

Protecting Your Trade Secrets

The law regarding trade secrets has arisen from two conflicting public policy concerns. On the one hand, the law recognizes that your trade secrets are precious assets, and it protects them by prohibiting their use by anyone else. At the same time, the law also hesitates to grant an unfair advantage to your business that may inhibit competition and free enterprise.

In Illinois, this tension in the law is codified in a statute known as the Trade Secrets Act (the Act). The Act enables you to obtain significant remedies from a judge against any competitor who uses your trade secrets. However, you must overcome several hurdles before you can obtain any remedy. First, you must prove that the information you desire to protect qualifies as a trade secret. Moreover, you must prove that your trade secret was misappropriated.

Almost any Type of Information May Qualify as a Trade Secret

The Act places no limitation on the type of information that can qualify as a trade secret. Such information can include financial, technical, or nontechnical data; a formula, pattern, compilation, program, device, method, technique, drawing, or process; or a list of actual or potential customers or vendors. Trade secrets can also include unique compilations of generally known information. For example, miscellaneous service manuals and technical bulletins that are freely available could be assembled into one unique and valuable collection. This collection could then qualify as a trade secret.

How to Qualify Your Information as a Trade Secret

Regardless of the type of information involved, you must satisfy a two-part test to qualify your information as a trade secret. As shown below, whether you pass the test may depend to some extent on the subjective opinion of a judge.

Test 1. To pass the first part of the test, you must make reasonable efforts to keep your information secret or confidential. What, you ask, is a reasonable effort? It depends on the circumstances and the view of the judge from whom you are seeking your remedies. Different judges may view the same case differently. For example, you show blueprints to potential customers in order to close a sale. You want to keep the blueprints secret, so you should stamp them "confidential." Judge A may conclude that the stamping represents a reasonable effort. However, Judge B could conclude that you should have done more to keep your blueprints confidential.

The safest approach is to use as much effort to keep your information secret as possible. For example, in addition to stamping your blueprints, you might also have your potential customers sign a written promise that they will not disclose the blueprints' contents to anyone else. For maximum assurance that your methods will be deemed reasonable by a judge, you should have an experienced attorney review your procedures.

Test 2. In the second part of qualifying your information as a trade secret, you must prove that you do or could derive some actual or potential economic benefit by keeping the information secret. This part of the test is more objective. For example, you could prove that you derive economic benefit from your customer list if someone else could recreate it only after they expended significant time, effort, and expense. Your customer list would not meet this test if someone else could easily duplicate it by referring to publicly available information, such as telephone books or trade journals.

However, even if you prove that your information qualifies as a trade secret, you may not necessarily obtain any remedy under the Act. You still must prove that someone else misappropriated your trade secret.

Misappropriation Under the Act, misappropriation occurs when a person acquires your trade secret by improper means. Such means include theft, bribery, misrepresentation, breach of a confidential relationship, breach of any agreement to keep the information secret, or espionage. Misappropriation also occurs when someone innocently acquires your trade secret and, before using it, knows that they acquired it due to an accident or mistake. For example, this situation could occur if you accidentally fax your secret blueprint to your competitor rather than your customer.

Misappropriation does not occur when your competitor recreates your trade secret through reverse engineering or independent development. For example, if your competitor purchases your product and discovers your secret manufacturing process after disassembling it, your competitor would then be free to use or otherwise disclose your process.

Remedies Available Under the Act If you can prove that your information qualifies as a trade secret and has been misappropriated by someone who is using it or may use it, you are entitled to substantial remedies in court. The typical remedy is an injunction.

An injunction is a court order that requires a party to stop doing something. In the context of trade secrets, an injunction usually requires your competitor to refrain from using your trade secret. In an emergency situation, you may obtain a temporary injunction against your competitor

after as little as one or two hours advance notice [notice of what? that they're using your secret? notice to them of the court hearing?]. Ultimately, an injunction could enable you to shut down your competitor permanently.

In addition to an injunction, you may also recover monetary damages for the misappropriation of your trade secret. Damages could include your actual losses plus the profits your competitor received from the use of your trade secret. In particularly egregious cases, the judge may also award you double the amount of those damages and reimbursement for your attorney's fees.

Conclusion Your trade secrets are extremely valuable assets because they give you a competitive advantage. In order to protect your trade secrets, you must guard them properly and with great care. Otherwise, you may be helpless to prevent your competitors from using them.