Defend Trade Secrets Act

Excerpt from Pooley, Trade Secrets § 2.05 (Law Journal Press 2017)
§ 2.05 Federal Civil Claims: the Defend Trade Secrets Act

[1]—Background

Traditionally, trade secret misappropriation has been treated as an issue of state law. From the adoption of the UTSA in 1979 through the mid-1990s, federal trade secret law consisted largely of decisions regarding the interplay between patent and trade secrets, including Supreme Court decisions regarding whether federal patent law preempted state trade secret law. However, in the modern global economy, trade secret misappropriation often involves disputes affecting not only interstate but also international commerce. With the increased incidence of industrial spying following the end of the Cold War, and particularly with the emergence of the Internet and cyber-espionage, it became apparent that federal jurisdiction would have to be invoked to address these issues.

Federal focus on trade secrets reached a new level with the passage of the Economic Espionage Act of 1996 (EEA). Prompted by concerns about international espionage, the EEA provided heavy criminal fines and prison sentences for individuals or corporations convicted of engaging in trade secret theft, with enhanced penalties if the espionage was for the benefit of a foreign government. However, the EEA did not provide for a private civil right of action.

In the two decades following the passage of the EEA, U.S. industry had become increasingly concerned about a fundamental shift in the nature of trade secret risk and the resolution of disputes. Along with stunning advances in electronic storage and communication of data came vastly increased risks to information security. The state law system for treating local cases of untrustworthy employees seemed ill-suited to address the globalized, digital nature of modern commerce, in which interstate and international actors were common and the need for timely court intervention more critical. Federal court filing was often not possible, since it required either a closely related claim under federal law or complete diversity of citizenship. Also, the EEA's criminal remedies were not a practical solution, with an average of only seven to eight prosecutions each year.

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1 See § 1.03[2] supra.
2 See § 2.01[2] supra.
3 See § 13.03 infra.

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Trade secret holders therefore began to push Congress for an amendment to the EEA that would afford them the option of filing civil misappropriation claims in federal court. Several bills were introduced in the 113th Congress to accomplish this and to authorize provisional remedies for seizure of relevant property to prevent secret technology from being transferred out of the jurisdiction. A revised version was introduced as the “Defend Trade Secrets Act” (DTSA) in July 2015, with identical bills in the House and Senate. After a Senate Judiciary Committee hearing and a later mark-up at which a number of amendments were made to the Senate bill, it passed with no opposition on April 4, 2016. The House accepted the amended Senate version, approving it on April 27, 2016, by a vote of 410 to 2. On May 11, 2016, the DTSA was signed, and the new law became effective.

For the most part, the DTSA amended Section 1836 of the EEA to provide a non-preemptive private civil right of action for trade secret misappropriation in federal courts, patterned on the UTSA. However, the law introduced some new features, including provisions for ex parte seizure and whistleblower protections, which will be described below.

[2]—Relationship to the Uniform Act

One congressional objective was to establish greater national harmony in trade secret laws, so that trade secret owners could experience more efficiency in the enforcement of their rights around the country. To achieve that goal, the central operating features of the

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7 This was the name given to the bills that ultimately passed Congress as Pub. L. No. 114-153,130 Stat. 376 (May 11, 2016). Since the legislation effected a series of amendments to the Economic Espionage Act, it might be technically correct to refer to its codified form as the EEA. However, to avoid confusion and to align with what appears to be the emerging convention, the new civil claim provisions of the EEA will be referred to as the DTSA. And, for ease of comparison, the Uniform Act will usually be referred to in this context as the UTSA.

8 The bills were opposed mainly by a group of law professors, who argued, among other things, that the bills would create a new class of litigation abusers, dubbed “trade secret trolls.” The author responded; see Pooley, “The Myth of the Trade Secret Troll: Why the Defend Trade Secrets Act Improves the Protection of Commercial Information,” 23 Geo. Mason L. Rev. 1045 (Summer 2016).

9 The author testified at the Senate hearing on December 2, 2015 and later worked with Senate staff on some of the amendments.

10 Jurisdiction may be claimed for a case in which the misappropriation began before May 11, 2016, if at least some wrongful act occurred after that date. See 18 U.S.C. § 1836(d): the DTSA applies to any misappropriation “for which any act occurs or after” its effective date.


