

Legal Issues In Advancing Technology

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February 20, 2018

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Overview

- IP Considerations
- Business and Liability Considerations
- Legal Trends

IP: Patents v. Trade Secrets

- The State of Patent Law – Changes in Patent Protection and Enforcement Value
- The Rise of the Trade Secrets

Patents

- Validity – Prediction and protection from attack are less certain
 - America Invents Act (AIA) created favorable challenge procedures
- Enforcement
 - Narrowing Venue scopes
 - Uncertain Damage recovery theories (*i.e.*, Willful)
 - Injunctive relief is uncertain (even with direct competitors)

Alice Corp. v CLS Bank

- *Alice Corp. v. CLS Bank* (134 S.Ct. 2347 (2014)) – No patent if patent claims are directed to an abstract idea, law of nature, or natural phenomena, and there is no other transforming ‘inventive concept’.
 - Claims must be ‘significantly more’ than an abstract idea.

Go Ask Alice...

- Ineligibility Outcomes in Federal Courts:

	Total Invalid		
	Total	Under §101	% Invalid
Fed. Ct. Decisions	488	330	67.6%
Federal Circuit	96	88	91.7%
District Courts	392	242	61.7%
Patents	862	515	59.7%
Claims	24496	16340	66.7%
Motions on Pleadings	278	176	63.3%
PTAB CBM Institutions	152	129	84.9%
PTAB CBM Final	92	90	97.8%
PTAB PGR	7	3	42.9%
ITC	14	5	35.7%

As of 4/30/17

Source: www.bilskiblog.com

Impacted Patent Subject Matter

1. Software
2. Business Methods
3. Communications
4. Biotech / Life Sciences
5. Gaming
6. Hardware
7. [everything that uses a computer!]

