

How to manage trade secrets

What is trade secret metadata?

Donal O'Connell:

Metadata is a set of data that describes and gives information about other data. Metadata is simply data that describes other data. Meta is a prefix that in most information technology usages means 'an underlying definition or description'.

Metadata can describe for example:

- the meaning or description of the data;
- the origin of the data;
- where the data resides;
- which applications / persons may and do access the data;
- who is responsible for data integrity

Metadata summarizes basic information about data, which can make finding and working with particular instances of data easier. For example, the name of the author, the date created and the last date modified as well as file type and file size are examples of very basic document metadata.

Three distinct types of document metadata exist, namely administrative metadata, descriptive metadata, and structural metadata

- Administrative document metadata provides information to help manage a resource, such as when and how it was created, the file type and other technical information, and who can access it.
- Descriptive document metadata describes a resource for purposes such as discovery and identification. It can include elements such as the title, the abstract, the author, and keywords.
- Structural document metadata indicates how compound objects are put together, for example, how pages are organised to form chapters.

Of course, metadata is not unique to documents. Metadata may apply to images, videos, spreadsheets and web pages. Metadata can be created manually, or by automated information processing.

Metadata can provide meaningful and valuable information. One of the most important uses for metadata is to locate a resource but there are many other uses for metadata.

It is important to realize that metadata is simply data about data and not the data in and of itself. Thus, sharing metadata or even making metadata public is fairly safe as metadata alone does not give people access to the data.

The value that metadata can add to a company is often underestimated.

IP related metadata:

IP professionals are already very accustomed to dealing with metadata. A single patent for example has a large volume of metadata associated with it – patent title; number of claims; patent application number; patent priority date; name of the inventor(s); name of the patent attorney who drafted the patent application; classification codes; citation information; geographical coverage of the patent family; fees paid; grant date plus much more. The business case of a number of IP service and solution providers is based on having access to and manipulating patent metadata.

Many in the IP profession however are less familiar with the metadata associated with trade secrets.

Trade secrets:

A trade secret is defined as any information that is - not generally known; confers some sort of economic benefit on its owner; and must have been subject to reasonable steps to keep it secret.

Broadly speaking, any confidential business information which provides an enterprise a competitive edge may be considered a trade secret.

Trade secrets should be documented in paper or electronic form as many jurisdictions require this.

Examples of trade secrets include:

- WD40 – the ingredients in the spray
- Uber – their log of collection and drop off points
- Facebook - some of the data they hold
- Amazon – certain aspects of their supply chain
- Google – aspects of their search algorithm
- Coca Cola – the recipe for their syrup
- DuPont – the production process for Kevlar
- Apple – their new product roadmap
- KFC – their 11 blends of spices & herbs

Trade secret metadata:

Some mistakenly believe that because trade secrets are not registered, then the concept of trade secret metadata may not apply. Others mistakenly believe that because trade secrets are meant to be kept secret, then no metadata should exist.

RUBBISH!

Trade secret metadata summarizes basic information about the trade secret, which can make finding and working with this unique form of IP much easier.

Trade secret metadata may include such data as:

- The name or title of the trade secret
- The date that trade secret was created
- The person or persons who created the trade secret
- The physical location of the trade secret
- The legal owner of the trade secret
- The person or persons responsible for managing the trade secret
- The type of trade secret (technical, operational, process, financial, etc.)
- The persons with authorised access to the trade secret
- The value of the trade secret to the business
- The protection mechanisms in place to protect the trade secrets
- Whether the trade secret has been shared with a 3rd party or not
- The expiration date of the trade secret (if applicable)

I have identified over a hundred individual pieces of metadata associated with a trade secret and I continue to identify additional useful data points.

It should also be noted that trade secret metadata will change over time so it is imperative that historical metadata is maintained and that there is an audit trail.

The value of trade secret metadata:

As we've covered already, there are a number of forces which together mean that trade secret asset management is now becoming a business critical issue, and one which companies must address.

These forces include - legislative developments; finance & tax developments; increased network security & cyber-crime concerns; IP reform in key jurisdictions; the growing importance of corporate governance; more and more companies embracing openness; and the changing nature of employment.

Trade secret metadata is therefore growing in importance. Managing trade secrets without the associated metadata is practically impossible.

