Trade Secrets - What Are they and What Rights Do they Confer?

I. Overview of Trade Secret Protection in the United States
   A. Brief History of Trade Secret Protection in U.S.
      2. 1979 Model Trade Secrets Act
         a. Private Enforcement Under State Law in State Court
         b. Possibility of Federal Court Through Diversity Jurisdiction
         c. Overview of Remedies
      3. 1996 Economic Espionage Act – Criminal Law
         a. Section 1831 – Economic Espionage by Foreign Governments, Agents & Instrumentalities
         b. Section 1832 – Theft of Trade Secrets
         c. Penalties
            i. Fines
            ii. Imprisonment
            iii. Asset Forfeiture
         d. Enforced by U.S. Department of Justice
      4. 2016 Federal Defend of Trade Secrets Act
         a. Amendment to Economic Espionage Act
         b. Private Right of Action in Federal Court
         c. Limited jurisdiction Based on Commerce Clause
         d. Overview of Remedies

II. Definition of Trade Secrets
   A. Trade Secrets Defined
      1. Restatement
      2. Uniform Trade Secrets Act
      3. Economic Espionage Act/Defense of Trade Secrets Act
   B. Scope of Trade Secret Protection
      1. Type of Information Eligible for Trade Secret Protection
         a. Examples
         b. Originality & Novelty Applied to Trade Secrets
         c. New Uses/Combinations of Known Elements
         d. Development Failures & “Negative” Trade Secrets
      2. Indefinite Duration of Trade Secret Protection
   C. Secrecy Requirement
      1. General Requirements
         a. Not Generally Known
         b. Not Readily Ascertainable
      2. Loss of Secrecy
         a. Sale or Display of Embodiments
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b. Reverse Engineering  
c. Patent Applications  
d. Unconditional Disclosures Generally  

D. Economic Value Requirement  
1. Derives Economic Value From Secrecy  
2. Types of Economic Value Recognized  

III. **Rights Conferred under Trade Secret Law**

A. Cause of Action Against Misappropriation  
1. Acts of Misappropriation  
   a. Acquisition  
   b. Disclosure  
   c. Use  
2. State of Mind  
   a. Knew Information was Trade Secret  
   b. Had Reason to Know Information Was Trade Secret  
3. Improper Means  

B. Comparison of Trade Secret Rights with Other IP Rights  
1. Patents  
2. Copyrights  

C. Protection of “Confidential” Information Compared  
1. “Confidential” Information May Not Meet Trade Secret Definition  
2. Duty to Maintain Confidentiality  
   a. Contractual Duties  
   b. Fiduciary duties  

**Recent Developments in IP Law and the New Place of Trade Secrets in a Robust IP Portfolio**

I. **Comparison of Trade Secrets to Other IP Rights**

II. **Developments in Patent Law Favoring Trade Secret Protection**  
   A. Patent Eligibility Rules  
   B. PTAB Proceedings  
   C. Limitations on Scope of Patent Damages  
   D. Limitations on Injunctions for Patent Infringement  

III. **Trends in Trade Secret Litigation**  
   A. Large Verdict Cases  
   B. Global and Multinational Litigation  
   C. Technological Advances Enable Massive Misappropriation
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Developing a Trade Secret Program - Procedures and Strategy

I. Appointing the Right People to Develop Policy and Procedures
II. Conduct a Trade Secret Audit and Inventory
III. Develop and Implement the Policy and Procedures
   A. Developing a Trade Secret Policy
   B. Developing Reasonable Procedures to Protect Trade Secrets
      1. Intra-Company Procedures
         a. Information Classification
         b. Information Handling Protocols
         c. Information Access Restrictions
         d. Facilities and Network Security
         e. Employment Contracts
         f. In-house Training and Awareness
      2. Inter-Company Procedures
         a. Non-Use and Non-Disclosure Agreements
            i. Contractors
            ii. Collaborators
            iii. M&A and Other Transactions
         b. Selective Disclosure

IV. Educate Employees
V. Enforce Program

Leveraging the Value of Trade Secrets Through Contracts and Commercial Relationships

I. Joint Venture Agreements
   A. Contributing Trade Secrets to the Joint Venture
   B. Handling Trade Secrets Derived by the Joint Venture
   C. Use of Trade Secrets by Joint Venture Members

II. Licensing Trade Secrets
   A. Preserving Secrecy While Realizing Value
      1. Secrecy Obligations of Licensee
      2. Identification of Licensed Technology
      3. Scope of License Grant
      4. Change of Control
      5. Contractual Limitations on Reverse Engineering
      6. Accounting for Loss of the Trade Secret
   B. Key Clauses and License Drafting Issues
   C. Licensing Unpatented Technology
   D. Adding Value to a Patent License
E. Cross-Licensing

III. Supply Chain
   A. Improving Efficiencies by Sharing Trade Secrets
      1. Suppliers (upstream)
      2. Purchasers and Distributors (Downstream)
      3. Contractors
   B. Preserving Secrecy

