
SECTION 2

Trade Secret Basics



In Colorado, Inc.

Presented by

Tim Scull

Merchant & Gould PC
Denver, CO

George Lewis

Merchant & Gould PC
Denver, CO

TRADE SECRET BASICS

By
Timothy B. Scull and George C. Lewis

Merchant & Gould P.C.
1050 Seventeenth Street, Suite 1950
Denver, Colorado 80265-0100

Table of Contents

TRADE SECRET – WHAT IS IT?	3
COMMON LAW	3
RESTATEMENT OF TORTS AND RESTATEMENT OF UNFAIR COMPETITION.....	3
UNIFORM TRADE SECRETS ACT (“UTSA”).....	4
HOW ARE TRADE SECRETS DIFFERENT	5
TRADEMARKS.....	5
COPYRIGHTS.....	6
PATENTS.....	7
ENFORCEMENT	8
CIVIL	8
<i>Keeping the Information Inside</i>	9
<i>Knowledge by Employees</i>	9
<i>Guarding the Secret</i>	9
<i>Value to Competitors</i>	9
<i>Time, Effort and Money</i>	9
<i>Acquiring and Duplicating</i>	9
CRIMINAL.....	10
Section 1831.....	11
Section 1832.....	11
DOCUMENTS	12
NON-COMPETE OR EMPLOYMENT AGREEMENTS.....	12
NON-DISCLOSURE AGREEMENTS	12
EXIT INTERVIEW FORMS.....	13
CONCLUSION	14
SAMPLE 1	15
SAMPLE 2	26
SAMPLE 3	31

TRADE SECRET – WHAT IS IT?

Generally speaking a trade secret is just that - a secret! Trade secrets are information that is valuable for being not generally known in the trade and that the information holder takes reasonable measures to keep secret.¹ To qualify as one, the subject matter involved must, in fact, be a secret. Matters of general knowledge in an industry cannot be appropriated by one as his secret.²

Trade secret rights are protected through state adoption of a combination of the Restatements,³ and the Uniform Trade Secrets Act (“UTSA”).⁴ For those states that have not adopted either the Restatements or the UTSA, common law offers protection of trade secret rights.

A. Common Law

In Commonwealth common law jurisdictions, trade secrets are regarded as an equitable right as opposed to a property right. Under common law the test for a cause of action for breach of confidence includes: (1) the information itself must have the necessary quality of confidence about it; (2) that information must have been imparted in circumstances imparting an obligation of confidence; and (3) there must be an unauthorized use of that information to the detriment of the party communicating it.⁵ Additionally, under common law a trade secret needs to be used in the owner’s business. Therefore if there is a trade secret before a business exists then there can be no misappropriation of that trade secret.⁶

B. Restatement of Torts and Restatement of Unfair Competition

The Restatement of Torts, defines a trade secret as follows:

[A trade secret is] [a]ny formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.⁷

¹ Halligan, Mark R. and Weyand, Richard F. Trade Secret Asset Management: An Executive’s Guide to Information Asset Management, Including Sarbanes-Oxley Accounting Requirements for Trade Secrets. Boston: Aspatore Inc., 2006.

² *Wissman v. Boucher*, 150 Tex. 326, 240 S.W.2nd 278, 280 (1951).

³ *Restatement of Torts* § 757 (1939) and *Restatement (Third) of Unfair Competition* §§ 39-45 (1994).

⁴ Unif. Trade Secrets Act, 14 U.L.A. 433 (1990) [hereinafter UTSA]. See Appendix I *infra*.

⁵ *Coco v. A.N. Clark (Engineers) Ltd.*, (1969) R.P.C. 41 at 47.

⁶ Radack, David. V. The Uniform Trade Secrets Act. TMS, January 2006, <http://www.tms.org/pubs/journals/JOM/matters/matters-0601.html>.

⁷ *Restatement of Torts* § 757, comment b (1939).

Under the Restatements of Unfair Competition, a slight difference was added to the definition:

A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.⁸

C. Uniform Trade Secrets Act (“UTSA”)

The UTSA has been adopted in 45 states including Colorado.⁹ Under the UTSA, trade secret is defined as:

“Trade secret” means information, including a formula, pattern compilation, program, device, method, technique or process, that: (1) derives independent economic value, actual or potential, form not being generally known to, and not being readily ascertainable by proper means by, other person who can obtain economic value from its disclosure or use, and (2) is the subject of efforts that are reasonable under the circumstance to maintain its secrecy.¹⁰

⁸ *Restatement of Unfair Competition* § 39 (2002).

⁹ Alabama (Ala. Code. §§ 8-27-1 *et seq.*); Alaska (Alaska Stat. §§ 45.50.910 *et seq.*); Arizona (Arizona R.S. §§ 44-401 *et seq.*); Arkansas (Ark. Stat. Ann. §§ 4-75-601 *et seq.*); California (Cal. Civ. Code §§ 3426 *et seq.*); Colorado (Col. Rev. Stat §§ 7-74-101 *et seq.*); Connecticut (Conn. Genl. Stat. §§ 35-50 *et seq.*); Delaware (Del. Code Ann. Title 6 §§ 2001 *et seq.*); District of Columbia (D.C. Code Ann. §§ 48-501 *et seq.*); Florida (Fla. Stat Ann. §§ 688.001 *et seq.*); Georgia (Ga. Code Ann. §§ 10-1-760 *et seq.*); Hawaii (Haw. Rev. Stat. §§ 482B-1 *et seq.*); Idaho (Idaho Code §§ 48-801 *et seq.*); Illinois (Ill. Ann. Stat. Ch. 140 §§ 351-59 *et seq.*); Indiana (Ind. Code. Ann. §§ 24-3-1 *et seq.*); Iowa (Iowa Code Ann. §§ 550.1 *et seq.*); Kansas (Kan. Stat. Ann. §§ 60-3320 *et seq.*); Kentucky (Ky. R.S. §§ 365.880 *et seq.*); Louisiana (La. Rev. Stat. Ann. §§ 51:1431 *et seq.*); Maine (M.R.S.A. Title 10 §§ 1541 *et seq.*); Maryland (Md. Com. L. Code §§ 11-1201 *et seq.*); Michigan (M.C.L.A. §§ 445.1901 to 445.1910); Minnesota (Minn. Stat Ann. §§ 325C.01 *et seq.*); Mississippi (M.C.A. §§ 75-26-1 *et seq.*); Missouri (Mo. Stat. §§ 417.450 to 417.467); Montana (Mont. Code Ann. §§ 30-14-401 *et seq.*); Nebraska (Neb. Rev. Stat. §§ 87-501 *et seq.*); Nevada (Nev. Rev. Stat. §§ 600A.010 *et seq.*); New Hampshire (N.H. R.S.A. §§ 350-B:1 *et seq.*); New Mexico (N.M. Stat. Ann. §§ 57-3A-1 *et seq.*); North Carolina (N.C. Gen. Stat. §§ 66-152 *et seq.*); North Dakota (N.D. Cent. Code §§ 47-25.1-01 *et seq.*); Ohio (R.C.Secs. 1333.61 *et seq.*); Oklahoma (Okla. Genl. Laws §§ 6-41-1); Oregon (Or. Rev. Stat. §§ 646.461 *et seq.*); Rhode Island (R.I. Gen. Laws §§ 6-41-1 *et seq.*); South Carolina (S.C. C.A. §§ 39-8-1 *et seq.*); South Dakota (S.D. Cod. Laws §§ 37-29-1 *et seq.*); Utah (Utah Code Ann. §§ 13-24-1 *et seq.*); Vermont (Ch. 143 §§ 4601 *et seq.*); Virginia (Va. Code. Ann. §§ 59.1-336 *et seq.*); Washington (Wash. Rev. Code. Ann. §§ 19.108.010 *et seq.*); West Virginia (W. VA. Code. §§ 47-22-1 *et seq.*); Wisconsin (Wis. Stat. Ann. §§ 134.90); Wyoming (Wyo. Stat. Ann. §§ 40-24-101 *et seq.*). It is important to see the applicable state statute for current amendments or modifications. The states that have not yet adopted the UTSA are Massachusetts, New Jersey, New York and Texas.

