

# 2024 Emerging Trade Secret Issues

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# Broad Confidentiality Agreements v. Non-Compete Agreements

## Example of Confidentiality Agreement

### 3.1 Confidentiality.

Employee will learn Company's business affairs, finances, management, marketing programs, philosophy, customers, and methods of doing business. Employee will have access to confidential information maintained at substantial cost by the Company regarding its temporary employees, regular employees, applicants, and prospective and actual customers. This information is proprietary to the Company and, if used by competitors or other third parties, could cause substantial and irreparable damage to the Company.

Employee specifically agrees that he/she will not at any time, whether during or subsequent to the term of Employee's employment by the Company, in any fashion, form, or manner, unless specifically consented to in writing by the Company, either directly or indirectly, use or divulge, disclose or communicate to any person, firm, or corporation, in any manner whatsoever, any confidential information of any kind, nature, or description concerning any matters affecting or relating to the business of the Company, including, without limiting the generality of the foregoing, customer lists, qualified prospective customer lists, employee lists, qualified prospective employee lists, sales and marketing information, customer account records, training and operations materials, personnel records, code books, pricing information, financial information, or any other confidential information of, about, or concerning the business of the Company, its manner of operation, or other confidential data of any kind, nature, or description. The parties hereto stipulate that as between them, the same are important, material, and confidential trade secrets and affect the successful conduct of the Company's business and its goodwill, and that the same are of great value to the Company and its customers.

Agreement. All equipment, notebooks, documents, memoranda, reports, computer programs, forms, files, books, correspondence, lists, other written and graphic records or other information storage devices, and the like, including innovations, ideas and developments, affecting or relating to the business of the Company, which Employee shall prepare, use, construct, observe, possess, or control shall be and remain the Company's sole property.

## Example of a Non-Compete

### 3.3 Competition.

During the term of employment, Employee agrees that he/she will not, directly or indirectly, own an interest in, operate, join, control, or participate in, or be connected as an officer, employee, agent, independent contractor, partner, shareholder, or principal of any corporation, partnership, proprietorship, firm, association, person, or other entity which directly or indirectly competes with the Company, other than as a passive stockholder in such corporations whose stock is traded on a recognized stock exchange. For a period of one year after Employee's employment terminates (regardless of the reason for termination or whether such termination was by the Company or Employee), Employee agrees that he/she shall not, directly or indirectly, own an interest in, operate, join, control, or participate in, or be connected as an officer, employee, agent, independent contractor, partner, shareholder, or principal of any corporation, partnership, proprietorship, firm, association, person, or other entity which directly or indirectly competes with the Company (other than as a passive stockholder in such corporations whose stock is traded on a recognized stock exchange) within 25 miles of any location at which Employee worked, was assigned, or over which the Employee had responsibility or supervisory authority.

## Trade Secrets

[T]he term “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...

Defend Trade Secrets Act (DTSA), 18 U.S.C. § 1839 (3) (2016)

Dataset:  
446 agreements total

77% (343 out of 446)  
protect “trade secrets”

97% (431 out of 446)  
protect “confidential  
information”

63% (281 out of 446)  
protect proprietary  
information

79% (352 out of 446)  
provide for injunctive  
relief upon breach

48% (213 out of 446)  
allow employer to  
recover attorney’s fees  
in event of breach

40% (177 out of 446)  
no exclusions—not  
even for public  
information

93% (414 out of 446)  
no durational limit

22% (98 out of 446)  
allow disclosure when  
required by law

88% (393 out of 446)  
prohibit “use” as well  
as disclosure

4% (18 out of 446)  
exclude general  
knowledge skill  
experience

# Unenforceable – California law

Prevents disclosure or unauthorized use of “Confidential Information” defined as “information, in whatever form, used or usable in, or originated, developed or acquired for use in, or about or relating to, the Business.” “The Business” is defined to include “without limitation analyzing, executing, trading and/or hedging in securities and financial instruments and derivatives thereon, securities-related research, and trade processing and related administration[]”

“Confidential Information” does not include:

1. Information which “is or becomes generally known in the securities industry through legal means without fault by” Employee.
2. Information which “was known by Employee on a non-confidential basis prior to his initial engagement or employment by Employer, as evidenced by Employee's written records.”

Brown v. TGS Mgmt. Co., LLC, 57 Cal. App. 5th 303, 316–17, 271 Cal. Rptr. 3d 303, 315–16 (2020) (“the confidentiality provisions in the Employment Agreement on their face patently violate section 16600. Collectively, these overly restrictive provisions operate as a de facto non-compete provision; they plainly bar Brown in perpetuity from doing any work in the securities field, much less in his chosen profession of statistical arbitrage. Consequently, we conclude the confidentiality provisions are void ab initio and unenforceable.”)

## Unenforceable – 1st Circuit applying Puerto Rico Law

The nondisclosure agreement prohibited disclosure/unauthorized use of “Confidential Information” defined as:

**“All information ... regarding [employer TLS] business methods and procedures, clients or prospective clients, agent lists, marketing channels and relationships, marketing methods, costs, prices, products, formulas, compositions, methods, systems, procedures, prospective and executed contracts and other business arrangements, proposals and project plans, and TLS Affiliates;...any other information provided to [Rodríguez] by TLS or TLS Affiliates by or in connection with proposing or delivering TLS Services... The identities of agents, contractors, consultants, sales representatives, sales associates, subsidiaries, strategic partners, licensors, licensees, customers, prospective customers, suppliers, or other service providers or sources of supply including firms in which TLS may have an ownership interest ... ; [and].... any other information that [employee] may obtain knowledge [sic] during his/her tenure while working at TLS”.**

The definition of Confidential Information does **not** include:

- “(a) information disclosed by one Party with the prior written consent of the other Party,
- (b) information that has been previously disclosed by the other Party to the general public, or
- (c) information that is required to be disclosed pursuant to a valid judicial court order[ ] ....”

