

Cooley

Trade Secrets 2025: Protecting Your Company and Its Critical Assets

Presented by:
Adam Gershenson
Amanda A. Main
Mark Lambert

attorney advertisement

Copyright © Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304. The content of this packet is an introduction to Cooley LLP's capabilities and is not intended, by itself, to provide legal advice or create an attorney-client relationship. Prior results do not guarantee future outcome.

For Use by Registrants of In-House Connect

Cooley Panelists



Adam Gershenson
Litigation Partner
Boston



Amanda A. Main
Litigation Partner
Palo Alto



Mark Lambert
Litigation Partner
Palo Alto

Agenda

- Trade secret overview
- A practical approach to protecting trade secrets
- Minimizing litigation risk
- Preparing for trade secret litigation
- Defending against trade secret claims
- Shifting strategies in trade secret litigation
- Mitigating risk in collaborations & acquisitions
- Clean room design
- Interplay between damages and injunctive relief

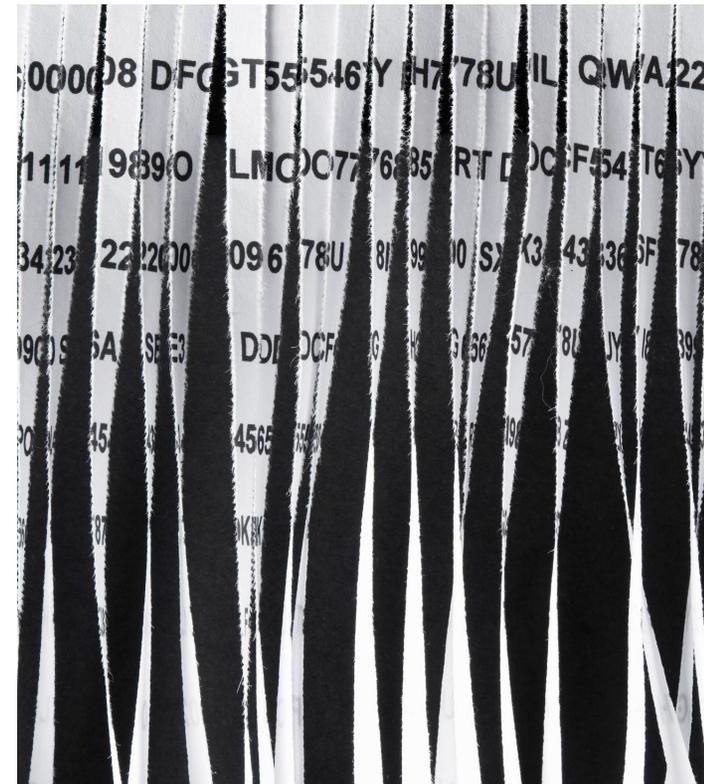
Trade Secret Overview

Cooley

Confidential Information

A Broad Universe

- No singular definition (often defined by agreement)
- Not generally known to the public
- More expansive than “trade secret” information
- Proprietary information developed for/by the company
 - Financial information
 - Marketing information
 - R&D data
 - Personnel data
 - Third-party information



