

**WIPO/IP/DYU/03/4**

**ORIGINAL:** English

**DATE:** October 2003



NATIONAL CENTER FOR PATENTS AND INFORMATION  
REPUBLIC OF TAJIKISTAN



WORLD INTELLECTUAL  
PROPERTY ORGANIZATION

## **NATIONAL SEMINAR ON INTELLECTUAL PROPERTY AS A TOOL FOR ECONOMIC DEVELOPMENT**

organized by  
the World Intellectual Property Organization (WIPO)

in cooperation with  
the National Center for Patents and Information,  
Republic of Tajikistan

**Dushanbe, October 14 and 15, 2003**

**USING TRADEMARKS, INDUSTRIAL DESIGNS, GEOGRAPHICAL INDICATIONS  
AND TRADE SECRETS FOR THE BUSINESS SUCCESS OF SMES**

*Document prepared by the International Bureau of WIPO*

## TABLE OF CONTENTS

	(paragraphs)
THE RELEVANCE OF INTELLECTUAL PROPERTY TO INDUSTRY AND BUSINESS	1
Business and Industry Cater to Practical Needs of Users or Consumers	4
IP Assets Affect the Profitability of Every Industry or Business	6
ROLE OF TRADEMARKS IN MARKETING OF PRODUCTS	9
Designing a Trademark	13
Brand Value	15
Protect Your Trademarks	17
Trademarks in E-Commerce	22
USING COLLECTIVE MARKS AND GEOGRAPHICAL INDICATIONS TO FOSTER BUSINESS SUCCESS OF ENTERPRISES	
Collective marks: The dynamics of joint efforts	23
Using geographical indications for the benefits of an entire region	26
THE POWER OF DESIGN FOR MARKETING SUCCESS	28
Design Management Basics	31
Legal Options for Protection	34
Nature of Design Right	36
TRADE SECRETS ARE MOST VALUABLE: PROTECT THEM CAREFULLY	39
Strategies for Staying Ahead	44
Defining Trade Secrets	46
Policy Framework and Best Practices	52
Means of Protection	56
Employee Relationships	59
Controls for Physical Access	61
Security in the Electronic Environment	62
E-Commerce Concerns	67
Take all Cases of Abuse Seriously	68
Trade Secret Policy Underpins Intellectual Property Policy	70

## THE RELEVANCE OF INTELLECTUAL PROPERTY TO INDUSTRY AND BUSINESS

1. Generally speaking, a core concern for any enterprise, big or small, is how to remain ahead of its competitors. It could do so by introducing a radically new product or service, but this is a rarity. Often all it takes is to make a small improvement to the quality of existing products or services as compared with those of its competitors. If it is able to do so, then a linked concern is how to maintain the quality consistently and how to market its products and services to consumers so as to develop a long-term customer loyalty. To make improvements and to maintain quality consistently and to communicate it effectively to the consumers, an enterprise invariably relies on use of new and/or original knowledge. Such useful knowledge has to be created either in-house by its own employees or it has to be obtained from others who may be willing to provide it, generally on payment of a fee or honorarium.

2. The primary key to successful management of such knowledge for business purposes is provided by the modern system of intellectual property rights (IPRs). The term IPRs refers to legal rights available in relation to such innovative or creative output of the human mind provided the necessary conditions or requirements are fulfilled. Once created, published, granted or registered, as the case may be, these rights are generally limited to the national boundary of the country concerned. The main types of such intellectual property rights are :

- (1) patents or utility models (for inventions),
- (2) trademarks,
- (3) industrial designs,
- (4) valuable undisclosed information or trade secrets, and
- (5) copyright and related or neighboring rights.

3. The acquisition of many IP rights (in general, those of the first three categories referred to above) requires an application to be filed in the prescribed manner before an office set up by the national government. This office may undertake an examination of the application before grant or registration of IP rights. Disputes concerning IP rights are resolved partly by the IP office but largely by the judicial system of the country, including use of alternative dispute resolution mechanisms, such as those of mediation and/or arbitration. Therefore, for any business or industrial enterprise, understanding the importance of the various components of the IP system and using it effectively, as an integral part of its business strategy, is a crucial necessity for success in the market place.

