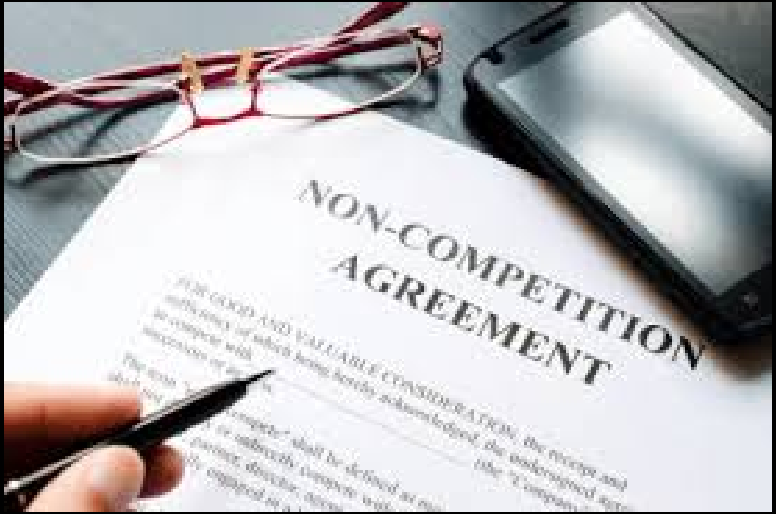
RECENT DEVELOPMENTS IN TRADE SECRETS: WHAT IN-HOUSE COUNSEL NEED TO KNOW!

February 18, 2021

Mindy Morton
Tyler M. Paetkau

Agreement not to compete with employer while still employed is enforceable: ***Techno Lite, Inc.***



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Techno Lite, Inc. v. Emcod, LLC, 44 Cal. App. 5th 462 (Second DCA, Jan. 21, 2020)

- “However, the statute [Cal. Bus. & Prof. Code § 16600] does not affect limitations on an employee’s conduct or duties while employed. ‘While California law does permit an employee to seek other employment and even to make some ‘preparations to compete’ before resigning [citation], California law does not authorize an employee to transfer his loyalty to a competitor. During the term of employment, an employer is entitled to its employees’ ‘undivided loyalty.’”

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Techno Lite, Inc.

- “*Edwards* did not address – much less invalidate – agreements by employees not to undermine their employer’s business by surreptitiously competing with it while being paid by the employer. . . . [¶] If appellants were correct that *Edwards* invalidated all noncompetition agreements – regardless of employment status – unless they fall within the applicable statutory exceptions of section 16601, 16602, or 16602.5, it would not matter whether the employee was an officer; there are no ‘officer’ or ‘fiduciary’ exceptions enumerated in Business and Professions Code sections 16601, 16602, or 16602.5.”

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Techno Lite, Inc.

- "Appellants do not cite – and we have not found – a single case in which Section 16600 was held to invalidate an agreement not to compete with one's current employer while employed by that employer. The public policy behind Section 16600 is to ensure 'that every citizen shall retain the right to pursue any lawful employment and enterprise of their choice' (*Metro Traffic Control, Inc. v. Shadow Traffic Network*, 22 Cal. App. 4th 853, 859 (1994)) and to encourage 'open competition and employee mobility' (*Edwards*, 44 Cal. 4th at p. 946); it is not to immunize employees who undermine their employer by competing with it while still employed. We state the obvious in observing that no 'firmly established principle of public policy' [citation] authorizes an employee to assist his employer's competitors."

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Techno Lite, Inc.

- *“It should be even more obvious that no firmly established principle of public policy authorizes an employee to become his employer’s competitor while still employed. Section 16600 is not an invitation to employees to bite the hand that feeds them.”*

- The lesson from *Techno Lite* is that Section 16600 does not invalidate contractual covenants and promises by *current* employees not to compete.

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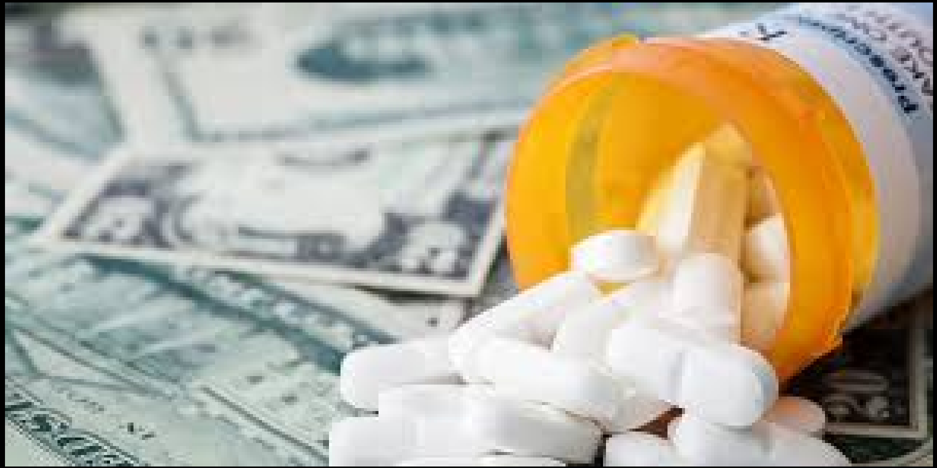
Statutorily mandated disclosure of drug price increases to wholesale purchasers undermined manufacturer's claim that pricing information constitutes trade secret: ***Amgen, Inc. v. Health Care Services***



