

# Protecting YOUR OWN

## Legal safeguards prevent theft of proprietary information

By KRISTEN D'ANDREA

One of the most infamous trade secrets — the recipe comprising 11 herbs and spices used to create Kentucky Fried Chicken — has been guarded for some 70-plus years. In fact, Col. Harland Sanders was reluctant to write the recipe down on paper; once he did, the original, handwritten copy was hidden in a safe in Kentucky. According to rumors, years ago, when KFC modernized its security systems, the recipe was temporarily moved to another secret and secure location via an armored car accompanied by a motorcade.

While most companies do not go to the extreme measures taken by Col. Sanders, protecting proprietary information is a valuable and necessary step for employers.

“Especially over the last 10 years, in which people have become very sophisticated, I can’t imagine a company not having some type of privacy policy,” said attorney Eileen Breslin, a partner at Jaspán Schlesinger in Garden City.

Referring to what she calls the “Napster effect,” Breslin said technological advancements have created a shifting concept of ownership. Employees’ concept of what belongs to them is skewed today, she said.

“People think, ‘If it’s on my flash drive, it’s mine,’” she said. “They don’t see it as theft.”

Breslin noted employees often question why they can’t take their Rolodex with them when they leave a company.

“I find it interesting how frequently people who we think are wrongdoers don’t think they were doing anything wrong,” she said.

Part of the problem is that it is not always obvious who owns intellectual property.

“You want to clear that up [with employees’ right away,” Breslin said.

Proprietary information includes anything a company owns that it has the initial rights to, according to Ronald Baron, a partner at Hoffmann & Baron in Syosset. If the confidential information is related to an invention or creation, employers should seek a patent, copyright or trademark. If, however, the information an employer wants to protect is its customer lists, financial data or product formulations, it falls under the broad category of trade secrets.

The courts will enforce trade secret rights if a business owner has taken steps to protect them, Baron said.

“The courts will respect it, if the owner respects it,” he said.

Examples of reasonable efforts that can be taken to protect trade secrets include concealing the information in an area with restricted access to a limited number of employees, utilizing electronic encryption and requiring employees to sign confiden-

tiality agreements as soon as they are hired, Baron said.

Additionally, in order to be considered a trade secret, Breslin said, the company must have derived — or be capable of deriving — economic benefit from it.

“Just because an employer calls something confidential doesn’t mean it will be treated as confidential by the courts,” agreed Andrew Kimler, partner in the litigation practice group at Vishnick McGovern Milizio in Lake Success. If, for instance, someone can open a phonebook and find the same information is available to him, that’s not considered confidential, he said. Similarly, if the information, such as sales data, becomes stale overnight, it will not be deemed proprietary, Kimler added.

While the courts generally don’t like to prohibit employees from competing with former employers, they will step in in the case of unfair competition, Kimler said. In the past, courts have restrained employees from engaging in piracy and unfair competition, such as in cases where an employee is caught emailing proprietary information or customer lists to his home computer or a prospective new employer.

“Without [confidentiality or non-compete] agreements, you still have the right to stop people from engaging in unfair competition, but the likelihood of succeeding is enhanced if you have carefully drafted a confidentiality agreement tailored to your company,” Kimler said, noting generic, one-size-fits-all agreements are less likely to stand up in court.

Depending on a company’s needs, employment agreements should specify the employer is the owner of anything created



ANDREW KIMLER: Confidentiality agreements help companies protect valuable information.

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by the employee while he or she is working for the company, as well as a signed statement that the employee will not take the information if and when he or she leaves the company, Breslin said. For instance, a restaurant may have an employment agreement making the chef aware anything he or she creates at work belongs to the restaurant owner.

Businesses should also maintain a social networking policy prohibiting employees from talking about the company on social media sites. In effect, it

should say, “If you can’t keep a secret — and I’m a business where secrets are important — you can’t work here,” Breslin said.

When Hoffman & Baron opened its doors in 1984, its first litigation involved a case of theft of trade secrets. The case comprised a local company suing several former employees who were engineers of an overhead blower used to dry ink on a high-speed printing processor, Baron said. The engineers left the company and took the drawings with them to start a competing company. The engineers’ former employer had

kept the drawings in a locked cabinet, with access restricted to only two or three employees.

“We sued in District Court under Judge [Leonard] Wexler,” Baron said. At one point, the judge asked to see both the plaintiffs and the defendant’s product renderings. He held them both up on top of one another, in the light, and they lined up exactly, right down to identical legends, Baron said.

“The judge said to the defendants’ attorneys, ‘You guys better settle this case today.’ It was a very dramatic point.”