No. ____

IN THE

Supreme Court of the United States

TATA CONSULTANCY SERVICES LIMITED *and* TATA AMERICA INTERNATIONAL CORP. D/B/A TCS AMERICA,
Petitioners,

v.

EPIC SYSTEMS CORPORATION,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

PETITION FOR A WRIT OF CERTIORARI

CHRISTOPHER M. EGLESON
SIDLEY AUSTIN LLP
555 West Fifth Street
Los Angeles, CA 90013
(213) 896-6000

ROBERT N. HOCHMAN*
NEIL H. CONRAD
ANDREW F. RODHEIM
SIDLEY AUSTIN LLP
ONE SOUTH DEARBORN
CHICAGO, IL 60603
(312) 853-7000
rhochman@sidley.com

Counsel for Petitioners

October 10, 2023

* Counsel of Record

QUESTIONS PRESENTED

1. Whether avoided costs are available as unjust enrichment damages where they both do not reflect any actual benefit obtained by the defendant and there is no economic harm to the trade secret holder?

2. Whether a $140 million punitive damages award, on top of a $140 million unjust enrichment damages award, is excessive, where the plaintiff suffered no harm, the defendant did not benefit from the misappropriation, and the unjust enrichment damages award already served a deterrent function?

PARTIES TO THE PROCEEDINGS

Petitioners are Tata America International Corporation and Tata Consultancy Services Limited. Petitioners were defendants/counterclaim-plaintiffs/appellants/cross-appellees in the first Seventh Circuit appeal. They were defendants/appellants in the second Seventh Circuit appeal.

Respondent is Epic Systems Corporation ("Epic"). Respondent was plaintiff/counterclaim-defendant/appellee/cross-appellant in the first Seventh Circuit appeal. Respondent was plaintiff/appellee in the second Seventh Circuit appeal.

CORPORATE DISCLOSURE STATEMENT

Tata America International Corporation is a wholly owned subsidiary of Tata Consultancy Services Limited. A majority of Tata Consultancy Services Limited's shares are held by Tata Sons Private Limited. No publicly traded company owns 10% or more of Tata Consultancy Services Limited's or Tata America International Corporation's stock.

STATEMENT OF RELATED PROCEEDINGS

This case arises from the following proceedings:

- *Epic Systems Corp. v. Tata Consultancy Services Ltd. & Tata America International Corp. d/b/a TCS America*, No. 14-cv-748 (W.D. Wis) (judgment entered October 3, 2017; post-trial motions decided September 29, 2017, March 22, 2019, and July 1, 2022; amended judgment entered July 12, 2022); and
- *Epic Systems Corp. v. Tata Consultancy Services Ltd. & Tata America International Corp. d/b/a TCS America*, Nos. 19-1528 & 19-1613 (7th Cir.) (opinion filed August 20, 2020; amended opinion filed November 19, 2020; final rehearing petition denied November 30, 2020); and
- *Epic Systems Corp. v. Tata Consultancy Services Ltd. & Tata America International Corp. d/b/a TCS America*, No. 22-2420 (7th Cir.) (nonprecedential disposition filed July 14, 2023).

There are no other proceedings directly related to this case within the meaning of Rule 14.1(b)(iii).

TABLE OF CONTENTS

TABLE OF CONTENTS—continued

TABLE OF CONTENTS—continued

Page

TABLE OF CONTENTS—continued

TABLE OF AUTHORITIES

CASES Page

TABLE OF AUTHORITIES—continued

TABLE OF AUTHORITIES—continued

TABLE OF AUTHORITIES—continued

PETITION FOR A WRIT OF CERTIORARI

Petitioners Tata America International Corporation and Tata Consultancy Services Limited (together, "TCS") respectfully petition for a writ of certiorari to review the judgments of the United States Court of Appeals for the Seventh Circuit.

OPINIONS BELOW

The Seventh Circuit's original opinion in the first appeal, Case Nos. 19-1528 & 19-1613, is reported at *Epic Systems Corp. v. Tata Consultancy Services Ltd.*, 971 F.3d 662 (7th Cir. 2020) and reproduced at Pet. App. 8a. The Seventh Circuit's final opinion in the first appeal, as amended upon denial of rehearing en banc, is reported at *Epic Systems Corp. v. Tata Consultancy Services Ltd.*, 980 F.3d 1117 (7th Cir. 2020), and reproduced at Pet. App. 54a.

The Seventh Circuit's nonprecedential disposition in the second appeal, Case No. 22-2420, is reported at *Epic Systems Corp. v. Tata Consultancy Services Ltd.*, No. 22-2420, 2023 WL 4542011 (7th Cir. July 14, 2023), and reproduced at Pet. App. 1a.

The opinions of the district court are reported at:

- Opinion and Order, *Epic Sys. Corp. v. Tata Consultancy Servs. Ltd.*, No. 14-cv-748-wmc, 2019 WL 1320297 (W.D. Wis. Mar. 22, 2019) (R.1022), and reproduced at Pet. App. 124a.[1]

---

[1] Citations to "R.[docket number]" are to the district court docket in *Epic Systems Corp. v. Tata Consultancy Services Ltd.*, No. 14-cv-748-wmc. Trial exhibits are cited as "Ex.[exhibit number]."

- Opinion and Order, *Epic Sys. Corp. v. Tata Consultancy Servs. Ltd.*, No. 14-cv-748-wmc, 2022 WL 2390179 (W.D. Wis. July 1, 2022) (R.1045), and reproduced at Pet. App. 143a.

JURISDICTION

In the first appeal, the Seventh Circuit issued its initial opinion on August 20, 2020 (Pet. App. 8a), issued an order denying Epic's petition for rehearing and rehearing en banc on November 19, 2020 (Pet. App. 153a), issued an amended opinion on November 19, 2020 (Pet. App. 54a), and issued an order denying TCS's petition for rehearing and rehearing en banc on November 30, 2020 (Pet. App. 155a). In the second appeal, the Seventh Circuit issued a nonprecedential disposition on July 14, 2023 (Pet. App. 1a).

"[I]t is settled that [this Court] may consider questions raised on the first appeal, as well as 'those that were before the court of appeals upon the second appeal.'" *Mercer v. Theriot*, 377 U.S. 152, 153-54 (1964) (per curiam) (citation omitted); *see also Major League Baseball Players' Ass'n v. Garvey*, 532 U.S. 504, 508 n.1 (2001) (per curiam). This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The Wisconsin Uniform Trade Secrets Act provides, in relevant part:

> (4) Damages. (a) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of a violation of sub. (2) renders a monetary recovery inequitable, a court may award damages to the complainant for a violation of sub. (2). A court may award damages in addition to, or in lieu of, injunctive relief under

> sub. (3). Damages may include both the actual loss caused by the violation and unjust enrichment caused by the violation that is not taken into account in computing actual loss. Damages may be measured exclusively by the imposition of liability for a reasonable royalty for a violation of sub. (2) if the complainant cannot by any other method of measurement prove an amount of damages which exceeds the reasonable royalty.
>
> (b) If a violation of sub. (2) is willful and malicious, the court may award punitive damages in an amount not exceeding twice any award under par. (a).
>
> (c) If a claim that sub. (2) has been violated is made in bad faith, a motion to terminate an injunction is made or resisted in bad faith, or a violation of sub. (2) is willful and deliberate, the court may award reasonable attorney fees to the prevailing party.

