



Shhh... It's a Trade Secret

Trade Secret Management & Best Practices

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Trade secrets can be one of the most important assets in the intellectual property portfolio of an organization. Trade secrets provide businesses with an economic advantage over competitors or customer, and the scope of trade secrets is virtually unlimited. Some would argue that trade secrets are the crown jewels of any intellectual property portfolio. With that said, trade secrets have many advantages, but only if you manage them properly.

This white paper outlines trade secret management best practices that inside or outside counsel can implement to maximize and protect their trade secret efforts.

Trade Secret Management Best Practices

It varies greatly from one company to another how they prefer to manage their trade secrets, but there are common best practices used within the industry that are outlined below.

- Assign ownership of trade secret management process to someone senior in the organization.
- Have a trade secret policy and associated procedures in place.
- Utilize confidentiality agreements as these play an important role in protecting trade secrets.
- Have an awareness and education program to ensure that all employees are aware of this trade secret policy and associated procedures. This can be included within a broader intellectual property awareness and education program.
- Determine which types of information should be deemed as trade secrets within the organization, and the qualifying criteria.
- Identify all of the trade secrets across the organization and mark these documents in the proper and professional manner. Of course this inventory of trade secrets will change over time as new trade secrets are identified and perhaps some older trade secrets no longer warrant being treated as such.
- Classify these trade secrets in terms of the nature of the secret, the date created, responsible person(s), etc. etc. plus of course the value of the trade secret to the business.
- Determine the administrative, technical and legal measures that are needed to properly protect each trade secrets. The exact measures may differ from one trade secret to another.
- Ensure fit for purpose access control measures are in place.
- Ensure IP issues in general and trade secret issues specifically are addressed in both entry interviews of new employees and exit interviews of departing employees.
- Develop contract provisions and working mechanisms in relationships with outside business partners, including joint venture partners, to protect trade secrets.
- Conduct regular trade secret audits.

Trade Secret Management Process & System

A first class trade secret process facilitates good communication between the information originator and the information receiver, because they help to set and manage expectations and the consistency of the information being given.

The trade secret process defines what and how tasks are done and by whom, to ensure repeatability. This is especially important as a trade secret may originate in one part of the

organization but be utilized elsewhere in the organization or even externally. The trade secret process also enables an organization to set performance criteria and measurement, which can be utilized when identifying the source or root-cause of any problems. Implementing a software platform can help synchronize the processes, system(s) and associated data.

Trade Secret Audits

You typically get what you measure. It is therefore crucial to implement regular audits. It is strongly recommended that regular audits of the trade secrets policy and procedures are conducted as well as of the trade secrets themselves and the associated protection measures in place.

A proper trade secret audit should involve people with business, technical and legal skills and competencies, knowledge and experience, given the unique nature of trade secrets.

Companies generally gain tremendous value by taking a proactive, systematic approach to assessing their trade secret assets, trade secret policy and associated procedures through regular audits. Which is why it's important to report on the results of these regular trade secret audits with senior management.

Not an Island

It is indeed possible to maintain a trade secret yet share it with others, as long as the sharing is well managed and the trade secret is not dispersed broadly. In today's business environment, valuable business information must be shared with employees across diverse organization functions, plus externally with key suppliers and customers as well as with other collaboration partners. Technology transfer licenses, joint venture agreements and other contractual arrangements can provide for trade secrets to be assigned or shared on a limited basis.

It is also important to realize that the trade secret management process is not an isolated process, disconnected from other processes or activities across the organization. Good trade secret management means having a good understanding and appreciation of the links with other organizational functions and their key processes or procedures.

Some of the links worth considering are:

- Human Resources – given their role with employees
- Sourcing & Procurement – given their role with key suppliers
- Technology Licensing – given their role with key collaborative innovation partners
- Research & Development – given that many trade secrets originate here
- Document Management – for example the technical document management process of the organization
- Legal – given the legal underpinning of trade secrets
- Intellectual Property – given that the organization's trade secret activities and patenting activities should be in sync
- IT – given that many trade secrets are now in digital form and various technical solutions must be deployed to protect such trade secrets from theft by for example hackers
- Finance – given that these trade secrets are valuable assets and impact the financial performance of the business, now or in the future.
- Facilities – given their responsibilities for the physical buildings occupied by the organization, and such issues as access and security
- Corporate Communications – as some organizations may wish to advertise and promote the fact that they possess important trade secrets

Trade Secrets Need Some TLC

Trade secrets are an important, but an invisible component of a company's intellectual property portfolio of assets. They can add tremendous business value, so they need to be properly and professionally managed, and looked after.

Trade secrets should be on the agenda of any in-house intellectual property function as well as on the agenda of any Legal or IP Firm advising organizations. As stated earlier, trade secret legislation is likely to strengthen in key jurisdictions, interestingly at a time when patents seem to be weakening in some locations.

Trade secrets can be the crown jewels in an organization's intellectual property portfolio. As listed earlier, they possess some clear advantages over other forms of intellectual

property. However, trade secrets only work if managed properly and they are well looked after.

Trade secrets also have some disadvantages which need to be properly understood. It is not misappropriation of a trade secret to independently discover the secret information, or to reverse engineer it from a properly obtained source. An organization should therefore take a broad holistic approach to intellectual property and consider how to leverage all of the different forms that exist, such as trade secrets, patents, publications, etc. as each form has different pros and cons.

Proper and professional trade secret management requires a thorough understanding of this particular form of intellectual property, a fit for purpose trade secret management process underpinned by a robust trade secret management system, plus a good governance process together with regular trade secret audits.

Trade secrets are fragile and therefore require some TLC.

Benchmark Data

Many companies will state that they possess some trade secrets and that they rate this form of IP as being of great importance to the business, yet they lack a robust fit for purpose trade secret management process and any system or tool to underpin such a process.

A survey involving a number of companies across a range of different industry sectors confirmed this in no uncertain terms.

Many companies see the decision to keep something as a trade secret as the end rather than the start of a journey.

The subtle and not so subtle differences between trade secret laws in different jurisdictions is not clearly understood. This is compounded by the fact that trade secret legislation is currently undergoing some major changes in key jurisdictions. The differences between knowhow, trade secrets and confidential information also confuses many companies as they use these terms as if they were all identical. They are similar but not identical.

Many in-house IP functions tend to see this form of IP as outside their area of responsibility as it is not a registered form of IP. Their IP processes and systems in use are very much focused on registered IP — drafting, filing and prosecuting patents and registering trademarks. So ownership of trade secret management is often times unclear within organizations.

Opportunity for External Entities

There is a clear opportunity for creative and innovative Legal & IP Firms as well as Consultancy Firms to provide a service offering to their clients in the area of trade secret management given all of the issues, changes and challenges outlined above.

The components or elements of such a service offering may include:

- Providing education on trade secrets
- Designing and deploying a robust fit for purpose trade secret management process
- Installing, configuring and taking into use a trade secret management tool
- Determining the appropriate level of protection (administrative, technical and legal) around each trade secret
- Conducting regular audits, and addressing any weaknesses found
- Helping the client to properly articulate trade secret issues to the C level executives
- Ensuring the trade secrets remain protected as the client embraces collaborative or open forms of innovation
- Aligning the patenting, publishing and trade secret activities of the client
- Assisting the client with proper governance of its trade secret

Final Thoughts

Trade secrets are a critical form of IP, and most likely will continue to increase in importance as time goes on. In order to stay ahead it's important to implement best practices and software solutions to maximize your trade secret management processes.