



MINTZ

Safeguarding Your Company's Secrets in a Global, Remote-First Era

Meet Us



Paul Houston

Member

Employment litigator and counselor who represents clients from around the world. He has developed a particular expertise in employee mobility issues, including disputes relating to trade secrets, unfair competition, and restrictive covenants. Paul's work has created new case law clarifying the enforceability of restrictive covenants, particularly against individuals working for California employers.



Reza Dokhanchy

Member

Patent and trade secret litigator who represents plaintiffs and defendants in the high-tech and life sciences fields. He draws on his strong technical background to successfully lead cases in federal district courts, at the International Trade Commission (ITC), and before the Patent Trial and Appeal Board (PTAB).

Our Practices



Paul Houston

Member

Mintz Employment Litigation & Arbitration Practice includes attorneys who are in court every day defending clients of all sizes and in every industry. We've represented employers in some of the toughest and most complex employment cases — including nationwide wage and hour class actions, high-stakes noncompetition and trade secret litigation, and whistleblower, harassment, and discrimination cases.



Reza Dokhanchy

Member

Mintz's Trade Secret Asset Management Practice helps clients identify, catalog, and value trade secret assets to inform business-related decisions and activities, including mergers, acquisitions, and joint development efforts. Trade secrets operate at the intersection of intellectual property, employment, and contract law. Mintz leverages its multidisciplinary capabilities to advise clients on how to strategically manage these assets and in enforcing or defending trade secret matters in litigation.

Overview

1. Workplace trends: remote work and decentralized data
2. What is a trade secret?
3. Related IP paradigms: patent and copyright
4. Protecting a trade secret – the law
5. Common approaches to protection
6. Real world examples
7. Common pitfalls
8. Extraterritoriality concerns and legal update

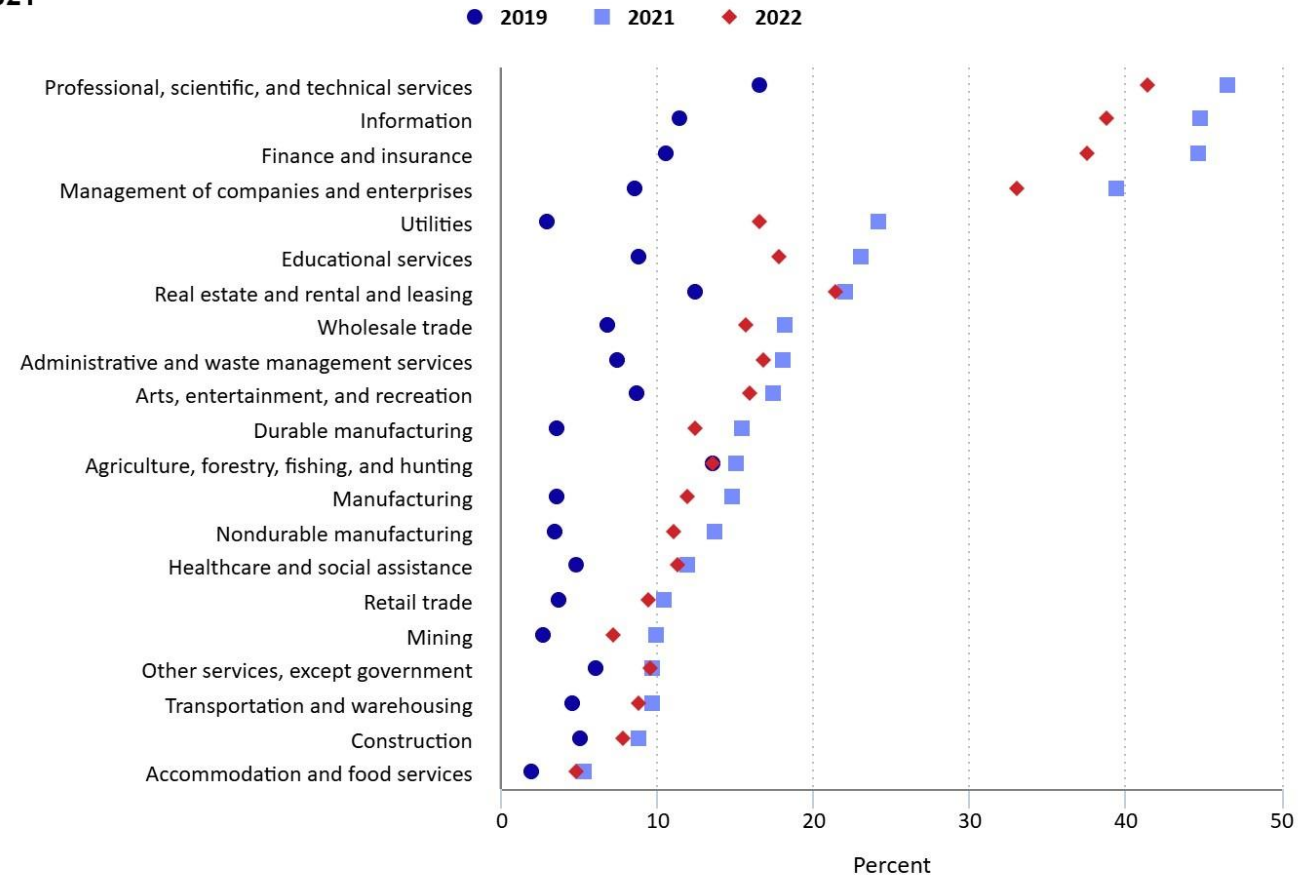
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Workplace trends: remote work and decentralized data

