

## **Lessons From Thomas' English Muffins. Are your Company's Secrets Safe?**

For over one hundred years, Thomas' English Muffins has been making its english muffins with the famous "nooks and crannies." Until this year, Thomas' probably thought its secret to the muffin was safe. However, Chris Botticella, a former senior vice president for Bimbo Foods, the owner of Thomas' English Muffins, is involved in a lawsuit with his former employer after he accepted a job with its competitor Hostess.

So what is the big deal? People are allowed to change jobs, right? Well, Mr. Botticella happens to be one of less than ten people in the world with full knowledge as to how Thomas' gets the "nooks and crannies" into its muffins. Mr. Botticella is familiar with the Thomas' muffin trade secrets pertaining to the equipment used in production, the recipe for the muffins, as well as the baking techniques. Bimbo, concerned about Mr. Botticella sharing its trade secrets with Hostess, filed a trade secret lawsuit with the Philadelphia District Court. The judge in the case granted a preliminary injunction ruling that Mr. Botticella cannot start working for Hostess because of his extensive knowledge of Bimbo's trade secrets and it is "substantially likely, if not inevitable" that he would disclose Bimbo's secrets to Hostess. Mr. Botticella's attorney is appealing the decision. Other issues pertaining to this case which have not been confirmed are whether Mr. Botticella informed Bimbo of his intention to quit, if he continued to attend strategic meetings knowing he was going to work for a competitor, if he downloaded company secrets onto his personal laptop, and whether he would be involved in the production of muffins for Hostess.

Does your company have edgy new technology, a highly successful process, a new software application? If you've answered yes but do not have a patent or trade secret protection, your company could be at risk. According to the American Society for Industrial Security, companies are incurring enormous losses from the misappropriation of their trade secrets. A 2007 survey of 144 Fortune 500 companies was performed, and 60% reported actual or suspected losses of trade secrets. The survey respondents reported financial losses anywhere from less than \$10,000 to more than \$5.5 million. Not only did these companies suffer financial loss but also a loss in their reputation, image, goodwill, competitive advantage, core technology, and profitability

So what is a trade secret? It can be a technique, formula, concept, practice or compilation of information that gives your company a competitive advantage. Most importantly, to acquire trade secret status, the information must be kept secret.

What is not a trade secret? All information in the public domain; advertising literature; and technical specifications; operation manuals; and issued patents.

If your company has non-patented know-how or a new product concept, it is important to consider whether this information would be best protected through a patent or a trade secret. The following factors are helpful in determining whether your company has a protectable trade secret:

- To what extent is the information known outside of the business;
- To what extent is the information known by employees and others involved in the business;
- What measures are taken to guard the secrecy of the information;

- What is the value of the information to the business and its competitors;
- How much money or effort has been expended in developing the information; and
- What is the ease or difficulty with which the information could be properly acquired or duplicated by others?

Advantage of a trade secret - (1) trade secrets do not expire while patents are valid for only twenty years; and (2) unlike patents, to get protection, your company will not be required to file an application with the Patent Office disclosing information about the method or product to the Patent Office, which information eventually can become public.

Disadvantage to opting for a trade secret - (1) disclosure of the "secret" can destroy its value and ability to be protected; (2) no definite time period on how long company will have protection; and (3) others can reverse engineer the method or product.

Regardless of whether you decide to protect your company assets through a patent or trade secret, it is best to require employees to enter into non-compete and non-disclosure agreements. Non-compete agreements are very common, and an employer often requires its employees to sign this agreement to deter them from quitting to join a competitor. This agreement can be used to restrict the employee's participation in a certain market or industry after leaving the company. A non-disclosure agreement can also be helpful in protecting the company's assets. This type of agreement is also known as a confidentiality agreement and is a contract used to protect information considered to be proprietary or confidential. Parties involved in executing this type of agreement promise not to divulge secret or protected information disclosed during employment or other business transactions.