¹⁰ Unif. Trade Secrets Act, 14 U.L.A. 433 (1990).

This act has made the definition of trade secret uniform as well as clarifies other aspects of the law, i.e., how a trade secret is misappropriated and remedies for violation of another's trade secret. Not only is this uniformity good for clarification, it is also good for business. Having a uniform act helps protect businesses that operate beyond the state lines. A consistent uniform body of law across states helps protect all who are involved in the business, both for the company or a competitor doing business in your state.

The UTSA definition expands the traditional common law definition of trade secrets in at least one important way, and that is that the trade secret under the UTSA does NOT need to be used in the trade secret holder's business.¹¹ Therefore under previous common law if a trade secret was misappropriated prior to the business being set up, a cause of action would not exist. However, under the UTSA regardless of the status of the business, any misappropriation of a trade secret is a justifiable cause of action.

HOW ARE TRADE SECRETS DIFFERENT FROM OTHER INTELLECTUAL PROPERTY RIGHTS

There are generally four areas of intellectual property: patents, trademarks, copyrights and trade secrets. While each of these fall under the umbrella of intellectual property, they are each special and afford different protections and rights. As discussed above, trade secret law relates to protecting confidential business information that a) is valuable and b) is secret. Although the remaining areas are significantly different as shown below, trade secret is the one form of intellectual property that can be considered to overlap all of the others.

A. Trademarks

"A trademark is a word, name, symbol, or device that is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. A servicemark is the same as a trademark except that it identifies and distinguishes the source of a service rather than a product. The terms "trademark" and "mark" are commonly used to refer to both trademarks and servicemarks."¹²

"Trademark rights may be used to prevent others from using a confusingly similar mark, but not to prevent others from making the same goods or from selling the same goods or services under a clearly different mark. Trademarks which are used in interstate or foreign commerce may be registered with the United States Patent and Trademark Office (USPTO).

¹¹ Radack, David. V. The Uniform Trade Secrets Act. TMS, January 2006.
<http://www.tms.org/pubs/journals/JOM/matters/matters-0601.html>.

¹² See the USPTO for more information at:
<http://www.uspto.gov/web/offices/pac/doc/general/index.html#patent>

General information concerning trademarks can be found at <http://www.uspto.gov/web/offices/tac/doc/basic/>.¹³

Trademarks, by their public nature, are very different from trade secrets. However, one should not consider them mutually exclusive. In fact, the very fact that a company is preparing for a product launch often is a closely guarded trade secret. Beyond that, an important part of obtaining trademarks is the prior due diligence performed when selecting a trademark for a new product or service launch. Such due diligence often includes evaluating a number of potential marks to determine how each of the marks will be received by the public and if there are senior users of any of the potential marks. It is a necessity that these pre-filing screenings and evaluations be kept as a trade secret until a final selection is made and rights have been obtained on selected mark. Otherwise, if a competitor learns of the potential marks being evaluated, the product or service launch could easily be sabotaged by the obtaining of domain names or intervening launch of a confusingly similar mark for the same product or service. Furthermore, even after the selection of a specific trademark the surveys, analyses and the potential marks evaluated should be maintained as a trade secret lest a competitor benefit from that information when selecting its marks for competing products or services.

B. Copyrights

“A copyright is a form of protection provided to the authors of “original works of authorship” including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. The 1976 Copyright Act generally gives the owner of copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies or phonorecords of the copyrighted work, to perform the copyrighted work publicly, or to display the copyrighted work publicly.”¹⁴

Copyrights and Trade Secrets are very different types of protection. Where copyright protects forms of artistic expression, such expression is normally not afforded until publication and is not typically kept as a secret. However, copyright and trade secret protections often overlap when unpublished material is considered. This includes unpublished drafts, notes, outlines, master copies (e.g., master movie reels prior to the date of release) and the like. For example, the author of an outline of the plot of a sequel may use both copyright and trade secret if

¹³ See the USPTO for more information at: <http://www.uspto.gov/web/offices/pac/doc/general/index.html#patent>

¹⁴ See the USPTO for more information at: <http://www.uspto.gov/web/offices/dcom/olia/copyright/basics.htm>

that draft is stolen and subsequently used by another party (either to create an infringing work or simply to interfere with the sale of the draft). Similarly, the employer of a creator of a new line of copyrightable toys may be able to assert both copyright claims (as the rightful owner of the copyright to the toy under work for hire) and theft of trade secret claims against the creator if that creator accepts employment at a competitor that subsequently produces the toys.

Software is, perhaps, the best example of how trade secret and copyright can overlap. When copyright infringement of software is found (absent third-party piracy), the infringing software may have been obtained through theft of the source code or other material maintained as a trade secret by the software developer.

C. Patents

Whereas copyrights protect artistic expression, patents protect ideas as they are embodied in useful, new and non-obvious inventions in the form of machines, processes, articles of manufacture or compositions of matter. A patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office, in return for disclosing the invention to the public so that the public can benefit from and build on that knowledge embodied by the invention.

“The right conferred by the patent grant is, in the language of the statute and of the grant itself, “the right to exclude others from making, using, offering for sale, or selling” the invention in the United States or “importing” the invention into the United States for the term of the patent. Once a patent is issued, the patentee must enforce the patent without the aid of the USPTO.

In order meet the requirements of patentability, generally the invention must be new and a non-obvious improvement over the technology known at the time the invention was conceived. This “novelty requirement,” as it is called, includes a requirement that the inventor has not publicly disclosed his own invention before a date dictated by the patent laws relative to the filing date of a patent application. Thus, research and development is often characterized by trade secret protection both to prevent inadvertent loss of patent rights through disclosure and to prevent theft of the invention by third parties prior to its disclosure in the normal course of the patenting process.

Trade secret and patent are also related in that, at some point, an inventor typically has to choose between the two forms of protection. That is, in most cases an inventor may be able to patent an invention

(thereby making it public) or keep the invention a secret instead. In situations where the invention is easily reverse engineered, patent protection will be the obvious choice. However, in some circumstances an inventor may be able to reap greater financial rewards by commercially exploiting a secret invention (e.g., a secret manufacturing process or secret ingredient) instead of patenting the invention and thereby disclosing it to the world.

ENFORCEMENT

Trade secrets are typically defended through the litigation process. While the process can be costly, it can be well worth it if you plan to protect your company's best asset. Additionally, there is criminal prosecution available for trade secret theft. Both the civil and criminal prosecution of trade secret misappropriation are discussed in more detail below.

A. Civil

To be successful in trade secrets misappropriations litigation, the plaintiff must establish that there are property rights in the trade secret. The table¹⁵ below illustrates the qualifications that need to be met:

Existence	The information qualifies as a trade secret.
Ownership	Plaintiff has ownership rights in the information.
Notice	Defendant had actual, constructive, or implied notice of the trade secret status of the information.
Access	Defendant had access to the information, i.e. the defendant did not independently develop the information.
Use	Defendant has used or disclosed the information, or the use or disclosure of the information is threatened.
Damage	Plaintiff was harmed by defendant's use of the information, or defendant was unjustly enriched thereby.

The qualifications in the above list are often referred to as the EONA proofs: Existence, Ownership, Notice and Access. The first four proofs are unique to trade secrets. Since there is no formal trade secret process, like there is in a patent case, the plaintiff must present EONA to validate their trade secret property rights.¹⁶

¹⁵ Halligan, Mark R. and Weyand, Richard F. Trade Secret Asset Management: An Executive's Guide to Information Asset Management. Including Sarbanes-Oxley Accounting Requirements for Trade Secrets. Boston: Aspatore Inc., 2006, pp. 28.

¹⁶ Halligan, p. 29.

Regarding the "Existence" proof, i.e., in establishing property rights in the trade secret, the Restatements describe six factors, to be considered in determining the existence of a trade secret.¹⁷

1. Keeping the Information Inside

The extent to which information is kept inside the company the more likely it will remain a protectable secret. By keeping the boundaries in which the information is transferred strict you can properly control the exposure.

