

No. 23-306

In the Supreme Court of the United States

THE TRIZETTO GROUP, INC., ET AL.,
Petitioners,

v.

SYNTEL STERLING BEST SHORES
MAURITIUS LIMITED, ET AL.,
Respondents.

**On Petition for Writ of Certiorari to the United
States Court of Appeals for the Second Circuit**

**BRIEF OF AMERICAN INTELLECTUAL
PROPERTY LAW ASSOCIATION AS
AMICUS CURIAE SUPPORTING PETITION
FOR WRIT OF CERTIORARI**

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October 18, 2023

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INTEREST OF THE *AMICUS CURIAE*

Amicus Curiae American Intellectual Property Law Association (“AIPLA”) submits this brief in support of the grant of certiorari.¹

AIPLA is a national bar association of approximately 7,000 members who are engaged in private and corporate practice, in government service, and in the academic community. AIPLA’s members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. AIPLA’s mission includes providing courts with objective analyses to promote an intellectual property system that stimulates and rewards invention, creativity, and investment while also accommodating the public’s interest in healthy competition, reasonable costs, and

¹ In accordance with Supreme Court Rule 37.6, AIPLA states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPLA and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to the litigation in this matter; (ii) no representative of any party to this litigation participated in the authorship of this brief; and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief. All counsel for parties received notice of AIPLA’s intention to file an amicus brief at least 10 days prior to the deadline to file this brief.

basic fairness. AIPLA has no stake in the parties to this litigation or in the result of this case other than its interest in the correct and consistent interpretation of the laws affecting intellectual property.

SUMMARY OF THE ARGUMENT

Congress drafted the Defend Trade Secrets Act of 2016 (“DTSA”) against a backdrop of increasing threats to industrial secrets and the expressed desire to provide a robust, predictable and reliable federal remedy for trade secret misappropriation. In crafting the damages provisions of the DTSA, it made a deliberate choice to adopt the damages framework laid down by the Uniform Law Commission in 1979 when it first proposed to the states the Uniform Trade Secrets Act (“UTSA”). That framework expressly allowed the victim of trade secret theft to recover not only for its own harm but also for the advantage acquired by the perpetrator. This approach to providing full relief for tortious conduct followed the lead of this Court when it declared, in *Kewanee Oil Co. v. Bicron Corp.*, that the twin policy objectives of trade secret law are the “maintenance of standards of commercial ethics and the encouragement of invention.”

The plain language of the DTSA allows recovery of unjust enrichment damages independently of any consideration of harm to the plaintiff. The contrary decision of the Second Circuit collides with Congress’ determination to provide a broad measure of recovery for trade secret misappropriation that denies the wrongdoer any opportunity to benefit from its theft. While this is the first case from a court of appeals interpreting this statutory language of the DTSA, all

other circuit courts have interpreted the virtually identical language of the UTSA to separately assess harm to the victim and benefit to the defendant. Any concerns about excessive damages should have been addressed by traditional review of the district court's consideration of equitable relief.

Thus, AIPLA urges this Court to grant review to consider this issue of great importance to the law and our economy. Although AIPLA has no position on the specific outcome of this case, we are submitting this *amicus* brief out of our interest in the proper interpretation of the statutory language at issue and the importance of the general availability of unjust enrichment damages in trade secret cases.

ARGUMENT

I. This Case Presents an Important Issue to the IP System as a Whole.

At stake in this proceeding is not only respect for the language chosen by Congress to define an important federal right, but also the integrity and value of our nationally integrated system of intellectual property that supports the modern innovation economy.

At the country's founding trade secret law had not yet emerged as such. The Constitution sought to protect innovation by "securing . . . to . . . inventors the exclusive right to their . . . discoveries." U.S. Const. art. I, § 8, cl. 8. Later, common law, riding the crest of the industrial revolution, provided the policy rationale for courts to protect a much broader scope of interest in unpatented information. This development found its most substantial expression in the 1868 decision of the

Massachusetts Supreme Court in *Peabody v. Norfolk*, 98 Mass. 452, 456:

If [one] invents or discovers, and keeps secret, a process of manufacture, whether a proper subject for a patent or not, he has not indeed an exclusive right to it as against the public, or against those who in good faith acquire knowledge of it; but he has a property in it, which a court of chancery will protect against one who in violation of contract and breach of confidence undertakes to apply it to his own use, or to disclose it to third persons.

In 1939 the common law took a turn with the publication of the First Restatement of Torts, in which the reporters rejected any theory of a property interest or policy to encourage innovation, and restricted protection to “a process or device for continuous use in the operation of the business,” leaving other types of information, such as short-lived secret bids and the results of failed experiments, to be protected only against deliberate espionage.² Nevertheless, the original grounding of the common law was restored by the seminal decision of this Court in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). Finding that trade secrets were a form of intellectual property which the states could protect consistently with the federal patent system, the decision declared that the “maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law.” *Id.* at 481.