- 40% of professional, scientific, and technical service employees are fully remote
- 82% of Ph.D. employees are either hybrid or fully remote
- 58% of white collar workers prefer to work remotely at least three days per week

Chart 1. Percent of remote workers by major industry group, ranked from largest to smallest in 2021

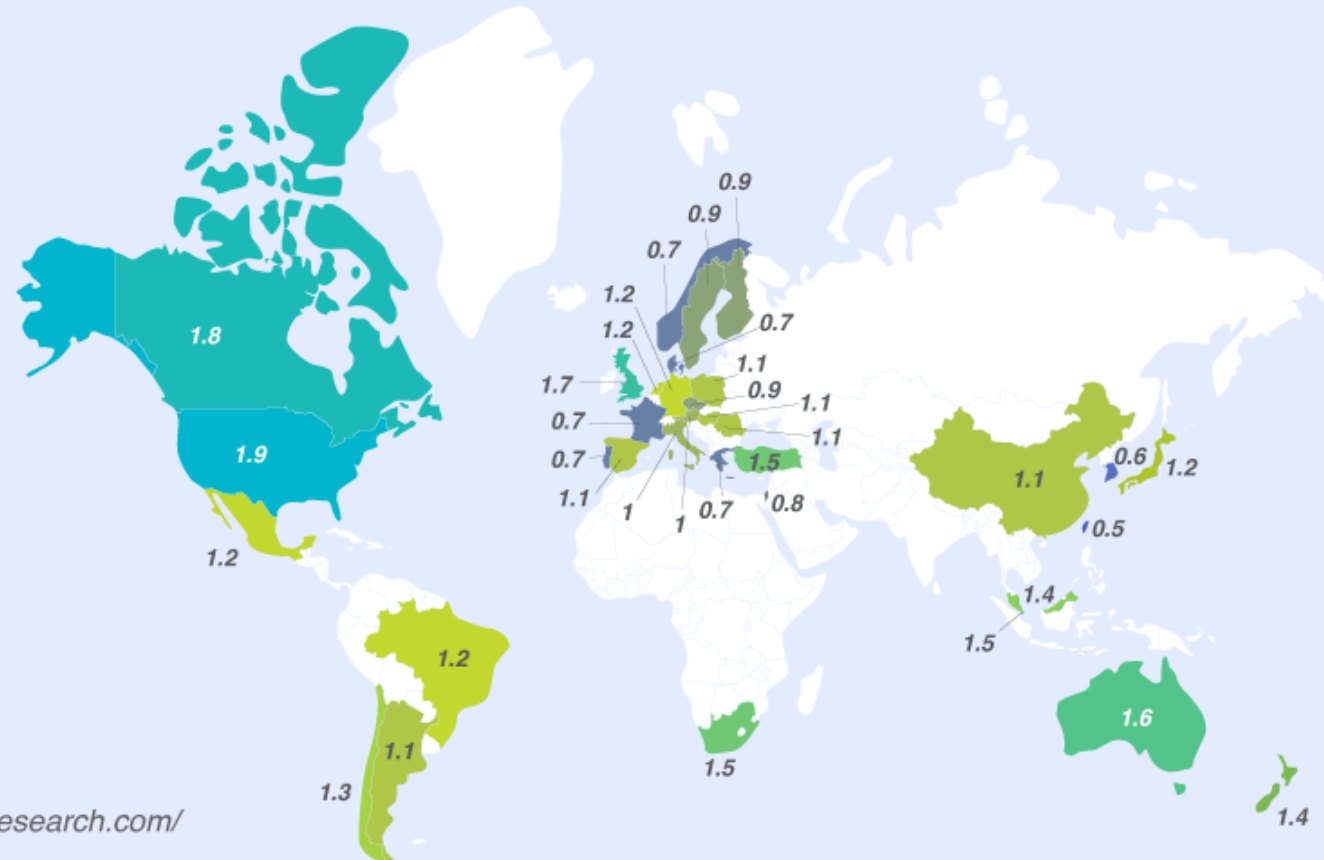


Click legend items to change data display. Hover over chart to view data.
Source: U.S. Census Bureau, American Community Survey.



