How To Protect Your Proprietary Information

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Presenters:

John LeBlanc, Senior Associate
John.LeBlanc@WilmerHale.com
Heather Petrucci, Senior Associate
Heather.Petrucci@WilmerHale.com
Michael H. Smith, Senior Associate
MichaelH.Smith@WilmerHale.com
Questions

- What kind of protection is available?
- What is a Trade Secret?
- What is a Copyright?
- What is a Patent?
- What is a Trademark?
- Trade Secrets v. Copyrights v. Patents v. Trademark
- Real Life Fact Patterns:
  - “I’ve got a great idea!”
  - What can you do with a former employee that holds proprietary information?
  - Mission statement protection?
Types of Intellectual Property

- Trade secret
- Copyright
- Patent
- Trademark
What is a Trade Secret?

- Formula, algorithm, business plan or other business information, etc.
- Remains valid as long as it remains secret
  - Must take steps to keep the information secret
- No filing or registration involved
- Non disclosure prevents unauthorized use of the secret – Can get injunction.
- Publication and/or issuance of a patent destroys the trade secret
Legal Definition of Trade Secrets*

Information . . . that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

* Definition may vary based on jurisdiction
Protecting A Trade Secret

• The company must take efforts to keep it a secret, and should consider:
  • Employee agreements, nondisclosure agreements, physical plant construction to restrict access, restricting information known to groups of employees, etc.
  • Consultant Agreements and Vendor Agreements are important to maintain trade secret information of the company
Protecting A Trade Secret (cont.)

- Company Controls - the way to prove the case for the company is to show company records:
  - Written procedures for access to TS/proprietary information
  - TS/proprietary information should be kept in files that:
    - Restrict access only to certain employees
    - Access logs to track who accessed the TS/proprietary information
  - Exit interviews for employees who had access to TS/proprietary information
    - Employee signs and someone witnesses signing
  - Restrict access to only people inside and outside the company who really have a need to know the TS/proprietary information to do their job, whether or not under a NDA/CA
Copyrights – What is protected?

• Copyrights protect original works of authorship, including:
  • Presentations
  • Company operating/instructional manuals
  • Whitepapers
  • Computer software
  • Screen displays and graphical user interfaces

• Does not protect facts, ideas, systems, or methods of operation
  • Although it may protect the way these things are expressed
Copyrights – Automatic Rights

- Rights automatically vest upon creation.
- Provide copyright notices on:
  - GUIs/screen displays
  - Manuals, brochures, and other documents that generally published or going to particular third parties
  - For software-based product/service offerings, the company should embed plain language copyright notices in (1) un-compiled source code and (2) compiled code
Copyrights - Formal Registration

• Formal registration is optional, but has advantages:
  • (1) Access to statutory damages
    • $750-$30K per occurrence *without* proving actual damages
    • Can increase to $150K per occurrence for willful infringement
  • (2) Shows investors that the company is sophisticated

• To register online, go to the Copyright Office website at [www.copyright.gov](http://www.copyright.gov) and click on “Electronic Copyright Office”
• Filing fee is $35 online, compared to $65 for paper filings
What is a Patent?

- “Congress shall have the Power . . . To Promote the Progress of Science and useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their respective . . . Discoveries.” U.S. Const. Art. 1, Sec. 8
- A right granted by a particular country to exclude others from making, using or selling a claimed invention
- Confers no affirmative right to use the invention
What is a Patent?

- The Quid Pro Quo of a patent
  - A patent requires you to disclose your invention - i.e., the written description requirement and enablement requirement.
  - This is how a patent promotes the “useful arts and sciences”
What is a Patent?

Patent Number: 5,217,860
Date of Patent: Jun. 8, 1993

Method for Preserving Organs for Transplantation by Vitrification

Inventors: Gregory M. Fahy, Gaithersburg; Bijan S. Khirabadi, Rockville, both of Md.
Assignee: The American National Red Cross, Rockville, Md.

Filed: Jul. 8, 1991
What’s All This Information?

- **Patent Number:**
  - A patent is issued by the USPTO
  - It must be filed, examined, and issued by USPTO.