2. Knowledge by Employees

The more employees who know the information the less likely it is a protectable secret. A trade secret is not something that should be generally known to all employees. The information should only be shared with a select few. Information has a tendency to leak so be sure you keep it with as few people as possible.

3. Guarding the Secret

Companies who take certain security measure to protect the secret are more likely to keep the information as a protectable trade secret. Passwords, badges, security doors, and gates are all ways to show that the information is private and protected.

4. Value to Competitors

The more valuable your information is to your competitors the more likely it is a protectable trade secret.

5. Time, Effort and Money

The expenditures by a Company in developing the information will make the trade secret more protectable. A company that spends a lot of time, money and effort in developing the idea or creating a process can show that it is of greater value and therefore protectable.

6. Acquiring and Duplicating

If it is easy for another to acquire or duplicate your information the more likely it is not a protectable trade secret. The information can not be something that the average person can create or duplicate easily. Additionally, reverse engineering is another process that can devalue your trade secret. A substantial element of secrecy must exist, so that except by the use of improper means, there would be difficulty in acquiring the information.¹⁸

Ownership is not often litigated but may become an issue in any case. Owners of trade secrets should execute assignments of such trade secrets to the company for any

¹⁷ Restatement of Torts § 757 (1939).

¹⁸ Restatement of Torts § 757 Comment b (1939).

independent contractor or other employee developing the same. Notice may be handled through more general documents. Access is fact specific but typically goes to the misappropriation story. Once the EONA factors have been shown then misappropriation must be shown. Under the UTSA misappropriation includes:

1. Acquisition of a trade secret of another by a person who knows, or should have known, that the trade secret was acquired by improper means.
2. Where improper means includes: theft, bribery, misrepresentation, breach, or inducement to breach.
3. Disclosure or use of a trade secret without express or implied consent of the owner.¹⁹

Once a trade secret misappropriation is found, you can look to remedies under the UTSA for the aggrieved party. Some of the remedies include: injunctions, money damages (including lost profits and unjust enrichment), and royalties as an alternative measure to damages. In addition, exemplary damages of up to two times the actual damages may be awarded for willful and malicious misappropriation. Attorneys' fees for the prevailing party are also available in some of these cases.²⁰

B. Criminal

For criminal prosecution there is protection under the Economic Espionage Act of 1996.^{21,22} As defined in the Economic Espionage Act of 1996, the term trade secret refers to all forms and types of financial, business, scientific, technical, economic or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or

¹⁹ Unif. Trade Secrets Act, 14 U.L.A. 433 (1990).

²⁰ Radack, David. V. The Uniform Trade Secrets Act. TMS, January 2006, <http://www.tms.org/pubs/journals/JOM/matters/matters-0601.html>.

²¹ Economic Espionage Act of 1996, 18 U.S.C. § 1831-1839 (1996) [hereinafter EEA].

²² Some individual states have criminal statutes to cover theft of trade secrets, including: Alabama (Ala. Code. §§ 13A-8-10.4.); Arkansas (Ark. Code Ann. § 5-36-107); California (Cal. Penal Code § 499c); Colorado (Col. Rev. Stat §§ 18-4-408(1)); Florida (Fla. Stat Ann. § 812.081); Georgia (Ga. Code Ann. § 16-8-13); Louisiana (La. Civ. Code Ann. § 73.1(g)); Maine (M.R.S.A. Title 17-A, § 352(1)); Maryland (Md. Code Ann. § 340 (i)(11)); Massachusetts (Mass. Gen. Laws Ch. 266, § 30(4)); Michigan (M.C.L.A. § 752.772); Minnesota (Minn. Stat. § 609.52); Nevada (Nev. Rev. Stat. Ann. § 600A.035); New Hampshire (N.H. R.S.A. §§ 637:3 and 637:2(1)); New Jersey (N.J. Stat. Ann. §§ 2C:20-1 *et seq.*); Oklahoma (Okl. Stat. Tit. 21, § 1732(A)); Pennsylvania (18 Pa. Cons. Stat. Ann. § 3930); South Carolina (S.C. Code Ann. §§ 39-8-10 *et seq.*); Tennessee (Tenn. Code. Ann. § 39-14-138); Texas (Tex. Penal Code Ann. § 31.05); Utah (Utah Code Ann. § 76-6-401); Washington (Wash. Rev. Code. Ann. § 9A.56.010(5)); Wisconsin (Wis. Stat. Ann. § 943.205). It is important to see applicable state statutes for current amendments or modifications.

codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if:

- The owner thereof has taken reasonable measures to keep such information secret, and;
- The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by the public.²³

Prior to the enactment of the EEA, federal prosecutors were limited to laws such as, the Interstate Transportation of Stolen Property Act, the Computer Fraud and Abuse Act, and Mail and Wire Fraud statutes, for prosecution of theft of trade secrets. These laws were limited and inadequate for trade secret prosecution therefore the need for the EEA became evident. There are two separate provisions within the EEA that are directed at punishment for theft or misappropriation of trade secrets. The two provisions are summarized below:

(A) Section 1831 is directed towards foreign economic espionage, and states that:

- The theft of trade secret benefits any foreign government, any instrument of a foreign government, or foreign agent.
- Persons shall be fined not more than \$500,000; and/or
- Imprisonment to be no greater than 15 years
- Organizations shall be fined not more than \$10,000,000.

(B) Section 1832 covers commercial theft, regardless of who benefits, is a criminal act, and state that:

- A person shall be fined not more than \$500,000; and/or
- A person shall be imprisoned for not more than 10 years.
- Organizations shall be fined not more than \$5,000,000.

Consequently, a person can not be convicted under the EEA if:

- The Defendant can prove that the trade secret was discovered through parallel development or reverse engineering;
- The individuals seeking to capitalize on their lawfully developed skill, knowledge or abilities.

The first case to be prosecuted under this act was the United States of America v. Patrick and Daniel Worthing.²⁴ The facts of the case are as follows:

²³ EEA § 1839.

²⁴ *United States of America v. Patrick and Daniel Worthing*. Criminal No. 97-9 (W.D. Pa. December 7, 1996).

Patrick Worthing worked at PPG Industries, Inc. under a contract with Affiliated Building Services as the supervisor of a maintenance crew at one of PPG's research and development facilities. Patrick Worthing, with access to every office, surreptitiously collected diskettes, blueprints and other types of confidential research information from PPG Industries. The indictment was based on an FBI sting operation prompted by a letter Patrick Worthing wrote to Owens-Corning, a PPG rival attempting to sell the proprietary PPG information.

Patrick Worthing and his brother, Daniel Worthing, were indicted under the Economic Espionage Act, 18 U.S.C. Sections 1832(a)(1), (3) and (5). Patrick Worthing pled guilty on 2/27/97 to theft of trade secrets and was sentenced on June 5, 1997 to 15 months in jail, 36 months supervised release.

Daniel Worthing, who reportedly agreed to help his brother the night before for \$100,000 pled guilty on 1/31/97 to conspiracy to possess and deliver trade secrets and was sentenced on 4/18/97 to 60 months probation and 6 months home confinement.²⁵

DOCUMENTS

Often companies have to disclose trade secrets to their employees during the course of business. Given the employees knows valuable secrets, what happens when that employee is untrustworthy, dishonest, and disloyal? Is there any way you can stop them from disclosing your secrets to others? Below are a few documents that can help when it comes to the protection of a trade secret against such employees.

A. Non-Compete or Employment Agreements²⁶

A non-compete agreement protects your company by legally binding an employee after leaving the company from working for a direct competitor for a certain amount of time. The hope is that during the period of non-compete time the trade secret may change or no longer be valuable. The amount of time, territory and scope of the activity forbidden in the agreement must be reasonable. A court will not uphold an agreement that creates restrictions so stringent that a person can not be employed for numerous years. Generally a one-year restriction is acceptable in most jurisdictions.

B. Non-Disclosure Agreements²⁷

²⁵ Halligan, R. Mark. Reported Criminal Arrests and Convictions Under the Economic Espionage Act of 1996, updated 02/17/03, http://tradesecretshomepage.com/indict.html#_Toc9924962.