### Business and Industry Cater to Practical Needs of Users or Consumers

4. In response to customer needs, almost every product or service that we use in our daily lives gradually evolves as a result of a series of big or small innovations, such as changes in its design, or improvements that make a product look or function the way it does today. Take a simple product, for example, a pen. In many ways Ladislao Biro's famous patent on ballpoint pens was a breakthrough. Subsequently, many others have made various improvements and legally protected their improvements through the acquisition of patents or design rights. A trademark on a pen is also intellectual property, which helps a business enterprise to market the product and develop a loyal clientele by differentiating it from competing products of other enterprises.

5. And this is invariably the case with almost any other product or service in the marketplace. Thus, for a CD player, the business or industrial enterprise concerned would have obtained patents for its various technical parts and mechanisms. For its three-dimensional shape and surface characteristics that appeal to the eye, industrial design protection would have been taken by registering the new or original design. Similarly its distinctive brand name would be registered as a trademark and the music played on the CD player protected by copyright. For protecting any manufacturing secrets and/or other useful information for remaining ahead of the competition and for successfully running the business or industry, it would have relied on using the trade secrets route to safeguard its interests.

#### IP Assets Affect the Profitability of Every Industry or Business

6. Any industry or business, whether traditional or modern, regardless of what product or service it produces or provides, is likely to regularly use one or more IP assets, which it has itself created or has lawfully obtained from its owner. Therefore, it should also act to prevent others from encroaching on its due reward or free riding on its goodwill in the market place. This being the case, every industry or business should systematically take steps required for identifying, protecting, and managing its IP assets, so as to get the best possible commercial results from its ownership. If any business or industrial enterprise is intending to use an IP asset belonging to someone else, then it should consider buying it or acquiring the rights to use it by taking a license in order to avoid disputes and consequent expensive litigation. But in many instances, a business or industry may even come to grief for inadvertently violating the IP rights of others out of sheer ignorance of the IP system. Hence a basic understanding of the IP system has become a prerequisite for success in the marketplace.

7. Every industry or business, including an SME, needs a trade name, and often also one or more trademarks for advertising and marketing its products or services. In choosing or creating a new trade name or trade mark it must take great care in not getting into conflict with others businesses or industrial enterprises which may be already using, and having legal rights over, identical or deceptively similar trade names or trademarks. After a proper search, and selection, every industry or business should consider protecting its trade name and trade mark(s). Most enterprises have valuable confidential business information, from customers' lists to sales tactics that they may wish to protect. A large number would have created new or original, visually appealing and distinctive designs for its various products. Many would have produced, or assisted in the creation, publication, dissemination or retailing of a copyrighted work. Some may have invented or improved a product or service. In each of these situations considerable time and energy should be spent by the enterprise concerned to prevent possible legal conflicts with the IP rights of others.

8. In all such cases, the enterprise should consider how best to use the IP system to its own benefit, and at the least possible cost. It is worth remembering that IP assets add value by assisting an enterprise in almost every aspect of its business development and competitive strategy: from product design to product development, from service delivery to marketing, and from raising financial resources to exporting or expanding its business abroad through licensing or franchising.

## ROLE OF TRADEMARKS IN MARKETING OF PRODUCTS

9. Peter Drucker, a well-known management guru, said that a “business enterprise has two basic functions: Marketing and innovation. Marketing and innovation produce results; all the rest are costs.” These two basic functions guide the underlying desire of a business to make a monetary profit in the process of providing quality products and services to customers. Intellectual property plays a role in both of these functions, and specifically trademarks are of primary importance in the marketing process.

10. Every product in the market faces competing products that are often almost identical, similar or good substitutes to it. Meeting or exceeding the customers’ expectations is a challenging task, especially when tastes and preferences continuously evolve in a dynamic and competitive marketplace with too many look-alike products with more or less the same functionality. Only businesses that can meet these challenges can expect to develop and retain a loyal clientele. To develop trust, confidence and loyalty in its products, every business has to develop and maintain a distinct identity, image or reputation. Only then is it able to distinguish itself and its products from those of its competitors and, at the same time, provide a mechanism for linking the provider of a product to the valuable business assets of trust and goodwill.

11. In a crowded marketplace, this happens mostly through a distinctive trade name and one or more trademarks. These play a pivotal role in the marketing strategy in differentiating products from those of rivals at a glance and in developing a longer-term positive – and often emotional relationship – with customers by communicating and assiduously nurtured image or reputation. Every business must woo customers so as move them quickly from brand awareness, via brand recognition, to brand preference and finally to brand insistence, where the consumer refuses to accept alternatives and is willing to pay an even higher premium for the desired branded product.

