

## **FAQ REGARDING TRADE SECRETS**

We have helped since our inception over twenty years ago, and continue daily to help, clients answer the following frequently asked questions about trade secrets:

1. ***What is a trade secret?*** At RP, we help clients to identify trade secrets that can be protected. Trade secrets include formulas such as chemical compositions, patterns, compilations such as customer lists, programs, devices, methods, techniques, and processes. Extant since the 1890's, the Coca-Cola formula is perhaps the most famous example. Generally, a trade secret is some information used in a business (hence "trade") which gives the business person a competitive advantage over competitors who do not know the information (hence "secret") because the owner takes reasonable measures to protect it against discovery by improper means.

2. ***How do I protect my trade secrets (i.e., what are "reasonable measures")?*** Trade secrets maintained by taking reasonable measures to preserve secrecy are protected by contract and tort law. At RP, we review procedures intended to preserve secrecy and advise regarding new security measures to prevent wrongful misappropriation or disclosure of trade secret information. We write company trade secret policies. We draft employment, non-compete, consultation, and confidentiality (or non-disclosure) agreements. We conduct seminars and training sessions for employees to highlight and explain the need for secrecy. Even for those clients who are sophisticated with respect to trade secret law, periodic updates are helpful to highlight such important legal doctrines as "inevitable disclosure," applicable to a special class of cases in which a departing employee has not yet disclosed trade secrets, and may even affirm in good faith that he or she has no intention of doing so, yet the employer believes that the departing employee cannot perform the new job without disclosing trade secrets.

3. ***Why does the law protect trade secrets?*** In the seminal case of *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), the United States Supreme Court stated two policy reasons supporting legal protection of trade secrets: encourage innovation and preserve commercial morality. Important countervailing legal policies may outweigh these policies, however, in specific circumstances. For example, consider the interplay between trade secret law and the First Amendment. An injunction restraining a defendant's publication of trade secrets might constitute an invalid prior restraint of free speech in violation of the First Amendment. RP is well versed in the applicable policies.

4. ***How do trade secrets differ from patents and which form of IP protection better protects my idea?*** At RP, we advise clients regularly about both forms of IP protection. Generally, the considerations are:

- **Duration.** The term of a patent is twenty years from its earliest effective filing date; trade secrets have a potentially infinite term. Perhaps a company seeks protection beyond the limited term a patent provides.

### **FAQ REGARDING TRADE SECRETS (continued)**

- Disclosure. A patent applicant must make full disclosure of an invention in the patent document for others to practice the invention upon patent expiration; disclosure is the death knell of a trade secret.

- Cost. Patents can be somewhat expensive to obtain. A company may want to develop relatively low-cost, ongoing procedures to protect certain types of confidential information and know-how (namely, trade secrets) from disclosure to competitors or the public.

- Information Type. Patent law requires that an invention meet certain statutory requirements; trade secrets need only meet the definition provided above. The risk of either independent discovery or reverse engineering, however, two perfectly legal actions that destroy the competitive advantage offered by a trade secret, may render trade secret protection impractical.

5. ***Who owns a trade secret?*** The originator owns the trade secret under first principles. As a form of intellectual property, however, trade secrets may be assigned, licensed, or otherwise transferred either explicitly by agreement or inferentially by legal implication. Such relationships as employer and employee, company and consultant, and partner and joint development partner, to name a few, present myriad fact patterns that complicate the question of who owns a particular trade secret. RP has experience with many of these fact patterns.

6. ***Where do I find the trade secret law applicable to my situation?*** Trade secret protection depends, with one exception, on applicable state, rather than federal, law. The Federal Economic Espionage Act of 1996 provides federal criminal and civil penalties for misappropriation of trade secrets. Therefore, even federal courts generally apply the trade secret law of the appropriate state. RP offers experience with the trade secret laws of the many states in which our clients operate.

7. ***How should my company deal with unsolicited ideas submitted by others?*** One of many typical and specific questions often raised by its clients, RP advises that the answer depends, among other factors, on the client's goals, business, and sensitivity to risk. Some companies simply refuse to accept any unsolicited ideas. A few accept them without reservation. Still others receive unsolicited ideas only after the submitter signs a Disclosure Agreement stating that any submission is on a non-confidential basis and does not obligate the recipient in any way. RP stands ready to walk through the relevant factors with individual clients to develop together the best approach for each client.