

Using Employment Agreements to Protect Confidential Information

WORST, FITZGERALD &
STOVER, P.L.L.C.

David W. Gadd

(208) 736-9900

dwg@magicvalleylaw.com

Statutory Protection

- ▶ **Idaho Trade Secrets Act**

- ▶ "Trade secret" means information, including a formula, pattern, compilation, program, computer program, device, method, technique, or process, that:
 - (a) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; **and**
 - (b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Trade secrets as defined in this subsection are subject to disclosure by a public agency according to chapter 3, title 9 Idaho Code.
- ▶ I.C. § 48–801(5)

Why have non-disclosure provisions in an employment agreement?

- Supplement protections of the Idaho Trade Secrets Act.
 - “Confidential Information” ≠ “Trade Secret”
 - Allow clients to define more carefully what information it is that they want to protect.
 - Help address the requirement that the information the client desires to protect is not readily available.
 - Help address the requirement that “trade secrets” must be the subject of reasonable efforts to maintain secrecy.
 - Allow clients to prepare for litigation.
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Defining Confidential Information

- General description
 - Pros: Broad coverage; simple to draft
 - Cons: Vague; may be difficult to enforce legally and practically
 - Specific description
 - Pros: More likely to be enforced
 - Cons: May not be broad enough (e.g., something that doesn't exist at the time)
 - Marked items
 - Pros: Most likely to be enforced
 - Cons: Need to make sure things are actually marked; difficult to mark intangible property
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Defining Confidential Information – Example 1

- ▶ Confidential Information. “Confidential Information” means any information or material which may include, for example and without limitation, information and materials relating or pertaining to Employer’s finances, accounting, business plans, strategic plans, personnel and management, development and projects, marketing plans, sales, products and services, pricing or pricing strategies, customer names and addresses and price lists, customer or prospective lists, other customer information (including, without limitation, customer methods of operation, requirements, preferences and history of dealings with Employer), vendor lists, vendor information (including, without limitation, their history of dealings with Employer), employee files, employee compensation, skills, performance and qualifications of Employer’s personnel, trade secrets, secret formulations, techniques, methods, processes, technical information, inventions (whether patented or unpatented), copyrights, know-how, algorithms, computer programs, computer codes and related documentation, processes, research, development, licenses, permits, and compilations of any of the foregoing information relating to the actual or anticipated business of Employer.

Defining Confidential Information – Example 1

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Potential Issues:

- While this definition is very inclusive, it does not assist the client with identifying information that is not readily available to others.
 - This definition also does not assist the client in showing that it has taken reasonable efforts to maintain the secrecy of the information.
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Defining Confidential Information – Example 2

- ▶ “Confidential Information” means any and all:
- ▶ (a) Trade Secrets (as defined herein) concerning the business and affairs of the Employer, product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current, and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), computer software and database technologies, systems, structures, and architectures (and related formulae, compositions, processes, improvements, devices, know-how, inventions, discoveries, concepts, ideas, designs, methods and information), and any other information, however documented, that is a trade secret;
- ▶ (b) information which has value in the Employer’s business and which the Employer takes reasonable steps to keep confidential; this consists of information concerning the business and affairs of the Employer, such as, historical financial statements, financial projections and budgets, historical and projected sales, capital spending budgets and plans, marketing and sales plans, business plans, the names and backgrounds of key personnel, personnel training and techniques and materials, however documented; and
- ▶ (c) notes, analysis, compilations, studies, summaries, and other material prepared by or for the Employer containing or based, in whole or in part, on any information included in the foregoing.
- ▶ “Trade Secrets” shall mean the whole or any part of any scientific or technical information, design, process, procedure, formula, or improvement that has value and that the owner has taken measures to prevent from becoming available to persons other than those selected by the owner to have access for limited purposes.

