

PATTISHALL

insights

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“ THE DTSA
ALLOWS
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TO OBTAIN
AN EX PARTE
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TO PREVENT
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OF THEIR TRADE
SECRETS ”

The Defend Trade Secrets Act – Fast Remedies for the Instant Information Age

By Phillip Barengolts



Today, stolen trade secrets can be disseminated globally with the click of a button. On May 11th, President Obama signed the Defend Trade Secrets Act (DTSA) into law, allowing businesses to use the federal courts to prevent and redress the misappropriation of their trade secrets. Over time, this federal statute promises to unify the state-based law of trade secrets across the country, just as the Lanham Act has done for trademark law over the many years. Before, absent federal diversity of citizenship jurisdiction, a business could sue for trade secret misappropriation only in state court. This created certain discrepancies in enforcement and made it more difficult to protect trade secrets nationally, but all in all, state law generally worked. So, why should a business make a federal case out of it? The potential remedies, that's why.

Under appropriate circumstances, the DTSA allows plaintiffs to obtain an Ex Parte seizure order to prevent unlawful dissemination of their trade secrets. This remedy, which is generally unavailable in state court, is the key advantage to suing under the DTSA. For those who understand its power and how to wield it properly, it is an invaluable tool to stop stolen trade secret dissemination in its tracks. The procedures for obtaining and executing Ex Parte seizure orders are similar to those that govern trademark counterfeiting seizures under the Lanham Act. Both statutes provide a powerful tool. In both cases, however, careful attention must be given to the evidentiary requirements to avoid endangering clients, as both statutes have built-in countermeasures to prevent overreaching and wrongful seizures.

The following primer will briefly outline the DTSA and focus on the powerful seizure remedy.

DTSA BASICS

The DTSA amends the Economic Espionage Act of 1996, which made trade secret misappropriation a federal crime, but did not permit aggrieved businesses themselves to file civil actions in federal court. Now they can. The DTSA does not preempt state law, but coexists concurrently with it – exactly like the Lanham Act and state trademark statutes, which have co-existed for seventy years. The DTSA also applies to extraterritorial conduct

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in appropriate circumstances, which is equally important in this day and age of international outsourcing and reliance upon overseas contractors, suppliers and back-end operations.

Under the DTSA, a trade secret owner can file suit in federal court “ ... if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.” 18 U.S.C. § 1836(b)(1). The definition of “trade secret” is both broad and deliberately imprecise, but, essentially, anything that a business uses for competitive advantage and keeps secret (truly secret) can be protected under the DTSA. 18 U.S.C. §§ 1839(3). “Misappropriation” entails acquiring a trade secret by “improper means” such as “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.” 18 U.S.C. §§ 1839(5) and (6).

In addition to an Ex Parte seizure order, the DTSA also permits a plaintiff to obtain injunctive relief, recover damages, and receive up to a double-multiplier of its actual damages if the misappropriation was willful and malicious. 18 U.S.C. § 1836(b)(3).

Of great interest to corporate HR departments, the DTSA also requires employment agreements to include immunity and non-retaliation notices for whistle-blowers. 18 U.S.C. § 1833(b). Without such notices, a plaintiff cannot recover punitive damages or attorneys’ fees from an employee who misappropriates trade secrets. 18 U.S.C. § 1833(b)(3)(C). Amending contracts with employees with access to trade secrets is timely, since the notice provisions apply to any agreements that are entered into or updated after May 11, 2016. 18 U.S.C. § 1833(b)(3)(D).

EX PARTE SEIZURE ORDERS

The most significant advantage of proceeding under the DTSA, as opposed to state trade secret law, is the availability – “in extraordinary circumstances” – of an Ex Parte seizure order “to prevent the propagation or dissemination of the trade secret.” 18 U.S.C. § 1839(b)(2)(A)(i).

To obtain such an order, the trade secret owner must show, through affidavits or a verified complaint that, among other things, 1) a temporary restraining order or preliminary injunction would be inadequate; 2) the harm to the plaintiff if the order is denied outweighs the harm to the defendant, and substantially outweighs the harm to any third parties, if the seizure is ordered; and 3) the plaintiff is likely to succeed on the merits in showing the defendant possesses the trade secret in question and the property to be seized. 18 U.S.C. § 1839(b)(2)(A)(ii). The plaintiff must also be able to: 1) identify, with some specificity, the material to be seized and where it is located; 2) prove the defendant would dispose of the material if given notice of the request (for example, in a motion for temporary restraining order); and 3) establish that the plaintiff has not publicized the request. 18 U.S.C. § 1839(b)(2)(A)(ii)(VI)-(VIII). These safeguards against abuse of this extraordinary remedy are similar to the Lanham Act’s seizure provisions in trademark counterfeiting cases.

Also similar are the potential adverse ramifications for the moving party in the event of a wrongful seizure, including “damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, ... a reasonable attorney’s fee.” 18 U.S.C. § 1839(b)(2)(G) quoting 15 U.S.C. 1116(d)(11). Experience justifying Ex Parte seizure orders in counterfeiting cases will provide some guidance in navigating the delicate balance between getting seizure orders based on available evidence, and avoiding the risks and consequences of a later holding that the order was wrongfully obtained.

