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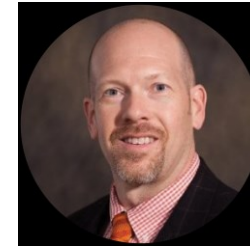
CONTINUING LEGAL EDUCATION SEMINAR



The Benefits of and Challenges to Maintaining and Enforcing Trade Secrets



Today's Presenters



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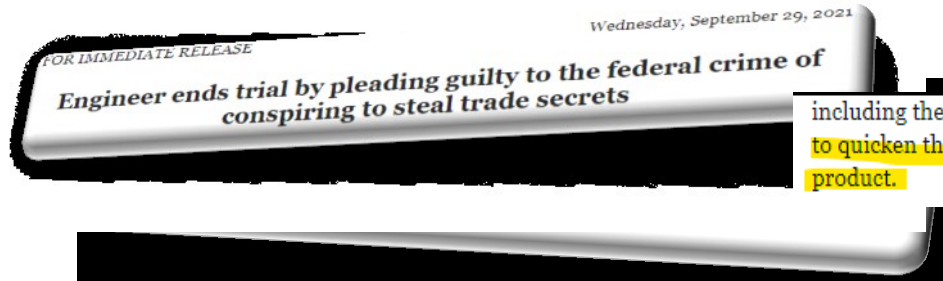


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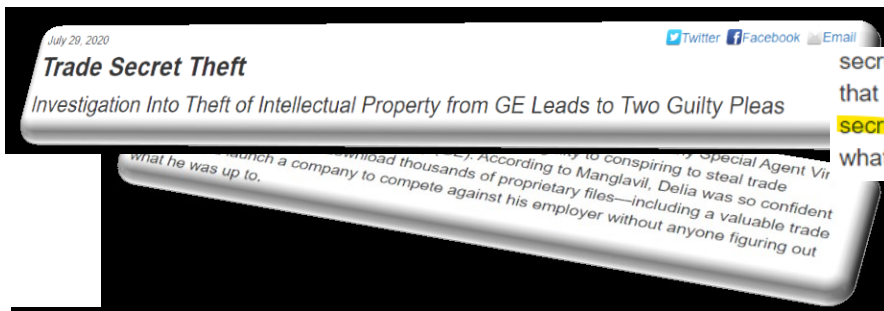
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Trade Secrets in the News



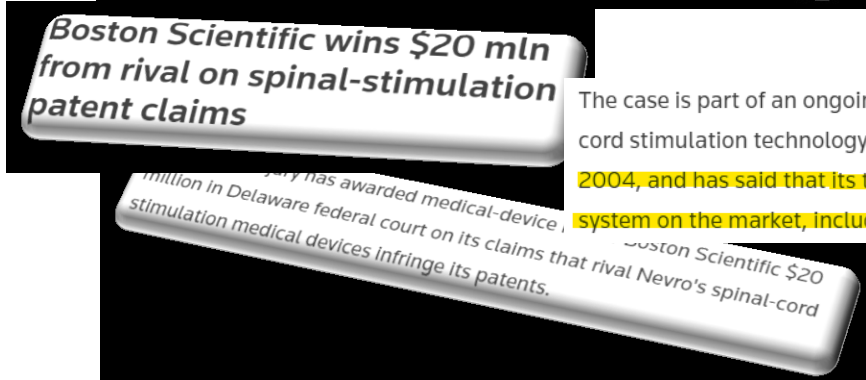
including the company where Basaldua worked. The conspirators intended to use the stolen information to quicken the process of obtaining Federal Aviation Administration certification for another company's product.

* <https://www.justice.gov/usao-sdga/pr/engineer-ends-trial-pleading-guilty-federal-crime-conspiring-steal-trade-secrets>



secrets from General Electric Company (GE). According to Manglavil, Delia was so confident that he believed he could download thousands of proprietary files—including a valuable trade secret—and launch a company to compete against his employer without anyone figuring out what he was up to.

* <https://www.fbi.gov/news/stories/two-guilty-in-theft-of-trade-secrets-from-ge-072920>



* <https://www.reuters.com/legal/transactional/boston-scientific-wins-20-mln-rival-spinal-stimulation-patent-claims-2021-11-02/>

Brief Overview of Trade Secret Law

What is a trade secret?