TLS Mgmt. & Mktg. Servs., LLC v. Rodriguez-Toledo, 966 F.3d 46, 59 (1st Cir. 2020) (holding “nondisclosure” agreement was overbroad and unenforceable based on Puerto Rican Supreme Court’s case law limiting enforceability of non-competes).



## Unenforceable – California law

“(a) *Definition of Google Confidential Information.* **“Google Confidential Information” means, without limitation, any information in any form that relates to Google or Google’s business and that is not generally known.... Google Confidential Information does not include any items that have become publicly known through no wrongful act of mine or others under a relevant confidentiality obligation.** Nothing in this Agreement is intended to limit employees’ rights to discuss the terms, wages, and working conditions of their employment, as protected by applicable law.

(b) *Nonuse and Nondisclosure.* During and after my employment with Google, I will hold in the strictest confidence and take all reasonable precautions to prevent any unauthorized use or disclosure of Google Confidential Information (whether disclosed to me in anticipation of or during my employment by Google), and **I will not (i) use Google Confidential Information for any purpose other than for the benefit of Google in the scope of my employment, or (ii) disclose Google Confidential Information to any third party without the prior written authorization. I agree that all Google Confidential Information that I use or generate in connection with my employment belongs to Google (or third parties identified by Google).** I understand that my unauthorized use or disclosure of Google Confidential Information during my employment or after my employment may lead to disciplinary action, up to and including termination and/or legal action.”

Doe v. Google, Inc., Case No. CGC-16-556034 (California Super. Ct., Cty. of San Francisco, Jan. 13, 2022) (citing Brown and holding Google’s confidentiality agreement acted as an invalid “de facto” non-compete void under Sec. 16600)

## Unenforceable – 7th Circuit applying Wisconsin Law

The confidentiality agreement provided:

“Employee shall not, directly or indirectly, under any circumstances or at any time, either during the term of his employment or after its termination, communicate or disclose to any person, firm, association or corporation, or use for his own account, without Nalco's consent, any information acquired by him in the course of or incident to his employment relating to or regarding the names of customers of Nalco o[r] Third Parties, the sales or service data of Nalco or Third Parties, furnished to him or secured by him in the course of his employment, or any other data or information concerning the business and activities of Nalco or Third Parties.”

Nalco Chem. Co. v. Hydro Techs., Inc., 984 F.2d 801, 803 (7th Cir. 1993) (applying Wis. Stat. § 103.465 providing that “[a] covenant ... not to compete with ...employer” “within a specified territory and during a specified time is lawful and enforceable only if the restrictions imposed are reasonably necessary for the protection of the employer ...”).

## Enforceable – 6th Circuit applying Texas law

“The contract between Orthofix and Hunter provides in pertinent part for the confidentiality of Orthofix information as follows:

Employee agrees that he/she will never use or disclose **any confidential information which employee has acquired during the term of his/her employment with the corporation....** The term “confidential information” shall include customer lists or identification, trade secrets, processes ... business and trade practices, sales or distribution methods and techniques, regulatory agreements and business strategies, and other confidential information pertaining to the Corporation's business or financial affairs ... which are developed by corporation at considerable time and expense, and which could be unfairly utilized in competition with the corporation.”

*Orthofix, Inc. v. Hunter*, 630 F. App'x 566, 569 (6th Cir. 2015) (applying Texas law) (nondisclosure agreement can extend beyond trade secrets but cannot protect public or generally known information or the “general skill, knowledge, training, and experience of an employee”).

## Example of Exclusions

- 1.4 The restrictions contained in this clause shall not apply to:
- (a) any disclosure or use authorised by the Company or required in the ordinary and proper course of the employment or as required by the order of a court of competent jurisdiction or an appropriate regulatory authority; or
  - (b) any information which;
    - (i) is or becomes publicly known or is readily ascertainable by the public, through no wrongful act of the Employee; or
    - (ii) is received by the Employee from a third party without breaching an obligation owed to the Company, if the Employee is not restricted by the third party from disclosing such information; or
    - (iii) the Employee demonstrates was in the Employee's possession or known by him prior to receipt of the information from the Company; or
    - (iv) was independently developed by the Employee without any use of information from the Company.

## Stipulation of Injunctive Remedy

### 4.4 Injunction.

If Employee or anyone acting for Employee breaches or threatens to breach Sections 3.2 through 3.6 of this Agreement, the Company shall have the right to seek equitable/injunctive relief, including a temporary restraining order, a preliminary injunction, and final or permanent injunctions enjoining and restraining such breach or threatened breach. Such remedies shall be in addition to all other remedies available at law or in equity for such breaches, including damages, costs, and reasonable attorneys' fees.

## Exclusion of General Knowledge Skill & Experience

I. **Confidential Information.** For purposes of this Agreement, the term “confidential information” means all information that is not generally known and which I obtained from the Company, or learn, discover, develop, conceive or create during the term of my employment with the Company, and which relates directly to the business or to assets of the Company. Confidential information includes, but is not limited to inventions, discoveries, know-how, ideas, computer programs, designs, algorithms, processes and structures, product information, research and development information, lists of clients and other information related thereto, financial data and information, business plans and processes, and any other information of the Company that the Company informs me, or which I should know by virtue of my position or the circumstances in which I learned it, is to be kept confidential. Confidential information also includes information obtained by the Company in confidence from its vendors or its clients. Confidential information may or may not be labeled as “confidential”. If I am unsure as to whether information is “confidential”, I will ask my manager for assistance.

Confidential information does not include any information that has been made generally available to the public. It also does not include any general technical skills or general experience gained by me during my employment with the Company. I understand that the Company has no objection to my using these skills and experience in any new business venture or employment following the cessation of my employment with the Company.