Defining Confidential Information – Example 3

- ▶ “Confidential Information” means any and all information of the Company, whether or not in writing, that is not generally known by others with whom the Company competes or does business, or with whom it plans to compete or do business, and any and all information, which, if disclosed, would assist in competition against the Company, including but not limited to: (i) all proprietary information of the Company, including but not limited to the products and services, technical data, methods, processes, know-how, developments, inventions, and formulae of the Company; (ii) the development, research, testing, marketing and financial activities and strategic plans of the Company; (iii) the manner in which the Company operates; (iv) its costs and sources of supply; (v) the identity and special needs of the customers, prospective customers and subcontractors of the Company; and (vi) the people and organizations with whom the Company has business relationships and the substance of those relationships.
- ▶ Without limiting the generality of the foregoing, Confidential Information shall specifically include: (i) any and all product testing methodologies, product test results, research and development plans and initiatives, marketing research, plans and analyses, strategic business plans and budgets and technology grids; (ii) any and all vendor, supplier and purchase records, including without limitation the identity of contacts at any vendor, any list of vendors or suppliers, any lists of purchase transactions and/or prices paid; and (iii) any and all customer lists and customer and sales records, including without limitation the identity of contacts at purchasers, any list of purchasers, and any list of sales transactions and/or prices charged by the Company.
- ▶ Confidential Information also includes any information that the Company may receive or has received from customers, subcontractors, suppliers or others, with any understanding, express or implied, that the information would not be disclosed.
- ▶ Notwithstanding the foregoing, Confidential Information does not include information that (i) is known or becomes known to the public in general (other than as a result of a breach of Section 4.1 hereof by Executive), (ii) is or has been independently developed or conceived by Executive without use of the Company’s Confidential Information or (iii) is or has been made known or disclosed to Executive by a third party without a breach of any obligation of confidentiality such third party may have to the Company of which Executive is aware

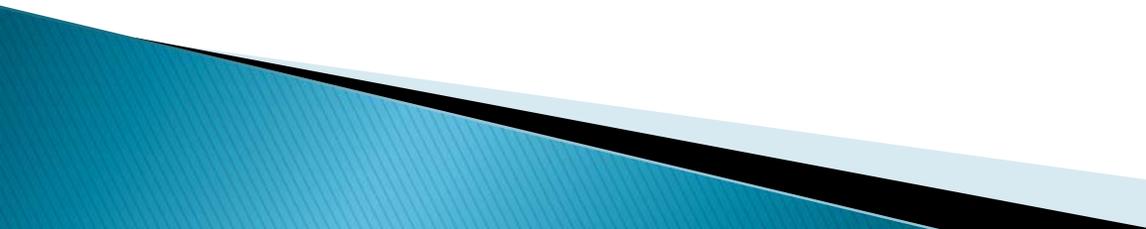
Defining Confidential Information – Example 4

- ▶ “Confidential Information” shall mean the proprietary or confidential data, information, documents or materials (whether oral, written, electronic or otherwise) belonging to or pertaining to the Company, other than “Trade Secrets” (as defined below), which is of tangible or intangible value to the Company and the details of which are not generally known to the competitors of the Company. Confidential Information shall also include any items marked “CONFIDENTIAL” or some similar designation or which are otherwise identified as being confidential and which are not in the public domain (so long as any such information that is in the public domain has not become in the public domain through the acts or omissions of Executive), (ii) “Entity” shall mean any business, individual, partnership, joint venture, agency, governmental agency, body or subdivision, association, firm, corporation, limited liability company or other entity of any kind, (iii) “Trade Secrets” shall mean information or data of or about the Company, including, but not limited to, technical or non-technical data, recipes, menu designs, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers that: (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; and (C) includes any other information which is defined as a “trade secret” under applicable law; provided, however, that Trade Secrets shall exclude any information in the public domain so long as any such Trade Secrets that are in the public domain have not become in the public domain through the acts or omissions of Executive, and (iv) “Work Product” shall mean all tangible work product, property, data, documentation, “know-how,” concepts or plans, inventions, improvements, techniques and processes relating to the Company that were conceived, discovered, created, written, revised or developed by Executive while employed by the Company.