²⁶ See Sample 1.

²⁷ See Sample 2.

Another way to protect your trade secret is through non-disclosure agreements (“NDA”). An NDA is a confidentiality agreement often used to protect trade secrets during the course of business negotiations. The agreement allows you to disclose your secret to employees or business partners, but requires that the information be kept a secret. These agreements require both the signature of the owner of the trade secret as well as the person who is being asked to keep the information confidential.

An NDA is a way to legally bind a person receiving the trade secret information from exposing it to others. If the person with whom you hold an NDA with uses your secret without authorization you may request an injunction from the court to stop the violator and sue for damages. NDA’s confer many benefits, including:

- Placing the party on notice that you consider the information confidential.
- It defines the confidential information.
- It can define how disputes are to be resolved, i.e., an arbitration clause can be written into the agreement.
- You can designate jurisdiction and/or what laws will oversee the dispute. This is important when you are doing business across state lines.
- Sometimes you can have an extended period of time to file a lawsuit when you have a breach of such an agreement.

C. Exit Interview Forms²⁸

Exit interviews tend to be overlooked but are an important way to remind an employee upon their departure, to keep all company secrets, and to return any relevant items. It is also a way to protect the company should an employee use a trade secret at another place of employment. Below are some typical questions that should be considered when preparing an exit interview form:

- What specific trade secrets or proprietary confidential information did the employee have access to?
- Are there any documents, notes, equipment, notebook computers, etc., that the employee has not returned?
- Is the employee working on a project that requires his or her continued employment or consultations?

²⁸ See Sample 3.

- Has the employee resigned to accept employment with a competitor?
- Will the employee's resignation cause any harm to the company?
- What projects did the employee work on?
- Did any previous projects involve working with competitors before resignation?
- What was the attitude of the employee?
- Was the employee taking home more work than usual?
- Did the employee request to take any documents home?
- Did the employee use copy machines more than usual?
- Did the employee work evenings, weekends, or other times when other employees weren't present?
- Did the employee begin to associate more with certain employees than others? (This may point to other potential defections.)

CONCLUSION

With a little effort you can protect your trade secret from becoming tomorrows well known fact. Inadequate protection of a trade secret results in losing the legal protection forever. Unlike other intellectual property, trade secrets are very unique because their protection lies in your prevention. This paper is intended to give a basic understanding of trade secret rights, and the important value they have. If Coca Cola keep a secret since 1886, then you too can protect yours.

SAMPLE 1

CORPORATION EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made this ____ day of ____ 2004 between Corporation, (the "Company") and the undersigned employee (the "Employee"). In consideration of the mutual promises and agreements hereinafter set forth, Company and Employee agree as follows:

1. Term of Agreement. The term of this agreement shall commence on [STARTING DATE] and may be terminated by either party at any time and for any reason. Employee expressly understands and agrees that Employee's employment is "AT WILL" and can be terminated by Employer at any time. Employee also expressly understands and agrees that some of the Employee's duties and obligations as specified herein will remain in effect after the termination of the employment.

2. Employment. Company hereby employs, engages and hires Employee as [TITLE]. Employee hereby accepts and agrees to such hiring, engagement, and employment. Employee shall perform such duties as are customarily performed by one holding such position in other, same or similar businesses or enterprises as that engaged by Company, and shall also additionally render such other and unrelated services and duties as may be assigned by Company.

3. Best Efforts of Employee. Employee agrees to perform all of the duties that may be required of and from Employee pursuant to the expressed and implicit terms hereof faithfully, professionally, and to the best of Employee's ability, experience and talents, and to the reasonable satisfaction of Company.

4. Compensation of Employee. Company shall pay Employee, and Employee shall accept from Company, in full payment for Employee's services hereunder, compensation at the rate of \$_____ per annum, payable in semi-monthly installments. Employee shall also be granted _ stock options under a Stock Option Plan established by the Board of Directors of Company. Such options shall vest over a three (3) year period beginning on Employee's first date of employment with Company. To receive all stock options, Employee must remain employed by Company for full three (3) years. One third of the stock options shall vest on the first anniversary date of the employment. Thereafter, the stock options shall vest quarterly until the three year anniversary date of employment.

5. Benefits and Additional Compensation. Employee shall have the opportunity to participate in Company-sponsored benefits programs if and when they are established. In the event of illness, Company will pay Employee in accordance with section Compensation of Employee for the duration of the illness, provided that the illness does

not exceed six months, which renders Employee unable to fulfill Employee's duties to the satisfaction of Company. Any such illness exceeding six months shall be grounds for termination "for cause". Compensation during illness may be reduced by any amount paid by State Disability or other insurance plans. The Employee will be able to participate in Research and Development Bonus Plans as established by the Board of Directors of Company.

6. Termination. Company may terminate Employee's employment for any reason. Employee may terminate the employment for any reason. Upon termination, Employee will surrender any work product to Company and Company will pay Employee any compensation due and owing. Some obligations of Employee will remain in effect after the termination of the employment as specified in this Agreement.

7. Other employment. Employee shall devote substantially all of his time, attention, knowledge, and skills to the business and interests of Company, and Company shall be entitled to all of the benefits and profits arising from or incident to all work, services, and advice of Employee on behalf of Company. Employee shall not, during the term hereof, be interested directly or indirectly, in any manner, as partner, officer, director, stockholder, advisor, employee or, in any other capacity, in any other business similar to Company's business or an allied trade. However, nothing herein contained shall be deemed to prevent or limit the right of Employee to invest in the capital stock or other securities of any corporation whose stock or securities are publicly owned or are regularly traded on any public exchange. Nor shall anything herein contained be deemed to prevent Employee from investing or limit Employee's right to invest in real estate.

8. Confidentiality.

(a) Definitions. "Proprietary Information" is all information and any idea whatever form, tangible or intangible, pertaining in any manner to the business of Company, or any of its Affiliates*, or its employees, clients, consultants, or business associates, which was produced by any employee or consultant of Company in the course of his or her employment or consulting relationship or otherwise produced or acquired by or on behalf of Company. All Proprietary Information not generally known outside of Company's organization, and all Proprietary Information so known only through improper means, shall be deemed "Confidential Information." Confidential Information may be contained in oral communications, as well as in any tangible expressions referring or relating, but not limited to:

(1) formulas, research and development techniques, processes, trade secrets, computer programs, software, system architecture, hardware, electronic codes, mask works, inventions, innovations, patents, patent applications, discoveries, improvements, data, know-how, formats, test results, research projects, manuals, specifications, documentation, notes, industry contacts;

(2) information about costs, profits, markets, sales, contracts and lists of customers, and distributors;

- (3) business, marketing, and strategic plans;
- (4) forecasts, unpublished financial information, budgets, projections, and customer identities, characteristics and agreements; and
- (5) employee personnel files and compensation information.

Confidential Information is to be broadly defined, and includes all information that has or could have commercial value or other utility in the business in which Company is engaged or contemplates engaging, and all information of which the unauthorized disclosure could be detrimental to the interests of Company, whether or not such information is identified as Confidential Information by Company.

(b) Existence of Confidential Information. The Company owns and has developed and compiled, and will develop and compile, certain trade secrets, proprietary techniques and other Confidential Information which have great value to its business. This Confidential Information includes not only information disclosed by Company to Employee, but also information developed or learned by Employee during the course of Employee's employment with Company. All materials referring or relating to Confidential Information, any software, hardware, equipment or devices incorporating any Confidential Information are and shall remain the sole and exclusive property of Company, except as set forth in this Agreement. Employee shall have no interest in or rights to use or disclose Confidential Information.

