

# Using Intellectual Property for Promoting Indian SME

## *Problems and Prospects*

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Presented by  
Donald Bollella  
[dbollella@msn.com](mailto:dbollella@msn.com)

# SESSION III

## Using IPR for Safeguarding Business Secrets

- Trade Secret Definition
- Confidentiality Agreements
- Introduction to IP Licensing
  - Patents vs. Trade Secrets

# Trade Secret Defined

Any information that may give an enterprise a competitive advantage over another.

Customer Information: Lists, Payment History, Contacts, Pricing

Financial Information: Historical Data, Projections, Strong/Weak

Development Plans: Expansions, Hiring, Target Markets, Take-Over  
Targets, New Products/Services, Inventions

Business Information: Commercial Allies, Distribution Terms,  
Employee and Management Problems

Technical Know-How: Process Methods, Ingredients, Manufacturing  
Techniques

# Trade Secret Evaluation

- Extent Information is Known Outside the Company
- Extent Information is Known Inside the Company
- Company Efforts in Safe-Guarding Information
- Value of Information to Company and Competitors
- Company Efforts in Developing the Information
- Ease or Difficulty in Properly Acquiring, Duplicating, or Reverse Engineering the Information or Technical Know-How

# Example of Confidentiality Provision in Employment Agreement

## EMPLOYEE CONFIDENTIALITY AGREEMENT

I have been offered employment by the XYZ Corp. (the "Company"). I acknowledge that the Company operates in a competitive environment and that it enhances its opportunities to succeed by establishing certain policies, including those provided in this Agreement. This Agreement is designed to make clear that (i) I will maintain the confidentiality of the Company's trade secrets; (ii) I will use those trade secrets for the exclusive benefit of the Company; (iii) inventions that I create will be owned by the Company; (iv) my prior and continuing activities separate from the Company will not conflict with the Company's development of its proprietary rights; and (v) when and if my employment with the Company terminates, I will not use my prior position with the Company to the detriment of the Company. In consideration of my employment with the Company and other good and valuable consideration associated with my employment by the Company, I agree as follows:

### 1. Provisions Related to Trade Secrets

(a) I acknowledge that the Company possesses and will continue to develop and acquire valuable Proprietary Information....

(b) As used in this Agreement, "Proprietary Information" means any information including any formula, pattern, compilation, device, method, technique, or process that derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use....

(c) I will not disclose or use at any time, either during or after my employment with the Company, any Proprietary Information except for the exclusive benefit of the Company as required by my duties....

(d) Upon leaving employment of the Company for any reason, I will immediately deliver to the Company all tangible, written, graphical, machine readable and other materials (including all copies) in my possession or under my control containing or disclosing Proprietary Information.....

# Example of Confidentiality Provisions in Consultancy Agreement

## 4. CONFIDENTIALITY OBLIGATION

Consultant will hold all Company Confidential Information in confidence and will not disclose, use, copy, publish, summarize, or remove from the Company's premises any Confidential Information, except (a) as necessary to carry out Consultant's assigned responsibilities as a Company consultant, and (b) after termination of this Consultancy Agreement, only as specifically authorized in writing by an officer of the Company. "Confidential Information" is all information related to any aspect of the Company's business which is either information not known to the public by actual or potential competitors of the Company or is proprietary information of the Company, whether of a technical nature or otherwise.

Confidential Information includes but is not limited to products, inventions, ideas, discoveries, designs, methods, chemical formulas, combinations of ingredients, system procedures, software, databases, algorithms, trade secrets, works of authorship, mask works, developmental or experimental work, processes, techniques, improvements, know-how, licenses, data, financial information and forecasts, product plans, marketing plans and strategies, and customer lists.

Consultant's non-disclosure obligations as set forth herein apply with respect to all third parties, including without limitation to Consultant's current employer, if any, and to any other persons or legal entities for whom Consultant now performs consulting services, or for whom Consultant may perform consulting services in the future.

Consultant will not, either during or after the term of this Consultancy Agreement, directly or indirectly, submit for publication or publish and Confidential Information of the Company without the prior written consent of the Company.

Upon expiration or termination of this Consultancy Agreement, Consultant shall deliver to the Company all documentation and information, in whatever form, including all copies, concerning or containing Confidential Information of the Company. Such documents and information shall include any information generated by Consultant alone or jointly with others as a result of Consultant's services on behalf of the Company, or from access to the Company's Confidential Information, and Consultant shall make no further use thereof.

# Examples of Non-Application and Waiver Provisions in Confidentiality Agreements

The foregoing obligations of confidentiality and non-use shall not apply to the extent that any Company Confidential Information (i) is or becomes publicly available without breach of this Agreement; or (ii) can be shown by documentation to have been known by Employee/Consultant prior to Employee's/Consultant's employment with the Company.

In the event the Employee/Consultant becomes legally compelled through civil or criminal investigative demands or similar process as required by law to disclose Company Confidential Information, the Company hereby agrees to waive the compliance with the terms of this section to the extent required by law; provided that Employee/Consultant has notified the Company sufficiently in advance of such compelled disclosure to enable Company to seek a protective order or other confidential treatment thereof.

# IP Licensing: Patents

- Motivation
  - Cross-License
  - Right-to-Use
  - Royalty Income
- Terms
  - Exclusive vs. Non-Exclusive
  - Geographical Regions
  - Consistent Terms When Non-Exclusive

# IP Licensing: Trade Secrets

*Trade Secrets May Be Lawfully Duplicated or Reverse Engineered*

## ■ Motivation

- Economic Value Beyond Patent Term
- Royalty Income

## ■ Risks

- Public Disclosure
- Reverse Engineering