

# IP Protection and Confidentiality Agreements as a Competitive Edge

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# The Data-driven Economy

**Data, data, everywhere**

**1,000,000,000,000,000,000 bytes**

## **Data As a Company Asset**

**Knowledge is power, and data is knowledge**

**Data can and should be treated like other company  
intangible assets**

# Data as a Company Asset

## Protections

- Patents
- Trade Secrets
- Confidentiality Agreements
- Data Ownership Rights

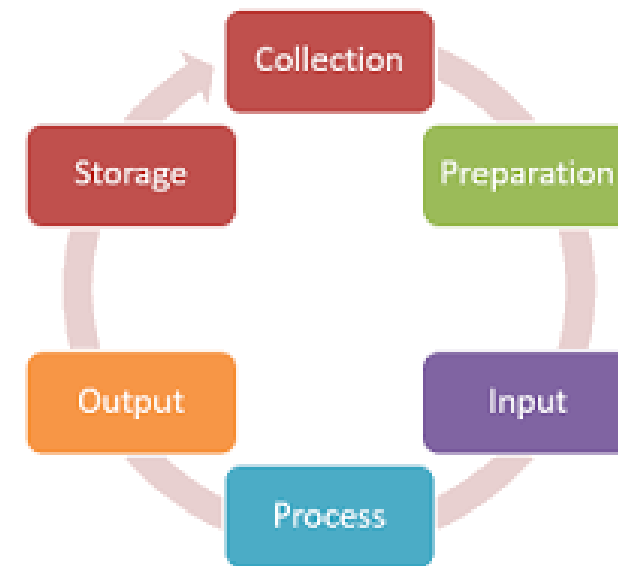


# Patent Protection of Data

Data itself cannot be patented but data processes may be patentable as a method or for data structures

Must be:

- Useful
- Novel
- Non-obvious
- Provide sufficient disclosure



# Trade Secret Protection of Data

## GENERALLY, A TRADE SECRET IS DEFINED AS:

Information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (i) **derives independent economic value**, actual or potential, **from not being generally known** to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
- (ii) is the **subject of reasonable efforts to maintain the secrecy**.

**Unlike with patents, data itself may be protected as a trade secret**

# Trade Secret vs. Patent: Strategic Considerations

## THINGS TO CONSIDER:

### Can the IP be kept secret?

- Is IP easily reverse engineered or copied?
- Is there a substantial risk of independent creation?
- Will IP be licensed or shared in collaboration?
- Will growth of the company be an impediment to secrecy?

### Is it sensible to keep the IP secret?

- What is the life cycle of the product/process?
- Is the IP patentable?
- patentable subject matter, new, useful, and non-obvious
- Are patents needed for business or shareholder reasons?
- Is there infrastructure for secrecy?

# Who owns what?

## WHO OWNS THE PATENTS?

- U.S. Patent laws grant ownership to inventors. But ...
  - If an employee is specifically hired to invent something,
  - If an employee invents something during her course of employment,
  - If an employee (or third party) is subject to an agreement requiring assignment of all “right, title, and interest” to all inventions ...
    - **THEN** the company/employer owns.

## WHO OWNS THE SECRETS?

- No statute in place, but generally held by the company—especially if developed during the course of employment
- Problems can arise: employee/employer; vendor/supplier; joint development

## Keeping a Secret is Hard...

*“Three may keep a secret, if two of them are dead.”*

— BENJAMIN FRANKLIN

# How Do I Protect My Trade Secret?

Consider the type of information involved, how it is shared, and with whom, including whether you could prove:

- Who had access and who did not
- Whether those with access knew it was secret
- Whether the information was marked and discussed as being secret with appropriate parties
- Whether steps were taken to ensure public information was minimized in the secret

## Actual Security

- Locks
- Security personnel
- Passwords and credentials
- Encryption

## But Don't Overclaim It

The secret needs to be clear, and it needs to be secret

Resist the temptation to make everything secret

Remember that your company evolves

- Ideas that are secret today may not be tomorrow
- Revisit your secrets and update them—drop things that have entered the public domain

**PIGS GET FAT, HOGS GET SLAUGHTERED!**

# How to Avoid Problems with Trade Secrets

- Be careful with switching vendors or clients with whom you have co-developed products
- For current partners/contractors:
  - Make sure you have a trade secret policy in contracts
  - Make sure whistleblower provisions are included
- For true third-parties:
  - Make sure your data security is strong
  - Make sure you have processes to audit trade secret access

# Employment Considerations

- Employment Termination
  - Make sure you have a trade secret policy in contracts/handbooks;
  - Don't forget your Notice under the Defend Trade Secrets Act
  - Make sure trade secrets are routinely marked or noticed
- When an employee leaves – does your EE contract protect your IP?
  - Federal Defend Trade Secrets Act
  - Uniform Trade Secret Laws
- Are new hires bringing trade secret information?
  - Importance of interviews
  - Ethical walls
  - Employee verifications
  - Don't forget your assignments

# Trade Secret vs. Confidential Information

All trade secret information is ***confidential***, but is all confidential information a trade secret? **NO!**

Confidentiality is a contractually defined obligation,  
not statutorily defined

# Confidentiality Protection of Data

Ensure appropriate NDAs in place

Ensure appropriate employment protections are in place

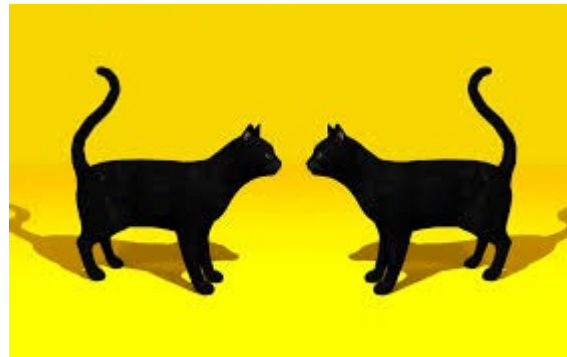
Train employees on data handling

Conduct regular access audits

Conduct thorough due diligence on third-party data security practices if sharing data

# Data Ownership

Data can be in two places at once . . .



and can be used by multiple people at once

# Data Ownership

Who owns data that is generated from your transactions with vendors?



**You?**  
**The vendor?**  
**Both?**



# Data Ownership

Protecting data for later use:

- Before signing any agreements about data, review to determine what use is allowed by all parties
- Attempt to allow all current or future possible uses by the company
- To the extent possible, keep ownership of company data and simply license its use to the contracting party
- Consult counsel on any assertions of restrictions on company use of its own data

# Thank You



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