

# FOLEY EXECUTIVE BRIEFING SERIES



## Establishing a Comprehensive Program to Protect Trade Secrets, Confidential Information, and Goodwill



Speakers: Russell Beck  
Nicole Gage



# About Us

- Foley & Lardner
- Russell Beck
- Nicole Gage



# Topics To Be Covered

- Overview: trade secrets, confidential information, and goodwill
- Conducting a proper trade secret audit
- Available Protections/Determining the appropriate level of protection
- Maximizing the likelihood of enforceability without negatively impacting corporate culture
- Establishing procedures for a prompt and proper response to an actual or threatened misappropriation or misuse of these assets
- Navigating the legal process
- Current Issues
- Questions



## Trade Secrets, Confidential Information, and Goodwill

- Defined:
  - Trade secrets
    - G.L. c. 266, § 30
    - Restatement of Torts § 757, comment b
  - Confidential information
  - Goodwill
- Governing Law
  - Statutory
  - Common law



## Trade Secrets, Confidential Information, and Goodwill

- Determining what qualifies as a trade secret
  - Extent Known Outside Company
  - Extent Known By Employees
  - Measures Taken To Guard Secrecy
  - Value To Company And Competitors
  - Money/Effort To Develop
  - Ease To Recreate



## Trade Secrets, Confidential Information, and Goodwill

- Governing law: common law
  - Breach of fiduciary duty
  - Conversion/theft of trade secrets/embezzlement
  - Tortious interference
- Governing law: statutory
  - Economic Espionage Act
  - Trade Secrets Act
  - Computer Fraud and Abuse Act
  - Electronic Communications Privacy Act
  - G.L. c. 93A



## Trade Secrets, Confidential Information, and Goodwill

- Damages
  - Actual damages
  - Attorneys' fees and costs
  - Injunction
  - Punitive damages
  - Imprisonment / Fines up to \$10,000,000



## Conducting a proper trade secret audit

- What a trade secret audit is.
- Reasons to conduct a trade secret audit.
- How to conduct a trade secret audit.
- Who should participate and why.
- How often to update the audit and why.





## Available Protections/Appropriate Levels

- From stamping “confidential” to locking in a safe
- Policies and passwords
- Covenants:
  - Noncompetition Agreements
  - Garden Leave Clauses
  - Confidentiality Agreements (Nondisclosure Agreements)
  - Non-Solicitation Agreements
  - Anti-Piracy Agreements
  - No-Hire Agreements
  - Forfeiture for Competition Agreements (but not “straight” Forfeiture Agreements)
- Necessary level of protection



## Maximizing the likelihood of enforceability without negatively impacting corporate culture

- Desired level of protection
  - Business interests
  - Corporate culture
  - Changing times
- Differences among the options
- Theory vs. practice
- Drafting tips
  - Preparation to compete
  - Assignment/successors
  - Governing law
  - Others



## Establishing procedures to respond to misappropriation

- Lock down
- Lay the ground work
- First response
- Litigation?



# Navigating the legal process

- Enforcing protections
- Defending against suit

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