

# Three Key Implications of the Defend Trade Secrets Act

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On May 11th, 2016, President Obama signed into law the Defend Trade Secrets Act (“DTSA”) which, for the first time, permits an owner of a misappropriated trade secret to bring a federal civil action if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce. The DTSA provides uniform protections for trade secrets on par with those afforded to other areas of intellectual property, such as patents, copyrights and trademarks. There are many aspects of this new law of which businesses should be aware, but the following three are worth particular attention.

- (1) *Uniform Federal Cause of Action.* The DTSA has established a federal civil cause of action for trade secret theft that will provide businesses with a more uniform, nationwide trade secrets law, and in so doing, provide owners of trade secrets with a more predictable way to protect their valuable trade secrets anywhere in the country. This is an enormous step forward from the patchwork of state laws currently governing trade secret jurisprudence, which until the passage of DTSA, was in the exclusive domain of the state courts. In addition to providing uniformity, the DTSA also allows for treble damages and attorneys' fees. Trade secret owners will likely take advantage of these benefits and file their complaints in federal, rather than state court.
- (2) *Seizure.* One of the more controversial aspects of this law is that a trade secret owner can now obtain an *ex parte* order in extraordinary circumstances for the seizure of property necessary to prevent the propagation or dissemination of a trade secret, all without a hearing or an answer from the accused party. Importantly, this cause of action does not preempt or displace any other civil or criminal remedies provided by state law for the misappropriation of a trade secret. Therefore, companies can continue to defend trade secrets using applicable state law that may provide relief in addition to, or instead of, the DTSA. This extraordinary seizure remedy may be tempered by pragmatic safety provisions if such seizure is wrongful or excessive. The DTSA provides that a “person who suffers damages by reason of a wrongful or excessive seizure . . . has a cause of action against the applicant” and may recover damages (including potentially punitive damages), which are not limited by the applicant’s required security that is posted with the court as part of the application process. For at least this reason, the seizure remedy should be invoked only after careful consideration.



(3) *Whistleblower Immunity and Notice.* The DTSA provides a number of benefits to business owners and their employees. For employees, this new law grants immunity to individuals that expose wrongdoing despite any alleged trade secret protection. For employers, exemplary damages and attorneys' fees are available in a trade secret suit where the employer has provided notice of immunity in agreements or contracts (entered into or updated after May 12, 2016) with employees, contractors or consultants. The DTSA will not require companies to amend or update such agreements that were entered into before May 12. However, all new agreements (as well as any amendments or other "updates" to pre-existing agreements) should include an appropriate disclosure that identifies the immunity provisions of the DTSA if the contract relates to trade secrets or other confidential information. In light of the fees available to employers in the case of an employee breach of secrecy, companies may wish to review agreements and policy documents likely to include trade secret, confidentiality or similar provisions, such as:

- employment contracts,
- employee handbooks,
- non-disclosure agreements,
- separation agreements; or
- policies and manuals pertaining to protection of confidential information.

*DTSA as an Alternative to Other IP.* The DTSA may provide an alternative federal avenue of protection for intellectual property attorneys and their clients, who should now carefully consider whether to maintain an invention as a trade secret as an alternative to filing a patent application. This consideration will prove particularly useful for inventions covering business methods, computer-implemented inventions, and certain life sciences inventions, where their protections have been reduced under the AIA and recent court decisions like *Mayo* and *Alice*. Intellectual property owners should consult with their counsel in deciding the best route for the protection of their valuable intellectual property assets.



## About the Authors



**Damir Cefo** is a counsel at Cohen & Gresser, focusing on patent litigation, patent portfolio evaluation and management, trademarks, and copyrights. He is registered to practice before the United States Patent and Trademark Office and is a Certified Information Privacy Professional (CIPP) in the United States, as well as a Certified Information Privacy Technologist (CIPT). Damir was named one of New York's *Super Lawyers* for Intellectual Property: Litigation in 2014 and 2015. He is fluent in Bosnian, Croatian, and Serbian, and is proficient in French.

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