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*Legal Update*

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# DTSA PROVIDES FEDERAL REMEDIES FOR TRADE SECRET MISAPPROPRIATION

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The newly enacted Federal Defend Trade Secrets Act (DTSA) creates a federal cause of action, and thus a federal court forum, for trade secret misappropriation claims. Previously, plaintiffs typically could pursue claims for theft of their trade secrets only under state laws, which are enforced differently from one state to the next, and sometimes only in distant courts where out-of-state plaintiffs are at a disadvantage. The DTSA – which took effect upon its enactment on May 11, 2016 and applies prospectively – was, in large part, intended to combat cybercrime and hacking from overseas. Nonetheless, it will have significant implications for commercial litigation including, for example, disputes between businesses and their former shareholders or employees over proprietary technology, confidential information and business methods.

Unlike other federally protected forms of intellectual property (*i.e.*, copyrights, trademarks and patents), there is no registry for "trade secrets." Courts will need to determine whether alleged secrets qualify for the DTSA's protection on a case-by-case basis.

Some of the DTSA's key provisions are highlighted below.

- The DTSA provides remedies to a wide range of plaintiffs against a similarly broad spectrum of defendants. For example, the DTSA allows licensors of trade secrets to bring suit and may impose liability on defendants who knowingly obtain or disclose trade secrets without authorization, whether for their own benefit or the benefit of another.
- Unlike existing state laws, the DTSA provides for seizure of property in "extraordinary circumstances to avoid further misappropriation. Although the DTSA contains safeguards against abuse, the seizure provision would allow trade secret owners to petition a court for a seizure without notice to the alleged misappropriator. It also instructs judges issuing seizure orders to take measures to avoid publicity that would harm the party whose property is seized.
- The DTSA protects whistleblowers, providing immunity for those who disclose a trade secret "in confidence to a Federal, State, or local government official, directly or indirectly, or to an attorney" if solely to report or investigate a suspected violation of law.
- The DTSA requires employers entering into contracts covering trade secrets with their employees or contractors to give express notice of the DTSA's immunity for whistleblowers. Employers should consult with counsel to ensure that their existing contracts comply with the DTSA.

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- The DTSA does not preempt state law, so plaintiffs remain free to bring claims under their state's trade secret law instead of, or in addition to, the DTSA.
- The DTSA provides for injunctive relief but does not allow employers to obtain orders prohibiting former employees from entering into new employment relationships. Courts may issue injunctions that restrict a company's former employees' activities in their new jobs, but not merely because the former employees are aware of their former employer's trade secrets. Rather, employers seeking to restrict former employees will need to show that the employee threatened to misappropriate trade secrets.
- Plaintiffs may recover the equivalent of a reasonable royalty on their misappropriated trade secrets and, in cases of willful or malicious misappropriation, double damages and attorney's fees.

While the DTSA gives trade secret plaintiffs new options, trade secret litigation remains problematic for companies that fail to ensure that their trade secrets qualify for protection under the DTSA and state law, including provisions in contracts with third parties to protect the secrets in perpetuity. A non-disclosure agreement that terminates after a fixed period essentially releases trade secret protection at the end of the term for all disclosed secrets.

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