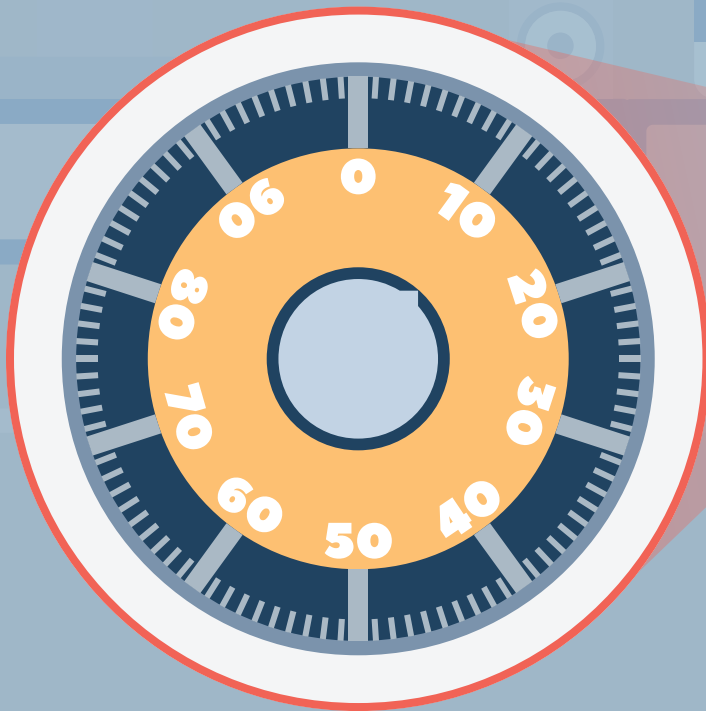


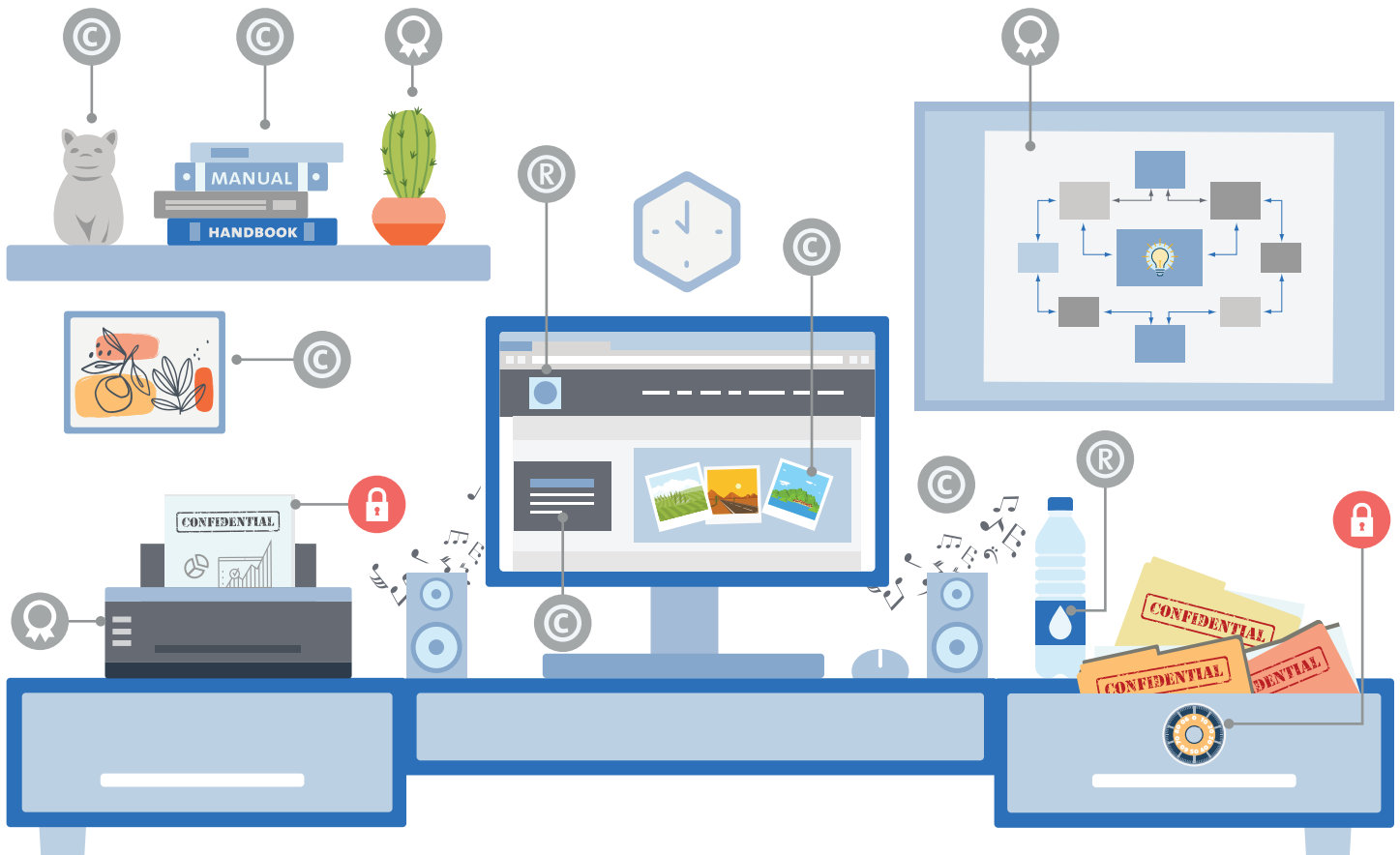
Intellectual Property Toolkit - **TRADE SECRETS**





