



Maintaining Your Company's Competitive Advantage; A Guide to Protecting Your Company's Trade Secrets

By Tyler J. Oldenburg, Esq.

Whether a company is large or small, an employee who misappropriates a company's trade secret can significantly damage, and even ruin, the business. Every company is familiar with the situation - a valuable and trusted employee leaves the company and is working for a competitor or has started a competing business. While non-compete agreements can be effective in protecting a company, many employers, for a variety of reasons, may not have an employment agreement or may not include non-compete covenants in their employment agreements. Moreover, non-compete agreements are often insufficient to protect a company's trade secrets. A tool that is underutilized by employers, regardless of whether the employee is subject to a non-compete agreement, is Florida's Uniform Trade Secret Act (FUTSA), Sections 688.001 *et seq.*, Florida Statutes. The FUTSA prohibits the "misappropriation" of "trade secrets" and authorizes the holder of the trade secret to obtain injunctive relief against the former employee and to recover its damages caused by the misappropriation, which can include exemplary damages and the company's attorney's fees. However, the FUTSA will be of no use to an employer who does not take the proper steps to protect its valuable trade secrets. By following the steps below, an employer will be in a far better position to prevail on a FUTSA claim should court intervention be necessary.

I. Identify the Trade Secrets

An employer must start by identifying its trade secrets in advance and disclosing the existence of them to its employees. Generally, any piece of information can be considered a trade secret under the FUTSA provided that it: 1) derives independent economic value, either actual or potential, from not being generally known; and 2) is "the subject of efforts that are reasonable under the circumstances to maintain its secrecy." The employer bears the burden of showing that the information is a trade secret and that it took reasonable steps to protect it.

Generally, the first prong can be established by showing that the trade secret would provide some benefit to a competitor and that the trade secret is not publicly available. *Superchips, Inc. v. Street & Performance Electronics, Inc.*, 2001 WL 1795939, *5 (M.D. Fla. Dec. 6, 2001). This is a fairly easy standard to satisfy. The types of secrets protected under the FUTSA include formulas, client lists, supplier lists, marketing plans, manufacturing processes, designs, company pricing information, computer code, data, devices, methods, techniques, and any other kind of "business information." It is important to keep in mind that information that took time to accumulate, such as a customer list, can still be classified as a trade secret under the FUTSA even though it may contain publicly available information. *Unistar Corp. v. Child*, 415 So. 2d 733, 734 (Fla. 3d DCA 1982).

As the scope of the FUTSA can be exceedingly broad, it is an attractive cause of action for employers to pursue against its former employees. However, a company that has not identified its own trade secrets will have a harder time enforcing its FUTSA claim against an unsuspecting employee. Therefore, proactively identify the company's trade secrets and disclose their existence to the employees who will have access to them. If this step is followed, an employee will not be able to claim ignorance of the trade secret should a FUTSA claim need to be pursued.

II. Keep the Trade Secret a Secret!

In addition to identifying its trade secrets, an employer must take reasonable steps to maintain the secrecy of the trade secret. The "reasonable steps" required of an employer can vary depending on the trade secret involved and the company. While absolute secrecy is not required, every employer should institute security measures to protect its trade secrets. *PSC, S. A. v. PriceSmart, Inc.*, 2007 WL 2781021, *6 (S.D. Fla., Sept. 19, 2007). These steps should begin on the employee's first day and continue throughout his or her employment, including the employee's last day.

A. The Employee's First Day

Newly hired employees must be made aware of the fact that they will have access to their employer's trade secrets. This should be addressed in an employment agreement and/or in the company's internal policies and procedures, which should be disclosed to the employee on his or her first day. Require the employee to sign a memorandum of understanding in which they agree to abide by the company's policies. Specifically identify the trade secrets the employee will be exposed to and include a catch-all provision that includes the definition of a "trade secret" under Florida law. Inform all employees whether they are permitted to use or access the trade secret from remote locations. Finally, the agreement should also inform the employee of the "work for hire" concept. Many employees simply do not understand that, even if they created the trade secret, they cannot take and use the trade secret when they leave the company.

