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Building an Effective Trade Secret Policy within your Company

The subject of trade secrets arises often in business, especially when employees move from one company to another, sometimes to a competing company.

Depending on the position formerly held, an employee may be privy to information considered proprietary and a trade secret. Disclosing the information may not only damage the former employer but subject the employee and his new company to litigation and significant liability.

An effective way for your company to prevent this from happening is to conduct an exit interview with the departing employee during which the employee is advised of the ongoing and continuing obligation to maintain the secrecy of the company's proprietary information.

In addition, your company should identify any particular trade secret information to which the ex-employee is privy. The departing employee should also be informed of the company's expectation that all company property and information is to be returned and any information pertaining to the company is to be permanently deleted from any personal computers. These activities should be memorialized in a letter to the outgoing employee.

A similar letter also should be forwarded to the outgoing employee's new employer stating that its incoming employee possesses proprietary information, and disclosing it could seriously and detrimentally impact your company. This letter should also set forth the expectation that disclosure of trade secret information is discouraged and if such a disclosure occurs, the information should not be used and your company should be notified.

As to incoming employees, your company should advise them during the interview process that the company doesn't want to receive any proprietary/trade secret information of former employers. This should be repeated in the offer letter.

In addition, the new employee should be told to advise management if a situation arises giving the appearance that trade secret information of other companies is being used.

Protecting trade secrets

In order for your company to enforce its trade secrets, it must first take steps to protect the secrecy of its information. If not properly handled, the information will not qualify as a trade secret.

For information to be considered proprietary and a trade secret, several factors must be considered, including the:

- extent to which the information is known outside of the business;
- extent to which the information is known by employees and others involved in the business;
- extent of measures taken to guard the secrecy of the information;
- value of the information to the business and its competitors;
- amount of money or effort expended in developing the information; and
- ease or difficulty with which the information could be properly acquired or duplicated by others.

Also, you need to keep in mind that reverse engineering is a defense to an allegation of trade secret infringement.

Trade secrets policy

Your company should develop a trade secret policy, circulate it to employees, and have the employees sign off as having received and read it.

At a minimum, the policy should state that trade secret information is maintained on a need-to-know basis, and those privy to the information will be informed that the company considers it a trade secret. Also, the information is kept under lock-and-key, and password protection is afforded electronic information.

Finally, the policy should also reference the appropriate use of non-disclosure agreements; include procedures for having visitors sign a general non-disclosure agreement before touring a facility; and contain provisions for keeping trade secret equipment, products and/or processes from general view.

In general, information can either be maintained as a trade secret, or be the subject of a patent application, but not both. The rules of the United States Patent and Trademark Office require complete disclosure of an invention. As a result, information cannot generally be withheld from a patent application and designated a trade secret.

Patents have a useful life of 20 years from the earliest patent application filing date. Theoretically, trade secrets last indefinitely. However, if a trade secret is publicly disclosed, even inadvertently, it is gone forever.