



May 2016

How ‘The Defend Trade Secrets Act’ Affects Your Employment Agreements

On May 11, 2016, President Obama signed the Defend Trade Secrets Act (DTSA) into law. The DTSA is immediately effective, and applies to misappropriation that occurs after its enactment. The DTSA is the most significant expansion of intellectual property law since the Lanham Act was passed in the 1940s. The DTSA largely tracks the Uniform Trade Secrets Act (UTSA), with a few notable exceptions, including that, in extraordinary circumstances, the DTSA will provide for ex parte seizures of property to prevent the dissemination of trade secrets.

Exemplary Damages and Attorneys’ Fees Conditioned on Notice

If a trade secret protected under the Act is “willfully and maliciously” misappropriated, the DTSA provides for an award of attorneys’ fees and exemplary damages in an amount not more than twice the damages awarded. 18 U.S.C. §§ 1836(b)(3)(C)-(D). The DTSA also provides for attorneys’ fees to be awarded to a prevailing party where the claim of trade secret misappropriation is made in bad faith, or where a motion to terminate an injunction is made or opposed in bad faith. 18 U.S.C. § 1836(b)(3)(D). The DTSA requires, however, that the employee against whom the action is brought must have received specific notice of certain immunity provisions as a condition of awarding exemplary damages and/or attorneys’ fees under §§ 1836(b)(3)(C)-(D).

Immunity Provision

Under § 1833(b)(1)(A) of the DTSA, employees have the right to turn over protected trade secrets to the government or to an attorney when illegal conduct is suspected, provided that the disclosure is solely for the purpose of reporting or investigating the suspected violation of the law. Similarly, under §§ 1833(b)(1)(B) of the DTSA, employees can disclose protected trade secrets in a complaint or other document filed in a legal proceeding, provided the filing is made under seal. The DTSA places the burden on the employer to provide notice of these immunity provisions to its employees, and specifically excludes from available remedies the attorneys’ fees and exemplary damages that are available under §§ 1836(b)(3)(C) and (D) if the notice requirements are not met, but only for contracts or agreements updated or entered into after enactment of the DTSA. §§ 1833(b)(2)(C) and (D).

How to Comply

According to the DTSA § 1833(b)(3)(A), an employer “shall” give notice of immunity in any contract or agreement with an employee that governs the use of trade secret or confidential information. An employer will be deemed to be in compliance with DTSA § 1833(b)(3)(A) “if it provides a cross-reference to a policy document provided to the employee that sets forth the employer’s reporting policy for a suspected violation of law.” DTSA § 1833(b)(3)(B). It bears note that the DTSA’s definition of “employee” is broad, and includes contractors and consultants.

To ensure that the full panoply of remedies are available, employers should hereafter include in all contracts or agreements with an employee (or contractor or consultant) that govern the use of trade secret or confidential information (and *consider* revising agreements with existing employees to include) clear and specific language giving notice to employees of the immunity provision under 18 USC §1833(b)(1) and (2).

Separately, in view of the provision of § 1833(b)(3)(B), the employer’s reporting policy for a suspected violation of law should be set out in the employer’s policy document that is provided to its employees. Because the notice obligation only applies to contracts or agreements entered into after the enactment of the DTSA, there does not appear to be any requirement that employers to enter into new contracts to replace existing ones. Nonetheless, for existing employees (as well as consultants and contractors), employers should consider giving notice of a policy amendment that provides notice of the immunity protection (or employer’s reporting policy for a suspected violation of law).

To read about other provisions of the DTSA, please see our previous *GT Alert*, [“The Defend Trade Secrets Act of 2016.”](#)

This *GT Alert* was prepared by **Adam B. Landa** and **Kurt A. Kappes**. Questions about this information can be directed to:

- > [Adam B. Landa](#) | +1 917.282.9823 | landaa@gtlaw.com
- > [Kurt A. Kappes](#) | +1 916.442.1111 | kappesk@gtlaw.com
- > Any member of Greenberg Traurig’s [Intellectual Property & Technology Group](#) or [Labor & Employment Group](#)
- > Or, your [Greenberg Traurig](#) Attorney

Albany +1 518.689.1400	Delaware +1 302.661.7000	New York +1 212.801.9200	Silicon Valley +1 650.328.8500
Amsterdam + 31 20 301 7300	Denver +1 303.572.6500	Northern Virginia +1 703.749.1300	Tallahassee +1 850.222.6891
Atlanta +1 678.553.2100	Fort Lauderdale +1 954.765.0500	Orange County +1 949.732.6500	Tampa +1 813.318.5700
Austin +1 512.320.7200	Houston +1 713.374.3500	Orlando +1 407.420.1000	Tel Aviv[^] +972 (0) 3.636.6000
Berlin⁻ +49 (0) 30 700 171 100	Las Vegas +1 702.792.3773	Philadelphia +1 215.988.7800	Tokyo[⌘] +81 (0)3 4510 2200
Berlin-GT Restructuring⁻ +49 (0) 30 700 171 100	London[*] +44 (0)203 349 8700	Phoenix +1 602.445.8000	Warsaw[~] +48 22 690 6100
Boca Raton +1 561.955.7600	Los Angeles +1 310.586.7700	Sacramento +1 916.442.1111	Washington, D.C. +1 202.331.3100
Boston +1 617.310.6000	Mexico City⁺ +52 55 5029.0000	San Francisco +1 415.655.1300	Westchester County +1 914.286.2900
Chicago +1 312.456.8400	Miami +1 305.579.0500	Seoul[∞] +82 (0) 2.369.1000	West Palm Beach +1 561.650.7900
Dallas +1 214.665.3600	New Jersey +1 973.360.7900	Shanghai +86 (0) 21.6391.6633	

This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. ⁻Greenberg Traurig's Berlin office is operated by Greenberg Traurig Germany, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ⁻ Berlin - GT Restructuring is operated by Köhler-Ma Geiser Partnerschaft Rechtsanwälte, Insolvenzverwalter. ^{}Operates as Greenberg Traurig Maher LLP. ^{**}Greenberg Traurig is not responsible for any legal or other services rendered by attorneys employed by the strategic alliance firms. ⁺Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. [∞]Operates as Greenberg Traurig LLP Foreign Legal Consultant Office. [^]Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. [⌘]Greenberg Traurig Tokyo Law Offices are operated by GT Tokyo Horitsu Jimusho, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. [~]Greenberg Traurig's Warsaw office is operated by Greenberg Traurig Grzesiak sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in Greenberg Traurig Grzesiak sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2016 Greenberg Traurig, LLP. All rights reserved.*