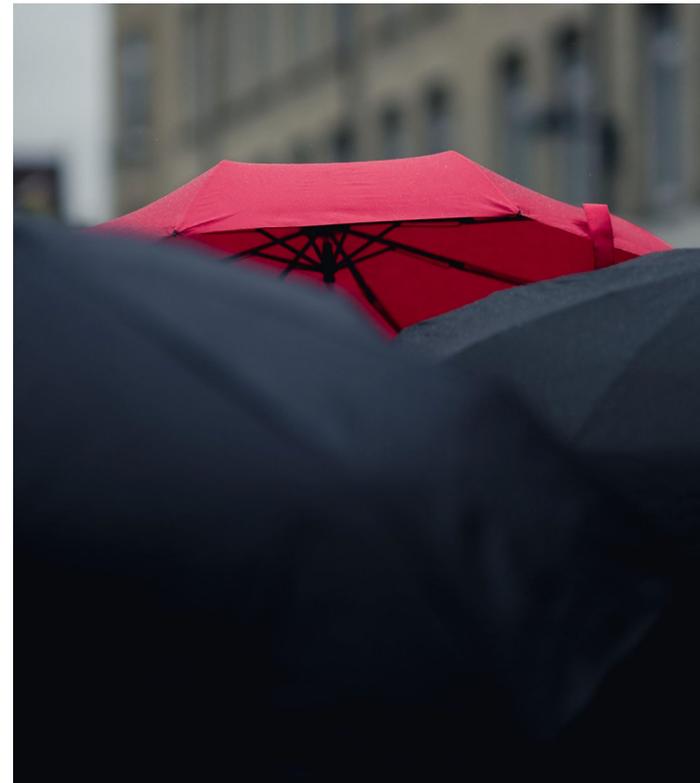
Trade Secrets

The Legal Definition

- Subset of “confidential information”
- **Information** that derives **economic value** because it is **not generally known** or **readily ascertainable**, plus **reasonable efforts** to maintain its secrecy
- Essentially:
 - A secret
 - That is valuable because it is secret
 - And is actively kept secret

Examples of Potential Trade Secrets

- Sensitive R&D work
- Product development plans
- Algorithms
- Design/Manufacturing Techniques
- Negative know-how
- Unpublished patent applications
- Business strategies, models, and customer lists



Trade Secrets

Pros and Cons



Primary advantages:

- Not time-limited
- May protect what you cannot patent

Primary disadvantages:

- Reverse engineering / independent development
- No protection if not kept secret

A Practical Approach to Protecting Trade Secrets

Cooley

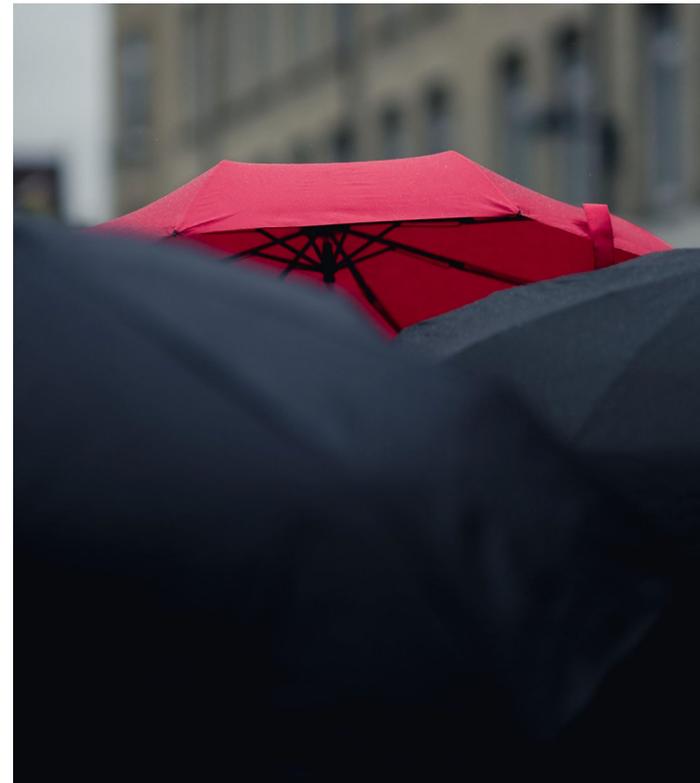
Poll Question #1

Cooley

“Reasonable Measures”

Five Overarching Areas

- Identify (but don't list) critical trade secrets
- Limit access to those under NDA who have a need to know
- Enforce return-of-information provisions
- Adopt and follow structured process for departures
- Train employees



Identifying Trade Secrets

Lists/Awards

- Pros
 - Know what to protect
- Cons
 - What is identified will often not be what is taken
 - Hard to maintain privilege
- Safer
 - Train on broad categories
 - Identify specific TS in litigation