## Exclusion of General Knowledge Skill & Experience

I. **Confidential Information.** For purposes of this Agreement, the term "confidential information" means all information that is not generally known and which I obtained from the Company, or learn, discover, develop, conceive or create during the term of my employment with the Company, and which relates directly to the business or to assets of the Company. Confidential information includes, but is not limited to inventions, discoveries, know-how, ideas, computer programs, designs, algorithms, processes and structures, product information, research and development information, lists of clients and other information related thereto, financial data and information, business plans and processes, and any other information of the Company that the Company informs me, or which I should know by virtue of my position or the circumstances in which I learned it, is to be kept confidential. Confidential information also includes information obtained by the Company in confidence from its vendors or its clients. Confidential information may or may not be labeled as "confidential." If I am unsure as to whether information is "confidential," I will ask my manager for assistance.

Confidential information does not include any information that has been made generally available to the public. It also does not include any general technical skills or general experience gained by me during my employment with the Company. I understand that the Company has no objection to my using these skills and experience in any new business venture or employment following the cessation of my employment with the Company.

I recognize and acknowledge that in the course of my employment with the Company I may obtain knowledge of confidential and proprietary information of a special and unique nature and value and I may become familiar with trade secrets of the Company relating to the conduct and details of the Company's business. While I am employed by the Company and for a period of three (3) years following the cessation of my employment I agree:

Rare Example of  
Confidentiality  
Agreement that  
Does NOT  
Prohibit Use

3.3 Confidential & Proprietary Information. Employee acknowledges that in the course of providing the services required by this Agreement, Employee will make use of and be exposed to confidential and proprietary information of a special and unique nature and value relating to such matters as, but not limited to, the Company's customer and client lists, customer and client files, products, services, business operations, internal structure, financial affairs, programs, software, systems, procedures, manuals, confidential reports, and sales marketing methods, as well as the amount, nature and type of services, equipment, methods used and preferred by the Company and its suppliers and customers, all of which shall be deemed to be confidential and proprietary. Employee acknowledges that such confidential information has been and will continue to be of central importance to the business of the Company and that disclosure of it or its use by others could cause substantial loss to the Company. In consideration of payments to be made to Employee during the term of this Agreement and the covenants

Initials JAW KML

JL-MH05

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contained herein, Employee agrees that during the entire period of his employment with the Company, and following the expiration, termination, or non-renewal hereof for any reason whatsoever, Employee shall not, for any reason or purpose whatsoever, directly or indirectly, divulge, reveal, report, publish, transfer, or disclose to any person or entity any such confidential or proprietary information which was obtained by Employee as a result of his employment with the Company, but Employee shall hold all of the same confidential and inviolate.



## Example of Severability Clause

the legitimate interests of GEC.

- (c) **Construction and Severability.** If any section, paragraph, term, or provision of this Agreement, or the application thereof, is determined by a competent court or tribunal to be invalid or unenforceable, then the other parts of such section, paragraph, term, or provision shall not be affected thereby and shall be given full force and effect without regard to the invalid or unenforceable portions, and the section, paragraph, term, or provision of this Agreement will be deemed modified to the extent necessary to render it valid and enforceable.

Avoid Treatment of your NDA

as a

De Facto Non-Compete

## Avoid Treatment of your NDA as a De Facto Non-Compete

- Supersedes contrary state laws
- Retroactive - requires employer to rescind offending clause
- Sweeping definition of “non-compete clauses”
  - Provision has “effect” of prohibiting workers from accepting employment or operating a business
- Avoid broadly written employee NDA
  - Don’t prevent employee from working in field
  - Trade secret focus
    - Define Trade Secrets (give examples, *i.e.* Customer Lists)
    - Specify actions that are forbidden (use, disclosure to a third party)
    - Include typical exceptions + exception for Residuals

## Mitigate Loss of Trade Secrets when using GAI Tools

- Enterprise Tools
  - No data retained (prompts, *etc.*)
  - Data not used to retrain / fine-tune
    - Internal Access Control Risk
  - Tool Provider – Security
  - Dictate sensitivity level of prompts for each tool
- Public Tools
  - No business use

# Mitigate Loss of Trade Secrets when using GAI Tools

- GAI may create new issues for “reasonable measures”
- Enterprise Tools
  - No data retained (prompts, *etc.*)
  - Data not used to retrain / fine-tune
    - Internal Access Control Risk
  - Tool Provider – Security
  - Dictate sensitivity level of prompts for each tool
- Public Tools
  - No business use
  - Public information

## Trade Secret Protection Fills an IP Gap For GAI

- Copyrights
  - As demonstrated in the copyright registration issues associated with *Thaler*, *Zarya of the Dawn*, *Theatre D'opera* and others, the requisite amount of human interaction and control in the creative process to obtain a copyright registration is currently an extremely high bar.
- Patents
  - Though the USPTO appears more lenient with respect to human inventorship, there is still no patent protection for inventions failing to reach the requisite level of human contribution.
- Trade Secrets
  - no human author / inventor requirement and may fill gap created by current patent and copyright law.

## Current Trial Trends - How courts are handling:

- trade secret identification
- “choice of law” issues
- trial protections

## “Deadline” & Adequacy to Identify Pleading Stage

*Ahern Rentals, Inc. v. EquipmentShare.com, Inc.*, 59 F.4th 948 (8th Cir. 2023) (**Description:** “Ahern's customer lists, rental information, pricing information, and marketing strategies”) (**Holding:** **Adequate**)

*Bureau Veritas Commodities & Trade, Inc. v. Cotecna Inspection SA*, 2022 WL 912781 (S.D. Tex. Mar. 29, 2022) (**Description:** For its DTSA claims, Plaintiff alleges the following as trade secrets: “its profit and loss information, financial information, business plans, strategic growth strategies, sales information, operational weaknesses, marketing strategies, customer information, pricing, pricing strategies, sales volume, operational plans, employee compensation, vendor and contractor information, testing procedures, certificates, and laboratory technology.”) (**Holding:** **Adequate**)

*IQVIA, Inc. v. Erica Breskin, et al.*, 2023 WL 2588450 (E.D. Pa. Mar. 20, 2023) (**Description:** Breskin downloaded nearly 10,000 files to a two-terabyte hard drive, emailed an unspecified number of files to her personal email account, and downloaded an additional, unspecified number of files to a second hard drive. . . . Breskin later accessed nine documents through Smartsheet: “three items which included client-specific information that IQVIA used on client projects and six items that were developed by IQVIA and used across its SDA [Solutions Delivery and Assurance] business on various projects.) (**Holding:** **Inadequate**)

