



## MEETING RECAPITULATION

### THE PAULINE NEWMAN IP AMERICAN INN OF COURT

WEDNESDAY,  
JANUARY 25, 2017

The first Inn meeting of the 2017 calendar year was a joint meeting with the Northern Virginia Chapter of the Federal Bar Association in the auditorium under the atrium in the Madison Building in the headquarters of the U.S. Patent & Trademark Office, on Wednesday, January 25, 2017. It began at about 6:00 p.m. with a reception with food and beverages.

The program was entitled *Trade Secrets: The Ins and Outs of Trade Secret Protection, including a Comprehensive Review of the Defend Trade Secrets Act of 2016* and began at about 7:00 p.m. The Moderator was Charles B. Molster III, of the Law Office of Charles B. Molster III PLLC. The other panel members were the Honorable John F. Anderson, United States Magistrate Judge for the Eastern District of Virginia, John M. Williamson, of Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Stephen Cobb, former Senior Advisor to the U.S. Patent & Trademark Office, and Mary C. Zinsner, of Troutman Sanders LLP.

Prior to the enactment of the Defend Trade Secrets Act last year, the Uniform Trade Secrets Act was adopted by 48 states. It did not confer federal jurisdiction; you could only get into federal court with diversity or supplemental jurisdiction. Provisions for seizures or injunctions were not uniform. States had non-uniform statutes of limitation, disclosure requirements, and inevitable disclosure doctrines.

It has been estimated that trade secret theft equals one to three percent of the gross domestic product of the United States. There was a feeling that the Economic Espionage Act,





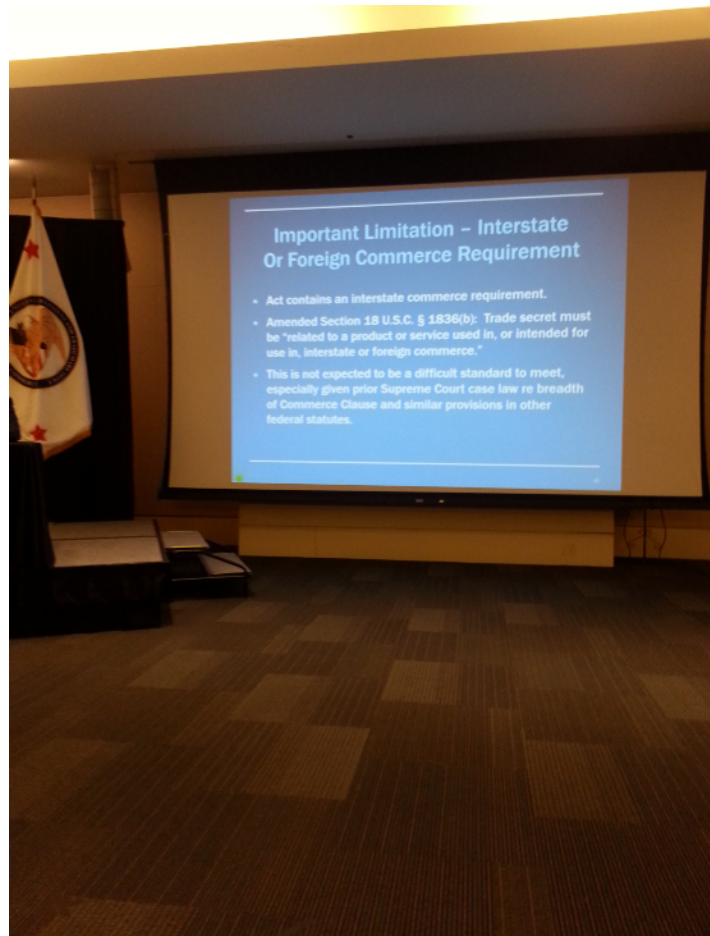
which focused on international trade secret theft, did not go far enough. The Defend Trade Secrets Act had very strong bipartisan support; it passed the Senate 87-0 and the House of Representatives 410-2, and was signed into law by President Obama on May 11, 2016. It had broad industry support and substantial involvement by the USPTO.

