

Management Alert



2011 Trade Secrets Webinar Series - Year in Review

Throughout 2011, Seyfarth Shaw LLP's dedicated Trade Secrets, Computer Fraud & Non-Competes practice group hosted a series of CLE webinars that addressed significant issues facing clients today in this important and ever changing area of law. The series consisted of six webinars: *Trade Secrets in the Financial Services Industry*, *The Anatomy of a Trade Secret Audit*, *Georgia's New Non-Compete Statute*, *Managing and Protecting Trade Secrets in the Brave New World of Cloud Computing and Social Media*, *Choosing the Right IP Protection: Patent, Trade Secret or Both?*, and *Key Considerations Concerning Trade Secrets and Non-Competes in Business Transactions*. As a conclusion to this well-received 2011 webinar series, we have compiled a list of key takeaway points for each of the webinars, which are listed below. For those clients who missed any of the programs in this year's webinar series, the webinars are available on compact disc upon request and CLE credit is available as discussed below. We are also pleased to announce that Seyfarth Shaw LLP will continue its trade secrets webinar programming in 2012 and has several exciting topics lined up.

Trade Secrets in the Financial Services Industry

The first webinar of the year, *Trade Secrets in the Financial Services Industry*, was led by Seyfarth attorneys Scott Humphrey and Scott Schaefer. The financial services industry has unique concerns with respect to trade secret protection. This webinar had a particular focus on a financial institution's relationship with its FINRA members and also covered practical steps that can be implemented to protect trade secrets and what to do if trade secrets are disclosed.

- Enforcement of restrictive covenants and confidentiality obligations for FINRA and non-FINRA members are different. Although FINRA allows a former employer to initially file an injunction action before both the Court and FINRA, FINRA, not the Court, will ultimately decide whether to enter a permanent injunction and/or whether the former employer is entitled to damages as a result of the former employee's illegal conduct.
- Address restrictive covenant enforcement and trade secret protection before a crisis situation arises. An early understanding of the viability of your restrictive covenants and the steps that you have taken to ensure that your confidential information remains confidential will allow you to successfully and swiftly evaluate your legal options when an emergency arises.
- Understand the Protocol for Broker Recruiting's impact on your restrictive covenant and confidentiality requirements. The Protocol significantly limits the use of restrictive covenants and allows departing brokers to take client and account information with them to their new firm.

The Anatomy of a Trade Secret Audit

The second webinar was led by Robert Milligan, Bob Niemann and David Monachino. This webinar dissected what is involved in an audit of your company's trade secret protections, including, identifying trade secrets and secrecy protections and implementing effective secrecy protections and hiring and termination protocols. The webinar also discussed employing a comprehensive trade secret protection plan, as well as managing and working to protect computer-stored data, including responding to emergency issues related to computer fraud and security breaches.

- The issues relating to all the aspects of trade secrets can be overwhelming to those that deal with it on rare occasions or in emergencies. Having effective checklists are helpful to marshal evidence, evaluate your claims, and be pro-active to pursue litigation and defend against claims. Ask your Seyfarth Shaw attorney for sample checklists.
- Use a forensic computer investigator to assess former employees' computer activities, including use of email and USB devices to unlawfully transmit company data. Ensure that you have strong computer usage restrictions that prohibit

unauthorized and unpermitted computer activities on your computer network.

- Mark your confidential documents confidential and treat them as such, including having company policies requiring that they not be removed from the workplace and that they be returned at time of termination. Also establish clear employee entrance and exit policies to ensure that trade secret information is adequately protected throughout the hiring and termination process.

Georgia's New Non-Compete Statute

The third webinar of the year, led by Bob Stevens and Erika Birg with guest panelist Kevin Levitas, former member of the Georgia House of Representatives, focused on Georgia's Revised Restrictive Covenant Act. The webinar addressed the fundamental paradigm shift toward enforcing restrictive covenant agreements in Georgia and addressed the underlying legislation, legislative history that led to the 180 degree change for enforcement of such agreements in Georgia and detailed the significant changes to the law.

- There has been a fundamental change in Georgia public policy toward enforcement of restrictive covenant agreements, including non-competes and non-solicits.
- The Georgia Revised Restrictive Covenant Act addressing restrictive covenants permits courts for the first time to blue pencil or modify agreements entered into after May 10, 2011 to make overbroad agreements enforceable. The old Georgia law still applies to agreements entered into prior to January 1, 2011. Due to arguments over the constitutionality over Georgia's Restrictive Covenant Act passed in late 2010, the law regarding agreements entered into between January 1, 2011 and May 10, 2011 is still uncertain.
- Employers operating in Georgia should have their non-compete agreements evaluated by competent counsel to ensure that they comply with the new Act and provide employers with the greatest protections under Georgia law.

Managing and Protecting Trade Secrets in the Brave New World of Cloud Computing and Social Media

2011's fourth trade secrets webinar focused on cloud computing and social media and their impact on trade secret status and protection efforts. Robert Milligan, Jason Stiehl and Jason Priebe led this highly attended webinar. This webinar discussed a technological overview of cloud computing and social media, "both sides of the coin" look at cloud computing adoption as a business decision, trade secrets and reasonable secrecy measures, key considerations in selecting a cloud provider from a security and trade secrets perspective, effective vendor and employment agreements and policies to protect trade secrets in the cloud, and effective social media policies to protect trade secrets.

