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Protecting Trade Secrets – It Matters Now More Than Ever

September 29, 2021



Speakers



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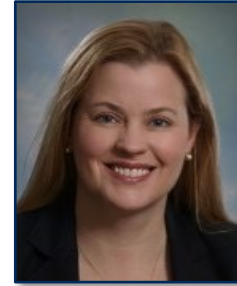
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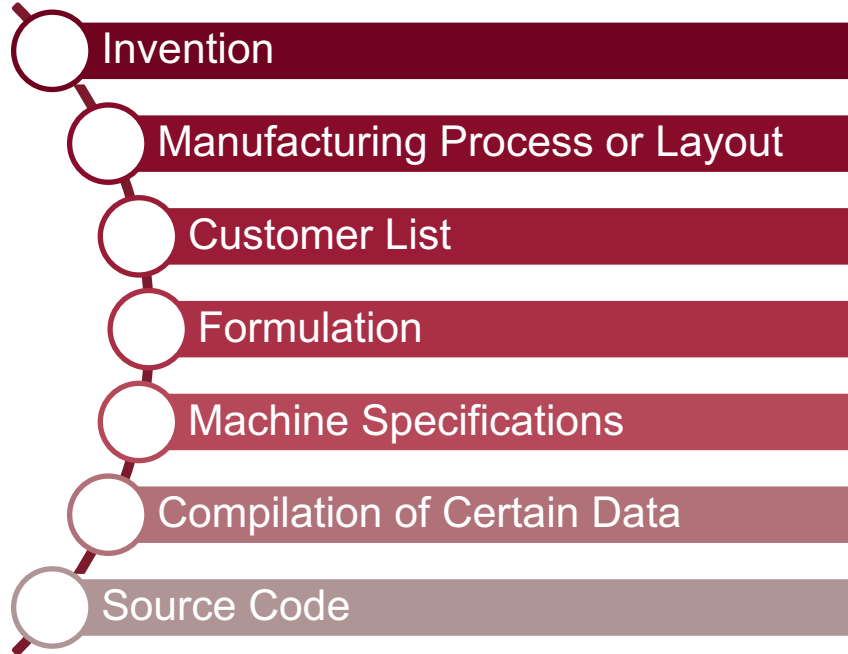
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Managing Trade Secrets - Be Proactive

What is a Trade Secret?

No Set Definition for What Constitutes a Trade Secret



“Trade secret” means 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 the public or 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 **maintain its secrecy**

The Rise of Global Trade Secret Theft

The ERC determined to add ROFS Microsystems; Tianjin Micro Nano Manufacturing; Tianjin University; and the individuals Chong Zhou; Huisui Zhang; Jinping Chen; Wei Pang; and Zhao Gang because there is reasonable cause to believe that these individuals, in coordination with Tianjin University through its College of Precision Instruments and Optoelectronic Engineering Tianjin Micro Nano Manufacturing, and ROFS Microsystems, systematically coordinated and committed more than a dozen instances of theft of trade secrets from U.S. corporations. On April 1, 2015, those five individuals were indicted on thirty counts including conspiracy to commit economic espionage, conspiracy to commit theft of trade secrets, economic espionage, aiding and abetting and theft of trade secrets. The indictment stated that individuals associated with ROFS and others developed a scheme by which the sources and origins of the trade secrets stolen from Avago and Skyworks would be disguised and the technology contained within those trade secrets be used by entities in the PRC to develop products for civilian and military use. Pursuant to § 744.11(b) of the EAR, the ERC determined that the conduct of these entities raise sufficient concern that necessitates prior review of exports, re-exports or transfers (in-country) of items subject to the EAR involving these persons and companies.



FEDERAL REGISTER

The Daily Journal of the United States Government



Priority Watch List

- Algeria
- Argentina
- Chile
- China
- India
- Indonesia
- Kuwait
- Russia
- Saudi Arabia
- Ukraine
- Venezuela

Watch List

- Barbados
- Bolivia
- Brazil
- Canada
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- Egypt
- Greece
- Guatemala
- Jamaica
- Lebanon
- Mexico
- Pakistan
- Paraguay
- Peru
- Romania
- Switzerland
- Thailand
- Turkey
- Turkmenistan
- UAE
- Uzbekistan
- Vietnam



2020 Special 301 Report

OFFICE of the UNITED STATES TRADE REPRESENTATIVE
APRIL 2020

Third Party Suppliers/Vendors

The Practical Reality

What kinds of trade secrets are you sharing?

- Materials
- New Products
- Marketing Plans
- Manufacturing Processes

The Commission on the Theft of American Intellectual Property estimates that annual costs from IP losses range from \$225 billion to \$600 billion.