Best Practices When Discussing Trade Secrets

- Communicating trade secrets **internally**
 - “Need to know” basis
 - Employment Agreement/PIIA
 - Label hard and soft copies as “Confidential Information”
- Communicating trade secrets **externally**
 - Ensure a confidentiality agreement is in place



Best Practices When Discussing Trade Secrets



Avoid or take caution when working in public places



Refrain from “absent minded” disclosure



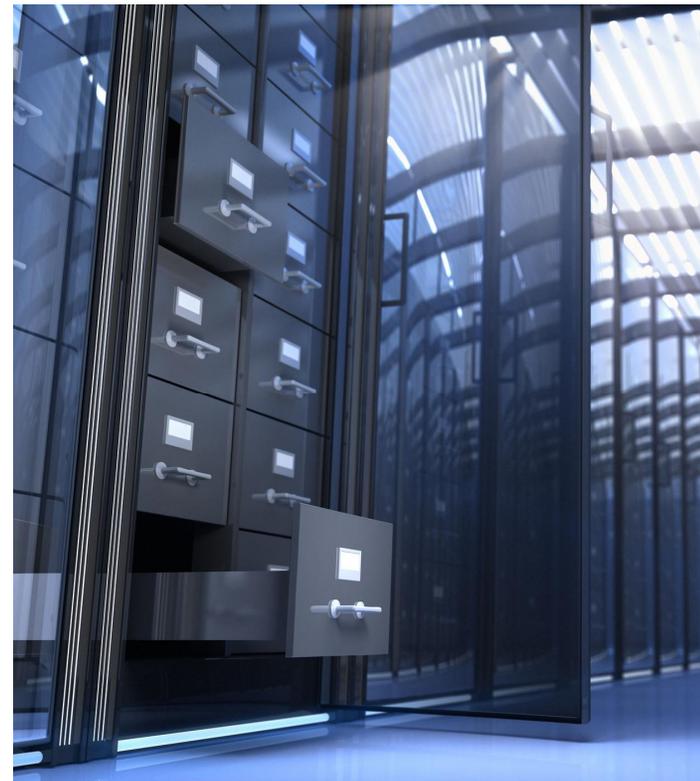
Distinguish between “general knowledge” vs “specific” information

Best Practices for Protecting Your IP

- Handling confidential information
 - Maintain in secure facilities
 - Dispose with care
 - Should not be posted on walls, or left written on white boards
- E-security
 - Limit access, require PWs, daily logouts, device returns
 - Limit personal laptops, accounts, drives, or emails for work
 - Ensure encryption

Best Practices for Protecting Your IP

- Physical security
 - Restrict access to offices/labs, no cameras/photos policy
 - Leverage “need-to-know” practices
 - Lock doors
- Be careful on airplanes – use screen protectors



Breadth and Scope of Protections

- Extraterritorial Application of DTSA
 - Requires
 - “Act in furtherance” in the US
 - Product or service in interstate/foreign commerce
- Broader contractual remedies

Minimizing Litigation Risk

Cooley

Lengthy & Expensive

6 year lawsuit

50 depositions

\$450M Settlement

The Salt Lake Tribune

Pfizer, BYU settle Celebrex lawsuit for \$450M

Celebrex • School had said it was cheated out of billions of dollars.



Competitive Intelligence

- Don't make false or misleading statements to obtain competitor information
- Don't solicit (or use) competitor confidential information from competitor's former employees or customers
- Don't violate competitor's terms of service / license agreements

Hiring Practices

- High-risk hires
- Interview NDA
- Hiring documentation
 - Employee agrees not to use or disclose any third party's confidential information in connection with work for company
 - Employee represents employment by company has not and will not breach any agreement with former employer
- Culture and tone at the top

Preparing for Trade Secret Litigation

Cooley

Poll Question #2

Cooley

Preparing for Trade Secret Litigation

- Act swiftly
- Preservation
- Investigation
- Notify potential wrongdoers
- Consider risks / rewards of litigation
- Prepare for early injunctive relief

