SYNTEL V. TRIZETTO: *BALANCING COMPENSATION AND DETERRENCE IN TRADE SECRET REMEDIES*

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I. INTRODUCTION

On May 25, 2023, the Second Circuit decided *Syntel Sterling Best Shores Mauritus Ltd. v. The TriZetto Grp., Inc.*, vacating an approximately $285 million

unjust enrichment award, which the district court had awarded to TriZetto, the prevailing plaintiff, under the federal Defend Trade Secrets Act.[1] The *Syntel* opinion has introduced a significant disagreement between circuit courts as to when and whether unjust enrichment damages may be awarded for costs that a defendant unjustly avoided through its trade secret misappropriation.[2] The Second Circuit held that TriZetto was not entitled to such an award because TriZetto's potential future harms had already been prevented by an injunction prohibiting Syntel's future use of the trade secret. According to the court, awarding an unjust enrichment award for Syntel's avoided costs would overcompensate TriZetto and effectively amount to "punitive damages under the guise of compensatory damages." The Second Circuit also openly disagreed with other circuit courts that had previously upheld similar unjust enrichment awards for avoided costs.

The Second Circuit raises a strong, fundamental point that compensatory awards should not overcompensate. However, because avoided-cost unjust enrichment awards are often of great monetary value, *Syntel*'s curtailment of them may potentially diminish the deterrent effects of trade secret law and also encourage forum-shopping. Awarding attorney's fees, punitive damages, or reasonable royalty damages more often in trade secret misappropriation cases could help address these problems. These remedies could help ensure that would-be misappropriators face adequate monetary deterrents against trade secret misappropriation while also ensuring that aggrieved trade secret owners remain financially able and motivated to bring suit to enforce their rights, even in the absence of avoided-cost unjust enrichment awards.

II. LEGAL BACKGROUND

This Part will discuss the legal definition of a "trade secret," the scope of its legal protection under U.S. law, the policy purposes of conferring such legal protection, and the legal remedies available for aggrieved trade secret owners.

1. 68 F.4th 792, 797 (2d Cir. 2023), *cert. denied*, 144 S. Ct. 352 (2023). Although Syntel first filed suit against TriZetto, it was the latter which counterclaimed for trade secret misappropriation under the Defend Trade Secrets Act. For purposes of that trade secret misappropriation claim—and this Note—Syntel is the defendant and TriZetto the plaintiff.

2. *See* Edward D. Lanquist & Nicole Berkowitz Riccio, *Top Developments in Trade Secret Law*, BAKER DONELSON (Aug. 22, 2024), https://www.bakerdonelson.com/top-developments-in-trade-secret-law [https://perma.cc/2PPD-4V4R].

A. WHAT IS A TRADE SECRET?

The idea that information should be protected against "theft" has been around in some form since as early as the Roman empire.[3] Today, the term "trade secret" encompasses such protected, economically valuable information that is not generally known to the public and is subject to reasonable precautions by its owner to preserve its secrecy.[4]

Virtually any information of economic value can be a trade secret if it meets the three requirements for trade secret protection: (1) secrecy; (2) independent economic value derived from its secrecy; and (3) the owner has taken reasonable efforts to maintain secrecy.[5] Although many trade secrets consist of scientific and technical information, a wide range of confidential business information (such as marketing or sales data) can also be protected as trade secrets if it meets these requirements.[6]

B. TRADE SECRET PROTECTION IN THE UNITED STATES

This Section will discuss how trade secret law has evolved in the United States and the scope of American trade secret law as it exists today.

1. From Common Law Origins to Federal Statutory Protection

Trade secret law first spread to the United States in the mid-nineteenth century from English common law practice.[7] American trade secret law evolved thereafter through the common law process, and by 1939, protection of trade secrets fell under tort law, collected in the Restatement of Torts.[8] In 1979, the National Commission on Uniform State Laws introduced the Uniform Trade Secrets Act (UTSA), a model law separate from traditional tort

3. PETER S. MENELL, ROBERT P. MERGES, MARK A. LEMLEY & SHYAMKRISHNA BALGANESH, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE: 2023 44 (2023) (The Roman courts created a cause of action called "actio servi corrupti"—literally, an action for corrupting a slave. This action was used to protect slave owners from third parties who would "corrupt" slaves (by bribery or intimidation) into disclosing their masters' confidential business information. The law made such third parties liable to the slave owner for twice the damages he suffered as a result of the disclosure.).

4. *Id.* at 45; *see generally* 18 U.S.C. § 1839(3); UNIF. TRADE SECRETS ACT § 1.4.

5. ELIZABETH A. ROWE & SHARON K. SANDEEN, TRADE SECRET LAW: CASES AND MATERIALS 51 (3d ed. 2021).

6. ROWE & SANDEEN, *supra* note 5, at 51.

7. MENELL ET AL., *supra* note 3, at 45.

8. *See id.*

principles.[9] The UTSA was eventually adopted by every state except New York.[10]

Trade secret protection in the United States thus remained primarily a matter of state law[11] until 2016, when Congress enacted the Defend Trade Secrets Act (DTSA) and created a federal civil cause of action for trade secret misappropriation.[12] Modeled after the UTSA, the DTSA contains key provisions that are similar or identical to the UTSA.[13] However, Congress did not preempt existing state trade secret laws.[14] As a result, both state and federal law serve as sources of American trade secret law today, with previous judicial interpretations of the former influencing the latter.[15] Despite this dual framework, the DTSA continues to grow in significance—around 80 percent of trade secret cases filed in federal courts in 2022 included a DTSA claim.[16]

2. The Scope of American Trade Secret Protection

The DTSA defines a trade secret as:

> [A]ll forms of . . . information . . . whether tangible or intangible, and whether or how stored . . . if—(A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value . . . *from not being*

9. *See id.*; *see also* UNIF. TRADE SECRETS ACT (1985).

10. MENELL ET AL., *supra* note 3, at 45. Meanwhile, New York continued to protect trade secrets by relying on the Restatement of Torts. *See Trade Secrets Law in New York*, DIGIT. MEDIA L. PROJECT (Sep. 9, 2024), https://www.dmlp.org/legal-guide/new-york/trade-secrets-law-new-york [https://perma.cc/5N8T-FZ35].

11. A notable exception was the federal Economic Espionage Act of 1996, which criminalized certain forms of industrial espionage and trade secret theft; however, the Act did not provide a federal civil remedy for trade secret misappropriation. *See* Pub. L. No. 104-294, 110 Stat. 3488 (1996).

12. *See* Pub. L. No. 114-153, § 2; Elizabeth A. Rowe, *Unpacking Trade Secret Damages*, 55 HOUS. L. REV. 155, 156 (2017).

13. *Id.* at 160; *compare, e.g.*, 18 U.S.C. § 1839(5), *with* UNIF. TRADE SECRETS ACT § 1.2 (both defining the term "misappropriation" using nearly identical language and statutory structure). Importantly, however, the DTSA added an important limitation on trade secret protection: an express immunity from suit—under federal *and state* law—for whistleblowers who disclose suspected illegal activity to the government and their attorney confidentially. *See* 18 U.S.C. § 1833(b); *see also* MENELL ET AL., *supra* note 3, at 52.

14. 18 U.S.C. § 1838.

15. Rowe, *supra* note 12, at 160.

16. Ching-Lee Fukuda, Aimee Fagan & Irene Yang, *The Rise of the Era of Trade Secret Litigation*, LITIG. DAILY (Jan. 4, 2024), https://www.bloomberglaw.com/document/XEPV7KHC000000?jcsearch=hdk45ffdkf#jcite; *see also* Gaston Kroub, *3 Takeaways from the 2023 Lex Machina Trade Secret Litigation Report*, ABOVE THE LAW (July 18, 2023), https://abovethelaw.com/2023/07/3-takeaways-from-the-2023-lex-machina-trade-secret-litigation-report/ [https://perma.cc/BQW2-ZX9E] ("80% of 2022's trade secret filings included a DTSA claim . . . .").

> *generally known to*, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information.[17]

The definition in the UTSA is substantially similar.[18] Importantly, the definition of "trade secret" requires that the information be "not generally known": the information cannot be a trade secret if it is generally known, and it will cease to be a trade secret if it becomes generally known at some point in the future.[19] On the other hand, so long as such information remains not generally known, it can retain its legal protection as a trade secret indefinitely.[20] In other words, a trade secret can potentially retain legal protection forever, but public disclosure of the trade secret destroys the "secret" and therefore ends its legal protection.[21] Mishandling of the trade secret by anyone—including a thief—can inflict the loss of a valuable trade secret upon the secret's owner.

The DTSA and state law UTSAs protect against "misappropriation" of trade secret information, which includes not only outright theft, but also improper acquisition or disclosure by a person who knows or should know that the trade secret was acquired by "improper means."[22] These improper means include theft, bribery, misrepresentation, breach of a duty (or inducement of such a breach) to maintain secrecy, and espionage through electronic or other means.[23] A wide variety of circumstances can constitute misappropriation,[24] including: (1) employees improperly taking their employer's trade secrets;[25] (2) business partners misusing their partnership's trade secrets;[26] and (3) intrusion by unrelated third parties.[27] On the other hand, the definition of trade secret misappropriation affirmatively excludes lawful

17. 18 U.S.C. § 1839(3) (emphasis added).

18. *See* UNIF. TRADE SECRETS ACT § 1.4.

19. *See* MENELL ET AL., *supra* note 3, at 76.

20. A famous example is the recipe for the popular Coca-Cola soda drink, which has remained a trade secret for over 135 years. *See Why Didn't Coca-Cola Patent Their Secret Recipe?*, PAUL & PAUL (June 30, 2023), https://www.paulandpaul.com/why-didnt-coca-cola-patent-their-secret-recipe/ [https://perma.cc/6EFH-G6SY].

21. *See* MENELL ET AL., *supra* note 3, at 76.

22. *See generally* 18 U.S.C. § 1839(5); UNIF. TRADE SECRETS ACT § 1.1–2.

23. *See* 18 U.S.C. § 1839(6)(A).

24. *See* MENELL ET AL., *supra* note 3, at 147.

25. *See, e.g.*, Rohm & Haas Co. v. Adco Chem. Co., 689 F.2d 424, 427–28 (3d Cir. 1982).

26. *See, e.g.*, ScentSational Techs., LLC v. PepsiCo, Inc, 2017 WL 4403308, at *2–7 (S.D.N.Y. 2017).

27. *See, e.g.*, *Information About the Department of Justice's China Initiative and a Compilation of China-Related Prosecutions Since 2018*, U.S. DEP'T JUST. (Nov. 19, 2021) (discussing several instances of trade secret theft carried out via computer hacking).

means of acquisition, such as reverse engineering.[28] Trade secret law does not protect trade secret owners against third parties who have independently developed the same or similar matter.[29] In other words, a trade secret owner cannot use its rights to prevent genuine independent development by others.

C. THE POLICY GOALS OF TRADE SECRET LAW

Trade secret law has three primary policy goals: (1) preserving commercial ethics; (2) encouraging invention and innovation; and (3) facilitating the sharing of information.[30] Preservation of commercial ethics was *the* main policy goal of trade secret law in its early years.[31] In more modern times, as intellectual property became increasingly valuable and trade secrets began to be seen as a form of intellectual property, encouraging invention and innovation was emphasized, reasoning that the availability of legal protections would provide an incentive to innovate in the first instance—similar to patent law.[32] Protecting trade secrets also facilitates the sharing of information. Without legal recourse against trade secret misappropriation, innovators would likely expend increased resources towards otherwise unproductive security precautions or be less willing to license others to use the trade secret, to the detriment of society as a whole.[33] As society and the economy become increasingly dependent on technology and informational assets, scholars have predicted that these policy concerns will accelerate the growth of trade secret law.[34]

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28. *See* 18 U.S.C. § 1839(6)(B).

29. ROGER M. MILGRIM & ERIC E. BENSEN, MILGRIM ON TRADE SECRETS § 2.01 (2024) (Trade secret owners cannot use their rights "to prevent genuine independent development by others."); *see also* ROWE & SANDEEN, *supra* note 5, at 256 (Activities that are deemed proper means to acquire trade secrets include: independent invention, reverse engineering, discovery under a license from the owner of the trade secret, observation of the item in public use or on public display, and obtaining the trade secret from published literature).

30. ROWE & SANDEEN, *supra* note 5, at 39; *see also* Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 481–89 (1974).

31. ROWE & SANDEEN, *supra* note 5, at 39; *see also* E. I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1016 (5th Cir. 1970) ("[O]ur devotion to free wheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations.").

32. ROWE & SANDEEN, *supra* note 5, at 39; *see also Kewanee Oil*, 416 U.S. at 484 ("Certainly the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention.").

33. ROWE & SANDEEN, *supra* note 5, at 39; *see also Kewanee Oil*, 416 U.S. at 485–87.

34. *See generally* David S. Almeling, *Seven Reasons Why Trade Secrets Are Increasingly Important*, 27 BERKELEY TECH. L.J. 1091 (2012).

Meanwhile, other scholars have pointed out that the overprotection of trade secrets can also be harmful by hindering competition and potentially limiting innovation rather than fostering it.[35] Overly broad trade secret protection may prevent others from applying protected information in novel applications, even those that are completely dissimilar from the trade secret owner's uses and applications.[36]

D. REMEDIES FOR TRADE SECRET MISAPPROPRIATION

The owner of a misappropriated trade secret can be entitled to several forms of civil remedies. A court may grant: (1) compensatory damages (actual losses or unjust enrichment caused by the misappropriation; or, alternatively, a reasonable royalty for the misappropriator's unauthorized disclosure or use of the trade secret); (2) punitive damages, for "willful and malicious" misappropriation; (3) reasonable attorney's fees, including for "willful and malicious" misappropriation; and (4) injunctive relief to prevent any future misappropriation.[37] Avoided-cost unjust enrichment awards, at issue in the *Syntel* case, belong in the first category (compensatory damages).

