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Baylor College of Medicine, earning a master's degree, before continuing on to the University of Iowa to obtain her JD in 2014. Laura has prior patent prosecution experience in such varied fields as athletic apparel and medical software. Laura practice now focuses on biotechnology and chemical patents, with an emphasis on agricultural biotechnology and animal health.

Laura and Xiaohong join a team of four patent attorneys in the chemical and biotechnology practice groups. In addition, patent agent Brett Roberts, Ph.D. provides expertise in biochemistry, cell and molecular biology, microbiology, and plant pathology to the biotechnology practice group. Law clerk Caitlin Andersen will also join the firm as the newest attorney in August 2016 and will contribute her experience in chemical engineering to the chemical group. Collectively, the chemical and biotechnology practice groups have training and experience in the following technical areas and industries:

- agricultural biotechnology
- plant patents
- animal health
- medical devices
- medical biotechnology
- biomedical engineering
- pharmaceuticals and small molecules
- antibodies and vaccines
- microbiology and pathology
- bioenergy and biofuels

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FEDERAL TRADE SECRET LAW AND YOUR TRADE SECRET RIGHTS

by Daniel M. Lorenzten

On May 11, the Defend Trade Secrets Act (DTSA) of 2016 was signed into law by President Obama. The DTSA was passed in the House of Representatives on April 27, by a vote of 410-2. The Senate had previously passed the DTSA on April 4, by a vote of 87-0. The DTSA was presented to the President for signature on April 29 who, issued a statement earlier to indicate his full support for this legislation.

Prior to the DTSA, trade secret law has been largely a matter of state law—most states have adopted some version of the Uniform Trade Secret Act, supplemented with state specific common law or additional legislative changes. State laws seeking to protect secret information of a business date back to the nineteenth century when the initial transition from largely farming and rural production and businesses into larger-scale industry took place. In order to expand into these larger-scale businesses it became necessary for information to be shared with business partners and others outside the formal company. In response, states afforded early protections for such “trade secrets” of a business. Whether the secret information related to a machine or a particular process for the business, courts began enforcing the confidential nature of these trade secrets. This triggered the common law origin of trade secrets in our country. This state-specific definition and enforcement of trade secrets is in clear contrast to federal laws, such as federal patent laws.

The significance of state laws defining and enforcing trade secrets rests largely on issues of consistency and transportability. Simply put, each state applies the law of that state. This is important because not all states have adopted consistent trade secret laws. Initially, the Restatement of Torts § 757 provided guidance to states for defining and enforcing trade secrets. The Second Restatement made additional recommendations, which were less-consistently adopted by states. As a result, in 1979 the National Conference of Commissioners on Uniform State Laws issued the first Uniform Trade Secrets Act (UTSA) in an effort to set forth harmonized rules for states to enforce trade secret rights. A majority of states have adopted the UTSA, with a few notable hold-outs, including New York. Unfortunately, despite a majority of states' adoption of the UTSA the laws have failed to provide consistency and transportability as states continue to “customize” its trade secret laws.

In contrast to the patchwork of state trade secret law, the DTSA provides a single federal law that will be codified as 18 U.S.C. § 1836(b). The essential portions of the legislation include the establishment of a federal cause of action for trade secret misappropriation, procedures for ex parte seizure of trade secret material, and a uniform definition of “Trade Secret.” The DTSA is intended to provide uniformity in trade secret law throughout the country, to increase national and international competition, to address increased problems with trade secrets being stolen, and to update trade secret protection, which is perceived by some to be outdated and poorly implemented by states, which are ill-equipped to handle such cases.

The establishment of federal trade secret law raises a number of new issues, and reinforces the importance of a many other considerations for those that own trade secrets or potential trade secrets.

What is a Trade Secret?

One key issues for anyone who thinks they may have and need to protect a trade secret is what can qualify as a trade secret? Unlike patents, trade secrets are defined by state laws and the purpose for protection is to reward “fruits of labors” in development the secret information. This definition for a trade secret includes any information that can be used in the operation of a business that is valuable and secret to afford an actual or potential economic advantage over others. Examples include recipes, manufacturing processes, customer lists, and so on. The trade secret owner must take reasonable efforts to keep the information secret; therefore, internal controls for maintaining secrecy are key.