Wis. Stat. § 134.90(4).

INTRODUCTION

This petition raises two questions, each of which warrants this Court's review.

First, there is a clear split of authority as to whether avoided costs may be awarded as a measure of unjust enrichment damages in trade secrets cases when those costs have no rational relationship to any benefit gained by the misappropriator or any harm sustained by the trade secret holder. The Seventh and Third Circuits have affirmed avoided costs awards in such situations. The Second Circuit has expressly disagreed with those courts' analyses, holding that avoided costs cannot be awarded as unjust enrichment damages absent evidence of a corresponding harm to the trade secret holder or corresponding benefit to the misappropriator. The Second Circuit is correct that an unjust enrichment award must reflect either the defendant's gain or the plaintiff's corresponding harm, and the Seventh Circuit erred by allowing a $140 million avoided costs award to stand absent any evidence that the plaintiff was harmed by the defendant's misappropriation[2] or that the defendant derived an economic benefit from the plaintiff's trade secrets, let alone to the tune of $140 million.

Second, the Seventh Circuit gutted federal courts' supervisory authority to review punitive damages awards separate from constitutional due process limitations. This supervisory authority is important; it allows courts to exercise their long-recognized authority to safeguard against excessive, random, or improperly motivated jury verdicts. In the first appeal, one Seventh Circuit panel remanded for exercise of that authority to review the punitive damages award *up to* the Constitutional maximum. The district court and a different Seventh Circuit panel then essentially imposed the constitutional maximum in rote fashion, ignoring the actual nature of TCS's misconduct, the purpose of the $140 million unjust enrichment damages award, and the lack of any harm to Epic or benefit to TCS. The unjust enrichment damages award already serves a deterrent function, and a punitive damages award equal in size to that award is excessive given the circumstances. This Court should take this opportunity

[2] Epic suffered "one economic harm, albeit minor": the "time and resources" Epic sent "investigating the extent to which TCS had accessed Epic's confidential information and trade secrets." Pet. App. 92a-93a. But these investigation costs were not the basis for Epic's calculation of its damages, and are thus irrelevant to the questions presented here.

to authoritatively clarify that federal courts should rein in such freakish and irrational punitive damages awards.

STATEMENT OF THE CASE

A. Factual Background

Epic is a Wisconsin corporation that develops and sells electronic health record (EHR) software applications. Pet. App. 56a-57a. Epic provides its customers access to a web-based platform called "UserWeb," which contains administrative guides, training manuals, software updates, and other resources to help customers implement and use Epic's software. *Id.*

In 2011, Kaiser Permanente ("Kaiser"), the largest managed healthcare organization in the United States, hired TCS to provide testing and support services for the EHR software Kaiser had licensed from Epic. Pet. App. 57a. To facilitate TCS's work, Kaiser and TCS requested that Epic grant TCS access to UserWeb, but Epic refused. *Id.* at 58a. As a result, when TCS needed information or resources related to Epic's software to provide its services to Kaiser, TCS obtained the information and resources through Kaiser. R.891 at 128-36.

Later in 2011, TCS employee Ramesh Gajaram informed a supervisor that he had obtained a UserWeb account at a prior job. Pet. App. 58a. In violation of TCS's internal policies, Gajaram and other employees used Gajaram's account to access material on UserWeb and downloaded thousands of Epic documents for servicing Kaiser. *Id.* at 58a-59a.

In April and May 2014, Phillip Guionnet, the TCS client partner for Kaiser, raised concerns about improper access to UserWeb. R.890 at 52-57. Guionnet said he was "astounded" by a February 2014 demonstration of TCS's own EHR software product, Med Mantra, because the presentation suggested that TCS dramatically improved Med Mantra in a short period of time. *Id.* at 33. Guionnet was "concerned that some of the information from Kaiser had been used to improve Med Mantra," and he believed further investigation confirmed his suspicions. *Id.* at 33, 42-43.

In March 2014, a different TCS employee, Naresh Yallapragada, received information about Epic's software which had been improperly obtained from UserWeb. R.922-14 at 49:17-54:17, 64:11-65:13, 67:23-70:10, 71:9-72:5, 96:5-99:21, 101:4-21. Yallapragada used that information to create a "comparative analysis" document. *See* Pet. App. 168a-178a. That short spreadsheet listed a number of software "modules," noting whether each was available in Med Mantra and Epic's software, and listed Med Mantra's functions and noted whether Epic's software also offered each one. *Id.* at 60a. It is undisputed that the comparative analysis document was prepared in the Spring of 2014—*after* Guionnet saw the supposedly astounding improvement in Med Mantra (R.890 at 29, 44; Pet. App. 157a-159a), and after the 2012-2013 period when TCS was considering whether to introduce Med Mantra to the U.S. market (Trial Exs. 159, 159A, 423; R.901 at 81-82).

B. District Court Proceedings

Epic sued TCS in federal court, asserting trade secret misappropriation, unjust enrichment, and other federal and Wisconsin state-law claims. Pet. App. 60a.

At trial, Epic's account of how TCS used Epic's confidential information, and of Epic's supposed harm, evolved as Epic's theory of corporate misconduct unraveled. Initially, Epic alleged that TCS accessed UserWeb to obtain confidential information that TCS used to improve Med Mantra.[3] Pet. App. 61a, 75a-80a. When the evidence failed to support that theory, Epic abandoned it and instead focused on the comparative analysis document.

The comparative analysis document proved to be the only unauthorized use TCS had made of Epic's trade secret information. Before the damages phase of the trial, Epic conceded that there was no evidence that TCS used any of the information it obtained from UserWeb to develop the Med Mantra functions summarized in the comparative analysis. *See* Br. at 28-32, No. 19-1528, (7th Cir. July 10, 2019), Dkt. 19. TCS never accessed or downloaded Epic's source code, and Med Mantra and Epic's software use different programming languages and address different requirements. R.904 at 121-22; R.895 at 181. Epic received and was able to review the entire development history of Med Mantra, as well as every change made to it after it was commercially deployed in 2009. R.619, ¶¶ 75-78. It found no evidence of changes that it could connect with its trade secrets.

Unable to show that it suffered any harm from TCS's use of the comparative analysis, Epic based its damages claim on the benefit TCS supposedly gained from using Epic's information to prepare the comparative analysis document. Pet. App. 61a-62a. Yet, instead of presenting the jury with evidence of what it cost to develop the *list* of Epic's software features reflected in the comparative analysis document, Epic presented evidence of how much it would have cost TCS to develop the actual *software features* identified in the

[3] At the time, Med Mantra was not offered in the United States and was used predominantly in India. Pet. App. 57a.

spreadsheet (which TCS undisputedly did not do), based on the research and development costs Epic incurred to create the software. *Id.*

Initially, the district court rejected Epic's proffer. R.860. It held that "the complete lack of evidence tying the costs of Epic's research and development efforts to any commensurate benefit to TCS dooms its methodology." *Id.* at 5. The court explained that Epic's damages methodology was based on an unfounded assumption: Epic's expert calculated the research and development costs to Epic "for pieces of software for various modules developed for Epic's use without a single, concrete example as to how it was used in the research and development of a single feature offered (or for that matter not offered) in a competing TCS product." *Id.* at 10. At most, the court observed, Epic had presented evidence that TCS used Epic's information to create the comparative analysis document—but that "single comparative document [] looks more like a marketing piece than a serious effort at software development." *Id.* at 14. The court concluded that Epic was "unable to proffer any evidence that this comparison was ... used in some way to improve [] Med Mantra." *Id* at 9.