12. The popular term used in marketing jargon ‘brand’ or ‘brand name’ is interchangeable with ‘trademark,’ the preferred term in intellectual property legal circles. Of course, a product brand or a corporate brand is a much larger concept than a mere trademark, as building a strong brand and establishing the brand equity of a business is a bigger challenge than choosing, registering, or maintaining one or more trademarks. Strong brands and successful branding generally refers to successes in terms of contribution to market share, sales, profit margins, loyalty and market awareness. However, the ultimate success of a brand is also judged in terms of the total value derived by the customer from the product to which it relates.

### Designing a Trademark

13. Businesses often use a portfolio of trademarks for diversifying their market strategy to meet the expectations of different target groups in the same or different countries. Building a strong brand image is no easy task. Use of trademarks for effective marketing of products requires an excellent knowledge of trademark law and practice at the national and international levels – seeking professional guidance becomes necessary, as this is a specialized task. However, a few basic elements must be kept in mind in designing a good trademark.

Trademarks should be:

- inherently distinctive,
- easy to memorize and pronounce,
- fit the product or image of the business,
- have no legal restrictions, and
- have a positive connotation.

14. A brand/trademark may be a word, letter, symbol (logo), number, color, shape or, where the legislation of the country so allows, sound or smell, or a combination of one or more of these elements.

### Brand Value

15. The value of brands varies across sectors of the economy and within the same sector as well. According to a recent survey of businesses in some developed economies, it represents just over 10% of the total value of the firm in the industrial sector, around 40% in the financial services and the automotive sectors and as much as 70 to 90% in the food or luxury goods sector.

16. In absolute terms the value of a brand, excluding the value of its other intellectual property and intangible assets, may be a phenomenal sum. Results from the Interbrand 2001 annual survey of the world's most valuable global brands in the box below clearly demonstrate this point. As such trademarks/brands are extremely valuable assets, which need careful handling, care, nurturing and protection; otherwise they may lose value, be stolen or simply be destroyed or lost.

### Protect your Trademarks

17. A major step in eliminating wasteful expenses and reducing risk is to register the trademark early so that it is legally secure and others cannot free-ride on it. This is often done well before test marketing the new product to avoid incurring expenses on advertising and other promotional activities just to discover the brand name is not available.

18. Some countries do provide a degree of protection to unregistered trademarks, but in most protection is contingent upon successful registration. Many countries allow registration without prior use, but the trademark may be cancelled if it is not used in the marketplace in relation to the product for a certain period of time. It is easier to deal with the willful free-riding (known as counterfeiting of a trademark) and with gray market products (so-called parallel imports) if the trademark is validly registered.

19. Applications for registration of a trademark are to be filed with the competent government authority of the country or region for which protection is sought. The Madrid system of international registration of marks gives the possibility to have a mark protected in several countries by simply filing one application with WIPO. At present, 70 countries (including the Slovak Republic) are member of the Madrid system.

20. Informed businesses take active steps to educate employees, dealers, distributors, newspaper editors, publishers of encyclopedias and the public that their trademark identify their specific products alone and therefore, should be used in a proper manner.

21. Another major step that must be taken by every business is to annually review its portfolio of trademarks to check whether timely action has been taken to register all trademarks in use or proposed to be used in the domestic or export markets, to record licensing of a trademark if required under the trademark law; to adequately control the quality of the product provided by a trademark licensee or franchisee; and to renew trademark registrations.

### Trademarks in E-Commerce

22. For businesses in e-commerce, the Internet opens a lot of new marketing opportunities, but it may also pose a number of challenges for the effective protection and enforcement of intellectual property rights, including trademarks. The use of trademarks as “metatags” and keywords, the infringement of trademark rights through the use of a sign on the Internet, the scope of protection of well-known marks and unfair competition in e-commerce are some of the controversial issues and challenges which any business on the Internet would have to prepare for and deal with much more often than through an annual review. Additionally, doing business via the Internet requires an Internet address, technically known as a domain name. In spite of their different function, domain names often conflict with trademarks. Businesses should, therefore, avoid using a domain name that conflicts with the trademark of another business.