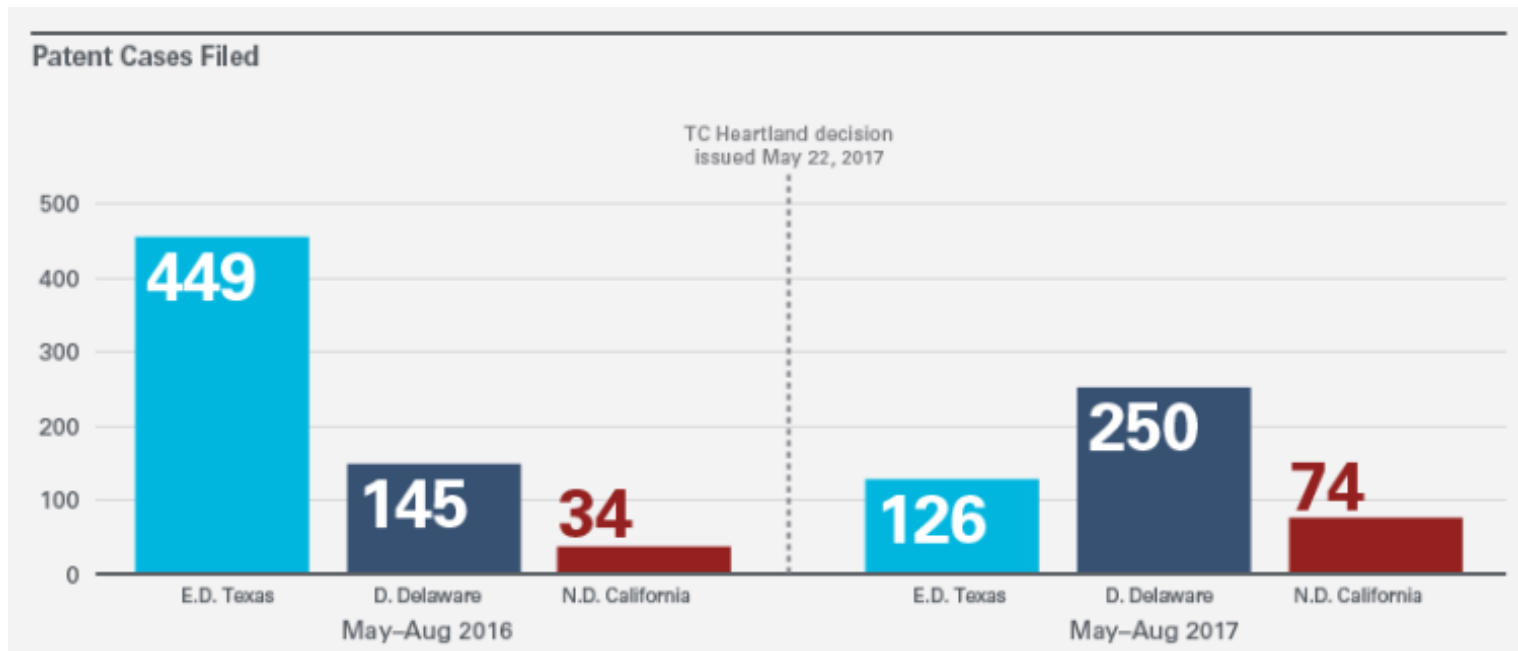
Ariosa Diagnostics v. Sequenom

- Federal Circuit affirmed unpatentable subject matter
- Senior Judge Linn’s concurrence –
“This case represents the consequence -- perhaps unintended -- of the broad language [in *Alice*] in excluding a meritorious invention from the patent protection it deserves and should have retained”

TC Heartland v. Kraft Foods

- *TC Heartland v. Kraft Foods* – S.Ct., May 2017
- Reversed 25 years of Fed Cir precedent
- Patent owners can sue corporate defendants:
 - In districts where the defendant is incorporated; or
 - Where defendant has committed acts of infringement and has a regular and established place of business (shipping is insufficient (9/2017))
 - Less impact on retail businesses with physical locations

TC Heartland Impact



Source: Docket Navigator, Sept. 2017

The Rise of the Trade Secrets

- Federal Defend Trade Secrets Act (2016)
- State-level Uniform Trade Secret Act (UTSA)
 - Texas (2013)
 - New York only state with common law **
- Complimentary Statutes:
 - Computer Fraud and Abuse Act (CFAA)
 - Economic Espionage Act of 1996 (EEA)
 - Copyright Act

State or Federal?

- DTSA (Federal) does not preempt state laws
- State UTSA laws do preempt other business tort claims
 - unfair business practices, unjust enrichment, or conversion, etc.
- Victim of misappropriation has choice of courts – both are available

What is a Trade Secret?

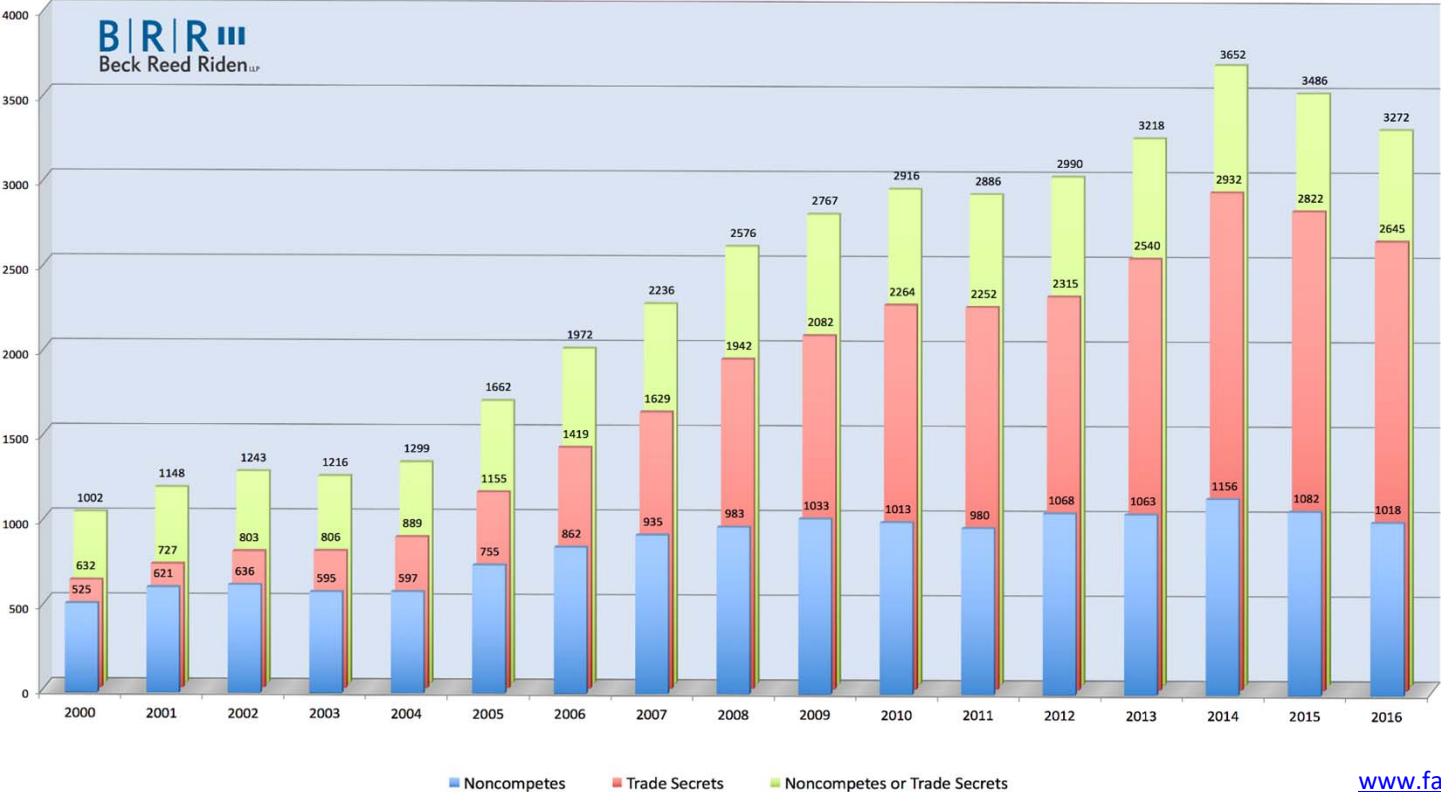
- UTSA / DTSA generally define a trade secret as:
 - The subject of reasonable efforts to maintain a secret
 - Derives independent value from not being generally known or easily ascertained by others.
 - Tangible or intangible (DTSA)

