

# THE C & D NEWSLETTER



**CITRON & DEUTSCH**  
A LAW CORPORATION

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August 2, 2006

## TRADE SECRET PROTECTION

A company's trade secrets are valuable and often provide a business with a competitive edge. However, not all information used by a business qualifies as a trade secret.

Under California law, a "trade secret" is a company's proprietary and confidential information, including: formulas, programs, methods, techniques, processes, designs, plans, business knowledge and operational information, customer lists, financial information, and business plans.

In order to qualify as a trade secret under California law, the information must:

- a) derive independent actual or potential economic value from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use, and
- b) be the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

A company should take affirmative steps to protect its trade secrets. Among the steps that a company can take are the following:

- a) advising employees of the proprietary nature of company information;
- b) educational meetings explaining what a trade secret is and how to protect trade secret disclosure;
- c) requiring employees to sign non-disclosure agreements;
- d) stamping documents "Confidential and Proprietary";
- e) using passwords to prevent access to computer files, encrypting information, limiting access to blank computer discs, and carefully disposing of computers which contain trade secret information;
- f) limiting access to specified areas to specified employees;
- g) using access passes to be able to track employee access;
- h) requiring visitors to wear badges identifying them as a visitor;
- i) requiring visitors to log in and out;
- j) requiring visitors to be escorted at all times while on company premises;
- k) conducting exit interviews with terminated employees to remind them of their obligation not to disclose confidential trade secrets; and
- l) requiring terminated employees to sign an acknowledgement form reminding the employee of the obligation not to disclose trade secrets.

An employee or other company that uses the trade secrets of another company may be liable under California's Uniform Trade Secrets Act, which protects against unlawful, unfair or fraudulent business practice and unfair, deceptive, untrue or misleading advertising.

*This complimentary newsletter is intended to provide general information. Because of the complexities and constant changes in the law, it is important to seek professional advice before acting on any of the matters covered herein.*