



# Trade Secrets

Class 15

# Overview of Trade Secret Protection

- Trade secret protection is pretty fragile
- Allows for independent creation (unlike patents)
- The very thing that makes a trade secret valuable is the fact that it's unknown to the public. (It's a secret!!!) 😊
- A trade secret can be an invention, but it can also be a business plan or a customer list.
- Held accountable for:
  - Improperly gaining access to the protected info
  - Improperly using or disclosing that protected info
- Examples of situations where this arises:
  - Business vs. former/current employee
  - Business vs. former partner
  - Business vs. competitor
  - Business vs. court

# The Uniform Trade Secret Act & State Acts

- U.T.S.A. § 1.1

- "**Improper means**" includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.

# The Uniform Trade Secret Act & State Acts

- U.T.S.A. § 1.2

- **"Misappropriation"** means:

- (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.

# The Uniform Trade Secret Act & State Acts

- U.T.S.A. § 1.4

- **"Trade secret"** means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
  - (i) 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
  - (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

# The Uniform Trade Secret Act & State Acts

- This is where the definition of 'trade secret' is found
- In order to receive protection under the Uniform Trade Secret Act (UTSA), there must be:
  - A trade secret, which is
  - Misappropriated
- Money damages and injunctive relief are available (even for "threatened misappropriation")
- Sometimes attorney's fees are available "...bad faith or willful and malicious misappropriation..."
- Everywhere except: New York, North Carolina and Massachusetts

# Federal Act

- **Federal Statute: Defend Trade Secrets Act (18 USC §§ 1836 et seq.)**
- Signed May 11, 2016 by President Obama
- DTSA creates a federal, private, civil cause of action for trade-secret.
- DTSA provides a uniform statute to be applied nationwide in federal court.
- Does not preempt existing state trade-secret laws, it gives trade secret owners the option of filing suit in federal court.
- The DTSA is modeled in many respects after the UTSA.
- Accordingly, substantive provisions governing federal actions under the DTSA bear many similarities with those of state laws modeled after the UTSA.





# Contractual Agreements Protecting Trade Secrets

- Non-disclosure agreement
  - "Don't tell anyone!"
- Non-compete agreement
  - "Don't even *think* of working there..."



# Contractual Agreements Protecting Trade Secrets

- Defenses to Trade Secret Actions

1. Defendant can argue that the information in question is not a trade secret (similar to "the patent is invalid").
2. Defendant says that even if it *is* a trade secret, it was not properly acquired, therefore disclosure/use is not protected under the UTSA.
3. If a claim is brought under contract for a non-compete or non-disclosure agreement, defendant can claim:
  - a. Unconscionability
  - b. Duress
  - c. Unfair surprise