Federal DTSA Tactics

- Seizure provisions – ex parte application in extraordinary circumstances to prevent the propagation of the trade secret at issue
 - Cannot prevent employment however
- Whistleblower protections
 - Immunity Notice required**
 - Needed to take advantage of DTSA
- Inevitable Disclosure?? (N.D. Illinois)

Trade Secret / Noncompete Cases

Trade Secret and Noncompete Reported Decisions



www.faircompetitionlaw.com

Waymo v. Uber

- Anthony Levandowski, former head of Uber's self-driving car project, illegally downloaded more than 14,000 files just before he left his job at Google.
- Self-Driving Cars - LiDAR technology – cost-effective sensors
- Start-up “Otto” sold for \$680MM
 - Launched May, 2016 – sold to Uber in August, 2016
- Waymo asking for \$1.859 Billion for 9 Trade Secrets
- Injunction also sought against Uber
- **Settled**: 0.34% equity share in Uber (\$244 million).
- Federal Criminal probe is still pending (CFAA?)

Trade Secrets Summarized

- Federal and State actions available
- Best Practices
 - Update Policies, Handbooks, Agreements to take advantage of DTSA **
 - Audit and identify your trade secrets
 - Ensure reasonable efforts to keep stuff secret
 - Train personnel
- Complimentary Criminal and/or Civil violations:
(EEA, CFAA)

Computer Fraud and Abuse Act

- Computer Fraud and Abuse Act (CFAA), [18 U.S.C. § 1030](#)
 - Criminal law, but allows for civil action by private litigants
 - Obtaining national security information
 - Obtaining information from a protected computer
 - Trespassing in a government computer
 - Accessing a protected computer in order to defraud and obtain value
 - Damaging a protected computer and/or its data, either by direct access or by transmitting a program, information, code or command
 - Trafficking in passwords
 - Threatening to damage a computer, steal data or compromise data with intent to extort
- “Exceeds Authorized Access” Overreaching (TOS)?

Business and Liability Considerations

- Consumer Laws
- Adjustment of Risks
- Information Movement

Consumer Laws

- California's Automatic Renewal Law (ARL):
 - California Business and Professions Code § 17600 *et seq.*
 - Requirements on businesses that make available automatic-renewal or continuous-service programs to California customers.
 - Automatic-renewal terms in a "clear and conspicuous" manner
 - Must obtain affirmative consent before charging a customer's account.
 - Must provide an acknowledgment and info on how to cancel the subscription.
- Also, Connecticut, New Jersey

Consumer Laws – Auto-Renewal

- Goods vs. Services (recent case law)
- Best practices:
 - Review the language in their contracts/TOS
 - Update cancellation policies
 - Implement procedures to send out the necessary notices in the automatic-renewal program.

