

# Protecting Trade Secrets



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**Boston Entrepreneurs' Network**  
**“Protecting Intellectual Property”**

# Defining Terms

Trade secrets

Confidential  
information

Proprietary materials

Secret processes or  
techniques

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# The Only IP That Is Not Disclosed

- Copyright Office
- Patent and Trademark Office
- No “Trade Secrets” Office
  - Except your own



US Patent and Trademark Office



# What is it?

- **Information that:**
  - Confers some competitive benefit
  - Not generally known in the industry
  - Is the subject of efforts to preserve its confidentiality

**VALUABLE  
SECRET  
PROTECTED**

# What is it?

- Can be almost anything:
  - the “secret formula”
  - information about customers and prospects
  - business plans and strategies
- Can be “re-creatable,” if sufficiently difficult
  - E.g., a market survey





# VALUABLE

- Usually a non-issue



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# SECRET

- **Look to relevant audience**
  - If commonly known in field, not a trade secret
  - Even if information is not generally known to public
  - But need not be unknown to *everyone*



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# PROTECTED

- Data password protected
- File cabinets locked
- Access limited to small group of persons
- Legends affixed
- Access tracked





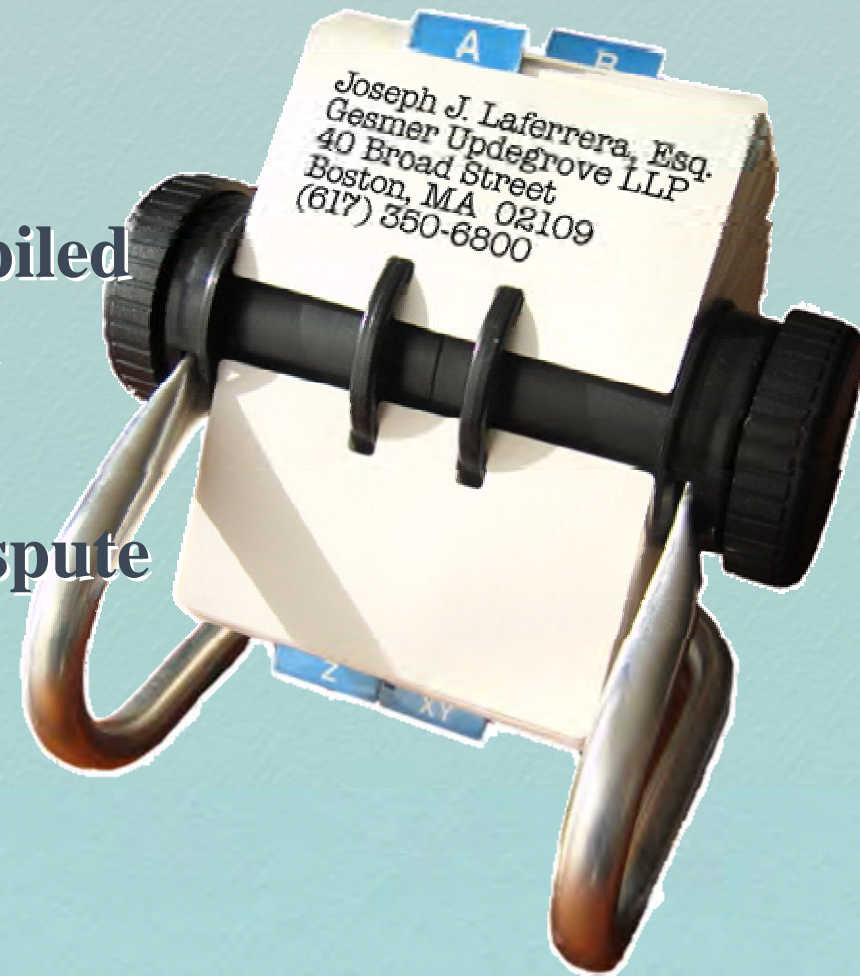
# The Rolodex

- Client lists and contact info

- No, if information is readily discoverable

- Yes, if information was compiled over long period and is not commonly known

- Often the subject of dispute



# No Expiration Date

- **Trade secret remains viable as long as it is valuable, secret and protected**
  - The formula for Coca-Cola is still a trade secret





# Confidentiality Killers

- Shared with customers, investors, prospects
- Readily discernible from product, demo or marketing materials
- Disclosed in trade group publications, academic papers, etc.