Unlike the Economic Espionage Act, the Defend Trade Secrets Act does not require foreign involvement. There must be interstate or foreign commerce, but that requirement should not be difficult to satisfy. The USPTO is to report to Congress periodically on trade secret theft. There are similar legislative initiatives to protect trade secrets in Europe and Japan.

Under both the Uniform Trade Secrets Act and the Defend Trade Secrets Act, there are three components to the definition of a trade secret:

1. It is information that is valuable because it is secret. 2. There are measures to preserve its secrecy. 3. It is information that is not known and not readily ascertainable by proper means (e.g., reverse engineering, or a skilled artisan “putting one and one together”).

Subject matter for patents and trade secrets is not identical, but is overlapping. Sometimes, some aspects of an invention may be patented, while other aspects are kept as trade secrets. Trade secrets are grabbing headlines, while there is a perception that patents are weakening. Subject matter eligibility for patents has been getting narrower. There is a spectrum of eligibility for patent subject matter. There is no subject matter bar for trade secrets. E.g., a law of nature could be a trade secret, though it could not be patented. Arguably, patents are becoming harder to enforce. There is no Patent Trial and Appeal Board







(“PTAB”) for trade secrets. The PTAB can “focus like a laser” on the technical requirement for validity of a patent, while a jury may consider a broader range of information. It used to be that you could almost automatically get an injunction once you proved patent infringement, but that is no longer the case since the Supreme Court’s *Ebay* decision. There have been very large jury verdicts lately in trade secret cases.

Under the Defend Trade Secrets Act, federal courts offer uniform procedures and rules, and it harmonizes state variations. It may increase predictability of dispute resolution, as case law under the Act is built up. It explicitly does not preempt state laws, so you can still bring trade secret actions in state courts. It may be more difficult to get summary judgment in state courts than in federal courts. The International Trade Commission has been hearing a lot of trade secret cases (without a

requirement that there be a domestic industry).

Under the Defend Trade Secrets Act, a corporation formed in the United States could be liable for misappropriation occurring outside of the U.S. A foreign corporation could be liable under the Act for foreign misappropriation so long “as an act in furtherance of the offense was committed in the United States.” Remedies under the Act include injunctions, damages (which can be tripled for willful and malicious misappropriation), attorney fees and seizure. It provides for criminal prosecutions as well as civil actions. The Act has many references to conspiracies, which could cause a civil case to lead to a criminal case. Anecdotally, industry may have been pushing for the Act because the Department of Justice is too swamped to bring very many trade secret prosecutions, and the Act makes it easier for companies to bring their own civil actions in federal court.

An injunction may be granted against threatened misappropriation, as well as actual misappropriation. Sometimes royalty payments may be required, after the trade secret has been disclosed, for its future use (even though it is no longer a trade secret). Under the inevitable disclosure doctrine, an injunction may be issued against an employee taking a position with a competitor, on the theory that he will inevitably disclose the trade secret to the competitor. But under the Defend Trade Secrets Act, someone cannot be enjoined from taking a position with a competitor based solely on what he knows; there must





be some threatened disclosure of a trade secret. The Act incorporates state procedural law on injunctions in trade secrets, so remedies will vary depending on where a case is brought. The *eBay* factors in patent cases may not apply in trade secret cases; it is not clear how the courts will rule on this issue.

The trade secret owner is entitled to recover damages for its actual loss. It may recover any unjust enrichment caused by the misappropriation that is not compensated by its actual loss.

Property may be seized by court order to prevent the propagation or dissemination of the trade secret, in “extraordinary circumstances”, such as when “a defendant is seeking to flee the country or planning to disclose the trade secret to a third party immediately or is otherwise not amenable to the enforcement of the court’s orders.” Law enforcement officers must carry out the seizure.

The court will have possession of the property seized. A hearing must be held within seven days after the seizure.

The Act contains protections for whistleblowers.

Judge Pauline Newman made closing remarks. Whenever there has been a diminishment of patents, there has been an increase in interest in trade secrets. There is a cultural value that it is “nice to take what belongs to someone else.”

The program ended at about 8:00 p.m.

Respectfully submitted,

Stephen Christopher Swift  
Secretary