*You Map, Inc. v. Snap Inc.*, 2021 WL 106498 (D. Del. Jan. 12, 2021) (**Description:** [T]he Complaint lists various “technologies” that were allegedly misappropriated by Defendants, including “technologies” to display information in certain ways to the user. (See, e.g., Compl. ¶ 84 (defining the “trade secrets” to include, among other things, “the technology to visualize stories on a map” and “the technology to analyze social cues and display those cues as aggregated social patterns”).) (**Holding:** **Inadequate**)



## “Deadline” & Adequacy to Identify Access to Discovery

*Carlisle Interconnect Techs. Inc. v. Foresight Finishing LLC*, 2023 WL 2528324 (D. Ariz. Mar. 15, 2023) (**Description**: “the entirety of its selective plating processes ... including without limitation devices, assemblies, and software.” This includes “three types of selective plating machines.” Plaintiff discloses that “[t]he entirety of each selective plating machine and process is a trade secret, including the functionality, components, arrangement of components, and associated software, all of which are individually and collectively trade secrets.” Plaintiff then lists “[e]xamples of individual components” of its three machines which it considers to be trade secrets on their own and when considered collectively. These components include the custom top wheel, the vacuum line and pathways, the nudge tool, certain sensors and cameras, the robotic arm, the custom belt, certain custom software, and the custom bath with a plating solution.) (**Holding: Inadequate**) (“The Court finds Plaintiff’s Disclosure insufficient. Although Plaintiff may ultimately be permitted to claim the entire Selective Plating Process performed by its machines as a trade secret, Plaintiff must, at this stage, “identify[] the steps in the process and explain[] how those steps make their method or process unique.”)

*Quintara Biosciences, Inc. v. Ruifeng Biztech Inc.*, 2021 WL 965349 (N.D. Cal. 2021) (**Description**: [P]laintiff asserts its customer profile and vendor databases. The customer profile database:[I]ncludes a relational database and many computer spreadsheets which were exported from the database and stored on local file servers. The database contains each customer’s purchases and payment history over the years, including the products purchased, the dates of the purchases, the prices paid, and any customer feedbacks for the purchases. In some instances, the database also includes an analysis of additional products and services that Quintara may offer to the customer. Plaintiff uses this “detailed business transaction history” in “communication with customers and for internal business planning by the company’s accounting team, customer account managers, and sales team...” (**Holding: Inadequate**) (“Plaintiff fails to disclose even at a high level the secret sauce, let alone its background or development, that brings independent value and distinguishes its customer list from information that will likely be found in discovery because it is available via public sources....”)

# “Deadline” & Adequacy to Identify

## Summary Judgment

*Card Isle Corp. v. Farid*, 2023 WL 5618246 (N.D. Ga. Aug. 30, 2023) (**Description**: (1) the E-Commerce Integration Blueprint, (2) the underlying functionality referred to by Card Isle's JavaScript libraries, and (3) a “combination of unique pieces,” including Card Isle's technical know-how, approach to solving problems, and organization of individual pieces of technology.) (**Holding**: **Inadequate**)

*REXA, Inc. v. Chester*, 42 F.4th 652 (7th Cir. 2022) (**Description**: REXA broadly contends that the “2002 Designs” were trade secrets that Chester and MEA misappropriated. REXA tells us that Koso kept a sketch of the 2002 actuator prototype (contained within the design file), the source code, and testing results—though not the prototype itself.) (**Holding**: **Inadequate**)

*Quest Sol., Inc. v. RedLPR, LLC*, 2021 WL 1688644 (D. Utah Apr. 28, 2021) (**Description**: this case, HTS provided a seventeen-page list of its trade secrets. HTS refers to the design and development of its technology as reflected in over 100 emails between HTS and a vendor. It appears to include every aspect of its technology similar to the disclosure by the plaintiff in IDX. HTS also refers to a 2018 Roadmap and repeats much of the same information about the Roadmap four or five times.) (**Holding**: **Inadequate**, [but allowed to supplement](#))

## “Deadline” & Adequacy to Identify JMOL

*Coda Dev. s.r.o. v. Goodyear Tire & Rubber Co.*, 2023 WL 2734684 (N.D. Ohio Mar. 31, 2023) (Jury Trial Testimonial Description) (Holding: **Inadequate**: Upon revisiting the question of the definiteness of Coda's articulation of Trade Secrets 24, 7, 11, and 20, the Court concludes that none of them meets this threshold requirement and none of them should have been sent to the jury.)

*TLS Mgmt. & Mktg. Servs., LLC v. Rodriguez-Toledo*, 966 F.3d 46 (1st Cir. 2020) (Bench Trial Testimonial Description: LS's principal, Mr. Colombik, testified that TLS had “approximately 53 different methods or techniques” that it could select for a particular client, but he did not describe what they were. Mr. Colombik referenced only several at a high level—that TLS would conduct a “salary analysis,” consider “fringe benefits,” look at the client's “retirement plan,” and use “captive insurance company” techniques, or decide “whether or not [the client] can get a race car and modify how they use it to write it off as advertising,” and that its recommendations would result in tax savings.) (Holding: **Inadequate; Reversed**)

# “Choice of Law”

## Contract v. Trade Secret

- **Elements**
- **Possible pre-emption of other causes of action**
- **Damages: Benefit of the Bargain v. Disgorgement**

## “Confidential Information” Contract Provisions

- **Marking or Identification**
- **Ownership Presumptions**
- **Attestation Clauses**
- **Term of Confidentiality**

## Trial Protections

# Damages Insights

- Remedies of choice
- Scale of fees and enhanced damages
- Proof complexities:
  - > Form of misappropriation
  - > Degree of competition

## Trade Secret Damages

1

### **Actual Loss**

“Lost Profits” Can include price erosion, lost business value, other measures of demonstrated loss.