# The Outside World - NDAs

- NDAs are critical to preserving trade secrets rights
- Even with the most discrete client, vendor, or investor, the absence of an NDA can blow IP rights



# NDA v. Automatic Protection

- Absent an NDA, **independent contractors** are under no obligation to keep trade secrets
- **Employees** have obligation to employer even without agreement
  - Even after termination, forever

# Nature of the Protection

- **Protection arises out of statute:**

- M.G.L. c. 93, § 42.

- Whoever embezzles, steals or unlawfully takes, carries away, converts or uses by fraud or by deception any trade secret of any person or corporation, with intent to his own use, any trade secret, regardless of value, shall be liable in damages to the person or corporation for all damages resulting therefrom. [T]he court in its discretion, may increase the damages up to double the amount found.

Obtains  
trade secrets

Intent to  
misuse

Value  
irrelevant

Up to double  
damages



# What Are The Remedies?

- In court, you can seek:
  - An injunction
  - Damages
  - Enhanced damages
  - No provision for attorney's fees under trade secret statute
    - Can seek attorney's fees under other statutes



Massachusetts Superior Court,  
Cambridge

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# Trade Secret ≠ Non-compete

- Obligation to protect trade secret  
generally *does not* prohibit working  
for competitor
  - But ask me about *Pepsi v. Redmond*



# Protecting It Before The Fact

- Security audit
- Policies regarding use
- NDAs for employees, customers, vendors
- Agreements requiring return of company materials
- Strict enforcement



# Protecting It After The Fact

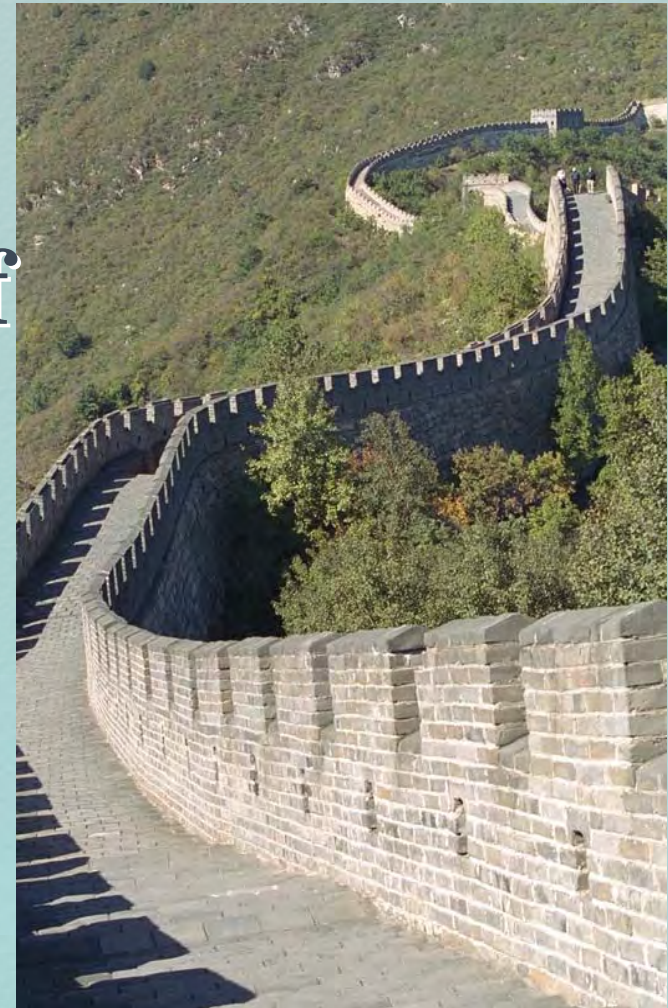
- Cat largely out of the bag
- Contact individual (employee?) immediately
  - Criminal complaint may be appropriate
  - Also contact new employer, if applicable
- Injunction
- Lawsuit for damages
- Sometimes, PR issues





# Don't Be A Defendant

- Employment agreement regarding former employer's info
- If appropriate, walling off employee from similar work
- Don't ask employees for info from old job



# Q&A



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