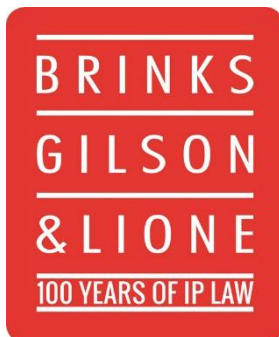


# Protecting Trade Secrets – Considerations Under A New Normal Of Business Operations

*Presentation to*  
**Association of Corporate Counsel  
Chicago Chapter**

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[www.brinksgilson.com](http://www.brinksgilson.com)



**Presented by**

**Brad Lane and Doug Hass**



# CLE and Q&A Information

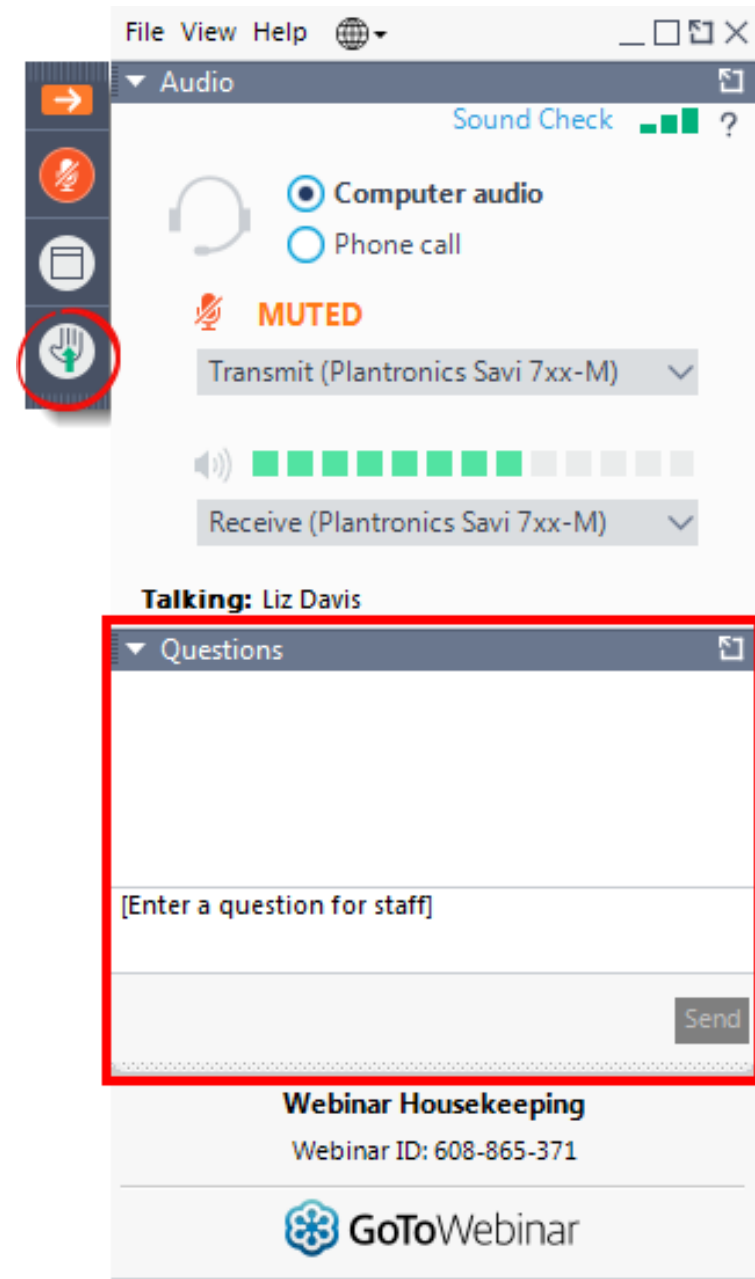
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## Speakers



**Brad Lane** | [blane@brinksgilson.com](mailto:blane@brinksgilson.com)

Brad, a shareholder at Brinks Gilson & Lione, works with clients to identify and understand their business objectives and think forward to the best way to achieve them. Brad has been recognized in *The Best Lawyers in America*, Litigation-Intellectual Property; *Managing Intellectual Property Magazine*, as an IP Star; Illinois Super Lawyers, Intellectual Property-Litigation; and is an American Bar Association Fellow.