Workplace trends: remote work and decentralized data

AVERAGE NUMBER OF DAYS WORKED FROM HOME PER WEEK



SOURCE: <https://wfhresearch.com/>

Workplace trends: remote work and decentralized data

- A remote workforce means a global workforce
- Global workforces have traditionally been more restricted (manufacturing and communications)
- Now:
 - Globally, 89% of employment contracts were for hybrid or fully remote roles in 2022
 - 64% of U.S. companies have expanded or plan to expand to hiring international employees
 - Common international remote roles include software development, engineering, IT, and data science
 - Remote workers (especially international) present unique challenges in data security management
 - Device control and ownership
 - Network security
 - International laws/jurisdiction

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What is a Trade Secret?

- The **Defend Trade Secrets Act** defines a “trade secret” as:
 - **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 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 the information.



What is a Trade Secret? (cont.)

- What is “**independent economic value**”?
 - Is the information used by the business or will it be?
 - Why does the information have independent economic value to the company or competitors?
 - What products or product lines does the information concern?
 - How much revenue is derived from the products or product lines?
 - How much does the revenue depend on the secrecy of the information?



Exemplary Trade Secret Categories

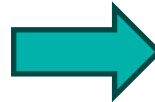
- Manufacturing process and protocols
- Raw data, extracted analytics, AI algorithms
- Software
- R&D, including failures (“negative know-how”)
- Customer and supplier information (e.g., customer lists)
- Information provided from customers
- Strategic, marketing and financial plans
- Analytical methods
- Testing data
- Quality specifications
- Stock/Inventory lists
- Materials lists
- Equipment (e.g., care and maintenance) information
- Training programs to ensure competency of required personnel
- Detailed descriptions of know-how and experience regarding errors to avoid, development and engineering process runs

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Trade Secrets versus Patents

Every patent begins its life as a trade secret



Trade Secrets versus Patents (cont.)

Trade Secrets

- Confidential and internal
- No first-to-file issue – trade secret is valid and protectable from inception
- Any confidential information that confers a competitive advantage
- The existence of closely-related “prior art” does not invalidate a trade secret
- Public disclosure extinguishes trade secret
- No patent-eligibility issues

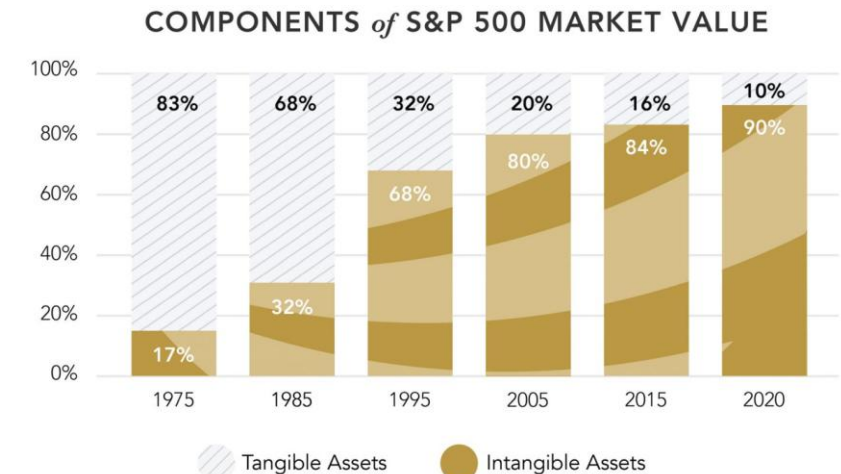
Patents

- Public disclosure of the claimed invention is required
- First-to-file gets to claim the invention
- Patentability determined by PTO
- Crowded field risks invalidation
- Patent eligibility, particularly with respect to software, is uncertain under the law
- The invention must be inventive and non-obvious but need not have independent commercial value

Trade Secrets are a Critical Asset Class

- Intellectual property is a critical asset class
 - Patents, copyrights, trademarks are publicly disclosed and still protected; **trade secrets** are only secret until they're not
 - Over 35% companies surveyed say they have experienced a material IP event and the most common events relate to trade secrets (41%)

Source: <https://www.aon.com/en/insights/articles/intellectual-property-an-asset-to-protect-and-leverage-in-the-technology> (emphasis added)



Source: <https://oceantomo.com/intangible-asset-market-value-study/>

- Companies must identify, manage and leverage all IP, **including their trade secrets**, to gain competitive edge, earn credibility with investors, and achieve higher valuation

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Requirements for Bringing a DTSA Claim



- *InteliClear LLC v. ETC Glob. Holdings, Inc.*, 978 F.3d 653 (9th Cir. 2020):
 - “The Plaintiff ‘should describe the subject matter of the trade secret **with sufficient particularity to separate it from matters of general knowledge in the trade.**”
 - “Plaintiffs **may not simply rely upon ‘catchall’ phrases or identify categories of trade secrets** they intend to pursue at trial.”
 - “It is inadequate for plaintiffs to cite and incorporate by reference hundreds of documents that purportedly reference or reflect the trade secret information.”
- *Insulet Corp. v. EOFlow Co., Ltd.*, No. 2024-1137 (Fed Cir Jun. 17, 2024):
 - Fed Circ reversed District Court decision stating that DC’s definition of a trade secret was too broad.

