



Crafting a Comprehensive Trade Secret Strategy

February 24, 2022



Meet The Speakers



Esha Bandyopadhyay
Principal



Katie Prescott
Principal

Overview


- **Housekeeping**
 - CLE
 - Questions
 - Materials
 - <http://www.fr.com/webinars>


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+ Complimentary CLE Webinar

IPR Institution: Petition Pitfalls and Prevailing POPRs
An Empirical Investigation

SIGN ME UP

 **DATE**
Wednesday,
March 9, 2022

 **TIME**
1:30 - 2:30 PM ET/
10:30 - 11:30 AM PT

**IPR Institution: Petition Pitfalls and Prevailing POPRs:
An Empirical Investigation**

Institution decisions, which are not subject to appellate review, have emerged as one of the most contentious issues in post-grant practice. A review of decisions denying institution, both on the merits and based on discretion, offer practitioners a glimpse into the inner workings of the PTAB and an opportunity to learn from past mistakes.

Complimentary Webinar
Wednesday, March 9, 2022
1:30 - 2:30 PM ET

REGISTER

On Wednesday, March 9, please join Fish attorneys [Steven Katz](#) and [Ryan O'Connor](#) for "IPR Institution: Petition Pitfalls and Prevailing POPRs: An Empirical Investigation." This presentation will examine proceedings where IPR petitions were not instituted and provide guidance on how petitioners can avoid non-institution and patent owners can maximize their chances of success when drafting their preliminary responses. They will cover:

- Statistics on IPR institution decisions
- Common pitfalls that petitioners should avoid and that patent owners may exploit
- Practice tips for practitioners

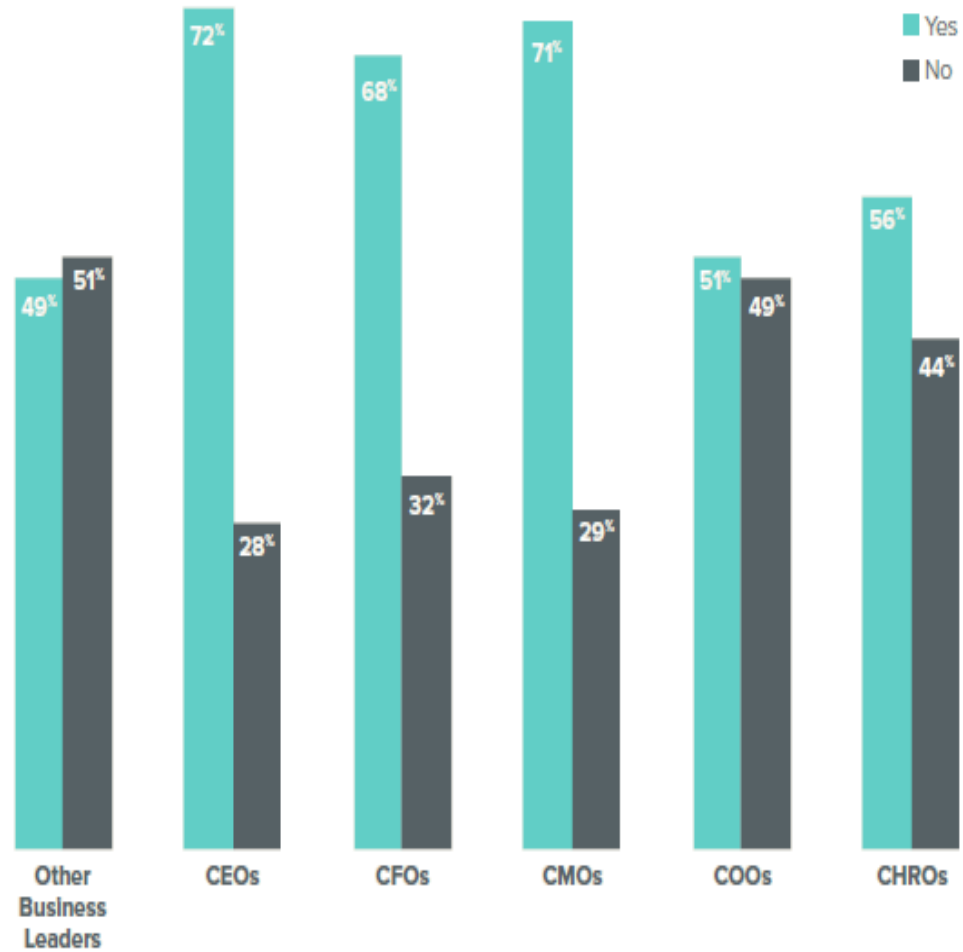


Trade Secret Risks

Trade Secret Risk



Question: Have you brought information/ideas/intellectual property/data with you from a previous employer to use in your current organization?