- **Who owns a patent? Inventors “assign” their inventions to the assignee**
  - Employees execute written invention assignment agreements when they start employment
  - “Shop Rights”

- **Filing Date:**
  - Patent Term is (usually) 20 years from effective filing date
What is a Patent?

- Protection defined by “claims” as allowed by the USPTO
  - Claims define the scope of the “intellectual property” and right to exclude

- Useful websites
  - Google Patents <http://www.google.com/patents>
  - United States Patent and Trademark Office
    <http://www.uspto.gov>
What is Patentable?

- Must be **novel**, **non-obvious**, and **useful**
  - **Novelty and Non-Obviousness**: The invention cannot be known in the “prior art” or an obvious modification of the “prior art”
    - Prior Art includes everything known prior to the invention date
  - **Usefulness**: The patentee has to disclose how to use the invention. The use has to be substantial, credible, and specific.
What is Patentable?

  - “Processes”
  - “Machine”
  - “Manufacture”
  - “Composition of Matter”
Not Eligible for Protection

- “Laws of nature”
- “Physical phenomena”
- “Abstract ideas”

Claims are not patent eligible if they are directed towards abstract ideas and the claim elements do not “transform the abstract ideas into a patent-eligible application.”

*Alice v. CLS*, __ U.S. ___ (2014) (*slip opinion at 2*)
Patent Subject Matter Eligibility

- Abstract Business Methods are not patentable
- A workshop for educating volunteers to build cheap and green homes for underprivileged families?
  - A method of educating volunteers for building greener homes = Likely Unpatentable Abstract Idea
Patent Costs

- Costs
  - Can take 2-3 years, $25,000+ to obtain a patent (unexamined patent backlog at USPTO is “down to” 619,912)
  - Patent Maintenance Fees
  - Patent litigation is very expensive
  - Market opportunities for licensing
Patent Remedies

When a third party uses your invention without authorization.

- Injunction is NOT automatic
- Reasonable Royalty:
  - Court awards damages based on hypothetical situation where defendant and plaintiff agree to a “reasonable royalty”
Trade Secrets v. Patents

Classic Example: The Coca-Cola Formula
- Protection lasts forever, as long as it’s a secret
- Cannot be reverse engineered….
Patents v. Copyrights

- Software itself is subject to copyright protection
- A computer executing the software may be subject to patent protection
- Patents last roughly 20 years from filing, but this may depend on several factors.
- Copyrights - As a general rule, for works created after January 1, 1978, copyright protection lasts for the life of the author plus an additional 70 years. For a work made for hire, the copyright endures for a term of 95 years from the year of its first publication or a term of 120 years from the year of its creation, whichever expires first. To determine copyright duration consult chapter 3 of the Copyright Act (title 17 of the United States Code).
What Is a Trademark?

Just as your own name identifies and distinguishes you, a trademark:

- Indicates the source or origin of goods or services
- Assures consumers of the quality of goods bearing the mark
- Creates business goodwill and brand awareness
What Is a Trademark?

- Word
- Symbol
- Slogan
- Product or packaging design that identifies a specific product and distinguishes it from others in the marketplace

JUST DO IT.
Fact Pattern: “I’ve Got a Great Idea”

- What Type of Protection?
- Considerations
  - Objectives?
  - Cost?
Donor Lists / Customer Lists

Can a former employee walk out the door with a Donor Lists / Customer Lists?

- **Answer:** It depends...
  - Patent? No
  - Copyright? No
  - Trade Secret? It depends....
  - Trademark? No
Donor Lists / Customer Lists

Trade Secret Protection

- Were there “efforts . . . to maintain its secrecy”?
  - No publication of identities on computer bulletin board or annual report
  - Confidentiality Stamp/Password Protection
Donor Lists / Customer Lists

- Information “not . . . readily ascertainable by proper means by other persons”
  - Industry vs. General Population
  - How much effort was used to produce the Customer list?
  - The level of protection depends on the state
Donor Lists / Customer Lists

- Also Consider Protection under Labor Law:
  - Non-compete covenants – restrictions must be reasonable
  - Non-disparagement Clauses
Mission Statements

- Patent Protection? No
- Trade Secret? No
- Copyright? Yes
- Trademark? No
Questions?