**Doug Hass** | [hassdoug@gmail.com](mailto:hassdoug@gmail.com)

Doug, current Chair of the ACC Employment and Labor Law Network, and past Co-Chair of the Network's traditional labor law subcommittee, has more than 25 years of legal, management, and operations experience, all centered on technology-intensive businesses.

Doug has served as General Counsel and Secretary of a NASDAQ-listed dairy company and has advised and represented a wide range of clients on business, litigation, and compliance issues, including labor relations and employment matters.



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## Brinks Gilson & Lione

- IP-dedicated attorneys, patent agents, scientific advisors, paralegals, and paraprofessionals
- Full-Service
  - IP Litigation, including ITC (International Trade Commission) proceedings
  - IP Prosecution
  - IP Transactions
- Former USPTO examiners (patents) and examining attorneys (trademarks)
- Offices in Chicago, Indianapolis, Research Triangle Park, Washington, D.C., and Shenzhen, P.R.C.



## Doug Hass

- Chair, ACC Employment and Labor Law Network
- More than 25 years of legal, management, and operations experience, all centered on technology-intensive businesses
- Has advised and represented a wide range of clients on business, litigation, and compliance issues, including protecting trade secrets in labor and employment contexts



**Trade Secrets –  
Essential to an  
Intellectual  
Property Portfolio**



# Trade Secrets – Becoming Increasingly Important

## Changes in Technology and the Economy

- Algorithms manipulating data may be subject to trade secret protection without regard to patent eligibility rules based on subject matter or inventorship
- Intermediate or fully processed data allows algorithms to effect an economic advantage to the algorithm owner, and may be subject to trade secret protection
- Data (both raw and processed data) is the new oil for much of the service economy
- Increasing workforce mobility before COVID-19
- After COVID-19, the new normal has created remote workforces with new challenges





## Trade Secrets – Becoming Increasingly Important

### Changes in U.S. Patent Law - Substantive and Procedural

- Patent validity assessed under a first inventor to file patent application regime instead of a first to invent regime
- Patent eligibility restricted by subject matter – abstract ideas are patent ineligible
- Patent eligibility restricted by inventor – inventions created solely by artificial intelligence may be patent ineligible
- Patent validity subject to challenge in U.S. Patent and Trademark Office administrative proceedings, and district court litigation often stayed
- Injunctive relief for patent infringement is not a guaranteed remedy



**Elements of a  
Trade Secret**



## Restatement (First) of Torts § 757 comment b

“A trade secret may consist of any formula, pattern, device or compilation of **information** which is used in one’s **business**, and which gives him an opportunity to obtain an **advantage** over competitors who do not know or use it.”

“It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.”



## Restatement Factors

- the extent to which the information is known outside of the owner's business
- the extent to which it is known by employees and others involved in the owner's business
- the **extent of measures taken** by the owner **to guard the secrecy** of the information
- the value of the information to the owner and competitors
- the amount of effort or money expended by the owner in developing the information
- the ease or difficulty with which the information could be properly acquired or duplicated by others



## Uniform Trade Secrets Act

- (4) “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
- (i) 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
  - (ii) is the subject of **efforts that are reasonable** under the circumstances **to maintain its secrecy**.



## Defend Trade Secrets Act – 18 U.S.C. § 1839(3)

- (4) “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 the information.”



**Examples of  
Reasonable  
Efforts/Measures**



## Reasonable Efforts – Illinois Examples

“[R]easonable steps for a two or three person shop may be different from reasonable steps for a larger company.”

*Elmer Miller, Inc. v. Landis*, 625 N.E.2d 338, 342 (Ill. App. 1993)

- Customer list for a custom tailoring shop kept in a closed file drawer
- All employees told when onboarding and exiting that customer list is confidential
- List only available to certain salespeople, but none had confidentiality or nondisclosure agreements
- Affirmed preliminary injunction preventing list disclosure by former salespeople





## Reasonable Efforts – Illinois Examples (cont'd)

“[R]easonable steps [exist when] there [is] evidence the plaintiffs advised their employees, verbally or in writing, about the information’s confidentiality. When such evidence is absent ... the plaintiff must show, at a minimum, that its employees understood the information was to be kept confidential.”