**1 in 5 corporations say
China has stolen their IP
within the last year**

- CNBC CFO Survey

Identify threats to trade secret disclosures

- Rogue employees
- Data breaches
- Severed relationships
- Jurisdiction-specific issues



22% Of all cases originated within the industrials sector

46% Included multiple types of trade secrets

Case Study – Employee Resignation

- Employee approaches management and provides his resignation



- What should the employer do?
 - As discussed previously, information qualifies as a “trade secret” if it meets two requirements:

(1) *the owner thereof has taken reasonable measures to keep such information secret* and

(2) “the information derives independent economic value....”

Defense of Trade Secret Act, 18 U.S.C. § 1839(3)



Case Study – Employee Resignation

- ✓ Obtain copy and review confidentiality agreement to confirm employee's obligations after separation
- ✓ Conduct exit interview with employee to remind him of his obligations once he is separated from the company and have employee sign an acknowledgement of these continuing obligations
- ✓ Immediately disable electronic access to servers, email, other electronic media that contains confidential and trade secret information of employer
- ✓ Collect all electronic devices belonging to the company, and if necessary conduct forensic analysis on such devices to assess whether additional devices had access to such company's devices
- ✓ In all likelihood, any non-competes will be difficult to enforce – take steps to mitigate risk of tech transfer, but more importantly, preserve the trade secret status of company's information

Case Study – Company Hires High-Level Employee from Direct Competitor

- Employee is being on-boarded into the new company.
- What should the new employer do?
 - Generally speaking, former employers can't enjoin former employees from using general skill and expertise acquired throughout one's career.



“[while] the former employee may not use confidential information or trade secrets [in the new employment] . . . “a former employee may use general knowledge, skill, and experience acquired in his or her former employment in competition with a former employer”

Les Fields/C.C.H.I. Ins. Servs. v. Hines, 2016 U.S. Dist. LEXIS 162163, at *43 (N.D. Cal. Nov. 22, 2016)



Case Study – Company Hires High-Level Employee from Direct Competitor

- ✓ Have the new employee sign an agreement that he is not in possession of and will not use or disclose any confidential or trade secret information of his former employer.
- ✓ If applicable, have new employee keep a lower profile with respect to contacting customers, whether existing customer or new customers, and if practical, avoid having new employee work on competing technologies with old employer
- ✓ Do not allow the new employee to connect any non-company devices into company devices, whether servers, computer, etc.
- ✓ There is a fine line between an employee's general knowledge and expertise and specific information of the former employer, but eliminating anything tangible should go a long way in protecting both new employee and new company

Case Study – Former Company Takes Steps to Enforce its Trade Secrets

- ✓ Send letter to new employer to advise of former employee's obligations
- ✓ Work with third party vendor to assemble forensic report detailing former employee's access to electronic documents and files prior to separation from former employer
- ✓ Document and preserve evidence identifying steps taken by former employer to protect its trade secrets upon employee separation
- ✓ If necessary, send cease and desist letter regarding new employee's employment
- ✓ Prepare complaint detailing allegations, including identification of trade secrets and steps taken to maintain confidentiality of such trade secrets