11 The law retains the non-preemption language of 18 U.S.C. § 1838, excepting only the new grant of whistleblower immunity contained in § 1833(b).
DTSA are taken directly from the UTSA (1985 version). Therefore, to the extent that a state’s UTSA adheres to that standard, there will be congruence between federal and state claims.

Specifically, the federal definition of a “trade secret” has been effectively harmonized with the UTSA’s. Before enactment of the DTSA, the EEA definition was slightly askew relative to the UTSA in two ways. First, the EEA definition includes a longer list of examples. While the UTSA speaks of “information, including a formula, pattern, compilation, program device, method, technique or process” that meets the criteria of secrecy, value and reasonable efforts, the EEA refers to “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...” This distinction remains, but it represents no real difference, since the examples from each can all be read into the other.

The second difference, however, was potentially more consequential. The UTSA defines the relevant value of a trade secret as deriving from its not being generally known to, or readily ascertainable by proper means by, “other persons who can obtain economic value from its disclosure or use.” In contrast, the relevant group for EEA purposes was “the public.” This difference had been identified as confusing, although not necessarily dispositive, in criminal cases. The DTSA has resolved the issue, at least prospectively, by amending the EEA definition to substitute the UTSA language.

The multi-part definition of “misappropriation” from Section 1(2) of the UTSA has been carried into the DTSA with effectively identical language. The same is true of the basic definition of “improper means,” which is defined with the same list of examples as in the UTSA. However, the DTSA borrows from the California version of the UTSA to add the proviso that reverse engineering shall not be considered to be improper means of acquisition of a trade secret.

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12 See § 2.03[7][b] supra regarding variations in state enactments of the UTSA.
18 The California version, found in Cal. Civ. Code § 3426.1(a), states that “[r]everse engineering or independent derivation alone shall not be considered improper means.” The DTSA goes a bit further by excepting “reverse engineering, independent derivation, or any other lawful means of acquisition.” 18 U.S.C. § 1839(6)(B). These additions do not effect a substantive change, however, since true reverse engineering (that is, a process that works backwards from the publicly available information to (Rel. 38)
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With one exception, addressed below in connection with departing employees, the injunction provisions of the DTSA track the substance of Section 2 of the UTSA. Injunctions may be granted to prevent “actual or threatened” misappropriation.19 Affirmative actions may be ordered to protect the secret.181 And, in “exceptional circumstances” that would make an injunction inequitable, the court may instead condition future use of the secret on payment of a reasonable royalty.20

Regarding damages, the DTSA follows the three-part structure of Section 3(a) of the UTSA, allowing recovery measured by the plaintiff’s actual loss, plus any unjust enrichment not included in the loss calculation, or by a reasonable royalty for the unauthorized disclosure or use.21 Willful and malicious misappropriation may result in an additional award of up to twice the amount of compensatory damages.22

divine the secret, without being tainted by prior knowledge of it) has never been held to be “improper means.” See generally, § 5.02 infra.

19 The DTSA omits the related UTSA requirement that an injunction be terminated when the secret becomes known, subject to extension to eliminate the defendant’s “head start” advantage. Instead, the DTSA provides a broad grant of discretion: injunctions may issue “on such terms as the court deems reasonable.” That said, the DTSA language on royalties in lieu of injunctive relief—also drawn from the UTSA—seems to imply that injunctions should be terminable: the royalty may be required “for no longer than the period of time for which such use could have been prohibited.”

181 For example, surrender of devices for forensic mirroring may be ordered. See, e.g., Henry Schein, Inc. v. Cook, 191 F. Supp.3d 1072, 1080 (N.D. Cal. 2016) (issuing general TRO including preservation order, but denying order for surrender until defendant could be heard).

20 Neither the DTSA nor the UTSA defines “exceptional circumstances,” but the latter states that it may include a defendant’s “material and prejudicial change of position” before receiving notice of the misappropriation. See § 2.03[4][b] supra and § 7.03[1][d] infra.

