PROSECUTION

### *Loss of an Early Injunction Remedy*

While the EEA expressly authorizes the government to seek a civil injunction in the aid of prosecution under the statute (18 U.S.C. § 1836), in practice, a client whose interests are being prosecuted under the EEA will not likely have the benefit of that injunctive power at the outset of the case. Whereas the typical model of trade secret litigation in the civil context is “run to the court first” to obtain an injunction, the model for criminal prosecutions under the EEA is “run to the court last.” The U.S. attorney is not likely to bring any charges or to seek any court involvement until the case has been sufficiently investigated. The U.S. attorney must be sure that, once charges are sought, the matter can be successfully prosecuted consistent with the defendant’s right to a speedy trial. The government’s goal is

to develop an overpowering case that will compel the defendant to plead guilty (thus avoiding litigation). To meet this objective, a long process of developing background facts and confirming evidence will precede the public airing of the prosecution activity.

Moreover, the injunctive provisions of the statute are largely untested, and it is unclear whether and to what extent the U.S. attorney would be able to disclose evidence or the investigative process in order to obtain an injunction. An injunction is a civil remedy, and it is possible that the court would require disclosure of the basis for the injunction to the defendant before such relief could be issued. Because the U.S. attorney will be strongly inclined to protect the confidentiality of its fact-gathering efforts and information sources, any injunctive remedy is not likely to be sought at the outset, and instead, the wrongful conduct will be allowed to persist while the criminal investigation is underway.

The typical civil case involving stolen trade secrets starts with an effort to obtain injunctive relief. For many clients, the longer the offending use is permitted, the more enormous the loss, and, in some cases, the continued use of a stolen trade secret can simply not be tolerated. For such cases, it is unclear that EEA prosecution is a viable option, because the government may not be in a position to enjoin the conduct at any early point.

#### *Time Needed For a Conclusion*

Closely related to the loss of the injunctive remedy is the important consideration that the criminal investigative process can move very slowly. Both the U.S. attorneys and the FBI agents working the case will be burdened with many other matters, and months may drag on while they conduct their fact-gathering activities and make their assessments of criminality. The FBI may not have sufficient human or other resources available to assess quickly the documentary and other evidence obtained from search warrants, adding further delay. While civil litigation can also drag on, the timing of discovery activity is largely within the client's control, and immediate discovery can usually be pursued where an important goal of the litigation is to understand how the defendant has used the information obtained from stolen trade secrets.

Balanced against these important considerations is the fact that the government will prosecute the matter using the government's – not the client's – resources, and the ultimate result may be a criminal conviction that could not be duplicated in any civil proceeding. In addition, as noted, while the discovery process may move more slowly in the criminal setting, the government may obtain information through evidence seizures and other discovery devices that goes well beyond the scope of discovery that might be obtained through the civil process. Finally, the elimination of a competitor through aggressive criminal prosecution may ultimately represent the ultimate form of equitable relief, well worth a delay in asserting a remedy.

#### *Scope of the Government's Investigation*

It bears emphasis that the government is not constrained in the course of its investigation to limit examination only to the unlawful practices of the defendant. Other unlawful conduct that is identified, including any misconduct committed by the client or its employees, could also become the focus of government attention. A client who believes potentially unlawful practices might be uncovered should think twice before inviting the U.S. attorney and the FBI to commence a prosecution.

#### *Personnel and Follow-Through*

In pursuing civil litigation, a client has substantial control over the level of resources and quality of personnel that will be devoted to the project. The client may seek to "step up" the activity, and the timing and agenda of the case are largely under the client's control (subject, of course, to the vagaries of the judicial process and the directions issued by the court). The client has no such control with regard to criminal prosecution. The U.S. attorney who first gets involved in the case may move on to other assignments or divisions or leave the office altogether, and new personnel whom the client has not yet met may be assigned. Likewise, the FBI may assign different members of its staff to complete the investigation, and personnel changes from the beginning to the end can interrupt the continuity of the prosecution. Thus, an added uncertainty to enlisting government prosecution is loss of control over the personnel and level of resources that may be devoted to the matter.