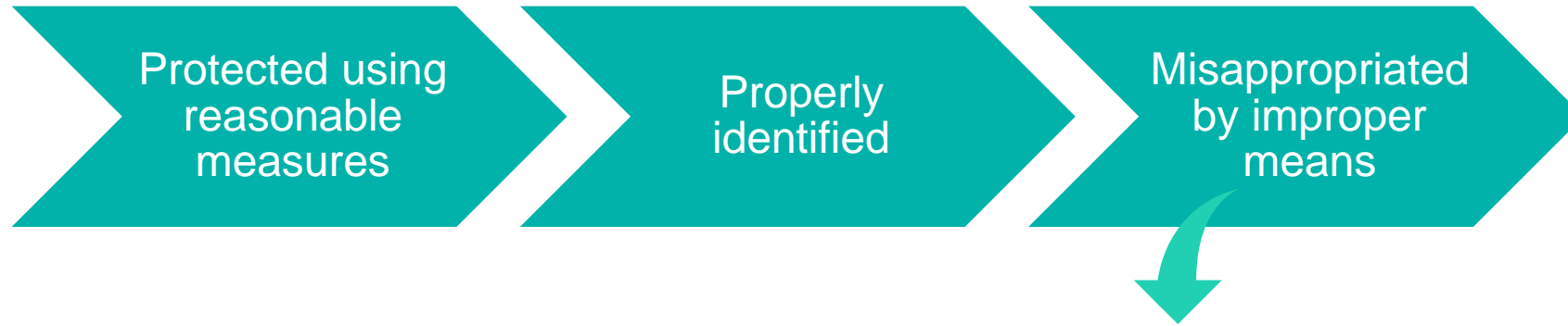
Requirements for Bringing a DTSA Claim



Examples of Reasonable Measure Include:

- Mark documents as trade secrets
- Require confidentiality and nondisclosure agreements
- Establish policies for handling confidential information
- Restrict access
- Conduct employee training
- Audit and inspect regularly
- Exercise post-employment contractual obligations

Requirements for Bringing a DTSA Claim



- Theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means

*To prevent misappropriation of trade secrets, **it is essential first to identify the relevant trade secrets and take reasonable measures to protect them.***

Note: DTSA has Statute of Limitations too, if a company finds out about a misappropriation, they can't just sit around and do nothing about it! See e.g., *CMI Roadbuilding, Inc. v. Iowa Parts, Inc.*, 920 F.3d 560 (8th Cir. 2019).

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Identify & Register Trade Secrets – How It's Done

- Interview key employees regarding potential trade secrets, categorize potential trade secrets, and identify actual trade secrets from potential trade secrets
- Create a *Trade Secret Registry* with limits on access
- Require mandatory trade secret training for all employees
- Incorporate trade secret identification into your current IP program
 - Review innovations for *both* potential patent protection and trade secret protection

Mint Levin Trade Secret Asset Management Program
Pret-Visit Title Questionnaire

B. Department #2 _____

B1. Department Name: Identify a department in information (I) that is not generally known by competitors and (II) would be valuable to a competitor if obtained. (e.g., R&D, production, supply chain).

	Name	Job Title	Location

B2. Locations: Identify the locations for that department. For example, the location(s) for R&D may be Palo Alto, CA and Cambridge, MA, whereas the location(s) for manufacturing may be Lima, OH, Savannah, GA, and Hanoi, Vietnam.

	Name	Job Title	Location

B4. Persons of Knowledge (Trade Secrets) Identify the employees who have the requisite knowledge to discuss the above department's potential trade secrets. The persons identified should have knowledge as to the locations of the potential trade secrets. If you are unable to identify more than one person, please indicate "more than one person" instead of "more than one person" in order to provide the trade secrets of the company. Please include name and location of the employee. Note: Mintz will likely need to interview these individuals.

