The DTSA and Tradeoffs Between Patents and Trade Secrets

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Classical decision between patents and trade secrets

- Risk of reverse engineering
- Projected period of value
- Patent strength
- Critical need to use the invention (avoid forfeiture or later patentee)
- Costs to procure and maintain
- Value of patent as leverage or message

Increasing anxiety over patent rights

- Patent scope narrows in some technologies
  - KSR, Bilski, Mayo, Nautilus, Alice
- Patent enforcement becomes more difficult and risky
  - eBay, Sandisk, LaserDynamics, Octane Fitness
- AIA introduces new ways to challenge patent validity
- Patents remain valuable, but focus now on quality

AIA also boosted trade secrets

- Best mode requirement now toothless
- Forfeiture doctrine almost certainly dead
- Prior user rights extended to all technologies
- Result: lowered trade secret anxiety

What animated the DTSA

- Growing importance of data as an asset
- Shift from local, paper to global, digital
- Trade secret rights not territorial; they travel
- Federal courts can provide procedural advantage

Features of the DTSA

- Essentially the same as UTSA and TRIPS
- Does not preempt state law; choose one or both
- Seizure provisions caused angst, but are seldom used
- Threatened misappropriation by departing employees
- Whistleblower immunity
- For most cases, state court may still be the better choice

DTSA effects on the patent/TS choice

- DTSA provides stronger, more reliable enforcement
- DTSA has significant extraterritorial reach
- Management attention focused on secrecy

Recent trade secret litigation outcomes and filings

Miller v. Caterpillar

(E.D. Ill. Dec. 2015)

$74 million

Epic Systems v. Tata

(W.D. Wisc. Apr. 2016)

$940 million

Move v. Zillow

(Wash. June 2016)

$130 million settlement

U.S. Steel v. Chinese companies

(ITC May 2016)

Alleged price fixing informed by government hacking

Space Data v. Google

(DTSA filing June 2016)

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Thank you.

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