# The Defend Trade Secrets Act: What Employers Need To Know Today

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On May 11, 2016, President Obama signed the Defend Trade Secrets Act (DTSA) into law, a sweeping new piece of legislation effective immediately that provides federal question jurisdiction over claims involving misappropriation of trade secrets. The DTSA is an amendment to the Economic Espionage Act, which previously only allowed for criminal cases filed by the Department of Justice. Significantly, the DTSA gives employers nationwide access to federal courts to litigate their misappropriation claims and affords companies greater predictability in the outcome of their trade secret litigation than the current state-by-state system provides. Additionally, the ability to pursue misappropriation claims under federal law offers employers a new realm of remedies, particularly ex parte seizure, not traditionally available under state trade secret acts.

For years, companies with employees and operation spread across the country have been forced to litigate issues surrounding theft of trade secrets in various state courts, often leading to inconsistent results due to differences in state law. The DTSA seeks to harmonize trade secret misappropriation law through a single federal statute, providing for the development of more reliable and national case law. Undoubtedly, the DTSA will provide more certainty for both plaintiffs and defendants. Moreover, the DTSA offers employers the opportunity to bring trade secret claims in federal courts which are often better equipped to handle the complex, technological issues accompanying misappropriation claims that can become unwieldy if not managed properly.

So what remedies are available for misappropriation under the DTSA? In addition to injunctive relief, the DTSA provides for the award of damages for actual loss caused by misappropriation and damages for any unjust enrichment caused by misappropriation.[1] Additionally, if a trade secret is "willfully and maliciously" appropriated, exemplary damages in an amount not more than twice the actual damages awarded are available to plaintiffs.[2] The DTSA also provides the prevailing party in any action with attorneys' fees when a claim of misappropriation is made in bad faith, a motion to terminate an injunction is made or opposed in bad faith, or the trade secret is willfully and maliciously appropriated.[3]

However, the most significant remedy available under the DTSA is that plaintiffs can ask courts to order law enforcement officials to seize any property "necessary to prevent the propagation or dissemination of the trade secret" through ex parte application based on an affidavit or verified complaint.[4] Because of the harshness of the remedy, such orders can only be used in "extraordinary circumstances," and the law imposes specific requirements on applications for ex parte seizure.[5] Specifically, the application must describe with particularity the matter to be seized, and to the extent reasonable under the circumstances, identify the location where the matter is to be seized.[6] Additionally, the applicant must declare that the person against whom seizure is ordered would, destroy, move, hide, or otherwise make such matter inaccessible to the court, if the application were to provide notice.[7] Litigants requesting ex parte seizure must also provide a bond for any damages that a person may be entitled to recover as a result of a wrongful or excessive seizure or attempted seizure under the DTSA.[8]

Although the DTSA provides employers with a unique remedy for actual or threatened misappropriation by competitors or employees, the law also requires that employers provide their

[1] 18 U.S.C. § 1836(b)(3)(B).
[2] 18 U.S.C. §§ 1836(b)(3)(C).
[3] 18 U.S.C. §§ 1836(b)(3)(C).
[4] 18 U.S.C. §§ 1836(b)(2)(A).
[5] *See id.*
[6] *Id.*
[7] *Id.*
[8] *See id.*

employees with notice of the DTSA's immunity and anti-retaliation provisions before pursuing exemplary damages and attorneys' fee awards.[9] Under the DTSA's immunity and anti-retaliation provision, employees are authorized to turn over protected trade secrets to the government or an attorney when illegal conduct is suspected if the disclosure is (1) solely for the purpose of reporting or investigating a suspected violation of law, or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if the filing is made under seal.[10] Employers must provide notice of this provision either in a contract or agreement with the employee that governs the use of trade secrets or confidential information or by providing a "cross-reference to a policy document provided to the employee that sets forth the employer's reporting policy for a suspected violation of law." [11]

In light of these requirements, employers should consider revising their trade secret and confidential information policies to include the DTSA's immunity provision. Employers should also be sure to provide notice of the DTSA's immunity and anti-retaliation provisions in the following types of documents entered into after the DTSA's enactment:

- Employment Agreements
- Independent Contractor Agreements
- Consulting Agreements
- Severance Agreements
- Separation and Release of Claims Agreements
- Non-Compete and Non-Solicitation Agreements
- Confidentiality Agreements

[9] *See* 18 U.S.C. 1833(b)(3)(A).
[10] 18 U.S.C. 1833(b)(1)(A).
[11] 18 U.S.C. 1833(b)(3)(A).

- Employee Handbooks

Significantly, since the DTSA's enactment, employers have already benefited from injunctive relief afforded for an employee's violation of trade secret and confidentiality policies. *See, e.g., Allstate Ins. Co. v. Rote*, No. 3:16-cv-01432-HZ, 2016 U.S. Dist. LEXIS 104372, at *21 (D. Or. Aug. 7, 2016) (granting preliminary injunction under DTSA to enjoin plaintiff's retention and use of confidential information in violation of agreement which required employee to return all confidential information upon separation*).* *See also Panera, LLC v. Nettles,* No. 4:16-cv-1181-JAR, 2016 U.S. Dist. LEXIS 101473, at *5-10 (E.D. Mo. Aug. 3, 2016) (granting preliminary injunction under DTSA to enjoin former employee from use of confidential information or trade secrets with new employer).

Employers may also consider evaluating and revising state court forum-selection clauses in such agreements to take full advantage of the benefits of the federal trade secrets law. Finally, to the extent employers attempt to modify existing employment agreements to avail themselves of the DTSA's protections, employers should examine the applicable state laws as continued employment may be insufficient consideration to modify restrictive covenants in some states.

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