2

### **Unjust Enrichment**

Only when “not taken into account in computing actual loss.”  
In NY and NC, only available if it approximates actual loss.

3

### **Reasonable Royalty**

Available “in lieu of damages measured by other methods” for  
“unauthorized disclosure or use of a trade secret.”

## Top 10 Awards

| Case  | Trade Secret Damages  |                      |                       |                       | Additional Causes of Action |                     | Enhanced Damages*     | Total Damages           |
|---|-----------------------|----------------------|-----------------------|-----------------------|-----------------------------|---------------------|-----------------------|-------------------------|
|   | Unjust Enrichment     | Lost Profits         | Reasonable Royalty    | Total                 | Copyright Damages           | Contract Damages    | Total                 |                         |
| Syntel Sterling Best Shores Mauritius Limited v. The Trizetto Group, Inc. et al | \$ 284,855,192        |                      |                       | \$ 284,855,192        |                             |                     | \$ -                  | \$ 284,855,192          |
| Epic Systems Corporation v. Tata Consultancy Services Limited et al             | \$ 140,000,000        |                      |                       | \$ 140,000,000        |                             |                     | \$ 721,646            | \$ 140,721,646          |
| Motorola Solutions, Inc. et al v. Hytera Communications Corporation Ltd. et al  | \$ 135,800,000        |                      |                       | \$ 135,800,000        | \$ 136,300,000              |                     | \$ 359,647,992        | \$ 631,747,992          |
| Miller UK Ltd. et al v. Caterpillar, Inc.                                       | \$ 49,700,000         | \$ 24,900,000        |                       | \$ 74,600,000         |                             | \$ 1,000,000        | \$ -                  | \$ 75,600,000           |
| CardiaQ Valve Technologies, Inc. v. Neovasc Inc. et al                          |                       |                      | \$ 70,000,000         | \$ 70,000,000         |                             | \$ 2,950            | \$ 41,675,154         | \$ 111,678,104          |
| Zest Labs Inc et al v. Wal-Mart Inc   |                       |                      | \$ 60,000,000         | \$ 60,000,000         |                             | \$ 5,000,000        | \$ 50,000,000         | \$ 115,000,000          |
| Patriot Rail Corp. v. Sierra Railroad Company                                   |                       | \$ 22,282,000        |                       | \$ 22,282,000         |                             |                     | \$ 30,544,465         | \$ 52,826,465           |
| ResMan, LLC v. Karya Property Management, LLC et al                             |                       | \$ 20,800,000        |                       | \$ 20,800,000         |                             | \$ 90,000           | \$ 90,000,000         | \$ 110,890,000          |
| Comet Technologies USA Inc. et al v. XP Power LLC                               | \$ 20,000,000         |                      |                       | \$ 20,000,000         |                             |                     | \$ 20,000,000         | \$ 40,000,000           |
| Proofpoint, Inc. et al v. Vade Secure, Incorporated et al                       | \$ 13,495,659         |                      |                       | \$ 13,495,659         |                             | \$ 480,000          | \$ 100,004            | \$ 14,075,663           |
| <b>Total</b>  | <b>\$ 643,850,851</b> | <b>\$ 67,982,000</b> | <b>\$ 130,000,000</b> | <b>\$ 841,832,851</b> | <b>\$ 136,300,000</b>       | <b>\$ 6,572,950</b> | <b>\$ 592,689,261</b> | <b>\$ 1,577,395,062</b> |
| <i>Share of Total TS Damages by Recovery</i>                                    | 76%                   | 8%                   | 15%                   | 100%                  |                             |                     |                       |                         |
| <i>Share of All Damages by Recovery Type</i>                                    | 41%                   | 4%                   | 8%                    | 53%                   | 9%                          | 0.4%                | 38%                   | 100%                    |

\*Enhanced Damages Includes Attorney Fees, Punitive Damages, Enhancements for Willfulness, and Pre-Judgment Interest

## 10 Recent Awards

| Case  | Trade Secret Damages |                     |                    |                      | Additional Causes of Action |                     | Enhanced Damages*    | Total Damages        |
|---|----------------------|---------------------|--------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
|   | Unjust Enrichment    | Lost Profits        | Reasonable Royalty | Total                | Copyright Damages           | Contract Damages    | Total                |                      |
| Proofpoint, Inc. et al v. Vade Secure, Incorporated et al | \$ 13,495,659        |                     |                    | \$ 13,495,659        |                             | \$ 480,000          | \$ 100,004           | \$ 14,075,663        |
| Softketeers, Inc. v. Regal West Corporation et al         | \$ 3,420,000         | \$ 1,935,000        |                    | \$ 5,355,000         |                             | \$ 218,525          | \$ -                 | \$ 5,573,525         |
| BioPoint, Inc.. v. Attis et al                            | \$ 1,375,148         | \$ 312,000          |                    | \$ 1,687,148         |                             | \$ 312,000          | \$ 3,496,575         | \$ 5,495,723         |
| Frydman v. Verschleiser et al                             |                      | \$ 1,400,000        |                    | \$ 1,400,000         |                             |                     | \$ 1,101,899         | \$ 2,501,899         |
| ARNOLD'S OFFICE FURNITURE et al v. BORDEN et al           |                      | \$ 1,057,016        |                    | \$ 1,057,016         |                             |                     | \$ -                 | \$ 1,057,016         |
| Crabar/GBF, Inc. v. Wright et al                          |                      | \$ 1,000,000        |                    | \$ 1,000,000         |                             | \$ 1,751,500        | \$ 3,158,232         | \$ 5,909,732         |
| Capital Inventory, Inc. v. Green et al                    |                      | \$ 795,000          |                    | \$ 795,000           |                             | \$ 579,583          | \$ 2,038,570         | \$ 3,413,154         |
| BarZ Adventures Inc v. Patrick, et al                     |                      | \$ 740,931          |                    | \$ 740,931           |                             |                     | \$ 1,858,257         | \$ 2,599,187         |
| Indie Caps LLC v. Ackerman et al                          |                      | \$ 500,000          |                    | \$ 500,000           |                             | \$ 500,000          | \$ 100,000           | \$ 1,100,000         |
| Knox Trailers, Inc et al v. Clark et al                   | \$ 30,000            |                     |                    | \$ 30,000            |                             | \$ 40,500           | \$ -                 | \$ 70,500            |
| <b>Total</b>  | <b>\$ 18,320,807</b> | <b>\$ 7,739,947</b> | <b>\$ -</b>        | <b>\$ 26,060,754</b> | <b>\$ -</b>                 | <b>\$ 3,882,108</b> | <b>\$ 11,853,536</b> | <b>\$ 41,796,398</b> |