→ **Depends on who you ask...**

- Uniform Trade Secrets Act (UTSA): Adopted by 48 states, D.C., Puerto Rico and the U.S. Virgin Islands
- Defend Trade Secrets Act (DTSA): Passed into law by Congress in 2016

What is a trade secret?

- **Definitions of a trade secret under the UTSA and the DTSA share some common elements**
 - Something used in a company's business that:
 - is not known or readily accessible outside the business (i.e., by competitors)
 - has commercial value or provides a competitive advantage
 - is subject to reasonable efforts on the part of the owner to maintain the secrecy of the subject matter
- **Examples: manufacturing processes, formulas, business methods, customer lists, business plans, etc.**
- **The best known, most often cited example: The formula for Coca-Cola**

What is the “term” of a trade secret?

- **The term of a trade secret is potentially infinite, so long as the information remains secret**
- **Under the UTSA and the DTSA, the owner of the trade secret must take reasonable efforts to maintain the secrecy of the information**

When is a “trade secret” no longer a “trade secret”?

→ **If the subject matter of the trade secret is independently discovered by a third party**

→ Example – a third party reverse engineers a product to determine the composition of the product, how the product is made, etc.

→ **If the owner of the trade secret publicly discloses the information**

What are “Reasonable Measures”?

Considerations: Balance People, Process, Technology, and Policy

- **People:** Instill appropriate corporate values; establish relationships internally (employees) and externally (suppliers)
- **Process:** Establish expectations through onboarding/exit procedures; regular trade secret mining and reviews; information classifications
- **Technology:** Print controls; removable media controls; secure repositories
- **Policy:** Agreements and formal policies; audit compliance against agreements and policies; use external benchmarking

Intersection of Trade Secrets and Patents

What is a patent?

- **A type of intellectual property right granted by the government which allows the patent holder to exclude others from making, using, or selling the subject matter of the patent**
- **A patent does not actually confer a right to practice an invention, only to prevent others from practicing the invention**
- **Patents may be obtained for processes, machines, articles of manufacture, compositions of matter, plants, and designs**
- **The subject matter of the patent must be “new, useful, and non-obvious”**

The Trade-Off

- **In exchange for the right to exclude others from practicing the subject matter of a patent, the patent applicant must describe how to make and use the patent – that is, the patent applicant must “enable” the invention described in the patent**
- **The description of the invention becomes a matter of public record**

A Patent Provides A Limited Monopoly

- **For utility patents, the patent holder may exercise the right to exclude others for a term of 20 years**
- **For design patents, the patent holder may exercise the right to exclude others for a term of 14 years**
- **Upon expiration of the term of the patent, the patent holder can no longer exclude others from practicing the subject matter of the patent**

Patent v. Trade Secret

Strategic Considerations

- **Is the subject matter truly new, useful, and non-obvious? That is, will you be able to obtain a patent?**
- **How easy would it be to detect an infringement of the subject matter?**
- **Could the subject matter be reverse engineered to discover the composition, how it is made, etc.?**
- **Will the subject matter be widely disseminated or only practiced internally?**
- **Would the subject matter be technically relevant upon expiration of the patent term?**

Patent v. Trade Secret

Strategic Considerations

→ **Availability of Prior User Rights under 35 U.S.C. 273:**

- A person shall be entitled to a defense... with respect to subject matter consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process, that would otherwise infringe a claimed invention being asserted against the person if (1) such person, acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use; and (2) such commercial use occurred at least 1 year before the earlier of either (A) the effective filing date of the claimed invention; or (B) the date on which the claimed invention was disclosed to the public...

