

***CLIENT ALERT:* The Defend Trade Secrets Act of 2016 Becomes Law**

Christine R. Fitzgerald, Esq.

May 2016

On May 11, 2016, President Obama signed into law the Defend Trade Secrets Act of 2016 (DTSA), creating a federal civil cause of action for theft of trade secrets. Effective immediately, the legislation highlights the importance of trade secrets to interstate commerce in American business. It also recognizes the significantly greater risks to the integrity and security of trade secrets posed by the increasingly digital nature, storage, transmission, and portability of trade secrets and proprietary business information.

**Key DTSA Takeaways****Uniformity**

While other common forms of intellectual property, such as patents, copyrights, and trademarks, all have federal civil causes of action as well as federal registration, prior to the DTSA, victims of trade secret misappropriation were required to rely upon state-specific trade secret laws to pursue wrongdoers. Although many states have adopted some version of the Uniform Trade Secrets Act (UTSA), state law still varies, sometimes widely. The DTSA, while defining the term trade secret consonant with the UTSA, does not preempt state trade secret actions. Thus it remains to be seen how courts will resolve any confusion that may arise from the differing state and now federal law. It will also be interesting to observe how the availability of the DTSA and its specific provisions will affect the choice of forum (state or federal) in which

trade secrets cases get filed.

**Ex Parte Seizure**

A new and potentially potent tool created by the DTSA is a provision allowing the owner of a stolen trade secret, upon a showing of “extraordinary circumstances,” to seek an *ex parte* seizure of the pilfered trade secret, which then will be secured by the court in order to prevent dissemination until the litigation is resolved. Although the burden to obtain such relief is high and courts are likely to grant it sparingly, given the game-changing effect such an order can have on a case, federal courts are likely to be faced with a flood of such motions in DTSA cases once the statute is implemented. Companies also should expect the DTSA seizure provisions and the potential for courts to retain custody of the trade secrets at issue to generate quite vigorous arguments, including cross-claims seeking damages for wrongful seizure.

**Remedies**

For cases that proceed beyond the preliminary injunction or seizure stage to trial, the remedies available under the DTSA include a permanent injunction, damages, and the potential for exemplary damages and an award of

**Employee Protections**

In an effort to  
p r o t e c t

**BELCHER FITZGERALD LLP**  
Two Oliver Street  
Suite 302  
Boston, MA 02110  
Telephone: (617) 368-6890  
Facsimile: (617) 368-6891  
[www.belcherfitzgerald.com](http://www.belcherfitzgerald.com)

## *CLIENT ALERT: The Defend Trade Secrets Act of 2016 Becomes Law*

employees from overzealous or spiteful employers, the DTSA restricts the availability of injunctive relief to “prevent a person from entering into an employment relationship,” and it also provides that if an injunction is to place conditions on a person’s employment, the restrictions “shall be based on evidence of threatened misappropriation and not merely on the information the person knows.” Finally, the legislation prohibits the issuance of an injunction that “conflict[s] with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business.” Thus, for example, because California state law (Business and Professions Code § 16600) renders void any contract by which an employer purports to subject an employee to a post-termination covenant not to compete, a business owner would not be able to skirt California’s ban on covenants not to compete by seeking injunctive relief against a wrongdoing California employer under the DTSA.

### Whistleblower Protection

Finally, the DTSA grants immunity to parties who disclose a trade secret as part of an anti-retaliation lawsuit and to parties who disclose a trade secret to the government or an attorney to report wrongdoing. This whistleblower protection also contains a hidden pitfall for employers: they are required to “provide notice of the immunity set forth in this subsection in any contract or agreement with an employee that governs the use of a trade secret or other confidential information.” Because this requirement will be effective as soon as President Obama signs the DTSA, employers should immediately update employee offer letters, agreements, policy manuals, and other

documents to conform with this new requirement. The penalty for an employer’s failure to comply is forfeiture of any recovery of exemplary damages and attorneys’ fees under the DTSA in an action brought against an employee who was not given the requisite notice.

For further information contact Christine Fitzgerald ([cfitzgerald@belcherfitzgerald.com](mailto:cfitzgerald@belcherfitzgerald.com)).