Epic then revised its damages model, but only superficially. Epic asserted that TCS's use of Epic information was evidenced by the comparative analysis, and an Epic representative purported to identify which Epic modules were reflected in the comparative analysis. Pet. App. 168a-178a; R.907 at 68. Epic's expert did not attempt to calculate the costs TCS's use of that information allowed it to avoid in creating the comparative analysis document; instead, he calculated the costs *Epic* had invested in *developing each software module* listed on the spreadsheet. R.907 at 4-5. Over TCS's objection, and despite acknowledging that "most of the same problems exist with the [revised] methodology," the district court allowed this model to go to the jury. *Id.* at 5. Epic's expert admitted that his damages figure did not reflect Epic's actual loss and did not reflect an attempt to estimate the *actual* value TCS obtained from its use of Epic's information. *Id.* at 106-07, 120, 123-24.

The jury found TCS liable and awarded Epic nearly $1 billion in damages: $140 million for unjust enrichment based on the claimed avoided cost of TCS's development of the comparative analysis document (not any software product), $100 million for unjust enrichment based on TCS's use of unspecified "'other' confidential information," and $700 million in punitive damages.[4] Pet. App. 63a. The district court also entered a permanent injunction that prohibited TCS from using, possessing, or retaining any Epic trade secret or other confidential information; accessing or attempting to access any non-public Epic servers or web systems (including UserWeb); and allowing any TCS employee or consultant who had access to any of Epic's trade secret or other confidential information to work on the design, development, enhancement, or marketing of any TCS healthcare-related electronic records product. *Id.*

---

[4] The $700 million award followed a closing argument in which Epic highlighted TCS's substantial net worth (R.898 at 113), in a trial that pitted a well-regarded local company, which employs about 9,000 people in the area (R.889 at 6), against a foreign defendant whose foreign-born employees engaged in misconduct. Epic even highlighted during its opening statement that Epic's founder and CEO had lived in Madison, Wisconsin (where the trial took place) for nearly 50 years and had "decided that she's going to donate the vast bulk of her personal wealth to charity." *Id.* at 7-8. As this Court observed in *Honda Motor Co. v. Oberg*, the risk of excessive punitive damages awards is particularly acute where defendants are "big businesses, particularly those without strong local presences." 512 U.S. 415, 432 (1994).

at 118a-123a. TCS diligently ensured compliance with the injunction. The injunction expired after four years without any suggestion that Epic needed an extension. R.1021 at 1.

Following post-trial motions, the district court vacated the $100 million unjust enrichment damages award as unsupported by the evidence and reduced the punitive damages award to $280 million pursuant to a Wisconsin statute capping punitive damages at twice the amount of compensatory damages. Pet. App. 55a. The court rejected TCS's arguments that state law prohibited any punitive damages award given the absence of harm to Epic or that a $280 million punitive damages award was grossly excessive. The court also rejected TCS's challenge to the $140 million unjust enrichment award for use of the comparative analysis document.

C. The First Appeal

TCS appealed, and Epic cross-appealed. TCS challenged the $140 million unjust enrichment award on the basis that Epic suffered no corresponding harm and did not calculate the value of any benefit to TCS. TCS also argued that the punitive damages award was excessive.

The Seventh Circuit affirmed the $140 million award for unjust enrichment stemming from the comparative analysis document and the decision to vacate the $100 million award for "other" confidential information. Pet. App. 65a-74a, 82a-84a. Acknowledging that the $140 million unjust enrichment award was unrelated to any actual harm Epic suffered (*id.* at 88a, 94a), the court held that the jury "had a sufficient basis to reach the $140 million 'comparative analysis' compensatory award," because the jury could have concluded that the comparative analysis "was used to help

TCS evaluate its United States entry strategy and potentially even address key gaps in Med Mantra by improving the product." *Id.* at 73a. The court did not say that TCS used any of Epic's information to develop or improve Med Mantra, nor did it conclude that TCS received $140 million in value from the use it made of Epic's information. Rather, the court approved Epic's avoided costs damages model—rooted in *Epic's* cost of creating the software modules referenced in the information TCS had downloaded—as a permissible way to measure the benefit TCS received from its misconduct, even though it was undisputed that TCS did not actually avoid $140 million in development costs when creating the comparative analysis document. *Id.* at 73a-74a.

As for punitive damages, the Seventh Circuit held that the $280 million award violated due process. Pet. App. 89a-100a. The court concluded that "TCS's conduct, while reprehensible, was not egregious." *Id.* at 98a; *see also id.* at 93a ("TCS's conduct warrants punishment" but "was not reprehensible 'to an extreme degree.'" (citation omitted)). It emphasized that Epic suffered no physical harm, TCS evinced no indifference to or disregard of the safety of others, and Epic is not financially vulnerable. *Id.* at 91a-92a. The court also reasoned that "*if* Epic suffered quantifiable economic harm, that harm is *significantly smaller* than $140 million." *Id.* at 94a (emphasis added). The court further observed that Epic's compensatory damages are "substantial" and that "[w]hen compensatory damages are substantial, then a lesser ratio, perhaps only equal to compensatory damages, can reach the outermost limit of the due process guarantee." *Id.* at 96a (quoting *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 425 (2003)).

Considering the *Gore* guideposts together, the court held that "[t]he facts and circumstances of this case do not justify awarding $280 million in punitive damages." Pet. App. 97a. The court set aside the award of $280 million in punitive damages and remanded for the district court to "reduce punitive damages to, *at most*, $140 million," recognizing that the district court could reduce the award even further based on a fresh assessment of the record. *Id.* at 100a (emphasis added).

D. The District Court's Opinion on Remand and the Second Appeal

On remand, the district court set punitive damages at $140 million. Disregarding that the $140 million "compensatory" damages award did not in fact compensate Epic for any harm, and without any discussion of what benefit, if any, TCS gained, the court reasoned that "without a meaningful punitive damages award relative to the massive gain [TCS] almost got away with, the message in this case is that the risk/reward calculation favors continuing that conduct," and held there was "no principled basis to reduce the jury's original punitive damages award below the 1:1 ratio recognized as constitutionally sound by the Seventh Circuit." Pet. App. 148a-149a.

