
CRAVATH, SWAINE & MOORE LLP

WIPO Symposium on Trade Secrets and Innovation

Navigating Trade Secret Systems in the Changing Innovation Environment

NOVEMBER 25, 2019

David J. Kappos

Partner

212-474-1168

dkappos@cravath.com

Trade Secrets

What Is a Trade Secret?

- **DTSA definition:**

- Financial, scientific, business, economic, technical, engineering information, etc. that:
 - derives independent economic value from not being generally known to or readily accessible by the public using proper means;
 - the owner has taken reasonable steps to keep secret; and
 - is related to a product or service used in or intended for use in interstate or foreign commerce.

- **Can be a formula, pattern, compilation, program, method, technique or process**

- **Protection can last indefinitely if properly maintained**



Trade Secrets vs. Patents

Trade Secrets

If maintained, can last indefinitely

If disclosed, protection is lost forever

Ideas are protected

If someone else figures it out on their own, no remedy

Patents

Last 15-20 years

Default is mandatory disclosure

Ideas are never protected

Subsequent invention (even if independent) not a defense

Trade Secrets Have Immense Value

FEB 1, 2017 @ 04:12 PM 6,114

The Little Black

Facebook Ordered To Pay \$500 Million In Oculus Lawsuit



Kathleen Chaykowski, FORBES STAFF

I write about technology with a focus on social and digital media. [FULL BIO](#)



Facebook lost a major lawsuit by video game company ZeniMax on Wednesday, according to reports. (Courtesy of Facebook) [+]

Trade Secrets Have Immense Value



BUSINESS NEWS FEBRUARY 9, 2018 / 11:04 AM / A YEAR AGO

Waymo accepts \$245 million and Uber's 'regret' to settle self-driving car dispute