B. Security Measures

Develop internal policies and procedures that specifically address the company's trade secrets. These policies should limit who, from within the company, has access to the trade se-

cret. The days of locked doors and safes have been replaced with passwords and firewalls. Work with the IT department to limit who has access to any computer files that may contain trade secrets. Consider prohibiting remote access to the trade secret. If this is not practical, work with the IT department to ensure it cannot be transferred to a non-secure device or personal computer. Create a procedure for being able to track who has access to the trade secret. More importantly, periodically check who has accessed it and determine whether there is any suspicious or unusual activity.

Create an internal committee whose sole responsibility is to develop ways to protect the company's trade secrets. Be sure to perform annual training with those employees who have access to the trade secrets. This will enable a company to inform its employees of any new policies and procedures adopted by the committee and remind them of their obligations to maintain the secrecy of the trade secret. Encourage employees to become "whistleblowers" should they learn of a breach in the company's policies and procedures.

In certain circumstances, it may be important to develop security measures so that a trade secret is not lost by inadvertent disclosure to a cus-

tomers. Although an employer should avoid disclosing a trade secret to a client, in certain circumstances this is not feasible. However, the disclosure of a trade secret to a client will not automatically cause the information to lose its status as a trade secret provided that the appropriate steps are maintained to limit the disclosure. *See Liberty American Ins. Group, Inc. v. Westpoint Underwriters, L.L.C.*, 199 F. Supp. 2d 1271, 1285 (M.D. Fla. 2001). Therefore, consider including confidentiality and licensing agreements in all contracts with those client who may have access to a trade secret.

C. The Employee's Last Day of Work

An employee's last day of work is a vital opportunity to reiterate what was conveyed to the employee on day one. If the employee is willing, have them sign an exit form in which they agree that they are not taking any company property and will be bound by the company's policies regarding its trade secrets. While an employee is generally permitted to utilize the skills and knowledge they gain from a prior employment at a future employer, they cannot misappropriate a trade secret to assist them or their future employer. *Well-Care Health Plans, Inc. v. Preitauer*, 2012 WL 1987877, *4 (M.D. Fla. May

23, 2012). Finally, ask where they intend to work and monitor that company to determine whether it may be utilizing a company trade secret. Consider sending the new employer a letter informing them that the former employee was exposed to valuable trade secrets and is prohibited from using or disclosing such secrets. While contacting clients may also be appropriate, the company should be very cautious in doing so as this may open the door to a counterclaim.

D. The Power of the Water Cooler

It is no secret that employees talk to one another. This is a powerful weapon that can be harnessed so that employees become aware of the consequences for misappropriating their employer's trade secrets. As a trade secret, by definition, brings value to the company, employers should be willing to spend time, effort, and expense in protecting it. That includes seeking court intervention when appropriate. The thought of litigating against a company can be terribly daunting to an employee. By pursuing litigation, a company sends a strong message that it values its trade secrets and will protect them at all costs. This message will resonate loud and clear with all current and future employees.

III. Conclusion

Misappropriation of a trade secret can be devastating to a company. The FUTSA can be an exceedingly valuable tool to ensure that a company retains its competitive advantage. However, the success of any FUTSA claim may depend on whether an employer took proactive steps to protect its trade secrets. By instituting the above procedures, it will be far easier to prosecute and prevail on a FUTSA claim and to protect the valuable trade secrets that provide an employer with its competitive advantage.



Tyler J. Oldenburg is an attorney at Marks Gray, P.A. in Jacksonville, Florida. Mr. Oldenburg's practice is focused primarily on civil litigation in the areas of medical malpractice, automobile personal injury, medical liability, premises liability, professional liability, products liability and intellectual property. For more information on Tyler, [click here](#).