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Confidentiality agreements difficult to enforce

Confidentiality agreements may provide only limited protection against the disclosure of trade secrets.

"Confidentiality agreements can play a role in preventing the disclosure of trade secrets to competitors and the public at large," said **Jeffrey W. Smith**, an intellectual property attorney at Lathrop & Clark LLP. "But such agreements are difficult to enforce."

Once the information is disclosed, the damage has been done. "There may be no adequate remedy to repair the damage," Smith said.

In addition, it is difficult for departing employees to forget information learned on the job.

"Even the most honest party may subconsciously use trade secrets learned from a former employer," Smith said.

Typically, trade secrets include confidential business and marketing plans, customer lists, methods of doing business, and any other confidential process or idea that gives a business the competitive edge.

Smith said trade secrets are best protected through company wide business practices that ensure secrecy.

"Requiring employees to sign confidentiality agreements is good first step," he said. "It alerts employees to the need for secrecy.

"But a company must also treat information as a secret. That means it should be kept in a secure place and revealed only on a need-to-know basis."

For example, Smith said, customer lists kept on a computer network should be password protected, and printouts of those lists should be stored in locked

cabinets. "Under no circumstances should that information be revealed to employees who have no need for it," he added.

Protecting confidential information is just one piece of the trade secret puzzle.

"The need for protection may also arise when an outside source, such as an inventor, discloses ideas to a company under a confidentiality agreement," Smith said. "If it turns out that the company is already working on a similar idea, and refuses to pay the inventor for that idea, litigation for misappropriation of trade secrets or some other form of intellectual property is likely to result."

To avoid this problem, companies may want to require that outside parties sign a "non-confidentiality agreement." This type of agreement typically states that any idea submitted will not be kept in confidence, and no compensation is promised.

In the alternative, Smith said, a company may want to set up an internal firewall that separates the group that reviews inventors' ideas from the research and development department.

"Usually, this is possible only in large corporations," he said. "The two groups can never meet, not in hallways, cafeterias, parking lots or restrooms."

The best option, however, may be to refuse all ideas from outside inventors.

"Receptionists and secretaries should refuse unsolicited mail and telephone calls from inventors or anyone else proposing an idea for products or processes at a company," Smith said. "Using a form

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letter, the company should return all unsolicited proposals and make it clear that in accordance with company policy, unsolicited ideas are not accepted or considered."

Jeffry W. Smith represents manufacturers, researchers, engineers and designers, providing assistance in prosecuting and litigating patents involving a variety of technologies. He also provides counsel on trademarks and copyrights.

Smith believes that patents, trademarks and copyrights create significant value for their owners, and can provide an edge against competitors. A patent, for example, can be licensed or sold, creating an additional source of income. In addition, a patent can force a competitor to "make do" with old technology or invest valuable resources in designing around the patent. Trademarks provide recognition and create goodwill among consumers. A well-protected trademark creates an image of quality, enabling the manufacturer to receive higher prices for a product.

While Smith has prosecuted and enforced patents, he has also defended clients against claims of infringement. In one case, for example, he convinced the court that patent owners must act in good faith when asserting claims of infringement against others. After proving that the plaintiff had failed to act in good faith, he then collected reimbursement of attorneys' fees on behalf of his client. In another case, he convinced the court that an asserted patent was unenforce-

able because inequitable conduct was used in obtaining that patent. He has also invalidated patents using a procedure known as reexamination in the U.S. Patent and Trademark Office.

In addition, Smith has represented U.S. manufacturers before the International Trade Commission, filing cases against importers of patent infringing goods.

He also works with clients to take advantage of a little known enforcement tool—registration of trademarks and copyrights with the U.S. Customs Service. Once registration occurs, the agency will seize any infringing imported product.

In the early 1990s, he was among the first to register a color as a trademark. After a long battle, the color mark was registered and competitors were forced to eliminate those same colors from their promotional materials.

Prior to joining Lathrop & Clark, Smith was a partner in a Chicago intellectual property law firm and worked as an engineer for a consulting firm. A member of the state bars of Wisconsin and Illinois, Smith has also been admitted to practice before the U.S. Patent and Trademark Office, the Court of Appeals for the Federal Circuit, and the U.S. District Courts for the Western District of Wisconsin and the Northern District of Illinois. He is a member of the American and Wisconsin Intellectual Property Law Associations, and formerly served on the Board of Managers of the Intellectual Property Law Association of Chicago. Smith received his law degree from IIT Chicago-Kent College of Law and a degree in mechanical engineering from Southern Illinois University.

Smith can be reached at 608.257.7766.

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