



POTUS Signs The Defend Trade Secrets Act

May 12, 2016

On May 11, President Barack Obama signed the Defend Trade Secrets Act (the "Act") into Law. The Act, which passed overwhelmingly in Congress last week in a 410-2 vote, is an effort to create a private, federal right of action for the misappropriation of trade secrets. The passage of this Act gives private parties the right to sue in federal court for misappropriation of trade secrets under federal law, which until now was the domain of state law. The previous version of 18 U.S.C. §1836, which the Act amends, provided that a claim under that section could only be brought by the Attorney General of the United States.

The Act does not change the essence of what is a trade secret, amending the definition slightly to fit with the Uniform Trade Secrets Act ("UTSA"), the current state law model adopted by nearly all states. Similarly, the Act tracks the UTSA in defining "misappropriation." Notable differences between UTSA and the Act include an *ex parte* enforcement procedure discussed below.

Even with the widespread adoption of the UTSA, different state courts have adopted varying views of what may or may not be protectable as a trade secret, and what sort of means of acquisition constitutes misappropriation. The adoption of the Act is expected to promote a more consistent body of federal case law, interpreting the key elements of trade secret law in the federal context. Significantly, the remedies under the Act are not exclusive, meaning that state law claims can and likely will be brought by plaintiffs in parallel with claims under the Act.

The Act includes new provisions setting forth detailed standards and procedures for the entry of *ex parte* orders for the seizure of property, where necessary, to prevent the propagation or dissemination of trade secrets. The standards for the entry of such an order generally include similar requirements to those of a temporary restraining order under FRCP 65, including the requirement for a showing by specific facts in an affidavit or verified complaint of an impending immediate and irreparable injury, loss or damage to the movant before an adverse party can be heard on opposition.

The Act, though, contains more particularized language framing the trade secret case, including a requirement to demonstrate a likelihood of success in showing the trade secret is in fact a trade secret that was misappropriated by the person against whom seizure is to be ordered, that the matter to be seized is sufficiently specific and that notice would render the matter to be seized likely to be inaccessible. The applicant for such an order cannot have publicized the requested seizure.



Several measures included in the Act address protections against employee whistleblowers. The Act removes the availability of exemplary damages and attorneys' fees if the employer does not give adequate notice of certain whistleblower immunities available under the Act.

Companies that rely on trade secrets as part of their overall intellectual property protection strategy should consider revisiting their practices and procedures for protecting trade secrets in light of the Act to ensure compliance and the best possible protections. For example, companies should consider whether their employee trade secret policies and agreements are in line with the Act's requirements for notice of whistleblower protections and expressly incorporate the Act's protections and enforcement options.

For questions or more information, please contact a member of our Intellectual Property Department or call 312.920.3300.