- When utilizing cloud computing, generally follow a three-step process: (1) ensure you understand and define your trade secrets internally through a trade secret audit before consider placing such information in the cloud; (2) create necessary barrier/security protocol to protect those secrets; and (3) develop comprehensive and cohesive social media and restrictive covenants/confidentiality policies to avoid disclosure.
- Identifying and collecting information to fulfill an organization's duty to preserve and/or discovery obligations can be tricky in cloud environments. While the information may belong to your company or organization, the underlying software structure belongs to a service provider, and the data may be scattered over multiple locations. It is a good idea to consider potential issues of data control, ownership, and jurisdiction when evaluating a software as a service (SAAS) cloud-based platform solution.
- Carefully review the proposed service agreement with the cloud provider and ensure that provider agrees to keep data confidential and has reasonable security measures in place to protect your information; also consider avoiding contractual limitations on provider liability depending upon bargaining power. If the secrets involved are "bet the company" type information, the cloud may not be the place to store it.

Choosing the Right IP Protection: Patent, Trade Secret or Both?

The fifth webinar, led by Brian Michaelis, Dan Schwartz and Jim McNairy, focused on choosing the best legal tool to protect particular types of intellectual property. The topics discussed in this webinar included a definition of a patent and what information is patentable, defining a trade secret and what information qualifies for trade secret protection, the pros and cons of patent vs. trade secret protection, which types of information/technology may be best protected through both trade secret and patent protection, the impact the new America Invents Act (Patent Reform Legislation) has on the decision to seek

patent or trade secret protection.

- There may be “tension” between patent protection and trade secrets; for instance, patents require public disclosure in return for a government granted monopoly whereas trade secret require that the information remain secret throughout its life. Once information is no longer secret or otherwise becomes available, trade secret protection will be lost.
- The remedies available under patent laws and trade secret law differ significantly. A patent owner is always entitled to at least a “reasonable royalty” for any infringement. There is no statutory floor of damages such as a “reasonable royalty” for trade secret owners.
- Recent changes to the patent laws provide trade secret owners with additional defenses to allegations of patent infringement where the trade secret owner has maintained as a trade secret a later patented method or system.

Key Considerations Concerning Trade Secrets and Non-Competes in Business Transactions

The final webinar of 2011 was led by Todd Hunt, Erik Weibust and Jim McNairy. This webinar included a discussion of which relationships other than employer/employee relationships require trade secret protections, the most significant risks to the trade secret status of your valuable confidential information under the Uniform Trade Secrets Act and best practices for protecting trade secrets in business transactions.

- Broader non-competes are better tolerated in the sale of a business context, but care should be taken to carefully assess your specific facts and applicable law to help ensure that time, place, and subject matter restrictions, if any, are consistent with law in the jurisdiction(s) at issue. Pay special consideration to choice of law and choice of forum issues as they impact enforceability.
- Adequately protecting trade secrets and goodwill in business presentations and transactions requires careful planning and forethought. The often large and frequent exchange of information in these contexts requires use of Non-Disclosure/Confidentiality Agreements.
- All business relationships are potential threats to trade secret status and opportunities for misappropriation. Given this, it is imperative to identify any trade secrets at issue and proactively assess any aspects of the business relationship or transaction that may present risks of unintended or unauthorized disclosure or use of trade secrets, as well opportunities for bad actors to improperly acquire your trade secret information.

2012 Trade Secrets Webinar Series

Beginning in January 2012, we will begin another series of Trade Secret webinars. The first webinar of 2012, ***Latest Developments in the Computer Fraud and Abuse Act, Social Media and Privacy***, will be held on January 26. To receive an invitation to this webinar or any of our future webinars, please sign up for our Trade Secrets, Computer Fraud & Non-Competes mailing list by clicking [here](#).

For attorneys licensed in Illinois, New York or California, who are interested in receiving CLE credit for viewing recorded versions of the 2011 webinars, please e-mail CLE@seyfarth.com to request a username and password.

If you have any questions, please contact the Seyfarth Shaw attorney with whom you work or any Trade Secrets, Computer Fraud & Non-Compete attorney on our website (www.seyfarth.com/tradesecrets). You may also access our blog, Trading Secrets, at www.tradesecretslaw.com.



www.seyfarth.com

Attorney Advertising. This One Minute Memo is a periodical publication of Seyfarth Shaw LLP and should not be construed as legal advice or a legal opinion on any specific facts or circumstances. The contents are intended for general information purposes only, and you are urged to consult a lawyer concerning your own situation and any specific legal questions you may have. Any tax information or written tax advice contained herein (including any attachments) is not intended to be and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. (The foregoing legend has been affixed pursuant to U.S. Treasury Regulations governing tax practice.) © 2011 Seyfarth Shaw LLP. All rights reserved.

Breadth. Depth. Results.