In an unpublished nonprecedential disposition, a different panel of the Seventh Circuit affirmed. The court acknowledged that "the Constitution is not the most relevant limit to a federal court when assessing punitive damages, as it comes into play 'only after the assessment has been tested against statutory and common-law principles.'" Pet. App. 5a (quoting *Saccameno v. U.S. Bank Nat'l Ass'n*, 943 F.3d 1071, 1086 (7th Cir. 2009)). The court held it was "satisfied that the district court thoroughly assessed the relevant principles on remand and concluded that the award was sensible and justified." *Id.* Specifically, the court emphasized the "repeated and brazen" nature of TCS's conduct, that "the punitive damages were proportional to the compensatory damages," and that "TCS is one of the largest companies in the world." *Id.* at 6a-7a. But the court did not consider the fact that TCS's conduct did not cause Epic any harm, and the "compensatory" damages award was based on a supposed benefit to TCS, not a loss sustained by Epic. *See id.* at 94a. Nor did the court recognize the undisputed fact that the unjust enrichment award already served a deterrent purpose.

REASONS FOR GRANTING THE PETITION

I. THIS COURT SHOULD CLARIFY WHETHER AVOIDED COSTS CAN BE AWARDED AS UNJUST ENRICHMENT DAMAGES IN TRADE SECRETS CASES WHERE THOSE COSTS BEAR NO RELATIONSHIP TO EITHER THE TRADE SECRET HOLDER'S HARM OR THE MISAPPROPRIATOR'S GAIN.

A. The Decision Below Conflicts Directly With The Second Circuit's Approach To Avoided Cost Awards In Trade Secrets Cases.

The Circuits are split as to whether avoided costs are available as unjust enrichment damages in trade secrets misappropriation cases, where those damages bear no relationship to any benefit gained by the misappropriator nor any harm suffered by the trade secret holder. The Seventh and Third Circuits have held that avoided costs are available whenever there is misappropriation, untethered to any harm the trade secret holder incurred or benefit the misappropriator gained, so long as there was a *potential* for harm or benefit.

Pet. App. 69a-74a; *PPG Indus. Inc. v. Jiangsu Tie Mao Glass Co. Ltd.*, 47 F.4th 156, 161-63 (3d Cir. 2022). The Second Circuit, by contrast, has held that avoided costs are unavailable where the avoided costs have no relation to the defendant's gain, and the plaintiff cannot show that it suffered compensable harm. *Syntel Sterling Best Shores Mauritius Ltd. v. The TriZetto Grp., Inc.*, 68 F.4th 792, 811-14 & nn.40-42 (2d Cir. 2023), *petition for cert. filed*, No. 23-306 (U.S. Sept. 26, 2023).[5]

Here, the Seventh Circuit did not care that TCS's misappropriation of Epic's trade secrets had no impact on their value to Epic (TCS did not use Epic's trade secrets or other confidential information to develop or improve Med Mantra or any other product), or that TCS was subject to an injunction prohibiting it from using, possessing, or retaining any of Epic's trade secrets or confidential information. Instead, it held it was enough for a jury to infer that TCS used Epic's information to "*potentially* [] address key gaps in Med Mantra by improving the product," "*attempt[]* to sell Med Mantra to Kaiser, one of Epic's largest customers," and "*attempt[]* to enter the United States market and compete directly with Epic." Pet. App. 71a, 73a (emphases added). In other words, "a jury could conclude that TCS had a free shot—using stolen information—to determine whether it would be profitable

[5] The Fifth and Eleventh Circuits have also analyzed avoided costs unjust enrichment damages awards in trade secrets cases, but, as the Second Circuit explained in *Syntel*, those courts have not considered the validity of an avoided costs theory where the defendant incurred no corresponding benefit from the misappropriation and the plaintiff incurred no harm. 68 F.4th at 812; *accord GlobeRanger Corp. v. Software AG U.S. of Am., Inc.*, 836 F.3d 477, 499 (5th Cir. 2016) (defendant "used the [plaintiff's trade secrets] in developing its own product"); *Salsbury Labs., Inc. v. Merieux Labs., Inc.*, 908 F.2d 706, 712-15 (11th Cir. 1990) (same).

to improve Med Mantra and implement a variety of tactics to enter the United States electronic-health-record market." *Id.* at 72a. Never mind that there was no evidence that TCS *actually* used Epic's trade secrets to improve Med Mantra, *actually* sold Med Mantra to Kaiser (or any other Epic customer), or *actually* entered the United States market. According to the Seventh Circuit, "a jury could determine that a reasonable valuation of this benefit is the cost TCS avoided by not having to develop this information itself." *Id.* And "the jury could value that benefit—avoided research and development costs—at $140 million," with the "costs Epic incurred in developing" the software modules that were listed on the comparative analysis document serving as a "proxy for the benefit TCS received." *Id.* at 62a, 72a.

The Third Circuit similarly held that it is permissible to calculate unjust enrichment damages by "the costs [the defendant] would have incurred to develop its own version of the [technology] without guidance from the ... misappropriated trade secrets," even though it was undisputed that the defendant "obtained no commercial benefit from any use of [plaintiff's] trade secrets" and did not sell products containing the misappropriated technology or cause any other harm to the plaintiff. *PPG Indus.*, 47 F.4th at 161. The Third Circuit held that it was enough that the defendant "was able to skip the R&D process completely and begin *preparing* for production without developing anything like the [plaintiff's] technology on its own." *Id.* at 162 (emphasis added). Like the Seventh Circuit, the Third Circuit allowed the "[t]he costs [the] plaintiff spent in development" to serve as a "proxy for the costs that the defendant saved." *Id.* at 163 (quoting *GlobeRanger Corp. v. Software AG U.S., Inc.*, 836 F.3d 477, 499 (5th Cir. 2016)). And also like in this case, it did not matter that the district court issued an injunction prohibiting the defendant from using the plaintiff's trade secrets. *Id.*

The Second Circuit has taken an irreconcilably alternative view. The Second Circuit expressly "disagree[d]" with and "decline[d] to follow the reasoning" of the Third and Seventh Circuits, because those courts "affirmed avoided costs awards based solely on the defendant's cost savings, despite no corresponding harm to the trade secret holder" or corresponding benefit to the misappropriator, and "endorse[d] a view that avoided costs are available as compensatory damages under the [trade secrets acts] *whenever* there is misappropriation of any trade secret relating to an owner's product."[6] *Syntel*, 68 F.4th at 813-14 & n.42.

Specifically, in *Syntel*, the trade secret holder (like Epic) sought to recover unjust enrichment damages in the form of avoided research and development costs resulting from the misappropriation of its trade secrets. *Id.* at 798. The trade secret holder's expert, like Epic's expert, calculated those costs by determining the representative subset of the trade secret holder's costs when initially developing the trade secret. *Id.*[7] The jury awarded—and the district court affirmed—a $284 million avoided costs unjust enrichment award, even though there was "no dispute" that Syntel only benefited by $823,899 from the misappropriation. *Id.* at 799, 811.

---

[6] The New York Court of Appeals has rejected avoided costs as damages in trade secrets misappropriation cases outright. *E.J. Brooks Co. v. Cambridge Sec. Seals*, 105 N.E.3d 301, 311 (N.Y. 2018).

[7] TriZetto, the trade secret holder in the *Syntel* case, used the same expert as Epic.

