

Trade secret protection: why it matters now more than ever

By Lestin L. Kenton Jr., Esq., and Ivy Attenborough, Esq., Sterne, Kessler, Goldstein & Fox PLLC

APRIL 29, 2024

With the evolution of technologies in artificial intelligence and machine learning, Internet of Things (IOT), datafication and cybersecurity, traditional intellectual property (IP) protections may provide limited options for companies to protect their products — forcing companies to rely more on trade secrets in their holistic IP protection strategy and business development.

Companies have traditionally relied on a mix of copyrights, trademarks and patents for IP protection. Copyright protects creative works when an author “fixes the work in a tangible form of expression”¹ — a copyright allows the author to assign the right to use, reproduce or alter the work. When employees create works within their scope of employment, the employer owns the copyright of the work.²

Trade secrets apply to a variety of industries, ranging from cosmetic compositions to computing algorithms.

A trademark identifies the source of a good or service; trademarks protect brands from counterfeiting and allow consumers to know the source of a product.³

Under 35 U.S.C. § 101, patents afford an exclusive right in a product, process, composition of matter or machine.⁴ With an increase of patents being filed for inventions for use in the aforementioned technology spaces, there has been an increase of rejections based on ineligibility of patent subject matter.⁵ These rejections are sometimes dubious⁶ and hard-to-overcome,⁷ and a hole is forming in the potential IP protections available to clients. Trade secrets can fill in these gaps.

Trade secrets are their own IP. The information contained within a trade secret must be commercially valuable due to its secrecy, known to a limited group and subject to reasonable efforts by the owner to keep the information secret.⁸ Trade secrets apply to a variety of industries, ranging from cosmetic compositions to computing algorithms.

Unlike a patent expiring after 20 years, trade secrets last as long as the criteria for being a trade secret are met. They provide flexibility and changeability for the needs of the business utilizing

them, passing the trade secret between generations in a family business.

A comprehensive IP plan should provide for a holistic, company-specific approach to balancing copyright, trademark, patents and trade secrets as necessary for the business. Clients can incorporate trade secret strategies within their general IP strategy to obtain full IP protection and avoid leaving value on the table.

For example, a bottled-beverage brand could obtain patents for how it fills its bottles, a trademark for its logo, a copyright for its advertisements, and maintain its secret formula as a trade secret. Implementing the appropriate agreements and mechanisms is critical to establishing and maintaining a company's trade secret.

Non-disclosure agreements (NDAs) and data longevity agreements are two ways companies can establish and protect their trade secrets. Non-disclosure agreements can prevent the sharing of protected information and constitute reasonable efforts to maintain secrecy. NDAs should be a part of a larger trade secret strategy included in a company IP plan.

An NDA should outline what the owner regards as a trade secret and explain the boundaries of proper use of the trade secret. Thus, a critical step is determining which aspects of a product and business are appropriate to maintain as a trade secret, and which aspects are more appropriately protected via conventional IP mechanisms, such as patent protection.

Companies should maintain a list of people with access to the trade secret-protected information.

The aspects determined to be trade secrets should be included in a comprehensive trade secret plan to be guarded by NDAs. In tandem with NDAs, companies can use data longevity agreements to regulate how long the data produced by their (potentially patent-protected) process or device is used.

NDAs and data protection documents can affirmatively outline the information protected by trade secrets to proactively establish the commercial value and demonstrate efforts to keep the information

secret. Internal documentation should emphasize and highlight how each piece of information is protected, and employees should be informed as such.

Companies should also maintain a list of people with access to the trade secret-protected information. This helps demonstrate that only a limited number of people had access to the information, and it allows for more fluid internal communications.

Trade secrets provide an opportunity for companies to achieve a well-rounded IP portfolio, and they should be considered by companies large and small as part of the overall IP protection strategy and plan.

Notes:

¹ <https://bit.ly/3Udwmbz>

² 17 U.S.C.A. § 101 (“work made for hire”).

³ <https://bit.ly/3xZB8lu>

⁴ <https://bit.ly/3WcPskN>

⁵ <https://bit.ly/3w7QOTo>

⁶ <https://bit.ly/49SfBsv>

⁷ <https://bit.ly/49UxG98>

⁸ <https://bit.ly/4dcebMk>

About the authors



Lestin L. Kenton Jr. (L) is a director in the electronics practice group at **Sterne, Kessler, Goldstein & Fox PLLC**, where he advises clients navigating complex intellectual property landscapes. As a litigator before the Patent Trial and Appeal Board, he has led numerous inter partes review, post grant review and covered business method review proceedings under the America Invents Act, representing both petitioners and patent owners. He can be reached at lkenton@sternekessler.com. **Ivy Attenborough (R)** is an associate in the firm’s mechanical and design practice group. She can be reached at iattenborough@sternekessler.com. Both authors are based in Washington, D.C.

This article was first published on Westlaw Today on April 29, 2024.