



# **Have Your Cake and Eat It Too: Trade Secret Litigation Offers Creative Additional Option for Employers Asserting Patent Protections**

Insights

11.30.21

When most companies think about how to protect their proprietary information and inventions, the first (and most obvious) option is to file for patent protection. However, as recent court cases make clear, trade secret law may provide additional options when it comes to protecting this valuable information. This Insight reviews some critical court decisions and provides employers with four key considerations to take into account to protect your valuable intelligence.

## **Patent v. Trade Secrets: Why Not Both?**

Different protections may apply to a given invention or proprietary information, depending upon what the company is looking to protect. For something to be protected by patent, the company's proprietary invention must be publicly disclosed by patent application. For something to have trade secret protection, however, that information must (as the name implies) be secret. But as highlighted in a recent Seventh Circuit Court of Appeals case, these two concepts are not mutually exclusive.

## **Recent Court Decision Provides Creative Option**

Life Spine, Inc. is an Illinois-based manufacturer of a patented spinal implant device. It contracted with Colorado company Aegis Spine, Inc. in January 2018 to distribute the device. Their distribution agreement included a strict confidentiality provision. However, Aegis Spine's parent company, L&K Biomed, Inc., quickly developed a nearly identical product and by September 2019 was in direct competition with Life Spine.

Life Spine took legal action over the new device and an Illinois federal court granted a preliminary injunction against Aegis Spine, barring it and its business partners from marketing the competing product. Aegis appealed, claiming information about the device could not "remain a protected trade secret after Life Spine patented, displayed, and sold the device to hospitals and surgeons." Life Spine countered that the device's precise specifications could not be derived from the patent materials. It pointed out that the patent only included pictures of the part and did not tell anyone how the features connect, describe how it's assembled, or provide the device's dimensions — which are extremely precise down to fractions of a millimeter. Life Spine contended this information could have only been obtained with access to the device itself and by using sophisticated measurement technology. It was

these dimensions and measurements, rather than the product itself, which Life Spine claimed was protectable as a trade secret — and the Seventh Circuit Court of Appeals agreed.

In affirming the lower court's injunction, the Seventh Circuit noted that Life Spine "takes many precautions to safeguard the device," including requiring confidentiality agreements of its distributors. It also noted that Life Spine closely supervises the devices during displays and sales, "much like a jeweler supervises someone trying on a watch." Because Life Spine took reasonable measures to protect the confidentiality of the non-disclosed details, and a competitor could obtain economic value from those details, the Seventh Circuit found they were protectable as trade secrets.

## **What Should Your Company Do? Top 4 Considerations**

This and other court decisions from across the country can provide your company with some considerations to take into account when it comes to the use of trade secret protection for your products and information. Here are four concepts to keep in mind as you consider this approach.

### **1. *Don't Be Scared Off by the Public Nature of Your Information***

The *Life Spine* decision highlights that you can maintain trade secret protection in aspects of a product even if you have publicly disclosed information through patents, marketing efforts, or otherwise. The main assessment is whether the public disclosure is sufficiently specific or detailed such that others in the field with a comparable background and skill set could reverse-engineer the product using only the publicly available information. Information and details that have not been disclosed and cannot be readily ascertained can qualify for trade secret protection.

### **2. *Consider Using Both Theories***

If you have a patented invention that also has attendant confidential trade secrets, it can be highly beneficial (and is a recommended best practice) to assert claims for both theories if there has been misuse or misappropriation. In 2021, another federal appeals court upheld Cajun Services Unlimited's court victory over Benton Energy Service Company, where the company brought claims for patent infringement, trade secret misappropriation, and breach of contract. The jury returned a verdict for Cajun Services and awarded it over \$800 million, which included \$2 million in exemplary damages for the defendant's willful and malicious violation of the Defense of Trade Secrets Act.

### **3. *Protection May Begin Before Proof of Infringement***

Once you've defined a protectable interest in your product or information, the next step is usually proving someone used or disclosed the company's proprietary information improperly. In patent cases, there is strict liability: if you can prove someone else is using the claimed invention, and the claimed invention is protectable and not invalid, then that person or entity will be liable.

In trade secret cases, however, several states have adopted the “inevitable disclosure” doctrine. The idea behind the inevitable disclosure doctrine is that, in some circumstances, there is a high likelihood that a former employee will use or reveal their former employer’s trade secrets in performing their job duties with the new employer. Typically, this involves an employee going to work for their former employer’s competitor in a position where the employee will perform the same or similar duties as they did for the former employer. In states that apply the doctrine, a court may block that subsequent employment without the need for proof or evidence of misconduct or even bad intent. In short, the inevitable disclosure doctrine can operate as a *de facto* non-competition agreement even where the employee hasn’t entered into such an agreement.

#### **4. *Consider Seeking Economic Damages for Future Anticipated Misuse***

In addition to injunctive relief that could block an opponent from continuing a business practice, you could also be in line to obtain economic damages for anticipated future use of their misappropriated trade secrets. In [a 2018 decision out of the Eastern District of Virginia](#), the court held that damages under theories of unjust enrichment and reasonable royalty can be based on actual *and future* use of a misappropriated trade secrets, pursuant to the Defense of Trade Secrets Act and Texas’s version of the Uniform Trade Secrets Act (as the Virginia court was called to interpret and apply Texas law).

## **Conclusion**

As these cases make clear, trade secret and patent protections go hand in hand. Pursuing both where there has been threatened or actual misuse of your proprietary information provides many avenues for relief. To ensure these interests remain protectable, however, you must carefully choose what to publicly disclose in your patent applications or otherwise. You must also ensure that the non-disclosed information has economic value and is subject to reasonable efforts to maintain secrecy. This can include requiring those with access to the information — employees, business partners, and the like — all sign confidentiality agreements prior to granting access.

If you have further questions about these creative strategies, contact your Fisher Phillips attorney, the author of this Insight, or any attorney in our [Employee Defection and Trade Secrets Practice Group](#). We will monitor developments in this area and provide updates as warranted, so make sure that you are subscribed to [Fisher Phillips’ Insights](#) to get the most up-to-date information direct to your inbox.

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