

News & Types: Employment, Labor & Benefits Update

# Employers Must Provide a Notice of Immunity in Any Contract or Agreement that Governs the Use of Trade Secrets or Confidential Information

7/26/2016

By: Frank J. Del Barto, Nancy E. Sasamoto

Practices: Employment, Labor & Benefits

**Executive Summary:** On May 11, 2016, President Obama signed the **Defend Trade Secrets Act of 2016** ("DTSA") into law. Under the DTSA, trade secrets owners will, for the first time, have the right to file suit in federal court for misappropriation of trade secrets. Prior to the passage of the DTSA, claims for misappropriation of trade secrets were typically governed by state law. Additionally, pursuant to the DTSA, the trade secret owner will now be able to apply for a court order that would allow the government to seize misappropriated trade secrets without giving any notice of the lawsuit to the defendant. Because seizure is an extraordinary remedy, stringent requirements are imposed on the party seeking the seizure order. In order to benefit from the DTSA, employers must update or amend all confidentiality, non-disclosure, employment, consultant and/or independent contractor agreements.

**Providing Notice of Immunity:** In order for employers to gain the protection of the new act, the DTSA requires employers to first include a whistleblower immunity notice in any contract or agreement with an employee, consultant or independent contractor who performs work for the employer that involves the use of trade secrets or other confidential information. The immunity notice provides that any individual who discloses a trade secret to a government official or attorney solely for the purpose of reporting or investigating a suspected violation of law is granted immunity from being held civilly or criminally liable under any federal or state trade secret law.

**Action Required:** Because the new immunity notice requirement applies to all agreements that address employer trade secrets or other confidential information **entered into or updated after May 11, 2016:**

**1. New Agreements:** The DTSA requires that employers update any template agreement (confidentiality, employment, consultant, independent contractor) that is currently being used with **new** employees, consultants or independent contractors to provide the whistleblower immunity notice. By adding the new immunity notice in

all new agreements, employers benefit from the new remedies available under the DTSA, including the awarding of exemplary damages and attorney fees in any federal civil action for misappropriation of trade secrets.

**2. Existing Agreements:** Masuda Funai **recommends that employers amend** all in-force / executed confidentiality, employment, consultant, and independent contractor agreements to provide the whistleblower immunity notice. By adding the new immunity notice to all in-force / executed agreements by a simple amendment, employers benefit from the new remedies available under the DTSA, including the awarding of exemplary damages and attorney fees in any federal civil action for misappropriation of trade secrets. Assuming no other existing agreement terms are also amended, employers will not have to provide employees consideration to add the immunity notice.