Under the Uniform Trade Secrets Act (UTSA), and by extension in most states, trade secrets are defined as

“information, including a formula, pattern, compilation, program device, method, technique, or process, that: (1) 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 (2) is the subject of efforts that are reasonable under the circumstances to

WE'RE THERE

April 28, 2016

Heidi S. Nebel presented on Protecting Biotechnology Inventions at South Dakota State University in Brookings, SD.

May 15-20, 2016

Jill N. Link, Jonathan L. Kennedy, and Xiaohong Liu attended the American Intellectual Property Law Association (AIPLA) spring meeting in Minneapolis, MN.

May 21-25, 2016

Bruce W. McKee attended the International Trademark Association (INTA) 2016 Annual Meeting in Orlando, FL.

July 18-20, 2016

Daniel M. Lorenzten and Jonathan Kennedy are scheduled to attend the AUTM central region meeting in Milwaukee, WI.

July 19-20, 2016

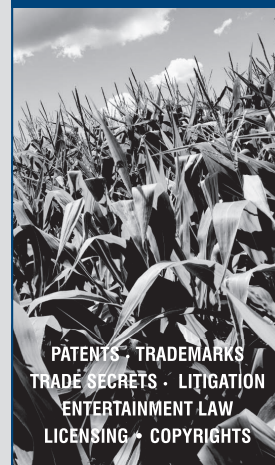
Jill N. Link and Laura L. Hupp will attend Animal Health in the Heartland in Omaha, NE.

August 21-25, 2016

Jill N. Link and Jonathan L. Kennedy will attend the American Chemical Society (ACS) National Meeting and Exposition in Philadelphia, PA.

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maintain its secrecy.”

In comparison, under the DTSA a trade secret is defined as

“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, the another person who can obtain economic value from the disclosure or use of the information.”

Both of these definitions are broad with respect to what may qualify for trade secret protection, generally inclusionary rather than exclusionary. Indeed, the meaningful limitations on what can be a trade secret are independent economic values and secrecy. Notably, under both the state/USTA and the federal/DTSA definitions, a value assessment of a trade secret is an essential element of determining whether a trade secret exists—there must be “actual or potential” economic value.

Development of state trade secret law has provided some guidance and useful factors to determine whether information or a technology rises to the level of a trade secret; that is, whether it provides independent economic value and is sufficiently secret. The Restatement of Torts sets forth the following factors to assess whether information provides such value and is therefore a trade secret (although not adopted by all 50 states or the DTSA at the present time):

1. To what extent is the information is known outside of the business?
2. To what extent is it known by the employees and others involved in the business?
3. To what extent have / are measures taken to guard the secrecy of the information?
4. To what extent can the information be attributed to bring value to the business and to competitors?
5. What amount of effort or money was / is expended in developing the information?
6. Could the information be acquired or duplicated by others with ease or difficulty?

If one is able to answer these inquiries in a manner that suggests the information or technology has remained under ‘wraps’ within the company (i.e. not known outside the business), is only known by those employees integral to the development and maintaining of the secret, and there are securities in place to keep such information or technology under ‘wraps’, then you are on a good start to having a valuable trade secret. In sum, the better protected the trade secret is the more valuable it should be.

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Trade Secrets and Confidential Information

While trade secrets come in many forms, such as your customer lists, data, secret recipes and/or methods of manufacturing, to name a few, information does not become trade secret merely on account of it not being generally shared. Rather, that just makes it confidential information. A trade secret arises by your actions to maintain its secrecy and therefore its value as some sort of a competitive advantage.

The key difference between confidential information and a trade secret is the degree in which you (successfully) maintain secrecy of the business-related information to protect it is a trade secret asset. For example, you may consider information related to your product pricing or employee wages to be highly confidential, however it is not a trade secret as the information has most likely failed to be protected in such a way to ensure it never becomes publicly available or otherwise available in the marketplace. Simply put, when you merely label something as trade secret this does not alone afford the information such status without further action.

A better example of confidential information rising to the level of trade secret is the company’s preferred product formulation (or mechanical processing of the product) which is maintained as proprietary to the company and never shared, disclosed or otherwise shown to third parties to prevent others from using the same formulation (or processing thereof). The most crucial consideration is how you treat the information to maintain its secrecy. Further, even if such a product formulation (or mechanical processing method) is initially identified as a trade secret, there is no guarantee this will remain as such—trade secrets can remain as such indefinitely, so long as they remain secret, but once it is no longer secret, any trade secret protection (and recourse for subsequent use by others) is lost.