TRADE SECRETS among us

Every day we interact with **trade secrets**, patents, copyrights, and trademarks. Take a look around your environment to see the intellectual property (IP) in your world.



TRADE SECRETS

A trade secret is economically valuable information that is not generally known, has value to those who cannot legitimately obtain it, and has been subject to reasonable efforts to keep it secret.

LEARN MORE ABOUT TRADE SECRETS - CLICK HERE



PATENTS



Patents protect new processes and inventions.

▪ **LEARN MORE ABOUT PATENTS - CLICK HERE**

COPYRIGHTS



Copyrights protect original creative works, like books, songs, sculptures, paintings, and photographs.

▪ **LEARN MORE ABOUT COPYRIGHTS - CLICK HERE**

TRADEMARKS



Trademarks protect brand names, slogans, and other source identifiers.

▪ **LEARN MORE ABOUT TRADEMARKS - CLICK HERE**



To access all IP basic toolkits, scan the QR code, or type www.uspto.gov/BasicToolkits into your browser.





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Trade secrets at a glance

Trade secrets play an important role in developing commercial competitiveness, economic gain, and strategic positioning. This toolkit will help you identify trade secrets and understand how to protect them properly.

A trade secret is a type of IP. Unlike with other forms of IP, trade secret protection is not granted by the United States Patent and Trademark Office (USPTO) or any other government authority, nor are trade secrets applied for or registered.

A trade secret is information that:

- 1. Has actual or potential independent economic value because it is generally unknown to others**
- 2. Is valuable to others who can't legitimately obtain the information, and**
- 3. Is maintained as secret through reasonable efforts taken by the trade secret owner.**

If, at any point, one or more of the three criteria above is no longer met, the information is no longer a trade secret. If this happens, a trade secret can't be recovered.

A broad range of information providing a competitive advantage can be a trade secret, including formulas or recipes, product designs, customer lists, pricing schedules, manufacturing techniques, and marketing strategies.

Some famous products are or were subject to claims of trade secret protection:

- Coca-Cola
- WD-40
- Kentucky Fried Chicken
- Lena Blackburne Rubbing Mud
- Twinkies
- New York Times Bestseller list



Some of the claimed trade secrets at the hearts of these products have been secret for a long time, demonstrating the long-term benefits trade secret protection can provide owners who vigilantly guard their trade secrets.



Improper acquisition of a trade secret

A trade secret exists only as long as it remains a secret. Not only is it important to maintain secrecy from a practical standpoint, but the law requires that, to maintain their rights, trade secret owners have to take certain steps.

Misappropriation occurs when a person knows, or has reason to know, a trade secret was acquired improperly and they still disclose, acquire, or use the trade secret. While the law doesn't describe what means are "improper," courts have provided insight through trade secret cases. Whether a trade secret was improperly acquired depends on each specific case, but as a general guideline, improper means "fall below the generally accepted standards of commercial morality and reasonable conduct."¹ According to this guideline, theft, misrepresentation, breach of duty, and espionage are all improper means of acquiring a trade secret.



Theft

For example, an employee removes files containing trade secrets from their place of work without permission.

Misrepresentation

For example, a company approaches a trade secret owner and claims it wants to enter into a joint venture, but the company has no intention of honoring the deal. Once the company has access to the trade secret, it backs out.