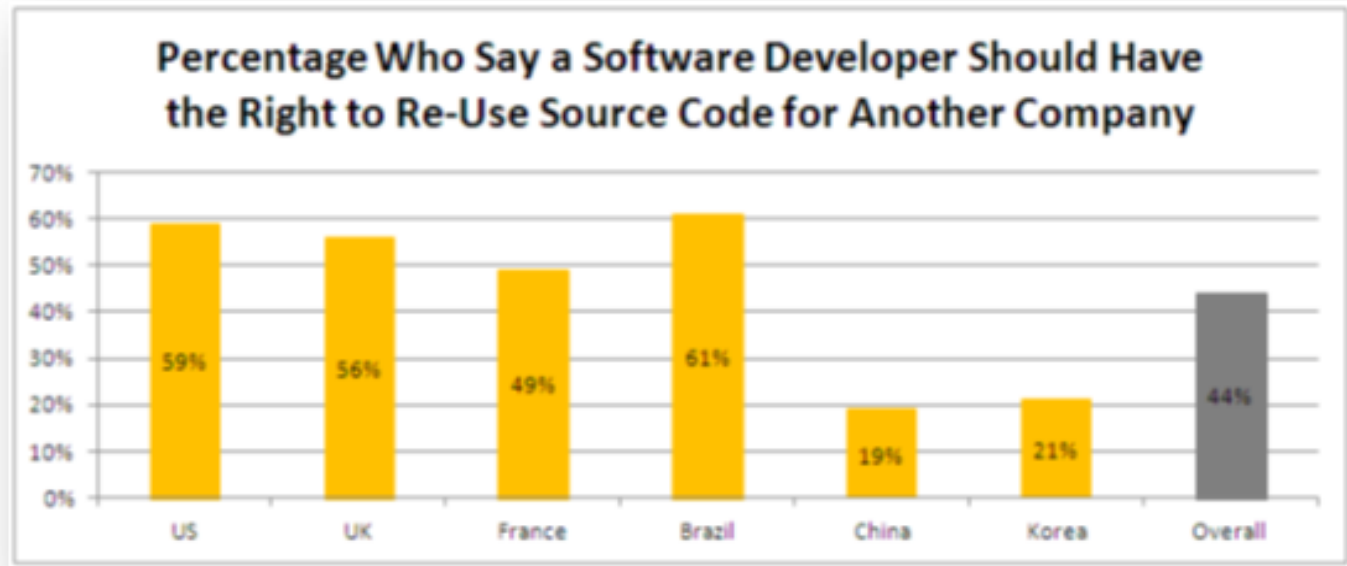
Trade Secret Risk



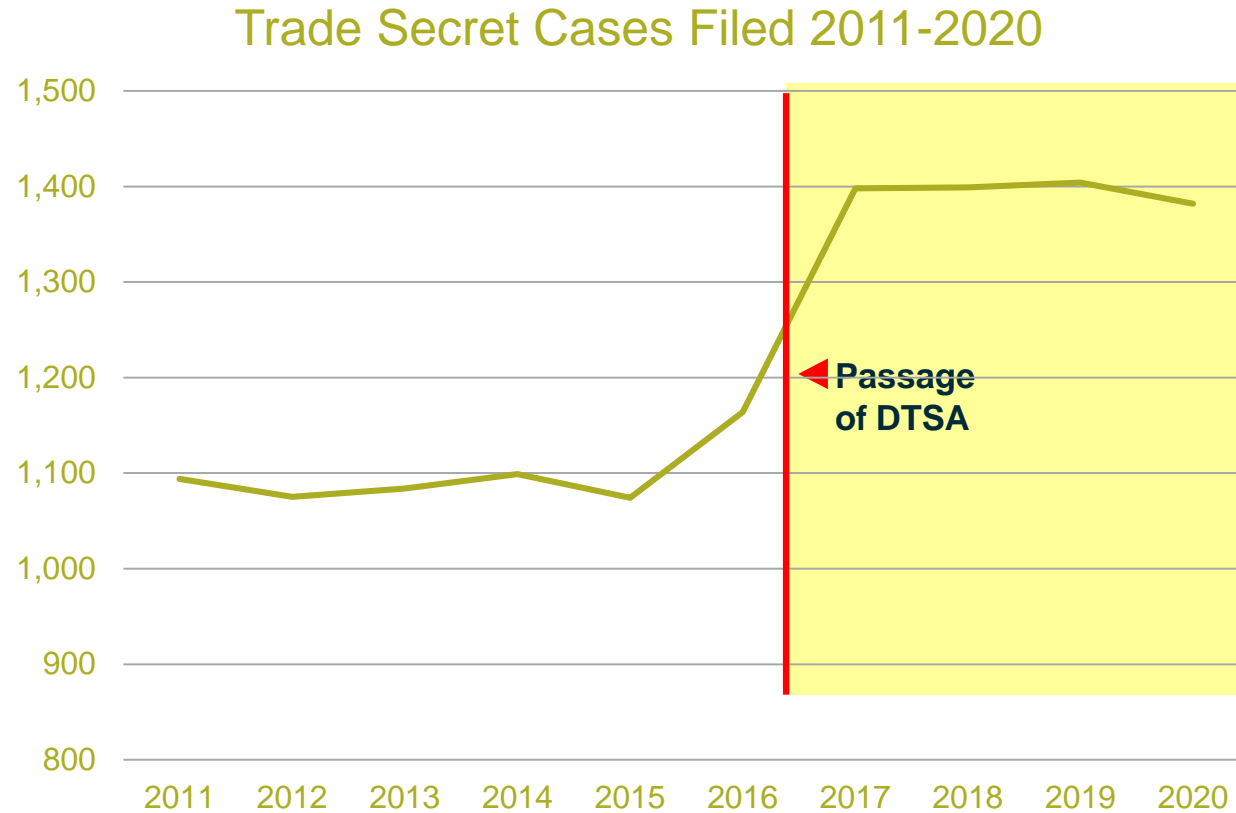
What's Yours is Mine: How Employees are Putting Your Intellectual Property at Risk

Who should read this paper

Anyone interested in understanding the growing problem of intellectual property theft in the workplace and the mindset of employees that result in the taking of corporate assets



Trade Secret Cases Filed (2011-2020)



Source: Lex Machina Trade Secret Litigation Report 2021

Developing Your Trade Secret Strategy

- Identifying trade secrets
- Minimizing trade secret risks
 - Employee onboarding
 - Company culture
 - Employee departure
 - Corporate collaborations
 - Reverse engineering

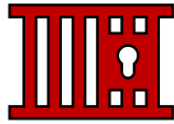


What Is A Trade Secret?

Elements Of A Trade Secret



Secret: The information at issue is not generally known or readily ascertainable