(c) Protection of Confidential Information. Employee will not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any third party, other than in Employee's assigned duties and for the benefit of Company with written consent of Company, any of Company's Confidential Information, either during or after Employee's employment with Company. In the event Employee desires to publish the results of Employee's work for Company through literature or speeches, Employee will submit such literature or speeches to the Board of Directors of Company at least 10 days before dissemination of such information for a determination of whether such disclosure may alter trade secret status, may be highly prejudicial to the interests of Company, or may constitute an invasion of its privacy. Employee agrees not to publish, disclose or otherwise disseminate such information without prior written approval of the Board of Directors of Company. Employee acknowledges that Employee is aware that the unauthorized disclosure of Confidential Information of Company may be highly prejudicial to its interests, an invasion of privacy, and an improper disclosure of trade secrets. Employee agrees that all Confidential Information made known to Employee during or after the employment is subject to this Agreement and will be received and held in confidence. Employee will take all necessary steps to prevent disclosure of Confidential Information to others and will not use or disclose Confidential Information except as set forth in this Agreement or with the express prior written consent of Company. Employee shall immediately notify Company of any actual or suspected unauthorized use or disclosure of Confidential Information, and shall cooperate with Company in obtaining injunctive or other equitable relief and in any suit for damages. If

Employee receives a subpoena or other legal process seeking disclosure of Confidential Information, employee shall immediately notify Company and cooperate fully with Company in contesting such disclosure.

(d) Delivery of Confidential Information. Upon request or when Employee's employment with Company terminates, Employee will immediately deliver to Company all copies of any and all materials and writings received from, created for, or belonging to Company including, but not limited to, those which relate to or contain Confidential Information.

(e) Location and Reproduction. Employee shall maintain at Employee's work station and/or any other place under Employee's control only such Confidential Information as Employee has a current "need to know." Employee shall return to the appropriate person or location or otherwise properly dispose of Confidential Information once that need to know no longer exists. Employee shall not make copies of or otherwise reproduce Confidential Information unless there is a legitimate business need of Company for reproduction.

(f) Prior Actions and Knowledge. Employee represents and warrants that from the time of Employee's first contact with Company Employee held in strict confidence all Confidential Information and have not disclosed any Confidential Information, directly or indirectly, to anyone outside Company, or used, copied, published, or summarized any Confidential information, except to the extent otherwise permitted in this Agreement.

(g) Third-Party Information. Employee acknowledges that Company has received and in the future will receive from third parties their confidential information subject to a duty on Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee agrees that, during the employment and thereafter, Employee will hold all such confidential information in the strictest confidence and not to disclose or use it, except as necessary to perform Employee's obligations hereunder and as is consistent with Company's agreement with such third parties.

(h) Third Parties. Employee represents that the employment with Company does not and will not breach any agreements with or duties to a former employer or any other third party. Employee will not disclose to Company or use on its behalf any confidential information belonging to others and will not bring onto the premises of Company any confidential information belonging to any such party unless consented to in writing by such party.

(i) Duration of obligations. Employee's obligations under Section 8. Confidentiality shall survive expiration or termination of this Agreement for any reason for a period of five (5) years after the date of expiration or termination.

9. Intellectual Property Rights.

(a) Definition. The term "Subject Ideas or Inventions" includes any and all ideas, processes, trademarks, service marks, inventions, designs, technologies, computer hardware or software, original works of authorship, formulas, discoveries, patents,

copyrights, copyrightable work products, marketing and business ideas, and all improvements, know-how, data, rights, and claims related to the foregoing that, whether or not patentable, which are conceived, developed or created and which: (1) relate to Company's current or contemplated business or activities; (2) relate to Company's actual or demonstrably anticipated research or development; (3) result from any work performed by Employee for Company; (4) involve the use of Company's equipment, supplies, facilities or trade secrets; (5) result from or are suggested by any work done by Company or at Company's request, or any projects specifically assigned to Employee; or (6) result from Employee's access to any of Company's memoranda, notes, records, drawings, sketches, models, maps, customer lists, research results, data, formulae, specifications, inventions, processes, equipment or other materials (collectively, "Company Materials").

(b) Company Ownership. All right, title and interest in and to all Subject Ideas and Inventions, whether or not registered or registrable, patented or patentable shall be held and owned solely by Company, and where applicable, all Subject Ideas and Inventions shall be considered works made for hire. Employee shall mark all Subject Ideas and Inventions with Company's copyright or other proprietary notice as directed by Company and shall take all actions deemed necessary by Company to protect Company's rights therein. In the event that the Subject Ideas and Inventions shall be deemed not to constitute works made for hire, or in the event that Employee should otherwise, by operation of law, be deemed to retain any rights (whether moral rights or otherwise) to any Subject Ideas and Inventions, Employee hereby assigns and otherwise transfers and agrees to assign and otherwise transfer to Company, without further consideration, Employee's entire right, title and interest in and to each and every such Subject Idea and Invention. Employee hereby waives any so-called "droit moral" rights, "moral rights of authors" and all other similar rights Employee may have in any Subject Ideas and Inventions, however denominated, throughout the world.

(c) Disclosure. Employee agrees to promptly disclose the details of any Subject Idea and Invention to an authorized representative of Company, and provide such representative with all information in Employee's possession relative thereto including all possible applications for such Subject Idea and Invention.

(d) Company's rights. Employee agrees that Company may apply for and receive a patent or patents, trademark or trademarks, copyright or copyrights for Subject Ideas and Inventions in its own name. Employee agrees that when requested, without charge to, but at the expense of Company, its successors, assigns and legal representatives, to execute all patent applications including, but not limited to, divisional applications, continuation applications, continued prosecution applications, continuation-in-part applications, substitute applications, renewal applications, reissue applications, reexaminations, all trademark registration and all original copyright registration. Employee agrees to execute all rightful oaths, assignments, powers of attorney, and other papers relating to patent applications, trademark registration and copyright registration. Employee agrees to communicate all facts known to Employee relating to said Subject Ideas and Inventions and the history thereof. In addition, Employee agrees to generally assist Company, its

successors, assigns or representatives in securing and maintaining proper patent protection, trademark protection and copyright protection.

(e) California Labor Code (If Applicable). The foregoing agreements, covenants and assignments do not apply to Subject Ideas and Inventions that qualify for the protection of California Labor Code Section 2870, which provides:

(1) "Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

a. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

b. Result from any work performed by the employee for the employer.

(2) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

(f) Burden of Proof. Employee understands that Employee bears the full burden of proving to Company that a Subject Idea and Invention qualifies fully under Section 2870.

(g) Maintenance of Records. Employee agrees to keep and maintain adequate and current written records of all Subject Ideas and Inventions and their development made by Employee (solely or jointly with others) during the term of employment with Company. These records will be in the form of notes, sketches, drawings, and any other format that may be specified by Company. These records will be available to and remain the sole property of Company at all times.

(h) Determination of Subject Ideas and Inventions. Employee further agrees that all information and records pertaining to any idea, process, trademark, service mark, invention, technology, computer hardware or software, original work of authorship, design, formula, discovery, patent, copyright, product, and all improvements, know-how, rights, and claims related to the foregoing ("Intellectual Property"), that Employee does not believe to be a Subject Idea or Invention, but that is conceived, developed, or reduced to practice by Company (alone by Employee or with others) during the Period of Employment and for one (1) year thereafter, shall be disclosed promptly by Employee to Company (such disclosure to be received in confidence). Company shall examine such information to determine if in fact the Intellectual Property is a Subject Idea or Invention subject to this Agreement.

(g) Access. Because of the difficulty of establishing when any Subject Ideas or Inventions are first conceived by Employee, or whether it results from Employee's access to Confidential Information or Company Materials, Employee agrees that any Subject Idea and Invention shall, among other circumstances, be deemed to have resulted from Employee's access to Company Materials if: (1) it grew out of or resulted from Employee's work with Company or is related to the business of Company, and (2) it is made, used, sold, exploited or reduced to practice, or an application for patent, trademark, copyright or other proprietary protection is filed thereon, by Employee or with Employee's significant aid, within one year after termination of the Period of Employment.

(h) Assistance. Employee further agrees to assist Company in every proper way (but at Company's expense) to obtain and from time to time enforce patents, copyrights or other rights or registrations on said Subject Ideas and Inventions in any and all countries, and to that end Employee will execute all documents necessary:

(1) to apply for, obtain and vest in the name of Company alone (unless Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and

(2) to defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection; and

(3) to cooperate with Company (but at Company's expense) in any enforcement or infringement proceeding on such letters patent, copyright or other analogous protection.

