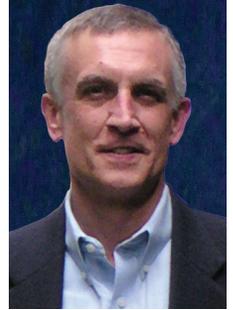


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Trade Secret practices changing due to first-to-file legislation

Just over a year ago, the U.S. aligned itself with the rest of the world on protocols for filing patents. Prior to that, the U.S. had been first-to-invent, which meant a patent could be contested if there was documentation showing another party actually invented the novelty beforehand but had not filed.

If a company invented something novel but had not filed, the invention could have been protected internally in a variety of ways. First, employee nondisclosure agreements and/or contracts can protect it, though these are not airtight. Second, a company can mark it “company confidential” or “company proprietary.” Those designations add another layer of protection by clearly designating the novelty as recognized company intellectual property. Finally, a company can designate it a trade secret. For intellectual property, the designation of trade secret is the highest level of IP protection short of actually registering it.

Additional protection methods include enabled publications and possibly provisional patents. But to keep it simple, let’s not address those here. Let’s focus on trade secrets and implications of how companies’ approach them now that first-to-file is in effect. Previously, companies had no worries if secrets became partially visible in discussions with colleagues, contractors, customers, suppliers, or in external venues such as industry and trade-association meetings. Companies could always rely on documentation to show first-to-invent. First-to-file muddies those waters, and some companies are changing long-held practices regarding trade secrets.

It is relatively easy for non-U.S. companies to deal with the new law. In fact, it might even simplify matters for them. They now have a uniform global standard and don’t need a separate set of procedures to deal with U.S. practices.

Global U.S.-headquartered companies are already familiar with non-U.S. practices and procedures. But there are a good number of small and medium-sized companies that are not yet global, and this change in the law introduces risk that they must manage. Individuals in these companies are already seeing changes, or will see them in the future. IP creators should also recognize the possibility that their company has changed, or will change, and has not told anyone.

Recent research conducted by GGI on North American companies captures the spectrum of possibilities. Thirty percent of companies indicate they are changing trade-secret practices. A quarter say they are not. Forty-six percent don’t know or are not sure.

Many changes being made are analogous to the types of steps taken in the past to streamline the processing and approval of engineering change orders. Here though, they are being made for increased protection.

1. Reduce the number of people involved with vetting the novelty.
2. Employ a spoke model, not a sequential model, to minimize the time the novelty is actively visible.
3. Crisp-up the decision process by holding one or two go/no meetings.
4. Reduce the number of final decision makers.

Additional changes being made are not practical for the IP that is in engineering changes but are worth the extra costs because trade secrets are valuable.

5. Remove the IP from the company network and keep it on dedicated hardware that has restricted access.
6. Compartmentalize the IP for a trade secret; do not store it as a unit that can be accessed.
7. Turn the descriptive name of a trade secret into a non-descriptive name or number.
8. Increase the number of authorizations required to access trade secrets on record.
9. Require those granted access to sign more stringent documents, super-nondisclosure agreements.

Trade secrets have always been important, and that importance is certain to grow in the years ahead. If you are a developer who ends up inside the loop of trade secrets, you should be proud. If you don’t, it is not the worst thing and likely increases your freedoms as you go about your day-to-day activities. **md**

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