

Highlights of the Defend Trade Secrets Act of 2016

Michael J. Furbush, Partner

July 6, 2016

On May 11, 2016, President Obama signed a new law that creates a federal cause of action for misappropriation of trade secrets. The **Defend Trade Secrets Act of 2016** (“DTSA”) places trade secrets on more even footing with other types of intellectual property, including copyrights, patents, and trademarks, and allows trade secret owners to seek redress in federal court for violations of their rights, without having to prove a separate basis for jurisdiction. The DTSA is an important leap forward for businesses seeking to protect their proprietary information.

The DTSA Creates a New Cause of Action

The DTSA allows companies to bring a civil action in the United States district court for misappropriation of a trade secret related to a product or service in interstate commerce. The remedies available under the DTSA include injunctive relief and money damages, and in extreme cases, a right to seize property from the party accused of misappropriation on an *ex parte* basis. The seizure provision is a powerful new remedy that enables trade secret owners to prevent the dissemination of their trade secrets before they lose their value through public disclosure. Because of the potential for abuse, the party seeking a seizure order must offer specific facts to support the application, and establish that less severe remedies would be inadequate to protect the party’s trade secrets. There also are sanctions available for wrongful seizure.

The DTSA Does Not Preempt State Law

Most states have adopted some variation of the Uniform Trade Secrets Act (“UTSA”), which provides civil remedies for misappropriation of trade secrets. Differences in state law and jurisdictional limitations can make state courts an extremely inefficient forum for litigating trade secret disputes, however, particularly when the misappropriation crosses state lines. The DTSA will supplement the existing state law by providing a national standard for trade secret misappropriation and granting easy access to the federal courts to resolve disputes. In today’s national and global economy, having a uniform standard for combating trade secret theft will promote certainty, making it easier for businesses to protect one of their most valuable intellectual property assets.

The DTSA Offers Immunity to Whistleblowers

The DTSA protects whistleblowers from civil and criminal liability for disclosing a trade secret (i) in confidence to a government official, or to an attorney, if the disclosure is made for the sole purpose of reporting or investigating a violation of law, or (ii) in a complaint or other court document filed under seal. The DTSA also grants limited immunity to employees who use trade secret information in conjunction with an anti-retaliation lawsuit. For the immunity to apply, the employee must file the trade secret information under seal and only disclose the information under a court order.

The DTSA Requires Employers to Give Notice of the Immunity

Employers must notify their employees, independent contractors, and consultants about the DTSA’s immunity provisions in any contract or agreement that governs the use of a trade secret or other confidential information. Employers can comply with this requirement by providing a “cross-reference” to a

policy document that sets forth the employer's procedure for reporting suspected violations of law. The penalty for not complying with the notice requirement is limited to a bar on the recovery of exemplary damages or attorneys' fees in an action under the DTSA against an employee to whom notice was not provided. The notice requirement only applies to contracts or agreements entered into or updated after the effective date of the statute.

For businesses faced with an increasing global threat, the DTSA greatly strengthens their ability to protect their trade secrets and seek relief if misappropriation occurs. At the same time, it attempts to strike a fair balance between the rights of trade secrets owners and the rights of their employees, especially when it comes to reporting violations of the law. Although the practical benefits of the DTSA in combating trade secret theft remain to be seen, the new law is a significant advancement in the recognition and protection of trade secrets as a valuable intellectual property right.

ABOUT THE AUTHORS

Michael J. Furbush, Partner

Michael focuses his practice on resolving complex commercial matters in state and federal courts throughout the country. He has represented large public corporations, small companies, and individuals from a wide range of industries, including entertainers, real estate developers, general contractors, retailers, physicians, and manufacturers. He has obtained multi-million dollar settlements on behalf of his clients and is highly experienced in arbitration, mediation and other forms of out-of-court dispute resolution. He has litigated and resolved cases involving covenants not to compete, trade secrets, trademark and copyright infringement, breach of contract, construction litigation and lien disputes, corporate dissolutions and shareholder disputes, employment discrimination, and antitrust matters.

ABOUT ROETZEL

Roetzel is a full-service law firm with offices located throughout Ohio and Florida, and in Chicago and Washington, D.C. The firm provides comprehensive legal services to national and international corporations, closely held and family-run businesses, institutions, organizations and individuals. For more information, visit ralaw.com.