The Second Circuit agreed that "[i]n some instances, unjust enrichment can include 'avoided costs'—*i.e.*, the costs a trade secret holder had to spend in research and development that a trade secret misappropriator saves by avoiding development of its own trade secret." *Id.* at 809. But unlike the Seventh and Third Circuits, the Second Circuit emphasized that "the amount of avoided costs damages recoverable" must be tethered to either the plaintiff's pecuniary harm caused by the misappropriation or the defendant's pecuniary gain resulting from the misappropriation. *Id.* at 810, 813-14. Otherwise, the court explained, an avoided costs award "risks producing an unjust windfall for trade secret holders." *Id.* at 810. Under such a rule, "avoided costs would be available as unjust enrichment damages in any case of misappropriation," no matter what. *Id.* at 811. That view "would permit avoided costs awards that are more punitive than compensatory." *Id.*

Accordingly, the Second Circuit held that the trade secret holder could not recover compensatory damages in the form of avoided costs for the misappropriation. The misappropriator did not unjustly benefit from the misappropriation other than $823,899 in increased profits, which was already part of a separate damages calculation for actual loss and had "no correlation" to the $284 million avoided-costs award. *Id.* at 813-14. And the trade secret holder "suffered no compensable harm" because the misappropriator "never developed or sold a competing … product using [the] trade secrets" and a permanent injunction ended the use of the trade secrets—so the "misappropriation did not diminish, much less destroy, the secrets' continued commercial value" to the trade secret holder." *Id.* at 811-12.

B. This Case Is An Appropriate Vehicle For The Court To Resolve This Split, And This Issue Is Important.

This case presents an ideal opportunity for this Court to resolve this important issue and introduce much-needed uniformity regarding unjust enrichment damages in trade secrets misappropriation cases. Trade secret damages awards have, in recent years, become occasions for extravagant awards that reflect a roulette-type approach to litigation rather than an appropriate effort to compensate victims of misappropriation for their harms or to disgorge misappropriators of any benefits. *See, e.g.*, *Pegasystems Inc. v. Appian Corp.*, No. 2020-07216 (Va. Cir. Ct. Fairfax Cnty.) (over $2 billion jury award); *Epic Sys. Corp. v. Tata Consultancy Servs. Ltd.*, No. 14-cv-748 (W.D. Wis.) ($940 million); *E.I. DuPont De Nemours & Co. v. Kolon Indus., Inc.*, No. 09-cv-58 (E.D. Va.) (over $919 million); *Syntel Sterling Best Shores Mauritius Ltd. v. The TriZetto Grp., Inc.*, No. 15-cv-211 (S.D.N.Y.) (over $850 million); *Resman, LLC v. Karya Prop. Mgmt., LLC*, No. 19-cv-402 (E.D. Tex.) ($152 million).

It is true that in this case a federal court applied the Wisconsin Uniform Trade Secrets Act, Wis. Stat. § 134.90(4)(a), while the Second Circuit applied the federal Defend Trade Secrets Act, 18 U.S.C. § 1836(b)(3)(B)(i), and the Third Circuit applied the Pennsylvania Uniform Trade Secrets Act, 12 Pa. Cons. Stat. Ann. § 5304(a). But that is no reason for this Court to decline to review this case. As the Second Circuit recognized, federal and state trade secrets acts derive, in relevant part, from the UTSA. The DTSA "directly incorporates certain provisions from the UTSA," including the "compensatory damages provision" at issue here, which is "'drawn directly' from § 3 of the UTSA." *Syntel*, 68 F.4th at 808 (quoting H.R. Rep No.

114-529, at 13 (2016)).[8] Indeed, each of the DTSA, Wisconsin UTSA, and Pennsylvania UTSA state that compensatory damages could include unjust enrichment caused by the misappropriation. *See id.* at 812 n.40, 813 n.42 (citing the statutes). Accordingly, "cases examining state enactment of the UTSA's compensatory damages provision[s] ... analyze identical language found in the DTSA." *Id.* at 808. That is, the legal standard is designed to be and should be uniform, which is precisely why the Second Circuit acknowledged that it was deviating from the approach taken by the Third and Seventh Circuits even though those courts were applying the Wisconsin and Pennsylvania UTSA. *See id.* at 808 n.25, 812 n.40. A ruling from this Court on the appropriate measure of unjust enrichment damages in trade secrets cases would therefore have national implications. Indeed, this Court's view would inform the law for both federal DTSA cases and cases involving any version of the UTSA (adopted by 48 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, *id.* at 807).

Resolution of this issue is also important. If the Seventh and Third Circuit's view is permitted to stand, trade secret plaintiffs (like Epic) will continue to receive large windfalls in the form of unjust enrichment damages even though the defendant did not actually benefit and the plaintiff did not suffer any harm. The

---

[8] *See also, e.g.*, *Ahern Rentals, Inc. v. EquipmentShare.com, Inc.*, 59 F.4th 948, 955 (8th Cir. 2023) (DTSA and Missouri UTSA are "essentially identical"); *Olaplex, Inc. v. L'Oreal USA, Inc.*, 855 F. App'x 701, 705 n.2 (Fed. Cir. 2021) (treating the Delaware UTSA and DTSA the same); *Compulife Software Inc. v. Newman*, 959 F.3d 1288, 1311 n.13 (11th Cir. 2020) (same for Florida); *InteliClear, LLC v. ETC Glob. Holdings, Inc.*, 978 F.3d 653, 657 (9th Cir. 2020) (same for California).

prospect of extravagant awards both distorts settlement incentives and encourages the filing of longshot, wasteful litigation that clog court dockets. And, as discussed more fully below, extravagant "compensatory" awards badly distort how limitations on punitive damages function. Allowing what are effectively punitive awards to be smuggled into "compensatory" damages calculations has a hidden multiplier effect on punitive damages that itself raises serious concerns.

Finally, due to the long pendency of this dispute and multiple appeals, TCS paid the "compensatory" unjust enrichment award after the first appeal (plus interest and costs), and therefore satisfied that portion of the judgment. But that is no bar to this Court's review. "There can be no question that a [party] against whom a judgment for money is recovered, may pay that judgment, and bring a writ of error to reverse it, and if reversed can recover back [its] money.... [T]he defendant has merely submitted to perform the judgment of the court, and has not thereby lost [its] right to seek a reversal of that judgment by writ of error or appeal." *Dakota Cnty. v. Glidden*, 113 U.S. 222, 224 (1885); *see also Mancusi v. Stubbs*, 408 U.S. 204, 217 (1972) (Marshall, J., dissenting). To recover the damages already paid TCS can seek restitution. *Dakota Cnty.*, 113 U.S. at 224; *see* Restatement (Third) of Restitution § 18 (Am. L. Inst. 2011). Further, the fact that the punitive damages award in this case is tethered to the "compensatory" award means that the propriety of that "compensatory" award remains a live issue for the purpose of determining the appropriate measure of punitive damages, which remain unpaid.

C. The Decision Below Is Wrong.

The Seventh Circuit's rule is wrong. Where, as here, the trade secret holder incurred no harm from the plaintiff's misappropriation, and the misappropriator garnered no gain corresponding to its supposed avoided costs, it is improper to award compensatory damages based on such "avoided costs."