1. Compensatory Damages

Plaintiffs who successfully prove that their trade secrets were wrongly used or disclosed (as opposed to merely improperly acquired) can seek monetary relief from the defendant.[38] The UTSA and DTSA give plaintiffs some flexibility in how to establish harm, including by establishing (a) the plaintiff's loss and/or the defendant's unjust enrichment; or alternatively (b) a reasonable royalty measure of damages.[39]

a) Plaintiff's Actual Loss

Plaintiffs are entitled to recover any actual losses they suffered as a result of the infringement.[40] These losses may include lost sales to a competitor, price

35. *See, e.g.*, Camilla A. Hrdy & Christopher B. Seaman, *Beyond Trade Secrecy: Confidentiality Agreements That Act Like Noncompetes*, 133 YALE L.J. 669 (2024); Charles Tait Graves & James A. DiBoise, *Do Strict Trade Secret and Non-Competition Laws Obstruct Innovation?*, 1 ENTREPRENEURIAL BUS. L.J. 323 (2007).

36. *See* Camilla A. Hrdy, *Should Dissimilar Uses of Trade Secrets Be Actionable?*, 167 U. PA. L. REV. ONLINE 78, 80–81 (2019) (posing a hypothetical scenario where a misappropriated trade secret for manufacturing industrial diamonds is adapted for baking chocolate chip cookies—and questioning whether a misappropriation that is so significantly different from the trade secret owner's use should be actionable).

37. *See* 18 U.S.C. § 1836(b)(3); UNIF. TRADE SECRETS ACT §§ 2–4; *see also* ROWE & SANDEEN, *supra* note 5, at 488–91; MENELL ET AL., *supra* note 3, at 147–58.

38. 18 U.S.C. § 1836(b)(3)(B); ROWE & SANDEEN, *supra* note 5, at 489.

39. 18 U.S.C. § 1836(b)(3)(B); ROWE & SANDEEN, *supra* note 5, at 489–90.

40. MENELL ET AL., *supra* note 3, at 155; 18 U.S.C. § 1836(b)(3)(B)(i)(I).

erosion via the plaintiff being forced to lower its own prices to compete with the defendant, and out-of-pocket expenses the plaintiff incurred in dealing with the misappropriation (but not including litigation costs).[41] If the trade secret has been destroyed, these damages can also include compensation for the plaintiff's loss of the value of the trade secret itself.[42] Estimating such a loss requires determining the fair market value of the destroyed trade secret. This valuation can often be quite difficult to do in practice because entities seldom put trade secrets up for auction.[43] Plaintiffs bear the burden of proving their losses; it is not enough to speculate that the plaintiff would have succeeded in a new market but for the misappropriator's competition.[44]

b) Defendant's Unjust Enrichment

In addition to actual losses, plaintiffs can also obtain disgorgement of the defendant's unjust enrichment from the misappropriation to the extent it is not already counted in the plaintiff's actual losses.[45] Unlike the plaintiff's actual losses, unjust enrichment is focused on the defendant's ill-gotten profits, disgorging liable defendants of any such profits that remain after the plaintiff's losses have been accounted for.[46]

Unjust enrichment can also be awarded for costs that the defendant avoided by misappropriating the plaintiff's trade secret. Such an avoidance of costs constitutes an unjustly conferred benefit because "[a] saved expenditure . . . is no less beneficial to the recipient than a direct transfer."[47] An example is the research and development ("R&D") costs that a defendant avoided by

41. MENELL ET AL., *supra* note 3, at 155; 18 U.S.C. § 1836(b)(3)(B)(i)(I); *see, e.g.*, Roton Barrier, Inc. v. Stanley Works, 79 F.3d 1112, 1120 (Fed. Cir. 1996) (upholding a damages award for price erosion); *see also* Rowe, *supra* note 12, at 162.

42. MENELL ET AL., *supra* note 3, at 155.

43. *See 18 U.S.C. § 1831 Element Three—The Information Was a Trade Secret* in Criminal Resource Manual 1127, U.S. DEP'T JUST., https://www.justice.gov/archives/jm/criminal-resource-manual-1127-18-usc-1831-element-three-information-was-trade-secret [https://perma.cc/H5PL-KLZP] (last visited Dec. 20, 2024) (describing situations where the monetary value of a trade secret cannot be easily established).

44. MENELL ET AL., *supra* note 3, at 155; *see, e.g.*, LinkCo, Inc. v. Fujitsu Ltd., 232 F. Supp. 2d 182, 186 (S.D.N.Y. 2002) (noting that the plaintiff had gone out of business at around the same time as the alleged misappropriation, and the district court declined to award lost profits because that would require that the fact-finder speculate as to the revenue the plaintiff would have made if it had remained in business).

45. MENELL ET AL., *supra* note 3, at 155; 18 U.S.C. § 1836(b)(3)(B)(i)(II).

46. *See* MILGRIM & BENSEN, *supra* note 29, at § 1.01 ("As long as there is no double counting, [the UTSA] 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.").

47. RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 cmt. d.

misappropriating the plaintiff's trade secret. Prior to the Second Circuit's *Syntel* opinion, circuit courts had routinely allowed unjust enrichment awards for avoided costs in trade secret cases. Although there are many circuit court cases to date that have involved unjust enrichment awards for avoided costs in trade secret cases, for simplicity, this Note will focus on two particular cases that the Second Circuit expressly disagreed with in its *Syntel* opinion: the Seventh Circuit's *Epic Systems v. Tata Consultancy Services Ltd.*, and the Third Circuit's *PPG Industries v. Jiangsu Tie Mao Glass Co.*[48] Although these circuit courts did not expressly hold that avoided-cost unjust enrichment awards are available *whenever* there is trade secret misappropriation, they generally upheld such awards, so long as the allegations of the defendant's avoided costs satisfied all other legal and evidentiary requirements under general principles of unjust enrichment doctrine.[49] In other words, these circuits treated the avoided costs as they would any other benefit unjustly conferred upon the defendant.

c) Reasonable Royalty

The UTSA and DTSA provide for reasonable royalties as an alternative to actual loss and unjust enrichment: "In lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret."[50] This measure of damages aims to award the trade secret owner a hypothetically agreed value of the trade secret that "the parties would have agreed to as a fair licensing price at the time that the misappropriation occurred."[51]

Despite the UTSA and DTSA provisions for reasonable royalty awards, they are rarely imposed in trade secret cases.[52] In fact, the Senate Judiciary Committee Report on the DTSA indicates that the Senate disfavored reasonable royalty awards relative to lost profits and unjust enrichment awards:

48. *See infra* Section III.A (discussing Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., 980 F.3d 1117 (7th Cir. 2020); PPG Indus. Inc. v. Jiangsu Tie Mao Glass Co., 47 F.4th 156 (3d Cir. 2022)).

49. *See Epic Sys.*, 980 F.3d at 1129–30; *PPG Indus.*, 47 F.4th at 163.

50. UNIF. TRADE SECRETS ACT § 3; *see also* 18 U.S.C. § 1836(b)(3)(B)(ii) (containing substantially similar language).

51. LinkCo, Inc. v. Fujitsu Ltd., 232 F. Supp. 2d 182, 186 (S.D.N.Y. 2002) (internal citation omitted).

52. Between 2018 and 2022, reasonable royalties were awarded in just four trade secret cases, compared to actual damages being awarded in 55 cases, punitive and willfulness damages in 28 cases, and attorney's fees in 209 cases. LEX MACHINA, TRADE SECRET LITIGATION REPORT 2023, at 21 (July 2023); *see also* AirFacts, Inc. v. Amezaga, 30 F.4th 359, 367 (4th Cir. 2022) (describing case law addressing reasonable royalty awards in trade secret cases as "sparse").

"It is not the Committee's intent to encourage the use of reasonable royalties to resolve trade secret misappropriation. Rather, the Committee prefers other remedies that, first, halt the misappropriator's use and dissemination of the misappropriated trade secret and, second, make available appropriate damages."[53] The Report also recorded in a footnote: "The Committee notes that courts interpreting the UTSA's analogous provision have held that the award of reasonable royalties is a remedy of last resort."[54]

Upon closer examination of the Senate Judiciary Report, however, it seems that there may have been some confusion between (1) reasonable royalty damages (for *past* uses of a misappropriated trade secret) and (2) injunctions ordering a defendant to pay an *ongoing* royalty for *future* use of such a trade secret (which are awarded when totally barring future use would be inappropriate due to "exceptional circumstances").[55] This is evident from a mismatch between the subject matter discussed in the body of the Report and the subject matter of the sources that the Report cites: although the body discusses reasonable royalty damages, the citations unambiguously discuss ongoing royalty injunctions.[56] It seems possible that the Senate actually intended to express its wariness towards ongoing royalty injunctions, rather than towards reasonable royalty damages awards.[57] Nevertheless, reasonable royalty damages are currently rarely awarded in trade secret cases.[58]

2. Punitive Damages

The UTSA and DTSA provide that punitive damages (not to exceed twice the award of compensatory damages) may be awarded in cases of "willful and

53. S. REP. NO. 114-220, at 9 (2016).

54. *Id.* at 9 n. 17 (citing Progressive Prods., Inc. v. Swartz, 258 P.3d 969 (Kan. 2011) and UNIF. TRADE SECRETS ACT § 2 cmt.).

55. This remedy is discussed further *infra* Section II.D.4.

56. Although the Report's body is discussing "reasonable royalties to resolve trade secret misappropriation," it cites the *Progressive Products* opinion and the comment to § 2 of the UTSA, both of which clearly discuss ongoing royalty injunctions. *Compare* S. REP. No. 114-220, at 9, *with Progressive Prods.*, 258 P.3d at 978–80, *and* UNIF. TRADE SECRETS ACT § 2 cmt.

57. Although a detailed discussion of other intellectual property regimes is beyond the scope of this Note, it is notable that reasonable royalty damages awards are used far more routinely in other regimes, such as patent law. *See* 35 U.S.C. § 284 (prescribing reasonable royalty damages awards as a minimum remedy). Patent law features well-developed methodologies for determining these awards. *See generally* Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (setting forth the *Georgia-Pacific* factors, which are used for determining reasonable royalty damages in the patent law context); *see also* Dan Werner & Joe Milbury, *Patent Damages Trends: Statistical Approaches to Apportionment*, *in* 16 LANDSLIDE MAG. (Apr. 1, 2024) (describing various calculation methodologies).

58. *See* TRADE SECRET LITIGATION REPORT 2023, *supra* note 52, at 21; *AirFacts*, 30 F.4th at 367.

malicious" misappropriation.[59] Generally, "willful and malicious" behavior is distinct from that which is required to prove trade secret misappropriation.[60] However, neither the UTSA nor the DTSA expressly define "willfulness" and "malice,"[61] and this ambiguity has led to some variation in how courts handle the issue.

Some courts have held that "willful and malicious" misappropriation means "acting consciously in disregard of another person's rights or acting with reckless indifference to the consequences, with the defendant aware, from his knowledge of existing circumstance and conditions, that his conduct probably would cause injury to another."[62] Based on this definition, these courts have found "willful and malicious" misappropriation when, for instance, a defendant "concealed her competing business from Plaintiff and misappropriated trade secrets in furtherance of that business."[63] Such courts have also found "willful and malicious" misappropriation when a defendant "knew or had reason to know that by misappropriating the plaintiff's . . . trade secret information, they were acquiring such information through improper means . . . [and] could not have believed that he was entitled to take the [trade secret], nor to use it, on behalf of a competing business."[64] In other words, these courts—whether by judges conducting bench trials or juries following their jury instructions[65]—are likely to find "willful and malicious" misappropriation when a defendant engages in trade secret misappropriation, with knowledge that the action is unlawful and violates the plaintiff's rights, in a duplicitous and calculating manner.

Meanwhile, other courts have set a higher bar for a finding of "willful and malicious" misappropriation. According to at least one court, a showing of "malice" in the context of the DTSA requires "ill will, malevolence, grudge,

59. The maximum permissible amount of punitive damages therefore mathematically depends upon the amount of compensatory damages. *See* UNIF. TRADE SECRETS ACT §§ 3; 18 U.S.C. § 1836(b)(3)(C); Rowe, *supra* note 12, at 164.

60. Rowe, *supra* note 12, at 164.

61. Smart Team Glob. LLC v. HumbleTech LLC, No. 19-CV-4873 (AJN)(BCM), 2022 WL 847301, at *10 (S.D.N.Y. Feb. 18, 2022); *see also* Chadha v. Chadha, 2020 WL 5228812, at *4 (E.D.N.Y. Sep. 2, 2020) (remarking that "legal precedent regarding the definitions of 'willful' and 'malicious' in the context of DTSA is scarce").

62. *Smart Team Glob.*, 2022 WL 847301, at *10.

63. Hair Club for Men, LLC v. Ehson, No. 1:16-cv-236, 2017 WL 1250998, at *3 (E.D. Va. Apr. 3, 2017).

64. *Smart Team Glob.*, 2022 WL 847301, at *10.

65. However, empirical analyses have demonstrated that juries are overall more likely to award punitive damages than judges. *See generally* Joni Hersch & W. Kip Viscusi, *Punitive Damages: How Judges and Juries Perform*, 33 J. LEGAL STUD. (Jan. 2004).

spite, wicked intention or a conscious disregard for the rights of another."[66] These courts have been wary of awarding exemplary damages unless the evidence clearly shows that the defendant was motivated by such malice—and not merely by competition.[67] These courts have emphasized that competition by its very nature is "ruthless, unprincipled, uncharitable, unforgiving—and a boon to society."[68] In other words, these courts seem unlikely to find "willful and malicious" misappropriation unless the defendant was specifically motivated by a desire to harm the plaintiff through its misappropriation.