Breach of duty to maintain secrecy

For example, a person misappropriates a trade secret through a relationship with the trade secret owner in which the owner could reasonably expect that their secrets would be maintained.

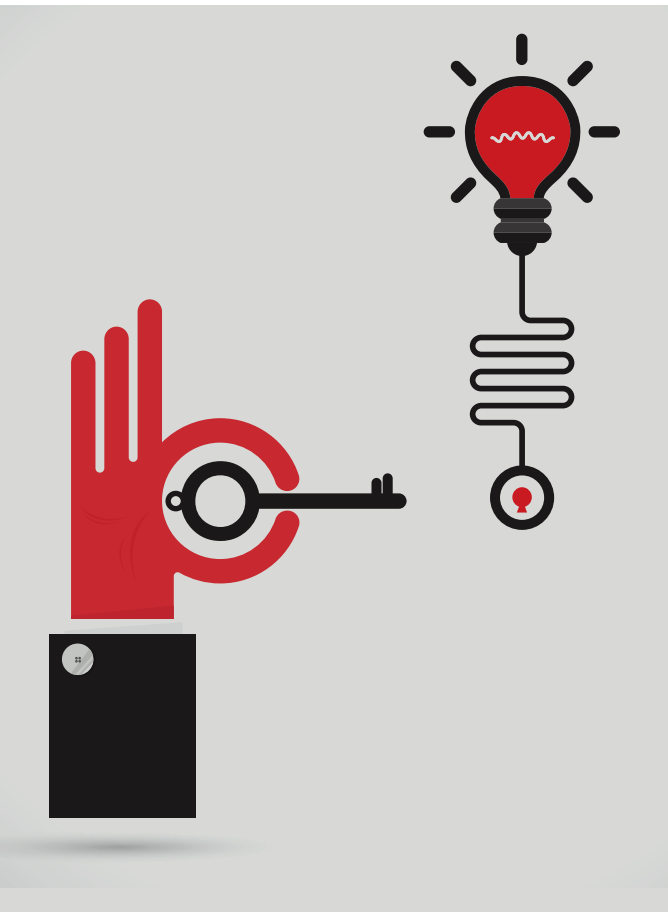
Espionage

For example, a person uses electronic or physical surveillance or digital hacking to obtain a trade secret.

¹ E. I. du Pont de Nemours v. Christopher, 431 F.2d 1012 (5th Cir. 1970) (quoting Restatement of Torts § 757, comment f at 10 (1939)).



Proper acquisition of a trade secret



If a trade secret is acquired through proper means, there is no misappropriation. While there is no list identifying all proper means of acquisition, independent innovation, reverse engineering, and licensing are all examples of proper acquisition.

Independent discovery

It is possible for two or more innovators to develop the same trade secret independently. In this case, they all possess the trade secret legitimately.

Reverse engineering

It is possible for someone to determine a trade secret by examining a finished product or sample and recreating it by working backwards. As long as the product or sample was obtained legally, the trade secret was not misappropriated. The party that reverse engineered the trade secret may even have a trade secret in the methods it used.

Licensing

Trade secret owners may license their secrets to others without losing trade secret protection. Licensing agreements commonly contain provisions regarding the licensee's obligations to protect the trade secret.

Protecting a trade secret

To be protected under the law, trade secret owners must make reasonable efforts, or employ reasonable means, to maintain secrecy. "Reasonable" efforts or means must be determined on a case-by-case basis. Factors to consider in assessing reasonableness may include the type and value of the secret, the importance of that secret to the company, the size of the company, and the complexity of the company's organization.





Some examples of reasonable efforts that trade secret owners can make to protect their trade secrets are:

- Limiting access to trade secrets to only employees who require it to do their jobs.
- Requiring people with access to trade secrets to sign agreements acknowledging their obligation to maintain the secrecy of the trade secrets, with regular reminders and agreement renewals.
- Training employees regularly on handling confidential information, including trade secrets.
- Requiring outside parties, including potential customers, to sign confidentiality agreements if they will have access to a trade secret or otherwise confidential information.
- Marking all materials that are trade secrets or otherwise confidential.
- Controlling physical access to trade secrets (locked room, safe, etc.).
- Controlling digital access to trade secrets (computer logins with different levels of permission, etc.).
- Ensuring that departing employees return or destroy trade secrets in their possession before their departure. Having departing employees reaffirm their ongoing obligations to maintain trade secrets after they depart.
- Reviewing employee activities related to trade secret files, especially if an employee leaves on bad terms or under circumstances that suggest trade secrets may have been taken.

