The Federal Jurisdictional Hook for Trade Secrets: Defend Trade Secrets Act

President Obama signed the federal Defend Trade Secrets Act ("DTSA") into law on May 11, 2016, the most significant federal intellectual property measure since the Lanham Act in 1946. The DTSA passed with broad, bipartisan support in both the House and Senate, atypical of today's Congress.

The DTSA's most significant provision is the creation of a federal civil cause of action for trade secret misappropriation, where none existed before. Prior to the DTSA, a litigant could only claim trade secret protection under state-specific laws, largely derived from the Uniform Trade Secrets Act. The DTSA provides litigants with a federal jurisdictional hook for trade secret protection using a similar definition as used by the Uniform Trade Secrets Act of trade secrets and authorizing similar remedies under a three-year statute of limitations.

A more controversial provision of the DTSA is the creation of an *ex parte* procedure, which allows plaintiffs to obtain court orders to seize property in "extraordinary circumstances" without a hearing or response from the opposing party. However, the court must set a hearing not less than seven days after the issuance of the order.

The DTSA also protects whistleblowers from retaliatory accusations of trade secret misappropriation. However, at the same time, the law guts certain remedies otherwise available to employers under the statute if employers have not provided written notice to employees of the statute's whistleblower immunity provisions. If no notice is provided, employers will not be eligible to recover exemplary (double) damages or attorney fees in a trade secret misappropriation lawsuit against an employee.

To comply with the new law, employers will have to insert such notification provisions into all employment, contractor and consulting agreements that contain nondisclosure provisions that are entered into or updated after May 11, 2016. The notice must advise the employee, contractor or consultant that they are immune from criminal and civil liability under state and federal law if they disclose trade secrets: (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; (2) in a complaint or other document filed in a lawsuit or other proceeding when the filing is made under seal; or (3) to their attorney or in a sealed court filing in a lawsuit alleging retaliation for reporting a suspected violation of law.

While revising and updating employment, contractor and consulting agreements, employers may also want to take inventory of their company's trade secrets and evaluate the current protections in place to maintain confidentiality and develop response plans for suspected misappropriation and for receiving a seizure order. Having a plan in place for these events will prevent unnecessary delays that can compromise an employer's rights.

Please contact an attorney at Madigan, Dahl & Harlan to ensure that your company is complying with the DTSA and that your trade secrets are being adequately protected.

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