KEEPING THINGS CONFIDENTIAL: ROBOTICS TRADE SECRETS 1.0

Disclosure of any kind can be fatal to trade secret status

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ROBUST TRADE SECRETS POLICY

Especially in this industry, where robotics veterans have established lasting relationships, there is a real fear of tarnishing a company’s reputation by suing a former employee and the competitor company that s/he joined.

But the fact that your company loathes such aggressive action is no justification for poor planning when it comes to protecting your robotics company’s trade secrets. A robust trade secrets policy does more than form the basis of your company’s future lawsuits against those who flee with your “special sauce” – it also sends a strong warning to any competitors who consider hiring away your employees for the wrong reasons.

For example, MAKO Surgical Corp. – a leader in robotic assisted surgery that was recently acquired for $1.26 Billion – filed a lawsuit in February of this year against Blue Belt Technologies, Inc. and the former MAKO employee it hired.

The claims ranged from breach of contract to tortious interference to misappropriation of trade secrets. Less than two months later, MAKO’s lawsuit ended with Blue Belt’s consent to a permanent injunction. But MAKO’s quick and favorable resolution would have been nearly impossible had the company not planned in advance and built its trade secret protection strategy into its standard company agreements, policies and procedures.

AVOID A RACE TO THE COURTHOUSE

Unlike patents and copyrights, which are both based on federal law and consistently applied throughout the United States, trade secrets are governed by the laws of each individual state.

Thus, information that is considered a trade secret under Ohio law may not be considered a trade secret under California law. In an effort to make trade secret law more uniform across the country, most states have adopted the Uniform Trade Secret Act (UTSA). Notably, Massachusetts is one of the few remaining states that has not adopted the UTSA, but that may change if pending bill H. 2846, entitled “An Act Making Uniform the Law Regarding Trade Secrets”, is approved by the state legislature.

For states that have fully adopted the UTSA, trade secrets can include software, chemical formulas, manufacturing processes, marketing plans and even customer lists. But even where the information at issue can qualify as a type of trade secret, the requirements to enforce a trade secret still widely vary among states; and for robotics companies with
a presence in California (the most reluctant state to enforce restrictions on employees), strategic planning provides a tremendous advantage.

The application of California law is in fact so significant that companies have been known to “race to the courthouse” – one racing to a courthouse in California and the other racing to a courthouse in some other state.

**KEEPING INFORMATION CONFIDENTIAL**

It sounds obvious, but disclosure of any kind can be fatal to the trade secret status. For example, a state court in Ohio considered trade secrets to be waived where the company allowed non-employees to walk through the company’s offices, unsupervised and without signing a confidentiality agreement, because the trade secrets at issue were posted on an employee’s cubicle.

Similarly, disclosing your company’s trade secrets to a potential investor who has no confidentiality obligation can destroy the information’s status as a trade secret.

To ensure that you can defend your company’s trade secrets, such information should never be disclosed to a non-employee who is not obligated to keep it confidential.

For company employees, such obligations should be built into their employment agreements (along with other non-compete and non-solicitation obligations), and such obligations should be re-affirmed in the company’s employee manual.

Indeed, the employee manual should not only confirm each employee’s confidentiality obligations, but it should also specify the ways in which employees can transmit electronic documents containing confidential or trade secret information.

This includes prohibiting the use of certain non-secure third party cloud storage sites.

**BOTTOM LINE**

The motto once stated by U.S. President Theodore Roosevelt – “speak softly, and carry a big stick” – applies equally to any robotics company that considers its confidential information an advantage over its competitors.

If your company’s agreements, policies, and procedures reinforce that it’s confidential information is a legally recognizable and enforceable trade secret, your company is less likely to face a situation where those trade secrets are misappropriated.

Indeed, for every lawsuit like the one filed by MAKO Surgical, there are countless situations where the misappropriation never occurs or the situation was resolved in a more amicable, out-of-court negotiation. And if such confidential information is one day misappropriated, and your company is left with no alternative to litigation, such advanced planning will give your company the option of swiftly enforcing its rights.

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**ABOUT THE AUTHOR**

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Trade Secrets, Confidential Information, and Know-how: What Are The Differences? The world is growing increasingly more accessible every day. Ideas can be shared with millions in an instant via the internet and more information is being published than ever before. In this increasingly complicated, competitive, and connected world, some information is best protected by keeping it secret rather than by traditional intellectual property rights. The owner of a trade secret can, amongst other things, sue a defendant to recover for economic losses caused by the misappropriation. This is usually measured by the owner’s lost profits or the defendant’s unjust enrichment. Furthermore, in some cases, punitive damages may also be awarded. TRADE SECRETS: A Moyers Report. PROLOGUE: NARRATION: There is a three-hundred mile stretch along the coast where Texas and Louisiana meet that boasts the largest collection of petrochemical refineries and factories in the world. Union Carbide. Internal Correspondence. Confidential. “Dow Chemical Company reviewed the work on the European study. They report the results on rats are probably undeniable.” NARRATION: But meeting in their conference room in Washington, they discussed keeping secret what they knew of the dangers posed by vinyl chloride. “We should not volunteer reference to the European project, but in response to direct inquiry, we could not deny awareness of the project and knowledge concerning certain preliminary results.” What is a trade secret? Trade secrets are intellectual property (IP) rights on confidential information which may be sold or licensed. In general, to qualify as a trade secret, the information must be unknown to others may be protected as a trade secret. Trade secrets encompass both technical information, such as information concerning manufacturing processes, experimental research data, software algorithms and commercial information such as distribution methods, list of suppliers and clients, and advertising strategies. For example, trade secrets can be kept by several parties, as long as it is not known to other persons working in the field.