Name	Job Title	Location
Name	Job Title	Location

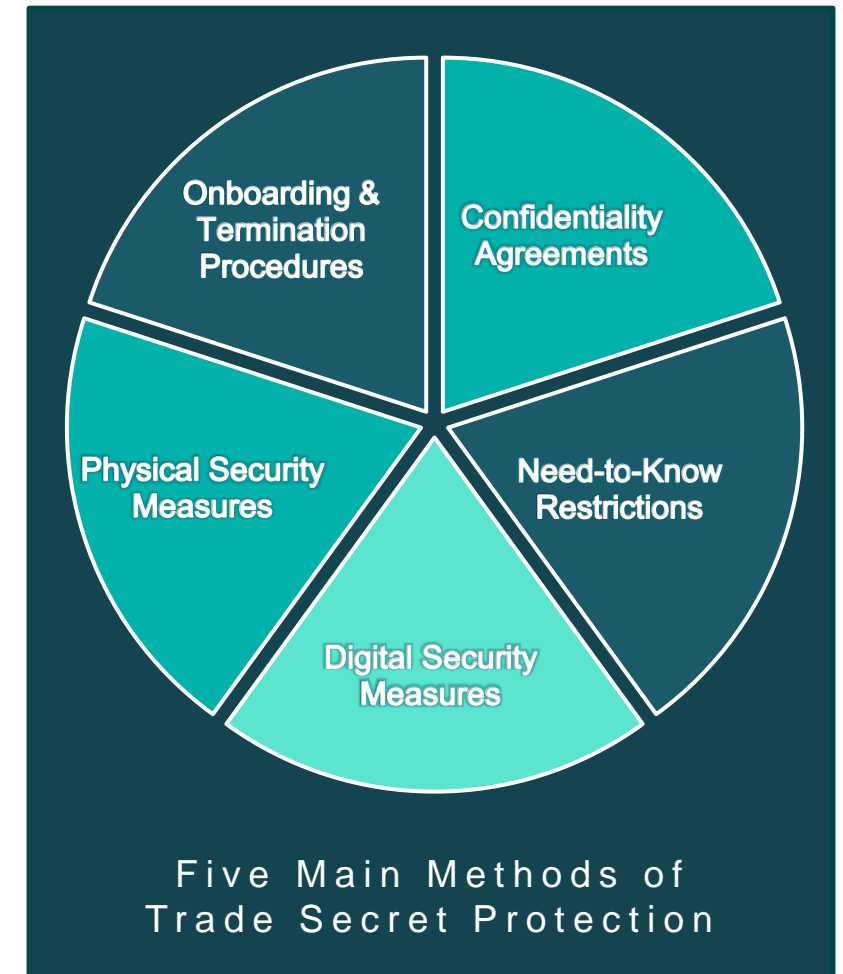
B5. Persons of Knowledge know how technology Please indicate an individual who has the specialized security or management of IT systems listed above. For example, please list an employee whose know-how access is granted to individuals and to whom access has been granted. You may list more than one person if more than one person is needed to cover the trade secrets of that department. Note: Mintz will likely need to interview these individuals.

Name	Job Title	Location

[illegible]

Reasonable Measures – How It's Done

- After identifying potential trade secrets:
 - Identify current protections
 - Implement a risk assessment to determine whether a trade secret is susceptible to secrecy breaches
 - Identify additional protections from the **five main methods of trade secret protection** based on the types of risks identified
 - Select additional protections by balancing the practical and legal need for protection and the cost of the protection



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Motorola Solutions v. Hytera (N.D. Ill. 2020)

- Hytera hired Motorola engineers based in Malaysia
- Engineers downloaded massive amounts of source code and technical documents shortly before leaving
- Internal tracking systems maintained access and download logs, showing timing large spike in downloads that contrasted with ordinary usage over months/years
- At trial, able to show tracking particular files and show direct comparison with Hytera source code and documentation

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How Trade Secret Owners Forfeit Their Rights

- Many trade secret owners forfeit their rights by failing to sufficiently *identify and register* trade secrets and/or failing protect their trade secrets using *reasonable measures*, for example:
 - **Inadvertent Disclosure Due to Lack of Identification**
 - due to a failure to identify trade secrets, employees inadvertently disclose trade secrets to the public during trade shows, conferences, sales calls, customer visits, FDA submissions, etc.
 - **No Trade Secret Program**
 - absent trade secret identification, registration, and management, all unpatented business information can be legally copied, disclosed, and used by anyone, including ex-employees, contractors, consultants, vendors and competitors
 - **Lack of Reasonable Measures for Secrecy**
 - failure to take reasonable measures to maintain the secrecy of information is the most common way to forfeit trade secret rights
 - courts require companies to implement “reasonable [security] measures” **before** a trade secret is **misappropriated** and **before** initiating litigation