Notably, companies often protect information (or related information) in an overlapping fashion. It is quite possible to have highly confidential information (e.g. disclosed under non-disclosure agreements (NDA)) that relates to either a patented invention or a trade secret. Similarly, it is possible to maintain trade secrets that relate to a patented invention. You will often see this in agreements that refer inclusively to “intellectual property,” “trade secrets,” and “other confidential information.” In such instances it is important to ensure that these categories are sufficiently defined so they can be accurately segregated (in particular if you are the recipient of such potentially multi-faceted information). These types of protection are clearly intertwined. Companies seeking to protect and enforce rights are best suited to maintain both “confidential information” and under certain circumstances “trade secrets.”

What is My Recourse if My Trade Secret is Taken?

As set out above, access to trade secret information should be limited to as few individuals as possible. However, a trade secret may improperly used or even stolen. When this occurs, trade secret misappropriation is an available cause of action. One of the key aspects of the DTSA is the creation of a cause of action for trade secret misappropriation—that is, the ability to bring a civil suit in

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federal court against a defendant alleged to have impermissibly taken or used a trade secret. The DTSA is not intended to preclude state causes of action for trade secret misappropriation or unfair competition, but rather to establish uniform procedures and provide a potentially more readily available venue in federal court for resolving trade secret issues. Under both state law/UTSA and the DTSA, misappropriation is defined as

- (i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
- (ii) disclosure or use of a trade secret of another without express or implied consent by a person who
 - (A) used improper means to acquire knowledge of the trade secret; or
 - (B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was (I) derived from or through a person who had utilized improper means to acquire it; (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or
 - (C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake

Similarly, both the DTSA and state law/UTSA define improper means as “includ[ing] theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.” Further, while the DTSA specifically provides that “improper means” “does not include reverse engineering, independent derivation, or any other lawful means of acquisition,” state law/USTA has generally adopted this standard by implication or incorporation of the standard set out in the Restatement of Torts.

There are a number of defenses to such an allegation of misappropriation (or theft), namely that the information does not qualify as a trade secret, that there was independent discovery of the trade secret, or there was reverse engineering allowing the party to arrive at the trade secret.

Ex Parte Seizure Procedures

In addition to creating a single, federal cause of action for trade secret misappropriation, the DTSA also creates a new system through which a petitioner can seek seizure of trade secret material wrongfully in the possession of another, in order to prevent disclosure. The *ex parte* seizure procedure allows a plaintiff to seek to have the government seize misappropriated trade secrets without providing advance notice to the defendant. This provision of the DTSA does not have a comparable provision in any state law.

This is potentially an extremely powerful remedy for plaintiffs to stop the dissemination of a trade secret before its value has been lost through public disclosure. As a balance to the power of *ex parte* seizure and the potential for abuse, however, a party seeking an *ex parte* seizure must first establish with the court that other less drastic remedies, like a preliminary injunction, are inadequate and that the accused person would destroy or hide the property to be seized if given advanced notice. In addition, the DTSA prohibits the making of copies of seized property, and requires specific instruction in the *ex parte* orders for law enforcement regarding when the seizure can take place and whether force may be used to access locked areas.

In addition, the DTSA includes provisions whereby the court, following a seizure, may have the material sorted by a special master who must be under confidentiality restrictions. The DTSA also provides a cause of action for damage caused by a wrongful seizure.

MVS EXPANDS BIOTECHNOLOGY AND CHEMICAL PRACTICE GROUPS

by Laura Hupp

McKee, Voorhees & Sease, PLC has recently expanded its biotechnology and chemical practice groups, thereby expanding the collective expertise of the firm. Recent lateral hires Laura Hupp and Dr. Xiaohong Liu bring additional technical expertise and experience from other firms to the group.

Xiaohong Liu, Ph.D. joined the firm’s chemical practice group in March 2016. After a postdoctoral fellowship in National Institutes of Health, Xiaohong worked as a research scientist in Bristol-Myers Squibb and Covance for a number of years. While working as a senior investigator for metabolism studies of experimental drugs, Xiaohong attended law school and graduated with his JD degree in 2014 from the University of Wisconsin Madison Law School. Xiaohong’s practice focuses on patent preparation and prosecution in both US and foreign patent offices. Xiaohong has experience in the area of small molecule chemistry, biomolecules, pharmaceuticals, polymers, batteries, and medical devices.

Laura Hupp joined the firm’s biotechnology and chemical practice groups in October, 2015. Laura studied cellular and molecular biology at

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