21 18 U.S.C. § 1836(b)(3)(B). The Committee Reports contain an error in relation to the damages section. At page 9 of the Senate Report, it correctly observes that the DTSA damages language was drawn from Section 3 of the UTSA. But in a footnote (17) the Report refers to case law characterizing the royalty award in lieu of an injunction under Section 2 of the UTSA as a “remedy of last resort.” The footnote is accurate, but it clearly was intended to refer to the DTSA language on injunctive relief that was patterned directly on that section of the UTSA, and not Section 3 on damages. See https://www.congress.gov/congressional-report/114th-congress/senate-report/220/1 (last visited April 26, 2017). The same language was copied into the House Report, where it appears at page 13, footnote 13. See https://www.congress.gov/congressional-report/114th-congress/house-report/529/1 (last visited April 26, 2017). That said, the DTSA failed to adopt the exception appearing at the beginning of UTSA § 3 as a qualification on the right to recover damages: “Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable.” It is certainly possible that this omission could lead to different results in some cases decided under the DTSA, where the defendant might have an opportunity to avoid liability for some portion of damages under state law. See § 7.03[1][d] (royalty in lieu of injunction) and § 7.03[2][d] (royalty measure of damages) infra.

Taking language directly from Section 4 of the UTSA, the DTSA allows attorneys’ fee awards when (1) a claim is made in bad faith; (2) a motion to terminate an injunction is made or resisted in bad faith; or (3) misappropriation was willful and malicious. Oddly, the DTSA adds the superfluous proviso that the first of these three “may be established by circumstantial evidence.”²³ Apparently this was intended to remove any doubt on the point, rather than to imply that circumstantial evidence may not be used to prove either of the other two predicates to an attorneys’ fee award.

The same three-year period of limitations applies as under the UTSA. It similarly runs from the time of discovery (or when due diligence should have led to discovery), and the period may not start to run again based on subsequent actions that are part of a “continuing misappropriation.”²⁴

One significant difference between the UTSA and DTSA is the statute’s effect on other laws or claims. The UTSA was intended to address problems of uncertainty generated by an array of possible alternative state law theories that could be applied to claims of misappropriation. Therefore, with certain exceptions, Section 7 of the UTSA “displaces conflicting tort, restitutionary, and other law . . . providing civil remedies for misappropriation of a trade secret.”²⁵ A large majority of states have interpreted this language to deny plaintiffs the opportunity to plead closely related state law claims in the alternative.²⁶ In contrast, the DTSA is expressly non-preemptive: Section 2(f) of the Act²⁷ confirms that the original language of the EEA Section 1838 applies to the DTSA amendments.

[3]—Ex Parte Seizures

The DTSA adds a remedy that is not expressly granted by the UTSA: ex parte seizure of “property necessary to prevent the propagation or dissemination of the trade secret.”²⁸ It is designed to address situations in which the trade secret owner becomes aware of an impending theft of a trade secret that could involve its being destroyed by publication or transfer from the jurisdiction.

²⁶ See § 2.03(6) supra.
²⁷ Pub. L. No. 114-153, § 2(f), 130 Stat. 376 (May 11, 2016) (“Nothing in the amendments made by this section shall be construed to modify the rule of construction under section 1838 of title 18, United States Code, or to preempt any other provision of law.”).
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Adapted from similar provisions of the Lanham Act,29 the seizure language of the DTSA is substantially narrower, with a number of procedural safeguards intended to prevent abuse. An ex parte seizure order under the DTSA is available only when the evidence clearly shows, in addition to the usual irreparable harm and balance of equities, that the alleged wrongdoer (1) "would evade, avoid, or otherwise not comply" with any alternative form of order; (2) has actual possession of specific property containing a trade secret; (3) either misappropriated it or conspired with someone else to do so (this excludes innocent third parties such as cloud providers or ISPs); and (4) would "destroy, move, hide, or otherwise make [the secret] inaccessible" if given notice.30 A seizure order must (1) include findings and conclusions; (2) "provide for the narrowest seizure of property necessary;" (3) prohibit access by the plaintiff or copying of the information; (4) specify the seizure conditions for law enforcement; (5) set a hearing within seven days; and (6) require a bond.31 All seized materials must be deposited with the court and maintained in confidence until after the noticed hearing.32 A special master may be appointed to separate trade secret information from other property and to "facilitate the return" of the latter.33

The statute expressly declares the obvious, that an ex parte seizure may only be granted in "extraordinary circumstances."34 Another way that it seeks to discourage requests is with a provision allowing recovery of damages for "wrongful or excessive seizure" in an amount not limited by the required bond.35 Given all of the foregoing, plaintiffs should prepare such applications carefully and should consider pursuing alternatives that might be available ex parte, such as replevin or sequestration, or even a mandatory injunction under federal Rule 65 or Section 2 of the UTSA.36 On the other hand, when compelling evidence shows that valuable information has been taken and that the thief plans to send it (or take it) abroad, it may be sensible to request this special procedure from a federal court with national jurisdiction.