While protective measures come in all shapes and sizes, some companies have gone to extraordinary lengths to protect their trade secrets.

Coca-Cola

The Coca-Cola formula was developed in 1886, but was not written down until 1919, when it was placed in a vault at the Guaranty Bank in New York City. In 1925, the formula was transferred to the Trust Company Bank in Atlanta. The formula remained at the bank for 86 years, and was then moved to a special vault at the World of Coca-Cola in Atlanta.

WD-40

The company that makes WD-40 was founded in 1953 by three technicians. The formula for WD-40 is so secret that only one person knows every ingredient that goes into it. In 2018, the company decided to move its most critical asset from its headquarters to a local bank vault. The formula was placed in a briefcase, which was then handcuffed to the CEO. The CEO was escorted to the bank by two armed guards.



While most companies won't need to resort to these measures, it is critical that trade secret owners protect their trade secrets with reasonable means. In taking protective steps, they not only show they are attempting to meet a legal standard, but they help ensure that the secret does, in fact, stay a secret.



Laws that provide trade secret protection

Both federal and state laws allow trade secret owners to enforce their rights if their trade secret is misappropriated.²

On a federal level, the [Economic Espionage Act](#) (EEA) was passed by Congress and signed into law in 1996. The EEA created two criminal offenses to protect trade secrets.³ In 2016, the EEA was amended by the [Defend Trade Secrets Act](#) (DTSA). The DTSA added a civil cause of action, expanding trade secret owners' access to federal courts in civil cases.⁴

On a state level, in 1979, the National Conference of Commissioners on Uniform State Laws issued the [Uniform Trade Secrets Act \(UTSA\)](#). The UTSA is a model law, that states use as the basis for their individual state trade secret acts. The UTSA provisions have been widely adopted throughout the states.

The EEA and state trade secret acts co-exist, so trade secret owners can choose either federal or state law for civil trade secret cases. Criminal cases under the EEA are only prosecuted in federal courts.



What if you think your trade secret has been stolen?

- Act as soon as the theft is suspected or discovered. Contact legal counsel immediately for advice in determining the best course of action for you or your company.
- Be ready to gather all evidence of the theft, which will be easier and more effective if you have kept a good record of your company's trade secrets, the means taken to protect them, and the people with access.

The Department of Justice provides a helpful publication: [Reporting Intellectual Property Crime: A Guide for Victims of Copyright Infringement, Trademark Counterfeiting, and Trade Secret Theft](#).

² Other laws or legal theories can also be used in addressing trade secret misappropriation, including but not limited to unfair competition, contracts, and computer fraud and abuse. This discussion addresses only statutes specific to trade secrets.

³ The two criminal offenses, prosecuted by the U.S. Department of Justice, are: (1) economic espionage, and (2) theft of trade secrets. Economic espionage requires that "the offense will benefit any foreign government, foreign instrumentality, or foreign agent." The EEA is found at 18 U.S.C. §§ 1831-1839.

⁴ 18 U.S.C. § 1836.



Trade secrets and patents



Innovators looking to protect their information will commonly consider the balance of trade secret protection and patent protection. A fundamental function of a patent is to disclose information to the public, but depending on the innovation in question and the needs of the trade secret owner, patent and trade secret protections can be complementary. Deciding on the right types of protections may involve a complicated analysis and it may be helpful to obtain advice from an attorney who specializes in intellectual property. Innovators should consider the following:

- A utility patent will disclose an invention sufficiently to allow others to make and use it, but the patent gives the owner the right to exclude others from doing so for up to 20 years. In contrast, the duration of trade secret protection can be unlimited, provided the secret is protected according to legal requirements.
- To obtain a patent, the inventor must file an application and be granted the patent by the USPTO. In contrast, a trade secret is obtained and maintained by the trade secret owner; there is no application, grant, or registration of trade secrets.
- While the law limits what types of inventions can be patented, trade secret eligibility is extremely broad and includes information that is not patentable.
- Although a patent must sufficiently disclose how to make and use an invention, not all aspects of an innovation must be patented. Unpatented aspects, such as proprietary software code, certain data and improvements, may be protected as trade secrets.

Want to learn more?

Below are resources to information and tools to assist in managing your IP

- [Trade secret policy and general information webpage](#)
- [USPTO free services webpage](#)
- [IP identifier tool](#)
- [USPTO events webpage](#)



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