UT LAW CLE THE UNIVERSITY OF TEXAS SCHOOL OF LAW

Presented:
21st ANNUAL ADVANCED PATENT LAW INSTITUTE

November 3-4, 2016
Austin, Texas

RETHINKING IP STRATEGIES

Hilda C. Galvan

Author contact information:
Hilda C. Galvan
Jones Day
Dallas, TX 75201

hcgalvan@jonesday.com
214-220-3939

TABLE OF CONTENTS

Page

RETHINKING IP STRATEGIES[1]

By Hilda C. Galvan

I. INTRODUCTION

The assault on our U.S. patent system combined with the expansion of trade secret protection has resulted in many companies rethinking their IP strategies. Although the passage of the America Invents Act ("AIA") improved the U.S. patent system in a number of ways, it also added uncertainty. Since the implementation of the AIA, roughly 14,226 patent claims have been invalidated by the Patent Trial and Appeal Board ("PTAB") in *inter partes* reviews and covered business method proceedings.[2] Further uncertainty has also been created by a series of decisions by the U.S. Supreme Court, culminating with *Alice Corp. v CLS Bank International*.[3] Since the *Alice* decision, courts have invalidated over 370 patents, granting 70% of the §101 defense motions.[4] The number of patents granted dropped for the first time since 2008, driven in part by the *Alice* decision.[5]

Protection of trade secrets, on the other hand, has significantly expanded over the past several years. In May of this year, the Defend Trade Secrets Act (DTSA) was unanimously passed in the Senate and ratified in the House by a vote of 410-2. Its passage has created more certainty about protection afforded to trade secrets in the United States. In addition, the adoption of a new directive aimed at harmonizing trade secret law across Europe has further increased certainty in relying on trade secret protection.[6]

This paper begins by outlining the major provisions of the DTSA and those of the EU Directive. It then compares patent protection and trade secret protection by addressing the costs of these protections, the limitations on these protections, the uncertainties with these protections and the risks associated with enforcement of these protections.

II. THE DEFEND TRADE SECRETS ACT OF 2016

With the passage of the DTSA, victims of trade secret theft now have the right to assert federal claims of trade secret misappropriation in federal district courts.

> An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used

---

[1] The contents of this article are intended for general information purposes only and may not be quoted or referred to in any other presentation, publication or proceeding without the prior written consent of Jones Day, which may be given or withheld at Jones Day's discretion. The distribution of this presentation or its content is not intended to create, and receipt of it does not constitute, an attorney-client relationship. The views set forth herein are the personal views of the authors and do not necessarily reflect those of Jones Day.

[2] Patent Trial and Appeal Board Statistics (8/31/2016) at https://www.uspto.gov/sites/default/files/documents/2016-08-31%20PTAB.pdf.

[3] 134 S.Ct. 2347 (2014); *see also Bilski v. Kappos*, 130 S. Ct. 3218 (2010); *Mayo Collaborative Services v. Prometheus Laboratories, Inc*., 132 S. Ct. 1289 (2012).

[4] Robert Sachs, Two Years After Alice: A Survey Of The Impact Of A "Minor Case" (Part 1) (June 6, 2016). http://www.bilskiblog.com/blog/2016/06/two-years-after-alice-a-survey-of-the-impact-of-a-minor-case.html#_ftnref16

[5] 2016 Patent Litigation Study, *Are We At An Inflection Point?*, at 2 (May 2016).

[6] The European Commission's proposed "directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure" ("EU Directive") was adopted by the European Parliament on April 14, 2016 and by the Council on May 26, 2016.

> in, or intended for use in, interstate or foreign commerce. 18 U.S.C. §1836(b)(1).

The DTSA adopts many of the provisions of the Uniform Trade Secrets Act (UTSA), including similar or identical definitions for key terms and similar or identical remedies, such as injunctions, actual damages, unjust enrichment, royalties, exemplary damages, and attorneys' fees. The DTSA, however, also differs from the UTSA in that it grants trade secrets owners access to federal courts (irrespective of amount in controversy and diversity of parties), and it provides for ex parte seizure orders, limits employment restrictions in injunctive relief, and requires that whistleblowers be given immunity and notice.

A. Similarities between DTSA and UTSA

The DTSA uses the definition of "trade secret" used in the EEA.

> "Trade secret" means 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, another person who can obtain economic value from the disclosure or use of information. 18 U.S.C. §1839(3)(Emphasis added).

The Texas UTSA uses the following definition:

> "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, process, financial data, or list of actual or potential customers or suppliers, that:
> (A) 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
> (B) is the subject of ***efforts that are reasonable*** under the circumstances to maintain its secrecy. TEX. CIV. PRAC. & REM. CODE §134A.002(6)(Emphasis added).

The DTSA uses the identical definition for "misappropriation" used in the UTSA, including the Texas Uniform Trade Secret Act (TUTSA).

> "Misappropriation" means-
> (A) 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
> (B) disclosure or use of a trade secret of another without express or implied consent by a person who-
> (i) used ***improper means*** to acquire knowledge of the trade secret;
> (ii) at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was-
> (I) derived from or through a person who had used ***improper means*** to acquire the trade secret;
> (II) acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret; or
> (III) derived from or through a person who owed a duty to the

UT LAW CLE THE UNIVERSITY OF TEXAS TEXASLAW

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the UT Law CLE eLibrary (utcle.org/elibrary)

Title search: Rethinking IP Strategies

Also available as part of the eCourse
2016 Advanced Patent Law eConference - Austin

First appeared as part of the conference materials for the
21st Annual Advanced Patent Law Institute session
"Rethinking IP Strategies"