Light and Shadow – the Evolving Interplay between Patents and Trade Secrets

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Panelists:  David Kim, Barta Jones & Foley, P.C.
Colleen Chien, Santa Clara Law
Ankur Shah, Freddie Mac

Moderator:  Daniel Sakaguchi, Armstrong Teasdale LLP
What Is a Trade Secret?

- General requirements:
  - Information (including formulas, patterns, compilations, programs, devices, methods, techniques, or processes) that is **not generally known** or readily ascertainable
  - Has **economic value** from being secret
  - Is the subject of reasonable **efforts to maintain its secrecy**
Some Trade Secrets
Trade Secrets
-versus-
Patents

Trade Secrets (secret)  vs  Patents (publicly available)
Trade secrets versus patents

- Traditionally viewed as mutually exclusive modes of protection
  - Requiring a choice between:
    - disclosing inventions in return for patent protection, or
    - maintaining their secrecy
- The gray area and/or complementarity between these two schemes is evolving
  - Due to changes in law and technology
  - This panel explores practical considerations both in prosecution and litigation regarding this evolving interplay
Trade secrets as alternative to patent protection

- Instead of disclosing new technology to the Patent Office to obtain a patent, elect to keep the technology secret
- Applies to secrets that may not otherwise be patentable
- Must be: “confidential information not generally available to the public that has commercial value to a business”

- Uniform Trade Secret Act
  - Adopted by 47 states (all but NY, NC and MA), but each state has unique law
Maintaining secrecy

- Must take active steps to keep technology from falling into the hands of others
- “efforts that are reasonable under the circumstances to maintain its secrecy”
  - Non-disclosure agreements
  - Employment agreements
  - Limited disclosure of information
Or, you know:
To patent, or not to patent?

- Traditional considerations in determining whether to seek trade secret or patent protection:
  - Will the invention be useful beyond 20 years?
  - Is it possible for other companies to reverse engineer it?
  - Is the invention detectable and embedded in the product itself or is it part of an internal manufacturing process?
Recent developments in law and technology are generating new questions, including:

- Changes to the scope of patent-eligible subject matter may be tipping the balance in favor of trade secret protection for certain IP, such as software
  - *Alice Corp. v. CLS Bank*, 573 U.S. __, 134 S. Ct. 2347 (2014)—requires “inventive concept” beyond computer implementation of abstract idea
  - No such requirement for trade secret protection
- The scope of copyright law protection for certain aspects of software (API) also may affect this area
New questions (continued)

- How may later discoveries and further improvements to inventions or their implementation methods be protected as trade secrets
  - Examples: adjustment to an algorithm after patent disclosure
  - continued development of know-how in patented manufacturing process
Trade Secrets exist together with patents

  - US Supreme Court resolves preemption question in favor of allowing states to develop trade secret laws

- **Christianson v. Colt Industries Operating Corp., 822 F.2d 1544 (Fed. Cir. 1987).**
  - Patents often protect the broad concept, while trade secrets protect the production details.
Protecting part of a patented process as trade secret

- Wyeth Premarin – a hormone replacement drug
  - Pre(gnant) mar(e) (ur)in(e)
  - Patents issued in 1940s and expired, but still no generic competitors
  - Extraction process was never patented
Patents that make trade secrets?

- **Patented technology can generate data**
  - Google’s search engine aggregating queries
  - Gaming machines tracking user activity
  - Collections of genetic data

- **The results are protectable as trade secret**
  - May become more valuable than the patents that generated it
  - May persist even when patents are invalidated (Myriad Genetics case)
Issues with electing both patent and trade secret protection

- Make sure the right hand knows what the left hand is doing
- Use care in writing detailed description and embodiment
  - Under AIA, failure to disclose "best mode" (required by Section 112) no longer gives rise to invalidation or enforcement challenges
  - Will patentees now seek to maintain secrecy over preferred embodiments?
Litigating both patents and trade secrets: One-two punch or three-legged race?

- Will asserting both patent and trade secret claims help or hurt the case?
    - Plaintiff claimed misappropriation of trade secrets while claiming misappropriated trade secrets infringed its patent.
    - Defendant claimed that patent disclosed trade secret and that patent was invalidated.
    - Unlikely either would prevail on both claims.
  - TROY won the patent dispute, but ARMS prevailed on the trade secret claims
Experience regarding trade secrets disclosed in patent applications

- Trade secret claim was the “know-how” for making high protein soy nuggets
- We found several patents held by soy manufacturer disclosing the manufacturing process for high protein soy extrudate (also known as “nuggets”)
- At hearing on a motion to dismiss, manufacturer’s counsel appeared to be unaware that there were patents covering the same subject matter.
Disclosure of Trade Secrets with “reasonable particularity”

- Permits defendant to prepare its defense
- Permits the defendant and the court to determine the scope of discovery
- Ensures that the plaintiff doesn’t just mold its claims around the discovery received
Conclusion

- Elect in advance what subject matter should be disclosed in the patent and what should remain a trade secret.
- Make sure that the patent disclosures don’t inadvertently disclose what should be trade secret.