IP Law

Shrimp Genetics Case Dips Into Uncharted Trade Secrets Realm (1)

By Kyle Jahner

Deep Dive
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- Law didn't say living things can't be information, judge said
- Few courts have applied trade secrets law to living things

A jury verdict believed to be the first to find that genetic material of a living organism qualified as a trade secret may add to precedent in a little-explored area of intellectual property law.

American Mariculture Inc. subsidiary American Penaeid Inc. and its principal should pay $10 million for improperly acquiring and attempting to sell Primo Broodstock Inc. shrimp that were specially bred to be resilient, a federal jury in Florida concluded. Nothing in trade secrets law prohibits an organism's genetics from constituting protectable "information," a federal judge said earlier this month in upholding the verdict.

Few trade secrets lawsuits have skimmed the organisms-as-information issue, leaving courts with leeway on how to handle such disputes in a broader trade secrets area known for vague definitions and abstract boundaries.

"There's very little case law. And even the case law that exists, I don't think that it's squarely on point," Andrew W. Torrance, a University of Kansas School of Law professor, said. "Trade secrecy is a little bit like the wild west. It differs from judge to judge, state to state, issue to issue."

Practitioners and academics said they generally don't see a problem with treating a living creature like it's paper, microchips, or any other vessel of information—as long as other required elements of a trade secret claim are met. But questions like whether the purported confidential information was "readily ascertainable" or capable of being "reverse engineered" can add complications by putting trade secret status in jeopardy.

"I don't have a lot of problems with that: with saying genetic code is information. The problem is when you only analyze whether it's information and don't go beyond that," Sharon K. Sandeen, an intellectual property law professor at the Mitchell Hamline School of Law, said.

'It Was Always That Way'

Primo spent more than a decade developing families of shrimp that could survive in disease-infested environments at a much higher rate than other broods of the same species. It then signed a 2014 mutual nondisclosure agreement with AMI and a 2015 agreement to use the young Florida company's new indoor grow-out facility, with Primo paying AMI on a per-shrimp basis once they were sold.

AMI accused Primo of untimely shrimp harvests and payments, and said it planned to sell off Primo's shrimp. Primo sued AMI, its wholly-owned subsidieary API, and Robin Pearl—principal of both—in state court in 2016. The breach of contract and trade secrets case shifted to the US District Court for the Middle District of Florida the next year.

During litigation, Primo was purchased by Chinese company Ningbo and became PB Legacy Inc., which later assigned its claims to TB Food USA Inc., the plaintiff at trial.

The jury in November found PB Legacy violated the grow-out agreement and that AMI breached the confidentiality agreement, awarding neither side damages on those claims. The jury, however, also found that knowledge of the genetics and manner in which the shrimp can be successfully bred were trade secrets that Pearl and API, which he founded in 2016 to market the shrimp, misappropriated. It awarded $10 million to TB Food.

TB Food counsel Brian M. Gargano of Archer & Greiner P.C. said AMI claimed that "all hell's going to break loose" with horse breeders and other entities able to claim living things as trade secrets.

"Of course. It was always that way," Gargano said of living things containing protectable information. He said some may ask, "How can we allow intellectual property on life?" He answered, "You're not saying, 'I have dominion over this life.' You're saying, 'I have dominion over a particular set of instructions.'"

He later added that as with all trade secrets: "Once the cat's out of the bag, you don't have ownership of it anymore."

Counsel for AMI didn't respond to a request for comment.

Corn and Pineapples

Trade secrets are defined as "information" not generally known that an entity makes "reasonable efforts" to keep secret. The owner also must derive economic value from that secrecy. The secrets are misappropriated if they're acquired by someone else through improper means.

Precedent applying those principles to living things remains slim, but life-based secrecy is growing.

"We're adapting to the fact that there's a lot of business activity now around lifeforms," trade secrets attorney James Pooley said.

In its 1994 *Pioneer Hi-Bred v. Holden Foundation Seeds* decision, the US Court of Appeals for the Eighth Circuit noted that a defendant didn't argue against corn genes qualifying as trade secrets. A three-judge panel therefore assumed without deciding that "genetic messages can qualify for trade secret status."

About seven years later, a Florida federal judge in a trade secrets case over pineapple genes called *Pioneer Hi-Bred* the only case that "directly addresses" whether "a plant's genetic material constitutes a trade secret." The judge said the Eighth Circuit had "held" that certain corn seeds "were trade secrets."

Pooley said much of the shrimp case's reasoning stems from *Pioneer Hi-Bred*'s dicta and its subsequent "mischaracterization" as a holding.

He predicted "it will take some time" before an appeals court tackles the question head on, but he called the reasoning in cases involving organisms-as-information "sort of sloppy" because they equate intangible information with tangible objects; a computer chip isn't a trade secret, the information on it is, he said. He doesn't think the cases are necessarily reaching the wrong results, just relying on faulty logic.

"It can matter in the law because there are certain things the law can do with tangibles that it can't do with intangibles," such as have them seized or destroyed, Pooley said. "If you're trying to control the genetic information in your hybrid seed corn, you have to control the corn itself" so that the information doesn't become accessible.

'Drives Plaintiffs Batty'

Keeping parts or all of a living thing's DNA a trade secret raises the question of whether the information is "readily ascertainable" or able to be acquired by reverse engineering, which can defeat a trade secrets claim, attorneys said. If you buy a product and figure out the secret—such as mapping the DNA of a product in a lab—then you didn't acquire the secret through improper means.

AMI was contractually bound not to access the shrimp's DNA and didn't argue the shrimp's DNA was readily ascertainable. Gargano, who represented the plaintiffs in that case, said you can't "just take one or two shrimp," but need a "diverse set of families" to make use of the genetic advantage Primo bred into the shrimp.

But in other cases involving living organisms, the "readily ascertainable" question can become critical. Courts don't necessarily agree on the threshold for "readily," or even whether improper acquisition of "readily ascertainable" material can be a trade secrets theft. While contract breaches and illegality of the theft itself can still create liability, losing trade secret claims can limit the damages available at trial.

Sandeen said if a company's purported trade secret was merely "sitting in a Ph.D. dissertation in a library in Germany," it would be readily ascertainable and thus not a trade secret—even if it was stolen.

"It drives plaintiffs batty. It's definitely nefarious, but not a trade secrets claim," she said.

But *Pioneer Hi-Bred* noted that "many courts have held that the fact that one 'could' have obtained the trade secret lawfully is not a defense."

As for reverse engineering, Pooley said, "you have to do the work" to prove it's possible, rather than claiming you could have done so after stealing the information. But if the reverse engineering is "too trivial," the "law won't bother with that" because the purported secret is readily ascertainable, he said.

Intellectual property law professor Dan L. Burk of the University of California, Irvine said even if the information is out on the internet, the court can say "well it may be out on the internet but that's not how you got it." He said courts go both ways on the question "but generally are going to look at the relationship."

"Trade secrets misappropriation is a tort more than a property right," Burk said. "Trade secrets law is a way to police business morality."

(Clarifies corporate structure of AMI subsidiary and its liability.)

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