Share of Total TS Damages by

Recovery Type

70% 30% 0% 100%

Share of All Damages by Recovery Type

44% 19% 0% 62% 0% 9.3% 28% 100%

\*Enhanced Damages Includes Attorney Fees, Punitive Damages, Enhancements for Willfulness, and Pre-Judgment Interest



## Avoided Development Costs

- 1 Common approach to determining Unjust Enrichment
- 2 Often requires input from technical expert
- 3 Trade secret owner's costs – proxy?

## Expedited Market Entry

- 1** **“Head Start” Damages:** Common Approach when Misappropriation Moves Cash Flows Forward in Time
- 2** Appropriate when a Plaintiff cannot argue the TS fully enabled the sales but rather increased profits for a limited time period
- 3** Generally includes identifying a “catch-up” period and using a discounted cash flow (“DCF”) model

## Damages Absent Competition

- 1 Often straightforward – Calculate defendant's unjust enrichment
- 2 However, in non-UTSA state court claims (NY and NC) unjust enrichment may not be recoverable
- 3 Common approach absent unjust enrichment:  
Reasonable Royalty

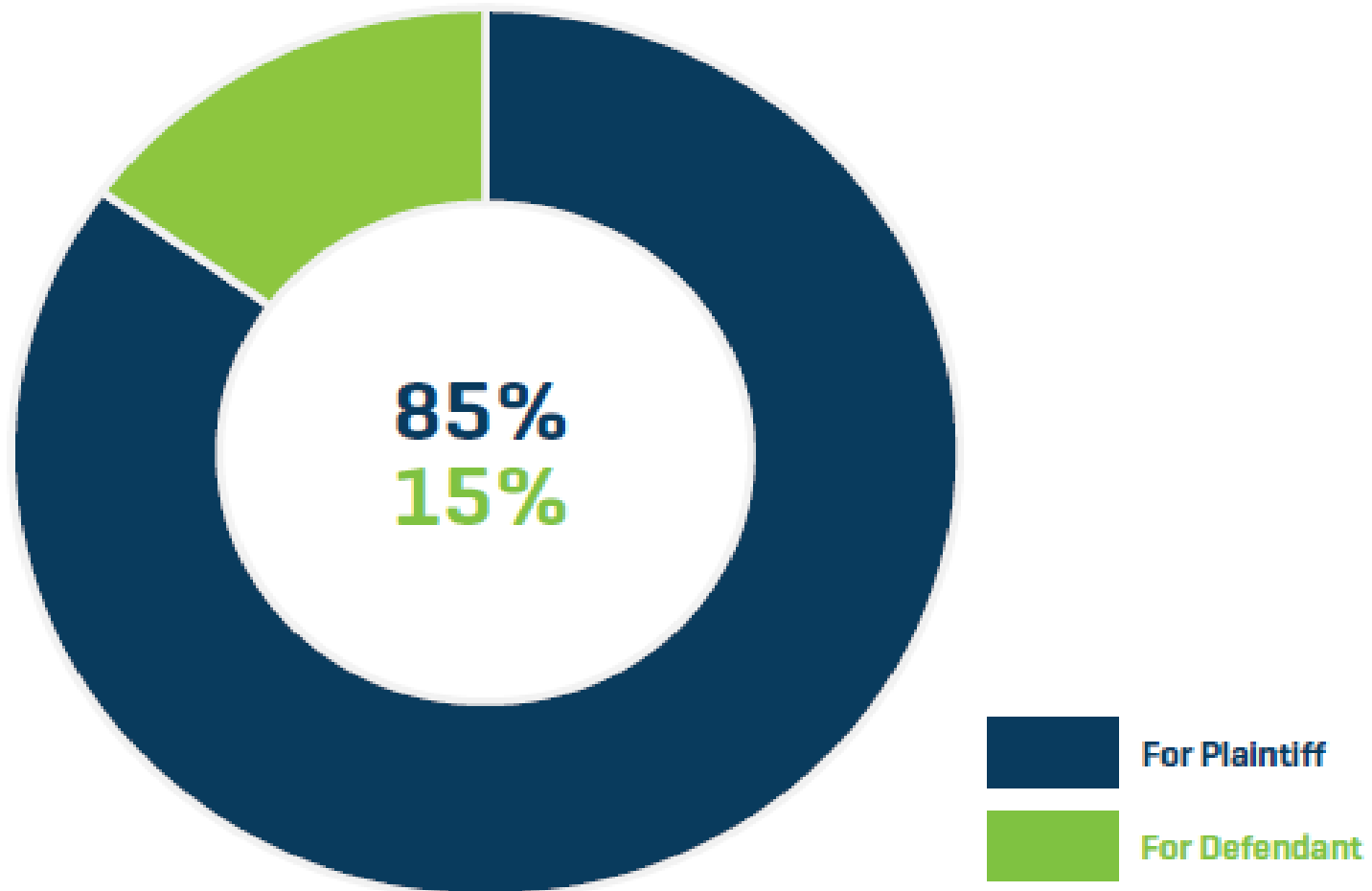
## Damages Without Accused Use

- 1** Even if a plaintiff cannot demonstrate use, damages may be available
- 2** If disclosure destroyed the value of the plaintiff, or of its trade secret,
- 3** Potential approach: lump sum reasonable royalty (what one should have paid at the time of the misappropriation)