*Leibert Corp. v. Mazur*, 827 N.E.2d 909, 923-24 (Ill. App. 2005)  
(citations omitted)

- “[A]ssigning employees passwords on a need to know basis [to access information on company servers] is a step in the right direction.”
- But employees were not required to sign confidentiality agreements
- Company did not advise employees that information was confidential, and hard copies with the information lacked confidentiality labeling
- Affirmed denial of preliminary injunction



## Reasonable Efforts – Illinois Examples (cont'd)

“A company need not monitor its employees like a police state to garner trade secret protection for its confidential information. Rather, it must take ‘reasonable protective measures for its claimed trade secret under the circumstances.’”

*Vendavo, Inc. v. Long*, 2019 U.S. Dist. LEXIS 148194, \*37 (N.D. Ill. Aug. 30, 2019) (citation omitted)

- Although employees were permitted to download and store confidential information on home computers, remote access to this information was on a need-to-know basis and required multi-factor authentication
- All employees with access to confidential information were required to sign confidentiality and non-disclosure agreements
- All company-issued computers had encrypted hard drives with passwords
- All customers required to sign confidentiality agreements, although some agreements entered after initial presentations
- Preliminary injunction issued



## Reasonable Efforts or Reasonable Measures?

“Efforts reasonable under the circumstances,” [from the Uniform Trade Secrets Act] does not appreciably differ from the DTSA’s ‘reasonable measures’ standard.”

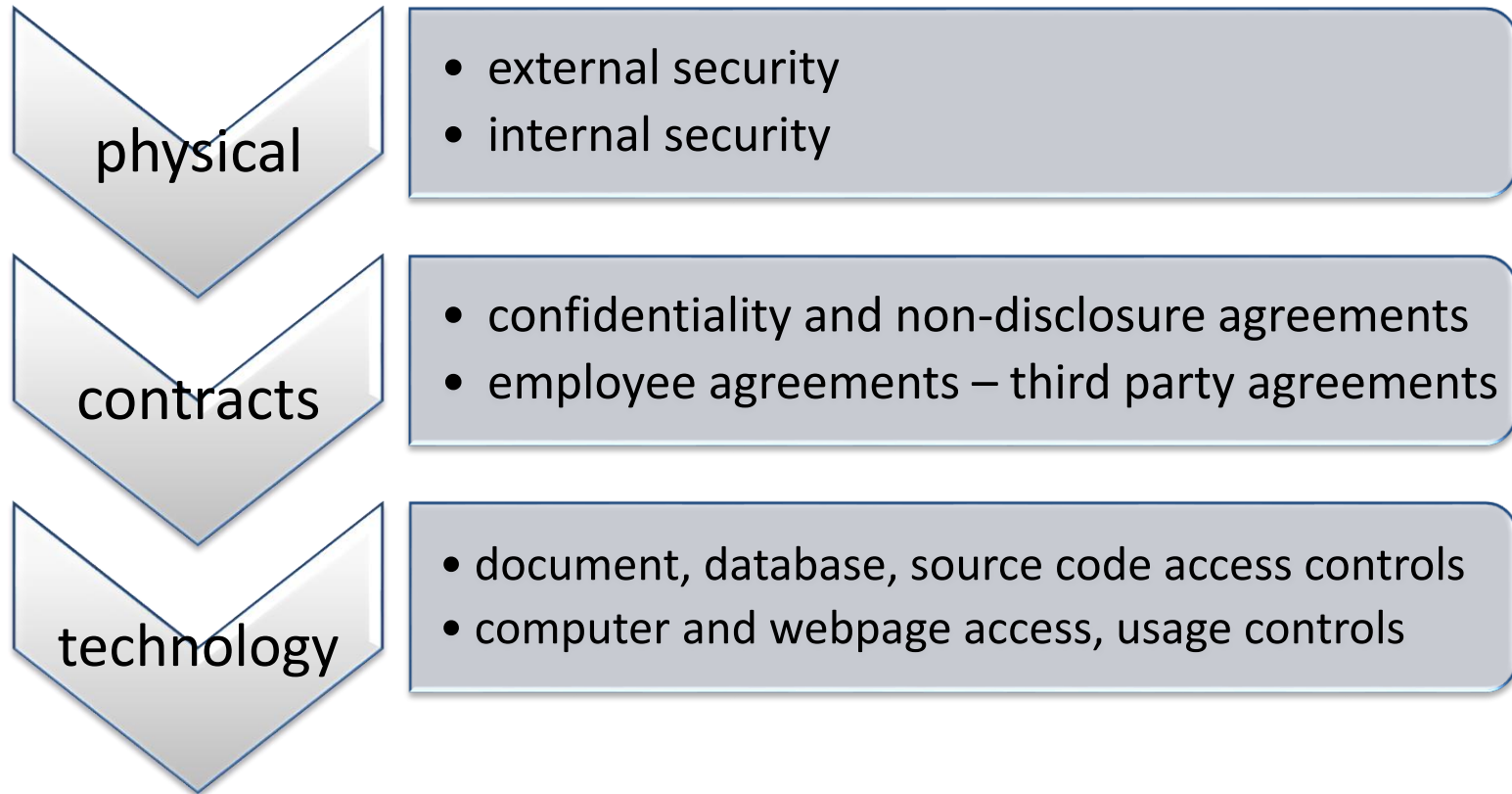
*Xavian Ins. Co. v. Marsh & McLennan Cos.*, 2019 U.S. Dist. LEXIS 65067, at \*12 (S.D.N.Y. 2019)