## USING COLLECTIVE MARKS AND GEOGRAPHICAL INDICATION TO FOSTER BUSINESS SUCCESS OF ENTERPRISES

### Collective Marks: The dynamics of joint efforts

23. A collective mark is generally owned by an association or cooperative whose members may use the collective mark to market their products. The association generally establishes a set of criteria for using the collective mark (e.g. quality standards) and provides individual companies the choice to use the mark if they comply with such standards. Collective marks may be an effective way of jointly marketing the products of a group of enterprises which individually may find it more difficult to make their individual marks recognized by consumers.

24. The following hypothetical example may illustrate the use of a collective mark: A group of shoe manufacturers, making a particular type of shoes characteristic of a given region, form an association to jointly promote and market their products. While each manufacturer maintains its own trademark, they choose to adopt the collective mark IMPERIAL® to market their products collectively. All members of the association are entitled to use the collective mark as long as they produce shoes that meet certain specified characteristics. Once the mark is registered the members of the association choose to advertise the collective mark extensively in order to enhance consumer recognition. All the member of the association benefit from the collective marketing effort and may continue to use both their individual trademark as well as the collective mark.

25. In a number of countries, a distinction is made between collective marks and certification marks. Certification marks generally indicate compliance with defined standards, but are not confined to any membership. They may be registered by anyone who can certify that the products involved meet certain established standards. In many countries, the main difference between collective marks and certification marks is that the former may only be used by a specific group of enterprises, e.g. members of an association, while certification marks may be used by anybody who complies with the standards defined by the owner of the certification mark.

#### Using geographical indications for the benefit of an entire region

26. Geographical indications may be protected as such by virtue of special provisions in the national or regional intellectual property legislation and/or by collective marks or certification marks. Today, geographical indications are often defined as indications which identify a good originating in the territory of a country or a region or locality in that territory where a given quality, reputation or other characteristic of the good is essentially attributable to its origin. Geographical indications are usually protected against misleading and unfair use. A number of countries provide for a stronger protection of geographical indications for wines and spirits.

27. There are many examples for the successful use of geographical indications. One example, from a developing country, is the logo consisting of figurative elements and the words "Egyptian Cotton" developed to promote and increase of the export of cotton products from Egypt. In early 2001, the Egyptian Ministry of Economy and Foreign Trade, the Alexandria Cotton Exporters' Association and two leading textile firms in the United States concluded an agreement authorizing the latter companies to use the logo on their products made of Egyptian cotton in the United States of America and Canada. According to the Spring 2001 issue of the quarterly newsletter of the Development Alternatives, Inc., which was involved in the development of the logo, it was expected that the use of the logo, together with intensive promotion, would result in a twofold increase in the export of cotton and cotton products over a period of five years. Other examples for a geographical indications are "Ceylon tea" and "Champagne".

#### THE POWER OF DESIGN FOR MARKETING SUCCESS

28. It is not surprising that consumers attach particular importance to the eye appeal of shoes and clothes they buy, or the look and style of gadgets or cars. The appearance of an article certainly counts in making a first impression on a customer, and often plays a decisive role in the final decision to buy or not. Smart businesses take note of changing consumer tastes and choices to develop and deliver better products, both in functional and aesthetic terms. Design, therefore, makes a critical contribution to the overall corporate business strategy and success.



29. Effective use of design adds value to a product by creating variety in a world of commodities. Attractive designs help in differentiating between competing products and also in customizing and segmenting the market for a particular product, ranging from ordinary items such as locks, cups and saucers to potentially big ticket items such as watches, jewelry and cars. Creating higher perceived value through aesthetically pleasing industrial designs helps build trust and lasting customer relationships which translate into higher market share, better price and bigger profits.

30. Many companies have successfully redefined their brand image through strong focus on product design. Most senior managers recognize that design excellence brings stronger brand recognition and higher profitability. Forward-looking businesses create and choose appropriate trade names and logos to protect their corporate identity, brand image and the resultant competitive advantage, and also devote attention, in equal measure, to the creation and management of distinctive designs as part of their corporate strategy for identity and brand management.

### Design Management Basics

31. First and foremost, diligent design management requires cost-effective protection of valuable designs to prevent the look of the product from becoming a commodity and freely imitated by less expensive look-alikes. This entails timely registration of new, novel, or original designs at the national or regional design office.

32. The terms design, industrial design or design patent, when used in intellectual property law and practice, have a specific connotation. In most cases they refer to the eye appeal of – that is, the features of shape, configuration, pattern or ornament, or any combination of these features – of a finished article made by hand, tool or machine, as opposed to functional features which may be protected by other types of intellectual property rights, such as patents, utility models or trade secrets. In many countries, the requirement of eye appeal of an article of manufacture or handicraft has been modified to that of perceptible features of appearance, and the rule of novelty has been replaced or supplemented by an individual character requirement.