## Damages With Accused Use Absent Sales

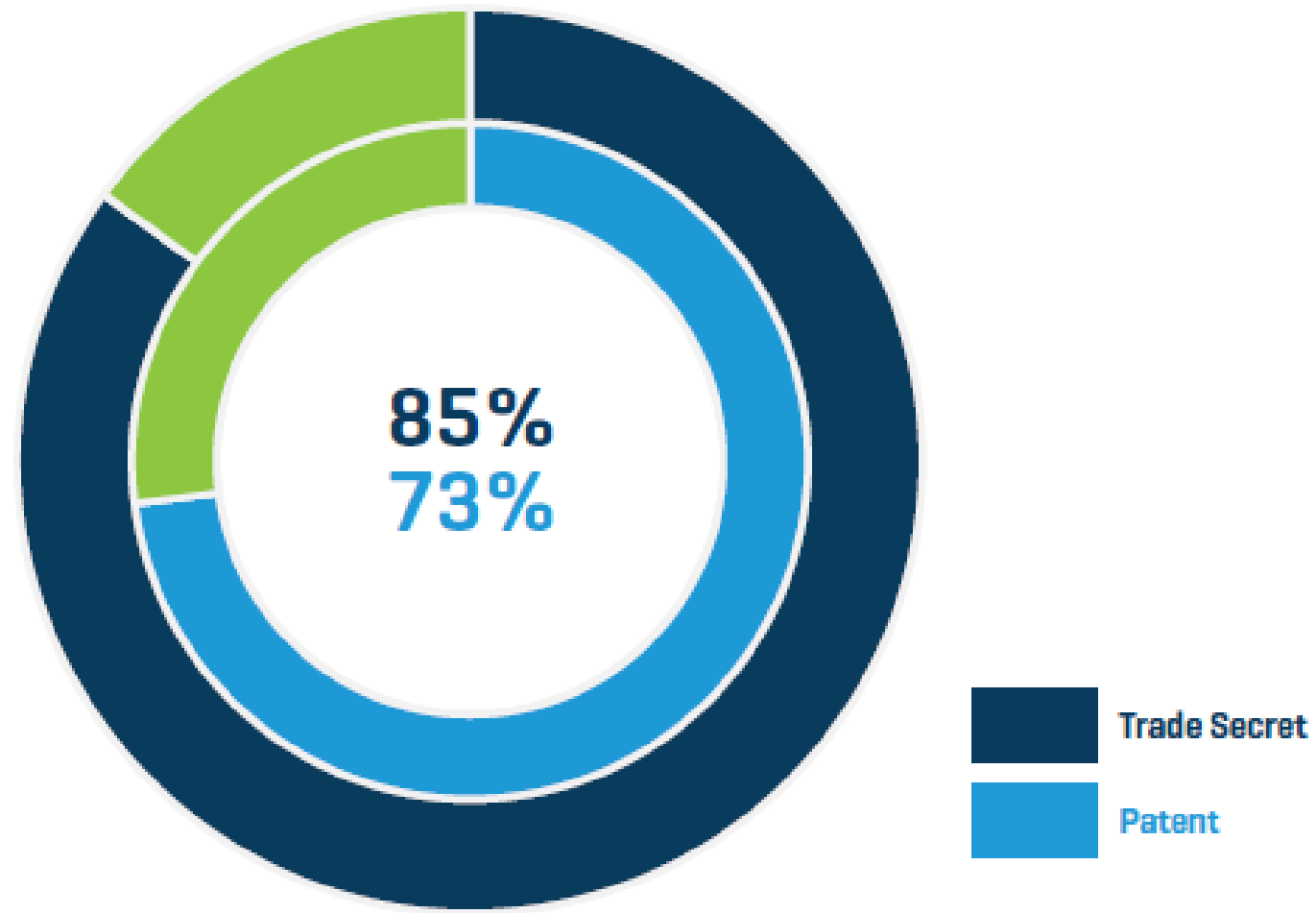
- 1** Use does not necessarily imply sales, suits can be brought pre-commercialization
- 2** Common approach: Unjust enrichment via Avoided Costs
- 3** Alternative approach: lump sum reasonable royalty (what one should have paid at the time of the misappropriation)

**FIGURE 15:**  
**Proportion of Trade Secret Court Rulings by Prevailing Party**



\*This figure excludes cases resulting in a settlement.

