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**PROTECTING THE EMPLOYER
AND THE EMPLOYEE WHEN
THE EMPLOYEE KNOWS TOO MUCH**

It is common to blame the employee when secrets are taken, divulged, or used to the detriment of a former employer. Unfortunately the reality is that there are often actions that an employer could, but often does not, easily take to avoid potential problems. As a general proposition, employees do not want to do the wrong thing. However, when boundaries are not properly established, bad things can inadvertently happen. Problems with employees taking, using, or divulging an employer's secrets arise during employment, when an employee is getting ready to leave an existing employer, or when the employee is interviewing with, or starting to work for, a new employer. This section of our panel's paper will explore the role of employer's and employee's counsel in avoiding difficulty.

A. During Employment

Employees are generally not educated in the area of trade secrets. They are encouraged to know how to do their job, to be innovative in doing it, and to interact well with their colleagues. However, very few instructions are given with respect to employer property, proprietary information and trade secrets.. This is an area where employer counsel can be helpful.

Many employers distribute an employee handbook, obtain the employee's signature acknowledging that the employee has read it, and then do little to insure that the contents are

actually known by the employee. Rather than be passive in this critical area the employer should require the employees to periodically be lectured regarding their obligations and responsibilities with respect to proprietary information. Specific examples should be given of what is acceptable and what is not. One should not assume that the concept of employer property is understood. It needs to be carefully explained.

Employers may also improvidently rely on confidentiality or non-disclosure agreements to insure that its secrets are protected. While such instruments provide an enforcement mechanism, such documents have as their purpose remedying a breach; not avoiding it. It would be far better if such documents were accompanied by a full discussion on what employer property is, why secrets need to be protected, what kind of information constitutes a secret, and providing examples of the kinds of disclosure or use activities that are not allowed. With such a two pronged approach instances of violative conduct will be materially decreased.

The more steps that an employer takes during the term of the employee's service to maintain the need to protect the confidentiality of information the easier it will be for an employee not to make an inadvertent misstep. Remember, once the information has been divulged the damage is done. It therefore behooves an employer with genuine information worth of protection to take proactive steps and not to rely on punitive documents for a remedy.

The role of counsel for the employee is to always remind the employee that whether a confidentiality agreement is in place or not an employer owes a common law duty of loyalty to the employer and is not allowed to take action to the detriment of the employer. Divulging an employer's secrets is a violation of that duty. Counsel should explain the duty of loyalty to the employee and discuss what kind of disclosures/copying/taking are prohibited. Remember, dedicated employees tend to identify with their work and often come to see it as their own; their

creation; their property. Then need to be told that what they do for their employer belongs to their employer. You may see the concept as being one of common sense. Too frequently, however, the employee may not see things the same way as you. Why invite problems? Teach the concepts and stay problem free.

B. Preparing to Leave

Employers generally do not know when an employee is thinking of leaving and so the responsibility for providing good guidance falls to the employee's counsel. Employees frequently want to take examples of their work, either to show prospective employers or as forms for things they may need to do in their next job. They also may want to take contact lists and customer information so that when they start their next job they can hit the ground running. This is all understandable; but it also may be problematic.

Samples of the employee's work may contain work product that the employer does not want to be known by a competitor. Contact lists may be what the employer thinks of as its proprietary information, and customer information may be the essence of the employer's competitive edge. Employees need to be counseled to avoid problems, not to violate their obligations, not to invite litigation, and to do the right thing. Remember, the employee is paid for the work that is done by the employee. The work belongs to the employer. While the employee may have applied his expertise to the task, that expertise is precisely what the employer paid for.

When evaluating whether an employee may take forms, or work samples, for use in finding another job, or to use at another job, it is important to identify what the employer's expectation is projected to be with respect to that material. Some things, though employer property, the employer may not care about; or should not view as proprietary - they are publicly

available (such as articles published in a newsletter), copies are sent out as bulk mailings (such as catalogues or business promotional pieces), or other indicia of being non-proprietary.

Counsel should advise the employee fully and make a recommendation on the subject. One thing counsel may wish to suggest is that the employee ask the employer if he/she can use the material in a non-competitive context. Ask if it can be used to show third parties how to write proposals, or to explain ways of presenting data. In discussing such things the employee will get an idea of whether the material is seen as confidential or not without letting on that he is looking for another job. Of course, in circumstances where the employer knows that the employee is looking for another job it may be appropriate to simply ask for permission to use the material. Often, if the material is not proprietary, the employer will not care. One should not assume that the employer will be unhelpful.