There could be a case where avoided research and development costs are appropriate as a compensatory damages award because they represent the defendant's unjust enrichment. *See Syntel*, 68 F.4th at 812. For example, a defendant might "use[] the secret in developing its own competing product." *Id.* Or "the defendant's misappropriation [might] destroy[] the secret's value for its original owner." *Id.* Moreover, a plaintiff can, theoretically, offer its research and development costs as a "proxy" for measuring the defendant's benefits, if such costs are in fact a reasonable proxy for measuring the defendant's actual benefit, which depends on *how* the defendant used the plaintiff's information. *See GlobeRanger*, 836 F.3d at 499; *Univ. Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 540 (5th Cir. 1974) ("the measure [of damages] should correspond to the nature of the use"); *accord* Restatement (Third) of Unfair Competition § 40, cmt. c (Am. L. Inst. 1995).

As in *Syntel*, however, that is not what happened here. The Seventh Circuit affirmed an award that allowed a defendant to recover its own research and development costs as a proxy for the misappropriator's avoided costs so long as information about those trade secrets was used by the misappropriator *in any way*, no matter how unconnected the benefit of the actual use of the trade secret was from the costs of developing the trade secret. The court held that "[t]he jury could conclude ... that TCS used Epic's stolen confidential information, including trade secrets, to create the comparative analysis," and that TCS used that comparative analysis to gain a "'head start' in competition and development." Pet. App. 71a. It reasoned that a jury could find that TCS benefited from this "head start" in the form of avoided costs—the cost *to Epic* in developing its trade secrets in the first instance, which Epic's expert calculated at $140 million. *Id.* at 71a-72a.

Although it is true that TCS used Epic's trade secrets "to create the comparative analysis," even the Seventh Circuit held that a jury could infer that TCS used Epic's confidential information only to *attempt* to improve Med Mantra, *potentially* address gaps in Med Mantra, *attempt* to sell Med Mantra to Kaiser, and *evaluate* whether to sell Med Mantra in the United States. Pet. App. 71a-73a. But this Court long ago held that when a plaintiff seeks a remedy based on a benefit the defendant received, the defendant is "liable for actual, not for possible, gains. The profits, therefore, which he must account for, are not those which he might reasonably have made, but those which he did make, by the use of the plaintiff's invention." *Tilgham v. Proctor*, 125 U.S. 136, 146 (1888).

The Seventh Circuit failed to grapple with the lack of *any evidence* that TCS *actually* used Epic's trade secrets, including the "comparative analysis," to develop or improve Med Mantra (or any other software) to compete with UserWeb (or any other Epic software). *There is no evidence* that TCS gained a $140 million "head start" in improving Med Mantra, developing new software, or doing anything else. The comparative analysis document was just a list of features; TCS did not take, develop, or improve any software modules. Since TCS's use of Epic's information did not save it software development costs, Epic's costs of developing its software is not a proxy for the benefit TCS derived.

As in *Syntel*, then, the "avoided costs [] have no correlation to [the plaintiff's] gain at [the trade secret holder's] expense," and there is "no corresponding harm to the trade secret holder." *See* 68 F.4th at 813-

14 & n.42. TCS "never developed or sold a competing software product using [Epic's] trade secrets," and TCS's misappropriation neither "diminished the value of, or publicly disclosed [Epic's] trade secrets." *See id.* at 812. Nothing in the record suggests that TCS's creation of the comparative analysis was worth or would cost $140 million, or that the cost of compiling a list of software features bears any relationship to the cost of actually developing software. So to allow Epic to recover, as avoided research and development costs, the amount *Epic* spent in research and development—even though Epic suffered *no harm* and TCS gained *no benefit*—"would entitle [Epic] to a windfall." *See id.* at 814.

D. At Minimum, The Court Should Hold The Petition Pending Resolution Of The Petition For Certiorari Filed In *TriZetto Group, Inc. v. Syntel Sterling Best Shores Mauritius Ltd.*, No. 23-306.

On September 22, 2023, TriZetto filed a petition for a writ of certiorari in *Syntel*, which similarly asks this Court to address when avoided costs are an appropriate unjust enrichment remedy in trade secrets cases.[9] The petition argues that the Court should grant review to resolve a split between the Second Circuit on the one hand and the Seventh Circuit (and other Circuits) on the other, recognizing that the DTSA incorporates the UTSA's damages provisions. Because this Petition and TriZetto's petition present similar questions, if the

[9] The petition in *Syntel* criticizes the Second Circuit for focusing its analysis on the harm to TriZetto. But as the Second Circuit made clear, the unjust enrichment award in that case was problematic because it both did not compensate for any harm to TriZetto *and* did not reflect the gain to Syntel. *See Syntel*, 68 F.4th at 813-14 (noting that the "avoided costs [had] no correlation to Syntel's gain at TriZetto's expense").

Court grants review in *Syntel*, it should hold this Petition. Or alternatively, the Court can grant this Petition and hold the petition in *Syntel*.

II. THIS COURT SHOULD GRANT CERTIORARI TO REAFFIRM THE IMPORTANCE OF FEDERAL COURTS' SUPERVISORY AUTHORITY TO REVIEW PUNITIVE DAMAGES AWARDS FOR EXCESSIVENESS.

A. Federal Courts Have Supervisory Judicial Authority To Reduce Excessive Punitive Damages Awards.

"Judicial review of the size of punitive damages awards has been a safeguard against excessive verdicts for as long as punitive damages have been awarded." *Honda Motor Co. v. Oberg*, 512 U.S. 415, 421 (1994); *see also Exxon Shipping Co. v. Baker*, 554 U.S. 471, 502 (2008) (discussing courts' "responsibility" to review punitive damages awards "because of the implication of unfairness that an eccentrically high punitive verdict carries in a system whose commonly held notion of law rests on a sense of fairness in dealing with one another"). Courts' supervisory authority in this regard, independent of any constitutional constraint on punitive damages, is long-standing, dating back to both "[c]ommon-law courts in the United States" as well as "their English predecessors." *Honda Motor Co.*, 512 U.S. at 424. As Justice Story held, sitting as Circuit Justice, "if it should clearly appear that the jury have committed a gross error, or have acted from improper motives, or have given damages excessive in relation to the person or the injury, it is as much the duty of the court to interfere, to prevent the wrong, as in any other case." *Id.* (quoting *Blunt v. Little*, 3 F. Cas. 760, 761-62 (No. 1,578) (CC Mass. 1822)).