33. Designs may be two or three-dimensional. Examples of two-dimensional designs are textile, wall paper and carpet designs, and of three-dimensional ones are the shape of a toy, package, car, electrical appliance, mobile phone, piece of furniture or the shape and ornamentation of kitchenware. In certain circumstances, the features constituting a design may be the color, texture or material of an article. In some countries, computer icons have recently been protected as industrial designs.

### Legal Options for Protection

34. Good design strategy must compare the various alternatives for protecting industrial designs, as there are different legal ways to prevent unscrupulous competitors from unauthorized copying. Legal options may include one or more of the following: protection under industrial design law, copyright law, trademark law – as a two or three-dimensional mark – and unfair competition law. In some countries the protection of these different laws may be mutually exclusive, in others it is cumulative to varying degree. It is advisable to seek expert advice.

35. Industrial design issues affect various types of business decisions. For example, the type of protection and its cost or effectiveness may affect

- (1) which details should be disclosed to the designer, especially when the designer is employed by a contractor,
- (2) whether to undertake design development entirely in-house, or to contract or commission an outside agency or do it jointly;
- (3) timing of the initial use of a new design in advertising, marketing or public display in an exhibition;
- (4) if and when to seek or continue to maintain design registration;
- (5) if and when to initiate action against unauthorized/infringing acts of competitors, counterfeiters or importers;
- (6) if and when to license or partially assign a design; and
- (7) if and when to register the design in other markets for export or for exploring the potential of entering into strategic business alliances, joint ventures, setting up wholly owned subsidiaries, etc.

#### Nature of Design Right

36. Most countries require registration of an industrial design as a condition for protection. Registration gives an absolute right that excludes all others from using the design for making, importing for trade or business or selling any article in respect of which the design is registered, and to which the design or a design not differing substantially from it has been applied. This right is for a limited period of time and subject to renewal. The maximum term of protection is 10 to 25 years, depending on national legislation. In many countries, an industrial design cannot be registered as such if it has been used or published before applying for design registration.

37. Only the owner of a design, namely the creator/author (or – depending on the legislation and the context – his employer) or his successor in title may apply for and obtain registration for an industrial design. If a number of persons have worked together to create a design, then they must file for registration as joint owners – unless all of them are working under contract or commission. While the application must be filed with the office competent for the country or region for which protection is sought, the Hague Agreement concerning the international deposit of industrial designs offers the possibility of obtaining protection for industrial designs in a number of countries through a single deposit made with WIPO. At present, 30 countries are members of the Hague Union. The Slovak Republic, however, is not a member.

38. Basic information for filing an industrial design application and the possibility, where available upon request, of the deferred publication of a design, which may be critically important for marketing fashion articles such as textiles, clothing or jewelry, can be obtained from the respective national or regional office. However, the office will not prepare the application or conduct a preliminary search of existing design registrations, nor will it express an opinion about the aesthetic or commercial merits of a design or confirm in advance of filing whether it qualifies for registration. Hiring the services of a qualified agent is advisable for fully unleashing the power of a design in marketing, sales and other business transactions, including its valuation as an intangible asset.

**TRADE SECRETS ARE MOST VALUABLE: PROTECT THEM CAREFULLY**

39. “The Company relies primarily upon trade secret laws to protect its proprietary rights in its specialized technologies.” This statement accompanied Stantec’s announcement of March 4, 2002, of a record quarter and fiscal year-end results that mark 48<sup>th</sup> year of uninterrupted profitability. Stantec provides lifecycle solutions to infrastructure and facilities projects through value-added professional services and technologies.

40. All businesses have trade secrets. Some are so acutely aware of their importance that they make formal statements like the one of Stantec above. Most only become aware of them when a competitor asks to see their client lists and marketing plans, or merely to allow them to talk to employees and observe the way they do business. Only then does it become obvious that they have something valuable to protect. A growing number of successful enterprises realize that valuable information or knowledge is what gives them an edge over the competition. Original confidential information, knowledge and expertise, gives a unique competitive quality and identity that enables enterprises to attract customers.

