

Trade Secret

By Rumiana Brestnichka

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Trade secrets are still among the most valuable assets for contemporary business, although they appeared in the economic practice centuries ago as the first form of intellectual property (IP).

Their complex nature is connected with a subtle balance of interests – of their holders, of holders' employees and of society at large. Therefore they are interesting issue for corporate managers and lawyers, as well as for the general public.

The *Trade Secret* monograph by Rumiana Brestnichka is a rare attempt to provide a systematic and interdisciplinary presentation of trade secrets at the point of intersection of economics, strategic management and law. The author is a leading IP expert in Bulgaria, with a long-standing experience as a trademark examiner and attorney, researcher (University of National and World Economy) and lecturer in the fields of unfair competition, brands and trademarks, licensing and image transfer, and IP as a whole.

The ambitious purpose to present the issue within an interdisciplinary framework

becomes evident in book's structure at its very beginning. The introductory part presents a brief overview of the history of trade secrets and industrial espionage. It goes on with a brief historical account of legislative development in the field worldwide and an analysis of the theories of trade secrecy protection and its purposes. The monograph is further divided into five main chapters, two of which are basically dedicated to the judicial aspects of trade secrets and three – to their economic and strategic management aspects. The latter chapters also include legal issues, when necessary, as far as the division is often not possible or at least not efficient.

Moreover, the interdisciplinary approach adds an additional value to the analysis as far as “the puzzle (enigma?)” of trade secrets is hard to resolve within the set of instruments of a single science. Among the key questions that have been addressed in the book are: the conditions for protection of trade secrets, the meaning of secrecy as a concept, the business value of trade secrets, the adequate security measures in order to obtain protection, “the illegal means” for learning, disclosure and utilization of trade secrets, the functioning of trade secrets as a mechanism for appropriation of the profit from innovations, the choice between patenting of the relevant information and its keeping secret, the licensing of trade secrets.

It is also worth noting that, because of their complex nature, trade secrets are not among the favourite topics for academic analysis compared to other types of IP. Probably this is the reason for the initial citation of Robert Bone from Boston University School of Law to the effect that “trade secret is the ugly duckling of intellectual property.” (p. 3).

Another key characteristic of the monograph is its comparative approach, considering that it analyses the area from the perspective of global business and historical development. A good example for this is the section on the key terms in the field. This section offers a wide range of definitions of trade secret from the perspective of various legal concepts and traditions. Strictly speaking, the text covers the United States, Japan, Germany, UK, the EU, as well as the Agreement on trade-related aspects of intellectual property rights (TRIPS). The exposition continues with the analysis of the object and scope of trade secrets, which can be both technical and business information. The trade secret may include lists of customers, information for business operations, manufacturing methods, techniques and processes, chemical formulas, recipes, programs, algorithms, plans, sketches, projects, among other things. Another important part of the analysis in the chapter on the relation between trade secret and know-how, together with the comparison between the trade secrets and the other types of business secrets.

Profound attention has also been paid to the key element of protection – secrecy. It has been pointed out that it should not be absolute in order to get a protection, while at the same the information should be clearly defined, but not disclosed

to the general public. Therefore trade secrecy protection cannot be guaranteed for published information, as well as for information that has not been made public but is nevertheless but easy to spot. The suitability of protection for combinations of known elements and for known information is analyzed together with the trade secret - reengineering relation. The business value of trade secrets as another key element of protection has received attention too. Given that the burden of proof in this regard is often heavy, circumstantial evidence is also admissible, e.g. investments in research and development, measures for keeping the secrecy or the fact that the competitors tend to pay for access to the relevant information. Moreover, both the actual and the potential independent economic value are admissible. The secrecy measures are further analyzed as the next element of protection yet again from the perspective of different legal concepts. Furthermore, both their „reasonable“ level and their variety has been examined. The relative character of protection is subject to analysis as far as protection is only possible for illegal or bad-faith actions of learning, disclosure and utilization of the information.

Another issue in the monograph is the comparison of trade secrets with other mechanisms for encouraging of innovations. One of the possible means in this regard is the profit appropriation as an encouraging tool, which can be realized by two types of mechanisms – judicial and strategic. The first group includes the tools for limitation of the innovation diffusion as patents and trade secrecy, and the second – the lead time and complementary assets. All of them are analyzed in a comparative manner as well as from the perspective of their efficiency.

BOOK REVIEW

Special attention is devoted to the comparison between patents and trade secrecy. Initially the motives for and against the patents are analyzed, followed by the same approach to the analysis of trade secrets. Later on, criteria for comparison between the two forms of protection are defined and applied. They are divided into two groups - business and judicial criteria. The judicial ones are connected with the period of protection and the character of rights (lack or availability of exclusivity), while the business considerations pertain to the market life of the innovation, the economic value of the information, the likelihoods of re-engineering and of independent development, the type of the innovation, the difficulty and costs for keeping the information secret, the economic barriers for entering into the branch, the time for acquisition of protection, the economic effect from the loss of protection, the mobility of employees, the internal and external utilization of technologies, the taxation of the licensing revenues/ costs, etc. The issue of the choice between patents and trade secrecy is also analyzed from the perspective of possible complementary character of the information – the choice cannot be only between patents and trade secrecy. What is also relevant is which part of the information should be patented and which part should be kept secret. Moreover, logical and quantitative comparison is possible and described and the need for an integrated IP management approach has been highlighted.

Another important issue analyzed by the monograph is the monetization of trade secrets by the means of licensing. The factors influencing this process have been given due attention. These are the nature of

knowledge, the capacity of its absorption, the context of the source - recipient relation, the popularity (the degree of dissemination) of the information. The risks in the realization of such deals are also analyzed – the possible opportunist behavior of the parties and information asymmetry. The mechanisms for management of the license deal are further disclosed. They are divided into two groups – mechanisms before and after the signing of the contract. The first group includes the payment schemes and the preventive measures. And the second group contains the control, the re-negotiations and the dispute resolution opportunities.

Among the many merits of the book are the numerous examples from the practice of various businesses and the reality of different legislations too, which cover all issues. Together with them illustrative instruments are also used (charts, tables, diagrams, and other forms of visual aid.) to facilitate the comprehension and interpretation of the text. Intensive citation is at hand as well, adding value to the academic merits of the monograph and allowing further research for scientific and business purposes.

In a summary, the monograph is an impressive and successful attempt at an interdisciplinary investigation into the field of trade secrets, novel not only for Bulgaria but in international dimension too. It is useful not only for theoretical purposes, but also for the practical management of trade secrets in a real environment. As for its academic merits, whether or not it will comprise a separate course in the bachelor or master degree program, it will undoubtedly contribute to the development of knowledge and discussion in the interesting field of trade secrets.

Reviewed by Fanny A. Koleva, PhD