

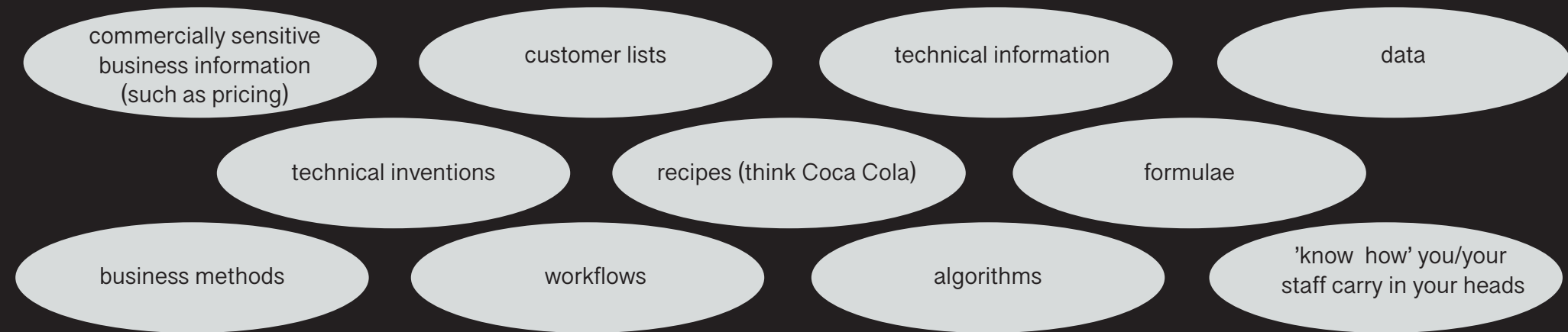


what you need to know to start and grow your business

trade secrets & confidentiality

What is confidential information?

'Confidential information' and the laws protecting it cover a huge range of information and data where public disclosure could be damaging to you or your business - reputationally or by loss of competitive edge. There is no fixed period of protection and it can run for so long as the information remains secret, possibly forever. However, even if you keep it secret, there is always a risk that someone else might independently develop the same thing and your trade secret can't be used to stop them. Examples include:



TRADE SECRETS

The UK courts have a well-established approach to breach of confidence and protecting trade secrets, and there is now also legislation which codifies a minimum standard for the protection of trade secrets and remedies to be made available. A 'trade secret' is information that is:

Not known to the relevant public

+

has commercial value deriving from not being known to the relevant public

+

reasonable steps have been taken to preserve its secrecy

Share with care

If you make confidential information publicly available (even if you do it inadvertently), you risk

- 'leakage' of your idea to the market: in most countries, no longer able to patent it, competitive edge lost, need to make sure any registered design application is filed within the next 12 months
- possible legal liability to someone else if it was their confidential information you disclosed
- possible breach of competition law if you are deemed to be sharing positive pricing info/price fixing within a cartel

If you think you need to share information with potential partners, customers etc., make sure you only share the necessary information with the right people at the right time, in the right way: with secrecy and restricted use obligations under a non-disclosure agreement ("NDA") or similar, marking each page/item 'confidential' and not in a way that could help fix prices.

Receive with care

If you are working on a particular technology or creation, and then receive on a confidential basis information relating to the same technology/creation from someone else, there is a risk that all the information - yours and theirs - gets mixed up. If you then publish, publicly use or seek to patent your idea, you may find they claim you are in breach of confidence or have misappropriated their trade secret, because your idea was '*contaminated*' with their confidential information.

If you think you need to receive information from someone else on a confidential basis, only do so under a carefully written, signed NDA (see below). Also be careful with the same competition law issue described above.

When should I use a NDA?

- Evaluation of your/partner's technology/ideas to discuss and decide whether to enter into an arrangement
- Only do so when you are clear on what confidential information will be shared, what restricted use rights apply, who each party can share it with and how long the secrecy and restricted use obligations will apply - and that each party can stick to this

When not to use a NDA?

- When you can share or receive all the information you need on a **non**-confidential basis
 - When collaborating/brain-storming on R&D/product development including field trials
 - Licences
- (Where more complex contract terms covering IP ownership use right and liability would be needed beyond scope of NDA.)

What claims are available for confidentiality breaches?

Breach of confidence (UK common law)

- No contract needed
- Need to show information was confidential and was shared in circumstances where defendant knew/should reasonably have known it was confidential and disclosure caused/would cause damage to your business

UK/EU Trade Secrets legislation

- Need to show it was a trade secret (see above)
 - Unlawful acquisition, use or disclosure
- OR
- US Trade Secrets legislation or claim under common law for misappropriation of trade secret

Breach of Contract

- Need to show defendant did not comply with non-disclosure/restricted use provisions of NDA or other agreement

What defences are there?

- The information was not confidential at the relevant time (through no fault of the defending party).
- The information was independently created/developed without reference to the information received.
- You have a licence and have complied with any non-disclosure/restricted use requirements.

How to handle breach of confidence claims

Where to bring a claim

- Court: Initial claim (cease and desist letter) then
 - Intellectual Property Enterprise Court (<£500k damages claim)
 - High Court (damages >£500k); appeal to
 - Court of Appeal (on a point of law); appeal to Supreme Court (if of great public importance)
- Be ready to consider mediation/try to settle before your hearing in Court
- Remember court proceedings and judgments are public: consider restricting exchange of information in pre-trial disclosure to members of a confidentiality club; requesting private court hearings; requesting court judgment to be 'redacted' (confidential elements removed)
- For NDAs or contracts with secrecy terms: consider stipulating arbitration rather than courts as dispute resolution process because this would be done in private without any public disclosure of information or even (if needed) disclosure of existence of dispute itself.

What to think about

- Don't panic
- Instruct a lawyer
- Can claimant show all aspects of claim:
 - Relevant information is confidential/meets trade secret criteria
 - Does claimant have right to bring claim (info was shared on confidential basis, not left it too late)?
 - There was a breach of confidence//breach of secrecy or restricted use provisions in NDA/other contract?
 - No defence available?
 - Sufficient evidence to show it?
- Any possible counterclaim(s) by defendant?
- What do you want to achieve? (Claimant: stop further disclosure/use of the information? Licence fee? Defendant: right to continue using/disclosing? Prepared to pay licence fee?)
- Do you have time/energy/resources to fight all the way?

Consider including fake data entry in your data listing to show defendant took your data and (did not independently develop it)

What remedies are available?

- Interim court orders whilst a court claim is ongoing: non-disclosure/use until judgment; seizure of information/files/products for 'discovery' of evidence; preservation of information/records
- Final court order upon judgment: delivery up/destruction of relevant information/files/products; non-disclosure/use of relevant information; possibly even 'super-injunction' preventing disclosure of existence of the case/parties/any court orders made.

Also think about

- Inventions: patents - can stop others using your idea (for limited time) even if they developed it independently.
 - Software: copyright in coding even if it becomes public
- Databases: copyright and database rights in systematically organised database, as distinct from data itself
 - Personal data: data protection requirements

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