Defining Confidential Information – Limiting the Scope of the Definition

- Information generally known to the public
- Information already known
 - Require that the information already known must be reduced to writing prior to agreement being signed
 - Alter the burden of proof?
- Information received from third party
 - As long as it doesn't violate owner's rights (e.g., misappropriated information)
- Independently developed
 - Require verifiable documentation
 - Alter the burden of proof?

Defining Confidential Information

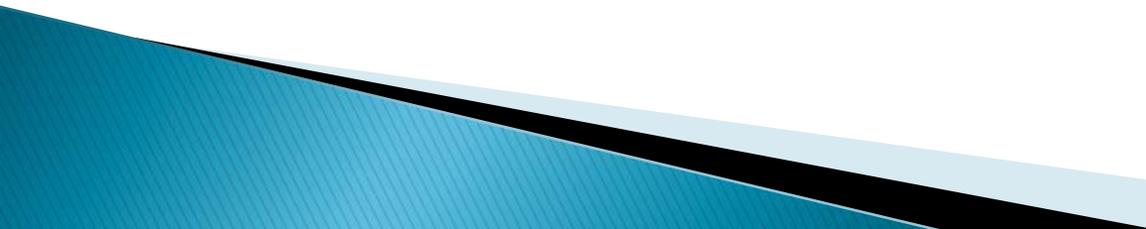
- Examples 2 and 3 identify confidential information as information that is not generally known.
 - Example 4 references information that the client has designated as confidential. This goes back to treating non-disclosure provisions as part of a larger comprehensive plan to protect confidential information.
 - Example 4 references and incorporates the definition of “trade secret” found in applicable law.
 - Examples 3 and 4 also excludes information in the public domain.
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Reasonable Steps to Maintain Confidentiality

The client's information is valuable because it is confidential. Ensure that the client takes reasonable steps to maintain that confidentiality.

- Identify information as confidential
- Limit access to confidential information
- Require employees and business partners with access to the information to protect the confidential nature of the information
- If your client doesn't treat the information as confidential, neither will the court.

Acknowledgment of Access

- Through Employee's employment, Employee will become acquainted with and contribute to Employer's Confidential Information.
 - The Executive acknowledges that (a) prior to and during the Employment Period and as a part of her employment, the Executive has been and will be afforded access to Confidential Information; (b) public disclosure of such Confidential Information could have an adverse effect on the Employer and its business; (c) because the Executive possesses substantial technical expertise and skill with respect to the Employer's business, the Employer desires to obtain exclusive ownership of each Employee Invention, and the Employer will be at a substantial competitive disadvantage if it fails to acquire exclusive ownership of each Employee Invention; and (d) the provisions of this Section 7 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information and to provide the Employer with exclusive ownership of all Employee Inventions.
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Prohibiting Disclosure – 1

I agree at all times during the term of my Relationship with the Company and thereafter, to hold in strictest confidence, and not to use, except for the benefit of the Company to the extent necessary to perform my obligations to the Company under the Relationship, or to disclose to any person, firm, corporation or other entity without written authorization of the Board of Directors of the Company, any Confidential Information of the Company which I obtain or create. I further agree not to make copies of such Confidential Information except as authorized by the Company.



Prohibiting Disclosure – 2

- ▶ **Nondisclosure and Nonuse of Confidential Information.** All Confidential Information which Executive creates or has access to as a result of his or her employment and other associations with the Company is and shall remain the sole and exclusive property of the Company. Executive will never, directly or indirectly, use or disclose any Confidential Information, except (i) as required for the proper performance of his or her regular duties for the Company; (ii) as expressly authorized in writing in advance by the Company; (iii) as required by applicable law or regulation; or (iv) to his or her attorneys, accountants, consultants and other professionals to the extent necessary to obtain their services in connection with monitoring his or her investment in the Company (provided they agree not to disclose such Confidential Information to others, except as authorized by this Section 4.1). This restriction shall continue to apply after the termination of Executive's employment, howsoever caused. Executive shall furnish prompt notice to the Company of any required disclosure of Confidential Information sought pursuant to subpoena, court order or any other legal process or requirement, and shall provide the Company a reasonable opportunity to seek protection of the Confidential Information prior to any such disclosure, to the greatest extent time and circumstances permit