On the other hand, government prosecutors are accustomed to obtaining successful outcomes, and in the large majority of criminal prosecutions, they do. The government has substantial resources at its disposal, and this often includes the highly developed skills of FBI agents, technical and expert consultants, crime labs, and other qualified support staff. In the appropriate case, the U.S. attorney will refer findings to other government agencies for parallel criminal investigation (*e.g.*, the Internal Revenue Service or the Commerce Department), and when the considerable prosecuting power of the federal government is brought to bear on the client's competitor, the impact can be powerful.

## CONCLUSION

When confronted with evidence that a competitor, employee, or former employee has stolen trade secrets or other intellectual property, early consideration should be given to whether the matter should be brought to the attention of the U.S. attorney for prosecution under the Economic Espionage Act. This statute creates a powerful weapon for combating theft of trade secrets and can lead to advantageous results that could not be duplicated through the traditional civil litigation model. There are some potential disadvantages to pursuing criminal prosecution of trade secret violations,

and the EEA is not a suitable alternative for every instance of this, nor will the U.S. attorney necessarily be willing to take the case even if the client presents the issues to the government for prosecution. In the appropriate case, however, prosecution under the EEA will secure a client's rights to trade secrets and punish the offenders with stiff criminal penalties that are a powerful deterrent to others who might contemplate similar misconduct. **TFL**



Lou Karasik is head of the business and technology department of Los Angeles-based Weston, Benschopf, Rochefort, Rubalcava & MacCuish LLP. The department specializes in protection of intellectual property, trade secret disputes, and employment litigation, representing Fortune 500 industry leaders with national operations as well as high-technology startups operating in California's dynamic business environment. Karasik represented San Diego-based Solar Turbines Inc. in *United States v. Shearer et al.*, one of the most celebrated enforcement actions to date under the Economic Espionage Act.

## ENDNOTES

- 1 For more information on cases prosecuted under the EEA, see the U.S. Department of Justice's Web site at [www.usdoj.gov/criminal/cybercrime/eeapub.htm](http://www.usdoj.gov/criminal/cybercrime/eeapub.htm). Additional information about EEA prosecutions is set forth in Computer Crime Intellectual Property Section, U.S. Department of Justice, *Prosecuting Intellectual Property Crimes* (2001) at [www.usdoj.gov/criminal/cybercrime/ipmanual.htm](http://www.usdoj.gov/criminal/cybercrime/ipmanual.htm).
- 2 Under 28 C.F.R. § 0.64-5, prior to Oct. 11, 2001, U.S. attorney in local jurisdictions must receive the approval of the attorney general, the deputy attorney general, or the assistant attorney general of the criminal division for all prosecutions brought under the EEA. However, after Oct. 11, 2001, this requirement will no longer remain in effect, and local U.S. attorneys will have more flexibility in deciding whether or not to bring actions.
- 3 This rule, however, is not absolute. Rule 6(e)(3) states that "an attorney for the government, or any person to whom disclosure is made...shall not disclose matters occurring before the grand jury, except...when so directed by a court preliminarily to or in connection with a judicial proceeding." The U.S. attorney and several circuits have interpreted Rule 6(e) to be inapplicable to a request for subpoenaed documents sought only for the information that they contain and that would not reveal the grand jury's deliberation process. *United States Attorney's Manual*, § 9-11.254 (citing cases); *United States v. Dynavac*, 6 F.3d 1407, 1411-1412 (9<sup>th</sup> Cir. 1993); *Phillips v. United States*, 843 F.2d 438, 441 (11<sup>th</sup> Cir. 1988); *In the Matter of Special March 1981 Grand Jury (Almond Pharmacy)*, 753 F.2d 575, 578 (7<sup>th</sup> Cir. 1985). In addition, a party may obtain grand jury materials covered by Rule 6 by showing a particularized need for the materials that "outweighs the policy of secrecy." *United States v. Miramontez*, 995 F.2d 56, 59 (5<sup>th</sup> Cir. 1993).

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333 South Hope Street Sixteenth Floor Los Angeles, California 90071 Tel 213 576 1000 Fax 213 576 1100

2801 Townsgate Road Suite 215 Westlake Village, California 91361 Tel 805 497 9474 Fax 805 497 8804

[www.wbcounsel.com](http://www.wbcounsel.com)