Reasonable Measures to Preserve Secrecy: The owner has taken *reasonable* steps to ensure the information remains secret



Value: The information has actual or potential value arising from the fact that it is not generally known

*18 U.S.C. § 1839
(DTSA)*

18 U.S.C. § 1839 (DTSA)

“[A]ll forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, [etc.] ... if —

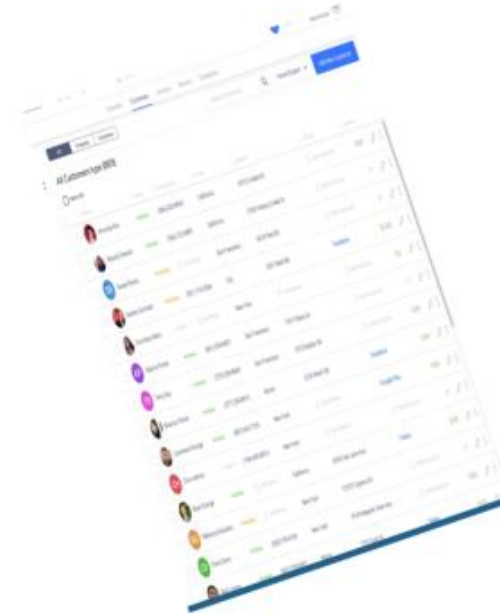
(A) the owner thereof has taken reasonable measures to keep such information secret; and

(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.”

Trade Secrets Can Be...

- Anything held as confidential by anyone with whom you were in a confidential relationship
- Future product development plans
- Future strategic and business plans
- Profitability, cost, and revenue information
- Anything that took a long time to develop (even if it is a compilation of public data)

Examples Of Trade Secrets



Examples Of Trade Secrets



Trade Secrets Cannot Be...

