



## Adding Notice of Whistleblower Immunity to Agreements with Employees and Contractors Containing Confidentiality Provisions

May 2016

We are writing to make you aware of some recently-enacted federal legislation that, among other things, may require you to update your employee proprietary information agreement forms and consulting agreement forms.

The Defend Trade Secrets Act (the "DTSA") provides owners of trade secrets with new federal remedies (including seizure orders and monetary remedies) for trade secret misappropriation. These new remedies supplement the already generally robust state law remedies previously (and still) available to them. The new federal monetary remedies include, in particularly egregious cases, "exemplary" damages and attorney fees (the "DTSA Punitive Monetary Remedies").

The DTSA also provides immunity for certain confidential whistleblower disclosures to government officials and the courts and calls for disclosure of this whistleblower immunity in newly entered or newly updated agreements relating to trade secrets or confidential information with employees and other individuals who perform work as contractors or consultants ("Individual Service Providers"). Under this new law, the consequence of failure to provide such notice to an Individual Service Provider, when required, is that the new federal DTSA Punitive Monetary Remedies will be unavailable with respect to a DTSA claim against that Individual Service Provider.

To preserve the ability to claim the incrementally beneficial new federal DTSA Punitive Monetary Remedies (and in case the courts or regulators attempt to impose broader consequences), we recommend that clients comply with the DTSA whistleblower notice provision by including the following language in any newly entered or newly updated agreements with Individual Service Providers containing provisions regarding trade secrets or confidential information (e.g., employee confidentiality and inventions assignment agreements, consulting agreement, advisory board agreements):

"NOTICE: This agreement does not affect any immunity under 18 USC Sections 1833(b) (1) or (2), which read as follows (note that for purposes of this statute only, individuals performing work as contractors or consultants are considered to be employees):

(1) An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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(2) An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

Note that this recommended language is sufficiently generic that it can be included without modification in virtually any form of agreement. We are happy to work with clients to implement this notice in their existing forms.

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Gunderson Dettmer's lawyers are available to assist in addressing questions you may have regarding the issues discussed in this Alert. Please contact the Gunderson Dettmer attorney with whom you regularly work. Contact information for our attorneys can be found at [www.gunder.com](http://www.gunder.com).

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