

Today's Trade Secrets - Is Your Company Truly in Compliance and Are Your Valuables Truly Protected

September 2021

CLE Seminar for In-House Counsel Webinar Series
2021

What is a Trade Secret?

Uniform Trade Secrets Act

information, including a formula, pattern, compilation, program, device, method, technique, or process that:

- Derives **independent economic value**, actual or potential, from **not being generally known to, and not being readily ascertainable** by proper means by, other persons who can obtain economic value from its disclosure or use; and
- Is the subject of **efforts that are reasonable** under the circumstances **to maintain its secrecy**.

Defend Trade Secrets Act

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, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if—

- (A) the **owner thereof has taken reasonable measures to keep such information secret**; and
- (B) the information derives **independent economic value**, actual or potential, from **not being generally known to, and not being readily ascertainable** through proper means by, another person who can obtain economic value from the disclosure or use of the information.

Defend Trade Secrets Act (DTSA)

18 U.S. Code § 1832 - Theft of trade secrets

(a) Whoever, with intent to convert a trade secret, that is related to a product or service used in or intended for use in interstate or foreign commerce, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret, knowingly—

(1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains such information;

(2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys such information;

(3) receives, buys, or possesses such information, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;

(4) attempts to commit any offense described in paragraphs (1) through (3); or

(5) conspires with one or more other persons to commit any offense described in paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy, shall, except as provided in subsection (b), be fined under this title or imprisoned not more than 10 years, or both.

(b) Any organization that commits any offense described in subsection (a) shall be fined not more than the greater of \$5,000,000 or 3 times the value of the stolen trade secret to the organization, including expenses for research and design and other costs of reproducing the trade secret that the organization has thereby avoided.

Essential Elements of a Trade Secret Claim

1. The subject matter involved must qualify for trade secret protection.
2. The holder of the subject matter must establish that reasonable precautions were taken to prevent disclosure of the subject matter.
3. The trade secret holder must prove that the information was misappropriated or wrongfully taken.

Is It A Protectable Trade Secret?

Secrecy of the Information - Not Generally Known/Reasonable Efforts to Protect

- *Dichard v. Morgan*, 2017 WL 5634110, at *2-3 (D.N.H. Nov. 22, 2017): Plaintiff must allege more than an intent to keep information secret.
- *CPI Card Grp., Inc. v. Dwyer*, 294 F. Supp.3d 791, 808 (D. Minn. 2018): Plaintiff must allege what steps it took to protect the specific information at issue, not merely the existence of general confidentiality policies.
- *Farmers Edge Inc. v. Farmobile, LLC*, 970 F.3d 1027, 1033 (8th Cir. 2020): Plaintiff who shared alleged trade secret information with a third-party contractor without a confidentiality agreement and without other policies or practices for safeguarding secrets failed to take adequate steps to protect secrecy.

Is It A Protectable Trade Secret?

Independent Economic Value

- *WeRide Corp.*, 379 F. Supp. 3d at 847: Asserting that company invested \$45 million over 18 months in developing source code.
- *Teva Pharm. USA, Inc. v. Sandhu*, 291 F. Supp. 3d 659, 675 (E.D. Pa. 2018): Pleading the misappropriation of a trade secret with independent economic value is sufficient to establish cognizable harm, even if the defendant has not yet launched a competing product.

Is it a Protectable Trade Secret?

Misappropriated or Wrongfully Taken

- *Call One, Inc. v. Anzine*, 2018 WL 2735089, at *9 (N.D. Ill. June 7, 2018): An employer could not state a claim for acquisition using improper means where the employer sent a customer report to his personal email account while still employed because he acquired it legitimately during the course of employment and violated no duty to keep information confidential.
- *AUA Private Equity Partners, LLC v. Soto*, 2018 WL 1684339, at *4 (S.D.N.Y. Apr. 6, 2018): Uploading an employer's trade secrets to the employee's personal Google Drive account in violation of company's confidentiality policy constituted improper means.
- *WeRide Corp.*, 379 F. Supp. 3d at 848: Director used improper means by downloading source code to a personal storage device, understood his duty of secrecy, had signed a proprietary information and inventions agreement, and deleted files from the computers allegedly used to misappropriate trade secrets.