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Amgen, Inc. v. Health Care Services, 47 Cal. App. 5th 716, 2020 Cal. App. LEXIS 296 (Second DCA, April 9, 2020)

- California Health and Safety Code section 127677 requires pharmaceutical manufacturers to provide 60-days' notice to public and private registered purchasers, including state entities and health insurers, before increasing the wholesale acquisition cost of a drug (a "price increase notice").
- The law further mandates that registered purchasers who are pharmacy benefit managers give notice to certain of their customers irrespective of whether those customers are registered purchasers.
- The law does not impose any confidentiality obligations on the recipients of the price increase notices or restrict their use of the information provided in the notices. 47 Cal. App. 5th at pp. 721-22.

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Amgen

- “Among other things, Amgen failed to show that its price disclosure was limited, as the law placed no limitation on the registered purchasers’ further dissemination of Amgen’s price increases during the 60-day period, including to Amgen’s competitors. Further, Amgen failed to explain why, even if the price increase information were not disseminated to competitors, the registered purchasers, who sit opposite Amgen at the bargaining table, are not themselves capable of taking economic advantage of that information, thus inflicting the very harm Amgen claims a preliminary injunction would prevent.”
- The Court concluded: “Given Amgen’s failure to show its price increase information was still a trade secret after disclosure to the registered purchasers, we further conclude that the trial court abused its discretion in finding that the balance of harms favored Amgen.”

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Amgen

- "Amgen provided no evidence that the recipients of the price increase information, whether registered purchasers or purchasers contracting with pharmacy benefit managers, were under any contractual obligation to maintain its confidentiality, nor does Senate Bill No. 17 impose any confidentiality obligations."
- ***"Given the price increase notice's disclosure to an unknown number of recipients, none of whom was bound to keep it in confidence, it would not appear that Amgen's price increase notice could be called 'secret.'"***
- The lesson from *Amgen* is that companies should not rely on a government compulsion defense to protect their trade secrets. Even government-compelled disclosure of trade secrets destroys their trade secret status.

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Terminating sanctions warranted for trade secret defendants' spoliation of relevant evidence: ***WeRide***

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WeRide Corp. v. Huang, 2020 WL 1967209 (N.D. Cal. April 16, 2020, Case No. 5:18-cv-07233-EJD).

- WeRide sued its former CEO, Wang; its former Head of Hardware Technology, Huang; Huang's LLC, ZKA; Wang and Huang's current company, AllRide; and AllRide's corporate alter-ego, Kaizr, for trade secret misappropriation under the federal Defend Trade Secrets Act (18 U.S.C. § 1836) and California's Uniform Trade Secrets Act (Cal. Civ. Code §§ 3426 *et seq.*) arising out of the alleged misappropriation of WeRide's trade secret source code.

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WeRide

- U.S. District Judge Edward J. Davila's lengthy opinion discusses remarkable and abundant evidence of the defendants' spoliation of relevant evidence:
  - "AllRide has repeatedly and in violation of its duty to preserve and this Court's preliminary injunction destroyed emails and other files. AllRide concedes this. AllRide has destroyed email in two ways: (1) by setting its email servers to automatically delete all emails older than 90 days and maintaining that setting despite knowledge that litigation was imminent, despite receiving the complaint, and despite this Court's March 22, 2019 preliminary injunction, and (2) by repeatedly destroying email accounts belonging to certain individuals after the original complaint was filed and after the preliminary injunction issued."

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WeRide

- Judge Davila issued terminating sanctions under Rule 37(b) and Rule 37(e), making it unnecessary to resolve the parties' dispute whether the court had inherent authority to grant WeRide's sanctions motion.
  - Rule 37(b) provides that a court may sanction a party for failure to comply with a court order.
  - Rule 37(e) allows for sanctions where a party fails to preserve ESI. Under Rule 37(b), district courts should consider "(1) the public's interest in expeditious resolution of litigation; (2) the court's need to manage its dockets; (3) the risk of prejudice to the party seeking sanctions; (4) the public policy favoring disposition of cases on their merits; and (5) the availability of less drastic sanctions." *Leon v. IDX Sys. Corp.*, 464 F.3d 951, 958 (9th Cir. 2006) (quotation and citation omitted; the "*Leon* factors").

