



interactive dialogue

Federal Trade Secrets: What you should know about the DTSA

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Federal Trade Secrets: What you should know about the DTSA



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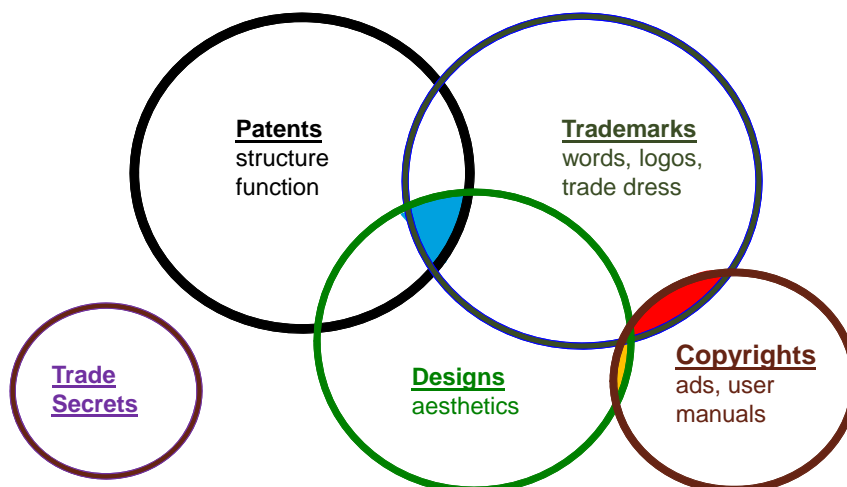


Why Pick This Topic?

- The “Defend Trade Secrets Act” was signed into law in May 2016.
- For the first time trade secrets have federal protection.
- Other IP protections may be getting weaker while trade secret protections get stronger.



Intellectual Property Arsenal



Trade Secrets vs. Patents

Trade Secrets

- Secret!
- Forever
- Immediate
- Must maintain secrecy
- Flexible scope
- Enforce under state law or federal trade secrets act
- Doesn't have to be novel, just secret

Patents

- Public!
- 20 years
- 3-4 years to issue
- Must pay to obtain and maintain
- Fixed scope once issued
- Enforce under federal patent act
- Patent treaties allow for foreign protection



Trade Secrets vs. Patents

Why Trade Secrets?

- Increased pressure on certain patent types
- *Alice* and 101 limiting patentable subject matter
- AIA Patent Office Procedures (IPR, CBM, etc.)



Conventional Trade Secret Examples

Formula for Coca-Cola

Google's Search Algorithm



DORSEY
always ahead

Conventional Trade Secret Examples

Listerine

WD-40



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Overview of the DTSA

- **Based on Uniform Trade Secrets Act (adopted in 48 states)**
- **Does NOT pre-empt state laws**
- **New remedy: Seizure of misappropriated trade secrets in “extraordinary circumstances”**
- **Whistleblower Protection**
- **Notification Requirements**



Ex Parte Seizure Orders

- **Remedy and Tool to Preserve Evidence**
 - May be obtained only as “necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action.” 18 U.S.C. § 1836(b)(2)(A)(i)
- **Rule 65 relief must be inadequate**
- **To obtain:**
 - Must ID specific person
 - Must ID trade secret
 - Must show the person would “destroy, move, hide, or otherwise make such matter inaccessible to the court” if they were given notice
 - Must not publicize seizure



Employees and the Act

- **Whistleblowers**

- Act protects employees disclosing information to an attorney or government official to if reporting or complying with an investigation of a violation of the law

- **Employers Must Provide Notice**

- Employers must notify employees. If you don't provide notice, you cannot seek exemplary damages or attorney fees



Employees and the Act

- **Sample Notice Provision**

- Employee further understands that nothing in this Agreement prohibits Employee from reporting to any governmental authority information concerning possible violations of law or regulation, and that Employee may disclose Confidential Information to a government official or to an attorney and use it in certain court proceedings without fear of prosecution or liability, provided Employee files any document containing Confidential Information under seal and does not disclose the Confidential Information, except pursuant to court order.



Interplay with State TS Acts

- **No preemption of state TS laws**
- **May choose to sue under state TS law or federal DTSA**
- **Factors to consider:**
 - **Preemption of other causes of action:**
 - e.g. conversion, unfair competition
 - some state do pre-empt; federal act does not
 - **Developed Doctrines:**
 - e.g. inevitable disclosure doctrine
 - enjoin employees from taking new job based on secrets they know
 - some states recognize; federal act does not



Best Practices

- **Must be secret**
 - **Limit internal disclosure**
 - **Take practical precautions**
 - Physical World (lock and key, locate off-site)
 - Technology (passwords, non-networked computers)
 - **Signed confidentiality agreements (Breach of Contract too!)**
 - Employees, contractors, suppliers, etc.
 - Consideration
 - Governing law



Best Practices

- **Candidates for Trade Secret Protection (MUST BE SECRET):**
 - **Software**
 - Google/Bing
 - Stock Trading Algorithms (Goldman Sachs Slang)
 - **Business methods**
 - NY Times Bestseller List
 - **Chemical formula/Recipes**
 - Coke
 - Listerine
 - WD-40
 - **Can it be reverse engineered?**



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