Overall, punitive damages tend to be very rarely awarded in trade secret cases: an empirical study of 150 trade secret misappropriation cases from 2000 to 2014 revealed that punitive damages comprised about 2.15 percent of all damages cumulatively awarded in those cases.[69]

3. Reasonable Attorney's Fees

In the United States, the "American Rule" provides that prevailing litigants are ordinarily not entitled to collect attorney's fees from the losing party.[70] But some exceptions exist. Courts possess the inherent power to impose attorney's fees to punish litigants for certain forms of gross misconduct, such as willful disobedience of a court order, or when the losing party has acted in bad faith, vexatiously, wantonly, or for oppressive reasons.[71] Outside such situations where a court may impose attorney's fees under its own inherent power, the default "American Rule" can also be overcome when a controlling statutory or contractual provision provides otherwise.[72] The UTSA (when legislatively adopted) and DTSA are two such statutory provisions.

The UTSA and DTSA provide for attorney's fees awards when: (1) the trade secret was willfully and maliciously misappropriated; (2) a trade secret misappropriation claim is made in bad faith; or (3) a motion to terminate an injunction is made or opposed in bad faith.[73] The standard for "willful and malicious" misappropriation for the purpose of attorney's fees is the same as that for punitive damages,[74] and a court which applies a more demanding

66. MicroStrategy Inc. v. Bus. Objects, S.A., 331 F. Supp. 2d 396, 430 (E.D. Va. 2004); *see also* Roton Barrier, Inc. v. Stanley Works, 79 F.3d 1112,1120–21 (Fed. Cir. 1996).

67. *See id.* (overturning the district court's punitive damages award because there was insufficient evidence that defendant was motivated by "malice").

68. *Id.* at 1120.

69. *See* Rowe, *supra* note 12, at 169–76.

70. Alyeska Pipeline Serv. Co. v. Wilderness Soc'y, 421 U.S. 240, 247 (1975).

71. *Id.* at 257–59.

72. *Id.* at 254–55.

73. *See* UNIF. TRADE SECRETS ACT § 4; 18 U.S.C. § 1836(b)(3)(D).

74. *See Smart Team Glob.*, 2022 WL 847301, at *10; *see also Roton Barrier*, 79 F.3d at 1120–21.

standard for "willful and malicious" misappropriation (for example, requiring an actual intent to inflict harm) is less likely to award attorney's fees to a prevailing trade secret owner.[75] Meanwhile, claims of trade secret misappropriation brought in bad faith can also invite attorney's fees awards,[76] thereby deterring plaintiffs who might abuse trade secret law.

Litigation costs are often formidable in trade secret cases. In 2022, the median litigation costs of trade secret misappropriation cases proceeding through trial (and appeal, if applicable) were between $750,000 and $2.75 million, depending on the amount in controversy.[77] These are average figures, and so individual cases can greatly exceed them. For example, in the *Syntel* case itself, the district court on remand ultimately awarded over $14.5 million in attorney's fees.[78] However, like punitive damages, attorney's fees are rarely awarded: an empirical study of 150 trade secret misappropriation cases from 2000 to 2014 showed that attorney's fees awards comprised about 8 percent of all damages cumulatively awarded in those cases.[79]

4. Injunctive Relief

A court may issue preliminary or permanent injunctions against trade secret defendants, prohibiting them from further misappropriating trade secrets that they improperly acquired.[80] Courts apply the basic principles of injunctive relief to trade secret litigation under the UTSA and DTSA.[81] Injunctions are commonly granted in trade secret cases, although their scope and duration are often tailored for the specific situation, given the widely

75. *See, e.g.*, *Roton Barrier*, 79 F.3d at 1121.

76. *See, e.g.*, Gemini Aluminum Corp. v. Cal. Custom Shapes, Inc., 95 Cal. App. 4th 1249, 1261–64 (2002).

77. AIPLA, REPORT OF THE ECONOMIC SURVEY 2023, at 66 (Oct. 2023).

78. Syntel Sterling Best Shores Mauritius Ltd. v. The TriZetto Grp., Inc., No. 15-cv-211 (LGS), 2024 WL 1116090, at *4 (S.D.N.Y. Mar. 13, 2024) (post-appeal proceedings before the district court).

79. *See* Rowe, *supra* note 12, at 169–76.

80. *See* 18 U.S.C. § 1836(3)(A); UNIF. TRADE SECRETS ACT § 2.

81. *See* ROWE & SANDEEN, *supra* note 5, at 489. A plaintiff seeking a preliminary injunction must establish: (1) that they are likely to succeed on the merits; (2) that they are likely to suffer irreparable harm in the absence of preliminary relief; (3) that the balance of equities tips in their favor; and (4) that an injunction is in the public interest. *See* Winter v. Nat'l Res. Def. Council, Inc., 555 U.S. 7, 20 (2008); *see also* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006) (A plaintiff seeking a permanent injunction must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction).

varying circumstances surrounding trade secret misappropriation.[82] Injunctions can be prohibitory, such as an order forbidding the defendant from further possessing, using or disclosing the trade secret. A court may also use prohibitory injunctions to prohibit the defendant from producing products that would embody the trade secret.[83] Injunctions can also be mandatory, such as an order compelling the defendant to provide ongoing updates to the court or the trade secret's owner to demonstrate compliance,[84] assign any rights to inventions derived from the misappropriated trade secret,[85] or even force a prematurely-filing plaintiff to publicly apologize for its unsubstantiated claims.[86] Under "exceptional circumstances," courts may substitute a prohibitory injunction with a mandatory injunction requiring the defendant to pay an ongoing royalty for any future use of the trade secret.[87]

Depending on the circumstances, courts may issue a preliminary injunction before a full adjudication on the merits, or they may wait until after trial to issue a permanent injunction.

a) Preliminary Injunctive Relief

A court can issue a preliminary injunction or temporary restraining order (TRO) against a defendant, if needed, before the defendant's actual or

82. *See* MENELL ET AL., *supra* note 3, at 147–48.

83. *See* MILGRIM & BENSEN, *supra* note 29, at § 15.02 ("If . . . the [trade] secret is inextricably connected with defendant's manufacture of the product the court may enjoin defendant from making the product itself."); *see, e.g.*, Gen. Elec. Co. v. Sung, 843 F. Supp. 776, 779–80 (D. Mass. 1994) (The district court enjoined the defendant from manufacturing an entire class of products because they were "inextricably connected" to the misappropriated trade secret, and the defendant could not be relied upon to "unlearn" the trade secret even if it were to be enjoined from using it.).

84. *See, e.g.*, Judgment in a Civil Case at 4–5, Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., No. 3:14-cv-748-wmc (W.D. Wis. Oct. 3, 2017), ECF No. 978 [hereinafter *Epic Systems Injunction*].

85. *See, e.g.*, Colgate-Palmolive Co. v. Carter Prods., Inc., 230 F.2d 855, 865 (4th Cir. 1956), *cert. denied*, 352 U.S. 843 (1956).

86. *See, e.g.*, DARIN W. SNYDER & DAVID S. ALMELING, TRADE SECRET LAW AND CORPORATE STRATEGY § 7.01 (2018 ed.) (A trade secret plaintiff was forced to issue an embarrassing public apology after it prematurely filed suit for trade secret misappropriation without sufficient investigation and thereafter failed to substantiate its claims.).

87. *See* UNIF. TRADE SECRETS ACT § 2 cmt. ("Exceptional circumstances include the existence of an overriding public interest which requires the denial of a prohibitory injunction against future damaging use and a person's reasonable reliance upon acquisition of a misappropriated trade secret in good faith"); *see also Progressive Prods.*, 258 P.3d at 978 (upholding appellate court's reversal of ongoing royalty injunction because the trial court did not sufficiently indicate in its order how it found "exceptional circumstances" to exist).

threatened misappropriation has been fully established at trial.[88] Motions for preliminary injunctions are often filed at the same time as the plaintiff's complaint. The defendant is given an opportunity to respond to the motion. If issued, preliminary injunctions typically last until a decision on the merits.[89] Meanwhile, plaintiffs seek TROs in emergency situations when quick relief is needed to prevent imminent harm, such as when the plaintiff fears the public disclosure (and destruction) of its trade secrets.[90] Sometimes, depending upon the applicable rules of court, motions for a TRO are brought *ex parte* without notice to the defendant.[91] However, if issued, TROs last for only a short period of time—usually no more than a week or two—until a hearing on a motion for preliminary injunction can be held.[92]

In addition to TROs and preliminary injunctions, the DTSA introduced a new type of preliminary relief called an *ex parte* civil seizure order, which, if granted, requires federal law enforcement to seize the property specified in the order.[93] The requirements for issuing this order are stricter than those for a TRO: a court may only grant it under "extraordinary circumstances," and only if the court determines from specific facts that the standard forms of preliminary relief would be inadequate "because the party to which the order would be issued would evade, avoid, or otherwise not comply with such an order."[94] Courts have granted such seizure orders when plaintiffs alleged facts demonstrating that the defendant not only wrongfully obtained the trade secrets, but also that the defendant could easily evade an order to surrender the trade secrets (e.g., by copying the information onto another device without the knowledge of the court) and that the defendant's prior duplicitous actions demonstrated a willingness to evade or ignore the law.[95]

88. *See* 18 U.S.C. § 1836(3)(A)(i) (A court may "grant an injunction to prevent any *actual or threatened* misappropriation"(emphasis added)); Waymo v. Uber Techs., No. C-17-00939-WHA, 2017 WL 2123560, at *6–14 (N.D. Cal. 2017). However, as a condition of being granted such preliminary injunctive relief, the plaintiff is usually required to post a bond that will compensate the defendant in the event that preliminary relief was improvidently granted. ROWE & SANDEEN, *supra* note 5, at 489; *see* FED. R. CIV. P. 65(c); *see, e.g.*, *Waymo*, 2017 WL 2123560, at *14 (requiring plaintiff to post a bond of $5 million as a condition for the preliminary injunction becoming operative).

89. *See* ROWE & SANDEEN, *supra* note 5, at 492.

90. *Id.*

91. *See* FED. R. CIV. P. 65(b)(1).

92. ROWE & SANDEEN, *supra* note 5, at 492; *see* FED. R. CIV. P. 65(b)(2).

93. ROWE & SANDEEN, *supra* note 5, at 492; *see* 18 U.S.C. § 1836(b)(2).

94. *See* 18 U.S.C. § 1836(b)(2)(A).

95. *See, e.g.*, Blue Star Land Servs. v. Coleman, No. CIV-17-931-C, 2017 WL 11309528 (W.D. Okla. 2017).

b) Permanent Injunctive Relief

A court can issue a permanent injunction at the conclusion of litigation, to restrain the defendant from further using the plaintiff's trade secret in the future.[96] Such an injunction can also require that the defendant take affirmative steps to protect the trade secret.[97] Despite the nomenclature, a "permanent" injunction is not necessarily permanent in duration—it can be dissolved after it is issued,[98] and a court may also set an expiration date at the time of its issuance.[99] In practice, courts do occasionally set expiration dates for permanent injunctions at the time of their issuance.[100] On other occasions, courts issue permanent injunctions without a specific time limit, especially in cases where the plaintiff's trade secret continues to exist (i.e., it has not been destroyed by public disclosure) at the time the injunction is granted—this makes sense because there is no telling how long the trade secrets will last.[101]

Injunctions can be issued in many forms: preliminary or permanent; with or without an expiration date; prohibitory or mandatory; and with a variety of substantive orders tailored specifically for the facts of a given case. This flexibility allows courts to adapt relief to the widely varying circumstances of trade secret misappropriation.[102] However, injunctive relief alone cannot form a comprehensive remedy to all instances of trade secret misappropriation such as when the defendant has already disclosed or used the misappropriated trade secret, resulting in wrongful loss to the owner or unjust enrichment to the misappropriator.

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96. *See* 18 U.S.C. § 1836(b)(3)(A); UNIF. TRADE SECRETS ACT § 2.

97. *See* 18 U.S.C. § 1836(b)(3)(A); UNIF. TRADE SECRETS ACT § 2.

98. *See* FED. R. CIV. P. 60(b)(5) (allowing a court to grant relief from a prior order if its continued application is "no longer equitable."); *see also* MicroStrategy, Inc. v. Bus. Objects, S.A., 369 F. Supp. 2d 725, 732 (E.D. Va. 2005) (In order to grant a Rule 60(b)(5) motion to modify a prior order, the court must find "a significant change either in factual conditions or in law."); Rufo v. Inmates of Suffolk Cnty. Jail, 502 U.S. 367, 384 (1992) ("A party seeking modification of a consent decree may meet its initial burden by showing either a significant change either in factual conditions or in law.").

99. *See* 18 U.S.C. § 1836(b)(3)(A)(i) (the court may grant an injunction on such terms as the court deems reasonable).

100. *See, e.g.*, Gen. Elec. Co. v. Sung, 843 F. Supp. 776, 782 (D. Mass. 1994) (The district court set the period of its permanent injunction to seven years from the effective date of its order).

101. ROWE & SANDEEN, *supra* note 5, at 535; *see, e.g.*, PPG Indus., Inc. v. Jiangsu Tie Mao Glass Co., No. 2:15-cv-00965, 2020 WL 1526940, at *23 (W.D. Pa. 2020); *see also Why Didn't Coca-Cola Patent Their Secret Recipe?*, *supra* note 20 (showing that the Coca-Cola recipe has been a trade secret for over 135 years—and counting).

102. *See* MENELL ET AL., *supra* note 3, at 147–48.

III. *SYNTEL V. TRIZETTO*: THE SPLIT BETWEEN THE SECOND CIRCUIT AND ITS SISTER CIRCUITS

On May 25, 2023, the Second Circuit decided *Syntel v. TriZetto*, vacating an approximately $285 million unjust enrichment award for avoided costs under the DTSA.[103] Although other circuits had previously upheld similar avoided-cost unjust enrichment awards, the Second Circuit disagreed, holding that the plaintiff was not entitled to such an award under the circumstances.

A. SUMMARY OF PREVIOUS CASES WHICH *SYNTEL* CRITICIZES

This Section describes two previous cases from other circuits that the Second Circuit in *Syntel* specifically referenced and openly disagreed with: the Seventh Circuit's *Epic Systems v. Tata Consultancy Services Ltd.* and the Third Circuit's *PPG Industries v. Jiangsu Tie Mao Glass Co.* Each of these opinions upheld a district court's award of both (1) an injunction prohibiting the defendant from further using the misappropriated trade secret and (2) an avoided-cost unjust enrichment award for the costs that the defendant saved by misappropriating that trade secret.