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WeRide

- *WeRide* underscores the importance and value of promptly and thoroughly preserving all potentially relevant evidence, including all electronic evidence, source code, laptops, etc.
- Employers should consider retaining experienced forensics consultants to comply with these legal and practical duties, and implement litigation holds and evidence preservation protocols in case of suspected or threatened trade secret misappropriation.

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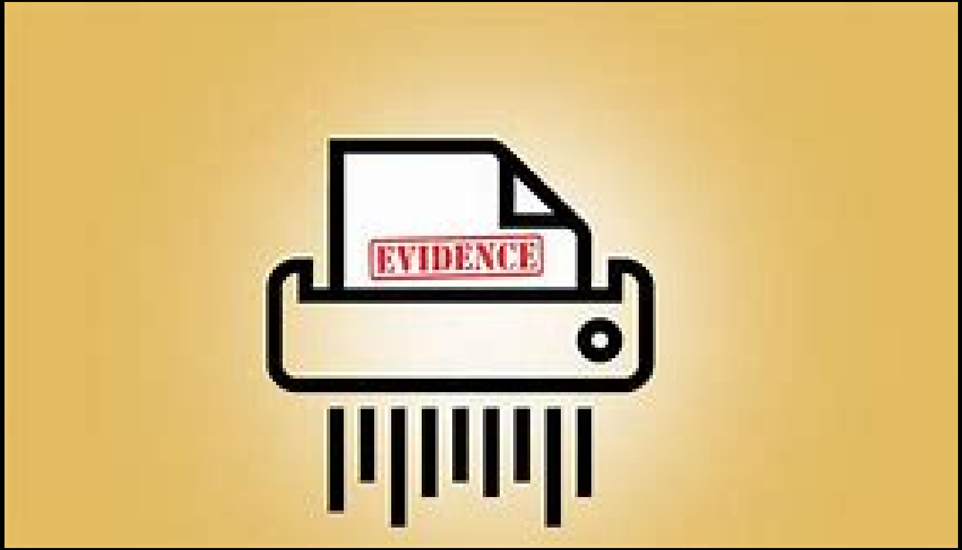
Spoliation of evidence made it impossible to determine reasonable royalty for misappropriated trade secrets: ***Ajaxo v. E*Trade***



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*Ajaxo, Inc. v. E*Trade Financial Corporation*, 48 Cal. App. 5th 129, 2020 Cal. App. LEXIS 331 (Sixth DCA, April 23, 2020).

- The CUTSA, at Section 3426.3, subdivision (b), provides that "[i]f neither damages nor unjust enrichment caused by misappropriation are provable, the court may order payment of a reasonable royalty for no longer than the period of time the use could have been prohibited." Cal. Civ. Code § 3426.3(b).
- In this case, evidence of the trade secret plaintiff's spoliation of evidence was relevant to the trial court's determination not to award a royalty.

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Ajaxo

- "Regarding E*Trade's destruction of evidence claims, Koo testified that a laptop used as Ajaxo's development server was subject to a demand for inspection in January 2006 in litigation involving another company founded by Koo called KC Multimedia. After the inspection had begun, a lawyer for KC Multimedia called Koo to tell him the hard drive had been "wiped clean." Koo ordered the lawyers to halt the inspection until he could get there; by the time he had arrived, the expert who had conducted the inspection had packed up his items and left. Koo testified that the server's hard disk was encrypted, which would make it unreadable when removed from the computer. He 'freaked out' when he saw what the expert had done. The laptop was returned to Koo after the KC Multimedia litigation ended, but it would not turn on so he disposed of it."

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Ajaxo

- The trial court granted E*Trade's motion to strike expert testimony, excluding evidence of the end-user subscription and enterprise direct use royalty models, and rejected Ajaxo's claim to a reasonable royalty.
- Among other findings of fact, the trial court determined that Ajaxo lost or destroyed evidence relevant to the royalty inquiry and to a fair evaluation of the trade secret at issue, and Ajaxo acted with unclean hands in destroying evidence during the pending litigation and committing other improper conduct related to the issues to be decided in the trial.

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Ajaxo

- *Ajaxo v. E*Trade* counsels employers to preserve their trade secrets and all evidence of their misappropriation and value in the event of legal proceedings or reasonably anticipated trade secret litigation.
- Businesses accustomed to implementing “litigation holds” should consider doing so in cases of suspicious departures and suspected trade secret misappropriation and unfair competition by departing employees and competitors.