41. Much valuable information may appear trivial and, therefore, may not be sufficiently appreciated. Many enterprises are also unaware that secret information is considered intellectual property – often referred to as trade secrets – and protected by legislation. Companies also face a perpetual struggle between developing lasting relationships with customers, stakeholders and suppliers which requires revealing more and more about their products, processes and systems and the need to safeguard valuable trade secrets, key to their continued success. Finding the right balance is an issue needing careful and informed handling.

42. Today’s business environment has increased the importance of trade secret protection for business by developing and implementing information protection practices that address the risks associated with a global marketplace, rapid advancements in technology and telecommunications, a mobile, highly skilled work force, networked strategic business relationships, including extensive outsourcing. Technology is changing so rapidly that trade secret protection is, in some cases, the most attractive, effective and easily available intellectual property right. As with all intellectual property, trade secrets can be valuable to a company's growth, competitive advantage and, sometimes, survival.

43. Trade secret protection is most valuable as it protects a business against tomorrow’s competitors who were its most valuable employees yesterday. Accordingly, there is need for awareness creation, commitment and above all leadership from senior management in companies to properly identify trade secrets and protect them as valuable assets.

Strategies for Staying Ahead

44. Tom Peters while discussing the issue of employees taking secrets to a competitor in his book, *The Pursuit of Wow!*, suggests that the trick for any sensible company to survive and thrive in is to keep topping itself – so that stolen secrets are secrets to *yesterday’s* success. Most companies would indeed find this a difficult feat to emulate.

44. Another strategy, ordinarily suicidal, would be to post business secrets on a website for all to see, copy and use. Interestingly, a start-up software company, Open Cola, posted a secret recipe for cola on its website as a marketing strategy to promote its software. This resulted in its selling substantial amounts of the 'open source' cola drink as an additional product through another company which advertises 'OpenCola' on its website. Such examples are exceptions to the rule that valuable business secrets that provide competitive advantage be properly safeguarded by all possible means.

#### Defining Trade Secrets

45. A trade secret is information of any type that is actually or potentially valuable to its owner, not generally known or readily ascertainable by the public, and for which the owner has made reasonable efforts to keep it secret. A trade secret generally has some cost associated with its development, and is not common knowledge in the industry. Even negative information, such as research options that have been explored and found worthless, can be trade secrets. Practically any type of technical and business information may be protected as a trade secret provided it meets these requirements; the following categories are illustrative:

- Data compilations, for example lists of customer and suppliers (the more information a list contains, the more likely it would qualify for trade secret protection);
- Designs, drawings, architectural plans, blueprints, and maps;
- Algorithms and processes that are implemented in computer programs and the programs themselves;
- Instructional methods;
- Manufacturing or repair processes, techniques and know-how;
- Document tracking processes;
- Formulas for producing products;
- Other data compilations such as certain databases;
- Business strategies, business plans, methods of doing business, marketing plans;
- Financial information;
- Personnel records;
- Schedules;
- Operating and training manuals;
- Ingredients of the product; and
- Information about research and development activities.

46. A trade secret may comprise of a combination of characteristics and components, each of which, by itself, is in the public domain, but where the unified process, design and operation of such characteristics or components, in combination, provides a competitive advantage.

47. Inventions and processes that cannot be patented can be protected under trade secret law. Companies rely on trade secret law to safeguard the details of research and development, including draft patent applications, and patent applications before their official publication or grant. Even after grant of a patent, the associated knowledge is protected as a trade secret. A newly developed but not yet published or used industrial design or even trademark may be a valuable confidential information.

48. Trade secrets can create an advantage over competitors in many ways. The right to use trade secret information can also be licensed or sold. Although trade secrets provide no protection against those who independently develop the trade secret information, trade secrets never expire as do patents, industrial designs and copyright. Enterprises may rely more on one type of intellectual property right than another in using the intellectual property system as part of their business strategy.

49. The American company Dell has a number of patents, some pending, on its unique business model covering the customer-configurable online ordering system, the method in which the system integrates with Dell's "continuous flow" manufacturing, inventory, distribution, and customer service operations in the United States. A patent may reveal a lot of valuable information to the competitors, but at the same time, it provides exclusivity in the marketplace. In 1999, Dell used its patent portfolio as collateral in a \$16 billion cross-licensing deal with IBM that provided Dell with lower cost computer components. This freed Dell from having to pay IBM several millions of dollars in royalties and further reduced Dell's cost of doing business.

50. Another American company, Wal-Mart, relies on the protections afforded by the law of trade secrets for protection of its business model, regardless of the fact that the law protecting secret information is often regarded as a relatively ineffective mechanism for protection against theft of proprietary information from past key employees to competitors.