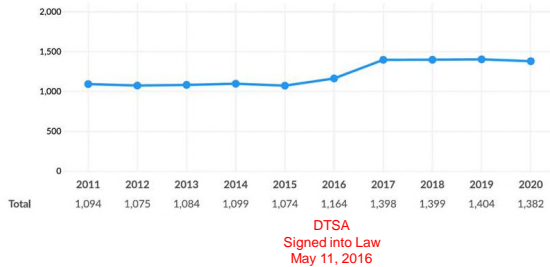
DTSA Statute of Limitations

Three years after the earlier of the misappropriation is discovered or should have been discovered with reasonable diligence. A continuing misappropriation constitutes a single claim of misappropriation.

- *Zivri v. Flatley*, 433 F. Supp.3d 448, 459-60 (S.D.N.Y. 2020): Dismissed the plaintiff's DTSA claim where the plaintiff scientists, using reasonable diligence, should have discovered the misappropriation either when defendants filed certain patent applications or when two scientists were named as junior parties in interference proceedings.

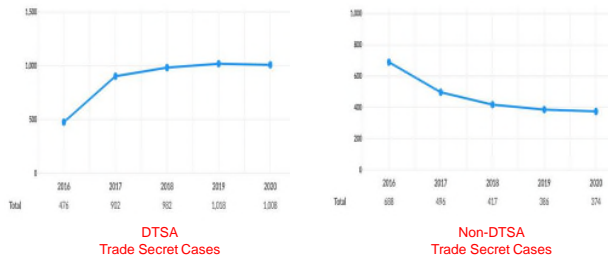
U.S. Trade Secret Case Trends

The number of trade secret cases increased about 30% after DTSA.



U.S. Trade Secret Case Trends

As DTSA cases increased, non-DTSA cases have decreased.



This page intentionally left blank.

U.S. Trade Secret Case Trends

For Trade Secret Cases 2016-2020:

Proceedings Stage	Trade Secret Owner	Defendant
Default/Consent Judgment	655	4
Judgment on the Pleadings	2	66
Summary Judgment	67	96
Trial	114	28

Trade Secret Considerations

- Global Issues
 - Different National Trade Secret Protections and Requirements
 - Consistent Internal Policies for Trade Secret Protections
- Trade Secret versus Patent Protections
 - Importance and timing, e.g., how soon and how long are protections desired
 - Required efforts to protect
 - Difficulty for others to properly acquire, e.g., reverse engineer
- Concurrent Trade Secret and Patent Litigation

Recommendations

- Identify company's Trade Secrets
- Develop/implement/update policies and procedures
- Restrict access to and disclosure of trade secrets (physical and online)
- Educate incoming, current and departing employees, as well as contractors/consultants
- Marking
- Make sure internal/third party non-disclosure agreements are in place

Thank you

大成 DENTONS

Dentons US LLP
1900 K Street, NW
Washington, DC 20006-1102
United States

Dentons is the world's largest law firm, delivering quality and value to clients around the globe. Dentons is a leader on the Acritas Global Elite Brand Index, a BTI Client Service 30 Award winner and recognized by prominent business and legal publications for its innovations in client service, including founding Nextlaw Labs and the Nextlaw Global Referral Network. Dentons' polycentric approach and world-class talent challenge the status quo to advance client interests in the communities in which we live and work. www.dentons.com.

© 2017 Dentons. Dentons is a global legal practice providing client services worldwide through its member firms and affiliates. This publication is not designed to provide legal advice and you should not take, or refrain from taking, action based on its content. Please see dentons.com for Legal Notices.