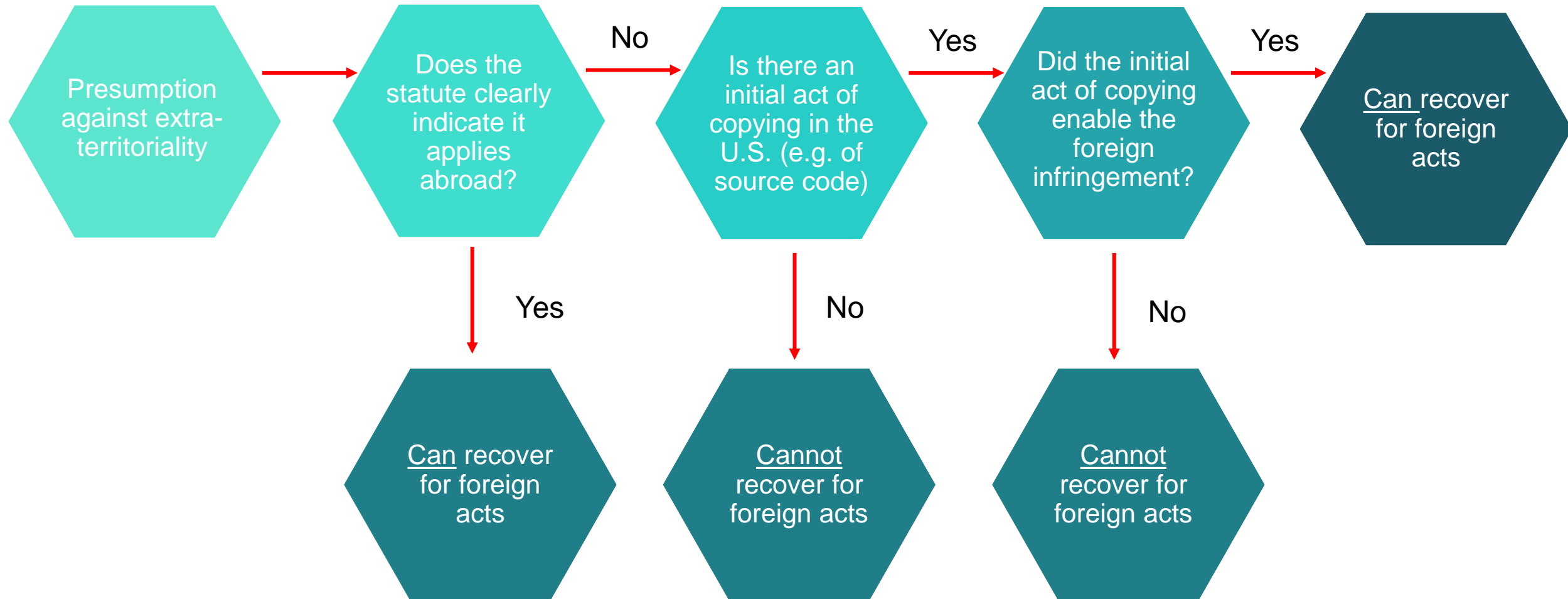
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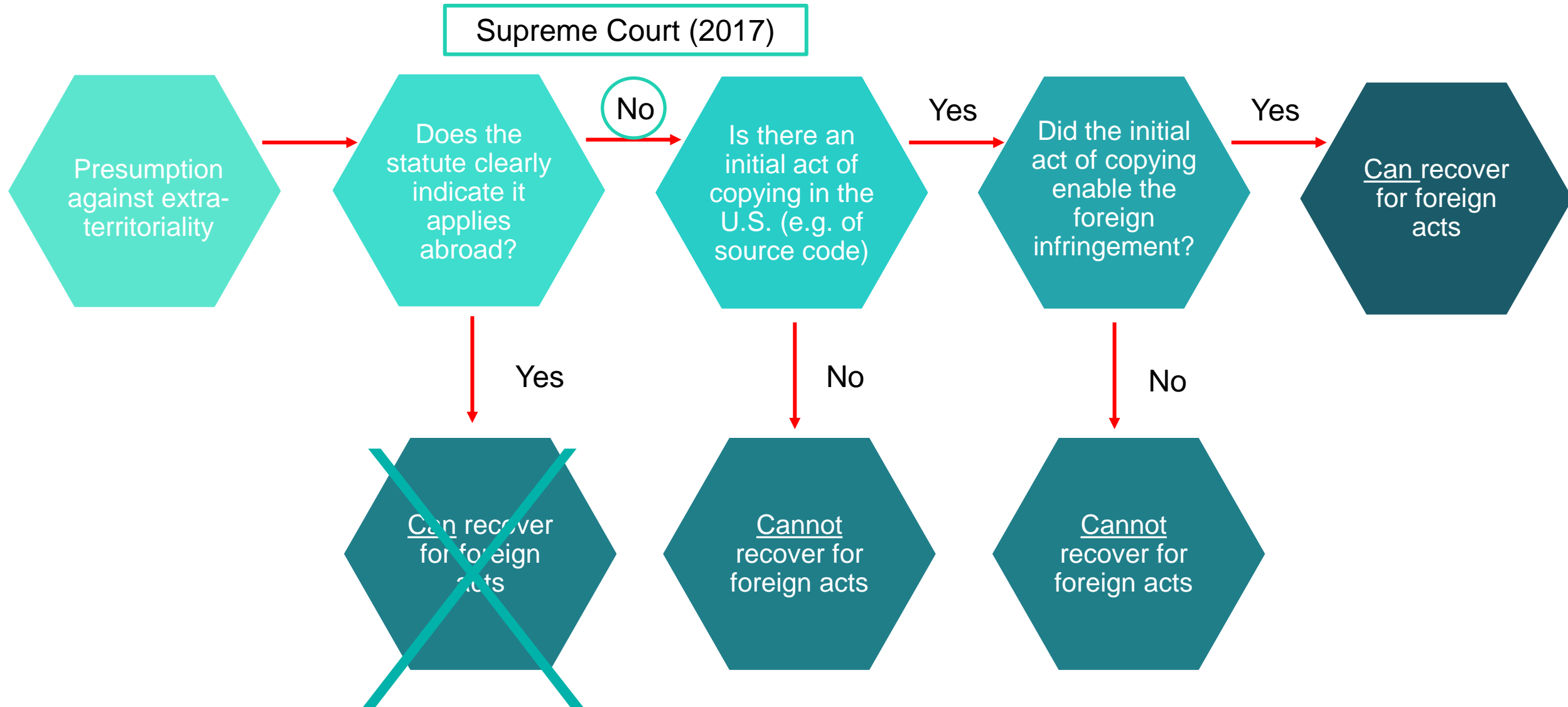
Extraterritoriality