- Generally known
 - “Information that is generally known or understood within an industry, even if not known to the public at large, does not qualify as a **trade secret**.” *Von Holdt v. A-1 Tool Corp.*, No. 04 C 04123, 2013 US Dist LEXIS 636, at *23 (ND Ill Jan. 3, 2013).
- Reverse engineered (but not requiring too much work)
 - “Information that is derived from public sources but requires laborious accumulation, culling, and/or analysis of the public information can, however, still qualify as a trade secret.” *Stenstrom Petroleum Servs. Group, Inc. v. Mesch*, 874 N.E.2d 959, 975 (Ill. App. Ct. 2007).
- Presented Publicly
 - “A trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process, design and operation of which, in unique combination, affords a competitive advantage and is a protectable secret.” *Imperial Chem. Indus. v. Nat'l Distillers & Chem. Corp.*, 342 F2d 737, 742 (2d Cir 1965).

Common Scenarios Leading To Lawsuits

- Theft by an employee
- Misuse by a vendor or consultant
- Joint venturers parting ways
- Employee departures
- Patent filings

Reasonable Measures

- Measures must be “adequate under the circumstances.”
 - *Bay Fasteners & Components, Inc. v. Factory Direct Logistics, Ltd. Liab. Co.*, No. 17-CV-03995, 2018 US Dist LEXIS 46155, at *10 (ND Ill Mar. 20, 2018);
 - Apply more protection for trade secrets than regular, confidential information.



Onboarding New Employees

Recruiting & Hiring: Avoiding Contamination

- Interview “red flags”
- Non-compete agreements
- Sensitive hires



Onboarding: Avoiding Contamination

- Check that new hires do not have confidential information from their former employers
 - Home “office”
 - Cloud based storage accounts (e.g., Drop Box, Google Drive)
 - Personal web-based email accounts
 - Personal computers/tablets
 - Phones (texts, chats and PHOTOS)
 - Removable storage devices (flash, thumb, and backup drives)



Onboarding: Avoiding Contamination

- Educate new hires
 - The **importance of keeping** former employers' trade secrets secret
 - How to **separate trade secrets** from experience
- Have new hires certify
 - Will **not disclose or use old** employer's confidential information
 - Are **not in possession of any non-public information** from prior employer
 - Are **not** going to **provide ideas** to new employer derived from old employer

Onboarding: Protect Your Company's Trade Secrets

- Contractual Measures
 - Confidentiality agreements
 - Non-solicitation clauses
 - Non-competition clauses



Onboarding: Protect Your Company's Trade Secrets



- Begin education
 - Importance of confidentiality
 - What is and how to treat confidential information and/or trade secrets
 - Practical guidance



- IT
 - Equip employees to protect trade secrets
 - Define access rights on a need-to-know basis
 - Set up tracking



Company Culture

Develop A Culture Of Trade Secret Respect

- Establish “ownership” for trade secret protection
- On-going education
 - Need-to-know access
 - Physical security
 - Remote workforce considerations
 - Evolve as technology changes and company grows





Employee Departures

Handling Departing Employees



Exit Interview



**Return of
Company Property**



IT Steps

Handling Departing Employees: Exit Interview

- Remind and/or seek reaffirmation of contractual agreements
- Identify what the company views as its trade secrets
- Look for red flags - find out where they are going
- Memorialize the interview



Handling Departing Employees: Return Property

- Obtain company-issued equipment
- Remind about where to check for information that needs to be returned
 - Cloud based storage accounts (Box, Google)
 - Personal web-based email accounts
 - Facebook, Google+ accounts
 - Personal computers/tablets
 - Phones (texts, chats and PHOTOS!)
 - Home office, car trunk, garage, vacation home
 - Removable storage devices
- Have them certify they have no company property or information in their possession



Handling Departing Employees: IT

- Deactivate access
- Consider analyzing recent access and download activity
- Evaluate whether to create forensic backups





Corporate Collaborations

Put in Place Clear Boundaries



- Boundaries benefit the trade secret holder and the collaborator
- NDAs
- Need to know access
- Avoid overlap with access to competing projects



Reverse Engineering

What is Reverse Engineering?

The process of working backwards from an available product to understand what its parts are, how it functions and how it was made.



