

How to identify and protect key information known as trade secrets

Sadaf Nakhaei
s.nakhaei@tamimi.com

August 2015

The question in any trade secret dispute is the exactly what the secret is. The following information has been recognised as trade secrets: practices, formulas, designs, instruments, patterns, commercial methods and compilations of information.

Arguably, the most valuable trade secret in the world is the Coca-Cola formula. Popular accounts state that the Coca-Cola formula is only known by a handful of people in the company and the formula is kept in a vault for safe keeping.

Although the Coca-Cola formula may be easily identified as a trade secret, other companies not enjoying the same fame as The Coca-Cola Company may find it difficult to identify what constitutes a trade secret and whether the information is actually subject to intellectual property protection. The details and boundaries of other forms of asserted intellectual property rights such as patents, trademarks, copyrights and industrial designs, are often recognised through registration with the Patent and Industrial Design Office/Trademark and Copyright Office. In contrast, trade secrets often fall in a category of Intellectual Property Rights which are overlooked, since there is no formal application or registration process for trade secrets. As such, it can be often difficult to identify what constitutes trade secrets and ascertain the boundaries of protection. In a nutshell, trade secrets are often developed and protected through practice and the company's labelling of such information as a "trade secret".

The most serious threat to trade secrets occurs in cases where the company's systems have been breached and whereby a third party obtains confidential information regarding the operations and highly sensitive information regarding the business. In addition to hacking, trade secrets can also be breached through key employees leaving the company to join another competitor. Despite the above scenarios, third parties and former employees are not the only possible vectors for transmitting trade secrets. Significant consideration also needs to be provided to business relationships with third party businesses, namely joint ventures and even customers, as trade secrets can also be jeopardised through such business relationships. In fact, trade secret breaches are often directed against former business partners, or third parties looking to enter joint ventures. Such third parties may continue to retain and use the trade secrets even after the business relationship has come to an end.

In light of this, corporations have a strong interest in properly identifying and protecting their trade secrets. Threats to trade secrets can stem not only from outside the business but may also be jeopardised from within the company. One preventive step is to establish and enforce a strong non disclosure agreement against any third party or even employee to whom the trade secret is to be revealed, or to whom access is permitted.

In addition to having the parties sign a non disclosure agreement, companies with identified trade secrets must take reasonable precautions not to disclose the trade secret more widely than necessary. It is advisable that the company have in place guidelines controlling such disclosures. The process should begin by evaluating the third party to whom the information is to be revealed, and secondly it is important to evaluate whether the disclosure of the information is imperative for the purpose of the project or

whether the parties can follow through with the project without the information. If confidential information is shared with a third party and is identified as a trade secret, it is critical that the information transmitted is to be clearly identified as a trade secret, clearly documented and that the third party should be on notice that the information should be treated as a trade secret. Depending on the reasons and scope of the disclosures, it may also be feasible to clearly document and restrict disclosure. For example, the non disclosure agreement can clearly state that duplicates or copies of the information cannot be maintained in an open access computer network.

In conclusion, having a trade secret policy within the company is an important preventive step against infringement. Without the implementation of non disclosure or confidentiality agreements with key employees and third parties with access to highly sensitive information, the company can in the long term expose itself to serious breaches.