



Trade Secret Asset Management

Donal O'Connell

Managing Director

Chawton Innovation Services Ltd

Trade secrets – The seven 'musts'

- Must be kept secret
- Must be of value now or in the future
- Must not be in the public domain
- Must have access controlled and limited
- Must be protected
- Must have legal framework in place if shared
- Must be documented



Examples of Trade Secrets

- Business plans
- Manufacturing processes
- Data (raw and processed)
- Algorithms
- Software code
- Marketing information
- Failed test results
- Client data
- Supplier data
- Product roadmaps
- Non patented inventions
- Formulae
- Test data
- Cost data
- Maintenance data
- Competitive analysis



Trade secrets - the neglected step-child of IP

- Trade secrets have tended to get overlooked in most IP training sessions.
- Some in-house IP managers claim that trade secret asset management are not part of their job spec.
- Many so called full service IP Firms still fail to even list trade secrets in their 'areas of expertise'.
- Some IP professionals even claim that trade secret are not 'real' IP because they are not a registered form of IP.



Typical status within a company

- Trade secrets are poorly managed
- There is a lack of ownership
- Documentation is poor.
- Protection mechanisms are poor or non-existent.
- There is a lack of any classification of the trade secrets.
- Details on whether trade secrets have been shared is often missing
- Trade secrets not properly addressed in agreements & contracts
- There is no audit trail.



Forces at play increasing the importance

- Trade secret laws are changing
- The tax authorities are taking greater interest
- IP reform in key jurisdictions is challenging other forms of IP (e.g. patents)
- Cyber criminals are trying to steal trade secrets
- Companies are embracing open innovation and sharing more
- The very nature of employment is changing, with people switching jobs more often



Survey findings



- **EU IP Observatory Report 2017**

- Research across large number of European companies
- The use of trade secrets for protecting innovations is higher than the of use patents by most types of companies, in most economic sectors and in all EU member states

- **Survey by Baker & McKenzie (2017)**



- Survey of over 400 executives
- More than 50% reported that trade secrets were more valuable than other types of IP for them.
- Only 31% of respondents said they had trade secret procedures in place

The EU Directive on Trade Secrets

- On 8 June '16, the European Parliament and the Council adopted a Directive that aims to standardise the national laws in EU countries against the unlawful acquisition, disclosure and use of trade secrets.
- It is due to be enacted by EU member states by 9 June '18.
- The EU Directive on Trade Secret defines a trade secret as information that:
 - is secret
 - has commercial value because it is secret
 - has been subject to reasonable steps to keep it secret



June 2018						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4					9
10	11					16
17	18					23
24	25	26	27	28	29	30

The EU Directive on Trade Secrets comes into force across all EU member states on this date.

Shivkalester.com

The Defend Trade Secrets Act

- The DTSA is a US Federal Law that allows an owner of a trade secret to sue in federal court when its trade secrets have been misappropriated.
- It was signed into law on 11 May 2016.
- The DTSA amended the RICO Act by adding theft of trade secrets as a racketeering activity.
- The DTSA has extraterritorial jurisdiction



Recent spate of Trade Secret court cases

- Expedia (hotel search data)
- Motorola (wireless technology)
- Dalmatia (recipes)
- Palantir (data analytics)
- Uber (driverless car technology)
- Pfizer (Marketing data)
- DuPont (printing technology)
- Caterpillar (earth moving equipment)
- Fitbit (wearable technology business plans)
- T-Mobile (test robot)
- Goldman Sachs (software for finance)
- Tata Consulting (software for medical care)
- Tesla (autonomous driving technology)
- Lutonix (medical device technology)
- Korn Ferry (executive search)



Trade Secret Misappropriation

- A trade secret misappropriation court case is a three step process ...
 - Was it a trade secret at the time of the theft?
 - If yes, did the accused steal the trade secret?
 - If yes, how much damage was caused as a result of the theft?



Typical trade secret 'incidents'

- Incidents happen at every stage in the life of a company
 - A founding member leaves and takes some trade secrets with him.
 - The company fails to understand trade secrets and shares too much information.
 - A potential investor walks away after asking the company about their trade secret policy.
 - A dis-grunted employee leaves the company and takes some trade secrets with him.
 - A supplier entrusted with trade secrets of the company shares it with a competitor.
 - A new starter brings in trade secret stolen from previous employer.
 - Cyber criminals hack the network of the company and steal some trade secrets.
 - The company divests one part of the business but mistakenly gives away some trade secrets as well.
 - A collaboration partners accuses the company of stealing one its trade secrets



What is Trade Secret Asset Management?

- Education
- Policy and procedures
- Access & access controls
- Protection mechanisms
- Agreements & contracts
- System or tool to underpin the process
- Metadata
- Valuation and costs

Governance



Trade Secret Metadata

- Trade secret metadata may include such data as:

Name or title of the trade secret

Date that trade secret was created

Person(s) who created the trade secret

Physical location of the trade secret

Legal owner of the trade secret

Person(s) responsible for managing the trade secret

Type of trade secret (technical, operational, process, financial, etc.)