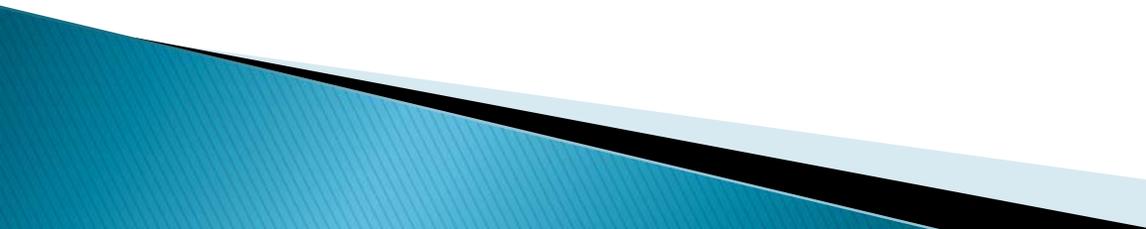
Prohibiting Disclosure – 3

- ▶ (i) The Executive will hold in confidence the Confidential Information and will not disclose it to any person except with the specific prior written consent of the Employer or except as otherwise expressly permitted by the terms of this Agreement.
- ▶ (ii) Any Trade Secrets of the Employer will be entitled to all of the protections and benefits under any applicable law. If any information that the Employer deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret for purposes of this Agreement, such information will, nevertheless, be considered Confidential Information for purposes of this Agreement. The Executive hereby waives any requirement that the Employer submit proof of the economic value of any trade secret or post a bond or other security.
- ▶ (iii) None of the foregoing obligations and restrictions applies to any part of the Confidential Information that the Executive demonstrates was or became generally available to the public other than as a result of a disclosure by the Executive.
- ▶ (iv) The Executive will not remove from the Employer's premises (except to the extent such removal is for purposes of the performance of the Executive's duties at home or while traveling, or except as otherwise specifically authorized by the Employer) any document, record, notebook, plan, model, component, device, or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Executive recognizes that, as between the Employer and the Executive, all of the Proprietary Items, whether or not developed by the Executive, are the exclusive property of the Employer.

Prohibiting Disclosure – 4

- Do more than simply prohibit disclosure
 - Prohibit the use of confidential information
 - Govern the location of confidential information
- Require notice of any compulsory disclosure (e.g., subpoena or court order)
- Require notice of any unauthorized or accidental disclosure
 - Don't limit to intentional disclosures

Prior Obligations

- I represent that my performance of all terms of this Agreement as an employee or consultant of the Company has not breached and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by me prior or subsequent to the commencement of my Relationship with the Company, and I will not disclose to the Company or use any inventions, confidential or non-public proprietary information or material belonging to any current or former client or employer or any other party.
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Exiting Employees – 1

- Return of Materials. Upon Executive's termination, Executive shall return to the Company all written, electronic, recorded or graphic materials of any kind belonging or relating to the Company or its affiliates, including any originals, copies and abstracts in Executive's possession or control. Executive's rolodex (or other tangible or electronic address book), his financial, benefit and compensation records and files, and his cellular telephone number are Executive's personal property
- Use and Return of Documents. All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company and any copies (including without limitation electronic), in whole or in part, thereof (the "Documents" and each individually, a "Document"), whether or not prepared by Executive, shall be the sole and exclusive property of the Company. Except as required for the proper performance of Executive's regular duties for the Company or as expressly authorized in writing in advance by the Company, Executive will not copy any Documents or remove any Documents or copies or derivatives thereof from the premises of the Company. Executive will safeguard, and return to the Company immediately upon termination of employment, and at such other times as may be specified by the Company, all Documents and other property of the Company, and all documents, records and files of its customers, subcontractors, vendors and suppliers ("Third-Party Documents" and each individually a "Third-Party Document"), as well as all other property of such customers, subcontractors, vendors and suppliers, then in Executive's possession or control. Provided, however, if a Document or Third-Party Document is on electronic media, Executive may, in lieu of surrender of the Document or Third-Party Document, provide a copy on electronic media (e.g., a properly formatted diskette) to the Company and delete and overwrite all other electronic media copies thereof. Upon request of any duly authorized officer of the Company, Executive will disclose all passwords necessary or desirable to enable the Company to obtain access to the Documents and Third-Party Documents. Notwithstanding any provision of this Section 4.1 to the contrary, Executive shall be permitted to retain copies of all Documents evidencing his or her hire, equity and other compensation rate and benefits and any other agreements between Executive and the Company that Executive has signed.