(i) Authorization to Company. In the event Company is unable, after reasonable effort, to secure Employee's signature on any patent, copyright or other analogous protection relating to a Subject Idea and Invention, whether because of Employee's physical or mental incapacity or for any other reason whatsoever, Employee hereby irrevocably designates and appoints Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact, to act for and on Employee's behalf and to execute and file any such application, applications or other documents and to do all other lawfully permitted acts to further the prosecution, issuance, and enforcement of letters patent, copyright or other analogous rights or protections thereon with the same legal force and effect as if executed by Employee. Employee's obligation to assist Company in obtaining and enforcing patents and copyrights for Subject Ideas and Inventions in any and all countries shall continue beyond the termination of my relationship with Company, but Company shall compensate me at a reasonable rate after such termination for time actually spent by me at Company's request on such assistance.

(j) Exhibit. Employee acknowledges that there are no currently existing ideas, processes, inventions, discoveries, marketing or business ideas or improvements which Employee desire to exclude from the operation of this Agreement. To the best of Employee's knowledge, there is no other contract to assign inventions, trademarks, copyrights, ideas,

processes, discoveries or other intellectual property that is now in existence between Employee and any other person (including any business or governmental entity).

(i) **Prior Inventions.** Employee shall provide Company with a copy of all patents, if any, that Employee owns or has a right to license. Employee shall notify Company about all pending patent applications invented by Employee or assigned to Employee obtained prior to commencement of employment with Company.

(j) **No Use of Name.** Employee shall not at any time use Company's name or any Company trademark(s) or trade name(s) in any advertising or publicity without the prior written consent of Company.

10. Competitive Activity. Employee agrees that during Employee's employment and for a period of one (1) year after termination of the Period of Employment, without Company's express written consent, Employee shall not, directly or indirectly, (i) employ, solicit for employment, or recommend for employment any person employed by Company (or any Affiliate); and (ii) engage in any present or contemplated business activity that is or may be competitive with Company (or any Affiliate) in any state where Company conducts its business, unless Employee can prove that any action taken in contravention of this subsection (ii) was done without the use in any way of Confidential Information. Employee acknowledges that pursuit of such activities will necessarily involve the use, disclosure or misappropriation of Confidential Information.

11. Representations and Warranties. Employee represents and warrants (i) that Employee has no obligations, legal or otherwise, inconsistent with the terms of this Agreement or with undertaking a relationship with Company; (ii) that the performance of the services called for by this Agreement do not and will not violate any applicable law, rule or regulation or any proprietary or other right of any third party; (iii) that Employee will not use in the performance of responsibilities for Company any materials or documents of a former employer; and (iv) that Employee has not entered into or will not enter into any agreement (whether oral or written) in conflict with this Agreement.

12. Termination Obligations.

(a) Upon the termination of relationship with Company or promptly upon Company's request, Employee shall surrender to Company all equipment, tangible Proprietary Information, documents, books, notebooks, records, reports, notes, memoranda, drawings, sketches, models, maps, contracts, lists, computer disks (and other computer-generated files and data), any other data and records of any kind, and copies thereof (collectively, "Company Records"), created on any medium and furnished to, obtained by, or prepared by Employee in the course of or incident to Employee's employment, that are in Employee's possession or under Employee's control.

(b) Employee's representations, warranties, and obligations contained in this Agreement shall survive the termination of the employment.

(c) Following any termination of employment, Employee will fully cooperate with Company in all matters relating to Employee's continuing obligations under this Agreement.

(d) In the event that Employee leaves the employ of Company Employee hereby grants consent to notification by Company to Employee's new employer about Employee's rights and obligations under this Agreement.

(e) Upon termination of the employment, Employee hereby agrees to execute a Certificate acknowledging compliance with this Agreement in the form reasonably provided by Company.

13. Injunctive Relief. Employee acknowledges that failure to carry out any obligation under this Agreement, or a breach by Employee of any provision herein, will constitute immediate and irreparable damage to Company, which cannot be fully and adequately compensated in money damages and which will warrant preliminary and other injunctive relief, an order for specific performance, and other equitable relief. Employee further agrees that no bond or other security shall be required in obtaining such equitable relief and Employee hereby consents to the issuance of such injunction and to the ordering of specific performance. Employee also understand that other action may be taken and remedies enforced against Employee.

14. General.

(a) Modification. No modification of this Agreement shall be valid unless made in writing that explicitly refers to the amendments of this Agreement and is signed by both parties.

(b) Binding Effect. This Agreement shall be binding upon Employee, Employee's heirs, executors, assigns and administrators and is for the benefit of Company and its successors and assigns.

(c) Governing Law. This Agreement shall be construed in accordance with, and all actions arising under or in connection therewith shall be governed by, the internal laws of the State of California. Any disputes between the parties with respect to this Agreement shall be settled by binding arbitration in the county of Santa Clara, State of California, in accordance with Judicial Arbitration and mediation Service ("JAMS") (or similar mediation service of a similar national scope if JAMS no longer exists.) Each party shall pay in equal proportion of the cost of the mediator's services, in advance upon request by the mediator of any party. The party requesting the arbitration shall be the plaintiff and the other party shall be the defendant. The parties waive any other venue to which either party may be entitled by domicile or otherwise.

(d) Integration. This Agreement sets forth the parties' mutual rights and obligations with respect to proprietary information, prohibited competition, and intellectual property. It is intended to be the final, complete, and exclusive statement of the terms of the parties' agreements regarding these subjects. This Agreement supersedes all other prior and

contemporaneous agreements and statements on these subjects, and it may not be contradicted by evidence of any prior or contemporaneous statements or agreements. To the extent that the practices, policies, or procedures of Company, now or in the future, apply to Employee and are inconsistent with the terms of this Agreement, the provisions of this Agreement shall control unless changed in writing by Company.

(f) Construction. This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. By way of example and not limitation, this Agreement shall not be construed against the party responsible for any language in this Agreement. The headings of the paragraphs hereof are inserted for convenience only, and do not constitute part of and shall not be used to interpret this Agreement.

(g) Attorneys' Fees. Should either Employee or Company, or any heir, personal representative, successor or permitted assign of either party, resort to legal proceedings to enforce this Agreement, the prevailing party (as defined in California statutory law) in such legal proceeding shall be awarded, in addition to such other relief as may be granted, attorneys' fees and costs incurred in connection with such proceeding.

(h) Severability. If any term, provision, covenant or condition of this Agreement, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void, the remainder of this Agreement and such term, provision, covenant or condition as applied to other persons, places and circumstances shall remain in full force and effect.

(i) Rights Cumulative. The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either Company or Employee (or by that party's successor), whether pursuant hereto, to any other agreement, or to law, shall not preclude or waive that party's right to exercise any or all other rights and remedies. No waiver shall be construed as a waiver of any succeeding breach, whether or not of the same or a different term or condition. This Agreement will inure to the benefit of Company and its successors and assigns.

(j) Nonwaiver. The failure of either Company or Employee, whether purposeful or otherwise, to exercise in any instance any right, power or privilege under this Agreement or under law shall not constitute a waiver of any other right, power or privilege, nor of the same right, power or privilege in any other instance. Any waiver by Company or by Employee must be in writing and signed by either Employee, if Employee is seeking to waive any of the rights under this Agreement, or by an officer of Company (other than Employee) or some other person duly authorized by Company.

(k) Notices. Any notice, request, consent or approval required or permitted to be given under this Agreement or pursuant to law shall be sufficient if it is in writing, and if and when it is hand delivered or sent by regular mail, with postage prepaid, to Employee's residence (as noted in Company's records), or to Company's principal office, as the case may be.

(l) Date of Effectiveness. This Agreement shall be deemed effective as of the commencement of Employee's employment with Company.

(m) Agreement to Perform Necessary Acts. Employee agrees to perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.