[4]—Injunctions Against Departing Employees

As does the UTSA, the DTSA allows injunctions against "actual or threatened misappropriation." But it cabins the discretion of courts in acting against departing employees. No order may "conflict with an

36 See § 2.03[4][b] supra. See Earthbound Corp. v. Mitek USA, Inc., 2016 U.S. Dist. LEXIS 110960 (W.D. Wash. 2016) (TRO requiring immediate delivery to a "neutral third party expert" all devices potentially containing the claimed secrets).
applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business;" nor may it prohibit "entering into an employment relationship," and any conditions placed on employment "shall be based on evidence of threatened misappropriation and not merely on the information the person knows." This qualification has been described by some as a rejection of the so-called "inevitable disclosure doctrine;" but the reality is more nuanced.

As discussed elsewhere in this volume, the "doctrne" was derived from a 1995 case in which a departing executive was ordered to delay for several months taking up duties in an identical position for a direct competitor working on a very similar new product. The opinion reveals some important facts that led the court to find the existence of a real threat, primarily that the individual had lied repeatedly about his plans. Under the circumstances, the court concluded that he could not be fully trusted not to misuse the highly sensitive information he knew. However, in discussing its reasoning the court observed generally that a plaintiff can prove a trade secret case by "demonstrating that defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets." This dictum was later wrenched from its context by critics and morphed into a popular straw man: courts could stop employees from taking a new job simply because they knew too much.

In reality, the very notion of inevitability, like "threatened misappropriation," begs the question of what proof is necessary to establish it. The DTSA does not attempt to resolve debate over the seldom-applied abstract "doctrne," but instead sidesteps it by returning to a fundamental consideration of the statutory language: if a "threat" can be enjoined, what does it take to prove one? As a matter of both public policy and evidence law, most would agree that "knowing too much" is not a workable standard. But when the courts focus on actions from which an inference of untrustworthiness can reasonably be drawn, they have captured the essence of an (implied) "threat." Therefore, where the facts show that a departing employee has behaved in a way that proves he or she cannot be trusted to keep the secret, a court may be justified in placing conditions on subsequent employment to mitigate the threat of misappropriation.

[5]—Exceptions for Whistleblowers

The balancing of interests that characterized trade secrets at common law made room for exceptions to the duty of nondisclosure in light of a paramount public interest. However, the boundaries of this

38 See § 7.02[2][b][iii] infra.
39 PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1269 (7th Cir. 1995).
exception have never been clear. An article\textsuperscript{41} by Professor Peter Menell of the UC Berkeley School of Law described the effect of this uncertainty on the availability of evidence of corporate wrongdoing, due to the concerns of would-be whistleblowers that they might face misappropriation claims from their employers for revealing information to the authorities. Professor Menell suggested the creation of a limited privilege that would provide immunity for disclosures to government officials. This idea was picked up during Senate consideration of the DTSA and language was proposed and adopted to implement it.

The DTSA amended Title 18, Section 1833 of the United States Code ("exceptions to prohibitions") to add subsection (b) establishing immunity under any state or federal trade secret law for the confidential disclosure of a trade secret to a federal or state official, or to an attorney, "solely for the purpose of reporting or investigating a suspected violation of law" or when included in a court filing "made under seal."\textsuperscript{41,1} Employers are required to give notice to employees (including individuals acting as contractors or consultants) of their immunity from liability.\textsuperscript{42} The notice must be included in any new or updated confidentiality agreements, and it can consist of a reference to the company's whistleblower policy.\textsuperscript{43} The penalty for non-compliance is not severe: the employer only forfeits the right to claim exemplary damages or attorneys fees in any action against the employee.


\textsuperscript{41,1} In the first published opinion addressing whistleblower immunity under the DTSA, the court issued an order requiring the defendant to surrender materials to the court and denied a motion to dismiss because it was unable to resolve on the record whether the materials had been taken "solely" for the purpose of reporting wrongdoing. Unum Group v. Loftus, 2016 U.S. Dist. LEXIS 168713 (D. Mass. 2016).

\textsuperscript{42} 18 U.S.C. § 1833(b)(3).