#### Policy Framework and Best Practices

51. Every business would like to know the secrets of success of its competitors, including any proprietary information of commercial value. As confidential information and knowledge increasingly drives business success, companies are honing their policies and practices to safeguard confidential information of commercial value from accidental, inadvertent or willful misappropriation, misuse, sabotage, loss or theft. Competitive intelligence, industrial espionage and sabotage are facts of life that cannot be glossed over; therefore, secret information or data needs to be properly protected and managed for it to be leveraged for competitive advantage. Once confidential information is disclosed to competitors its value is lost forever.

52. Only with due effort to keep information confidential or secret does such an intellectual asset become a property which may be licensed as a trade secret or used to obtain protection for another type of marketable intellectual property asset. Inventions (protected by utility models or patents), trademarks, industrial designs, artistic or literary works and the like (protected by copyright and related rights), which have not yet been made public, are kept as trade secrets until used or published as such, or during the process of registration or grant of the relevant intellectual property right.

53. An enterprise-wide information security and protection program is essential for the protection of trade secrets. Such a program should have a wider scope beyond trade secrets to protect other types of secret information not having commercial value, such as medical records of employees, attorney-client communications, etc. It should also deal with issues of business continuity and disaster planning for the secure and continuing delivery of information during times of natural or man-made disasters. This step involves adopting a formal information security and protection policy. As many legal and technical considerations might bear on an information security and protection policy, companies should consult with legal and technical specialists to develop a suitable policy.

54. A basic step in developing and implementing such a policy and program is to identify and prioritize business secrets based on their value and sensitivity. This exercise is carried out periodically to review and update the findings, given the fact that value of information changes with time. Regular trade secret audits have emerged as an effective means of identifying, protecting and managing trade secrets, as they provide a basis for timely adaptation of the information security and protection system to the constantly evolving business environment.

#### Means of Protection

55. A common way of protecting trade secrets is through confidentiality or non-disclosure and non-compete clauses in an employment contract. In addition, an astute company has similar rules and requirements for protection of confidential information from contractors, consultants, vendors, customers, prospects, temporaries, interns, visitors, non-employees working on site, etc.

56. There is no government registration process in any country worldwide forcing enterprises to reveal their confidential business information to the authorities for obtaining trade secret rights. So, the cost of protecting trade secrets is largely the cost of putting in place an information security and protection policy and program in the company and the cost of monitoring, surveillance, audit and legal measures against insiders or outsiders who try to or succeed in breaching the security system.

57. So long as a company has made systematic efforts which are considered to be reasonable under the circumstances to preserve confidentiality or secrecy, it may take legal measures to redress the misappropriation of almost any kind of information of competitive value. It is illegal to acquire a trade secret of another if a person knows or has reason to know that the trade secret was acquired by improper means. Improper means include theft, bribery, misrepresentation, breach or inducement of breach of a duty to maintain secrecy, or espionage through electronic or other means. Reverse engineering or independent derivation alone shall not be considered improper means. Thus, a trade secret suit will not succeed if an aspect of a product's design or construction was easily obtained by examining an item purchased in the marketplace. Nor will a suit be useful against those who independently discover a secret process or compile commercially valuable information.

### Employee Relationships

58. Employee education is an important component of a corporate trade secrets program. A good in-house information protection program informs employees of a company's policies regarding non-disclosure, educates and trains all employees on the practical aspects of information protection by providing clear, consistent definitions of confidential information and specific examples from the work environment. It also includes a system for monitoring compliance and a process for audit, evaluation and continuous improvement.

59. It also specifies that when hiring, the company exercises caution to avoid allegations that a new employee has misappropriated trade secrets from a former employer. Newly hired employees receive a copy of the information security and protection policy along with a briefing on the subject, and they agree to abide by the policy by signing an acknowledgment to that effect. Periodic reminders of the policy and proper training in its implementation are necessary throughout the period of employment. Employees leaving the company are reminded of their continuing responsibilities in this regard and of the need to return any information or document that may contain trade secrets. They also sign a separation report attesting to the return of all confidential information and trade secrets.

### Controls for Physical Access

60. A good policy provides that physical access to a trade secret document depository, manufacturing or research and development facility requires a security pass. A well defined and clear system consistently marks and controls the distribution of documentation containing confidential or secret information. Access to such information is limited to key personnel and disclosed only after a written confidentiality or non-disclosure agreement has been signed. A good confidentiality agreement is detailed, direct and limits post-employment restrictions, if at all, in time and geographical scope.