“Without data you're just another person with an opinion.” - W. Edwards Deming

Having a robust fit for purpose trade secret policy, process and system together with the associated metadata helps focus a company on its trade secrets, a focus that is often overlooked. They also help a company to have a structured conversation about trade secrets that allows them to focus on the information that is relevant to them.

As stated previously, it is important to realise that trade secret metadata is simply data about the trade secret and not the trade secret in and of itself. Thus, sharing trade secret metadata or even making some trade secret metadata public is fairly safe as metadata alone does not give people access to the trade secret.

Within an organisation, there are many who could benefit from having access to some trade secret metadata such as C suite executives given that trade secrets are some of the most valuable assets within the company, IT and Security given the issues with cyber security; HR given the many employee issues associated with trade secrets; Finance & Accounts given the financial and tax associated linked to such assets; Sourcing & Procurement as many trade secrets are indeed shared; etc.

Simply deciding to keep something secret is not sufficient. Trade secret asset management is about the policies and procedure, processes and systems, education and governance defined and taken into use to help manage such assets.

Having good quality trade secret metadata is crucial. Such metadata serves to provide context and/or additional information about these assets.

“You can have data without information, but you cannot have information without data.” – Daniel Keys Moran

I would argue that trade secret metadata is key. Without trade secret data, you have no trade secret information. Without trade secret information, you have no trade secret knowledge.

Let’s examine trade secret asset management in a very practical manner. Imagine that you are the in-house GC, CIPO or IP Manager of an operating company tasked to go and present to the C Suite Executives with an update on trade secrets within the organisation.

In this first example, the GC, CIPO or IP Manager lacks trade secret metadata.

Here is how his or her interaction with senior management is likely to proceed, and this is illustrated in the form of a Q&A session.

Duncan, would you mind playing the role of the executive asking the questions.

Duncan: Sure.

Duncan: Q1 / Do we have trade secrets in our organisation?

Donal: A1 / Yes of course. We definitely have trade secrets inside our organisation.

Duncan: Q2 / Could you possibly identify one or two without going into any details?

Donal: A2 / Hmmmm. Sorry I just can’t recall any specific trade secret at the moment. Brain freeze.

Duncan: Q3 / How many trade secrets does the organisation possess (an approximate number is good enough)?

Donal: A3 / Well, I am unsure of the exact number but we definitely have a large number of trade secrets dispersed across the organisation. It could be 100s if not 1000s.

Duncan: Q4 / Do you know who has access to our trade secrets?

Donal: A4 / Oh, lots of people. It changes regularly I would guess. Not sure where such details may be found. Someone within the organisation must be monitoring this but unsure who.

Duncan: Q5 / Have you ever shared any of our trade secrets with a third party?

Donal: A5 / No, never. ...(long pause)... However, on reflection maybe well yes. Given that we are not an island and interact with many others in our eco-system, I would say that we have definitely shared some of our trade secrets with others in the past. I am unsure which trade secrets we have actually shared and with whom exactly. Someone inside the organisation I guess would know. So yes some of our trade secrets have been shared. I pray to God that these third parties are protecting our trade secrets properly and professionally.

Duncan: Q6 / Have we ever been entrusted with trade secrets belonging to others.

Donal: A6 / No I doubt it very much. ...(long pause)... Well possibly yes. Definitely yes as some key partners and suppliers must have shared some of their trade secrets with us. Unsure who exactly, when exactly and what exactly but I would say yes. God only knows where such information is kept within the organisation.

Duncan: Q7 / Are our trade secrets valuable?

Donal: A7 / Yes of course. Absolutely. They are some of the most valuable assets we possess.

Duncan: Q8 / Have we ever conducted a valuation exercise of your trade secrets?

Donal: A8 / Ugh! I doubt it very much. It must be very difficult to value such type assets

Duncan: Q9 / Who is the legal owner of each of your trade secrets within our organisation given that we have a complex group structure?

Donal: A9 / Not sure. Actually, I don't think anyone manages this. I think we may need to find an owner for this.

Duncan: Q10 / Have you ever presented an overview of the company's trade secrets and its approach to trade secret asset management to the C Suite Executives previously?

Donal: A10 / No. You have never asked for such information. You are rather busy people and we do not wish to be bothering you with such details. I really hope that you do not start to request such information.

Duncan: Q11 / Have any of our trade secrets ever been stolen?

Donal: A11 / I seriously hope not.

