

What Middle Tennessee companies need to know about a new law governing trade secrets - Nashville Business Journal

On May 11, 2016, President Barack Obama signed the Defend Trade Secrets Act (DTSA) into law following bipartisan support in the U.S. House of Representatives and the U.S. Senate. Federal law now fully recognizes the four major types of intellectual property (patents, trademarks, copyrights and now trade secrets). There are several key takeaways for Middle Tennessee business professionals:

Your Company Most Likely has Protectable Trade Secrets

The DTSA broadly defines “trade secret” to cover “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...” A “trade secret” is protectable, however, only if the information derives independent economic value from not being generally known to others. And, a trade secret is only protected by the DTSA if reasonable measures are taken to keep the information secret. Therefore, companies should assess what information is valuable to their competitors or others and take measures to prevent access to that information.

The DTSA Provides a Gateway Into Federal Court

Before the DTSA, companies had to sue in state court under state law to protect their trade secrets (unlike actions based on patents, copyrights and federally registered trademarks). While plaintiffs will continue to be able to sue in state court for trade secret misappropriation, the DTSA allows companies to now file civil trade secret misappropriation lawsuits in federal court. Because the DTSA does not preempt state trade secret laws, plaintiff companies may now increase their chances of prevailing in a trade secret misappropriation lawsuit by filing suit in federal court asserting both federal and state claims. In these cases, defendant companies will be faced with the increased costs associated with additional claims.

Trade Secret Owners Have Many Remedies

The DTSA allows for various forms of relief for companies that have had their trade secrets misappropriated including injunctive relief, damages for actual loss and unjust enrichment and damages based on a reasonable royalty. The DTSA also gives federal judges authority to issue ex parte seizure orders. That is, a company can seek to have federal marshals, without notice, seize trade secrets from a party alleged to have misappropriated them. Because an ex parte seizure order is such a powerful remedy, Congress tied its use to situations where it “clearly appears from specific facts” that “extraordinary circumstances,” warrant such an order. For the same reason, if the target of an ex parte seizure order can show “wrongful or excessive” seizure, the DTSA allows the targeted party to recover damages and attorneys’ fees.

Whistleblowers Are Protected and You Have to Tell Them So

The DTSA protects whistleblowers from criminal or civil liability for disclosing a trade secret if the disclosure is made in confidence to a government official or attorney for the purpose of reporting a violation of the law. In addition, employers now have an affirmative duty to provide notice of the new immunity provision in “any contract or agreement with an employee that governs the use of a trade secret or other confidential

information.” Failure to comply with this requirement results in loss of certain damages and/or attorneys’ fees in a DTSA lawsuit brought against an employee or contractor to whom no notice was provided.

Bottom Line

Many businesses regard their trade secrets as their most important and valuable intellectual property assets. Trade secret issues can arise with every employee hiring and firing, in many contracts containing a non-disclosure or confidentiality clause, and potentially every time an employee discusses confidential company business. With the passage of the DTSA, companies should consult counsel regarding the DTSA’s impact on their current business operations and should review all confidentiality, non-disclosure, and intellectual property clauses contained in any existing agreements with counsel to ensure their interests are fully protected.