

The Defense of Trade Secrets Act – Advice for Counsel

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Overview - Advice for Counsel

- Recommendations to clients in 5 areas:
 1. Gorilla Theory – Mindfulness of IP
 2. How to Build a Strong Trade Secret Portfolio
 3. Protective Measures – Important Practices
 4. Changes to Employment Policies and Agreements per DTSA
 5. IP Audits
- Questions

Gorilla Theory

- Mindfulness of IP
- Broaden lens beyond patents and trademarks
- Acknowledge value in data not accessible to competitors or public

How to Build a Strong Trade Secret Portfolio

- Step 1: Establish a Corporate Culture that Values IP
 - Set the tone – Corporate mindfulness that IP is a valuable asset of the company
 - Inform Employees of Procedures
 - Reinforce Consequences if Procedures Not Followed

How to Build a Strong Trade Secret Portfolio (cont.)

- Step 2: Identify and Empower Key Decision Makers
 - Engineering / Sales & Marketing / Executive Team
 - Establish a Cross-Functional IP Team / Trade Secret Control Committee (respond to breaches; on-going training; and internal containment)

How to Build a Strong Trade Secret Portfolio (cont.)

- Step 3: Deploy Comprehensive Protective Measures
 - “Reasonable” efforts under circumstances
 - Question of fact, all steps considered
 - No accepted, approved, or mandated measures
 - No system is perfect, could always do more

Protection Measures

- *Internal Policies:*
 - Segregation
 - Routine Inventory
 - Policies / Manuals
 - Agreements with Third-Parties (NDAs)
 - Transmission restrictions
 - Training
 - Pre-Publication Clearance
 - Entrance and Exit Interviews
 - Physical Labels (data; and others)

Protection Measures (cont.)

- *Internal Policies – Electronic Measures:*
 - Restrict Access (Admin rights; Logs; IT Alerts)
 - Mobile Devices (remote deletion/wiping)
 - Strong passwords, routinely updated
 - Limit number of physical copies
 - Restrict use of external memory devices / personal computing devices
 - Limit file sharing on Social Media
 - Limit size and number of E-mail attachments

Protection Measures (cont.)

- *Contractual Means:*
 - Non-Disclosure Agreements (third-parties)
 - Non-Competition Agreements (provisions protecting against disclosure of trade secret, and confidential information)
 - Implied Agreements (oral understanding that can be proven (e.g., witnessed); duties arising from employment relationship (e.g., duty of loyalty))

Protection Measures (cont.)

- *Physical Means:*
 - Guards at all plant entrances
 - Posting of warning or cautionary signs
 - Visitor Log Book / Visitor Escorts
 - Physical Barriers to prevent access to certain areas
 - Maintaining Internal Secrecy (dividing process/departments)
 - Using unnamed or coded ingredients
 - Keeping secret materials under lock and key

DTSA – Required Changes to Agreements and Employment Policies

- Notice of immunity sections under DTSA (in any contract or agreement that governs “a trade secret or other confidential information”)
- Immunity for disclosure:
 1. To government official or attorney to report violation of law;
 2. In Complaint or other document filed under seal.
- Without notice, no exemplary/punitive damages or attorneys’ fees. 18 U.S.C. § 1833(b)(3)(C)

DTSA – Required Changes to Agreements and Empl. Policies (cont.)

- Agreement/Policy: anything relating to protection of confidential or trade secret information.
- “Employee” broadly defined:
“The term ‘employee’ includes any individual performing work as a contractor or consultant for an employer.” 18 U.S.C. § 1833(b)(4).
- “Cross-reference” to an employee policy document, can satisfy notice requirement.
Id. at 1883(b)(3)(B)

Example Agreement Provision

Immunity From Liability for Confidential Disclosure of a Trade Secret to the Government or in a Sealed Court Filing. The federal Defend Trade Secrets Act of 2016 immunizes you against criminal and civil liability under federal or state trade secret laws—under certain circumstances—if you disclose a trade secret for the purpose of reporting a suspected violation of law. Immunity is available if you disclose a trade secret in either of these two circumstances:

- 1) You disclose the trade secret (a) in confidence; (b) directly or indirectly to a government official (federal, state or local) or to a lawyer, and (c) solely for the purpose of reporting or investigating a suspected violation of law; or
- 2) In a legal proceeding, you disclose the trade secret in the complaint or other documents filed in the case, so long as the document is filed “under seal” (meaning that it is not accessible to the public).

Routine IP Audits

- Recommend, depending on size of company and activities, a monthly, quarterly, or annual IP Audit
- Frequency and complexity of audit will depend on nature of business and circumstances
- Bolsters corporate culture of protection and IP harvesting

Questions?

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