² Restatement (First) of Torts §§ 757, 759 (1939).

Acknowledging trade secret law's objective to prevent the wrongdoer from maintaining any advantage, the Court emphasized that "[a] most fundamental human right, that of privacy, is threatened when industrial espionage is condoned or is made profitable . . .". *Id.* at 487.

This restoration was timely, coming at the outset of the information economy. As anticipated by *Kewanee*, the patent system and trade secret law have continued to co-exist harmoniously. The former applies to inventions which meet the strict requirements for utility, novelty, nonobviousness and clear description required by the Patent Act; while the latter broadly protects any information that is not generally known and that provides its owner with some competitive advantage. Indeed, industries of all types have come increasingly to rely on the ability to choose trade secret protection for their innovations, in ways that respect the features of both systems.³

The evident importance of trade secret law was recognized by the Uniform Law Commission when it determined to fill the gap left by the framers of the Second Restatement, which failed to address the subject. This led to the issuance of the UTSA in 1979.⁴

³ John Jankowski & Brandon Shackelford, "*Three Quarters of U.S. Businesses that Performed or Funded R&D Viewed Trade Secrets as Important in 2018*," 3-5, National Center for Science and Engineering Statistics (NCSES) (2021) (available at: <https://nces.nsf.gov/pubs/nsf21339>).

⁴ The proposed statutory framework was amended in 1985 in certain respects that do not relate to the issue raised in this proceeding.

That model legislation set the framework for determining damages for trade secret misappropriation. Critically for purposes of this proceeding, it implemented incentives for innovation by ensuring that victims would be made whole; and it reinforced the ethical dimension of trade secret law by ensuring that those who engaged in theft would not be allowed to retain the fruits of their wrongful behavior. These policy choices were reflected in Section 3 of the UTSA, which allowed recovery of damages for the plaintiff's "actual loss" as well as the defendant's "unjust enrichment . . . that is not taken into account" in the actual loss computation. Uniform Trade Secrets Act, §3(a) (1979 & 1985 amendment). See also Comment to §3 ("As long as there is no double counting, Section 3(a) adopts the principle of the recent cases allowing recovery of both a complainant's actual losses and a misappropriator's unjust benefit that are caused by misappropriation.").

Years later in 2016, as the UTSA had been adopted in almost every state, Congress considered the need for a federal statute that would bring increased harmony and predictability to trade secret law. Recognizing the critical importance to the nation of this form of intellectual property, Congress chose for the DTSA the same formulation for damages that existed in the UTSA, extending recovery to both actual loss "and" unjust enrichment. Compare the DTSA provision at 18 U.S.C. § 1836(b)(3)(B) ("a court may ... award ... damages for actual loss caused by the misappropriation of the trade secret; and ... damages for any unjust enrichment caused by the misappropriation of the trade secret that is not addressed in computing damages for actual loss") with

the corresponding provision at §3(a) of the UTSA (“Damages can include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss.”).⁵

The decision of the Second Circuit threatens this congressional policy choice, as well as the inherent balance of incentives that are reflected in the intellectual property system as a whole. Shifting to an approach that ties unjust enrichment damages to the victim’s loss would reduce the incentive to invest in innovation, just as it would reduce the incentive of others to avoid unethical behavior. The net result would seriously damage the health of the intellectual property system and in turn the health of the national economy that depends on it.

II. The Second Circuit’s Decision Is Contrary to the Plain Meaning of the DTSA.

The Second Circuit decision is contrary to the plain meaning of the DTSA’s damage provision, which allows recovery for “actual loss ... *and* ... unjust enrichment ... that is not addressed in computing damages for actual loss.” 18 U.S.C. § 1836(b)(3)(B) (emphasis added). Disregarding the full impact of the word “and” in the statute, the Second Circuit announced a new rule, derived from commentary in

⁵ This limitation to unjust enrichment that “is not addressed in computing damages for actual loss” avoids “double counting” damages (see UTSA comment to § 3, ¶2), as when the plaintiff proves lost sales and those same sales were appropriated by the defendant; the plaintiff may recover those amounts only once.

the Restatement (Third) of Unfair Competition. That 1995 commentary predated the DTSA by more than 20 years; and did not mention, much less account for, the substantially identical provision of the UTSA that would later be used as the model for the DTSA. Thus, the Second Circuit embraced a nonstatutory, multi-factor test (“a comparative appraisal”) focused on issues such as the “nature and extent of the appropriation” and the “relative adequacy to the plaintiff of other remedies.” 68 F.4th at 810.