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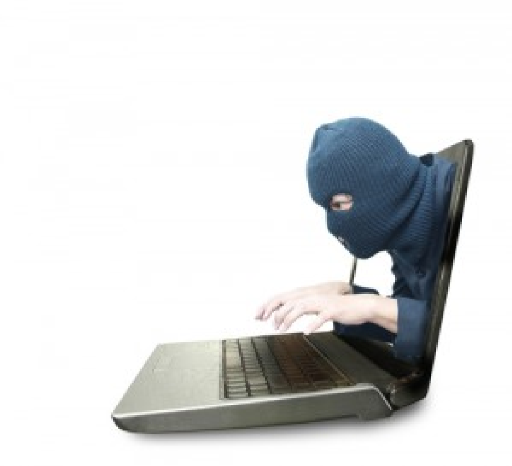
Employees' alleged theft of trade secrets insufficient to establish their new employer's liability for misappropriation: ***Hooked Media Group, Inc. v. Apple***



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Hooked Media Group, Inc. v. Apple Inc., 55 Cal. App. 5th 323 (Sixth DCA, May 28, 2020).

- Hooked Media, a startup company that Apple expressed interest in acquiring, sued Apple after Apple passed on the deal but three of Hooked's most important employees (including two engineers and the Chief Technical Officer) left to work for Apple. Hooked sued for fraud, misappropriation of trade secrets, interference with contract and related claims.
- The trial court granted summary judgment to Apple, and the Court of Appeal affirmed, holding that the fraud claim failed because the alleged misrepresentations by Apple all involved future events, not past or existing facts.
- Re the trade secrets claim, the Court held that evidence that the former employees may have had protected information in their possession is not sufficient to establish that Apple improperly acquired or used it.

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Hooked Media v. Apple: Rejection of discredited “inevitable disclosure” theory of misappropriation

- “Further, just because there was evidence suggesting that the former engineers ‘drew on knowledge and skills they gained from Hooked to develop a product for [Apple]’ does not mean there was a misappropriation of trade secrets, citing California’s rejection of the ‘inevitable disclosure’ doctrine. Nor did Apple’s production of Hooked’s trade secret information in response to discovery requests show that Apple acquired trade secrets by improper means.”
- Finally, the Court held that “California’s emphasis on employee mobility and freedom to compete counsels against a finding that the CTO’s self-serving efforts to land a position with Apple were a breach of fiduciary duty.”

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Hooked Media v. Apple

- “*Allowing an action for trade secret misappropriation against a former employee for using his or her own knowledge to benefit a new employer is impermissible because it would be equivalent to retroactively imposing on the employee a covenant not to compete*. [Citation.] ‘The chief ill in the covenant not to compete imposed by the inevitable disclosure doctrine is its after-the-fact nature: The covenant is imposed after the employment contract is made and therefore alters the employment relationship without the employee’s consent.’ *For that reason, evidence that Apple hired engineers with knowledge of Hooked’s trade secrets and that the engineers inevitably would have relied on that knowledge in their work for Apple does not support a claim for improper acquisition of a trade secret. Hooked did not meet its burden to show a triable issue of material fact.*”

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Hooked Media v. Apple

- "The duty of loyalty generally prohibits corporate officers from putting their own business interests ahead of those of their employer. But an officer seeking to better his or her own employment by going to work for a competitor presents a different situation. The law generally permits an officer to pursue that personal advantage even though it may be detrimental to the current employer. To find a breach of fiduciary duty on this record would unduly constrain the ability of employees to make preparations to compete with their current employer."

- The lesson from *Hooked Media v. Apple* is that mere possession of a former employer's trade secrets does not constitute improper use or disclosure by the employees' new employer. Would-be trade secret misappropriation plaintiffs must have admissible evidence and cannot rely on a legal theory that sounds a lot like the rejected inevitable disclosure doctrine.

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The common law rule of reason applies to the validity of a contractual provision restraining a business; the rule in *Edwards v. Arthur Andersen* does not extend beyond the employment context: ***Ixchel Pharma v. Biogen***

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Ixchel Pharma v. Biogen, 9 Cal. 5th 1130, 2020 WL 4432623 (No. S256927, Cal. S. Ct., Aug. 3, 2020).