Adjustment of Risks

- IoTs, CAVs
- Artificial Intelligence
- Privacy

Information Movement

- Export Control Regulations
 - “Items” – includes technical information
 - Exporting “items” – physically leaves, electronically leaves, or verbally leaves
- Country boundaries, not corporate boundaries.
 - Inside your company, but outside the U.S.
- So only concern is items leaving the U.S.?

Information Movement

- Deemed Export
 - Exposing technology to foreign nationals inside the U.S.
 - OK - Permanent legal residents (e.g., green card holders)
 - Not OK - Visiting company engineer, visiting professor
- Re-Exporting Technology From Outside U.S.
 - Still may require compliance with export regulations

Information Movement

- If your technology is subject to export control regulations, be careful when:
 - Sending email to recipients outside the U.S. (even if within your company).
 - Leaving the U.S. with export controlled technology on your laptop (whether encrypted or not).
 - Accessing export controlled technology from outside the U.S. (even over VPN).
 - E.g., Private PAIR

Information Movement

- If your technology is subject to export control regulations, be careful when (cont.):
 - Granting access to file sharing platforms (e.g., Box® brand services)
 - Exposing technology to U.S. visitors

Information Movement

- It can happen to you:
 - July 2017 – ExxonMobil \$2 Million Penalty
 - Ukraine-related sanctions
 - March 2017 – ZTE \$100 Million Penalty
 - Iran-related sanctions
 - 2015 – Schlumberger \$232 Million Penalty
 - Sudan- and Iran-related sanctions
 - 2013 – Weatherford Int'l Ltd \$253 Million Penalty
 - Cuba- and Iran-related sanctions

Trends

- Social Media
- Blockchain
- Smart Contracts

Social Media

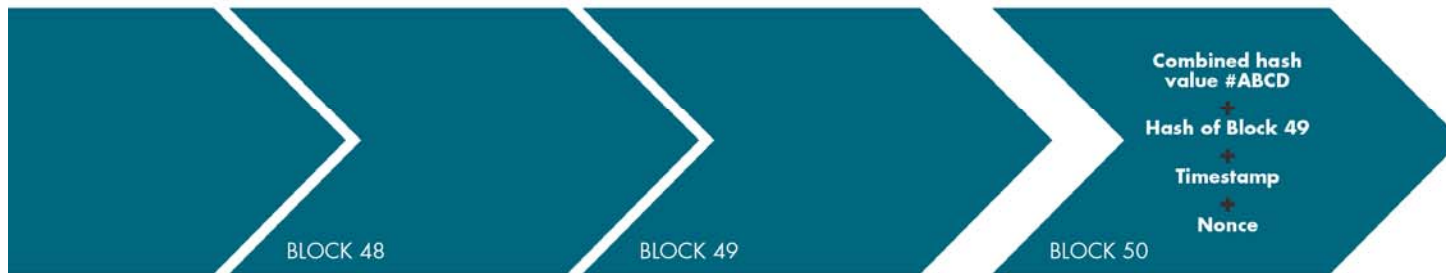
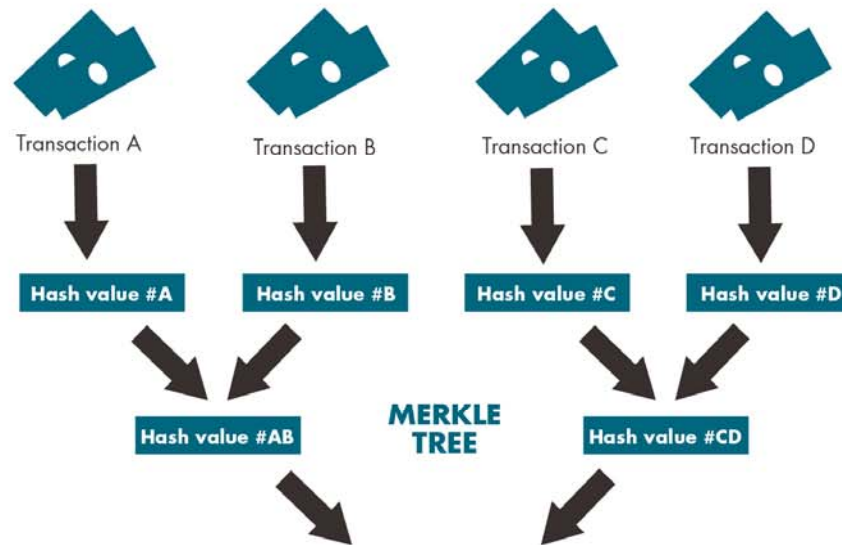
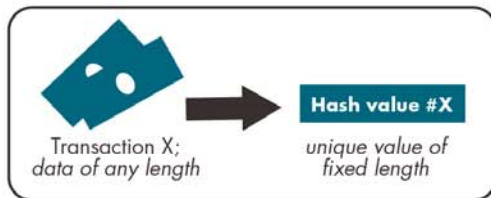
- Policies
- Ethical Considerations
- Content Ownership
- Litigation Impact

