

Intellectual Property Insights

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Connecting the Dots with DTSA

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The Defend Trade Secrets Act of 2016 (“DTSA”) was signed into law by President Obama on Wednesday, May 11, 2016.[1] This new act is the final piece of the federal law puzzle regarding intellectual property protections. Until now, IP owners enjoyed federal law protections over their patents, trademarks, and copyrights, but were left to their state courts to protect their trade secrets under various state laws. The DTSA is being hailed as an important and valuable tool for business owners, by providing greater predictability to trade secrets law.[2]

The DTSA allows a trade secret owner to file a civil action in a federal district court in order to seek relief for trade secret misappropriation.[3] Prior to the DTSA, only the U.S. Attorney General had standing to file civil actions for trade secret misappropriation under federal law, and then only for injunctive relief. Trade secret owners were limited to state civil actions.[4] The DTSA does not preempt current state civil law, or federal or state criminal law, regarding trade secrets.[5] Thus, going forward, potential plaintiffs will have the option of pursuing claims of misappropriation in federal or state court. Furthermore, because the DTSA does not preempt other pertinent laws, trade secret plaintiffs will have the option of pursuing duplicative causes of action, which are otherwise unavailable in state courts thanks to most states’ trade secret laws that displace tort, restitutionary, or other laws providing civil remedies for misappropriation of trade secrets.[6] Additionally, the DTSA explicitly provides trade secret owners with the same types of relief offered under the Trademark Act of 1946 concerning the wrongful seizure of goods and counterfeit trademarks.[7] These remedies include damages for lost profits, cost of materials, loss of good will, punitive damages, and reasonable attorney’s fees.[8]

Although the DTSA largely mimics the Uniform Trade Secrets Act (“UTSA”), the DTSA also expands upon the UTSA in several areas. Notably, the DTSA adopts the broad definition of “trade secret” as found in the Electronic Espionage Act of 1996 (“EEA”), which the DTSA amends. This broad definition includes most information so long as it is secret.[9] In defining “trade secret,” the UTSA specifies only eight types of information, including “a formula, pattern, compilation, program, device, method, technique, or process . . .”[10] Whether this difference will be litigated or will have any substantive effect on litigation outcomes remains to be seen.[11]

One limitation of the DTSA is that it only applies to trade secrets that are related to products or services used in, or intended to be used in, interstate or foreign commerce.[12] Thus, trade secret owners may still be limited to state courts if their trade secrets are not used or intended for use in interstate or foreign commerce. With the ubiquity of Internet commerce, this limitation may not have many real ramifications, yet only time will tell if and how courts apply this limitation in practice.

As with any new law, there will be a period in which courts, practitioners, and trade secret owners must determine how exactly the DTSA should be applied. Whereas the state law variations from the UTSA have led to different procedural and substantive standards being applied by state courts in trade secret cases, the DTSA should standardize case-dispositive issues.[13] Thus, the range of arguments that litigants can make likely will be similar to current state law arguments, while eliminating quirks of individual state law deviations from the UTSA. This also means that the federal district courts may look to a range of state court decisions while interpreting and applying the new DTSA.

[1] Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (to be codified at 18 U.S.C. § 1836).

[2] See Mikela T. Sutrina & Kevin M. Cloutier, *Defend Trade Secrets Act - Coming to Federal Court Near You*, Nat'l L. Rev. (May 9, 2016) <http://www.natlawreview.com/article/defend-trade-secrets-act-coming-to-federal-court-near-you>; Bill Donahue, *Obama Signs Federal Trade Secrets Bill Into Law*, Law360 (May 11, 2016) <http://www.law360.com/ip/articles/795051>.

[3] DTSA, sec. 2(a), §§ (b)-(c).

[4] 18 U.S.C. § 1836 (2011).

[5] DTSA, sec. 2(f).

[6] David S. Almeling, *Guest Post: Defend Trade Secrets Act - A Primer, an Endorsement, and a Criticism*, Patently-O (May 30, 2014) <http://patentlyo.com/patent/2014/05/secrets-endorsement-criticism.html>.

[7] DTSA, sec. 2(a), § (b)(2)(G).

[8] Trademark Act of 1946 § 34(d)(11) (codified at 15 U.S.C. § 1116(d)(11)).

[9] Specifically, "all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if—(A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information." 18 U.S.C. § 1839 (as amended by DTSA).

[10] UTSA, sec. 1(4).

[11] Peter J. Toren, *Five Things to Know About the Defend Trade Secrets Act*, IPWatchdog (May 11, 2016) <http://www.ipwatchdog.com/2016/05/11/five-things-know-defend-trade-secrets-act/id=68954/>.

[12] DTSA, sec. 2(a), § (b)(1).

[13] Brian T. Yeh, *Protection of Trade Secrets: Overview of Current Law and Legislation 6*, Congressional Research Service, 6 n.37 (April 22, 2016) <https://www.fas.org/sgp/crs/secrecy/R43714.pdf>.