

# US federal trade secrets legislation reaches one-year anniversary

Protection of trade secrets, which led to warmly received new EU and US legislation in mid-2016, remains a hot topic in 2017. While the EU Trade Secrets Directive still needs to be implemented into national laws (by 9 June 2018), the US Defend Trade Secrets Act is celebrating its one-year anniversary and is already being tested in court. We advise companies which have not already done so, to look at the new legislation and, where necessary, take action.

## About the DTSA

The US [Defend Trade Secrets Act of 2016](#) (DTSA) is a federal law, aiming to create a federal civil remedy for the misappropriation of trade secrets in the US. The DTSA creates a new federal remedy in addition to the possibilities at state level provided by the Uniform Trade Secrets Act (1979) (UTSA), which has been adopted by 47 of the 50 states. This co-existence means that claims can be based on the DTSA, on the UTSA or on both acts, and cases can be brought before federal courts and local state courts. This, of course, depends on the specific facts and circumstances, such as establishing personal jurisdiction. The possible recourse to federal courts is new; considering that it was already possible to bring patent law claims before a federal court, it will be more efficient for parties to be able to file trade secret claims at federal level as well.

Compared to the UTSA, the most remarkable change the DTSA brings is the possibility of obtaining an *ex parte* seizure order. This means that the court can allow seizure of allegedly stolen trade secrets in the defendant's possession without hearing the defendant first. The DTSA provides that this powerful new tool is only available "in extraordinary circumstances" and if it is "necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action". Several attempts to use this new instrument have been made but – mainly to the disappointment of employers – most publicly available requests have been dismissed.

The DTSA further includes specific provisions on available remedies, which include injunctions and the award of damages. In the event of the wilful misappropriation of trade secrets, the court may award double damages.

For more detailed information on the new federal trade secret law in the US and what this means for your company, please see our earlier article from [2014](#).

In 2016, most trade secret disputes based on the DTSA included both DTSA and state law trade secret claims. As these laws differ, it will be interesting to see in which cases one can rely on the instruments the DTSA has to offer. Already, several cases touch upon the question of the DTSA's applicability in time; the DTSA applies to acts that occur on or after 11 May 2016 but remains silent on how to interpret this. In the [AllCells, LLC v. Zhai](#) case, for

example, the alleged trade secrets were acquired by the defendants before 11 May 2016 while the plaintiff argued that the trade secrets were used after 11 May, triggering the applicability of the DTSA. The Court ruled that the DTSA applied by considering that there was at least use of the trade secrets after 11 May 2016, and dismissed the defendants' argument that an act of continuing misappropriation of trade secrets dates back to the first misappropriation. Ultimately it is up to the US Supreme Court to interpret the DTSA's reach.

## Developments in the EU

In the EU, the [Trade Secrets Directive](#) entered into force in July 2016 and now needs to be implemented into the domestic law of the EU member states. The deadline for implementation is 9 June 2018. Depending on their current national trade secrets legislation, member states may have to amend their national law or develop a new law. So far, Denmark is the only country which is known to be preparing a specific act on trade secrets incorporating the EU directive.

As this article focuses on the DTSA, please see our earlier articles in [2015](#) and [2016](#) for more information about the EU directive.

## What should you do?

Companies must take appropriate measures to safeguard their trade secrets. This requirement is outlined in [Article 39](#) of the TRIPS agreement and is part of the UTSA, DTSA, current trade secret laws in Europe, and the EU directive. Only companies that fulfil this important requirement will be able to request protection of their trade secrets.

Companies are advised to incorporate at least the following into their strategy and policies if they have not already done so:

- Instruct personnel to keep trade secrets confidential – this means implementing confidentiality policies and adequately training personnel
- Close off workspaces and prohibit entry to third parties, unless confidentiality has been agreed
- Limit the number of people with access to the trade secret, and keep track of who has access
- Enter into confidentiality agreements with personnel, licensees, suppliers, and other parties with whom information is shared
- Those agreements should limit not only the disclosure of the information, but also its use

In addition, we recommend that companies consider how to deal with the possibility of accessing the trade secrets of third parties, in order to reduce the risk of third-party claims in the future. For example, if a company hires a former employee of a competitor, it should shield itself from any of that competitor's trade secrets by allowing the employee to exercise only general knowledge at his or her new place of employment. Companies should also be cautious in collaborations with third parties; these should not have the potential to affect the company's existing plans for a product, or the possibilities of obtaining a patent right in the future. Possible protective measures include entering into agreements with employees where they expressly agree not to use any of the previous employer's trade secrets, and carefully drafting

agreements with third parties providing the necessary freedom in the relevant field.

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