### Security in the Electronic Environment

61. What is relatively easy in the physical world is much more complex when a company relies on computers, e-mails, instant messaging and web sites for sharing information and engaging in e-commerce. A smart company knows its information and information systems in order to protect them. It understands all the types of information available anywhere on the company's various computer systems.

62. The top management of an enlightened company has a working understanding of the different kinds of information that enter the system, what the system does with it, how it is stored, and when information leaves the system. Which employees have access to what kinds of information? How are employees prevented from accessing information without authorization? Are the internal barriers protecting different kinds of information secured? How are electronic archives created, accessed and protected? All employees are regularly reminded that on-line communications should receive the same care as written communications and that a trade secret requires the same protections whether using on-line, written or oral communications.

63. Electronic communications, however, are more likely to leave a trail of inadvertent copies that can be seen with special software tools or during maintenance of computer

systems. Every company should, therefore, have a system for encrypting and/or monitoring communication and employees should know that this is being done. A company should monitor only enough to obtain legitimately needed information and should stop once it has obtained sufficient information to establish employee behavior in violation of its information security and protection policy.

64. In a computerized workplace, consideration is given to the kinds of information needed for specific job functions and to conforming that the information system's internal barriers ensure that employees have access to only the information needed for their respective jobs. A centralized service assigns each authorized user with a unique password, to be protected and kept confidential by that individual, that is difficult to crack, changed on a regular basis and deleted when no longer authorized. A good in-house policy clearly states that all employees are strictly prohibited to access another employee's e-mail or voice mail and that violating this policy will lead to serious disciplinary action.

65. Electronic storage media with secret information/data in, such as diskettes, Compact Discs, and DVDs, should be physically segregated and secured in the same way as confidential or secret paper documents are done. Documents on such media, on hard drives of computers, and on secure central or network servers should contain a legend that shows up on trying to open the document indicating that the document sought contains confidential or secret information or data of commercial value. Technical measures, software and encryption techniques may be employed to restrict access to classified information on secure networks, and to prevent or track unauthorized access to confidential information.

### E-Commerce Concerns

66. Of the various concerns in e-commerce, protection of trade secrets is an important one. The main source of trade secret information created by a web site is the web server, which systematically registers every visitor to the web site, along with other information, which may be useful for developing business strategy and marketing plans. This becomes a real issue when a company uses an external web site hosting company. In this situation, such a company's directory on the web server often contains other information, data and programs that can constitute trade secrets, such as customized software. Therefore, every business should ensure that its external web site host is contractually bound to ensure that the data stored on its web server is adequately protected.

### Take All Cases of Abuse Seriously

67. Companies frequently overlook the problem of loss of trade secrets by acts of omission or commission of employees with computer access. This may have serious repercussions as employees of today may be tomorrow's competitors. Therefore, companies must take steps to protect themselves from the abuse of company information by errant employees. A coherent approach to controlling information may even provide a company with an enhanced set of legal defenses and affirmative claims against employees who abuse confidential information.



68. A farsighted employer treats every known abuse of its secret information seriously. If the facts establish that an employee has accessed company information without authorization, then such an employer never fails to take the appropriate disciplinary action, as failing to apply appropriate disciplinary measures to one employee is simply putting arguable evidence of discrimination into the hands of another employee. Moreover, the wrongful nature of the employee's conduct may provide an extremely potent defense for the employer, should the employee ever sue the employer. Thus, disgruntled current employees are not at liberty to surf the company's computer system looking for evidence to use against the employer in future or current discrimination litigation.

#### Trade Secret Policy Underpins Intellectual Property Policy

69. As enterprises rely increasingly on intangible or knowledge-based assets for creating and maintaining their competitiveness in the marketplace, as opposed to reliance on tangible or physical assets, their ability to create, deploy and strategically manage such proprietary assets is becoming a crucial factor for business success. Adequate and effective creation, protection, use and management of trade secrets is the starting point on the road to successfully developing, managing and integrating the intellectual property strategy with the business strategy of an enterprise.

70. More information on various aspects of the IP system of interest to business and industry is available on the website of the SMEs Division of WIPO at [www.wipo.int/sme](http://www.wipo.int/sme) and in its monthly Newsletter.

[End of document]