Applying this novel exception to the DTSA, the Second Circuit limited TriZetto’s recovery to its lost profits. It reasoned that TriZetto retained the ability to use its trade secrets, and that the district court’s forward-looking injunction protected them from future use. *Id.* at 810-11. It suggested that under the district court’s approach, “avoided costs would be available as unjust enrichment damages in any case of misappropriation, even where a trade secret owner suffers *no compensable harm* beyond its lost profits or profit opportunities.” *Id.* at 811 (emphasis in original). It therefore concluded, and held, that a trade secret plaintiff may only seek to recover for the defendant’s unjust enrichment if the plaintiff has suffered harm “beyond its lost profits.” *Id.*

While the Second Circuit attempted to cast its decision as fact-specific by repeatedly stating that it was driven by “the particular” or “specific” facts of the case (*see id.* at 807 n.20 (“[u]nder the particular facts before us”); *id.* at 807 (“in this specific case”); *id.* at 809 (“under the particular facts of this case”); *id.* at 811 n.37 (“the question before us is limited to whether avoided costs are recoverable as a matter of law under

these facts”); *id.* at 814 (“under the specific facts of this case”)), there is nothing in the court’s holding or rationale that would prevent it from being applied to the vast majority of DTSA litigation nationwide. The fact pattern in this case – in which a plaintiff is unable to prove direct harm other than the obvious loss of exclusive control of its secret – is not unusual, and it was not some particular factual twist that drove the result; rather, it was the court’s decision to use the Restatement of Unfair Competition to justify a holding at variance with the plain language of the DTSA. Thus, if allowed to remain in effect, this decision will have broad implications for the interpretation and application of the DTSA generally. Even beyond its effect on the integrity of trade secret law, the decision would provide a dangerous precedent for defying congressional intent, as noted below.

III. The Second Circuit’s Decision Is Contrary to Congressional Intent in Passing the DTSA.

In drafting 18 U.S.C. § 1836(b)(3)(B), Congress chose for the DTSA the same formulation for damages that existed in the UTSA, extending recovery to both actual loss “and” unjust enrichment.⁶ It reflected the same principles underlying the damages framework of the UTSA – permitting avoided-costs damages as unjust enrichment even without a corresponding loss

⁶ The legislative history states that the damages provisions were “drawn directly” from the UTSA. H.R. Rep. No. 114-529, at 13 (2006). It further states that the DTSA “authorizes an award of damages for the actual loss *and* any unjust enrichment caused by the misappropriation of the trade secret . . .”. *Id.* (emphasis added).

by the plaintiff, as long as the damages counted do not overlap. This choice was consistent with the broader policy objectives of the DTSA, which was enacted against a backdrop of increasing threats to industrial secrets and the expressed desire of Congress to provide robust, predictable and reliable remedies for misappropriation.⁷ Indeed, Congress declared that “[t]rade secrets are an integral part of a company’s competitive advantage in today’s economy, and with the increased digitization of critical data and increased global trade, this information is highly susceptible to theft.”⁸ It also noted that existing state laws were insufficient to address that challenge: “[w]hile 48 states have adopted variations of the UTSA, the state laws vary in a number of ways and contain built-in limitations that make them not wholly effective in a national and global economy.”⁹

IV. The Second Circuit’s Decision Creates a Circuit Split as It Is at Odds With Every Other Circuit that Has Addressed the Issue

Although this is the first case from a federal court of appeals directly interpreting this language from the DTSA, the Second Circuit’s extrastatutory rule is contrary to every circuit that has looked at this issue in connection with the UTSA, thus creating a split of authority with numerous other circuits. The Second

⁷ H.R. Rep. No. 114-529, at 3-4 (2016).

⁸ *Id.* at 4.

⁹ *Id.*

Circuit acknowledged as much when it pointed out that its

holding might appear in some tension with *Epic Systems Corp. v. Tata Consultancy Services, Ltd.*, [] 980 F.3d 1117 (7th Cir. 2020). . . . We disagree with the court’s reasoning insofar as it can be seen to endorse a view that avoided costs are available as compensatory damages under the DTSA *whenever* there is misappropriation of any trade secret relating to an owner’s product. To the extent no corresponding harm to the trade secret owner would be necessary, such a view unhinges avoided costs from the DTSA’s compensatory moorings and overlooks the remedial benefits, as here, of a timely injunction that prevents the dissemination and use of a trade secret.