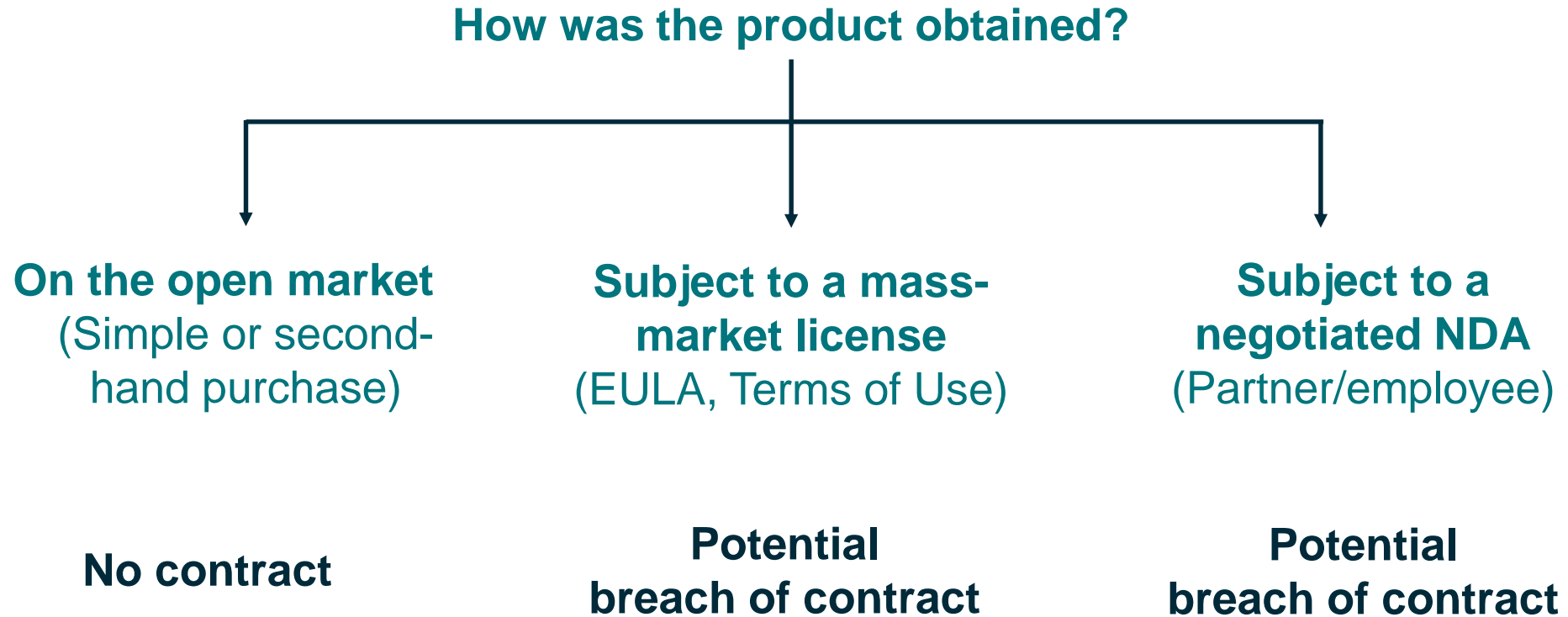
Is Reverse Engineering Legal?

Generally, reverse engineering is allowed under federal and state trade secret laws.

“ The public at large [is] free to discover and exploit the trade secret through reverse engineering of products in the public domain or by independent creation. ”

U.S. Supreme Court in *Bonito Boats v. Thunder Craft Boats* (1989).

Contracts Can Prohibit Reverse Engineering



What To Do When Reverse Engineering

- **Do** acquire a product “**legally and honestly**” but without being bound by a limiting purchase order contract (e.g., second hand)
- **Do document and date** any reverse engineering efforts
- **Do** check any contracts and licenses for **relevant provisions**
- **Do** be aware that patents are “**strict liability**” regardless of your independent reverse engineering efforts
- **Don’t** allow a target company’s ex-employees to be involved in any way with the **reverse engineering project** and **do “wall” ex-employees**
- **Don’t** reverse engineer in violation of a contract or ask someone else to reverse engineer **in violation of their contract**

What To Do If You Are the Trade Secret Owner

- **Do** memorialize duties of **confidentiality** with written contracts
- **Do** include **anti-reverse engineering provisions** in contracts with employees, partners, customers, or anyone else who will access your products.
- **Do** consider **distribution channels** and how your products will be resold
- **Do** implement **technological barriers** to prevent reverse engineering



Esha Bandyopadhyay
Principal
bandyopadhyay@fr.com



Katie Prescott
Principal
prescott@fr.com

Thank You!

Please send your NY CLE forms to mcleteam@fr.com

Any questions about the webinar, contact Michelle Zazzero at zazzero@fr.com

A replay of the webinar will be available for viewing at <http://www.fr.com/webinars>

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