- Scenario: company steals your source code, puts it into products, and sells the products overseas
- Where your secret data is located can be critically important in whether you can recover for trade secret theft or copyright infringement
- Short answer
 - Trade secret: easy
 - Copyright: hard

Legal Framework For Extraterritoriality Issues



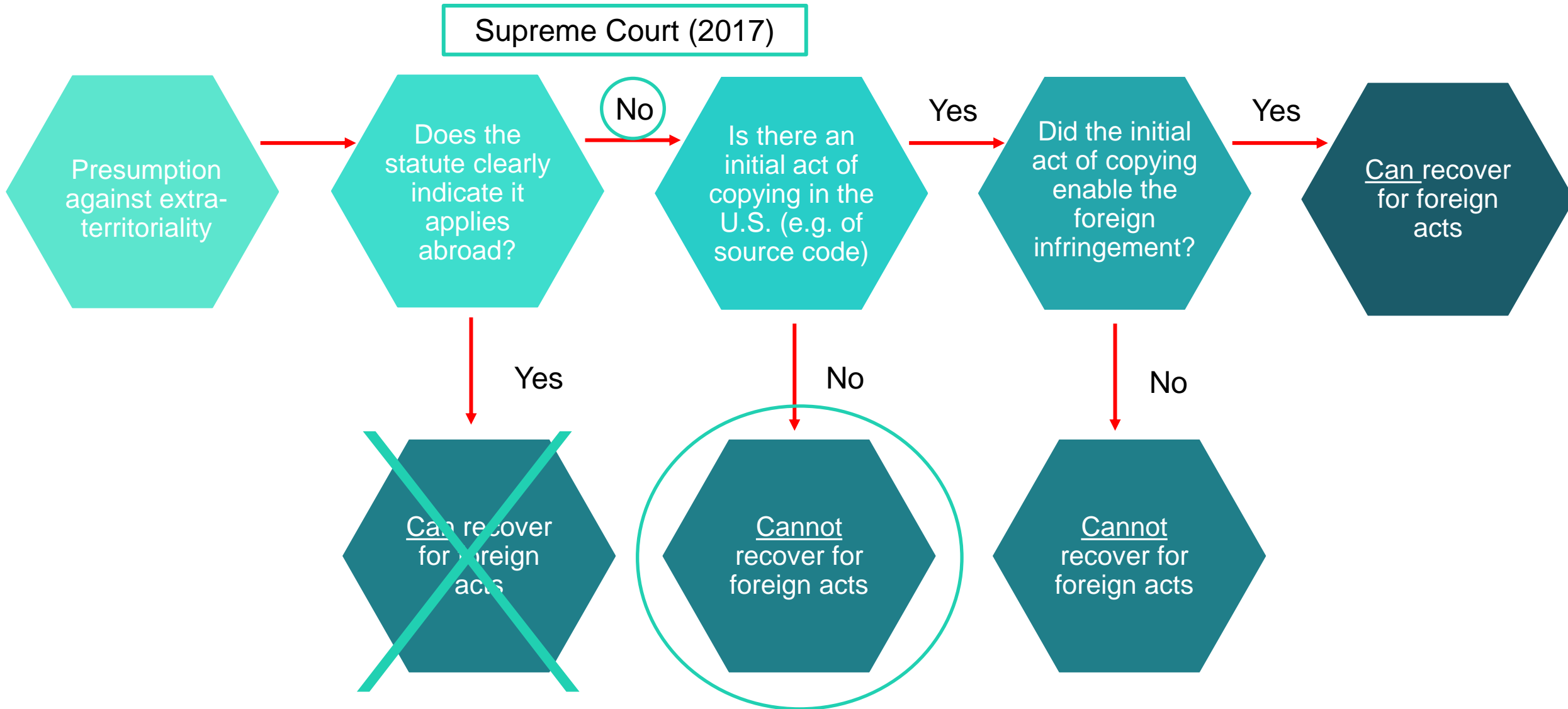
Copyright



Motorola Solutions v. Hytera (7th Cir. 2024)

- Main server in Illinois
- Mirrored to foreign servers around the world
- Changes to one server mirrored to all servers
- Motorola unable to prove precisely which of the global server the copying literally happened from was found to be dispositive, even though all changes were reflected to the Illinois server
- Thus, 7th Circuit found no initial act of copying, reversing district court
- “Without a completed domestic violation of the Copyright Act, Motorola is not entitled to recover damages for any of Hytera's foreign sales of infringing products.”