Defending Against Trade Secret Claims

Cooley

Poll Question #3

Cooley

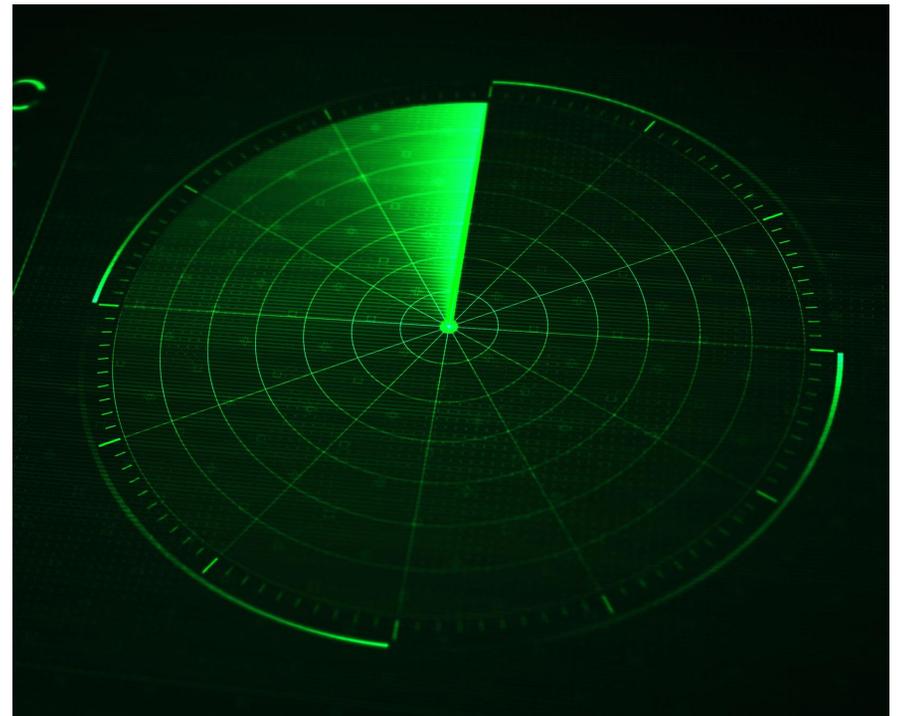
Immediate Actions

- Act swiftly
- Preservation
- Minimize risk of injunctive relief
- Early case assessment
- Strategies to focus litigation
- Go on offense (early and often)



Defenses

- Substantive Defenses
 - Independent Development
 - Public Domain
 - Reverse Engineering
 - Failure to Mitigate
- Procedural Defenses



Shifting Strategies in Trade Secret Litigation

Cooley

Poll Question #4

Cooley

Urgent Preliminary Relief

- Current and former employees collaborated
- Stole “Nobel Prize worthy” technology
- Coordinated w/FBI to thwart international theft
- Secured safe return of data



The Long-Term Play

- Court weighed measures taken *after* misappropriation
 - No reasonable measures where:
 - NDA failed to cover exact parties at issue
 - Plaintiff saw competitor but failed to send cease-and-desist



The Interplay Between Damages and Injunctive Relief

Cooley

Trade Secret Remedies Framework

Money Remedies – The Basics

- DTSA and UTSA provide money remedies for misappropriation
- Money remedies: actual loss, unjust enrichment, reasonable royalty
 - Reasonable royalty only if damages/unjust enrichment are not provable
- Unjust enrichment cannot duplicate award for actual loss
- Can address past and future: beware duplication
- Willful and malicious misappropriation: double damages/fees

Money Damages

- Actual loss
 - Destruction of secrecy, e.g. public disclosure
 - Impairment of owner's use/exclusivity
 - Tainted product harms owner's sales
- Unjust enrichment
 - Economic benefit to the defendant
 - Head start, capital investment avoided
 - Increased sales, revenue, profit for defendant