C. Preparing to Go To New Employment

With a new job in sight there is a human tendency for the employee to want to impress the new company with how good he is. This can translate into wanting to have ideas, data, business, or information that can translate into positive recognition. It is common for employees to contemplate taking computerized data or to copy documents that will be helpful. Such a “taking” is seen as being reasonable since the employer gets to keep the originals and the employee is simply remaining in possession of data that he was always able to work with. The employee may rationalize that he really has the data in his mind and that the electronic copy is merely to avoid mistakes. What can be wrong with that?

This is the precise area where employer education and employee counsel’s advice, can intercede to do damage control. If the employer had engaged in a course of education so that the employee would understand who data belongs to the employer and why the data needs to be

protected by the employer it will be less likely that the employee will contemplate taking it. Likewise, on inquiry, when employee's counsel learns what the employee is thinking about appropriate advice can be given. Furthermore, if it turns out that data and/or documents has already been removed employee's counsel can be instrumental in returning it. While no one is happy when data is taken, its timely return can go a long way to avoiding difficulty.

Something for employee counsel to look out for is the new employer who has seduced the employee into taking data for use by the new employer. This is a problem which while not common can be deadly for the employee and the new employer. Such conduct is tortious interference, breach of the duty of loyalty, unfair competition, and criminal. Everyone should know that you cannot take someone else's property and use it against them. Whether they know it or not, however, sometimes the temptation is simply too strong and ones common sense gets overridden. This is where counsel needs to be alert and to intervene as early as possible. Early intervention can provide the foundation for unwinding the problem and minimizing the ultimate damage. Too many employees have had their careers ruined, and too many companies have had to pay substantial fines, because they have done the wrong thing. This is generally not the kind of problem that is overlooked, forgiven, or gotten away with.

D. Interviewing For the New Job

The job interview is an area that is too often overlooked when it comes to protecting against the loss of trade secrets. The new employer wants to inquire regarding the employee's knowledge and experience, the prospective employee wants to impress the new employer, and neither party wants to divulge or get secrets. How then can the new or the old job be talked about when what the employee does involves proprietary information, the new job will involve a type of work that may require use of that proprietary information, and there is a question of whether this employee can work with the new employer or not.

The new employer has to be counseled not to let the prospective employee divulge any secret information and not to divulge its secret information to the employee. The new employee needs to be counseled not to divulge any of the secrets he knows. And yet, somehow the parties need to find a way to communicate.

Here is when the employer needs to remember to tell his attorney of a potential problem and the employee needs to be alert to a potential problem and consult counsel. What needs to happen is for the two attorneys to collaborate and try to work out a mechanism for the required information to be exchanged without violating anyone's secrets. This may take the form of having the company list the general kind of data the employee will be working with and an expression of what the employee will be asked to do. If this does not turn up any problems, you can go from the general to the specific. Once you see where the problems lie you can decide how to address them.

If it seems like the analysis really needs an appreciation of the proprietary information of the employer and that the employee has the parties can consider retaining a third party, bound by a non-disclosure agreement, to whom all of the information will be given and the third party will then render a judgment as to whether there is a problem with the parties getting together or if there is a work around that is possible. A work around might, for example, involve giving assignments to the employee that do not involve the kind of information that is proprietary to the employee's former employer.

The employee should be encouraged, and counseled, to speak to his attorney, or to a high level person at the new employer, in the event that he is ever asked to do something that will comprise his duties to his prior employer. Surely the terms of the employee's hire should include the express dictate that the employee will not be asked to violate his obligations to a prior

employer. In addition, the employee should consider negotiating into his hire agreement a requirement that the new employer defend him in the event of litigation and provide compensation in the event that he is not allowed to commence or continue his employment.

CONCLUSION

The problem is not that an employee knows too much. Knowledgeable employees are prized and encouraged. The problem is that steps that can be taken to minimize the likelihood of a problem often are ignored. With proper attention to detail employees can transition between jobs, and employer's can have employees come and go, all without violations of trade secret obligations.

Philadelphia, PA
November, 2007