1. Epic Systems v. Tata Consultancy Services Ltd. *(7th Cir. 2020)*

In *Epic Systems*, the defendant, an Indian company, gained unauthorized access to the plaintiff's confidential information and then used that information to compile a document called the "comparative analysis," which it used to determine whether it could develop and sell its own competing product in the United States.[104] The plaintiff filed suit for trade secret misappropriation under the Wisconsin UTSA.[105] The plaintiff presented evidence that the defendant had used its "comparative analysis" document to: attempt to sell its competing product to one of the plaintiff's largest customers, attempt to enter the U.S. market and compete directly with the plaintiff, and address key gaps in the defendant's own product, potentially improving it.[106] The "avoided cost" in this case was the monetary investment the defendant would have had to make to independently develop the "comparative analysis"

103. *Syntel*, 68 F.4th at 814.

104. *See* Epic Sys. Corp v. Tata Consultancy Servs., Ltd., 980 F.3d 1117, 1124–26 (7th Cir. 2020).

105. *See id.* at 1138.

106. *See id.* at 1131.

document on its own.[107] There was no indication that the plaintiff's trade secret itself had been devalued or destroyed by the misappropriation.[108]

The district court issued a permanent injunction, prohibiting the defendant from using, possessing, or retaining any of the plaintiff's trade secrets or confidential information "anywhere in the world" for four years.[109] The district court also awarded, *inter alia*, unjust enrichment damages for avoided costs in the amount of $140 million.[110]

The Seventh Circuit upheld the district court's remedies because although "there is no single way to measure the benefit [unjustly] conferred on a defendant" and such analysis is "context dependent," one way a plaintiff may prove the value of an unjustly conferred benefit is by equating that benefit to an improper and significant "head start" in their operations.[111] The Seventh Circuit concluded that because a jury could find, based on the evidence, that the defendant used its "comparative analysis" document for various purposes, the jury could also find that this use of that "comparative analysis" document was a "head start," which was approximately valued at $140 million, based on witness and expert testimony.[112]

2. PPG Industries v. Jiangsu Tie Mao Glass Co. *(3d Cir. 2022)*

In *PPG Industries*, the defendant, a Chinese company, solicited a former employee of the plaintiff to steal technical information for plaintiff's new product.[113] Using this stolen information, the defendant began making plans to produce a similar competing product, and it also reached out to one of plaintiff's subcontractors and asked it to manufacture "the same molds" that it had previously produced for the plaintiff.[114] The subcontractor, however, did not fulfill the order; instead, it alerted the plaintiff, which then filed suit for trade secret misappropriation under the Pennsylvania UTSA.[115] There was no indication that the value of the trade secret itself had been harmed by the defendant's misappropriation.[116]

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107. *See id.* at 1130.

108. *See id.* at 1117; *see generally* Opinion and Order, Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., 3:14-cv-748-wmc (W.D. Wis. Sep. 29, 2017); Opinion and Order, Epic Syst. Corp. v. Tata Consultancy Servs. Ltd., 3:14-cv-748-wmc (W.D. Wis. Mar. 22, 2019).

109. *Epic Systems Injunction*, *supra* note 84, at 2–3; *see also Epic Systems*, 980 F.3d at 1127.

110. *Epic Systems*, 980 F.3d at 1127.

111. *See id.* at 1130.

112. *See id.* at 1131–32.

113. *See* PPG Indus. Inc. v. Jiangsu Tie Mao Glass Co., 47 F.4th 156, 158–59 (3d Cir. 2022).

114. *See id.*

115. *See id.* at 159.

116. *See generally id.*

The plaintiff prevailed via default judgment, and the district court awarded approximately $8.8 million in compensatory damages.[117] The "avoided cost" in this case was the research and development costs which the defendant would have incurred to independently develop the stolen technical information.[118] The district court also issued a permanent injunction of indefinite duration, prohibiting the defendant from conducting any business within the United States that involved the use, disclosure, or reference to the stolen trade secrets.[119]

The Third Circuit upheld the district court's remedies: "The [unjust enrichment] damages award was for the development costs [defendant] avoided when, for example, it solicited molds from [plaintiff's] subcontractor and began designing a production facility in China. Those were *past* uses of the misappropriated trade secrets for which [plaintiff] was entitled to damages."[120] The court also rejected the defendant's contention that the permanent injunction constituted double-recovery because it "was issued . . . long after [defendant's] earlier and unlawful use of [plaintiff's] trade secrets," and therefore, the injunction and the unjust enrichment award "covered entirely separate periods of past and potential *future* use of misappropriated trade secrets."[121]

B. THE SECOND CIRCUIT'S *SYNTEL V. TRIZETTO* OPINION

In its *Syntel* opinion, the Second Circuit openly disagreed with *Epic Systems* and *PPG Industries*.[122] The Second Circuit held that plaintiff TriZetto was not entitled to an avoided-cost unjust enrichment award because its past and future harms had already been redressed via other remedies.[123] Thus, awarding an unjust enrichment remedy for defendant Syntel's avoided costs would overcompensate TriZetto and effectively amount to "punitive damages under the guise of compensatory damages."[124] However, the Second Circuit tempered the reach and impact of its holding by qualifying its disagreement with the other circuits and limiting its holding "to the specific facts of this case."[125] The Second Circuit did not repudiate *all* avoided-cost unjust

117. *See id.* at 159–60.
118. *See id.* at 162–63.
119. *See* Order at 2, PPG Indus., Inc. v. Jiangsu Tie Mao Glass Co., Ltd. et al, 2:15-cv-00965, at *2 (W.D. Pa. Mar. 31, 2020), ECF No. 158 [hereinafter *PPG Industries Injunction*].
120. *PPG Industries*, 47 F.4th at 163 (emphasis added).
121. *Id.* at 163–64 (emphasis added).
122. *See Syntel*, 68 F.4th at 812–13.
123. *Id.* at 813.
124. *Id.*
125. *Id.* at 814.

enrichment awards as a remedy for trade secret misappropriation, leaving open the possibility that such awards could still be available based on the specific facts of the case.[126]

1. History of Syntel v. TriZetto

Syntel v. TriZetto originated from a business partnership that turned sour.[127] TriZetto is a developer of software used by healthcare insurance companies, and one of its software products, Facets®, is a platform which "automates and manages common healthcare administrative tasks such as claim processing, claim adjudication, and billing."[128] Syntel had been one of TriZetto's subcontractors.[129] As part of their contractual relationship under a Master Services Agreement (MSA), TriZetto had shared its trade secrets with Syntel as a trusted business partner.[130] However, trouble arose when TriZetto was acquired by Syntel's competitor.[131] Syntel terminated the MSA (as was its right), but continued to use TriZetto's confidential trade secrets to compete directly with TriZetto post-termination—despite TriZetto's raising concerns as to such use.[132]

In 2015, Syntel first sued TriZetto in the Southern District of New York, alleging breach of contract and various business torts stemming from the termination of the MSA.[133] TriZetto counterclaimed, alleging, *inter alia*, that Syntel had misappropriated its trade secrets in violation of the DTSA.[134] During discovery, Syntel destroyed documents and computers; as a result, the district court ordered a neutral forensic examination of Syntel's electronic devices and files, which revealed that Syntel had been actively creating a repository of TriZetto's trade secrets for use in future projects.[135] Although Syntel argued that the MSA authorized it to continue using the trade secrets post-termination,[136] the jury ultimately found Syntel liable for trade secret misappropriation under the DTSA.[137]

With respect to damages, TriZetto's expert witness testified that Syntel had avoided expending approximately $285 million in R&D costs through its

126. *See id.* at 810–12.
127. *See id.* at 797.
128. *See id.* at 796.
129. *Id.* at 797.
130. *Id.*
131. *Id.*
132. *Id.*
133. *See id.*
134. *See id.*
135. *Id.*
136. *Id.* at 798.
137. *Id.* at 799.

misappropriation, and the jury ultimately awarded the same amount in an unjust enrichment award for Syntel's avoided costs.[138]

2. The Second Circuit Breaks with Other Circuits Regarding Unjust Enrichment Awards for Avoided Costs

The Second Circuit held that TriZetto was not entitled to the $285 million avoided-cost unjust enrichment award, primarily because the district court had already issued a permanent injunction which barred Syntel from further using the trade secrets. Because the injunction barred future use, it ended Syntel's ability to profit from any avoided costs.[139] Since the injunction would prevent any future harms to TriZetto, and the value of TriZetto's trade secret had not been damaged, the Second Circuit concluded that an avoided-cost unjust enrichment award—in the lofty amount of $285 million, no less—would be more punitive than compensatory.[140]

The Second Circuit also specifically referenced—and openly disagreed with—the Seventh Circuit's *Epic Systems* and the Third Circuit's *PPG Industries* opinions with regard to their respective treatment of avoided-cost unjust enrichment awards.[141] In each of those cases, the respective circuit court had upheld such awards despite the existence of injunctions prohibiting the defendant from using or possessing the misappropriated trade secrets.[142] To the extent that no further unaddressed harms to the trade secret owner was necessary for such an award, the Second Circuit wrote, "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."[143]

3. The Second Circuit Tempered the Reach and Impact of Its Syntel *Opinion*

Although the Second Circuit in *Syntel* clearly expressed its disagreement with the reasoning of the other circuit court opinions, it also expressly qualified that disagreement. The court narrowed its disapproval to "*to the extent* no corresponding harm to the trade secret owner would be necessary," and "*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."[144]

138. *Id.* at 798–99.
139. *Id.* at 811.
140. *Id.* at 814.
141. *See id.* at 812, 813 n. 42.
142. *See id.*
143. *Id.* at 813.
144. *See id.* (first two emphases added, third emphasis in original).

Additionally, the Second Circuit held that unjust enrichment damages for avoided costs were unavailable "under the specific facts of this case."[145] The *Syntel* court, therefore, did not repudiate *all* avoided-cost unjust enrichment awards altogether in trade secret misappropriation cases.[146] Instead, the court left open the possibility of allowing avoided-cost unjust enrichment awards based on factual considerations such as "the extent to which the defendant has used the secret in developing its own competing product, the extent to which the defendant's misappropriation has destroyed the secret's value for its original owner, or the extent to which the defendant can be stopped from profiting further from its misappropriation into the future."[147] Thus, while the *Syntel* opinion firmly rejected an avoided-cost unjust enrichment award under its own specific facts, it left open the question of precisely when such damages are or are not available in trade secret misappropriation cases.

IV. ARGUMENT

The *Syntel* opinion is correct in principle that unjust enrichment is a compensatory remedy and that it should not result in a windfall for trade secret owners. On the other hand, by addressing an overcompensation concern, the Second Circuit may have inadvertently created a different problem: under-deterrence against trade secret misappropriation.[148] By ruling out avoided-cost unjust enrichment awards in certain situations, the decision reduces the financial risk for trade secret misappropriators within such situations. At the same time, it reduces the financial motivations of aggrieved trade secret owners to file suit and brave the often-formidable costs of trade secret litigation to enforce their rights. Both will tend to diminish the deterrent effects of trade secret law. Furthermore, even though *Syntel* does not necessarily create a sharply-defined circuit split, the legal disagreement between the Second Circuit and its sisters is likely to encourage forum-shopping. Avoided-cost unjust enrichment awards often reach very large amounts, and plaintiffs who anticipate relying heavily on this theory of damages will now face powerful monetary incentives to file outside the Second Circuit.

145. *See id.* at 814.

146. *See id.* at 810–11 (the Second Circuit acknowledged that restitution "can require a defendant to return the costs it saved through the misappropriation").

147. *See id.* at 812.

148. Although punitive damages are still available, its permissible amount is mathematically dependent upon the amount of compensatory damages, and *Syntel*'s reduction of compensatory remedies will therefore also reduce the maximum punitive damages that a court may award. *See* UNIF. TRADE SECRETS ACT § 3; 18 U.S.C. § 1836(b)(3)(C).

One potential evolution of trade secret remedies to help restore the deterrence in *Syntel*'s wake is to broaden the availability of attorney's fees, punitive damages, or reasonable royalty awards in trade secret misappropriation cases.

A. *SYNTEL* IS CORRECT IN PRINCIPLE THAT UNJUST ENRICHMENT IS A COMPENSATORY REMEDY AND THAT IT SHOULD NOT OVERCOMPENSATE THE TRADE SECRET OWNER

The Second Circuit makes a compelling point in *Syntel*: unjust enrichment is a form of compensatory damages, and it should not be used to grant awards that would exceed its compensatory purpose.[149]

The Second Circuit is right that awarding unjust enrichment damages for a defendant's avoided costs would exceed compensatory purposes if: (1) the plaintiff's past losses and the defendant's additional past profits (if any) resulting from the misappropriation can be remedied through lost profits and disgorgement of any remaining unjust gains; (2) the misappropriation has not diminished or destroyed the value of the trade secret; and (3) an injunction can be expected to fully restrain the defendant from using the trade secret further.[150] Under such circumstances, the plaintiff has been compensated for its past harms—by the defendant repaying it for direct monetary losses and surrendering any additional profits it made by the misappropriation. The plaintiff has also been assured against future harms from the defendant via an injunction. If past harms have been accounted for and future harms have been prevented, then the plaintiff has been fully compensated. Any additional remedy—such as an unjust enrichment award for avoided costs—would exceed compensatory purposes. Although it is possible that punitive damages or attorney's fees are also warranted, if so, any further monetary remedies should be couched in those forms of recovery.[151]

Meanwhile, as the *Syntel* court itself acknowledged, avoided-cost unjust enrichment awards may still be justified in certain situations.[152] An important factual consideration is whether the defendant can actually be stopped from

149. *See Syntel*, 68 F.4th at 811.