- The plaintiff, Ixchel, had an at-will contract with a non-party to develop a drug based on a certain active ingredient. The defendant, Biogen, reached its own deal with that non-party to settle patent disputes and to license the same active ingredient – requiring that the at-will contract with the plaintiff be terminated. Ixchel sued Biogen in federal court for tortious interference with contract, arguing that Biogen's agreement violated Section 16600.
- The Ninth Circuit certified the matter to the Supreme Court of California. Clearing up uncertainty in California law, a unanimous Supreme Court held that (1) to state a claim for tortious interference with an at-will contract, a plaintiff must plead and prove an independently wrongful act, beyond interfering with the contract itself; and (2) California's statutory prohibition on contract provisions restraining trade (Cal. Bus. & Prof. Code § 16600) – when applied to one business restraining another – is subject to the same rule of reason analysis prescribed by antitrust common law.

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Ixchel

- Ixchel advocated for the *per se* rule applied in the employment by the Supreme Court of California in *Edwards v. Arthur Andersen LLP*, 44 Cal. 4th 937 (2008). The defendant argued that the common law rule of reason should apply in the commercial context.
- After a lengthy analysis, the Court concluded that in light of the potential pro-competitive effects of contractual restraints on businesses entering a business or trade, a contractual restraint of one business from engaging in lawful business or trade with another business must be analyzed under the rule of reason for claims arising under Section 16600.

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Ixchel

- The lesson from *Ixchel* is that contracts between businesses are subject to the common law rule of reason, whereas post-employment restrictions remain subject to the *per se* rule of invalidity announced in *Edwards v. Arthur Andersen*.

- *See also Quidel Corporation v. Superior Court (Beckman Coulter, Inc.)*, 57 Cal. App. 5th 155, 2020 Cal. App. LEXIS 1055, 2020-2 Trade Cas. (CCH) P81,439, 2020 WL 6534466 (Fourth DCA, Nov. 11, 2020) (triable issues of fact precluded summary adjudication of claim that covenant not to compete constituted an invalid restraint on trade; in a case involving the legality of an exclusive dealing agreement between two sophisticated biotechnology companies, following *Ixchel Pharma, LLC v. Biogen, Inc.*).

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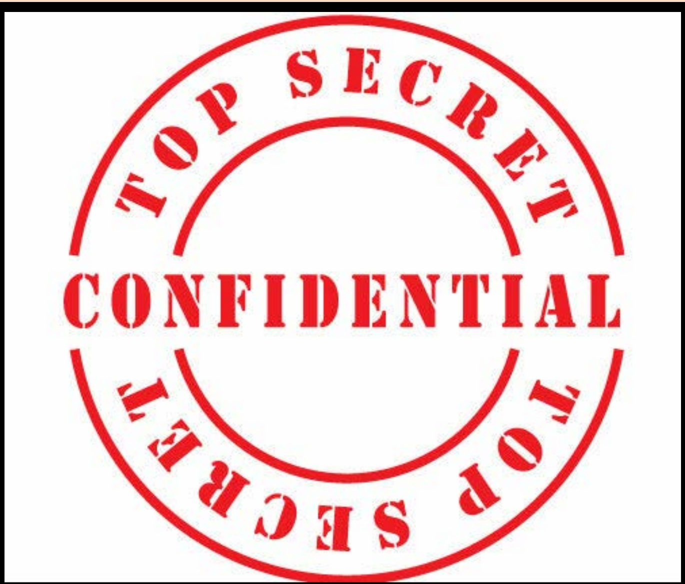
Attorney’s fees belong to the attorneys who defended bad faith trade secret claims absent contrary contractual provision: ***Aerotek***



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Aerotek, Inc. v. The Johnson Group Staffing Co., 54 Cal. App. 5th 670, 2020 Cal. App. LEXIS 870 (Sept. 15, 2020).

- A law firm defended its client through two rounds of trade secret misappropriation litigation brought by the client's chief competitor, Aerotek.
- Aerotek lost the underlying cases and was ordered to pay prevailing-party attorney fees in the amount of $735,781 pursuant to Cal. Civ. Code § 3426.4.
- The trial court determined that the law firm, not the client, was entitled to the fees, because "attorney fees awarded under section 3426.4 (exceeding fees the client already paid) belong to the attorneys who labored to earn them, absent an enforceable agreement to the contrary" (relying on *Flannery v. Prentice*, 26 Cal. 4th 572 (2001), which involved prevailing-party attorney fees under the FEHA).

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Aerotek

- The Court of Appeal followed the Supreme Court of California's decision in *Flannery v. Prentice*, 26 Cal. 4th 572 (2001).

- "Although [the Court of Appeal found] this to be a closer case, we interpret section 3426.4 similarly."