IV. Developing Non-Use and Non-Disclosure Agreements
   A. Employees
   B. Suppliers and Contractors
   C. Co-Research and Co-Development Partners
   D. Consultants
   E. In-and-Out-Licensing Partners
   F. Transactional Due Diligence

Playing Offense - Leveraging the Value of Trade Secrets Through Litigation

I. Definition of Misappropriation
   A. Improper Means to Obtain
      1. Permissible Competitive Activity, e.g., Reverse-Engineering
      2. Impermissible Activities, e.g.:
         a. Theft
         b. Bribery
         c. Violation of Confidentiality Agreement with Employee’s Former Employer
         d. Violation of NDA or Permitted Scope of Use
   B. Reason to Believe Trade Secret Information Obtained by Improper Means
      1. Competitor’s Recruitment of Former Employees (Potential Red Flag)
         a. Suspicious Activity of Former Employee Before or After Departure
         b. Recruitment Followed by Apparent Use/Sale of Trade Secrets
         c. Competitor’s Apparent Use of Secret Process (e.g., Manufacturing Process Not Visible to Public)
            i. Threatened Misappropriation
            ii. Inevitable Disclosure (?)
            iii. Rule 11 Considerations
      2. Use and Disclosure Without Permission
         a. Trade Secret Lawfully in Possession Used/Disclosed Beyond Scope of Permission
            i. Collaboration Followed by Misuse
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a) Co-Research and Co-Development Agreements
b) Pitches/Idea Submission Discussions
ii. Contract Manufacturers
iii. Employment Contracts
iv. Information Obtained During Due Diligence of Potential Transaction
v. Information Obtained From Suppliers

II. Need to Ascertain/Define the Trade Secrets to be Asserted in Litigation
   A. Define with Specificity
   B. Anticipate and Prepare for Defenses - Prepare to Establish Trade Secrets Are:
      1. Not Generally Known
      2. Not Readily Ascertainable
      3. Subject to Reasonable Efforts to Maintain Secrecy

III. Consider Statute of Limitations
   A. 3 years
   B. Computed from Date of Discovery of Misappropriation or Date misappropriation Could Reasonably Have Been Discovered
   C. Continuing Misappropriation is One Act of Misappropriation
   D. Obligation to Act Promptly on Suspicions of Trade Secret Theft

IV. Consider Available Remedies
   A. Damages
      1. Actual Loss
      2. Or Unjust Enrichment
      3. Or Reasonable Royalty
      4. Enhanced Damages for Willful and Malicious Misappropriation
   B. Injunctions
      1. Available to Enjoin Misappropriation
      2. May Not Prevent Employment Relationship
   C. Ex-Parte Motion to Seize Property
      1. Available Under Special Circumstances
         a. Seizure of Assets Necessary to Stop Misappropriation
         b. Risk That the Assets May be Moved or Concealed
         c. Less Severe Injunction Unlikely to be Effective
      2. May be Filed Before Lawsuit Initiated and Without Notice to the Property Owner

Playing Defense - Protecting Against Misappropriation Allegations and Defending the Lawsuit

I. Immunizing Against Misappropriation Allegations By Third-Parties
A. Training and Counseling Programs
   1. New Employees From Competitors in the Industry
      a. Policy Concerning Respect of Other Company’s Intellectual Property
      b. Expectation Not to Use or Disclose Confidential Information of Prior Employer
      c. If Asked for Reassurances by Former Employer, Provide Them!
   2. Existing Employees
      a. Solicitation and Discussion of Proprietary Information From Prior Employers
      b. Permissible Competitive Research
B. Avoid Unsolicited Information and Idea Submissions
   1. Fertile and Common Ground for Later Accusations of Misappropriation (David v. Goliath Theme)
   2. Recommendations for NDAs and Protective Procedures
      a. Demand Clear Identification of Trade Secrets by Third Party IN WRITING
      b. Segregate Third-Party Information From Company Information
      c. Shield Key and Essential Personnel From Third-Party Information
      d. Utilize Third-Party Consultants to Evaluate Acquisition and In-Licensing Opportunities
      e. Set Time Limits on Confidentiality Obligations
      f. Define Scope of Use
   3. Case Study: Would-Be David Sues Alleged Goliath, and NDA Saves the Day

II. Responding to Notice Letters and Conducting Internal Investigations
A. Provide Appropriate Assurances to Concerned Competitor
B. Preserving Evidence
C. Sequestering Information
D. Employee Interviews

III. Defending the Lawsuit
A. Joint Representation and Joint Defense Issues
   1. Potential Conflicts
B. Key Defense Strategies
   1. Early and SPECIFIC Identification of the Trade Secret
   2. Move to Compel Plaintiff to Identify Allegedly Misappropriated Trade Secrets With Particularity Before Providing Discovery