150. *See id.* ("Beyond its lost profits . . . TriZetto suffered no compensable harm support an unjust enrichment award of avoided costs. The district court's permanent injunction ended Syntel's use of TriZetto's trade secrets, and, therefore, its ability to profit from any avoided costs. Further, Syntel's misappropriation did not diminish . . . the secrets' continued commercial value to TriZetto.").

151. *See id.* at 811 n. 36.

152. *Id.* at 812 ("To be sure, future cases may present a range of factual scenarios concerning a defendant who has . . . nevertheless, been enriched by avoided costs . . . at the expense of the trade secret holder.").

using the trade secret in the future—a factor that directly influences the efficacy of an injunction.[153] For example, if the defendant is a foreign-based entity that has already transferred copies of the misappropriated trade secret to its offices overseas, there may be legitimate doubts about whether an injunction by a U.S. court could effectively stop the defendant from continuing to use (and profit from) the trade secret. Although U.S. courts could enter injunctions that apply to the defendant's global conduct,[154] the defendant's possession of the trade secret in physical locations outside U.S. jurisdiction may limit enforcement allowing the defendant to continue profiting from the misappropriated trade secret in the future. In such cases where the defendant effectively remains able to continue profiting from the trade secret, the costs that the defendant avoided through its misappropriation *would* constitute an unjust benefit. A court should be able to award unjust enrichment damages for avoided costs in such cases.[155]

Although *Syntel* is correct in principle that avoided-cost unjust enrichment awards should not overcompensate trade secret owners, its limitation of a very potent form of damages can weaken the deterrence against would-be trade secret misappropriators.

153. *Id.* (Whether a defendant has been enriched by avoided costs at the expense of the trade secret holder "might depend on . . . the extent to which the defendant can be stopped from profiting further from its misappropriation into the future."); *see also* Victoria A. Cundiff, *A Closer Look at Trade Secret Damages*, N.Y.C. BAR ASS'N 12 (Dec. 11, 2023) ("What if there is reason to doubt the efficacy of an injunction?").

154. *See, e.g.*, Permanent Injunction Order at 7, Syntel Sterling Best Shores Mauritius Ltd., and Syntel, Inc. v. TriZetto Grp., Inc., No. 1:15-CV-00211-LGS-SDA (S.D.N.Y. May 18, 2021), ECF No. 993 [hereinafter *Syntel District Court Permanent Injunction Order*] (The district court enjoined Syntel from possessing, using, or disclosing TriZetto's trade secrets "anywhere in the world.").

155. If copies of the trade secret have already been transmitted outside U.S. jurisdiction, not even an ex parte civil seizure order could be relied upon to prevent further use of the trade secret by the defendant. Just as the law authorizes ex parte civil seizure orders when lawbreakers are suspected to be not amenable to the enforcement of the court's orders, *supra*, Section II.D.4, if a misappropriator has already finished arranging its affairs so as to be not amenable to the court's orders, it would make sense for the law to do something about that—such as by requiring the misappropriator to pay the fair value of an unjust benefit that it can no longer truly return (or be truly relied upon to honestly return). The Second Circuit seems to have rightly recognized this possibility. *See Syntel*, 68 F.4th at 812 (Whether a defendant has been enriched by avoided costs at the expense of the trade secret holder "might depend on . . . the extent to which the defendant can be stopped from profiting further from its misappropriation into the future.").

B. THE *SYNTEL* DOCTRINE CAN UNDER-DETER TRADE SECRET MISAPPROPRIATION

Syntel could systematically under-deter trade secret misappropriation by significantly limiting the misappropriator's exposure to monetary damages. Furthermore, because the availability of avoided-cost unjust enrichment awards under *Syntel* depends largely upon the misappropriator's behavior, *Syntel* may open new avenues for would-be trade secret misappropriators to strategically tailor their misappropriation in a manner that avoids liability for avoided-cost unjust enrichment damages.

1. Syntel *Can Rule Out a Potent Component of Trade Secret Compensatory Damages, Diminishing the Deterrent Effects of Trade Secret Law*

A would-be trade secret misappropriator may be tempted by the potentially lucrative gains that it might reap from misappropriating valuable trade secrets. As seen in *Syntel* and *Epic Systems*, trade secret misappropriators can avoid possibly hundreds of millions of dollars in development costs—$285 million and $140 million, respectively.[156] Although the $285 million unjust enrichment award in *Syntel* was ultimately overturned, that amount represents what Syntel stood to gain had it gotten away with its trade secret misappropriation. In other words, it represents a $285 million temptation to misappropriate trade secrets. Misappropriators lucky enough to get away with their misdeeds thus stand to benefit handsomely, which may motivate some to take their chances. Furthermore, misappropriators can then use their ill-gotten trade secrets to enhance their market competitiveness—for example, by incorporating stolen trade secrets into their products and reaping greater profits when those products perform better on the market. To date, the threat of formidable avoided-cost unjust enrichment damages has helped counterbalance these dramatic potential upsides of trade secret misappropriation. *Syntel* takes these damages off the table in certain situations which may greatly weaken deterrence against trade secret misappropriation.

Under *Syntel*, a trade secret misappropriator would likely not be liable for avoided-cost unjust enrichment damages if: (1) the plaintiff's past losses and any additional past profits by the defendant can be remedied with lost profits and disgorgement of remaining unjust gains; (2) the misappropriation did not diminish or destroy the value of the trade secret; and (3) an injunction would fully prevent the defendant from using the trade secret in the future.[157] Under

156. More precisely, the respective district courts found that the defendants before them had avoided incurring these amounts by misappropriating trade secrets. *See Syntel*, 68 F.4th at 798–99; Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., 980 F.3d 1117, 1123 (7th Cir. 2020).

157. *See supra* Section IV.A; *Syntel*, 68 F.4th at 811.

such circumstances, a misappropriator would risk little more than the return of what it should never have taken in the first place. Even if a misappropriator is detected, sued, and found liable for trade secret misappropriation, its financial liability may well be limited to any lost profits inflicted upon the plaintiff and any of the defendant's remaining profits,[158] plus its own litigation costs. The former will often be a mere return of what the defendant wrongfully gained from the misappropriation in the first place—and it may even be zero if the defendant had not yet fully commercialized the misappropriated trade secret by the time it was caught.[159] This could leave the misappropriator's own litigation costs as the only major expense that it stands to lose, relative to its financial position pre-misappropriation—and a misappropriator can likely exert some control over even this expense (for example, by settling early in the case). Conversely, an aggrieved trade secret owner stands to be awarded significantly less in compensatory relief, making it less financially worthwhile to file suit—which further reduces the risk for misappropriators.

While it may be true that awarding unjust enrichment damages for avoided costs *whenever* there is misappropriation of any trade secret could depart from the compensatory underpinnings of unjust enrichment damages (as the *Syntel* court feared),[160] it also seems questionable to have a system where adjudged misappropriators are not much worse off after losing in court than they would have been if they had never stolen the trade secret in the first place. If a would-be trade secret misappropriator anticipates that the worst-case scenario is simply giving back what was stolen (if caught), that will significantly hobble the deterrent effects of trade secret law.[161]

158. *See* 18 U.S.C. § 1836(b)(3)(B)(i).

159. *See* Petition for Writ of Certiorari at 32–33, *Syntel*, 144 S. Ct. 352 (2023) ("Defendants caught before they can turn a meaningful profit or otherwise harm the value of the trade secret will escape both actual-loss and unjust enrichment liability altogether . . . .").

160. *Syntel*, 68 F.4th at 813.

161. Would-be infringers under other intellectual property regimes often face significant compensatory damages, even if the plaintiff alleges no lost profits or unjust gains to be disgorged. For instance, would-be patent infringers often face at least reasonable royalty damages. *See* 35 U.S.C. § 284 (providing for compensatory damages "in no event less than a reasonable royalty"); would-be copyright infringers often face at least statutory damages and attorney's fees. *See* 17 U.S.C. §§ 504–05 (providing for up to $150,000 in statutory damages, plus attorney's fees at a court's discretion against any defendant other than the United States); *see also* Michael Jacobs & Karl Johnston, *Attorney's Fees in Copyright Cases*, MORRISON & FOERSTER (Feb. 2022) (explaining how copyright law provides a favorable standard for awarding attorney's fees and citing relevant caselaw). By comparison, trade secret law does not provide for an equivalent minimum of compensatory damages. *See supra* Section II.D.1.

2. *Would-Be Trade Secret Misappropriators Can Take Advantage of* Syntel *by Strategically Tailoring Their Misappropriation*

A would-be trade secret misappropriator might do more than passively anticipate a *Syntel*-like set of circumstances—it could even actively attempt to create them by strategically tailoring its misappropriation. For instance, a misappropriator could steal another person's trade secret, but while doing so, take deliberate care to not harm the value of the trade secret (e.g., by not further disclosing it) and ensure that there is no credible reason to doubt the efficacy of an injunction (e.g., by not transmitting any copies of the trade secret out of U.S. jurisdiction). If the misappropriator succeeds in doing this, it will have essentially re-created a *Syntel*-like situation under which a court would be unlikely to impose a costly avoided-cost unjust enrichment remedy, greatly reducing its exposure to compensatory remedies. The misappropriator could then rest assured that, even if its misdeeds are discovered, its financial exposure is likely limited to little more than giving back what it stole.

A particularly strategic misappropriator could take the above scenario a step further by exploiting the statute of limitations under trade secret law. Under the DTSA, the statute of limitations for trade secret misappropriation is three years from when the misappropriation is discovered or should have been discovered with the exercise of reasonable diligence.[162] A trade secret misappropriator could go as far as to intentionally alert the trade secret owner to the misappropriation to start the clock on the statute of limitations. While the statute of limitations ticks away, the aggrieved trade secret owner would have reduced financial incentive to sue because the potent avoided-cost unjust enrichment remedy would remain off the table under *Syntel*.[163] Meanwhile, if the trade secret owner does not file suit within the statute of limitations period, its misappropriation claim will be barred—once this has happened, the misappropriator could begin commercializing the stolen trade secret with impunity from suit from the trade secret owner. If misappropriators can do this, the risk-reward calculus for unscrupulous entities may weigh in favor of misappropriation.

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162. *See* 18 U.S.C. § 1836(d); UNIF. TRADE SECRETS ACT § 6. State law UTSA enactments are typically substantially similar. *See, e.g.*, CAL. CIV. CODE § 3426.6 (substantially similar under California law); TEX. CIV. PRAC. & REM. CODE ANN. § 16.010 (substantially similar under Texas law). *But see* 765 ILL. COMP. STAT. ANN. 1065/7 (five-year statute of limitations period under Illinois law).

163. *See Syntel*, 68 F.4th at 814. The misappropriator could further reduce its own financial risk (and the plaintiff's motivation to sue) by not commercializing the trade secret while the statute of limitations period runs, thus inflicting zero lost profits and gaining zero unjust profits during that time.

Syntel allows these scenarios because it under some circumstances would preclude avoided-cost unjust enrichment awards, which an aggrieved trade secret owner otherwise could pursue. Although these scenarios currently are merely theoretical possibilities in the initial years after *Syntel* was decided, they nevertheless represent possible gaps in the deterrent effects of trade secret law.

C. *SYNTEL* MAY PRODUCE DIFFERENT RESULTS ON THE SAME FACTS AND ENCOURAGE FORUM-SHOPPING

The Second Circuit's reasoning in *Syntel* differs significantly from other circuits regarding avoided-cost unjust enrichment damages in trade secret misappropriation cases. Although the "circuit split" that *Syntel* creates is not as defined and clean-cut as other circuit splits in the past (which may have contributed to the U.S. Supreme Court denying certiorari), this disagreement between the Second Circuit and its sister circuits may nevertheless lead to significantly different remedy outcomes in cases with *Syntel*-like facts. This, in turn, will likely encourage forum-shopping in future trade secret misappropriation cases.

1. *Although the Split Between the Second Circuit and Its Sisters is Quite Messy,* Syntel *is Ultimately Likely to Produce Different Results on the Same Facts*

Syntel did not present a well-defined and clean-cut circuit split. On one hand, key differences between the facts of *Syntel* and other circuits' decisions plus the Second Circuit's qualified statements in *Syntel* blur the legal disagreement between the Second Circuit and its sisters. On the other hand, and notwithstanding the blurred contours of the legal disagreement, the Second Circuit clearly disagreed with the results reached by the other circuits, and it placed critical importance upon the compensatory underpinnings of unjust enrichment damages, a consideration that its sister circuits have not clearly expressed. Ultimately, it is likely that *Syntel* will produce different remedy results than the other circuits on similar facts. In other words, although the precise legal disagreement between the Second Circuit and its sister circuits is murky, the Second Circuit's intense focus on keeping compensatory damages within their compensatory underpinnings likely means that *Syntel* will ultimately produce different remedy results.

a) *Syntel* Does Not Present a Well-Defined and Clean-Cut Circuit Split

Although the Second Circuit openly disagreed with previous opinions of other circuit courts[164] relating to avoided-cost unjust enrichment damages, a closer analysis of the *Syntel* opinion and the cases it criticizes reveals factual variations and qualified statements that render the legal disagreement less clear-cut.

i) Factual Differences Between *Syntel* and the Cases It Criticizes

Despite the Second Circuit's criticisms of the Seventh Circuit's *Epic Systems* and the Third Circuit's *PPG Industries* opinions regarding their treatment of unjust enrichment damages for avoided costs, there are key factual differences between these three cases that complicate the legal disagreement between the circuits. These factual differences are particularly important because they implicate a factor which the *Syntel* court itself acknowledged as being material to whether a defendant has been unjustly enriched by avoided costs: the extent to which the defendant can be stopped from profiting further from its misappropriation into the future.[165] Because these factual differences directly affect whether avoided-cost unjust enrichment is warranted, they obscure whether the awards in *Epic Systems* or *PPG Industries* would necessarily change under *Syntel*'s legal reasoning, blurring the legal disagreement between the circuit courts.

Syntel factually differs from *Epic Systems* and *PPG Industries* in several ways, as summarized in Table 1, below.