\textsuperscript{43} A short form of notice might consist of a statement such as "nothing herein prevents me from reporting, in confidence, potential violations of law to relevant governmental authorities, to my attorney or to a court." Alternatively, the agreement might specifically refer to the statute:

"I acknowledge that the federal Defend Trade Secrets Act (the "DTSA") provides that an individual shall not be held criminally or civilly liable for the disclosure of a trade secret that is made (i) in confidence to a government official or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, I acknowledge that the DTSA provides that an individual who files a retaliation lawsuit against an employer for reporting a suspected violation of law may disclose a trade secret to his/her attorney and use the trade secret information in court, but only if the individual (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order."
No other exceptions or immunities were created by the DTSA. However, it did include a provision stating that the legislation “shall not be construed to be a law pertaining to intellectual property for purposes of any other act of Congress.” This is almost certainly a reference to Section 230 of the Communications Decency Act, which declares that providers or users of an “interactive computer service” shall not be deemed to be publishers of another’s content, but which excepts from application any laws pertaining to intellectual property. Therefore, to the extent that Section 230 provides any sort of protection against liability for trade secret misappropriation—a notion that appears not to have been fully tested in the courts—the DTSA does not change the status quo.

[6]—Changes to Criminal Law

In addition to providing a new federal civil remedy for trade secret misappropriation, the DTSA amended the EEA’s criminal provisions in certain respects. First, Section 1832 (applicable to domestic actions) was amended to provide an alternative calculation for fines: up to three times the value of the stolen trade secret to the offending organization, including saved development costs. Section 1831 (applicable to cases involving foreign entities) had been similarly amended in 2013. Second, violations of Sections 1831 or 1832 were expressly declared to be “predicate offenses” for the RICO statute. Third, the provisions of Section 1835 regarding preservation of confidentiality were amended by adding a new subsection (b) providing comfort to trade secret owners that confidential information will be filed in court only under seal and without creating any waiver of secrecy protection.

[7]—Extraterritoriality

Criminal jurisdiction under the EEA for acts outside the U.S. was established by Section 1837, applying when the “offender” is a citizen or permanent resident or a corporation registered in the U.S., or when

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44 Pub. L. No. 114-153 § 2(g), 130 Stat. 376 (May 11, 2016). This should not be taken as a statement by Congress that it does not consider trade secrets to be a form of intellectual property. To the contrary, the first sentence of the Senate Report declares otherwise: “Trade secrets are a form of intellectual property that allow for the legal protection of commercially valuable, proprietary information and make up an increasingly important part of American companies’ intellectual property portfolios.” See https://www.congress.gov/congressional-report/114th-congress/senate-report/220/1 (last visited April 25, 2017).

45 18 U.S.C. § 1832(b).

46 18 U.S.C. § 1832(b).

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"an act in furtherance of the offense was committed" in the U.S. The DTSA did not change or amend this section, which on its face seems awkward as applied to civil claims. However, the new law included language that reflects clear Congressional concerns about international trade secret misappropriation. In Section 5 of the DTSA, the "sense of Congress" was expressed that trade secret theft occurs "around the world" and that "wherever it occurs, harms the companies that own the trade secrets and the employees of the companies . . . ." Section 4, titled "Report on Theft of Trade Secrets Occurring Abroad," requires the Director of the U.S. Patent and Trademark Office, in consultation with other federal agencies, to issue regular reports on subjects such as the "scope and breadth of the theft of the trade secrets of United States companies occurring outside of the United States" and the "threat posed" by such activity. The reports must also provide recommendations to "reduce the threat of and economic impact caused by" foreign misappropriation of U.S. company secrets.

Notwithstanding the presumption against extraterritorial application of federal statutes, given the legislative expression found in the DTSA, a strong case can be made that Congress intended its reach to be coextensive with constitutional standards and limitations under the "effects test" for establishing personal jurisdiction in U.S. courts over a foreign defendant. This would be reasonable, given the nature of the trade secret right, which will naturally continue in the place where the plaintiff holds it, absent a disruption by unauthorized publication or use, which can theoretically occur anywhere in the world.

[8]—Effects on Trade Secret Litigation

The DTSA grants an option of federal court jurisdiction to any owner of a misappropriated trade secret that is "related to a product or service used in, or intended for use in, interstate or foreign commerce."
Given the realities of modern business, meeting the interstate commerce threshold should be simple in most cases. But for all qualifying cases the question remains: should a plaintiff exercise the option?

