

Trade Secrets and Value in Collaborative Environments: SME Perspective

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OVERVIEW:

How do SMEs Protect and Share Trade Secrets?

- **Value** is important to Small and Medium Enterprises (less than 250 employees)
 - Trade secrets are important to **protect value** in firm's knowledge and innovations
 - Collaborating with others and sharing knowledge is important to **create value**
- How to share knowledge in collaborations while simultaneously protecting and creating value?
- Survey and Interview Findings



VALUE CREATION: WHAT TYPE OF TRADE SECRETS DO SMES HOLD AND SHARE?

“In this era of open collaboration, if you're not able to share your trade secrets then you're not going to get very far in your collaborations.”

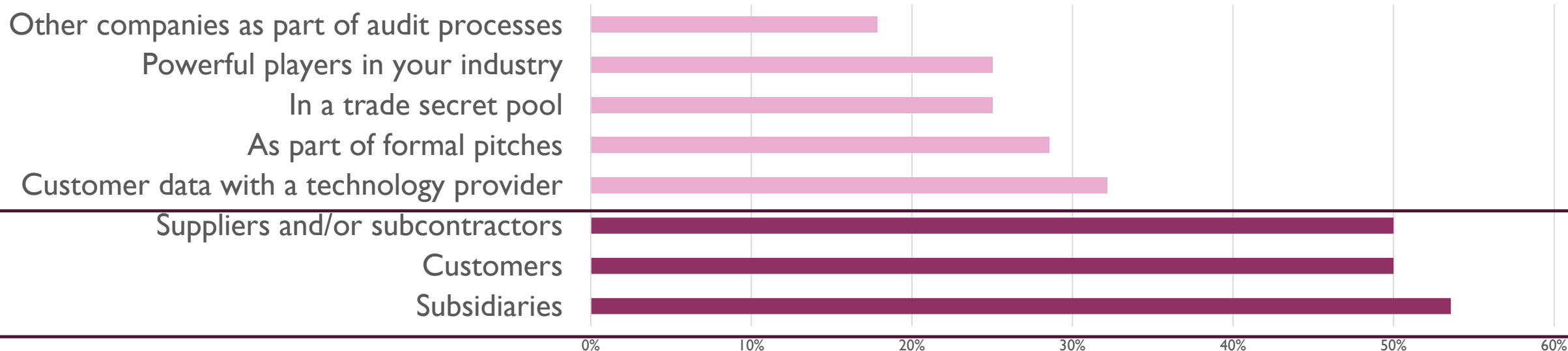
Interviewee

- Survey findings:
 - **Most popular trade secrets held by SMEs:** Data, Processes and Technological knowledge, and Market knowledge [+Trade secrets that could have been protected by other forms]
 - **Most shared trade secrets by SMEs:** Employee knowledge and Product/technology/R&D related information
 - **Least shared trade secrets:** Business confidential data, Market knowledge, Formulae and Software

VALUE CREATION: SMES SHARE TRADE SECRETS WHEN THERE IS A DIRECT BUSINESS BENEFIT

- Less likely to share trade secrets where direct benefits are less evident
- More likely to share trade secrets with business stakeholders for essential business purposes

Survey: With whom do you share your trade secrets?



VALUE PROTECTION: PROTECTING AND MANAGING TRADE SECRETS

- Majority of SMEs use **NDA**s to protect trade secrets in collaborative environments
- SMEs also rely on **trust** between partners as a form of protection

*“For relationships with **longstanding trust**, we don’t necessarily go down the non disclosure agreement route. For new customers, it is typically a NDA. If we have a customer we’re doing multiple jobs for, we might have **multiple NDA** to cover different aspects.”*

Interviewee

- Managing trade secrets can be **expensive**

*“A lot of people think trade secrets are free, but **trade secret protection isn't free**. You have to put a lot of protections in place and they could end up very costly compared to the protections you might be afforded, for example, by getting a patent protection.”*

Interviewee

VALUE PROTECTION: PROTECTING AND MANAGING TRADE SECRETS

- Restricted access and exit interviews

*“We offer restricted access on a **need-to-know basis**. Our systems are set up that only you know relevant people have access to particular folders where information is stored. ...Making sure that trade secrets get covered in **exit interviews** so that when the employee leaves, they are reminded and there's almost like a recording of that.”*

Interviewee

- SMEs offer training to employees to understand what a trade secret is and its protection, but less training is provided on misappropriation or valuations of trade secrets



DYNAMISM: TRADE SECRETS AND THE SME LIFE CYCLE

- As the SME grows, the balance between value protection and creation changes:
 - Initially the **individual** entrepreneur takes action for protection and sharing for creation
 - With growth, they need **expert advice** to understand the value of trade secrets
 - Eventually the firm needs **formal structures and processes** to reach balance

“As a **founder** you have a sense of what's important that might not necessarily reflect what is truly important from a legal point of view. [As we grew] We moved the dial significantly after involvement **with a third party legal team** who sat down with us and not only reminded us of what we have, but educated us on what we didn't realise we had...then with the further growth we had to **introduce several formal structures** and make careful decisions as to how to use our confidential information in collaborative environments”

Interviewee

HELPING SMES UNLOCK VALUE: POLICY AND PRACTICE IMPLICATIONS



- **Education** and awareness training for employees – on value creation and protection (Value may change dynamically)



- **Toolkits** for management

- Tools to help identify and value firm's trade secrets and make decisions on sharing
- Help to make trade secret management less cumbersome



- **Not a one-size-fits-all** solution

- Start-ups: need **support** and awareness
- Interim phase: need to understand the value of and when to get **expert advice**
- More established: need more structured and formal approaches, not protection but a **targeted** approach to focus on which trade secrets will generate more value and how to use protect, use and share

THANK YOU



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