Person(s) with authorised access to the trade secret

Value of the trade secret to the business

Mechanisms in place to protect the trade secrets

Whether the trade secret has been shared with a 3rd party or not

Expiration date of the trade secret (if applicable)

***“You can have data
without information,
but you cannot have
information without
data.”***

Daniel Keys Moran, computer
programmer and science fiction author

Trade Secret Metadata - input

Classification Level
1 - Secret
2 - Confidential Restricted
3 - Confidential
4 - Public
5 - Published

Contract Type
NDA

People with Access
3

Protection Type
Administrative
Administrative
Technical
Legal

Trade Secret Status
Declassified: 2
Protected: 5
Identified: 3
Unclassified: 2

Protection Method Status
Draft: 3
Defined: 2
Unclassified: 6

Action Status
Reviewed: 1
Unclassified: 2

Document Status
Ready for Review: 1
Unclassified: 3

Configure
Register Settings | Configure Lists | Reset Tables

Save Trade Secret Register File
Save | Save New

Type of Trade Secret
Process
Technology
Process
Operations
Business Relationship
Financial

Date Expiration
3-Mar-2016

Expiration Reason
Publicly Revealed

Name
David Karl
LawFirm: Finnegan & Murphy

Date Last Reviewed
2-Mar-2016

Date Next Review
E

Date Updated
3-May-2016

Trade Secret Tags
Has Tags: T

Group owning Trade Secret
IP-Patents: G

Classification Level
1 - Secret

Trade Secret Status
Identified

Type of Trade Secret
Process

Attorney
Harvey Spectre

Country
Brazil

Company owning trade secret
Republica Software Inc

Advanced Filter
Name Filter: []

Mark Trade Secret
Set Mark | Clear Mark | Set All | Clear All

Special Functions
Summary | Analysis

Trade Secret Name
1. Fabrication of ABC and XYZ compounds
2. Copying formula in drug ABCDE
3. All identification between ABC and Modulation Unit
4. Intellectual Property Agreement with Software Supplier ABCDEF
5. Intellectual Property Agreement with Software Supplier ABCDEF
6. All of ABCDEF of new trade product ABCDE
7. Source code of remote monitoring device GHIJK
8. The code encryption algorithm used on GHIJK
9. Fabrication using in plant setting solution KLMNO
10. Client DE for City State

Trade Secret Details
Trade Secret Name
Commercial Agreement
From SWIFT
Data Deleted
Date Deleted
21-Nov-2015

People with Access
Name
Access
Show All

Description
Could lead to erosion of product value

Associated Protection CS
1. Document encryption using scheme 12345
2. Database backups attached to the documentation

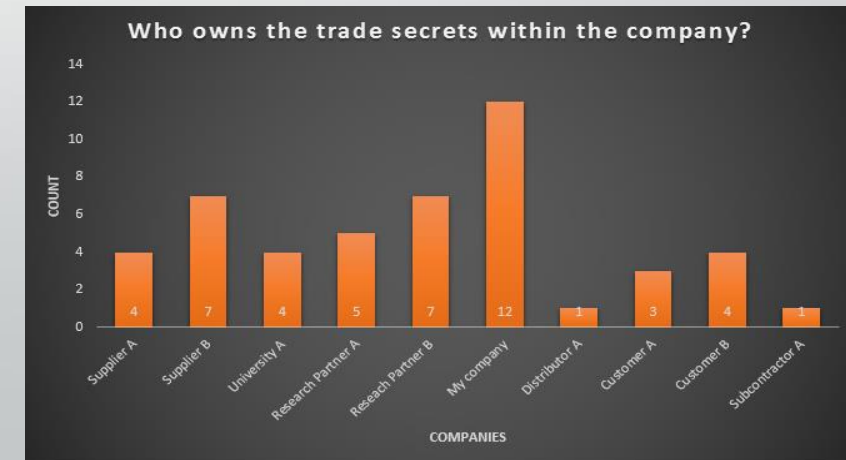
Associated Action
Associated Doc

Associated Doc
1. Document encryption using scheme 12345
2. Database backups attached to the documentation

Last Action: TradeSecret 6 changed : Description: Could lead to erosion of product value

Trade Secret Metadata - output

Id	Name	Potential Value \$
1	Epoxy coating process	6,542.00
2	AMPS interoperability standard - non conformance deta	2,300.00
3	API Spec System GH456-a	3,450.00
5	GL45 Encryption Methodology	25,667.00
7	Timer Module Source Code	34,567.00
8	API Spec System LK679	456,800.00
9	Habal OS Source Code	67,800.00
10	Angel OS Source Code	67,800.00
13	Filtration method in Salo factories	1,234.00
18	Supplier DB	34,563.00
19	ProspectIP Uni client DB	23,456.00
20	Ubet log of collection & drop off points	67,833.00



Who should be interested in trade secrets?

- In-house Legal & IP functions
- Law Firms
- IP Firms
- IP Insurance Providers
- Cyber Security Firms
- Accountancy & Tax Firms
- Consultancy Firms



What does my company provide?

- Workshops on trade secret asset management
- Hazel Trade Secret Asset Management software solution.
- Training for the licensee on how to install, configure and take the tool into use.
- Hazel documentation (product brochure, user manual, training material)
- A collection of thought leadership papers on trade secrets.
- A comprehensive DB of potential trade secrets within an organisation.

Technical support for the Hazel solution.

**Chawton
Innovation
Services**





Come talk to Virtuoso Legal, if:

1. If you have any questions about trade secrets and your business
2. If you have any business critical information that you want to protect
3. If you are concerned, post-hoc, that business critical info has left your business

We'd be happy to help!
martin@virtuosolegal.com



Any questions?

Donal O'Connell
Managing Director
Chawton Innovation Services Ltd