"Modern practice," too, "is consistent with these earlier authorities." *Id.* at 426 (citing cases). Courts of appeals recognize federal courts' "supervisory authority" to review and rein in punitive damages awards—separate from constitutional concerns. *Turley v. ISG Lackawanna, Inc.*, 774 F.3d 140, 164 (2d Cir. 2014); *see also, e.g.*, *Payne v. Jones*, 711 F.3d 85, 97 (2d Cir. 2013) ("A federal appellate court is not required to find that the jury's award was so excessive as to violate due process ... in order to justify setting the award aside."); *Lust v. Sealy, Inc.*, 383 F.3d 580, 590 (7th Cir. 2004) ("Long before anyone thought the Constitution placed a limit on damages, damages awards were being set aside as excessive."); *Wright v. Sheppard*, 919 F.2d 665, 672 (11th Cir. 1990) ("The power of trial judges to order remittiturs where awards of punitives are considered excessive is unquestionable."); *Rowlett v. Anheuser-Busch, Inc.*, 832 F.2d 194, 206 (1st Cir. 1987), *abrogated on other grounds*, *Iacobucci v. Boulter*, 193 F.3d 14 (1st Cir. 1999); *Guzman v. W. State Bank of Devils Lake*, 540 F.2d 948, 954 (8th Cir. 1976).

In exercising this supervisory authority, federal courts must insist that a punitive damages award serves a deterrent function, and if it does not, reduce the award. *See Exxon Shipping Co.*, 554 U.S. at 504 ("[P]unitive damages advance the interests of punishment and deterrence ...." (citation omitted)); *Turley*, 774 F.3d at 147 ("A jury's assessment of damages based on intangibles such as ... the need for punishment injects an additional element of the immeasurable and subjective into the proceedings, which trial and appellate courts are expected to oversee with care."); *Perez v. Z Frank Oldsmobile, Inc.*, 223 F.3d 617, 625 (7th Cir. 2000) ("Federal judges may, and should, insist that the award be sensible and justified by a sound theory of deterrence."). Relevant to this deterrent purpose are fact-specific circumstances—most notably, the nature of the defendant's wrongful conduct and the injury to the plaintiff. *See, e.g.*, *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 575-77 (1996) (the most important factor in assessing punitive damages is the "reprehensibility of the defendant's conduct," which rests in large part on the existence and nature of the harm caused by the conduct); *Saccameno*, 943 F.3d at 1089 ("it is [the defendant's] conduct and [resulting] harm [that] we must assess against the amount awarded"); *Imagineering, Inc. v. Van Klassens, Inc.*, 53 F.3d 1260, 1266 (Fed Cir. 1995) ("The reviewing court must 'keep a verdict for punitive damages within reasonable bounds considering the purpose to be achieved as well as the mala fides of the defendant in the particular case.'" (citation omitted)).[10]

The federal courts' exercise of this authority serves an important purpose. "Random and freakish punitive awards have no place in federal court, and intellectual discipline should be maintained." *Perez*, 223 F.3d at 625; *see also Exxon Shipping Co.*, 554 U.S. at 502 ("Whatever may be the constitutional significance of the unpredictability of high punitive awards, this feature of happenstance is in tension with the function of the awards as punitive, just because of the implication of unfairness that an eccentrically high punitive verdict carries in a system whose commonly held notion

[10] This is equally true where, as here, the federal court, sitting in diversity, must evaluate a punitive damages award issued on a state-law claim. *See, e.g.*, *DeRance, Inc. v. PaineWebber Inc.*, 872 F.2d 1312, 1328 (7th Cir. 1989) ("Under Wisconsin law, any punitive award which is more than is necessary to punish or deter 'or which inflicts a penalty ... disproportionate to the wrongdoing is excessive ....'" (quoting *Fahrenberg v. Tengel*, 291 N.W.2d 516, 527 (Wis. 1980))).

of law rests on a sense of fairness in dealing with one another."); *Imagineering, Inc.*, 53 F.3d at 1266 (courts "must inquire to ensure that the punitive damages do not exceed that amount reasonably necessary to secure the purposes of such awards, and thus to become in part a windfall to the individual litigant." (quotation marks omitted)).

Even when a punitive damages award complies with due process, federal courts still must not rubber stamp the award. Yet that is exactly the approach that both the district court and Seventh Circuit took below.

B. The Seventh Circuit Gutted Supervisory Court Review Of Punitive Damages Awards.

The Seventh Circuit *recognized* its supervisory authority to assess the district court's punitive damages award. Pet. App. 5a, 89a, 99a-100a. The court also recognized, as a general matter, that any award must be based on "the facts and circumstances of the defendant's conduct and the harm to the plaintiff." *Id.* at 97a (quoting *State Farm*, 538 U.S. at 425).

Yet, the Seventh Circuit failed to *exercise* its supervisory authority, instead reflexively affirming a $140 million punitive damages award simply because TCS's conduct was, in the district court's view, "brazen." Pet. App. 7a. The court gave no thought to whether a $140 million punitive damages award was needed to serve a deterrent purpose (other than to conclusorily suggest that because TCS is a large company, "only a significant punishment would have a deterrent effect," *id.* at 6a). The court did not consider the nature of TCS's misconduct, the purpose behind the $140 million compensatory damages award, or the harm—more pointedly, the lack thereof—suffered by Epic. And the Court did not consider that the $140 million punitive damages award is one-of-its-kind and an extreme outlier among trade secrets cases and other cases involving only economic harm.

The nature of the underlying "compensatory" damages award here shines a spotlight on the need for courts to diligently review punitive damages awards for excessiveness. The Seventh Circuit determined that a $140 million punitive damages award would comply with the limits imposed by the Constitution because it reflected a 1-to-1 ratio with the jury's compensatory damages award. Pet. App. 99a-100a. That ratio informed the constitutionally permissible limit and is not at issue in this Petition. But the Seventh Circuit (and district court) inquiry should not have stopped there. Within that limit, the appropriate level of punitive damages depends not on any numerical relationship but on the nature and consequences of the conduct being punished. So the Seventh Circuit should have exercised its supervisory authority and reduced the $140 million punitive damages award as excessive—and "[r]andom and freakish," *see Perez*, 223 F.3d at 625—based on the nature of the compensatory damages award and the lack of any harm to Epic.

The flaws in the compensatory damages award are discussed in Section I, *supra*. But even assuming that damages award was proper, it cannot support a $140 million punitive damages award. It is undisputed that Epic did not suffer anywhere near $140 million in losses. Pet. App. 45a, 48a, 50a n.5. It is also undisputed that TCS did not gain $140 million in benefit; rather, the compensatory damages award consisted solely of unjust enrichment, measured by the costs TCS supposedly avoided by improperly accessing Epic's confidential information. *See supra* at 7-9.

As Epic has readily admitted, "compensatory" damages of this kind already serve a "deterrent function."

R.926 at 15 (quoting *Russo v. Ballard Med. Prods.*, 550 F.3d 1004, 1021 (10th Cir. 2008) (Gorsuch, J.)). Indeed, since Epic suffered no harm, and TCS gained no benefit from its use of the misappropriated information, deterrence was the *only* possible function of the compensatory damages award. The whole theory of that award was to strip TCS of even potential benefit and to deter future misconduct. So awarding $140 million in punitive damages *on top of* $140 million in compensatory damages creates the precise windfall to Epic that the court was tasked, in its supervisory authority, with preventing. *See DeRance, Inc. v. PaineWebber Inc.*, 872 F.2d 1312, 1328 (7th Cir. 1989) ("concern for avoiding a windfall for a plaintiff becomes paramount where plaintiffs have been awarded substantial compensatory damages" (cleaned up)); *Alrich v. Thomson McKinnon Secs., Inc.*, 756 F.2d 243, 249 (2d Cir. 1985) (punitive damages "should not be permitted to go beyond that amount reasonably necessary to secure the purposes of such awards, and thus to become in part a windfall to the individual litigant"). The Supreme Court of Utah recognized the same point in this context, declining to award *any* punitive damages in a trade secrets misappropriation case and concluding that a $90 million unjust enrichment "compensatory" damages award was "sufficient to satisfy the policy" motivating punitive damages awards: "deterrence of future misappropriation." *USA Power, LLC v. PacifiCorp.*, 372 P.3d 629, 661 (Utah 2016).

