Article

Does Your Trade Secret Attorney Know Patents?

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When facing a claim for misappropriation of trade secrets, defense counsel should not ignore the opportunity for using patents and patent-related materials to defeat the claim. Unfortunately, many attorneys handling trade secret cases, specifically those brought in state court, may not be familiar with patents. This is understandable, as the overwhelming majority of lawyers do not work regularly with patents or search for and analyze patent filings or other forms of prior art. Yet these documents can be invaluable when defending a trade secrets case. Often patents and patent-related materials can prove fatal to the claim by establishing that the allegedly secret information fails to meet the definition of a "trade secret" as set out in either the Texas Uniform Trade Secrets Act ("UTSA"), or the Federal Defend Trade Secrets Act ("DTSA").

The key to being considered a "trade secret" is that information must in fact be a secret. According to Texas UTSA, a "trade secret" is information that "derives independent economic value, actual or potential, from not being generally known to, or being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information." Tex. Civ. Prac. & Rem. Code § 134A.002(6); see also 18 U.S.C. § 1839(3)(B). But proving that information is "generally known" or "readily ascertainable" can be challenging, particularly when the alleged trade secrets involve software processes, chemical formulas, or other forms of complicated technology. This is where an effective analysis of patent literature and other forms of prior art can be especially valuable.

Counsel who defend clients in patent infringement cases routinely perform this type of analysis. An accused infringer must typically identify each prior art reference that it contends anticipates the invention or renders it obvious to a person having ordinary skill in the art. See, e.g., Rules of Practice for Patent Cases before the Eastern District of Texas ("P.R."), 3.1. The accused infringer must also identify how each item of prior art allegedly discloses the elements of the asserted invention. If the prior art discloses all of the elements that comprise an asserted invention, the defendant may succeed in invalidating the patent.

Prior art research typically begins by searching for patents on the online database of the United States Patent and Trademark Office (USPTO). Full texts of patents issued after 1976 are available on the USPTO's Patent Full-Text and Image Database (PatFT) at http://patft.uspto.gov/netahtml/PTO/search-adv.htm. If a potentially relevant patent is located, its prosecution history may be accessed on the USPTO Public Application Information Retrieval (PAIR) website at https://portal.uspto.gov/pair/PublicPair. Other prior art resources may be disclosed by the inventor during the course of the prosecution history or on the face of the published patent. Many patents filed in other countries are also available for free on a number of platforms, including Google Patents at https://patents.google.com/. In addition to patent documents, researchers can search for scholarly publications and other nonpatent literature in science or engineering libraries.

These references can be dispositive to the claim of the existence of a trade secret. In many instances, particularly those involving products or methods, the person who now claims the trade secret may have earlier sought to patent the idea, thereby destroying the information's secrecy. In other cases, a third-party may have filed a patent application that included the information alleged to be a trade secret. In either scenario, it is well

established that the disclosure of the information in a public patent "is fatal to the existence of a trade secret." Ultimax Cement Mfg. Corp. v. CTS Cement Mfg. Corp., 587 F.3d 1339, 1355 (Fed. Cir. 2009).

Ultimax v. CTS Cement illustrates the importance of public patent filings in trade secret litigation. Ultimax and CTS were competitors who sold a new form of rapid-hardening, high-strength cement. Ultimax claimed that CTS had misappropriated its trade secret for using a combination of lithium carbonate and citric acid in calcium sulphoaluminate cement. The Federal Circuit affirmed the trial court's grant of summary judgment to CTS because the alleged secret had been publicly disclosed in a Japanese patent. 587 F.3d 1339, 1355 (Fed. Cir. 2009).

Ultimax argued that the mere availability of the information in a published patent was not a defense to its misappropriation of trade secret claim because CTS did not obtain the information from the patent. Instead, Ultimax alleged that CTS had improperly obtained it from Ultimax. The Federal Circuit disagreed, finding that the information did not meet the definition of a trade secret because it was "generally known to the public." Id. As the Court explained, "it is well established that the disclosure of a trade secret in a patent places the information comprising the secret into the public domain. Once the information is in the public domain and the element of secrecy is gone, the trade secret is extinguished..." Id. Similarly, the Fifth Circuit, applying Texas law, concluded in Tewari De-Ox Sys. v. Mountain States/Rosen, L.L.C. that a published patent application, as distinguished from an actually issued patent, also destroys any secrecy of an alleged trade secret. 637 F.3d 604, 612 (5th Cir. 2011).

Understanding patents and the patent prosecution process can be invaluable when defending against a trade secret misappropriation claim. Litigation counsel should be experienced in searching for and analyzing patents and other prior art references to determine whether the asserted information is "generally known" or "readily ascertainable." If it is, the asserted information cannot be a trade secret and the plaintiff's claim should fail.

The full article can also be viewed here.

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