“The parties do not argue that [the] trade secret claims turn on which statute – FUTSA or DTSA – applies, so the Court may analyze the substance of the Plaintiff’s claims simultaneously.”

*Matrix Health Group v. Sowersby*, No. 18-61310, 2019 BL 383940, \*9 (S.D. Fla. 2019)



## Reasonable Efforts – Case Law Summary



*Abrasic 90 Inc. v. Weldcote Metals, Inc.*, 364 F. Supp. 888 (N.D. Ill. 2019)



**Examples of  
Reasonable  
Measures in  
Employment**



## Reasonable Measures: Onboarding

### Get Organized Early

- Confidentiality and Nondisclosure Agreements
  - Include affirmative representations regarding prior employment:
    - Did not retain confidential information, electronic media of any type
  - Appropriate for all employees with access to/use of trade secrets
- Computer Usage Policies
  - Work from home issues
- BYOD Policies/Agreements
- Training on proper use
- No access to company confidential information until all agreements, acknowledgments and training completed



## Reasonable Measures: During Employment

### Reasonable Security Measures

- Physical security
- Trade secret / confidentiality designations
- Train on confidentiality and best practices, and record completion
- Passwords – use, requirements, rotation on all memory devices
  - Two factor authentication
- Computer, BYOD Security: USB disabling, antivirus/malware, file encryption, remote lock/wipe
- Network: Logging/monitoring, periodic user audit, intrusion testing
- Segregation of duties (especially IT, finance)
- Review process for content of all public disclosures, releases, etc.
- Incident response planning
- Not just for employees: NDAs with contractors, landlords, vendors, customers, and acquisition targets



## Reasonable Measures: Offboarding

### Period of Heightened Risk

- Exit interview
- Termination of access rights (at/during exit interview)
- Return of company equipment
- Remediation of data on retained devices/accounts
- Preservation and investigation of equipment for possible theft
  - Identification of equipment used
  - A “quick peek” using imaging software
  - Forensic examination by a consultant
    - Define scope and cost expectations
- Affirmative representations regarding return of company property





**Reasonable  
Measures:  
New Normal  
Considerations**



## Considerations Under The New Normal

- Multi-factor authentication for network or electronic system access
  - Something you know
  - Something you have
  - Something you are or do
  - Somewhere you are
- Multi-factor (out of band) authentication
  - Authentication by different channels, such as a second device
  - Token (fob or app), cellular, e-mail
- Examples of Software
  - Cisco Duo
  - Idaptive Next-Gen Access
  - Okta
  - Ping Identity
  - RSA SecurID
  - Symantec VIP Access



