

New Federal Trade Secrets Act: What You Need to Know

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The Defend Trade Secrets Act of 2016 (DTSA)

- Official Name:
Defend Trade Secrets Act of 2016
- Effective Date:
Misappropriations on or after May 11, 2016

The Defend Trade Secrets Act of 2016 (DTSA)

- Creates federal jurisdiction for private right of action for trade secret theft or misappropriation
- Trade secret must be “related to a product or service used in, or intended for use in, interstate or foreign commerce” to confer federal jurisdiction

The Defend Trade Secrets Act of 2016 (DTSA)

- Largely mirrors the Uniform Trade Secrets Act (UTSA)
- UTSA has been adopted by 48 states (not NY and MA)

The Defend Trade Secrets Act of 2016 (DTSA)

- 3 yr Statute of Limitations
- No later than “3 years after the date on which the misappropriation with respect to which the action would relate is discovered or by the exercise of reasonable diligence should have been discovered”

The Defend Trade Secrets Act of 2016 (DTSA)

- For purposes of this subsection

“a continuing misappropriation constitutes a single claim of misappropriation”

The Defend Trade Secrets Act of 2016 (DTSA)

- Generally does not preempt existing state law
- Omits requirement that a trade secret plaintiff describe its trade secrets with particularity

The Defend Trade Secrets Act of 2016 (DTSA)

- Protection for whistleblowers if disclose in confidence to federal, state or local government or an attorney if solely for the purpose of reporting or investigating a suspected violation of law

The Defend Trade Secrets Act of 2016 (DTSA)

- Protection for whistleblowers if disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal

The Defend Trade Secrets Act of 2016 (DTSA)

- You **MUST UPDATE** employment and confidentiality agreements
- Must disclose the whistleblower immunity provisions in the DTSA.

The Defend Trade Secrets Act of 2016 (DTSA)

- Failure to update employment and confidentiality agreements results in plaintiff losing right to recover double damages or attorney fees in trade secret litigation under the DTSA

The Defend Trade Secrets Act of 2016 (DTSA)

- The law defines an employee filing a lawsuit for retaliation for reporting a suspected violation of law as “any individual performing work as a contractor or consultant for an employer”

The Defend Trade Secrets Act of 2016 (DTSA)

- **Definition of Trade Secret:**
a “trade secret” means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if-

The Defend Trade Secrets Act of 2016 (DTSA)

- Definition of Trade Secret:

if-

(A) the owner thereof has taken reasonable measures to keep such information secret; and

(B) (next slide)

The Defend Trade Secrets Act of 2016 (DTSA)

- Definition of Trade Secret:

(B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public another person who can obtain economic value from the disclosure or use of the

- information.

The Defend Trade Secrets Act of 2016 (DTSA)

- “Misappropriation” includes the acquisition of a trade secret, with actual or constructive knowledge, by improper means including “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means”
- Misappropriation does not include acquisition by reverse engineering, independent derivation or other lawful means

The Defend Trade Secrets Act of 2016 (DTSA)

- Injunction against former employees: A person may be prevented “from entering into an employment relationship, . . . conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows”

The Defend Trade Secrets Act of 2016 (DTSA)

- Creates an *ex parte* seizure procedure for use in extraordinary circumstances

The Defend Trade Secrets Act of 2016 (DTSA)

- For property seizure, a court must find that a regular injunction or temporary restraining order would be inadequate, that immediate and irreparable injury will occur absent a seizure, that the balance of harms favor seizure, and that the applicant shows a likelihood of success on various elements of their claim.

The Defend Trade Secrets Act of 2016 (DTSA)

- Seized materials can be held for up to seven (7) days before a further hearing. Trade secret owners can quarantine and take computers, files or other materials containing their secrets, especially if the materials have not already left the country or been shared on the Internet.

The Defend Trade Secrets Act of 2016 (DTSA)

- Damages may be awarded based upon actual loss, unjust enrichment, or a reasonable royalty.
- If the misappropriation is willful and malicious, damages may be doubled.
- Reasonable attorney's fees may be awarded to a prevailing party if the misappropriation was willful and malicious, or the claim was made in bad faith