

**New Federal Trade Secrets Legislation:
Summarizing the Provisions and Potential Impact of the Defend Trade Secrets Act
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Trade secrets have been outliers in the intellectual property community because although patents, copyrights, and trademarks all have federal civil causes of action, civil protection for trade secrets was only available at the state level (although trade secrets were subject to federal criminal penalties in the Economic Espionage Act and *in rem* jurisdiction at the U.S. International Trade Commission).

This changed on April 27, 2016, when Congress passed the Defend Trade Secrets Act (“DTSA”) by a 410-2 vote in an amendment to the Economic Espionage Act. Earlier versions of legislation attempting to add federal civil causes of action for trade secret misappropriation were unsuccessful, though served as models for the DTSA. Additionally, the Senate unanimously passed the DTSA (the House (H.R. 3326) and Senate (S. 1890) versions of the DTSA are identical). Because President Obama has expressed support for the bill, it will likely soon be signed into law.

The DTSA is a significant expansion of federal intellectual property law (notably, the DTSA does not preempt any previously-existing state trade secrets law), and the key provisions are discussed below.

Federal Jurisdiction

A primary goal of the DTSA is to harmonize case law developed by the states by providing federal jurisdiction for trade secret theft to the district courts (Sec. 2(b) and (c) of the DTSA). At the state level, trade secrets are protected under a particular state’s adopted version of the Uniform Trade Secrets Act (“UTSA”) and/or common law (New York and Massachusetts are the remaining states not to have enacted the UTSA, so only common law is available).

Because each state’s version of the UTSA may vary, significant differences in application of trade secrets law have developed. Accordingly, the DTSA should allow for developing and applying a more predictable, nationwide body of case law by providing access to federal courts and providing a single definition for key terms such as “misappropriation.” Uniformity resulting from the DTSA should make it easier for companies and individuals to determine what information is protectable as a trade secret and to better predict the outcome of any case they may bring.

Penalties

A federal cause of action based on trade secret misappropriation has numerous possible penalties. Damages may include actual loss caused by the misappropriation in combination with disgorgement of unjust enrichment not addressed by calculating loss (Sec. 2(b)(3)(B) of the DTSA). The DTSA provides for doubled exemplary damages in cases of willful and malicious

misappropriation, and attorneys' fees are also available for a misappropriation claim brought in bad faith.

Injunctive relief is also available. Injunctions may be placed on a person entering into employment to prevent any actual or threatened misappropriation (Sec. 2(b)(3)(A) of the DTSA), but must be tailored to the potential misappropriation and not simply based on information known by the employee.

Civil Seizure

For misappropriation of trade secrets in "extraordinary circumstances," the DTSA also provides the right to seek a civil seizure of property necessary to prevent the dissemination or propagation of the trade secret. Because this may involve electronically stored information, the DTSA contemplates that law enforcement officials (responsible for seizures) may request the assistance of independent experts and special masters. Notably, seizures are conditioned on the requirement that the "applicant has not publicized the requested seizure."

The seizure provision is the most controversial provision of the DTSA, and its application in practice will be closely watched.