Trade Secret Remedies Framework

Injunctive Relief – The Basics

- DTSA and UTSA - injunctive relief for actual or threatened misappropriation
- Preliminary and permanent injunctions
- Mandatory and prohibitory injunctions
- Duration may extend until trade secret ceases to exist
 - And beyond to prevent unjust commercial advantage
 - DTSA limits injunctions on employment – no prohibition; conditions require evidence of threatened misappropriation

Common Features of Injunctive Relief

- Remediation:
 - Eliminating trade secrets from defendant's IT systems and work environment
 - Use of third-party IT forensics vendor
 - Certification of destruction, compliance with search protocols
- No future use:
 - Can be of extensive duration
 - No sales of tainted products

Trade Secret Remedies Framework

Damages + Injunctive Relief

- A trial can result in *both* damages *and* injunctive relief
- From beginning of disputes take action to reduce exposure
 - Investigate and identify sources of access/contamination
 - Preserve evidence, remove from systems and workflows
 - Reduces damages; lightens impact of injunctive relief
- Almost all settlements include ‘injunctive’ features + payment
- Be realistic about the value of the case, extent of exposure

Preliminary Injunctions

- Usually addressed at outset, but discovery can provide basis
- Actual or threatened misappropriation + irreparable harm
 - “Inevitable disclosure” jurisdictions; restrictive covenants
 - DTSA limits in employment context
- Preventing use, e.g. stop product development
- Can require interim remedial action to abate threat
 - Forensic analysis, sequestration, mitigation

Ways to Mitigate Risk in Collaborations and Acquisitions

Cooley

Poll Question #5

Cooley

Benefits and Risks of Collaborations



Benefits

- R&D:
 - Reduce costs, accelerate innovation, shorten time to market
- Commercial/BD:
 - Better market data, shared costs, distribution channel