Alexandria Sage, Dan Levine, Heather Somerville

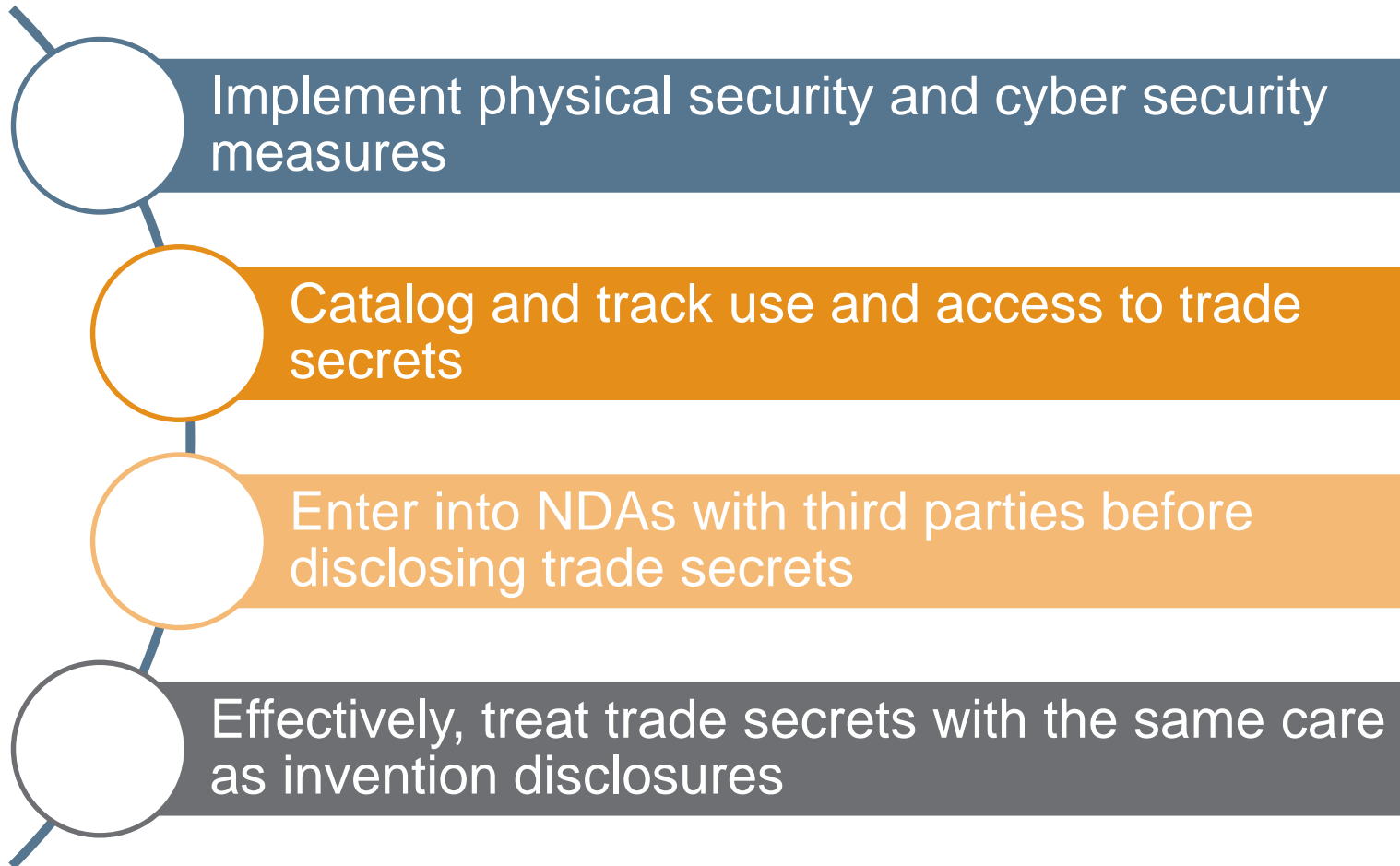
7 MIN READ



SAN FRANCISCO (Reuters) - Uber Technologies Inc [UBER.UL] will pay \$245 million worth of its own shares to Alphabet Inc's Waymo self-driving vehicle unit to settle a legal dispute over trade secrets, allowing Uber's chief executive to move past one of the company's most bruising public controversies.



Best Practices for Keeping Trade Secrets, Secret



Data

Economic Importance of Data

The world's most valuable resource is
no longer oil, but data

-Economist headline, May 6, 2017

**IBM CEO Ginni Rometty says 80% of the
world's data is where the 'real gold' is**

-CNBC headline, June 20, 2017



U.S. Protects Data Solely Through Trade Secrecy

Not
Protected by
Patents

- Only processes, machines, manufactures, and compositions of matter are patent eligible subject matter



Not
Protected by
Copyrights

- Facts (i.e., data) are not copyright eligible subject matter



Protected by
Trade
Secrets

- DTSA and UTSA explicitly protect data

Dire Consequences of Misusing Personal Data

THE WALL STREET JOURNAL.

[Home](#) [World](#) [U.S.](#) [Politics](#) [Economy](#) [Business](#) [Tech](#) [Markets](#) [Opinion](#) [Life & Arts](#) [Real Estate](#) [WSJ Magazine](#)

[PRO BANKRUPTCY](#) [BANKRUPTCY](#)

Cambridge Analytica Files for Chapter 7 Bankruptcy in U.S.

Shuttered data company will liquidate its business following allegations of misusing Facebook data



People walk past the building that houses the offices of Cambridge Analytica in London. PHOTO: REUTERS