Blockchain

- Blockchain: A decentralized public ledger
- Basis for Cryptocurrencies: BitCoin; Ethereum
- Incorruptible (the ledger anyway – see Ethereum DAO)
- Can be programmed to record not just financial transactions, but virtually everything of value.
- Transparent

Blockchain

HOW THE BLOCKCHAIN WORKS



Reproduction of an original figure in "The Great Chain of Being Sure About Things" by the Economist



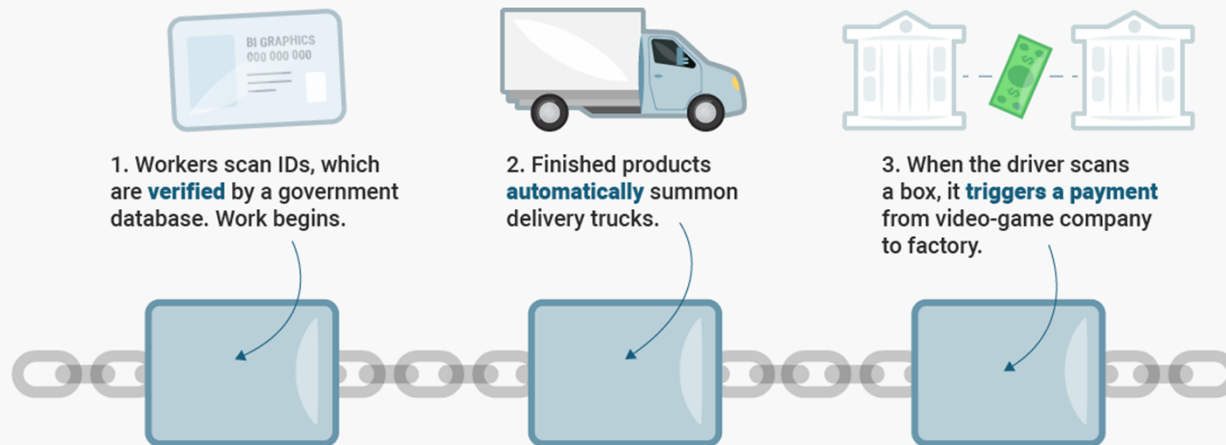
Blockchain cont....

- Wallet Apps
 - Weak link – focus will be on identity management
 - Cold storage, etc.
- Smart Contracts
 - Digital Asset – contract platform for financial trans
 - Hyperledger (Linux Foundation) – dist. ledger
 - Ethereum – Includes scripting language for digital contracts

Smart Contracts

A SMART CONTRACT

Small computer programs can execute **complex contracts**. Specific actions can be verified by third parties, and then **trigger** other events. All this gets recorded on the secure blockchain, and can **never be altered** after the fact.



BUSINESS INSIDER

Smart Contracts

- Types of Distributable Ledgers:
 - Title recording systems
 - Notarized transactions
 - Stock transfers
 - Secured transactions
 - Health care data
 - IoT
 - Digital Rights Management (DRM) – Mediachain

Impact of Smart Contracts

- Merger of lawyers and software code
- Contemplated self-executing steps
- Changes in negotiation
- Efforts to create standards:
 - Principles for Digital Development (digitalprinciples.org)
 - Blockchain for Social Good
 - Blockchain Trust Accelerator

Summary

- Conclusions
- Questions