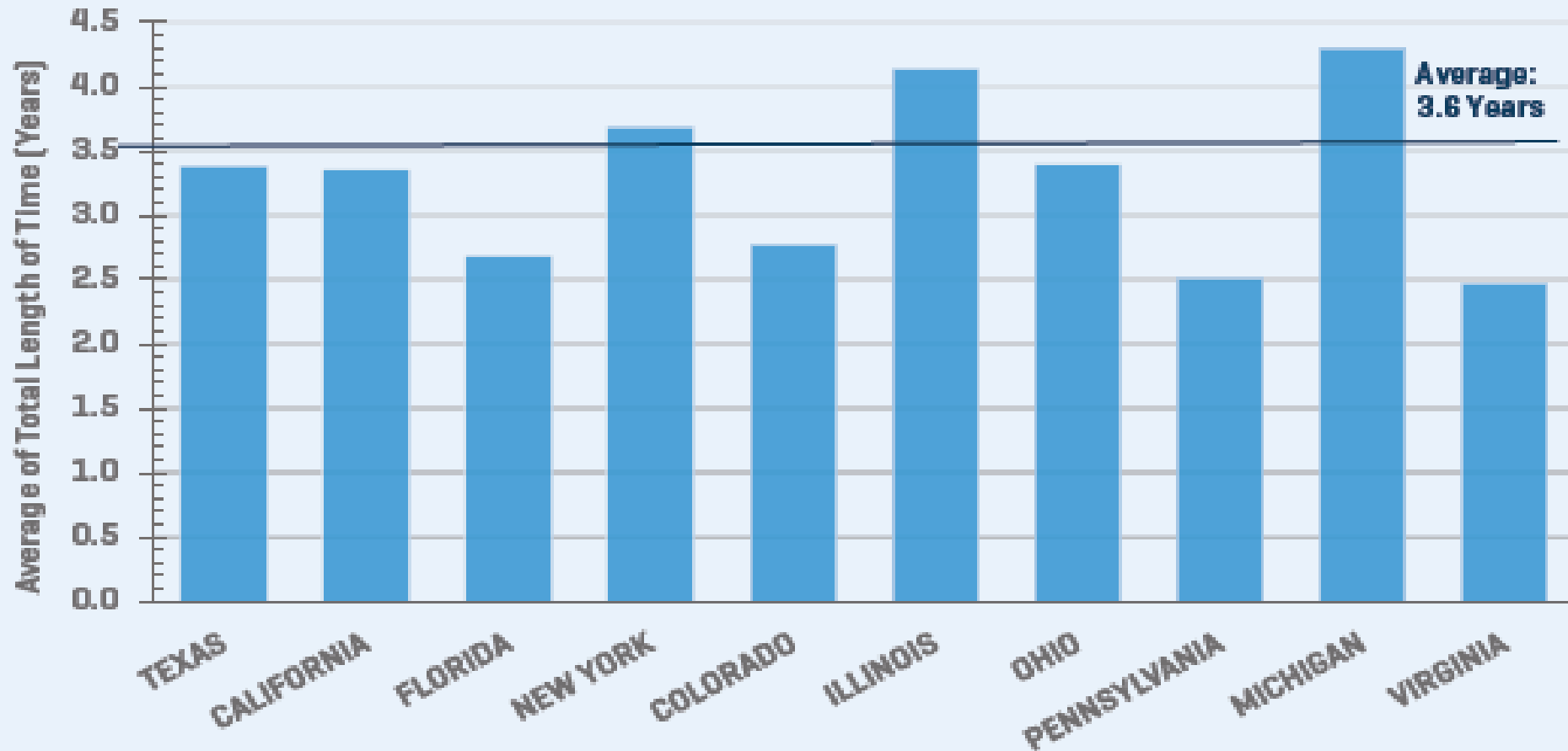
FIGURE 16:  
Patent Cases v. Trade Secret Cases - Percent of Trials Won by Plaintiff



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FIGURE 14:

**Average Time to Resolution for Most Active States**  
[Cases Terminated 2010-2022]





## What Can Be Developed by AI and Protected?

- **Can AI be awarded a Patent? No.** *Thaler v. Vidal*, 43 F.4th 1207 (Fed. Cir. 2022), cert. denied, 143 S. Ct. 1783 (2023).
- **Copyright? No.** “When an AI technology determines the expressive elements of an output, the generated material is not the product of human authorship. As a result, that material is not protected by copyright...”  
Copyright Registration Guidance: Works Containing Material Generated by Artificial Intelligence, 88 F.R. 16190, at 16192; see U.S. Copyright Office, Cancellation Decision re: Zarya of the Dawn (VAu001480196) at 2 (Feb. 21, 2023).
- **USPTO Guidance:** Inventors and joint inventors on U.S. patents and patent applications **must be natural persons**, although “the use of an AI system by a natural person(s) does not preclude a natural person(s) from qualifying as an inventor (or joint inventor) if the natural person(s) significantly contributed to the claimed invention.

## What Can Be Developed by AI and Protected?

- **Can AI develop a Trade Secret? Yes.**
- Trade secret law, unlike copyright and patent law, does not require human authorship for protection.
- Generative AI technology, including models, datasets, algorithms, and outputs, can be protected as trade secrets.
- BUT, there are risks...

## Risks to Existing Trade Secrets and Confidential Information

- Generative AI platforms pose increased risks to trade secrets as they can inadvertently disclose sensitive information.
- Employees may unintentionally leak confidential data while using generative AI applications. (i.e., Samsung employee uploading trade secrets).
- AI can/will be able to eliminate the substantial investment of time, expense and effort needed to duplicate a trade secret, thereby rendering the trade secret invalid, *i.e.*, readily ascertainable through proper means.
- The threat posed by AI to trade secrets can result in economic loss, including loss of market share, revenue, and lower return on investment, reducing incentives to innovate or invest.

## Mitigation Strategies

- Employ better protective measures (i.e., limiting persons with access, limiting disclosure and use of trade secret).
- Prevent leaking into AI.
- Pursue and obtain patent protection where the option is available.
- Contemplate “readily ascertainable” in trade secret litigation—pursue discovery on topics related to the defendant’s use of AI.

# Reasonable Measures

- In order to pursue a claim for trade secret misappropriation, the owner must show that it used “reasonable measures” to protect its trade secrets.
- What are “reasonable measures?”
  - Courts assess the reasonableness of measures based on the nature and value of trade secrets, ease of theft, the extent of the threat of theft, and the particular field of knowledge or industry.
  - Courts also recognize that what efforts are reasonable may differ based on the size and resources of the business.

## Workplace Bans and Other Options

- Blanket Bans: Prohibit use of generative AI entirely. Impractical?
- Limited Access: Who can use AI? When can they use it? How can they use it?
- Workplace Policies: Update policies to be specific to AI use.
- AI Provider Agreements: Negotiate with AI providers.
- Monitoring: Forensic monitoring and investigation capabilities.
- Employee Training: Train employees to understand AI and use it safely.

## Impact of Generative AI on the quantification of damages

- Avoided costs
- Time out of market
- Accelerated market entry

## Current Trending AI Litigation

- *NY Times v. Microsoft*: Susman filed proposed class action on behalf of NYT author against OpenAI and Microsoft, alleging they used copyrighted materials without permission to train their AI.
- *Universal Music Group v. Anthropic*: Suit alleging Anthropic's AI was using copyrighted lyrics from songs to produce output.
- *Estate of George Carlin v. Dudesy*: Dudesy is a media company that used AI to generate an hour-long comedy special that featured an approximation of deceased comedian Carlin's voice and style. Estate sued.





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