- In reaching its conclusion that fees awarded under Section 3426.4 belong to the attorneys and not the prevailing client, the Court of Appeal similarly reviewed the statute and its legislative history. For example, it observed that "[t]he Commissioners [on Uniform Laws], on the other hand, did offer a specific reason for this type of statute: it would serve 'as a deterrent to specious claims of misappropriation . . .' [Citation.]" *Stilwell Development, Inc. v. Chen*, 1989 WL 418783 at p. *3, 1989 U.S. Dist. LEXIS 5971 at p. *9(C.D. Cal. Apr. 25, 1989, No. CV86-4487-GHK).

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Aerotek

- "Taking these various considerations together," the Court of Appeal concluded that "attorney fees awarded pursuant to Section 3426.4 (exceeding fees already paid) belong, absent an enforceable agreement to the contrary, to the attorneys who labored to earn them."

- The lesson from *Aerotek* is client and counsel should address all potential fees issues in their engagement agreement, as the default is the attorneys are entitled to any CUTSA fee award above what the client already paid.

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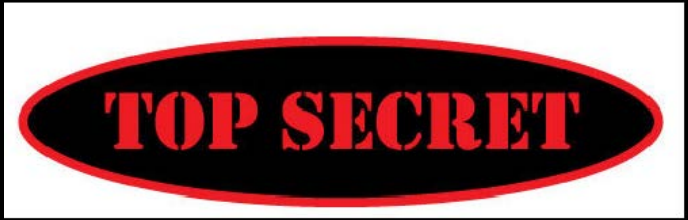
Triable issues of material fact precluded summary judgment on claims of trade secret misappropriation: *InteliClear*



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InteliClear, LLC v. ETC Global Holdings, Inc., 978 F.3d 653, 2020 U.S. App. LEXIS 32542, 2020 U.S.P.Q.2D (BNA) 11218, 2020 WL 6072880 (9th Cir. Oct. 15, 2020).

- The district court granted ETC's motion for summary judgment and held that InteliClear failed to sufficiently identify which elements of the InteliClear System were allegedly trade secrets.

- The district court also denied InteliClear's motion to defer ruling until after completion of discovery under Rule 56(d) because the court determined that discovery would not resolve the underlying deficiencies, i.e., the failure to state the alleged trade secrets with sufficient particularity.

- The district court did not reach the issue of whether a genuine dispute existed with respect to misappropriation or damages.

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InteliClear

- The Ninth Circuit held that there was a genuine issue of material fact as to whether InteliClear identified its trade secrets with sufficiently particularity. A reasonable jury could conclude that "the uniquely designed tables, columns, account number structures, methods of populating table data, and combination or interrelation thereof, are protectable trade secrets."

- The court was persuaded that "[r]ather than using 'catchall' phrases or merely identifying categories of information, the Barretto Declaration – filed under seal to protect InteliClear's proprietary information – specified the program processes, tables, columns, and account identifiers from its SQL database that it considered trade secrets." *See Imax*, 152 F.3d at 1167.

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InteliClear

- “Refining trade secret identifications through discovery makes good sense. The process acknowledges the inherent tension between a party’s desire to protect legitimate intellectual property claims and the need for intellectual property law to prevent unnecessary obstacles to useful competition. Other courts have recognized that plaintiffs in trade secret actions may have commercially valid reasons to avoid being overly specific at the outset in defining their intellectual property. *See IDX*, 285 F.3d at 583 (‘Reluctance to be specific is understandable; the more precise the claim, the more a party does to tip off a business rival to where the real secrets lie and where the rival’s own development efforts should be focused.’).”

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InteliClear

- The Ninth Circuit was critical of the district court's "precipitous" and "premature" summary judgment.

- The lesson from *InteliClear* is that trade secret defendants should not count on successful early dispositive motions before the plaintiff has had adequate time both to define its trade secrets with reasonable particularity and for merits discovery.

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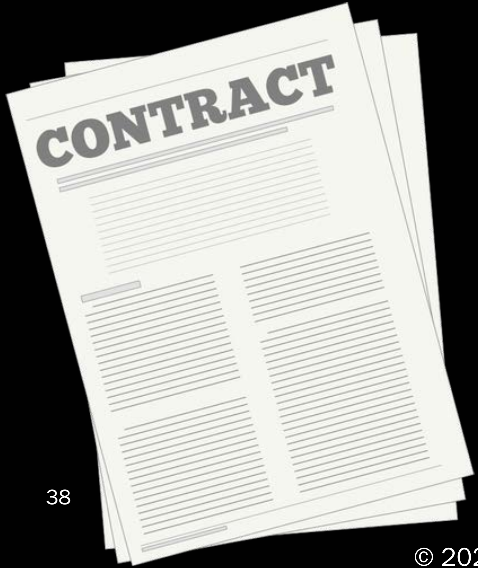
Any amendment to employment contract after January 1, 2017 renders forum selection clause voidable by employee: ***Midwest Motor Supply***



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Midwest Motor Supply Co. v. Superior Court (Finch), 56 Cal. App. 5th 702 (First DCA, Oct. 28, 2020).