164. The Second Circuit specifically called out the Seventh and Third Circuits. *See Syntel*, 68 F.4th at 812, 813 n. 42 (openly disagreeing with the Seventh Circuit's opinion in *Epic Systems*, and the Third Circuit's opinion in *PPG Industries*).

165. *See id.* at 812.

Table 1: Comparison Between *Syntel*, *Epic Systems*, and *PPG Industries*

	Syntel	***Epic Systems***	***PPG Industries***
Defendant	Domestic company	Foreign company	Foreign company
Governing Law	DTSA and New York law	UTSA (Wisconsin)	UTSA (Pennsylvania)
Value of TS Damaged?	No	No indication	No indication
Injunction Scope	Worldwide	Worldwide	Within the U.S.
Injunction Duration	Indefinite	4 Years	Indefinite
Avoided Cost UE Award Upheld?	No	Yes	Yes
Circuit Court Reasoning	The district court injunction ended Syntel's use of the misappropriated trade secret and its ability to profit from any avoided costs in the future.	Defendant gained a "significant head start" by its misappropriation; UEAC has been awarded for such "head starts" in the past.	The UEAC award covered past uses of the misappropriated trade secret; the injunction, issued long after the misappropriation, covered potential future uses of that trade secret.

These factual differences may materially affect whether and to what extent each defendant can be stopped from profiting further from its misappropriation.[166] In *Syntel*, the district court issued an injunction of indefinite duration and worldwide scope.[167] Absent some specific reason to doubt the efficacy of that injunction (which does not appear to have been argued), the district court's injunction "ended Syntel's use of TriZetto's trade secrets, and, therefore, its ability to profit from any avoided costs."[168] By contrast, in *Epic Systems*, the district court issued an injunction lasting only four years in duration;[169] after that period, the defendant could potentially resume profiting from its misappropriation to some degree. In *PPG Industries*, the district court restricted its injunction to defendant's activities within the United

166. *See id.*
167. *See Syntel District Court Permanent Injunction Order*, *supra* note 154, at 7.
168. *See Syntel*, 68 F.4th at 811.
169. *See Epic Systems Injunction*, *supra* note 84, at 2.

States.[170] Thus, that defendant might be able to continue profiting from its misappropriation to some degree by engaging in the prohibited activities outside the United States. Because the defendants in both *Epic Systems* and *PPG Industries* might have been able to continue profiting from their misappropriation, they were arguably enriched by their avoided costs under *Syntel*'s reasoning.[171] This factor obscures whether the unjust enrichment awards in *Epic Systems* or *PPG Industries* would necessarily be different under *Syntel*,[172] muddying the legal disagreement between the circuit courts.[173]

ii) Limited Holding and Qualified Statements in *Syntel* and the Absence of Squarely Opposing Statements by Other Circuits

The *Syntel* court limited its holding and qualified its disagreement with the other circuit courts.[174] This reduces the clarity of the present circuit split, compared to other typical circuit splits.

a. Limited Holding in *Syntel*

The *Syntel* court held that avoided-cost unjust enrichment damages were not available "under the specific facts" presented.[175] However, it also left open the possibility of allowing future avoided-cost unjust enrichment damages

170. *See PPG Industries Injunction*, *supra* note 119, at 2.

171. *See Syntel*, 68 F.4th at 812 ("[F]uture cases may present a range of factual scenarios concerning a defendant who has realized only modest profits from its misappropriation of trade secrets but has, nevertheless, been enriched by avoided costs in a large amount at the expense of the secret holder. This might depend on . . . the extent to which the defendant can be stopped from profiting further from its misappropriation into the future.").

172. This refers to whether the unjust enrichment doctrine embraced by *Syntel* would *necessarily* demand reversal of the avoided-cost unjust enrichment awards under the facts and procedural posture of *Epic Systems* or *PPG Industries*. On the other hand, that the *Syntel* opinion specifically criticizes the *Epic Systems* and *PPG Industries* opinions on the unjust enrichment issue suggests that the Second Circuit would likely have decided the issue differently had those cases been heard in the Second Circuit. *See infra* Section IV.C.1.b.

173. In addition to the factual differences, there are other noteworthy legal and procedural differences between *Syntel*, and *Epic Systems* and *PPG Industries*. The trade secret misappropriation claim in *Syntel* was based on the federal DTSA and New York State law, although the damages award primarily relied on the DTSA. *See Syntel*, 68 F.4th at 797, 806–14. Meanwhile, the trade secret misappropriation claims in *Epic Systems* and *PPG Industries* were brought under Wisconsin and Pennsylvania State law, respectively. *See* Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., 980 F.3d 1117, 1138 (7th Cir. 2020); PPG Indus. Inc. v. Jiangsu Tie Mao Glass Co., 47 F.4th 156, 159 (3d Cir. 2022). Although the effects of procedural posture and the nuances between the DTSA and UTSA are beyond the scope of this Note, they are briefly mentioned here for completeness' sake because they introduce additional layers of complexity between the cases.

174. *See Syntel*, 68 F.4th at 812–14.

175. *See id.* at 814; *see also supra* Section III.B.3.

based on factual considerations such as "the extent to which the defendant has used the secret in developing its own competing product, the extent to which the defendant's misappropriation has destroyed the secret's value for its original owner, or the extent to which the defendant can be stopped from profiting further from its misappropriation into the future."[176] Thus, while *Syntel* reached a clear outcome under its own specific facts, it left open the question of precisely when unjust enrichment damages for avoided costs are or are not available in trade secret misappropriation cases. This detracts from there being a clear-cut circuit split between the Second Circuit and its sisters.

b. Qualified Statements in *Syntel* and the Absence of Squarely Opposing Statements by Other Circuits

Although the Second Circuit in *Syntel* very clearly expressed that it disagreed with the reasoning of *Epic Systems* and *PPG Industries*, it also confined that disagreement to an interpretation of those opinions which would treat trade secret misappropriation as itself a sufficient condition for awarding avoided-cost unjust enrichment damages.[177]

This qualification makes sense because the other circuit court opinions do not positively hold that trade secret misappropriation is by itself a sufficient condition for avoided-cost unjust enrichment awards. Rather, these opinions appear to have upheld them simply because the plaintiff's allegations of the defendant's avoided costs satisfied all other legal and evidentiary requirements under general principles of unjust enrichment doctrine.[178]

c. Contrast with Other Circuit Splits

The circuit split stemming from *Syntel* sharply contrasts with other circuit splits that have been much more defined and clear-cut. For example, the U.S. Supreme Court recently granted certiorari in *Horn v. Medical Marijuana, Inc.*, addressing a split regarding civil liability under the Racketeer Influenced and Corrupt Organizations (RICO) Act.[179] The legal question was whether economic harm resulting from personal injuries are injuries to "business or property by reason of" the defendant's acts for purposes of civil RICO.[180] The

176. *See Syntel*, 68 F.4th at 812; *see also supra* Section III.B.3.

177. *See Syntel*, 68 F.4th at 813 ("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." (emphasis in original)); *see also supra* Section III.B.3.

178. *See supra* Section III.A.

179. 80 F.4th 130 (2d Cir. 2023), *cert. granted sub nom.*, Medical Marijuana, Inc. v. Horn, 144 S. Ct. 1454 (U.S. Apr. 29, 2024).

180. *Id.* at 135.

Second Circuit held in *Horn* that the civil-action provision of RICO does not bar a suit for damages simply because those damages flow from a personal injury.[181] This directly conflicted with the Sixth Circuit's decision in *Jackson v. Sedgwick Claims Management Services, Inc.*, which squarely held that "both personal injuries and pecuniary losses flowing from those personal injuries *fail to confer relief* under" civil RICO.[182] Neither *Horn* nor *Jackson* limited their holdings to their facts, and they produced two clearly opposing rules of law. By contrast, the limited holding and qualified statements in *Syntel*, and the absence of squarely opposing statements by other circuits, result in a circuit split that is less clearly defined and clear-cut.

b) Nevertheless, *Syntel* Represents a Significant Difference in Reasoning Between Circuit Courts, Which May Ultimately Produce Different Remedy Outcomes on the Same Facts

i) *Syntel* Represents a Significant Difference in Reasoning Between Circuit Courts

The present disagreement between the Second Circuit and its sisters is nevertheless significant because *Syntel* approaches unjust enrichment awards from a fundamentally different perspective: it takes as a foundational principle that unjust enrichment awards must be compensatory and, thus, zealously guards against overcompensation.[183] Meanwhile, the other circuit courts generally have not placed such importance on guarding against overcompensation.[184] Combined with the Second Circuit's open criticism of the results reached by (and not just the reasoning of) its sister circuits, it is likely that the *Syntel* doctrine will ultimately produce different remedy outcomes in trade secret misappropriation cases within the Second Circuit as compared to other circuits.

The Second Circuit places clear and critical importance on the compensatory moorings of unjust enrichment in the *Syntel* opinion. Specifically, it emphasizes that unjust enrichment awards under the DTSA are meant to compensate trade secret owners whose injuries are not adequately

181. *Id.* at 142.

182. Jackson v. Sedgwick Claims Mgmt. Servs., Inc., 731 F.3d 556, 565–66 (6th Cir. 2013) (en banc) (emphasis added).

183. *See Syntel*, 68 F.4th at 813.

184. *See generally*, Epic Sys. Corp. v. Tata Consultancy Servs., Ltd., 980 F.3d 1117, 1128–33 (7th Cir. 2020); PPG Indus. Inc. v. Jiangsu Tie Mao Glass Co., 47 F.4th 156, 161–64 (3d Cir. 2022).

addressed by lost profits.[185] It states that the DTSA's unjust enrichment provision must be read in conjunction with the Act's compensatory damages scheme so that unjust enrichment awards include only "*compensable harm*[s] beyond [plaintiff's] lost profits or profit opportunities."[186] Lastly, *Syntel* holds that TriZetto suffered no *compensable* harm warranting an unjust enrichment award for avoided costs because "[t]he district court's permanent injunction ended Syntel's use of TriZetto's trade secrets, and, therefore, its ability to profit from any avoided costs."[187] The Second Circuit therefore reversed an approximately $285 million unjust enrichment award.[188]

Meanwhile, the other circuits have not been as explicitly committed toward keeping unjust enrichment damages strictly compensatory. For example, in the section of the *Epic Systems* opinion discussing the unjust enrichment award, the Seventh Circuit focused mostly on whether unjust enrichment for avoided costs is supported by precedent (the Seventh Circuit found that it did)[189] and whether a reasonable jury had a sufficient evidentiary basis to award the $140 million avoided-cost unjust enrichment award (the Seventh Circuit found that it did).[190] The opinion did not expressly consider whether that $140 million award was properly limited to a compensatory function.[191]

Similarly, in *PPG Industries*, the Third Circuit focused on whether unjust enrichment for avoided costs was an allowable remedy (the Third Circuit found that it was),[192] and whether the defendant had benefitted by avoiding

185. *See Syntel*, 68 F.4th at 811 ("Section 1836(b)(3)(B)(i)(II) awards compensatory damages to aggrieved trade secret holders whose injuries are not adequately addressed by lost profits.").

186. *Id.* (emphasis in original).

187. *Id.* (emphasis added).

188. *See id.* at 814.

189. *See generally Epic Systems*, 980 F.3d at 1128–30.

190. *See generally id.* at 1131–33.

191. One reason why the Seventh Circuit did not expressly consider whether the avoided-cost unjust enrichment award overcompensated the plaintiff may have been that the defendant did not extensively argue it on appeal. The defendant in *Epic Systems* seems to have primarily argued on appeal that the "comparative analysis" document could not constitute a "head start." *See generally* Opening Brief for Tata Consultancy Servs. Ltd. at 44–60, Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., 980 F.3d 1117 (7th Cir. 2020) (*TCS Opening Appellate Brief*). Meanwhile, the defendant does not appear to have extensively argued on appeal that the $140 million avoided-cost unjust enrichment award constituted double recovery when combined with the permanent injunction—in fact, the defendant's opening appellate brief addresses the permanent injunction's effects just once, buried in the middle of a footnote. *See TCS Opening Appellate Brief* at 50–51, 51 n. 7. The defendant's reply brief does not address the injunction at all. *See generally* Combined Response & Reply Brief for Tata Consultancy Servs. Ltd., Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., 980 F.3d 1117 (7th Cir. 2020).

192. *See* PPG Indus. Inc. v. Jiangsu Tie Mao Glass Co., 47 F.4th 156, 161–62 (3d Cir. 2022).

costs by its misappropriation (the Third Circuit found that it had, because the misappropriation allowed the defendant to "skip the R&D process completely and begin preparing for production without developing anything like the [stolen technology] on its own").[193] The Third Circuit also considered whether the district court had properly determined the avoided costs. The Third Circuit found that it had, because the district court "did not look to [plaintiff's] R&D costs to reimburse" the plaintiff; rather, the district court "looked to those costs as indicative of the costs" that the defendant avoided by misappropriating the fruits of the plaintiff's work.[194] Although the opinion briefly addressed the defendant's argument that awarding the unjust enrichment damages for avoided costs on top of issuing a permanent injunction amounted to a "double recovery," the Third Circuit disagreed and formalistically characterized the unjust enrichment award as compensating for the defendant's past uses of the trade secret and the injunction as covering potential future use of the trade secret.[195] Beyond that brief discussion, the Third Circuit did not expressly consider whether the district court's $8.8 million compensatory award was properly limited to a compensatory function.

ii) The Disagreement Between the Second Circuit and Its Sisters May Produce Differing Remedy Outcomes

If *Epic Systems*, *PPG Industries*, or a similar case were to be heard before the Second Circuit, it seems likely that the Second Circuit would ultimately reverse (or at least reduce) the avoided-cost unjust enrichment awards—despite its qualified statements and limited holding in *Syntel* itself.

