

Electronic Alert

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Oregon Court Provides a Roadmap for Protecting Proprietary Information

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Although the Oregon legislature, like many other states, has constrained employers' ability to enforce non-competition agreements, employers continue to have the ability to protect themselves by adopting and enforcing confidentiality/non-disclosure agreements and non-solicitation restrictions.

On May 8, 2019, the Oregon Court of Appeals in *Pelican Bay Forest Products, Inc. v. Western Timber Products, Inc.* reviewed Pelican Bay's Employee Handbook which contained a "confidentiality policy" providing that information obtained by company employees during the course of their work belonged to Pelican Bay and was not to be disclosed to third parties. The company also required its employees to sign an "employee acknowledgement" in which the employees agreed to abide by these policies. When the employee left, he shared sensitive customer information with third parties which was used to lure customers away from Pelican Bay. As a result, Pelican Bay sent a cease and desist letter and ultimately sued for misappropriation of trade secrets and intentional interference. The appellate court reversed the trial court ruling and held that the company could maintain a claim for violation of the Uniform Trade Secrets Act (UTSA) and a claim for intentional interference with economic relations. The court also reversed an award of attorneys' fees to the defendants.

The *Pelican Bay* decision provides a road map for employers to protect their proprietary information:

- Make reasonable efforts to keep information confidential by requiring employees to sign a confidentiality/non-disclosure agreement, or set forth the confidentiality restrictions in an employee handbook and require employees to sign an "employee acknowledgement" agreeing to abide by the policies contained in the handbook. These restrictions may be implemented at any time, even if the employee was not required to sign documents at the time of hiring.
- Confidential information should be defined in detail to include customer information and all other sensitive information that the company wishes to protect.
- Remind employees of their confidentiality restrictions either during the course of employment or upon separation from the company.
- If the company learns that its proprietary information has been disclosed and/or is being used by third parties, then send cease and desist letters to the former employee and to third parties who are using the company's confidential information and trade secrets. This letter puts the former employee and third parties on notice that continued use of the information

to generate sales or other business activity makes them liable for misappropriation of trade secrets. After a company receives a cease and desist letter, the fact that they may have innocently acquired the trade secret information and may not have been on notice at the time that they initially used the confidential information does not provide a complete defense. They may be liable for any continued use of the trade secret information.

- Even if the departing employee does not take print copies of the protected information or retains it on electronic devices, both Oregon and Washington courts hold that any form of information, whether written or memorized, is immaterial. The UTSA safeguards trade secrets regardless of whether a person is able to take the information in tangible or intangible form.
- Employers should also require their employees to sign non-solicitation agreements restricting employees from soliciting the company's customers and soliciting co-workers to cease employment or enter into employment with a competitor. In general, the requirements that constrain the employer's ability to enforce non-competition agreements do not apply to implementation and enforcement of non-solicitation agreements. Thus, non-solicitation restrictions can usually be imposed midstream during an employee's employment even if they did not sign the non-solicitation restriction upon initial employment.

For questions on preparing non-disclosure and non-solicitation agreements as well as taking proactive steps to protect your confidential and trade secret information, contact Richard Hunt at rhunt@barran.com or (503) 276-2149.