

3 notable features of the newly passed Defend Trade Secrets Act



David B. Cupar, James J. Giszczak | Thursday, April 28, 2016

The Defend Trade Secrets Act of 2016 (DTSA) is about to become law. The United States Senate approved the legislation by a margin of 87 to 0 earlier this month, and the House of Representatives approved it 410 to 2. President Barack Obama, whose administration urged Congress to pass the legislation, is virtually certain to sign the bipartisan bill into law.

The DTSA will provide powerful new tools for businesses to protect their hard-won technical, business, and other information. The DTSA extends to “all forms and types of financial, business, scientific, technical, economic, or engineering information,” provided that the owner has taken reasonable steps to keep the information secret and the information derives value from its secrecy. Examples of protectable trade secrets include:

- Customer lists
- Product formulas
- Data compilations
- Pricing and margin information
- Technical drawings and specifications
- Industrial and manufacturing processes
- Software source code and object code
- Business and marketing plans and strategies

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- Market studies and customer surveys
- Test data and research results

In a time when a foreign or domestic hacker or a rogue employee with a flash drive can steal a company's trade secrets in seconds, a company must often act quickly and decisively to protect its assets. The DTSA builds significantly on existing legal options for preventing the disclosure, dissemination, and misuse of misappropriated trade secrets, and the devastating damage that can result. Three notable features of the DTSA are access to federal courts, seizure of property, and expanded injunctive relief and damages.

1. Access to federal courts

Under the DTSA, businesses will be able to bring their claims in federal court. Until now, trade secrets—unlike the other main forms of intellectual property, i.e., patents, copyrights, and trademarks—have primarily been the province of state law. Unless another basis for federal court jurisdiction could be found, litigants had to bring claims of trade secret misappropriation in state court. But state courts are not well-equipped to address theft across state and national borders—an increasingly common phenomenon. Some also believe that a federal statute will provide greater uniformity and that federal courts are better able to address the complex issues that arise in trade secret cases.

2. Seizure of property

The most hotly debated feature of the DTSA is its civil seizure provision. The DTSA will allow a party to make an “ex parte” application—that is, to seek court relief without prior notice to the defendant—to have law enforcement seize property to prevent propagation of the trade secrets at issue. For example, if a business discovers that an employee misappropriated a computer or storage device containing trade secret information, the DTSA will authorize a federal court to swiftly take the device into custody. Pending a hearing on whether to maintain the seizure order, the court shall prohibit the device from being connected to a network or the internet without the parties' consent. The civil seizure provision is a powerful and largely unprecedented tool for trade secret plaintiffs.

3. Injunction and damages

The DTSA will expand the relief available to trade secret owners under state law. In trade secret cases, plaintiffs frequently seek an injunction preventing disclosure or use of the information at issue. Under the Uniform Trade Secrets Act (UTSA), which has been enacted in some form in nearly all states, an injunction must terminate when the trade secret ceases to exist or after an additional reasonable period to eliminate commercial advantage resulting from the misappropriation. Interestingly, the DTSA does not address when an injunction must end, which may give courts more flexibility. The DTSA also authorizes damages for monetary loss or unjust enrichment, or a reasonable royalty. Finally, whereas the UTSA provides for double damages for willful and malicious misappropriation, the DTSA will allow courts to award triple damages.

For more information, please contact the attorneys listed below.



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