First, the Second Circuit's express criticism of the results in *Epic Systems* and *PPG Industries* on the unjust enrichment point[196] suggests that the Second Circuit would not have upheld the avoided-cost unjust enrichment awards in those cases and would reverse such awards under similar facts. In addition, although *Epic Systems* and *PPG Industries* differed from *Syntel* in some key factual respects (and therefore, the unjust enrichment doctrine embraced by *Syntel* might not *necessarily* demand reversal of such unjust enrichment awards),[197] the

193. *See id.* at 162.
194. *See id.* at 162–63.
195. *See id.* at 163–64.
196. *See Syntel*, 68 F.4th at 812–13, 813 n. 42.
197. *See supra* Section IV.C.1.a.ii. The district court in *Epic Systems* issued a permanent injunction of limited duration, while the district court in *PPG Industries* geographically limited the scope of the its permanent injunction to within the United States; both of these limitations tend to leave open whether the respective defendants might be able to continue profiting from its misappropriation into the future to some degree—a factor which the *Syntel* court itself acknowledged as a potentially important factor in whether an avoided-cost unjust enrichment award is proper.

Second Circuit would still likely reverse or reduce the unjust enrichment awards. The Second Circuit's intense focus on ensuring that compensatory awards stay within the bounds of their compensatory purposes would likely lead it to a similar conclusion as in *Syntel*.

In *Syntel*, the Second Circuit placed great importance on whether Syntel's misappropriation injured TriZetto beyond its lost profits.[198] The court determined that this depended largely upon whether the district court had issued an injunction preventing Syntel from further using the misappropriated trade secret.[199] Because the district court had issued such an injunction, Syntel was unable to profit from any avoided costs, and so the Second Circuit concluded that the avoided-cost unjust enrichment award was over-compensatory.[200]

If the Second Circuit were to apply the same compensatory focus to the facts of *Epic Systems*, it would likely view the avoided-cost unjust enrichment award in that case as over-compensatory and, therefore, reverse or reduce that award. In *Epic Systems*, the district court had issued a four-year injunction barring the defendant from using the misappropriated trade secrets. The jury also awarded approximately $140 million in avoided-cost unjust enrichment.[201] The Second Circuit would likely focus on the fact that the injunction precluded the defendant's ability to profit from its "head start" (at least for four years, while the injunction is effective). Given this injunction, an avoided-cost unjust enrichment award would exceed compensatory purposes according to the Second Circuit. The Second Circuit is also likely to view the avoided-cost unjust enrichment award in *PPG Industries* as over-compensatory. In *PPG Industries*, the district court had issued both a permanent injunction barring the defendant's future use of the misappropriated trade secrets and also an avoided-cost unjust enrichment award of approximately $8.8 million.[202] The Second Circuit would likely focus on the fact that even though the defendant may have been able to skip the R&D process using the stolen trade secret, the district court's injunction restricted the defendant's ability to profit from it in the future (within the United States, at least).[203] Given this injunction, the

198. *See Syntel*, 68 F.4th at 810; *see also supra* Section IV.C.1.b.i.

199. *See Syntel*, 68 F.4th at 810–11; *see also supra* Section IV.C.1.b.i.

200. *See Syntel*, 68 F.4th at 811; *see also supra* Section IV.C.1.b.i.

201. *See* Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., 980 F.3d 1117, 1127 (7th Cir. 2020); *Epic Systems Injunction*, *supra* note 84, at 2.

202. *See* PPG Indus. Inc. v. Jiangsu Tie Mao Glass Co., 47 F.4th 156, 160 (3d Cir. 2022); *see also supra* Section IV.C.1.b.i.

203. The district court's injunction was geographically limited to within the United States. *See PPG Industries Injunction*, *supra* note 119, at 2.

Second Circuit would likely find this avoided-cost unjust enrichment award to be over-compensatory.

2. *This Disagreement Between Circuits May Produce Very Different Remedy Outcomes and is Likely to Encourage Forum-Shopping*

Appellate forum shopping is the practice of selecting an appellate court with a favorable interpretation of the law and strategically placing the case in that jurisdiction.[204] This practice is common in appellate litigation.[205]

The magnitude of avoided-costs unjust enrichment awards in trade secret misappropriation cases often reaches well into the millions of dollars. In *Syntel*, the award was worth approximately $285 million.[206] In *Epic Systems*, the award was worth approximately $140 million.[207] In *PPG Industries*, the award was worth approximately $8.8 million.[208] With awards of such magnitude on the line, trade secret plaintiffs who expect to find themselves in a position similar to TriZetto's in *Syntel* (plaintiffs who seek a prohibitory injunction but do not expect to argue for significant actual losses or disgorgement remedies) may now feel significant financial incentives to file suit outside the Second Circuit. Conversely, accused trade secret misappropriators, hoping to avoid such costly remedies, will likely be very motivated to change venue to a court within the Second Circuit.

D. POSSIBLE EVOLUTION OF TRADE SECRET REMEDIES FOR *SYNTEL*-LIKE TRADE SECRET CASES: IMPOSE ATTORNEY'S FEES, PUNITIVE DAMAGES, OR REASONABLE ROYALTY DAMAGES MORE OFTEN

In *Syntel*, the Second Circuit cast a skeptical eye towards avoided-cost unjust enrichment awards in situations where it would exceed compensatory purposes. Such situations occur when: (1) an injunction can be expected to foreclose the defendant from using the misappropriated trade secret in the future; and (2) the value of the trade secret has not been harmed.[209] *Syntel* is correct in principle that unjust enrichment, as a form of compensatory damages, should not overcompensate or produce windfalls.[210] However, *Syntel*'s purely compensatory approach towards unjust enrichment damages may reduce deterrence against trade secret misappropriation by restricting

204. Edward M. Mullins & Rima Y. Mullins, *You Better Shop Around: Appellate Forum Shopping*, 25 LITIGATION 32 (Summer 1999).
205. *See id.*
206. *See Syntel*, 68 F.4th at 799.
207. *See Epic Systems*, 980 F.3d at 1127–28.
208. *See PPG Industries*, 47 F.4th at 160.
209. *See Syntel*, 68 F.4th at 811.
210. *See supra* Section IV.A.

avoided-cost unjust enrichment awards (which are often substantial in monetary value).[211] This loss of deterrent effect may be particularly pronounced when a would-be misappropriator can anticipate (or even create) *Syntel*-like facts, under which it would likely be financially liable for little more than its own litigation costs.[212]

Awarding attorney's fees, punitive damages, or reasonable royalty damages more easily in trade secret cases would be a potentially effective method to restore the deterrent effect of trade secret law diminished by *Syntel*.

1. Attorney's Fees Awards

Awarding attorney's fees more frequently in these cases (at least, in those trade secret misappropriation cases with *Syntel*-like facts) could help restore trade secret law's deterrent effect by increasing the financial consequences for trade secret misappropriators and by restoring aggrieved trade secret owners' monetary incentives to bring suit even without the possibility of lucrative unjust enrichment awards.

The magnitude of attorney's fees can be significant in trade secret cases. In 2022, the median litigation costs of trade secret misappropriation cases proceeding through trial (and appeal, if applicable) were between $750,000 and $2.75 million, depending on the amount of money at risk in the litigation.[213] Individual cases can greatly exceed these averages—as the court in *Syntel* awarded $14.5 million post-appeal.[214]

The federal DTSA and State law UTSAs allow courts to award reasonable attorney's fees if the trade secret was "willfully and maliciously" misappropriated.[215] The requirements for establishing "willful and malicious" misappropriation can be challenging, and courts rarely award attorney's fees.[216] This rarity is especially true for courts that apply more demanding standards for "willful and malicious" misappropriation—these courts have denied attorney's fees awards when they found that a misappropriator's egregious misconduct was only motivated by competition (rather than an actual intent to

211. *See supra* Section IV.B.

212. *See supra* Section IV.B.

213. AIPLA, REPORT OF THE ECONOMIC SURVEY 2023, at 66 (Oct. 2023); *see also supra* Section II.D.3.

214. Syntel Sterling Best Shores Mauritius Ltd. v. TriZetto Grp., Inc., No. 15-cv-211 (LGS), 2024 WL 1116090, at *4 (S.D.N.Y. Mar. 13, 2024) (post-appeal proceedings before the district court).

215. *See* 18 U.S.C. § 1836(b)(3)(D); UNIF. TRADE SECRETS ACT § 4; *see also supra* Section II.D.3.

216. *See supra* Section II.D.3; Rowe, *supra* note 12, at 169–76 (an empirical study of 150 trade secret misappropriation cases from 2000 to 2014 revealed that attorney's fees awards only comprised about 8 percent of all damages awarded in those 150 trade secret cases).

inflict harm).[217] Changing this practice may have some possible advantages and disadvantages.

a) Modes of Implementation

Whether courts may award attorney's fees (or punitive damages) for trade secret misappropriation under federal or state law depends on whether the misappropriation was "willful and malicious."[218] Currently, when interpreting the DTSA, courts "typically look to the state UTSA . . . inasmuch as the two are substantively identical."[219] Thus, whether a defendant's conduct qualifies as "willful and malicious" under either the DTSA or state law UTSAs typically depends upon how the law of the applicable state defines that term. There are two ways to allow courts to award attorney's fees more often in trade secret cases: (a) judicially adopt a more flexible interpretation of "willful and malicious" misappropriation; or (b) statutorily adopt such an interpretation.

i) Judicially Adopt a Flexible Interpretation of "Willful and Malicious" Misappropriation

Different jurisdictions have applied different standards for "willful and malicious" conduct. Some states have adopted a more flexible standard, defining the term as "acting consciously in disregard of another person's rights or acting with reckless indifference to the consequences, with the defendant aware, from his knowledge of existing circumstances and conditions, that his conduct probably would cause injury to another."[220] In other words, this definition allows courts to impose attorney's fees if the misappropriator knew that its actions would likely harm the trade secret owner and proceeded with its misappropriation anyway.

Meanwhile, other states have adopted a more restrictive standard for "willful and malicious," requiring an actual intent to harm or injure.[221] This definition allows courts to impose attorney's fees only if they find that the

217. *See, e.g.*, Roton Barrier, Inc. v. Stanley Works, 79 F.3d 1112, 1120–21 (Fed. Cir. 1996) (despite agreeing that the defendant acted intentionally and with blatant duplicity, the appellate court ruled that the trial court's punitive damages and attorney's fees awards were an abuse of discretion because the defendant's actions were nevertheless motivated by competition and not an intent to harm).

218. *See* 18 U.S.C. § 1836(b)(3); UNIF. TRADE SECRETS ACT §§ 3, 4.

219. *Smart Team Glob.*, 2022 WL 847301, at *10.

220. *See* Hair Club for Men, LLC v. Ehson, No. 1:16-cv-236, 2017 WL 1250998, at *3 (E.D. Va. Apr. 3, 2017) (internal citations omitted) (applying Virginia law); *Smart Team Glob.*, 2022 WL 847301, at *10 (applying Virginia law).

221. *See, e.g.*, MicroStrategy Inc. v. Bus. Objects, S.A., 331 F. Supp. 2d 396, 430 (E.D. Va. 2004).

misappropriator engaged in its misappropriation with the specific intent and motivation to harm the trade secret owner.

If more jurisdictions adopt the more flexible interpretation of "willful and malicious," courts in those jurisdictions would have greater discretion to award attorney's fees whenever they find that the defendant misappropriated the trade secret intentionally and with knowledge that it would harm the trade secret owner.

ii) Statutorily Adopt a Flexible Interpretation of "Willful and Malicious" Misappropriation

A more uniform and straightforward mode of implementing the same effect would be for Congress to statutorily adopt a more flexible definition of "willful and malicious" for purposes of the DTSA. This would forego the need for different states to individually adopt the flexible definition on an ad hoc basis. However, achieving this change would require congressional legislation, which can be difficult to accomplish.

b) Potential Advantages

The potential advantages of awarding attorney's fees more often in trade secret cases are that: (1) it would be consistent with compensatory purposes; and (2) it would be consistent with deterrence purposes.

i) Consistent with Compensatory Purposes

Awarding attorney's fees is highly consistent with the goal of compensating the aggrieved trade secret owner. At a broad level, attorney's fees awards merely compensate the trade secret owner for litigation costs that it would not have had to spend if the defendant had not misappropriated its trade secret in the first place.[222]

Furthermore, attorney's fees seldom (if ever) result in windfalls for prevailing trade secret plaintiffs because these awards merely reimburse the prevailing party for the costs it incurred during litigation (and only *reasonable* litigation costs, at that).

222. Although this would be an exception to the standard "American Rule" in which each litigant pays for its own costs, it would not be a unique exception. For instance, copyright law allows courts very wide discretion to award attorney's fees to the prevailing party. *See* 17 U.S.C. § 505; *see also* Jacobs & Johnston, *supra* note 161 (explaining how copyright law provides a favorable standard for awarding attorney's fees and citing relevant caselaw). The above proposed solution for trade secret law would be a more limited exception to the "American Rule" in that it would still require that the misappropriator act with knowledge and reckless indifference to the harms it might inflict upon the trade secret owner.

ii) Consistent with Deterrence Purposes

Awarding attorney's fees more easily is consistent with deterrence purposes, by increasing trade secret misappropriators' financial exposure. Under *Syntel*, a misappropriator in a similar situation enjoys reduced exposure to monetary consequences because *Syntel* precludes the potential for formidable avoided-cost unjust enrichment awards under such facts.[223] In such situations, a misappropriator might face little more than its own litigation costs, plus actual damages—which may be negligible if the misappropriator has not yet commercialized the stolen secret.[224] Attorney's fees awards can help raise the stakes for misappropriators by putting trade secret owners' litigation costs—which average between $750,000 and $2.75 million[225]—in play against them. Even though these numbers are smaller than some notable avoided-cost unjust enrichment awards (e.g., $140 million in *Epic Systems*), they would still improve the deterrent effects of trade secret remedies under *Syntel*.