(n) Assignment. This Agreement, or any right or interest under this Agreement shall not be assigned, nor shall any work or obligation to be performed under this Agreement be delegated, voluntarily, by operation of law or otherwise, without the parties' prior written consent. Any attempted assignment in contravention of this Section (n) shall be void and ineffective. The terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the permitted respective successors and assigns of the parties hereto.

(o) Compliance with Law. Employee agrees to abide by all federal, state, and local laws, ordinances and regulations.

(p) Employee Acknowledgment. Employee acknowledges that Employee has had the opportunity to consult legal counsel in regard to this Agreement, that Employee has read and understands this Agreement, that Employee is fully aware of its legal effect, and that Employee has entered into it freely and voluntarily and based on Employee's own judgment and not on any representations or promises other than those contained in this Agreement.

(q) Counterparts. This Agreement may be signed in counterparts, which together shall constitute one agreement. If this Agreement is signed in counterparts, no signatory hereto shall be bound until both parties named below have duly executed, or caused to be duly executed, a counterpart of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth below.

CAUTION: THIS AGREEMENT CREATES IMPORTANT OBLIGATIONS OF TRUST AND AFFECTS THE EMPLOYEE'S RIGHTS TO INVENTIONS AND OTHER INTELLECTUAL PROPERTY THE EMPLOYEE MAY DEVELOP DURING HIS OR HER EMPLOYMENT.

Dated: _____

Employee Signature _____

Printed Name of Employee: _____

Corporation

By:

Name: _____

Title: _____

SAMPLE 2

MUTUAL CONFIDENTIALITY and NON-DISCLOSURE AGREEMENT

This CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT ("Agreement") is made and entered into as of _____, 200X ("Effective Date") by and between Corporation, and _____, (collectively the "parties" and each a "party"). This Agreement expires on _____.

WHEREAS, the parties desire to disclose certain information in connection with consideration of a possible business transaction or relationship between the parties.

THEREFORE, the parties agree to enter into a confidential relationship with respect to the disclosure of certain information.

In consideration of the mutual covenants set out in this Agreement, the disclosure of certain information, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. Definitions.

(a) "Confidential Information" includes all information, technical data, or know-how, including, but not limited to, that which relates to a disclosing party's research, products, hardware, software, designs, inventions, ideas, processes, drawings, business plans, product implementations, financial information, marketing techniques, business operation and systems, pricing policies, information concerning employees, customers, and/or vendors disclosed by one party to another in writing, orally, by inspection, or otherwise. Confidential Information does not include information that the receiving party can demonstrate: (i) was in the receiving party's possession prior to its being furnished to the receiving party under the terms of this Agreement, provided the source of that information was not known by the receiving party to be bound by a confidentiality agreement with, or other continual, legal or fiduciary obligation of confidentiality, to the disclosing party; (ii) is now, or hereafter becomes, through no act or failure to act on the part of either party, generally known to the public; (iii) is rightfully obtained by the receiving party from a third party, without breach of any obligation to the disclosing party; or (iv) is independently developed by the receiving party without use of or reference to the Confidential Information.

Confidential Information shall include all information of which unauthorized disclosure could be detrimental to the interests of the disclosing party whether or not such information is identified as Confidential Information by the disclosing party.

(b) "Representative" includes the receiving party's directors, officers, employees, agents, and financial, legal, and other advisors.

2. Confidentiality.

(a) The receiving party and its Representatives shall not disclose any Confidential Information to third parties, in any manner whatsoever, except as provided in paragraphs 3 and 4 of this Agreement, and shall protect the Confidential Information for five (5) years following the date of its disclosure.

(b) The receiving party shall take all measures reasonably necessary to protect the Confidential Information received from the disclosing party, at least as great as the measures it takes to protect its own confidential information. The receiving party shall segregate all Confidential Information from the confidential information of others in order to prevent commingling.

3. Permitted Disclosures.

The parties may disclose Confidential Information to their responsible Representatives with a bona fide need to know such Confidential Information, but only to the extent necessary to evaluate or carry out a proposed transaction or relationship and only if such Representatives are advised of the confidential nature of such Confidential Information, and the terms of this Agreement, and are bound by a written agreement or by a legally enforceable code of professional responsibility to protect the confidentiality of such Confidential Information.

4. Required Disclosures.

The receiving party may disclose Confidential Information in accordance with a judicial or other governmental order, provided that the receiving party shall give the disclosing party reasonable notice prior to such disclosure and reasonable opportunity to obtain a protective order or the equivalent.

5. Use and Disclaimers.

(a) The receiving party and its Representatives shall use the Confidential Information solely for the purpose of evaluating a possible transaction or relationship with the disclosing party and shall not in any way use the Confidential Information to the detriment of the disclosing party. The receiving party shall comply with all applicable United States and foreign export laws and regulations.

(b) Nothing in this Agreement is intended to grant or imply any rights, by license or otherwise, to either party under any patent, copyright, trade secret, or other intellectual property right, nor shall this Agreement grant or imply to either party any rights in or to the other party's Confidential Information, except the limited right to review such Confidential Information solely for the purposes of consideration of a possible transaction or relationship between the parties. Neither party shall reverse engineer, decompile or disassemble any hardware or software received from the other party for any purpose inconsistent with this Agreement.

(c) THE DISCLOSING PARTY PROVIDES INFORMATION SOLELY ON AN "AS IS" BASIS. The receiving party hereby agrees to indemnify the disclosing party against any and all losses, damages, claims, expenses, and attorneys' fees incurred or suffered by

the disclosing party as a result of a breach of this Agreement by the receiving party or its Representatives.

6. Return of Documents.

(a) The receiving party shall return to the disclosing party any and all records, notes, and other written, printed or other tangible materials in its possession pertaining to the Confidential Information immediately on the written request of the disclosing party or upon termination of this Agreement. The returning of materials shall not relieve the receiving party from compliance with other terms and conditions of this Agreement.

(b) The receiving party shall make no copies of any of the disclosing party's Confidential Information without the prior written consent of the disclosing party and shall return to the disclosing party, upon request or upon termination of the relationship between the parties, all copies made thereof.

7. No Additional Agreements.

(a) Neither the holding of discussions nor the exchange of material or information shall be construed as an obligation of the either party to perform any work, enter into any license, business engagement or other agreement with the other party. The parties hereby acknowledge that they are not agents of each other. Nothing in this Agreement shall prohibit a party from providing its own Confidential Information to third parties and entering into agreements with third parties.

(b) Each party reserve the right, in its sole discretion, to reject any and all proposals made by the other party or its Representatives with regard to a transaction between the parties and to terminate discussions and negotiations at any time. Additional agreements of the parties, if any, shall be in a signed writing.

8. Irreparable Harm.

The receiving party understands and acknowledges that any disclosure or misappropriation of any of the Confidential Information in violation of this Agreement may cause the disclosing party irreparable harm, the amount of which may be difficult to ascertain, and therefore agrees that the disclosing party shall have the right to apply to a court of competent jurisdiction for specific performance and/or an order restraining and enjoining any such further disclosure or breach and for such other relief as the disclosing party shall deem appropriate. Such right of the disclosing party is to be in addition to the remedies otherwise available to the disclosing party at law or in equity. The receiving party expressly waives the defense that a remedy in damages will be adequate and any requirement in an action for specific performance or injunction for the posting of a bond by the disclosing party.

9. Assignment.

This Agreement, or any right or interest under this Agreement, shall not be assigned, nor shall any work or obligation to be performed under this Agreement (an "assignment") be delegated, voluntarily, by operation of law or otherwise, without the parties' prior written consent. Any attempted assignment in contravention of this Section 9 shall be void and

ineffective. The terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the permitted respective successors and assigns of the parties hereto.

10. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regards to conflicts of laws principles. The parties hereby irrevocably consent to the jurisdiction of the state and federal courts located in Santa Clara County, State of California, in any action arising out of or relating to this Agreement, and waive any other venue to which either party may be entitled by domicile or otherwise.

11. Attorney's Fees.

If any action at law or in equity is brought to enforce or interpret the provisions of this Agreement, the prevailing party in such action shall be awarded its attorneys' fees and costs incurred.

