Non-competes, Trade Secrets, and Patents! Oh My!

Insights
9.16.10

In today's competitive business environment, it is imperative that companies take steps to protect their intellectual property, including trade secrets, customer relationships, proprietary computer software, and business methods. Taking appropriate steps will enable companies to protect and leverage their own intellectual property and to manage the risk from claims that they are improperly using the intellectual property of others. To this end, this post summarizes some of the primary types of intellectual property protections available: contracts, trade secrets, copyrights; trademarks; and patents.

Contracts

The most widely-recognized contractual restriction is the "non-compete agreement." A "non-compete agreement" technically refers to a contract in which a person agrees not to engage in any acts of competition with a company for a certain period of time. In common usage, however, the term often is used more broadly to refer to any contract by which someone has any type of competitive restrictions, including non-solicit, non-recruit, non-disclosure and confidentiality agreements:

- A non-solicitation agreement normally refers to a contract by which an employee agrees not to solicit customers for a period of time after termination of employment. Sometimes the agreement will be broader and will prohibit the acceptance of business from certain customers, as well as solicitation of business. Generally speaking, to be enforceable in court, such an agreement must be reasonable, and no more burdensome than necessary to protect the legitimate interests of the employer.
- A non-recruitment agreement refers to a contract by which an employee agrees not to recruit, or solicit for recruitment, employees of a company for a certain period of time following the termination of employment. Sometimes the agreement will be broader and prohibit hiring, as well as solicitation of employees or recruitment. Normally, courts do not subject these types of restraints to the same level of scrutiny applied to non-compete and non-solicitation agreements.
- A confidentiality agreement is a contract in which a party agrees to maintain certain information as confidential and not to disclose the information to third parties. It often is used to prohibit employees from disclosing certain information they learn as a result of their employment. Normally, courts do not subject these types of restraints to the same level of scrutiny applied to non-compete and non-solicitation agreements.

- A non-disclosure agreement, which is similar to a confidentiality agreement, is a contract in which a party agrees not to disclose certain information to third parties. The agreement typically covers certain types of information gained by the employee in the course of employment. The agreement also frequently has a prohibition on "using" information, as well as disclosing it. Normally, these types of restraints are not subjected to the same level of scrutiny applied to non-compete and non-solicitation agreements.

Trade Secrets

Generally, a trade secret is information, including a formula, pattern, compilation, customer list, program, device, method, technique or process that derives independent economic value to the owner or gives the owner an advantage over competitors from not generally being known and not being easily ascertained by others through proper means. The recipe for Coca-Cola, for example, is a widely recognized trade secret. Although the requirements for trade secret eligibility vary from state to state, 46 states plus the District of Columbia have enacted a version of the Uniform Trade Secrets Act. Generally speaking, any valuable business information that one tries to keep secret from competitors is subject to trade secret protection. Although some trade secrets may also be subject to copyright or patent protection (as discussed below), some information can only be protected as a trade secret . For example, because a customer/client list is not a creative work of authorship, it cannot be protected through copyright; because it is not a novel and non-obvious invention, it cannot be protected through a patent. However, because such lists do derive value for their owners if they are maintained in secrecy, they are eligible for trade secret protection.

Unlike trademarks, copyrights, and patents, registration for trade secret protection is not required. Nor do trade secrets need to be reduced to a tangible form to be protected. Generally, to protect a trade secret, the owner simply needs to make reasonable efforts to keep the information at issue confidential. Trade secret protection can be perpetual, so long as the secret is kept a secret.

Copyrights

A Copyright is the exclusive right to (i) reproduce a work and copy it, (ii) prepare derivative works based on the copyrighted work, (iii) distribute copies to the public; and (iv) publicly perform/display the work – if applicable. Any original work of authorship in a tangible form (i.e., in writing, in film, in a sound recording, saved onto a computer hard-drive, or otherwise recorded) is eligible for copyright protection. Ideas cannot be copyrighted, but the expression of ideas in a tangible form is subject to copyright protection. For example, the idea of a lovable, drunken, dimwitted male is not protectable, but the expression of such an idea that is Homer Simpson is protectable.

Generally speaking, a copyright is owned by the author of the work. One exception is the "work made for hire" doctrine. Under that doctrine, all copyrightable works created by employees in the scope of their employment are owned by the employer. Also, certain types of works made by independent contractors can constitute works made for hire provided that they meet certain conditions. Copyright protection begins when the work is created, and lasts for the life of the author plus 70 years. Works

protection begins when the work is created, and lasts for the life of the author plus 70 years. Works made for hire are protected for 95 years from the date of the first publication, or 120 years from the date of creation of the work, whichever is shorter.

Trademarks

A trademark is a word, symbol, or other identifier (e.g., shapes, sounds, colors, etc.) that identifies one's goods and distinguishes them from the goods of others. A service mark is a word, symbol or other identifier used to distinguish one's services from the services of others. Anything that serves to indicate the source of one's goods or services functions as a trademark. Words and symbols (e.g., "Kleenex") are subject to trademark protection. Colors (the pink color of Owens-Corning fiberglass), shapes (the distinctive shape of the Coca-Cola bottle or Apple's iPod) and sounds (NBC's three-tone chime) may also be subject to trademark protection. A mark can be registered with the United States Patent and Trademark Office if it meets certain conditions. Trademark protection is perpetual, but there are various post registration filing requirements, such as affidavits of continued use and filing for renewals.

Patents

A patent is the grant of a property right to the inventor of a process or other invention, and it may be issued by the United States Patent and Trademark office. A patent gives the owner of the patent the exclusive right to prevent others from making, using or selling the patented invention in the United States. This right includes a right to prevent reverse engineering. Patents cover "any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof". (35 U.S.C. 101). In order to qualify for patent protection, a process, machine, or other invention must be novel and non-obvious, which means that it must never has been made or practiced before. Non-obviousness is an even more difficult to establish because the new invention must be more than an obvious extension of past knowledge or invention.

Patent rights apply as soon as the PTO issues the patent, and patents last for 20 years. As part of the patent application process, the inventor must disclose the "best method" for practicing the invention. Consequently, once the patent expires, with limited exceptions, anyone may make, use, sell, offer for sale, and/or reverse engineer the patented invention.

In sum, it is important for companies to recognize and understand the difference between the types of protection outlined above. Doing so will enable companies to protect and leverage their own intellectual property and to manage the risk from claims that they are improperly using the intellectual property of others.

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