WIPO

Symposium On Trade Secrets and Innovation

Nov. 25, 2019

Kasznar ¹⁹¹⁹
Leonardos

PROPRIEDADE
INTELCTUAL

Panel 1

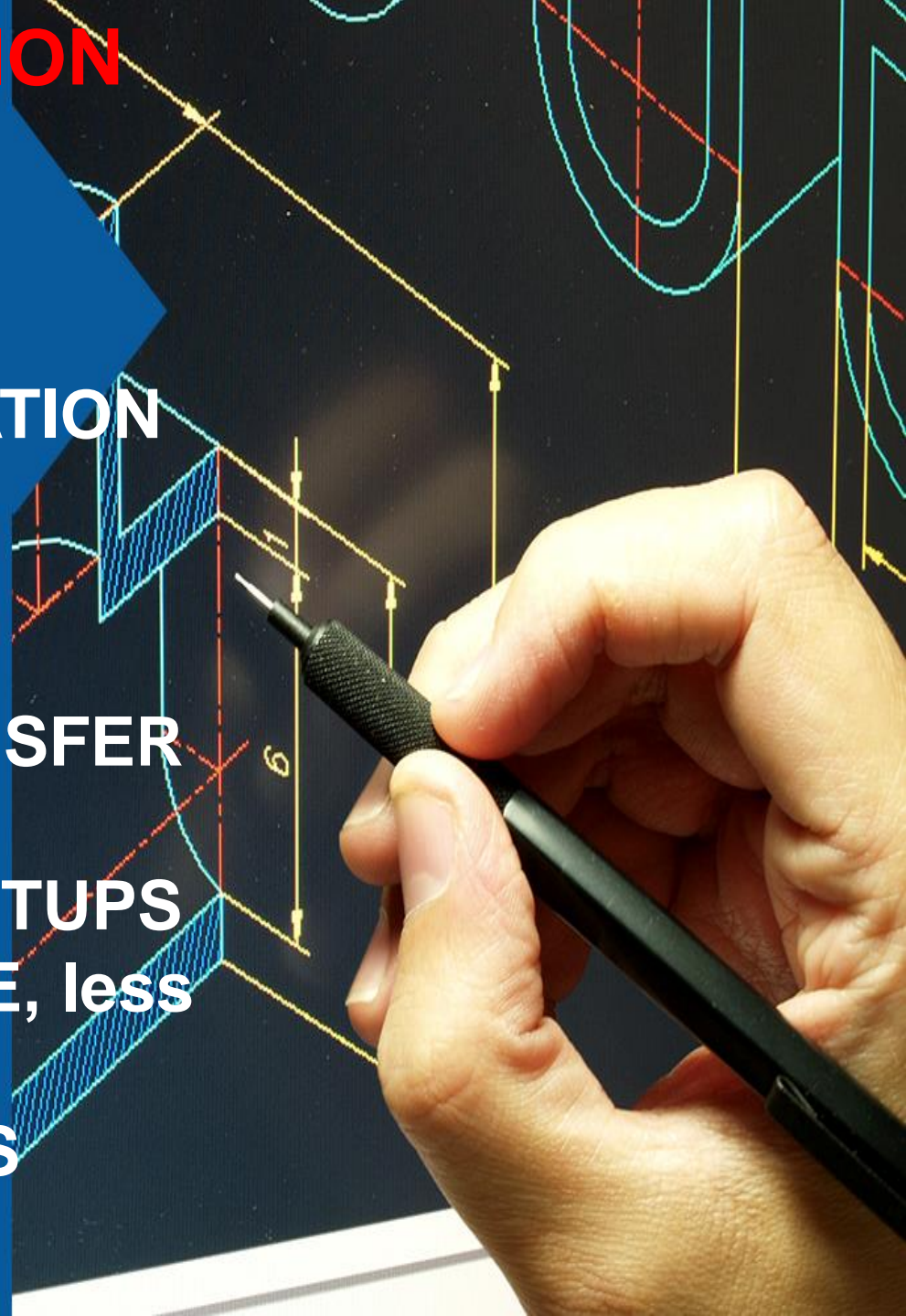
Navigating Trade Secret Systems in the Changing Innovation Environment

**Elisabeth
Kasznar**



CURRENT INNOVATION ENVIRONMENT: INCREASED

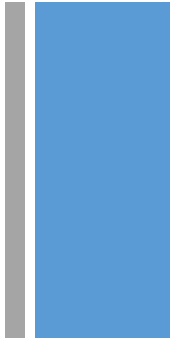
- **DIGITAL TRANSFORMATION**
- **RAPIDITY**
- **COOPERATIVE PARTNERSHIPS**
- **CROSS-BORDER TRANSFER OF KNOWLEDGE**
- **IMPORTANCE OF STARTUPS**
- **INCREMENTAL NATURE, less disruptive (WIPO)**
- **GROWTH OF SERVICES**





ALSO MARKED BY THE PRIVACY DILEMMA

The Economist, May 99: “Conflict between privacy and the growing power of information technology”

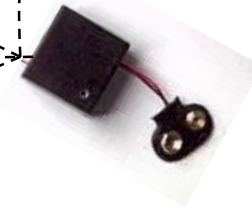


- Being connected:
- constant threat of intrusion.

WHAT IS THE ROLE OF TRADE SECRETS...



**...WHEN VAST KNOWLEDGE
ON THE TECHNOLOGIES
AND SERVICES IS
ACCESSIBLE TO ALL?**



1. KEY SYSTEMIC ISSUES:

- **CONCEPTUAL**
- **CONTRACTUAL**
- **ENFORCEMENT**



1.1.