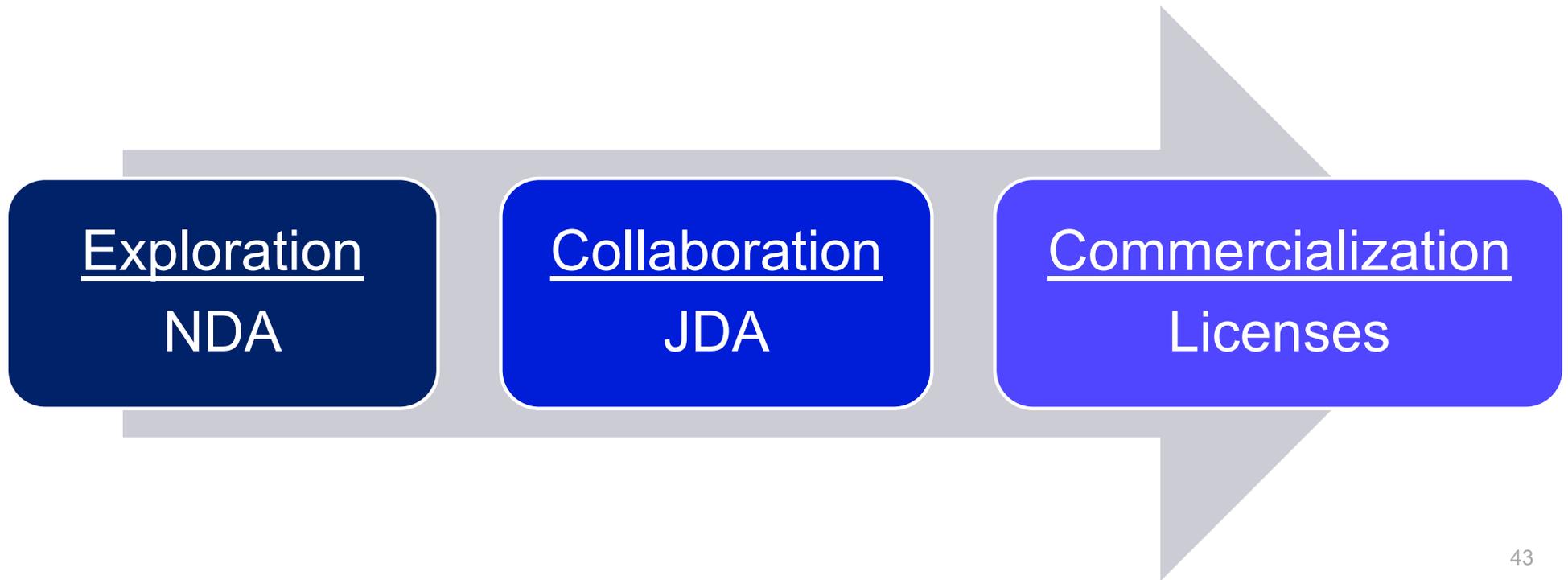


Risks

- R&D:
 - Expose technical details, manufacturing process/cost, pipeline
- Commercial/BD
 - Collaborator could be potential competitor

Contract Drafting

Agreements evolve with the project.



Key Considerations for NDAs

“Which Party must disclose CI?”

- One Way
 - Other party’s confidential information is primary:
 - Require the other side to mark its information
 - Clearly state each party’s obligations and duration/scope
 - When your confidential information is primary:
 - Same as above
 - Require the other side to mark but *“....in absence of marking.....”*
- Mutual CDA
 - **Do not** default to a mutual CDA
 - Ask *“Do both Parties truly have to disclose CI?”*
 - Same protection for both Parties
 - Marking requirement can be burdensome
 - May obligate your company to protect information beyond scope of project
 - Include how to treat unmarked information

Separation within Collaborations

- Prevent cross-contamination
- Protect independent development/parallel/multiple initiatives
- Reduce exposure from collaborations that sour
- Sample scenarios:
 - Joint venture agreements
 - Consulting arrangements
 - Licensing arrangements
 - Lateral hires

Protect Others' IP and Avoid Claims



Review Terms of Use
and applicable
Copyright



Do not use others'
info in your own
development (w/o
authorization)



Carefully document
development efforts



Be mindful of NDA
requirements

Definitions Matter

- Define your own IP
- Define collaborator's IP
- Define what will be considered joint or shared IP
- Keep them separate, identifiable – labeling/watermarking; storage and access
- “Team A”/”Team B” - Limit/control access and use – specific *defined* personnel, specific *defined* purposes/projects

At The End of Any Agreement...



Return (or request return of) all confidential information ***immediately*** and ensure employees are aware of termination



Carefully review the returned materials against what was disclosed – follow-up immediately on any discrepancies



Pursue relentlessly until they have fully complied with all their obligations (including certification)

Clean Room Design

Cooley

Poll Question #6

Cooley

Why Have a Cleanroom?

- Company wants to compete/develop competitive products
- Company has access to other party's trade secret
 - Under a license, joint development, collaboration
 - Contractual restrictions on use/disclosure
- Isolate and insulate competitive activity to avoid risk/preserve value
- Implement physical, technical, institutional barriers and rules

A Tech “Ethical Wall”

- “A contract with yourself”
- Access to other party’s trade secrets through lawful means
- Avoid exposure to liability
- Implement internal rules that:
 - Prevent breach of obligations to trade secret owner
 - Preserve exclusivity over newly developed, competitive activity

What? Who? How?

- What is the other party's trade secret?
 - Isolate and control it outside the cleanroom
- What company information is to be protected from intermingling?
 - Isolate and control it inside the cleanroom
- Who in the company has been exposed to it?
 - Excluded from access to cleanroom
- Define rules and practices

Document Everything

- Cleanroom personnel sign acknowledgments
 - Documenting lack of access to, use of, third party trade secrets
 - Agreeing not to speak with others regarding third party trade secrets
 - Recognizing institutional controls creating cleanroom
 - Before and after project completion
- Document work and independent development
 - Materials relied upon, innovations made
 - Who did what

Questions?



Adam Gershenson
Partner
617/ 937-2379
agershenson@cooley.com



Mark Lambert
Partner
650/ 843-5003
mlambert@cooley.com



Amanda A. Main
Partner
650/ 843-5914
amain@cooley.com