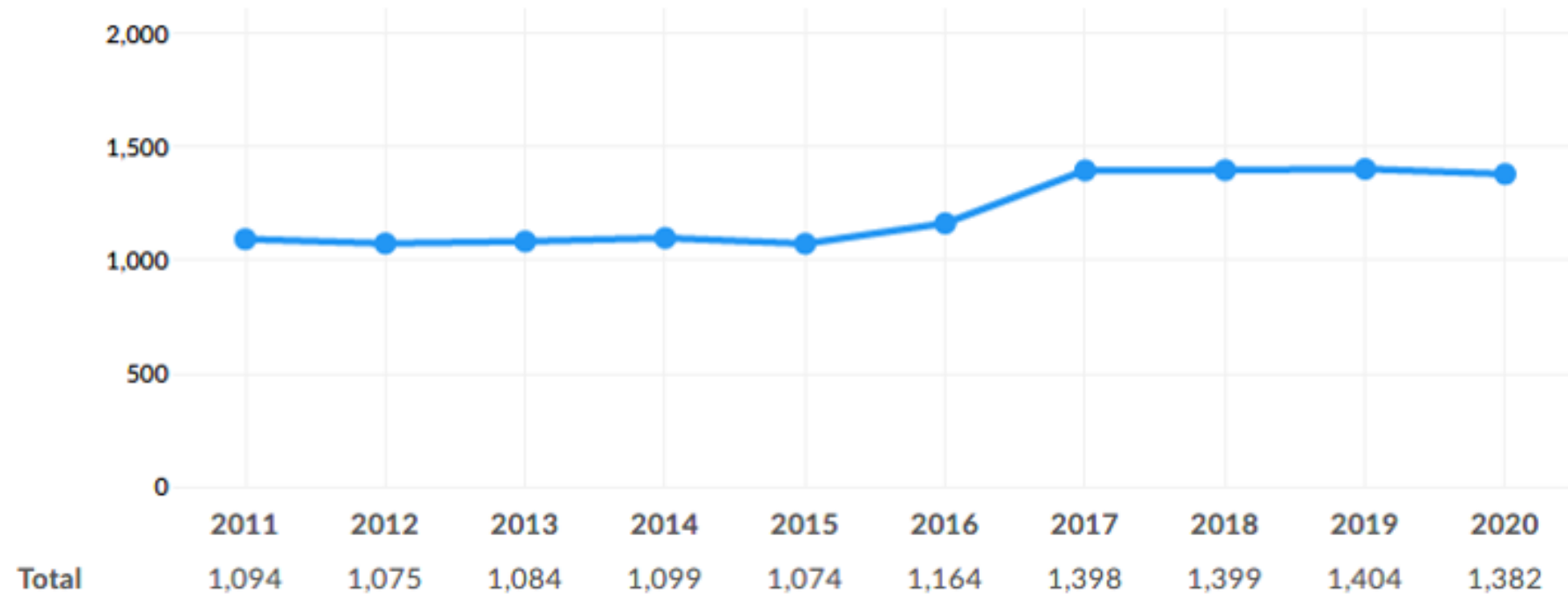
Patent v. Trade Secret

Keys to Prior User Rights

- **Use must have started 1 year before patent was filed or invention was disclosed**
- **Use must be in US**
- **May be transferred with sale of the entire enterprise, but right is location specific**
- **Must be continuous use – will lose prior user rights if use is abandoned for a period of time**
- **University exception – no Prior User Rights with respect to University Owned Inventions**
- **Burden of proof in establishing the defense is “clear and convincing evidence” – prior use should be extensively documented**

Litigation Trends and Impact on Enforcement

Figure 1: Trade Secret Cases Filed from 2011 to 2020



- Almost 10% of all DTSA were filed in California federal courts
- Northern District of Illinois and Southern District of New York had about 5% of cases respectively

Resource: Lex Machina

Remedies for Trade Secret Misappropriation

→ Monetary Remedies

- Actual losses (lost profits)
- Unjust enrichment (if not duplicative of lost profits)
- Reasonable royalty / ongoing reasonable royalty
- Treble damages and fees for willful/malicious misappropriation

→ Equitable Remedies

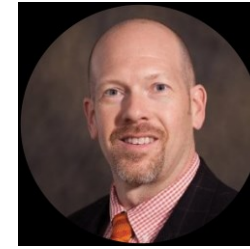
- Temporary Restraining Order
- Preliminary Injunction
- Permanent Injunction

→ Ex Parte Seizure Request

Criminal Enforcement Challenges

- **Jurisdiction Challenges: Mix of individuals and corporate defendants**
- **Language Differences**
- **Police/Prosecutors often have different incentives**
- **Foreign Jurisdiction Differences**
 - **Lack of discovery**
 - **Rules/hearing pace**

Questions?



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