

May 20, 2016

The Notice Provision of the Defend Trade Secrets Act (DTSA): What Employers Must Do *Now*

The [Defend Trade Secrets Act](#) (DTSA), which became effective on May 11, extends federal civil protection to trade secrets and allows companies and individuals to file private lawsuits to remedy a wrongful taking of their trade secret information. This advisory, which supplements the [Intellectual Property and Employment Law and Litigation Advisory](#) from May 11, focuses on DTSA's notice requirement and explains the steps employers should take immediately to preserve the full range of remedies available for trade secret misappropriation.

DTSA's Notice Requirement for Employers

In addition to altering the landscape for trade secret litigation, DTSA requires employers to include a notice of whistleblower immunity in any contracts with employees, contractors or consultants that include provisions restricting the use or disclosure of trade secret or other confidential information. The notice must state that no individual may be held civilly or criminally liable for the disclosure of a trade secret in confidence to a federal, state or local government official, or to an attorney, when such disclosure is made to investigate or report a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. Additionally, the notice should advise that an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

As an alternative to providing the notice in an agreement, employers can cross-reference, in such agreement, a written policy provided to the employee, contractor or consultant that sets forth the employer's reporting policy for a suspected violation of law. The policy should contain the whistleblower immunity notice language.

An employer that fails to provide the mandated notice may not be awarded exemplary damages or attorney fees in trade secret litigation against an individual to whom such notice was not provided.

What Employers Should Do Now

- *On an immediate going forward basis*, include notice of whistleblower immunity under the new federal law in any new agreements with employees, contractors or consultants that govern the use of a trade secret or other confidential information. Such agreements may include employment contracts, consulting agreements, restrictive covenant agreements, non-disclosure agreements, LLC agreements, and equity agreements. Our suggested notice provision reads as follows:

For more information and an in-depth look at how the law might affect your organization, please contact any of the following members of Katten's **Employment Law and Litigation** practice.

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Pursuant to 18 USC § 1833(b), an individual may not be held criminally or civilly liable under any federal or state trade secret law for disclosure of a trade secret: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; and/or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

Note that this requirement is prospective only (as of May 11, 2016), so an employer need not change already-existing agreements.

- Consider adopting and disseminating an internal policy setting forth the company's reporting policy for a suspected violation of law, which includes the immunity notice and can be cross-referenced in employee, contractor and consultant agreements in addition to or in lieu of the notice provision.
- Conduct an internal audit to confirm reasonable measures and protocols are being used to store and protect confidential and proprietary information and prevent trade secrets from being improperly disseminated, disclosed, stolen, hacked, subject to a data breach or otherwise used inappropriately.
- Provide employees with educational training and seminars about established policies and laws for trade secrets and confidential information.

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