



# Ideas can be Subject to Trade Secret Protection

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A California Court of Appeal recently held that ideas and design concepts can be subject to trade secret protection in *Altavion, Inc. v. Konica Minolta Systems Laboratory, Inc.*, (2014) 226 Cal.App.4th 26. In a modern day David and Goliath contest, Altavion, Inc. sued Konica Minolta Systems Laboratory, Inc. (KMSL) for infringing upon Altavion's trade secrets involving Altavion's digital stamping technology (DST). DST is a process that allows creation of self-authenticating documents through the use of encrypted bar codes. DST allows one to determine whether a supposedly original document has been altered.

The dispute arose after Altavion approached KMSL to discuss, under a non-disclosure agreement, KMSL's potential use of DST in its printers. After negotiations failed, Altavion learned that KMSL had filed for patents encompassing DTS. Altavion brought suit against KMSL for misappropriation of trade secrets. Following a bench trial, the superior court found that KMSL had misappropriated the DTS idea as a complete concept, in addition to specific design concepts. It entered judgment for Altavion in the amount of \$1 million in damages, \$513,400 in prejudgment interest, and \$3.3 million in attorney's fees. KMSL appealed and the appellate court affirmed the judgment.

KMSL argued, among other things, that Altavion's DTS technology was an idea, and was not protectable as a trade secret. KMSL reasoned that because such ideas and inventions are protected through the patent process, they cannot be considered trade secrets. The Court of Appeal rejected this argument, stating that **"trade secret law may be used to sanction [i.e., penalize] the misappropriation of an idea the plaintiff kept secret."** *Id.* at 56 (emphasis added). It explained that when an idea or design concept that could be patented is kept secret, that idea or design concept can be treated as a trade secret.

In such a situation, trade secret law protects "the inventor's right to control the dissemination of information." *Id.* at 56 (quotations omitted). In contrast, patent law protects the later use of the resultant technology. This means that even if an idea could be reverse engineered, until it is brought to market or otherwise revealed

by the inventor, it is a protectable trade secret as long as it has value and has otherwise been kept confidential.

The case merits a couple of additional notes.

1. The Court of Appeal stated that even if some or all of the elements of Altavion's design were in the public domain and thus unprotectable, the **combination** was a protectable trade secret if it was secret and had independent economic value.
2. The court also rejected KMSL's argument that because Altavion had disclosed its DST concept to others without ensuring confidentiality, it could not be protected as a trade secret. The court reasoned that Altavion had disclosed only the general idea and not the details of the DST
3. The court's opinion includes an extensive analysis of the pretrial disclosure requirements ("reasonable particularity" ) of the patents at issue pursuant to section 2019.210 of the Code of Civil Procedure.

This opinion is likely to further fuel the trend of increased reliance upon trade secrets rather than patents for protection of information. Patents are routinely invalidated by courts, leaving innovators who have disclosed their inventions to potential adopters or users without the ability to benefit from their inventions. Thus, as the Court of Appeal observed, "many businesses now elect to protect commercially valuable information through reliance upon the state law of trade secret." *Id.* at 55 (quotations omitted).