Managing Trade Secrets - Be Proactive



Strategic Assessment

- Captive vendor/Joint venture/third party
- Location of vendor



Awareness

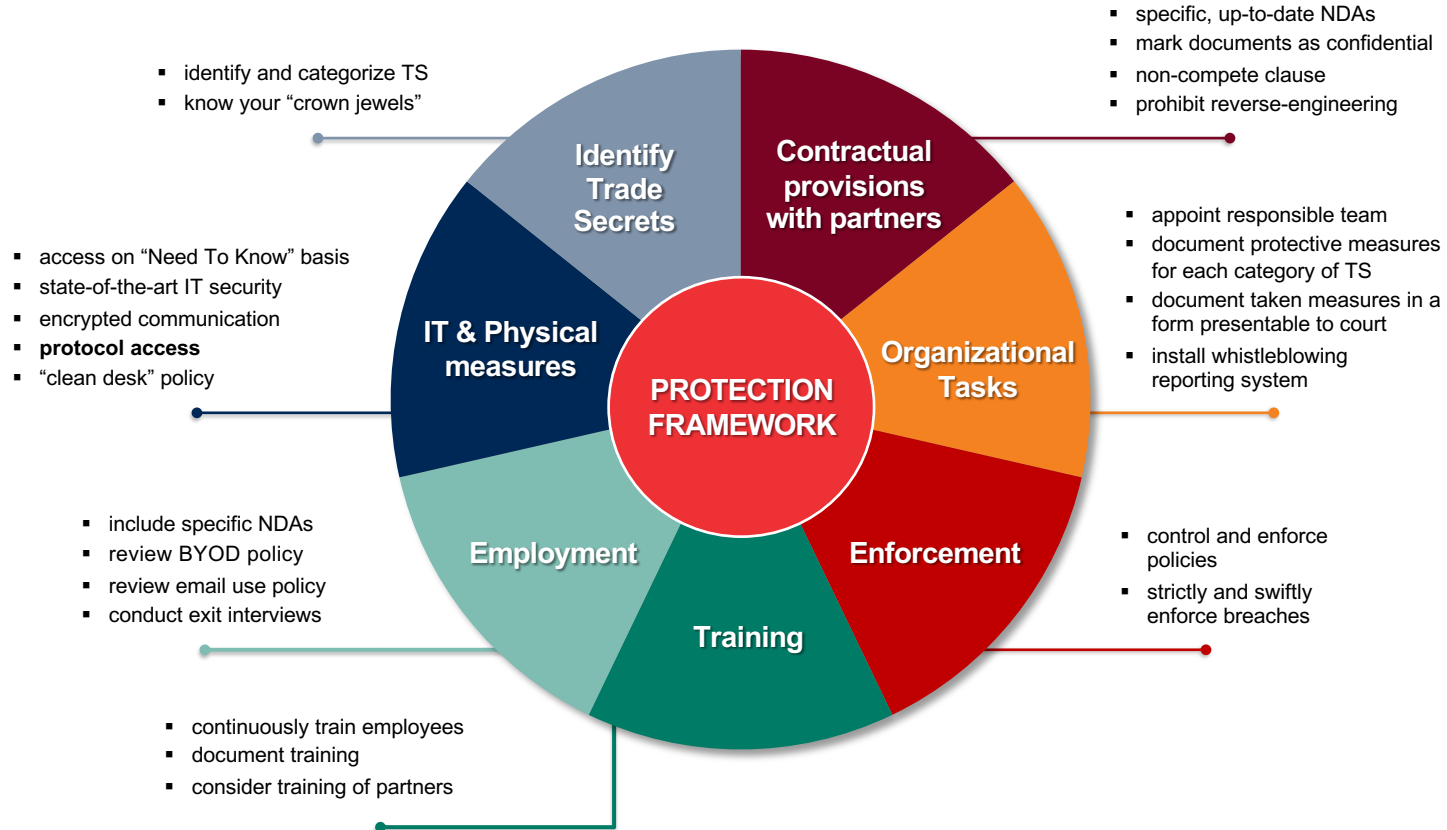
- Due diligence
- Where are your trade secrets located?
- How are trade secrets transmitted?
- Audit rights



Create a Culture of Compliance

- Contractual provisions
- Operational responsibility
- Safeguards/Access
- Engagement – Identify individuals with responsibility for enforcing compliance

Trade Secrets Check List



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Speakers



Christine Streatfeild

Christine Streatfeild is a Partner in Baker McKenzie's Washington DC office. She is a member of the North America Trade Secrets Steering Committee and Global Trade Secrets working group. Christine specializes in unfair competition cases, including federal and state court litigation and Section 337 intellectual property and trade secrets disputes. Prior to joining Baker McKenzie, Christine served as the acting deputy director of the Generalized System of Preferences (GSP) and in the Environment and Natural Resources division of the Office of the United States Trade Representative.



Richard Wells

Richard V. Wells is a partner in Baker McKenzie's Intellectual Property Practice Group. Richard has over 20 years of experience practicing intellectual property law with a focus in the areas of trade secrets, including counseling and litigation, and patents, including due diligence, prosecution, counseling and litigation. Prior to rejoining the Firm, Richard served as intellectual property counsel for WesternGeco, a subsidiary of Schlumberger, in Oslo, Norway. In that role, Richard managed a global patent portfolio of several hundred patents and routinely advised on competitive decision making with an intellectual property angle.

Speakers



Zoe Sharp

Zoe Sharp is General Counsel at Optoro, Inc., a company using innovative technology to help its clients manage excess and returned inventory. In that role, she provides counsel in a number of areas, including employment, privacy, security, compliance and software licensing.


Previously she served as special counsel to a Board Member at the Public Company Accounting Oversight Board (PCAOB), a nonprofit corporation established by Congress to oversee the audits of public companies. Zoe is both a lawyer and a CPA. She is a graduate of Stanford University Law School, holds a master's degree in accounting from American University, and a bachelor's degree from Yale University. She is an adjunct instructor at American University's Kogod School of Business in Accounting and Business Law, Ethics and Governance, Co-Chair of the Board of My Sister's Place DC, and a Forum Co-Chair of the Association of Corporate Counsel's National Capital Region Technology and IP Forum.



**Adriana
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Adriana Suringa Luedke is responsible for providing legal support on a wide array of matters including leadership of strategic planning for corporate intellectual property strategy and open source software initiatives; support of Lockheed Martin Government Affairs on legislative and regulatory data rights and intellectual property matters; drafting and negotiation of commercial and government contracts; management and training of the company's enterprise IT contracting team; advising on enterprise IT policies and procedures and cybersecurity-related and privacy matters; conducting intellectual property due diligence and negotiation of terms in support of corporate divestitures, acquisitions and venture capital investments; resolving intellectual property disputes; and advising on data rights and other government contract issues.

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