12. Counterparts and Right.

(a) This Agreement may be signed in counterparts, which together shall constitute one agreement. If this Agreement is signed in counterparts, no signatory hereto shall be bound until both parties named below have duly executed, or caused to be duly executed, a counterpart of this Agreement.

(b) The person signing on behalf of each party represents that he or she has the right and power to execute this Agreement.

13. Entire Agreement.

This Agreement expresses the full and complete understanding of the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous proposals, agreements, representations and understandings, whether written or oral, with respect to the subject matter. This Agreement shall not limit any rights that either party may have under trade secret, copyright, patent or other laws that may be available. This Agreement may not be modified or amended except by a writing that explicitly refers to the amendment of this Agreement and that is signed by authorized representatives of both parties.

14. Miscellaneous.

(a) None of the provisions of this Agreement shall be deemed to have been waived by any act, omission, or acquiescence on the part of the disclosing party without a written instrument signed by the disclosing party. No waiver by a party of any breach shall be effective unless in writing, and no waiver shall be construed as a waiver of any succeeding breach, whether or not of the same or a different term or condition;

(b) This Agreement shall be construed as to its fair meaning and not strictly for or against either party.

(c) The headings hereof are descriptive only and not to be construed in interpreting the provisions hereof.

IN WITNESS WHEREOF, the parties have caused their authorized representatives to execute this Agreement as of the date first set forth above.

Corporation.

Dated: _____

Signature: _____

Name: _____
[Chief Executive Officer]

Dated: _____

Witness: _____

Name: _____

Title: _____

SAMPLE 3

SAMPLE EMPLOYEE TRADE SECRETS EXIT INTEVIEW FORM²⁹

I acknowledge that the undersigned representative of the Patent Department of [company] had conducted an exit interview with me.

At this interview, my employment obligations to protect [company's] trade secrets and proprietary and confidential information were reviewed, including but no limited to the following types of information attached hereto as EXHIBIT A. I hereby acknowledge and warrant that if I have any doubt whether a particular items of information is considered to be a trade secret or confidential or proprietary information of [company], I agree to keep such information secret and not to disclose or use such information for my own benefit or the benefit of others without the express written consent of [company].

I further acknowledge and warrant that I have delivered to [company] all copies of any company documents and writings, research notes, data, sketches, analyses, financial, customer or sales information, strategic business plans, commercialization processes, product implementation plans, contracts, and the like, whether manually or electronically stored.

I also acknowledge and warrant that no copies, duplicates, sketches, uploads, downloads, or replicas of such information remain in my possession, custody or control.

Date: _____

Witness: _____

EMPLOYEE: _____

Social Security Number: _____

[COMPANY NAME]

By: _____

²⁹ Halligan, Mark R. and Weyand, Richard F. Trade Secret Asset Management: An Executive's Guide to Information Asset Management, Including Sarbanes-Oxley Accounting Requirements for Trade Secrets. Boston: Aspatore Inc., 2006, Appendix E.

Trade Secret Basics

Presented by
Tim Scull and George Lewis
May 27, 2009

GUARDIANS OF GREAT IDEAS

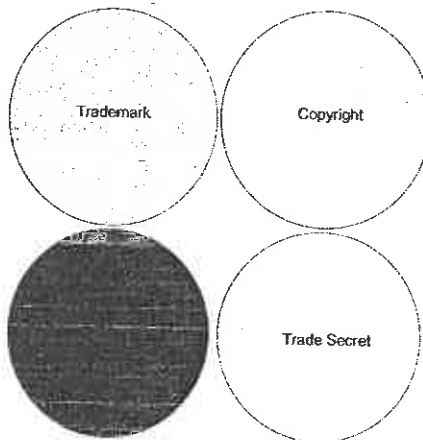
What is it?

- Must be treated as a secret.
- Must be generally unknown to competitors.
- If stolen, you can sue for damages.
- Cases are difficult to win without prior planning.

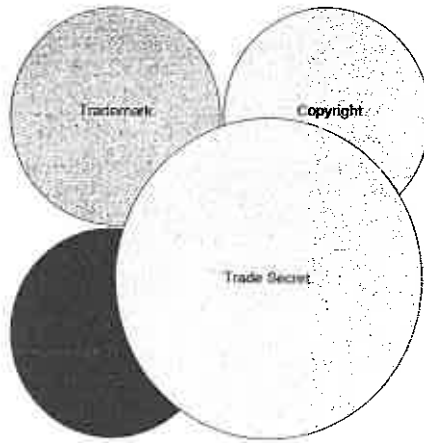
Types of Assets

- Tangible – physical and financial instruments owned by the company.
- Intangible – reputation, know how, intellectual property, and good will.

Intellectual Property Types



Intellectual Property Types



Examples of Trade Secrets from Different Corporate Divisions

(11/20/04)

Research & Development

- Blueprints
- Inventions
- Laboratory Notebooks
- Models
- Prototypes
- Recipes
- Systems Designs

Production/Process

- List of Components Needed to Make Products
- Manufacturing
- Product Life Cycle
- Source Code
- Test Plans

Vendor/Supplier

- Cost/Price Data
- Vendor Information
- Supplier Information

Quality Control

- Manuals
- Procedures
- Records

Sales & Marketing

- Competitive Analysis
- Customer Needs and Buying Habits
- Estimation Formulas
- Focus Group Data
- Market Analysis
- Marketing Plans
- Product Life Cycle
- Sales Call Reports
- Supply and Demand Models

Internal Financial

- Balance Sheets
- Bank Records
- Budgets
- Cash Flow Analysis
- Forecasts
- Income and Expense Statements
- Product Pricing Formulas and Methods
- Operating Reports

Internal Administrative

- Business Plans
- Employee Compensation Systems
- Employee Incentive Programs
- Human Resource Programs
- Internal Computer Software
- Internal Organization Charts
- Training Programs
- Vendor and Supplier Codes and Information

How to Protect Your Trade Secret

Identification

Value -

Would this information be
valuable to a competitor if they
obtained it?

Secret -

Is it generally known?

When Determining Value

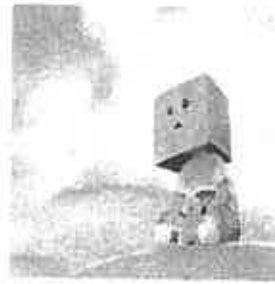


- Time
- Effort
- Money
- Reverse Engineering



Keeping it Secret

- Evaluate and limit potential public exposure.
- Limit employee access.
- Utilize NDA's when dealing with third parties.



Employee Knowledge

- Only share it with a select few.
- Need to know basis.
- The more who know the higher the likelihood of exposure.
- Mark documents accordingly.
- Employee agreements.



Guarding the Secret

- Passwords
- Badges
- Security
Doors
- Gates



Value to Competitors



- The higher the value, the more controls you should provide.

	<h2>Documents that Help Protect Your Trade Secret</h2>
--	--

- Non-Compete or Employee Agreements
- Non-Disclosure Agreements
- Exit Interviews

	<h2>Enforcement</h2>
--	----------------------

- Litigation
- Uniform Trade Secrets Act
- Restatements on Torts and Unfair Competition
- Economic Espionage Act

Who Can Be Sued

- Ex-Employees – by either negligently or intentionally violating employment agreements by allowing a trade secret to become known by a person who is not otherwise allowed access to the trade secret.
- A person - who uses the trade secret information to manufacture a product that competes with the original owner of the trade secret.
- Competitors that induce trade secret theft.

Civil Requirements

Existence	The information qualifies as a trade secret.
Ownership	Plaintiff has ownership rights in the information.
Notice	Defendant had actual, constructive, or implied notice of the trade secret status of the information.
Access	Defendant had access to the information, i.e. the defendant did not independently develop the information.
Use	Defendant has used or disclosed the information, or the use or disclosure of the information is threatened.
Damage	Plaintiff was harmed by defendant's use of the information, or defendant was unjustly enriched thereby.

FINAL RULES OF THUMB

- Everything costs money.
- You get what you pay for.
- An ounce of prevention...
- IP law is unforgiving.

Thank You!