If the case involves actors in other states or countries, then federal court filing is usually the better choice. It provides access to nationwide service of process, obviating the need for local court orders to take discovery in other states and benefiting from a common set of procedural and evidentiary rules. Moreover, if the case presents any difficult issues of personal jurisdiction over a foreign defendant, the court will likely have more experience in weighing issues of fairness and convenience of forum.

If the case is essentially local in character, and counsel is familiar with the procedures of the local state court, then there may be no reason to file in federal court. Even cases of threatened misappropriation that can qualify for the federal ex parte seizure remedy may have a greater chance of success in a local court where traditional remedies like replevin or sequestration may be available without notice on a showing less demanding than the DTSA requires.

In addition to these rules of thumb, plaintiffs should consider some potentially significant consequences of their choice. Unlike many state courts, federal judges operate on a single assignment system, in which the case is assigned to one judge for all purposes from pleadings through trial. That judge soon understands the limitations of a case, and can easily see the advantage of an early disposition. In contrast, pretrial proceedings in state courts are often heard by judges who will not preside over trial of the case.

At the initial pleading stage, a trade secret plaintiff can be challenged by the federal Iqbal/Twombly standards for particularity and plausibility. And even if the sufficiency of the pleading is not attacked, one can expect the defendant at an early time, perhaps at the initial Rule 16 conference, to demand a specific identification of the trade secrets at issue. This unique aspect of trade secret law, in which the subject matter is clarified only during litigation, can have serious consequences for the process, if not the outcome, of the dispute. And

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57 See § 11.02 infra regarding identification issues, including § 11.02[2][b] supra regarding the California statute that requires identification before discovery begins. Whether or not such a requirement will be adopted by federal courts’ considering only DTSA claims, the struggle over adequacy of trade secret description is likely to become a significant feature of federal case management.
while practitioners have not yet had much experience with the new emphasis on discovery proportionality in the 2016 amendments to the Federal Rules of Civil Procedure,\(^{58}\) it is easy to imagine that these two dimensions—particularity of identification and proportionality in discovery—may lead some courts to constrain discovery relative to what may have been available in state court proceedings.

Another potentially impactful issue is the “reasonable efforts” requirement for establishing the existence of a protectable secret. Courts typically have looked with skepticism at a defendant’s argument that the plaintiff was fatally careless protecting its secrets.\(^{59}\) But there have been a number of cases where summary judgment has been granted to defendants on this question, most of them federal court decisions.\(^{60}\) Therefore, a plaintiff whose trade secret protection program seems weak may want to consider whether it might get less scrutiny in a state court proceeding.

Other factors to consider are the risk of transfer, which is usually easier in the federal system, and the requirement for a unanimous verdict, which can affect risk calculations. Removal\(^{61}\) should not be a particular problem, unless the plaintiff makes the mistake of filing a DTSA claim in state court, the effect of which would be to transfer to the defendant the option of whether to have the case heard in federal court. Given the choice, most defendants would want to be in federal court, for all the same reasons that a plaintiff may want to avoid it.

Most DTSA complaints to date have added a claim under the applicable state’s version of the Uniform Trade Secrets Act. Because there often exists some meaningful variation between a state’s enactment and the “standard” UTSA,\(^{62}\) there can be substantial advantages in having the state law claim in the case. However, the differences can represent risks as well, and so counsel should carefully consider possible impacts before making a decision.\(^{63}\)

\(^{59}\) See § 4.04[2][b] infra.
\(^{60}\) Id.
\(^{61}\) See § 10.08[1] infra.
\(^{62}\) See § 2.03[7][b] supra.
\(^{63}\) Among other things, meaningfully different rules may attach to limitations periods, damage calculations, burdens of proof, and policies on restraint of trade. And of course in states where the UTSA does not, apply outcomes under state law may vary considerably from the DTSA. See, e.g.:


Where other state law claims, such as breach of a non-compete clause or other contractual provision, are closely related to the facts required to prove a DTSA claim, those claims may be asserted under the federal court's supplemental jurisdiction. However, it is unlikely that federal jurisdiction can be used to pursue theories that have been "displaced" under the state's UTSA Section 7.64 The unavailability of such claims is a matter of state law, and it would not make sense to apply that law any differently in federal court than it would be in state court.

64 See § 2.05[2] supra.