

## INTELLECTUAL PROPERTY

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*Robert Smith outlines the key elements of the Defend Trade Secrets Act of 2016, creating for the first time a civil remedy for protection of trade secrets based on federal statute.*

## Defend Trade Secrets Act of 2016



### ABOUT THE AUTHOR

**Robert Smith** is a member of the firm of Lorange & Thompson, PC in Houston, Texas. Rob's practice includes product liability defense, health care, and commercial transactions and litigation. He is a member of the IADC Insurance and Reinsurance Committee; Product Liability Committee; and Medical Defense and Health Law Committee. He can be reached at [rgs@lorancethompson.com](mailto:rgs@lorancethompson.com).

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The Defend Trade Secrets Act of 2016 (DTSA) was signed into law on May 11, 2016, creating for the first time a civil remedy for protection of trade secrets based on federal statute. Federal statutes already provide a civil remedy for patents, copyrights, and trademarks. While trade secret theft has been a federal crime under the Economic Espionage Act since 1996, civil protection of trade secrets has been left to a patchwork of state laws.

The new law can be found at 18 U.S.C. §1836, and provides that “[a]n owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.” *See* 18 U.S.C. §1836(b)(1).

A “trade secret” includes “all forms and types of” information 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.” *See* 18 U.S.C. §1839(3).

Although a trade secret must be “related to a product or service used in, or intended for use in, interstate or foreign commerce” for the DTSA to apply, it does not preempt civil or criminal remedies under other state or federal laws. *See* 18 U.S.C. §1838. Therefore, a plaintiff could bring a claim under the DTSA and

include state law claims as well (such as common law breach of contract, or under a state trade secret statute).

The DTSA provides for several remedies including injunctive relief for actual or threatened misappropriation, damages for the actual loss caused by the misappropriation, additional damages for unjust enrichment not included in the actual loss, or a reasonable royalty in lieu of damages measured by other methods. *See* 18 U.S.C. §1836(b)(3).

Civil seizure is also available in extraordinary circumstances, where necessary to prevent the propagation or dissemination of the trade secret at issue. The court must find, based on affidavits or verified pleadings, that other equitable relief would be inadequate because the subject party would not comply, immediate and irreparable injury will occur if such seizure is not ordered, harm to the applicant outweighs harm to the subject and third parties, applicant will likely succeed on their claims, the subject party has actual possession of the trade secret and any property to be seized, the applicant describes the matter to be seized and the location, the subject party would likely move, hide, or otherwise make the matter inaccessible to the court, and the applicant has not publicized the requested seizure. *See* 18 U.S.C. §1836(b)(2).

Given the significant impact this could have on the subject party, the party seeking civil seizure must provide security as determined by the court, and could be subject to damages

for lost profits, cost of the goods, attorney's fees, etc. *See* 18 U.S.C. §1836(b)(2)(B)(vi).

If the trade secret misappropriation is willful and malicious, exemplary damages of up to two times the amount of damages awarded may be recovered.

Under the DTSA, a civil action must be brought within three years after the date on which the misappropriation is discovered or should have been discovered. *See* 18 U.S.C. §1836(d).

The DTSA applies to any act which occurs on or after the date of enactment, May 11, 2016.

Most professional liability policies exclude any coverage for an infringement of trade secrets, although there are some specialty markets that will write intellectual property coverage.

If you want to discuss the DTSA further, or ways to protect your trade secrets, call me, 713.857.8281.

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