CONCEPTUAL (SUBSTANTIVE)

1
9

CHALLENGES AT THE INTERNATIONAL LEVEL



In a context of transnational investments and business,

Global supply chains,

Open innovation,

**Still discussed:
is U.I. an IP right?**

Jurisdiction and applicable law to misuse committed abroad.

TRADE SECRETS ARE OFTEN THE ONLY PROTECTION OPTION

a)at the earliest stages of innovation:

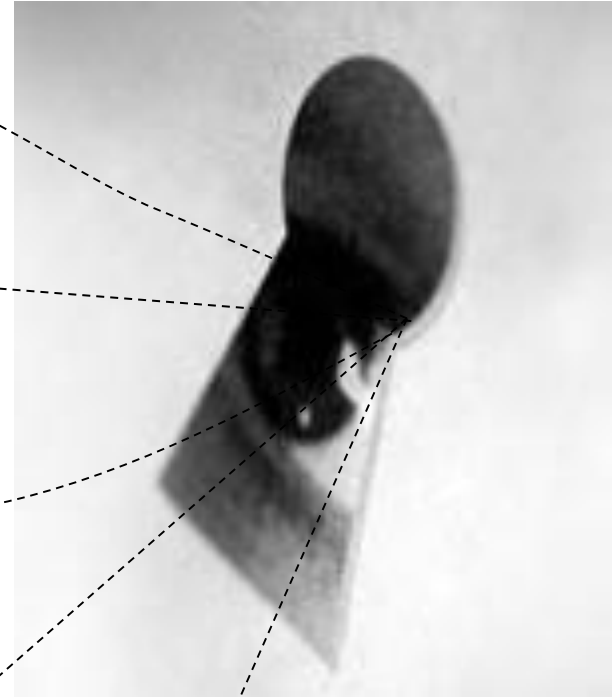
- R&D,
- project,
- creation



b) Broad unpatentable subject matter in some countries



- **IT,**
- **Artificial intelligence**



- **Life Sciences**
- **Biological processes**

c) Innovations excluded also from © protection

SERVICES:

- Ideas, procedures, systems, methods, plans;
- Business, commercial, financial, etc.

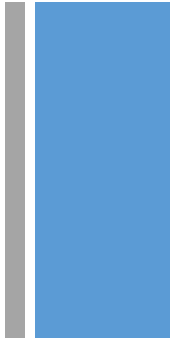


1.2.

**CONTRACTUAL
(AUTHORISED USE)**



AUTHORISED USED OF TS



- Internal use (employees): contractual safeguards.

- External use (licensees): “*Know-how contracts are more important from the economic perspective than patent licenses*”.

Denis Borges Barbosa, *Do Segredo Industrial*, 2012, p. 07.

- However, TS licensing policies present major gaps in some countries.

1.3.

ENFORCEMENT AGAINST MISUSE



Enforcement Difficulties on a Global Scale play a Critical Role

- **Drawing the line between what belongs to the employer and to the employee;**
- **Defining the extension of the injunctive order;**
- **Proving the existence of a TS and its misappropriation;**
- **High standards of burden of proof imposed on the person in control are not compatible with the nature and essence of a TS.**

**2) VIEWS ON THE WAY
FORWARD:**

**ON THE VERGE OF A
CHANGE**

DESIRED DEVELOPMENTS- INT'

LEVEL:TRIPs CONCEPTS



What are “*reasonable*” precautions?



Criminal sanctions?



Border measures for TS infringement?



Art. 39, 2, note 10: breach of confidence,



Gross negligence

DESIRED DEVELOPMENTS: NATIONAL LEVEL

E.g. Brazil - penalties for TS infringement are not deterrent: detention of 3 months, replaced by symbolic penalties.

Higher penalties for other unlawful acts
- multiple offense situations.

Short statute of limitations.

The value of privacy:

*“The more information flows, the stronger the protection of trade secrets should be.”**

**“O Regime Jurídico do Segredo de Indústria e Comércio no Direito Brasileiro”. Elisabeth Kasznar, Rio de Janeiro: Forense, 2003, p. 431.*

THANK YOU!

elisabeth.kasznar@kasznarleonardos.com