Other courts, too, have recognized that a holistic inquiry is the appropriate way to examine the excessiveness of punitive damages. In *Inter Medical Supplies, Ltd. v. EBI Medical Systems, Inc.*, 181 F.3d 446 (3d Cir. 1999), for example, the jury awarded $48 million in compensatory damages and over $100 million in punitive damages. *Id.* at 453. The district court reduced the punitive damages award to $50 million, and the Third Circuit held that even the $50 punitive damages award was excessive, notwithstanding that the defendant acted with "actual malice," its misconduct "involved acts of deception," and the defendant continued its actions "over an extended period of time." *Id.* at 467-68. The court focused on factors that apply with equal or greater force here: the jury awarded "large compensatory damages"; "the harm inflicted on [the plaintiff] was economic, rather than physical"; and the plaintiff was not "a financially weak or vulnerable target." *Id.* Taking these factors into account, the Third Circuit concluded that the punitive damages award "reasonably necessary to punish and deter" was $1 million—just 2% of the jury's compensatory damages award. *Id.* at 469-70.

As another similar example, in *Adidas America, Inc. v. Payless Shoesource, Inc.*, No. CV 01-1655-KI, 2008 WL 4279812 (D. Or. Sept. 12, 2008), the court held that the jury's punitive damages award in a trademark and trade dress infringement case was "grossly excessive." *Id.* at *13-16. The court relied on similar factors as the Third Circuit did in *Inter Medical Supplies*, again, factors that the Seventh Circuit here ignored: the compensatory damages award was "substantial"; the harm was "entirely economic"; and there was "no evidence that [the plaintiff] had financial vulnerability or that it suffered financial problems because of the infringement." *Id.* at *15. More specifically, the plaintiff did not "los[e] any sales because of the infringement" and "suffered no economic harm that jeopardized its business in any way." *Id.* at *15-16. Likewise here, Epic faced no new competition, lost no business, and lost none of the benefits of its own development efforts.

Moreover, TCS is not requesting extraordinary or unusual relief. On the contrary, this case is an extreme outlier. Epic has never cited a single analogous case — *i.e.*, a case involving no actual or threatened physical harm, only minor economic harm at most, a plaintiff that is not financially vulnerable, and a substantial compensatory damages award that already performs a deterrent function—as a possible anchor for the award it seeks. And indeed, juries and courts routinely award and affirm *lower* punitive damages awards in cases with *more egregious* facts—cases where there has been actual use of misappropriated information causing actual harm. *See, e.g.*, *Hallmark Cards, Inc. v. Monitor Clipper Partners, LLC*, 758 F.3d 1051, 1054, 1059 (8th Cir. 2014) ($21.3 million, representing plaintiff's actual harm, in compensatory damages but only $10 million in punitive damages); *Synergetics, Inc. v. Hurst*, 477 F.3d 949, 954, 960 (8th Cir. 2007) (where defendants misappropriated the plaintiff's trade secrets, causing actual harm in the form of "lost profits from sales, price erosion, and out-of-pocket expenses," awarding the plaintiff about $1.75 million in compensatory damages and about $600,000 in punitive damages); *Lucini Italia Co. v. Grappolini*, No. 01-c-6405, 2003 WL 1989605, at *19, *23 (N.D. Ill. Apr. 28, 2003) (awarding $5 million in compensatory damages but only $1 million in punitive damages where defendant's misappropriation had caused the plaintiff to lose profits).[11]

---

[11] *See also, e.g.*, *Epcon Grp., Inc. v. Danburry Farms, Inc.*, 28 F. App'x 127, 129 (3d Cir. 2002); *Sperry Rand Corp. v. A-T-O, Inc.*, 447 F.2d 1387, 1395 (4th Cir. 1971); *Renaissance Search Partners v. Renaissance Ltd. LLC*, No. 12-cv-5638, 2014 WL 4928945, at *6 (S.D.N.Y. Oct. 1, 2014); *Gragg v. Int'l Mgmt. Grp. (UK), Inc.*, No. 5:03-CV-904, 2009 WL 1140490, at *7 (N.D.N.Y. Apr. 24, 2009); *Eng'g Res., Inc. v. CRS Steam, Inc.*, No. 94-c-6970, 1997 WL 232778, at *1, *5 (N.D. Ill. May 1, 1997), *aff'd*, 142 F.3d 439 (7th Cir. 1998).

TCS raised these concerns below. The Seventh Circuit, however, sidestepped them completely, holding that TCS "waived any argument that the compensatory award is the incorrect denominator in the ratio analysis." Pet. App. 6a. But TCS did not argue at the district court or Seventh Circuit—and is not arguing here—that any court mishandled the "ratio analysis." Rather, the Seventh Circuit failed to exercise its supervisory authority to remit excessive punitive damages awards by improperly tethering itself to a one-to-one ratio, without considering the nature of the specific compensatory damages award, including whether it already served a deterrent function. This Court should clarify that courts can and should reduce punitive damages awards—even below the compensatory damages amount, and even below the outer bounds of a constitutional punitive damages award— if doing so is necessary to adhere to the deterrent purpose of punitive damages. *See, e.g.*, *Wellogix, Inc. v. Accenture, LLP*, 823 F. Supp. 2d 555, 574 (S.D. Tex. 2011) (reducing punitive damages award below constitutional upper-bound, and to an amount less than compensatory damages, because original punitive damages award "appear[ed] contrary to right reason"), *aff'd*, 716 F.3d 867 (5th Cir. 2013).

This case accordingly provides a compelling vehicle for this Court to clarify the contours of its punitive damages jurisprudence and to address federal courts' supervisory authority—separate from constitutional constraints—to evaluate punitive damages awards. It further provides an ideal opportunity for the Court to reiterate that due process imposes only a ceiling on punitive damages awards, and federal courts can and should reduce awards below that ceiling, especially where a large compensatory damages award already serves a deterrent function, the defendant gained little, if any, benefit, and the plaintiff suffered no harm.

CONCLUSION

For the foregoing reasons, the petition should be granted.

Respectfully submitted,

CHRISTOPHER M. EGLESON
SIDLEY AUSTIN LLP
555 West Fifth Street
Los Angeles, CA 90013
(213) 896-6000

ROBERT N. HOCHMAN*
NEIL H. CONRAD
ANDREW F. RODHEIM
SIDLEY AUSTIN LLP
ONE SOUTH DEARBORN
CHICAGO, IL 60603
(312) 853-7000

Counsel for Petitioners

October 10, 2023 * Counsel of Record