68 F.4th at 812-13 (emphasis in original).¹⁰ The Second Circuit decision was in direct conflict with *Epic*, in that it ignored the plain meaning of the DTSA and relied instead on the Restatement’s suggestion that a comparative appraisal of other remedies was required to determine if avoided-costs damages are justified. *Id.* at 811. In *Epic*, the Seventh Circuit affirmed a jury’s award of unjust enrichment damages based on avoided research and development costs under Wisconsin’s UTSA, even though the district court had entered a permanent injunction and the

¹⁰ As discussed above, the court’s reasoning relied on the Restatement’s suggestion that a “comparative appraisal” of other remedies was required, even where the unjust enrichment of the defendant was established. 68 F.4th at 810-11.

plaintiff did not suffer an actual injury. 980 F.3d at 1127, 1129-33.

Similarly, the Second Circuit admitted that it was also “declin[ing] to follow the reasoning” of the Third Circuit in *PPG Industries, Inc. v. Jiangsu Tie Mao Glass Co. Ltd.*, 47 F.4th 156 (3d Cir. 2022) where “the Third Circuit affirmed an \$8.8 million avoided costs award under Pennsylvania’s UTSA even though the claimant ‘did not demonstrate actual loss from [the defendant’s] misappropriation,’ and a permanent injunction prevented the defendant from any further misappropriation of the claimant’s secrets.” 68 F.4th at 813 n.42. In *PPG*, the Third Circuit rejected arguments that an avoided-costs award was unavailable because a permanent injunction was granted and because the defendant had allegedly obtained no commercial benefit from use of the trade secrets. 47 F.4th at 161-62.

The Second Circuit stated that it was declining to follow the Seventh and Third Circuit’s affirmance of avoided-costs awards in *Epic* and *PPG* because the results were inconsistent with its own view “of when avoided costs are available as unjust enrichment damages under the DTSA.” 68 F.4th at 813 n.42.

As noted in the certiorari petition, the Fifth, Sixth, Ninth, and Eleventh Circuits have all adopted interpretations of the similar UTSA language consistent with the Third and Seventh Circuit decisions. *Caudill Seed & Warehouse Co., Inc. v. Jarrow Formulas, Inc.*, 53 F.4th 368, 390-92 (6th Cir. 2022) (affirming award based on value gained or money saved on research and development costs by defendant even though secret not destroyed and

plaintiff unable to prove specific injury); *GlobeRanger Corp. v. Software AG U.S. of Am., Inc.*, 836 F.3d 477, 499-501 (5th Cir. 2016) (affirming jury verdict based on avoided costs; damages not limited to misappropriator's profits); *Bourns, Inc. v. Raychem Corp.*, 331 F.3d 704, 709-10 (9th Cir. 2003) (affirming award of \$9 million of unjust enrichment damages for avoided development costs); *Salsbury Labs., Inc. v. Merieux Labs., Inc.*, 908 F.2d 706, 714-715 (11th Cir. 1990) (affirming award of \$1 million savings in research, development, and marketing costs).

Therefore, it is apparent that the Second Circuit is alone among the seven circuits that have addressed this issue.

V. The Second Circuit Could Have Resolved Its Concerns Without Disregarding the Language of the DTSA

Separately from its consideration of the district court's determination of exemplary damages (which it had reduced to half the amount awarded by the jury), the Second Circuit declared that the lower court had "effectively awarded punitive damages under the guise of compensatory damages." 68 F.4th at 813. It reached this conclusion because the district court had justified its avoided-cost approach in part on the notion that Syntel "should bear the business risk' of its misappropriation regardless of its temporal length." *Id.* at 813-14. But this reasoning by the Second Circuit, in which it labeled the award of unjust enrichment damages as "punitive," in effect substituted its view of the evidence, an issue that should have been judged under a deferential standard of review. Instead, the

court concluded “as a matter of law” that an avoided-cost damage award was “unavailable.” *Id.*

If the Second Circuit was concerned that the damage award was so excessive as to appear punitive, it could have remanded to the district court to review that award in relation to its permanent injunction, to ensure that the latter took into account the former. However, it was improper for the reviewing court to signal its discomfort with a large compensatory damage award by ignoring the plain meaning of the controlling statute and creating a circuit split in the process.

CONCLUSION

This Court should grant certiorari to resolve a straightforward issue that is critical to the proper functioning of the intellectual property system. The Second Circuit’s decision ignores the plain meaning of the Defend Trade Secrets Act and has created a split with all other circuits which have addressed this issue. In effect, the Second Circuit’s ruling rejects Congress’ choice, consistent with this Court’s urging in *Kewanee Oil*, to ensure that misappropriators cannot retain any advantage from their wrongful behavior. AIPLA urges the Court to review the Second Circuit’s decision in order to restore the statutory standard and to ensure uniform application of the DTSA throughout the circuits.

Respectfully submitted,

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