- Patrick Finch worked for Midwest Motor Supply in 2014 pursuant to an employment agreement that contained a choice-of-law and forum selection clause invoking Ohio law and exclusive venue in Ohio. Finch was promoted in 2016 and received a new compensation plan; he also received new compensation plans in 2017 and 2018.

- After Finch sued Midwest in California in 2019 for various Labor Code violations, Midwest filed a motion to dismiss or, alternatively, stay the action on the basis of the Ohio forum-selection clause.

- The trial court denied Midwest's motion on the ground that the modifications to the compensation plan in 2017 and 2018 occurred after January 1, 2017 (the operative date of Cal. Labor Code § 925, which generally renders out-of-state forum selection clauses voidable by a California employee).

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Midwest Motor

- The Court of Appeal denied Midwest's petition for writ of mandate, holding that a modification to an employment agreement on or after January 1, 2017 triggers Section 925 even though the modification was to a provision other than the forum-selection clause.
- *Midwest* counsels California employers not to include non-California choice of law and venue provisions in employment contracts *or amendments* after January 1, 2017 unless the employee is actually represented by an attorney during the contract negotiations.

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Arbitrator exceeded authority in entering award that permitted enforcement of unlawful covenant not to compete in violation of Cal. Bus. & Prof. Code § 16600: ***Brown v. TGS Management***

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Brown v. TGS Management Company, Inc., 57 Cal. App. 5th 303 (Fourth DCA, Nov. 12, 2020, No. G058323).

- This decision is significant for allowing a court to review a contractual arbitration award that violates California public policy in favor of employee mobility and against unlawful post-employment contractual restraints.
- The former employee overcame the strong presumption in favor of arbitration finality, including the ability of arbitrators to get the facts and/or the law wrong. *See Moncharsh v. Heily & Blase*, 3 Cal. 4th 1, 11 (1992) ("The arbitrators are not bound to award on principles of dry law, but may decide on principles of equity and good conscience, and make their award *ex aequo et bono* [according to what is just and good]. [Citation.] As a consequence, arbitration awards are generally immune from judicial review.

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Brown v. TGS Management: Overbroad, unenforceable contractual restraints

- “The 12-page agreement contains numerous provisions restricting Brown’s right to compete with TGS after leaving its employ, including a two-year ban on engaging in ‘Directly Competitive Activity’”;
- “In particular, we note the ‘confidentiality’ provisions of the Employment Agreement bar Brown in perpetuity from disclosing or using ‘Confidential Information’ for his own benefit or the benefit of any party other than TGS or a TGS client”;
- “The Employment Agreement defines ‘Confidential Information’ so broadly as to prevent him from ever working again in securities trading, much less in his chosen specialty of statistical arbitrage”; and
- “We note section 4.3 of the Bonus Agreement made any ‘vested’ but ‘unpaid’ bonus subject to forfeiture upon TGS’s *posttermination* discovery of any ‘act which could have been the basis for a termination for Cause,’ specifically including breach of the Employment Agreement’s confidentiality provisions.”

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Brown v. TGS Management

- The arbitrator ruled in favor of TGS on all of Brown's claims and TGS's counterclaims. Notably, the arbitrator found that (1) Brown had breached the confidentiality provisions of his employment agreement, causing the forfeiture of both deferred bonuses which, at the time of the breach, were vested but unpaid; (2) Brown was not entitled to a declaration invalidating the non-competition and confidentiality provisions of his employment agreement under Section 16600, and was ineligible for equitable relief more generally due to his theft of TGS's confidential information; (3) the UCL claim was "derivative" of the failed declaratory relief claim; and (4) Brown had not established the underlying facts necessary to sustain a claim under Labor Code section 1102.5(a).
- Finally, the arbitrator found several instances of bad faith conduct by Brown and ordered him to pay TGS $2,462,721 for its attorneys' fees, plus $172,682 in costs, a refund of the deferred bonus he had received, and interest on the bonus and the award overall.