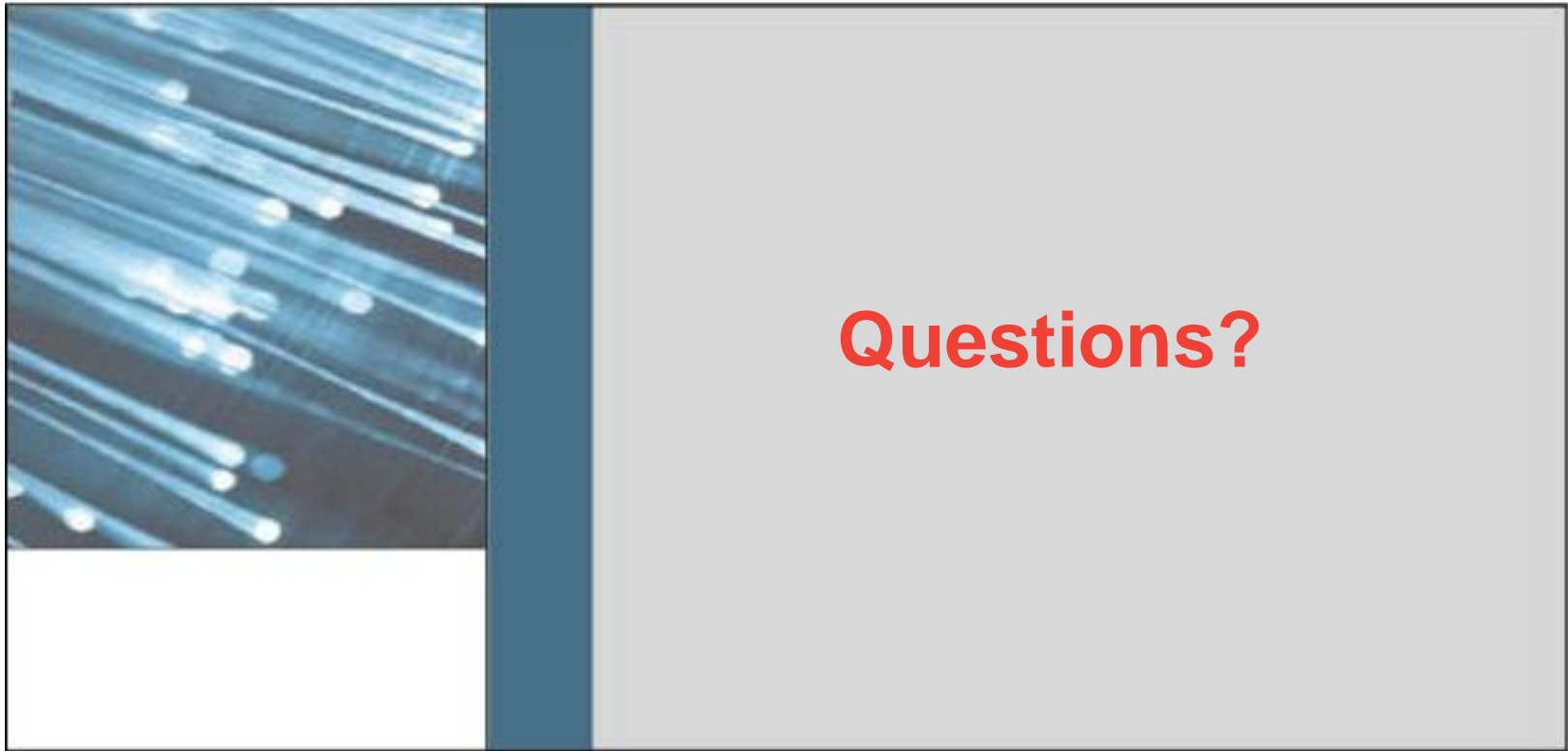
## Considerations Under The New Normal

- Pivot IT from servicing remote workforce to enhancing security
  - Set up alerts for unusual user activity and accesses
  - Establish remote lockout and wipe protocols for all company and BYOD devices, update employee policies accordingly
  - Strengthen any security measures that were relaxed during state or municipal phase one or phase two time frames
  - Test remote workforce wi-fi security settings
  - Consider VPN
- Reevaluate employee agreements and policies
  - Pivot from employee handbook acknowledgments to detailed agreements on confidentiality and nondisclosure, computer use and remote wipe waivers, cybersecurity, and social media
  - To gain federal DTSA advantages, employee agreements must include whistleblower provisions
- Training on confidentiality and security practices
  - Verify training completion, and have consequences for no training



## Considerations Under The New Normal

- Videoconferencing Best Practices
  - Each attendee uses a secure area and not a shared space
    - Disable/unplug all Google Home or Alexa devices
  - Confirm all attendees using proper devices to gain full benefit of videoconferencing program encryption
    - E.g. legacy videoconferencing equipment may not have encrypted signals
  - Password protected, with unique password for each attendee
  - Continuously monitor, and remove, uninvited attendees
- Training on videoconferencing confidentiality and program features
  - Public and private break out sessions, chat and screen share features
  - All public and private sessions, chats, shares may be recorded
  - If recorded, save to a secure location
  - Agreement on confidentiality and ground rules reduces risks



**Thank you for attending!**

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