In sum, the DTSA gives companies victimized by trade secret theft broader access to the federal courts, and a powerful new remedy to protect their valuable intangible assets. However, using that tool wisely and carefully is essential to avoid making a bad situation worse. ■

APPOINTMENTS

■ **Phillip Barendolts**

Phil has been appointed to the Continuing Legal Education Board of the ABA Intellectual Property Law Section for 2016-2017.

■ **Kristine A. Bergman**



Kristine has been appointed to the Marketing and Communications Committee of Chicago Women in IP for 2016-2017.

■ **Jessica A. Ekhoﬀ**



Jessica has been appointed Chair of the CBA Intellectual Property Committee for 2016-2017.

■ **Jonathan S. Jennings**



Jonathan has been appointed Co-Chair of the Minimum Standards Subcommittee for INTA's Right of Publicity Committee. Also, the ABA Section of Intellectual Property Law appointed him the

Assistant Revenue Officer for the Section for 2016-2017. Finally, he was reappointed as a Pro Bono General Counsel for the Chicago Bar Association.

■ **Robert W. Sacoff**



Bob has been appointed Chair of the 2016 Nominating Committee of the AIPPI-US Division of the American Intellectual Property Law

Association, with the approval of the AIPLA President. This is the US National Group of AIPPI, the Association Internationale pour la Protection de la Propriété Intellectuelle, a global professional association based in Switzerland dedicated to the development and improvement of intellectual property laws. AIPPI has over 9000 members in more than 100 countries.

PRESENTATIONS

■ **Ashly Boesche**



Ashly spoke on “Fundamentals of Trademark Law in the Global Marketplace 2016” at the Practising Law Institute (PLI) seminar in Chicago on June 14.

■ **Thad Chaloeontiarana**



Thad moderated a CLE program entitled “The TTAB in Action” at the ABA IPL Spring Conference on April 7 in Bethesda, Maryland. The program consisted of a live hearing before a three-judge panel of the USPTO Trademark Trial and Appeal Board, followed by a discussion of the April 4, 2016 Notice of Proposed Rulemaking regarding Changes to the TTAB Rules of Practice.

■ **Jessica Ekhoﬀ**

Jessica spoke at the Chicago Innovation Exchange on “Trademarks 101: How to Find and Protect a Strong Brand” on May 6.

PUBLICATIONS

■ **Jonathan S. Jennings**

The Pharmaceutical Trade Marks Group's newsletter, *Law Lore & Practice*, published Jonathan's article on the impact of the *Belmora LLC v. Bayer* Fourth Circuit decision in its May 2016 edition.

■ **Jason M. Koransky**



Jason was quoted in the article “Biometrics Have Arrived—And So Have the Class Actions,” in the April issue of *Corporate Counsel Magazine*.

■ **Robert W. Sacoff**

Bob was quoted in “3 Ethical Traps Awaiting The Devious Lawyer,” a Law360.com article published in May.

TEACHING

■ **Phillip Barendolts**

Phil will be teaching Trademark Law at The John Marshall Law School this Fall.

firm NOTEWORTHY

All Sides with Ann Fisher Radio Show

Jason Koransky was interviewed by Ann Fisher on the in a segment entitled “Artists’ fight to control their music: from Ma Rainey to Prince and beyond.”

Chambers USA-2016

“[Pattishall] brings a wealth of knowledge and experience to the areas of trademarks, copyright and unfair competition cases ... ‘With outstanding attorneys, they understand the business dynamics and the politics associated with legal decisions.’”

“**David Hilliard** is an ‘incredibly smart, easy-going guy’ according to sources. Clients draw upon his vast trademark and unfair competition knowledge in mediation and arbitration proceedings.”

Expert Guides

David C. Hilliard, Janet A. Marvel, Robert W. Sacoff, Belinda J. Scrimenti and **Joseph N. Welch II** have been recognized as leading practitioners in the field of Trademarks for 2016.

IP Stars, *Managing Intellectual Property Magazine*

Pattishall McAuliffe has been nationally recognized in Trade Mark Prosecution, Trademark Contentious and Copyright, and “Highly Recommended” in Illinois.

Brett A. August, Bradley L. Cohn, David C. Hilliard, Jonathan S. Jennings and **Joseph N. Welch II** have been named as “IP Stars.”

Newberry Library

David Hilliard has been designated Chair-Elect of the Newberry Library, a world class, independent research library that has operated in Chicago since 1887.

Public Interest Law Initiative

Pattishall McAuliffe was an Advocate Level Sponsor of The Public Interest Law Initiative’s (“PILI”) Annual *Pro Bono* Reception on Wednesday, June 15th at Tree Studios in Chicago. To learn more about PILI, visit www.pili.org.

The Chicago-Kent College of Law Intellectual Property Law Society

The Society presented **Ashly Boesche** with its “2016 Distinguished Alumna Award.”

Who’s Who Legal: Trademarks 2016

David C. Hilliard, Janet A. Marvel, Robert W. Sacoff, Belinda J. Scrimenti and **Joseph N. Welch II** have been selected as leading trademark lawyers.