Duncan: Q12/ Are you aware of trade secret laws changing in key jurisdictions?

Donal: A12/ What changes are these? Our external IP Firms have not mentioned anything to us about this, and they generally keep us well updated on any IP related developments, admittedly if such changes relate to patents or trademarks.

Duncan: Q13/ Are you aware that the tax authorities have now classified trade secrets as one form of intangible asset which should be properly managed?

Donal: A13/ I need to sit down. I don't feel that well.

Duncan: Q14 / Are you satisfied with trade secret asset management within our organisation?

Donal: A14 / I was until you started asking all of these questions.

In the second example, the GC, CIPO or IP manager is blessed to have good quality trade secret metadata available.

Here is how his or her interaction is likely to go and this is illustrated in the form of a presentation:

"Hello Ladies and Gentlemen,

I am here to update you about one of our most valuable trade secrets.

The trade secret in question is our epoxy coating process. It was developed by our chemical research group headed by Aidan O'Connor at our R&D Centre in Madrid in 2004.

Following a formal review in Sept 2004 involving business, technology and legal experts, the decision was taken to maintain this epoxy coating process as a trade secret rather than filing a patent application on this invention.

Originally this trade secret was documented on paper only and stored in a secure location within the R&D Centre. In 2010, this trade secret was converted to a digital format and it is now stored in encrypted format in a secure part of the network. A number of protection mechanisms are in place to protect this valuable trade secret.

Access to the trade secret is limited to a number of chemical experts in Madrid, plus a few chemical experts in two of our production facilities as this particular trade secret is used in our production process in our factories in Limerick in Ireland and in Manaus in Brazil.

This trade secret enables our production facilities to greatly out-perform our competitors in terms of energy use and environmental impact.

We have inter-group licenses in place between the relevant locations. These licenses focus very much on this trade secret, and we've utilised our best-of-breed IP license to protect this valuable trade secret.

Trade secret education and protection training is provided to all researchers at our R&D facility in Madrid. Training is also provided to all staff at our two production facilities. Furthermore, trade secrets are included in our entrance and exit interview check-lists.

We classify this trade secret as a 'process' trade secret in our register of intangible assets. This trade secret like all of our valuable intangible assets is reviewed regularly as part of our intellectual asset management (IAM) program. This trade secret was last formally reviewed in March 2016. Details of that review, the list of participants, and the actions agreed are available on request. We plan to conduct a thorough review of all of our trade secrets including this epoxy coating process trade secret during 1H 2018 prior to the enactment of the EU Directive on Trade Secrets on 9 June 2018 to sanity check if we need to react in any way.

This epoxy coating process trade secret has been shared with one of our key collaboration partners, a key supplier, named Kenmaro Inc. located in Fort Worth, Texas. We have a comprehensive legal agreement in place with this supplier. Our trade secret was first shared with Kenmaro in Jan 2010. We review Kenmaro's trade secret policies and protection schemes as part of our regular supplier audits.

There was a formal valuation of this trade secret together with other intangible assets belonging to the Madrid R&D Centre back in 2012. That valuation exercise was conducted by the IP Valuation Group (IPVG), and was done as part of an investment round. IPVG valued our epoxy coating process trade secret at 120 million USD. A copy of that valuation report is maintained by our Legal Function and is available on request.

Johnson, Mooney and O'Brien is the Law Firm we use to help and support the organisation when it comes to trade secret legal matters. This Firm was already supporting us in 2004 when our engineers first created this valuable trade secret. Our prime contact at that Firm is Peter Higgins based in their London office.

Thanks to Spanish innovation tax laws and in particular the Spanish Patent Box Tax regime which allows trade secrets to qualify as IP, the organisation benefits from a reduction in tax in Spain.

As part of our competitor intelligence activities, we monitor if other organisations have attempted to patent our epoxy coating process. To date, we are not aware of any such patent applications. We believe that our original decision to maintain this process as a trade secret to be the correct one, and we have sufficient evidence gathered to avail of 'prior user rights' if necessary.

Thank you for your attention. I trust that this overview of our epoxy coating process trade secret has been of value.

Do you have any comments or questions for me?"

Now which GC, CIPO or IP Manager would you rather be?

There's another really important factor to bear in mind. As trade secrets may be among some of the most valuable intangible assets within an organisation, the taxman is also becoming increasingly interested in understanding trade secrets as an asset, which we'll cover in the next video.