Exiting Employees – 2

- Upon termination of this Agreement by either party, or upon the request of the Employer during the Employment Period, the Executive will return to the Employer all of the Proprietary Items in the Executive's possession or subject to the Executive's control, and the Executive shall not retain any copies, abstracts, sketches, or other physical embodiment of any of the Proprietary Items.
- Company Property; Returning Company Documents. I acknowledge and agree that I have no expectation of privacy with respect to the Company's telecommunications, networking or information processing systems (including, without limitation, stored company files, e-mail messages and voice messages) and that my activity and any files or messages on or using any of those systems may be monitored at any time without notice. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice. I agree that, at the time of termination of my Relationship with the Company, I will deliver to the Company (and will not keep in my possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, laboratory notebooks, materials, flow charts, equipment, other documents or property, or reproductions of any of the aforementioned items developed by me pursuant to the Relationship or otherwise belonging to the Company, its successors or assigns. In the event of the termination of the Relationship, I agree to sign and deliver the "Termination Certification" attached hereto as Exhibit C; however, my failure to sign and deliver the Termination Certificate shall in no way diminish my continuing obligations under this Agreement.

Exiting Employees – 3

▶ TERMINATION CERTIFICATION

- ▶ This is to certify that I do not have in my possession, nor have I failed to return, any devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, laboratory notebooks, flow charts, materials, equipment, other documents or property, or copies or reproductions of any aforementioned items belonging to Facebook, Inc., its subsidiaries, affiliates, successors or assigns (together the “Company”).
- ▶ I further certify that I have complied with all the terms of the Company’s Confidential Information and Invention Assignment Agreement signed by me, including the reporting of any inventions and original works of authorship (as defined therein), conceived or made by me (solely or jointly with others) covered by that agreement.
- ▶ I further agree that, in compliance with the Confidential Information and Invention Assignment Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, know-how, designs, formulas, developmental or experimental work, computer programs, data bases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its employees, clients, consultants or licensees.
- ▶ I further agree that for twenty-four (24) months from the date of this Certificate, I shall not either directly or indirectly solicit, induce, recruit or encourage any of the Company’s employees or consultants to terminate their relationship with the Company, or attempt to solicit, induce, recruit, encourage or take away employees or consultants of the Company, either for myself or for any other person or entity. Further, I shall not at any time use any Confidential Information of the Company to negatively influence any of the Company’s clients or customers from purchasing Company products or services or to solicit or influence or attempt to influence any client, customer or other person either directly or indirectly, to direct his or its purchase of products and/or services to any person, firm, corporation, institution or other entity in competition with the business of the Company.

Exiting Employees – 4

- Enforcing a policy of restricted access makes identifying and protecting information in the possession of former employees simpler.
 - Extend the requirement to return information to third party confidential information in the employee's possession
 - Make the return of confidential information part of the exit process
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Other Additional Terms

- Acknowledgement of confidentiality
 - Acknowledgement of irreparable harm
 - Bond amount / waiver
 - Acknowledgement of ownership
 - Duration
 - Attorney's fees
 - Choice of law
 - Choice of venue
 - Plan for worst case scenario now
- 