



# THINK FORWARD

## Motorola v. Hytera: Extraterritorial Damages Ruling Enables \$764M Trade Secret Verdict

By [Brad Lane](#), [Louis Constantinou](#)

February 14, 2020

On February 14, 2020, a federal jury rendered a \$764 million verdict in favor of Motorola in *Motorola Solutions v. Hytera Communications Corp.*, No. 1:17-cv-1973 (N.D. Ill.). However, the groundwork for the award was done in no small part by the District Court’s evidentiary ruling on January 31, 2020, which permitted Motorola’s damages expert to opine on worldwide damages for its trade secret misappropriation claims under the federal Defend Trade Secrets Act (“DTSA”). Because of this ruling, Motorola was permitted to make its nine-figure damages request to the jury, which was a combination of \$345 million in compensatory damages, and almost \$419 million in punitive damages based on trade secret misappropriation.

The District Court’s 30-page evidentiary Order, *Motorola v. Hytera*, no. 1:17-cv-1973 (N.D. Ill. filed Jan. 31, 2020), explains the legal basis for permitting Motorola’s trade secrets damages claims to include worldwide sales of digital two-way mobile radios (for police and fire departments, and other first responders, for example). Consequently, the Order is of substantial importance to those considering the scope of potential damages for future DTSA trade secret litigation claims.<sup>[1]</sup>

In the Order, the Court first examined the DTSA to determine whether an extraterritorial damages claim is permitted. Recognizing there is a presumption against extraterritorial effect, the Court followed the analysis in *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018), a case that addressed extraterritoriality of a particular subpart of the patent infringement statute. The first step of the analysis determines whether the presumption against extraterritoriality is rebutted by a “clear, affirmative indication” of extraterritoriality in the statute. If not, the analysis proceeds to a second step, in which a court determines whether the case involves a “domestic application of the statute,” generally conducted by considering if “the conduct relevant to the statute’s focus occurred in the United States.” *Id.* at 2136-37.

When analyzing the DTSA, the Court recognized it was “not an easy question” under the first prong, because the private right of action under the DTSA is codified under 18 USC § 1836 and there is nothing in this section directed to extraterritorial conduct or application. However, the Court noted that the criminal section of the statute, which had been enacted years before the DTSA, and codified at 18 USC § 1837, provided a clear indication of extraterritoriality in stating, “This chapter also applies to conduct occurring outside the United States.” The Court noted that the statute was structured such that the chapter embraced civil and criminal remedies, among other factors, to conclude that the first step of the analysis was satisfied. The Court then considered the second and alternative step of the analysis—the focus of the DTSA relative to the evidence. In this alternative analysis, the Court found as determinative the Supreme Court’s instructions on RICO extraterritoriality in *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2101 (2016) that “[i]f the conduct relevant to the statute’s focus

occurred in the United States, then the case involves a permissible domestic application even if the conduct occurred abroad[.]” *Id.* at 2101. Accordingly, on alternate grounds, the Court permitted evidence of extraterritorial damages based on conduct that occurred after May 11, 2016, the effective date of the DTSA.

The Court also<sup>[2]</sup> examined extraterritorial damages under the Illinois Trade Secrets Act (“ITSA”). The Court recognized it must follow Illinois substantive law. Relying on Illinois precedent, the Court concluded that an Illinois statute should not be given extraterritorial effect unless it clearly appeared from the Illinois statute that this was the intention of the legislature, and there was no such clear statement of extraterritoriality in the ITSA. Consequently, the Court determined that Motorola’s ITSA claim would not support extraterritorial damages.

Based on the Court’s ruling that the DTSA supports extraterritorial damages, the Court permitted testimony from Motorola’s damages expert on this subject, leading to Motorola’s trade secrets damages request at trial for \$764 million. The jury awarded the full amount sought by Motorola.

### **Key Takeaways**

A number of important fundamental concepts of the DTSA have yet to be definitively addressed by the courts, because the federal DTSA has only been in effect since May, 2016. The *Motorola v. Hytera* case raises several issues, including extraterritorial damages claims. Although many federal courts address federal and state trade secret issues as identical, the Court’s evidentiary ruling discussed above makes clear that not all issues will be treated in the same manner. This Northern District of Illinois case will likely generate post-trial motion rulings on other issues, and thereby further develop federal DTSA and Illinois state trade secrets law.

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<sup>[1]</sup> As a practical matter, compensatory damages is a function of the damages base. Moreover, punitive damages are related as well, since punitive damages can be no more than twice actual damages under the DTSA and ITSA pursuant to 18 U.S.C. § 1836(b)(3)(C) and Ill. Comp. Stat. 1065/4(b).

Consequently, the geographic and temporal scope of the damages base can have a substantial impact on a damages claim.

<sup>[2]</sup> The Court also addressed extraterritorial damages for Motorola’s copyright infringement claims, but for the sake of brevity, this portion of the Court’s Order will not be discussed.