

**OVERVIEW OF AVAILABLE
REMEDIES FOR PROTECTING
TRADE INFORMATION**

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March 20, 2008

Trade secrets and confidential business information, as well as patent and trademark/tradename rights, may be among a company's most valuable assets. Because of the growth in technology and the ease with which information can be disseminated electronically, protecting such information can be difficult.

Outlined below is an overview of (1) pre-litigation measures for protecting important trade information; and (2) litigation remedies, including injunctive relief and damages.

I. PRE-LITIGATION PROTECTION MEASURES

A. Patent Protection

1. Utility Patents

- ◆ “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” (*See*, 35 U.S.C. §101).

2. Design Patents

- ◆ “Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.” (*See*, 35 U.S.C. §171).

3. Patent Search/Patent Application

- ◆ Drawings and specifications
- ◆ Full disclosure
- ◆ “Claims” defining coverage

B. Trademark/Trade Dress Protection

1. Trademark

- ◆ “any word, name, symbol, or device, or combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.” (*See*, Lanham Act, 15 U.S.C. §1127).

2. Trade Dress

- ◆ Trademarks which operate as “trademarks” via their distinctive “dress” of the product or service (i.e., packaging, configuration or color).
- ◆ Cannot involve “functional” product features

3. Trademark Registration

- ◆ Constructive notice of the right to national use
- ◆ Prima facie validity of the mark

C. Trade Secret Confidential Information Protection

Remember, the extent of the measures taken by a company to avoid the secrecy of information will be a factor to demonstrate that such information is, in fact, a “trade secret” or is “confidential

information” entitled to protection. (*See, Jet Spray Cooler, Inc. v. Crampton*, 361 Mass. 835, 840 (1972)).

1. Set forth policy for protection of trade secrets
 - ◆ Procedures handbook
 - ◆ Employee manual
2. Internal security measures
 - ◆ “Confidential” legends
 - ◆ “Need to know” rules
 - ◆ Electronic information restriction/retention
 - ◆ Electronic surveillance
 - ◆ Computer security procedures
3. External security measures
 - ◆ Third party non disclosure agreements
 - ◆ Password/code protection
 - ◆ Physical security measures
4. Employee Confidentiality Agreements
5. Employee Non-Compete/Non-Solicitation Agreements

II. LITIGATION – THE PRELIMINARY INJUNCTION

A. Patent Infringement

1. Preliminary injunctions generally difficult to obtain and are rarely granted.
 - ◆ In a recent decision by Judge Saylor, *Printguard, Inc. v. Anti-Marking Systems, Inc.*, U.S.D.C. No. 07-40256-FSD (January 16, 2008) preliminary

injunction was denied because defendant raised a “substantial question” as to validity of the patents. Judge Saylor applied the rule formulated in *Genentech, Inc. v. Novo Nordisk A/S*, 108 F.3d 1361, 1364 (Fed.Cir. 1997) that an injunction should not issue if the non-moving party raises a “substantial question” as to the validity of the patent, while noting “[a]n apparent tension between the ‘likelihood of success’ requirement and the ‘substantial question’ language of *Genentech*.” (See, *Printguard*, p.8, copy attached hereto as **TAB A**).

2. Permanent injunction is ordinarily granted once infringement has been established. See, *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 842 F.2d 1275 (1988).

B. Trademark Infringement

1. Preliminary and permanent injunctive relief statutorily authorized “to prevent the violation of any right of the registrant of a mark registered in the Patent Office.” 15 U.S.C. §1116.
2. Seizure orders or TRO under the Trademark Counterfeiting Act of 1984, 15 U.S.C. §§1116(d) and 1118 (i.e., can be used to seize “knock off” products infringing on trade dress).

C. Trade Secrets

1. Injunctive relief is often the most important and effective way to protect trade secrets. G.L. c.93, §42A (the “Massachusetts Trade Secret Act”) specifically authorizes injunctive relief.

2. Injunction must be reasonable as to time, geographic area, and subject matter.
3. Three (3) kinds of trade secret injunctions
 - ◆ Use injunction
 - ◆ Production injunction
 - ◆ Non-competition injunction (inevitable disclosure doctrine)

D. General Considerations for Injunctive Relief

- ◆ Reasonable likelihood of success on merits;
(NOTE, that in patent infringement case court may deny preliminary injunction if “substantial question” exists as to validity of the patent even if plaintiff shows reasonable likelihood).
 - ◆ Irreparable harm to the moving party if the injunction is not granted;
 - ◆ A balance of the hardships favoring the moving party; and
 - ◆ Public interest served by the injunction.
1. Success on the merits is critical.
 - ◆ Move quickly (delay can give rise to laches defense and increase of harm to defendant)
 - ◆ Technical experts
 - ◆ Be prepared for attacks on validity of patent/trademark/non-compete agreements
 - ◆ Be prepared to prove violation occurred (i.e., theft of secrets; competition; active solicitation of customers or employees)
 2. Irreparable harm

- ◆ May be hard to reconcile with damage claim
- 3. Suing the new employer
 - ◆ Advantages/disadvantages
- 4. Consider expedited discovery prior to hearing

III. LITIGATION – THE DAMAGE CLAIMS

A. Patent Infringement

1. Reasonable royalty
2. Lost profits
3. Treble damages and attorneys' fees for "willful infringement" (*see*, 35 U.S.C. §284)

B. Trademark Infringement

1. Lost profits
2. Loss of reputation and goodwill
3. Disgorgement of defendant's profits
4. Compensatory damages (i.e., cost of future corrective advertising, etc.)

C. Trade Secrets

1. Higher of plaintiff's lost profits, or defendant's profits (i.e., disgorgement) realized from tortious conduct. *See, Curtiss-Wright Corp. v. Edel-Brown Tool & Die Co., Inc.*, 381 Mass. 1, 11 (1980).
2. Reasonable royalty
3. Constructive trust theory
4. Punitive or multiple damages

- ◆ G.L. c.93, §42 (court may increase up to double)
- ◆ G.L. c.93A, §11 (court may increase to double or treble if “willful or knowing” unfair or deceptive acts)

NOTE: 93A may not apply to disputes involving employees, partners, shareholders, or joint venturers. (See, *Ray-Tek*, 64 Mass.App.Ct. at 170 attached hereto as **TAB 2**).

D. General Considerations for Damages

1. Lost profits must be proved “by a fair degree of certainty and accuracy.” *Ray-Tek Services, Inc. v. Parker*, 64 Mass.App.Ct. 165, 175 (2005), copy attached hereto as **TAB B**. In *Ray-Tek*, Judge Greenberg reversed the lower court where the lost profits calculation was “too speculative and unsupported by evidence to serve as the foundation of a judgment.” *Id.* The lower court inappropriately assumed that profits for service contract would run for eight (8) years where contract had existed for only six (6) months and was terminable by either party on sixty (60) days notice.

IV. LITIGATION/SETTLEMENT

A. Risks of Litigation

1. Patent invalidity
2. Trademark invalidity
3. Non-compete struck/modified
4. Can involve public disclosure of trade secrets
5. Affect on customers/employees
6. Counterclaims (antitrust/tortious interference/abuse of process)
7. Expense and costs

B. Creative Settlement Terms

1. Royalty/license arrangement
2. Modified production/use
3. Stipulated injunction
4. Technology sharing
5. Revenue sharing on customer business