

EXPERT ANALYSIS

It's No Secret: Employment and Federal Considerations in New Trade Secrets Law

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On May 11, President Obama signed into law the Defend Trade Secrets Act of 2016 (DTSA). The result of rare bipartisan support, the DTSA was passed unanimously by the Senate and by a 410-2 vote by the House last month. It creates the first federal civil cause of action for trade secret misappropriation and provides, under certain "extraordinary" circumstances, for the temporary *ex parte* seizure of relevant property during the pendency of this action.

The DTSA restricts claimants' reliance on the "inevitable disclosure" doctrine in securing injunctive relief that would interfere with an alleged violator's prospective employment relationship by requiring supporting evidence of actual or threatened misappropriation based on more than the alleged violator's mere possession or knowledge of the protected information.

A successful DTSA claimant can be awarded both double damages for loss, unjust enrichment or reasonable royalties if the trade secret was willfully and maliciously misappropriated and reasonable attorneys' fees "if a claim of ... misappropriation is made in bad faith ... a motion to terminate an injunction is made or opposed in bad faith, or the trade secret was willfully and maliciously misappropriated."

These damages awards are available only to trade secret owners who provide employees specific advance notice in any "contract or agreement with an employee that governs the use of a trade secret or other confidential information" of permissible disclosures of otherwise protected information to government agencies in reporting suspected unlawful activity or in related sealed court filings.

The broad DTSA definition of "employee" includes "any individual performing work as a contractor or consultant for an employer." Employers can satisfy this notice requirement either through a separate provision in the agreement or by simply cross-referencing another confidentiality policy that delineates permissible disclosures as long as that policy is consistent with the DTSA.

These mandated permissible disclosure provisions are consistent with recent actions by the SEC, NLRB and other government agencies similarly restricting the scope of confidentiality requirements. This notice provision applies only to contracts and agreements entered into or updated after the effective date of the DTSA, which is May 11, 2016.

Employers who fail to fulfill this notice requirement forfeit recovery of either attorneys' fees or exemplary damages. Therefore, employers should promptly review, adopt and/or amend their employment agreements, non-compete agreements, agreements with confidentiality provisions and associated policies to conform with the DTSA notice requirements.

Employers should also correctly identify information protected under the DTSA in their policies and take appropriate measures to protect that information in their procedures.

If you have any further questions about the DTSA implications to your current employment, non-compete and confidentiality agreements or how it impacts your business, please contact the authors or the Bracewell attorney with whom you usually work.



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