Awarding attorney's fees more frequently will also restore aggrieved trade secret owners' monetary incentives to bring suit. When deciding whether to sue misappropriators, aggrieved trade secret owners naturally consider their financial situation, the likely costs of litigation, and the potential payoff if they prevail. *Syntel*'s elimination of potentially lucrative avoided-cost unjust enrichment awards is likely to affect this calculus, making litigation less financially feasible—particularly for small businesses and resource-constrained plaintiffs. Attorney's fees awards can encourage trade secret owners to bring suit to enforce their rights, increasing the legal hazards for misappropriators and thus enhancing deterrence.

c) Potential Disadvantages

i) Overuse of Attorney's Fees Awards Might Over-Encourage Trade Secret Plaintiffs

A potential disadvantage of expanding attorney's fees awards in trade secret cases is that it might cultivate a cottage industry of plaintiff's attorneys who prod trade secret owners to bring misappropriation suits—even those of marginal merit. Scholars have previously raised similar concerns regarding over-eager trade secret litigation.[226]

223. *See supra* Section IV.B; *see also* Petition for Writ of Certiorari, *supra* note 159, at 32–33.

224. *See supra* Section IV.B; *see also* Petition for Writ of Certiorari, *supra* note 159, at 32–33.

225. AIPLA, REPORT OF THE ECONOMIC SURVEY 2023, at 66.

226. *See, e.g.*, Camilla A. Hrdy, *The Value in Secrecy*, 91 FORDHAM L. REV. 557, 586 (2022).

However, statutory provisions already discourage such over-litigious behavior: plaintiffs themselves are also exposed to attorney's fees awards if they bring trade secret claims in bad faith.[227] This is no empty threat: courts have previously imposed attorney's fees against plaintiffs who brought objectively weak misappropriation claims and refused to drop them after being informed of their dubious merit.[228] Courts have also used non-monetary remedies to disincentivize meritless or overeager trade secret claims: public shaming. Plaintiffs who bring severely meritless trade secret misappropriation suits have sometimes been forced to issue public apologies for doing so.[229] These safeguards deter trade secret owners against filing dubious trade secret misappropriation claims.

ii) Deterrent Value of Attorney's Fees Awards Does Not Scale Up Proportionately as Trade Secret Value Increases

Unlike avoided-cost unjust enrichment awards, whose value naturally reflects the trade secret's value to the misappropriator, attorney's fees awards do not necessarily scale proportionately with the monetary value of the trade secret at issue. Although average litigation costs tend to increase as the monetary stakes increase,[230] there is no guarantee that litigating a more valuable underlying trade secret will translate into *proportionally* higher attorney's fees. It may be possible for a trade secret to be so valuable that even the threat of an attorney's fees award of millions of dollars fails to deter a shady competitor from taking its chances with trade secret misappropriation.

It may be true that attorney's fees is not a perfect solution that can provide the perfect amount of deterrence in all cases. However, with median award sizes between $750,000 and $2.75 million, they are likely to at least help make up for the deterrence lost by *Syntel*'s curtailing avoided-cost unjust enrichment awards. Punitive damages could also help supplement deterrence, in some cases.[231]

227. *See* 18 U.S.C. § 1836(b)(3)(D); UNIF. TRADE SECRETS ACT § 4.

228. *See, e.g.*, Gemini Aluminum Corp. v. Cal. Custom Shapes, Inc., 95 Cal. App. 4th 1249, 1261–64 (2002).

229. In one notable example, Informix, a tech firm, prematurely filed a trade secret misappropriation claim which turned out to be meritless, and it was forced to drop the suit; as part of the settlement, Informix was forced to issue an embarrassing public apology to Oracle, the defendant. *See* SNYDER & ALMELING, *supra* note 86, at § 7.01.

230. *See* AIPLA, REPORT OF THE ECONOMIC SURVEY 2023, at 66 (Oct. 2023) (illustrating how the average litigation cost of trade secret cases tends to increase as the monetary value at stake increases).

231. *See infra* Section IV.D.2.

2. Punitive Damages Awards

Under the federal DTSA and state law UTSAs, punitive damages require "willful and malicious" misappropriation, similar to attorney's fees awards.[232] Courts may award punitive damages of up to twice the amount of compensatory damages, in the event of "willful and malicious" misappropriation.[233] Judicially or statutorily adopting more flexible standards for "willful and malicious" misappropriation—such as "reckless indifference"[234]—can allow courts to award punitive damages more often, in a manner similar to attorney's fees awards.[235]

a) Potential Advantage: Consistent with Deterrence Purposes

The primary function of punitive damages in civil suits is generally to punish a defendant for egregious conduct and deter similar behavior in the future, rather than to compensate a plaintiff.[236] Using punitive damages to restore the deterrence diminished by *Syntel* would therefore accord with the broader purpose of punitive damages in civil litigation.

b) Potential Disadvantages

i) Punitive Damages Are Mathematically Capped as a Function of Compensatory Damages

In accordance with the federal DTSA and state law UTSAs, punitive damages awards may not exceed twice the amount of compensatory damages.[237] The amount of punitive damages a court may impose is therefore limited if the amount of compensatory damages at issue is very small to begin with. Therefore, if compensatory damages are dramatically curtailed—for example, because a jurisdiction following *Syntel* takes avoided-cost unjust enrichment awards off the table under similar facts—punitive damages might be limited in their ability to provide additional deterrence.

232. *See* 18 U.S.C. § 1836(b)(3)(C); UNIF. TRADE SECRETS ACT § 3(b).

233. *See* 18 U.S.C. § 1836(b)(3)(C); UNIF. TRADE SECRETS ACT § 3(b).

234. *See* Hair Club for Men, LLC v. Ehson, No. 1:16-cv-236, 2017 WL 1250998, at *3 (E.D. Va. Apr. 3, 2017) ("acting consciously in disregard of another person's rights or acting with reckless indifference to the consequences, with the defendant aware, from his knowledge of existing circumstances and conditions, that his conduct probably would cause injury to another") (internal citation omitted); *see also supra* Section IV.D.1.a.

235. *See supra* Section IV.D.1.a.

236. *See, e.g.*, MANUAL OF MODEL CIVIL JURY INSTRUCTIONS § 5.5 (NINTH CIR. JURY INSTRUCTIONS COMM.) (updated Sep. 2024).

237. *See* 18 U.S.C. § 1836(b)(3)(C); UNIF. TRADE SECRETS ACT § 3(b).

ii) Overusing Punitive Damages May Have Chilling Effects on Competition

Conversely, for any given increase in compensatory damages, the maximum allowable punitive damages will grow by twice that amount.[238] Punitive damages in trade secret misappropriation cases could therefore grow to very large amounts.[239] Some courts have previously cautioned against overzealous use of punitive remedies, emphasizing that competition by its very nature is "ruthless, unprincipled, uncharitable, unforgiving—and a boon to society."[240] If punitive damages are overused, they may have a chilling effect on competition and needlessly impede technological progress.

3. Reasonable Royalty Damages

Reasonable royalty damages are another form of recovery that courts could use to restore the deterrent effects of trade secret law diminished by *Syntel*. Currently, reasonable royalty damages are rarely awarded in trade secret cases.[241] Expanding their use to reinforce deterrence offers at least three potential advantages. First, courts already have flexible statutory authority to award them. Second, courts have previously awarded reasonable royalty damages in cases sharing some similarities with *Syntel*. And third, courts can draw upon well-established caselaw awarding reasonable royalty damages in other intellectual property regimes—especially patent law. On the other hand, the biggest disadvantage of expanding reasonable royalty damages in trade secret cases is likely the complexity typically involved in calculating the appropriate royalty amount.

a) Potential Advantages

i) Flexible Statutory Authority Already Exists

The DTSA and most state law UTSAs already allow courts to award reasonable royalty damages as an alternative to actual loss and unjust enrichment damages.[242] These statutes do not impose any specific prerequisite

238. *See* 18 U.S.C. § 1836(b)(3)(C).

239. To illustrate, in the *Epic Systems* case, the jury awarded approximately $140 million in compensatory damages. Under the DTSA, a court or jury finding "willful and malicious" misappropriation could thus award up to an additional $280 million in punitive damages.

240. Roton Barrier, Inc. v. Stanley Works, 79 F.3d 1112, 1120 (Fed. Cir. 1996).

241. *See supra* Section II.D.1.c; AirFacts, Inc. v. Amezaga, 30 F.4th 359, 367 (4th Cir. 2022) (describing caselaw addressing reasonable royalty awards in trade secret cases as "sparse").

242. *See* 18 U.S.C. § 1836(b)(3)(B)(ii); UNIF. TRADE SECRETS ACT § 3(a).

conditions to awarding these damages.[243] The lack of statutory hurdles may be one of the greatest advantages of turning to reasonable royalty damages in *Syntel*-like trade secret misappropriation cases.[244] Courts seeking to expand the use of reasonable royalty damages could likely do so without grappling with statutory prerequisite requirements (as they might, for instance, if they instead seek to award punitive damages or attorney's fees[245]).

ii) Pertinent Persuasive Authority Exists

Although the caselaw on reasonable royalty damages in trade secret cases may be "sparse," it is not nonexistent. Courts have previously awarded reasonable royalty damages in cases with some similarities to *Syntel*. For example, in *LinkCo, Inc. v. Fujitsu Ltd.*, the Southern District of New York applied a reasonable royalty measure of damages when neither lost profits nor disgorgement of unjust gains were adequate remedies for the defendant's trade secret misappropriation.[246] In *LinkCo*, the plaintiff's actual losses were difficult to establish because the company had ceased operations very close to the time of the alleged misappropriation; meanwhile, the defendant had made no profits from use of the misappropriated trade secret.[247] Nevertheless, the district court found, "the lack of actual profits does not insulate the defendants from being obliged to pay for what they have wrongfully obtained."[248] The district court even remarked: "a reasonable royalty is the best measure of damages in a case where the alleged thief made no profits."[249]

Courts applying *Syntel* could rely upon a similar rationale to award reasonable royalty damages when neither lost profits nor disgorgement would provide an aggrieved trade secret owner with adequate remedy.

243. However, the statutes do stipulate that reasonable royalty damages may only be imposed in lieu of other compensatory damages. *See* 18 U.S.C. § 1836(b)(3)(B)(ii); UNIF. TRADE SECRETS ACT § 3(a).

244. There is some evidence in the Senate Judiciary Report for the DTSA that the Senate did not intend to encourage the use of reasonable royalties in trade secret cases. *See* S. REP. No. 114-220, at 9. However, other evidence suggests that the Senate was actually referring to ongoing royalty injunctions for future use of a trade secret (rather than reasonable royalty damages for the past use of a trade secret). *See supra* Section II.D.1.c; S. REP. No. 114-220, at 9 n. 17 (citing sources which address ongoing royalty injunctions).

245. *See supra* Section IV.D.1.a.i.

246. *See* LinkCo, Inc. v. Fujitsu Ltd., 232 F. Supp. 2d 182 (S.D.N.Y. 2002).

247. *See id.* at 186.

248. *Id.* (internal citations omitted).

249. *Id.* at 186–87.

iii) Guidance Exists from Other Intellectual Property Regimes

Courts awarding reasonable royalty damages in trade secret cases could also draw upon guidance from other intellectual property regimes—especially patent law.[250] Under patent law, reasonable royalty damages are awarded much more frequently.[251] Courts could draw upon the existing patent caselaw to guide their calculations in trade secret misappropriation cases.[252]

b) Potential Disadvantages

Calculating reasonable royalty damages can be a complex and lengthy process. To illustrate, courts often consider fifteen separate factors (called the *Georgia-Pacific* factors) to determine the appropriate reasonable royalty damages in patent infringement cases.[253] Accounting for each of these factors is often time-consuming because the factors often involve fine nuances (such as what sort of evidence may be considered), and litigation over what constitutes appropriate evidence often boils down to expensive battles between expert witnesses.[254]

The complexity and expense of determining reasonable royalty damages contrasts against the relative simplicity of calculating attorney's fees or punitive damages. Even though existing trade secret statutes allow courts to opt for reasonable royalty damages with relative ease (without having to wrangle with statutory prerequisites like "willful and malicious misappropriation"), the drawn-out complexities of subsequently calculating these royalty damages might present courts with significant difficulties. If the overall goal is to restore the deterrence lost under *Syntel*, it might ultimately be easier for courts to instead work with attorney's fees and punitive damage awards, even if it means they must wrangle with statutory prerequisites.

250. Patent law statutorily requires that courts use reasonable royalty as a minimum measure of damages. *See* 35 U.S.C. § 284.

251. *See* Andrew H. DeVoogd & James J. Thomson, *Expert Patent Damages Opinions Hit the Spotlight as Federal Circuit Scuttles Two Patent Infringement Verdicts Worth $1.2 Billion in One Day*, MINTZ (Mar. 9, 2022), https://www.mintz.com/insights-center/viewpoints/2231/2022-03-09-expert-patent-damages-opinions-hit-spotlight-federal [https://perma.cc/L235-TFAJ] (explaining that patentees pursue reasonable royalties from accused infringers more commonly than they pursue lost profits from them).

252. In fact, that is exactly what the district court did in *LinkCo*. *See* 232 F. Supp. 2d at 186.

253. *See* Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970).

254. *See, e.g.*, Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301, 1324–39 (Fed. Cir. 2009).

V. CONCLUSION

The Second Circuit's *Syntel* opinion has introduced a circuit split as to when and whether avoided-cost unjust enrichment awards are available in trade secret misappropriation cases. The Second Circuit presents a compelling argument that unjust enrichment is meant to be compensatory in nature and that avoided-cost unjust enrichment awards should only be granted when they would serve compensatory purposes. However, because avoided-cost unjust enrichment awards are often substantial, *Syntel* may potentially diminish the deterrent effects of trade secret law and encourage forum-shopping by trade secret litigants. Awarding attorney's fees, punitive damages, or reasonable royalty damages more often in trade secret cases could be effective ways to counteract this diminished deterrence and dampen the forum-shopping incentives. This approach will help ensure that would-be misappropriators face adequate monetary deterrents against trade secret misappropriation while also ensuring that aggrieved trade secret owners remain financially able and motivated to bring suit to enforce their rights, even without avoided-cost unjust enrichment awards.