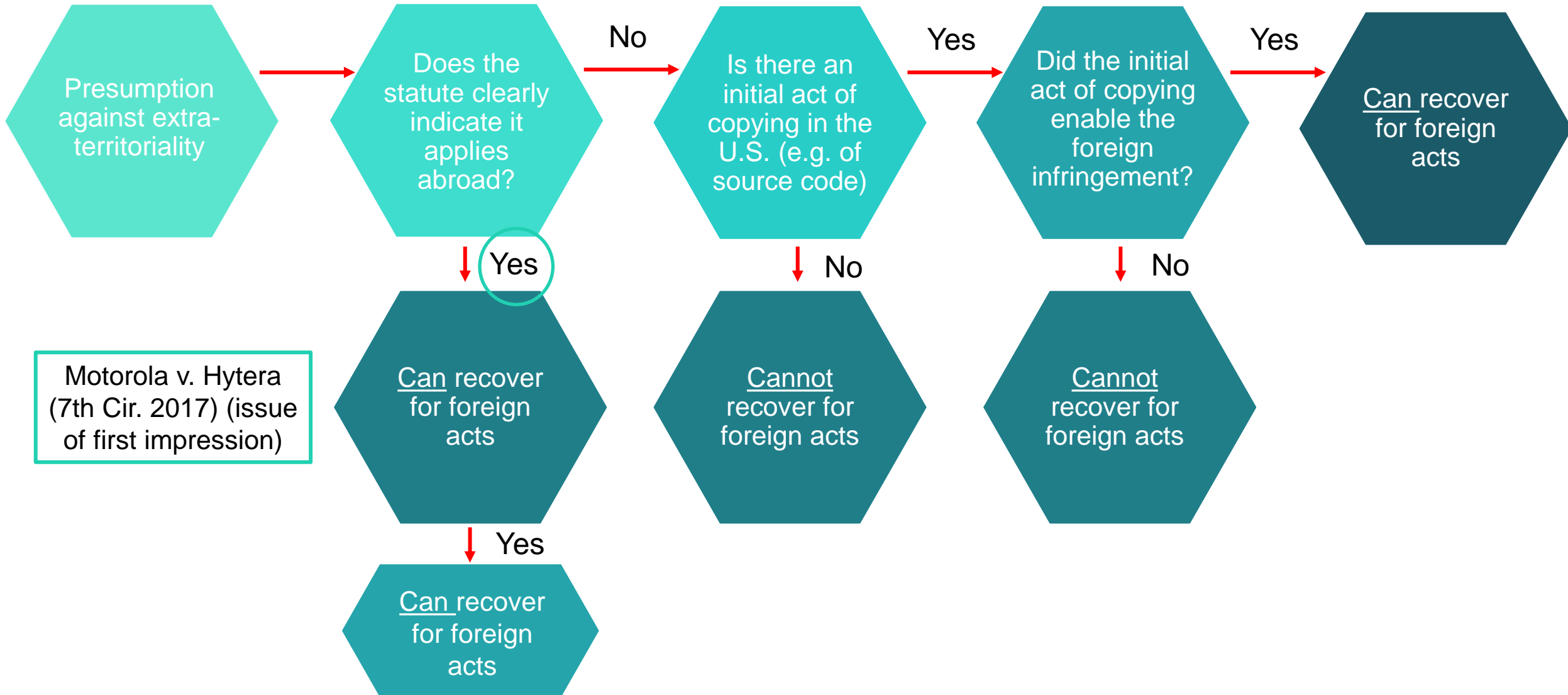
Copyright



Take-Aways Re Copyright

- Store your data in the U.S. only
 - “[B]y choosing to store copies of their copyrighted data abroad in mirrored servers, U.S. copyright owners take the risk that illicit copying will be beyond the reach of U.S. copyright law.”
- At a minimum, track which server is being accessed

Trade Secret (Defense of Trade Secrets Act)



Motorola Solutions v. Hytera (7th Cir. 2024)

- Despite no proven theft of source code in the U.S., court found that marketing in the U.S. furthered sales abroad
 - “We agree that Hytera's marketing of products embodying Motorola's stolen trade secrets constituted domestic ‘use’ of those trade secrets, amounting to completed acts of domestic ‘misappropriation’ under 18 U.S.C. § 1839(5)(B).”
 - “[S]ection 1837(2) does not require a completed act of domestic misappropriation, nor does it impose a causation requirement.”
- “Motorola can recover damages for all foreign sales involving the trade secrets acquired by theft.”