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Brown v. TGS Management

- Brown successfully argued that the arbitrator's award was "inconsistent with the protection of a party's statutory rights" and conflicts with "explicit legislative expression of public policy," specifically California Business and Professions Code section 16600 ("Section 16600"). *Brown v. TGS Management Company*, 57 Cal. App. 5th 303 (Nov. 12, 2020, No. G058323) (citing *Moncharsh*, 3 Cal. 4th at p. 32).
- In the Court of Appeal's words: "We conclude the arbitrator exceeded his power in issuing an award enforcing provisions of an employment agreement which illegally restrict Brown's right to work." *See* Code Civ. Proc. § 1286.2, subd. (a)(4); *Richey v. AutoNation, Inc.*, 60 Cal. 4th 909, 918, fn. 1 (2015) (*de novo* review of "the question whether the arbitrator exceeded his powers and thus whether we should vacate his award on that basis").
- The employment contract at issue in this case, unhelpfully titled "Confidentiality, <u>Noncompetition</u>, Assignment and Notice Agreement" (underlining added), was very broad and "facially" violated Section 16000.

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Brown v. TGS Management

- Section 16600 rendered "void *ab initio* and unenforceable" TGS's overbroad post-employment contractual restraints on the ground that they operated as a "*de facto* noncompete provision."
- The lesson from *Brown v. TGS* is that California employers should not expect to enforce facially unlawful anticompetitive contract provisions, such as those at issue here, even through use of "binding" and mandatory contractual arbitration.

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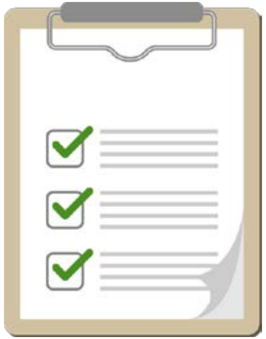
Tips for Trade Secret Owners



- Clearly identify information that is a trade secret
  - Mark trade secret information
    - But do not over mark
  - When using both patents and trade secrets to protect IP, clearly distinguish what is a trade secret from what is in the patent
    - Trade secret information that appears in a patent application can lose trade secret character

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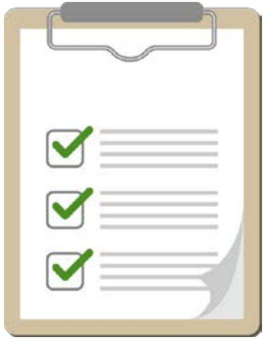
Tips for Trade Secret Owners



- Take reasonable precautions to maintain secrecy
  - Limit access to trade secret information
  - Maintain security where trade secret information is kept
  - Have anyone having access to trade secrets – including employees, visitors and contractors – sign NDAs
  - Perform a detailed review of departing employees' computers and other devices
    - Have departing employees confirm confidentiality obligations
  - Conduct regular inventories of trade secret information

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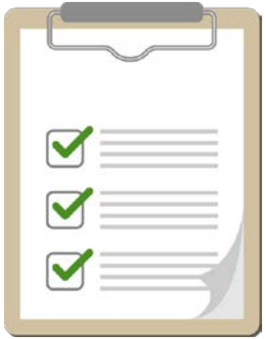
Tips for Companies That May Face Claims



- Any company that hires new employees or is given access to another company's trade secrets is vulnerable to a claim
- Have new employees affirm they are not bringing previous employer's trade secrets
- Educate employees on the importance of keeping trade secrets secret
  - Repeat education on a periodic basis

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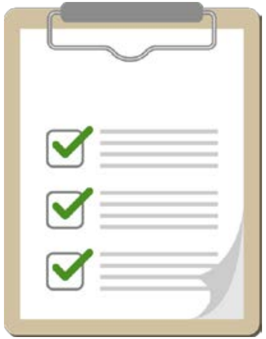
Tips for Companies That May Face Claims



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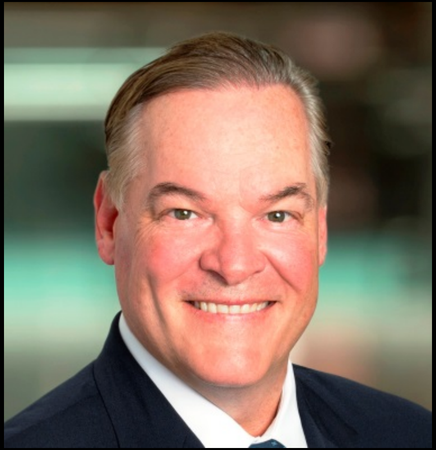
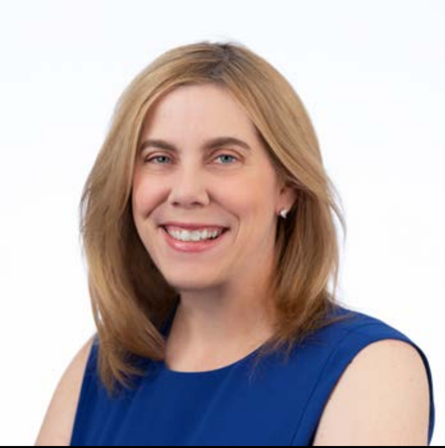
Thank you for attending





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