

Protecting Biodiesel Trade Secrets Overseas

By Adonis Neblett and Richard Weiner

U.S. biodiesel companies already know how to protect trade secrets shared with business partners and customers on biodiesel projects in the United States. With the highly competitive nature of the industry, companies need to protect proprietary information.

Confidentiality agreements are signed with business partners and customers so they cannot disclose proprietary information to third parties. The information can only be used in connection with the biodiesel project. Non-competition agreements are signed with business partners and customers so they cannot use proprietary information in competing biodiesel projects in the United States. Some companies perhaps even sign license agreements with business partners and customers, allowing them to use proprietary information only in a prescribed manner.

Under some circumstances, companies may have up to 32 months before having to make a final decision as to where to file the foreign patent application.

Finally, companies sometimes file applications with the U.S. Patent and Trademark Office to obtain intellectual property protection—whether in the form of patents or copyrights—for proprietary information, so that third parties cannot use or copy proprietary information without consent. Even though these measures to protect trade secrets can be taken in the United States, such measures may not adequately protect trade secrets on overseas biodiesel projects.

Protection Across the Pond

Confidentiality agreements that would be enforceable in the United States may be invalid in foreign countries. The courts in many foreign jurisdictions will determine for themselves whether to enforce the provisions of a confidentiality agreement against corporations or individuals in their country. The courts will review the contents of the agreement to determine whether the obligations placed on their corporations or individuals are fair and reasonable. They will look behind the subject matter of the confidentiality agreement to determine whether duress or coercion played a role in the corporation's or individual's decision to sign the confidentiality agreement.

Courts in many foreign countries take the same approach to the enforcement of non-competition agreements, but are less likely to find them enforceable; especially if the foreign corporations or individuals are restricted from competing against the U.S.

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biodiesel company after the biodiesel project has been completed. Non-competition agreements are sometimes held invalid by courts in foreign jurisdictions on the grounds that they are void for public policy reasons. In other words, they are held to be unenforceable because they would restrict a foreign business partner or customer from earning a living in the biodiesel industry.

The enforcement of license agreements in foreign countries presents its own set of problems. Although license agreements are often found to be enforceable by foreign courts, thereby allowing one to restrict a business partner or customer to use the proprietary information only for the biodiesel project at hand, any royalties or other payments that the business partner or customer may be required to pay for the use of the proprietary information may be subject to corporate income tax in the foreign jurisdiction. Many foreign countries impose a tax on payments related to the transfer or licensing of technology from abroad. Licensing proprietary information to a foreign business partner or customer for use in connection with the overseas biodiesel project will usually fit into this category.

While confidentiality, non-competition and license agreements provide different types of protection for trade secrets, they may not adequately protect biodiesel technology

overseas due to the previously mentioned obstacles to enforcement. If concerned about these obstacles, consider filing patent applications abroad.



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International Patent Applications

Patent applications can be filed directly in individual countries and/or with an international patent application (commonly referred to as a PCT application), which allows companies to later file the same patent application in participating countries of choice. More than 130 member countries participate in the international patent process through various conventions and treaties. They participate individually or as part of regional groups, such as Africa, Europe and Eurasia. While a PCT application does not itself become a patent, it does preserve a company's future right to file a patent application in any country that is a party to these conventions and treaties.

Under some circumstances, companies may have up to 32 months before having to make a final decision as to where to file the foreign patent application. This period starts from whichever is earlier: the date of the U.S. application or the date of the first sovereign application.

If a U.S. patent application under a convention or treaty is filed first, the company has one year from that filing date to file a for-

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While there are potentially significant costs involved in filing patent applications, they can be managed by being strategic about where they are filed and focusing foreign patent applications on select aspects of the biodiesel technology.

foreign patent application.

PCT applications are an important cost management and strategic tool since they allow companies to monitor and evaluate markets, and make informed decisions about where to file. In the PCT application process, the company receives a preliminary assessment of, or determination on, the patentability of its biodiesel technology. This gives a sense whether there will be significant technical challenges to obtaining a patent or whether the path will be relatively smooth to patenting at least some aspect of the technology. This can be important information in deciding whether to incur the significant costs of filing patent applications directly in foreign countries.

If thinking about filing patent applications internationally, also consider what aspects of the biodiesel technology or trade

secrets might merit the financial investment of patent protection. If technology can readily be reverse engineered, it probably does not amount to much of a secret, and it therefore makes sense to seek patent protection. On the other hand, if the company believes that its confidentiality, non-competition and license agreements are sound and relationships with foreign business partners and customers are strong, it will want to weigh those factors against how easily competitors can reverse-engineer or design around the biodiesel technology overseas.

If only a U.S. patent application is filed, some competitors may be able to use the technology disclosed in the U.S. application to compete in foreign countries. This may be reason enough to file a PCT application or to file directly in a country where a company most wants to protect market share and competitive advantage. Keep in mind that, while not enforceable abroad, a U.S. patent may be enforceable in the United States against a U.S. company that participates overseas in the manufacture or sale of products covered by another company's U.S. patent.

Using the Primary Tools

When relying on confidentiality, non-competition and license agreements as the primary tools to protect biodiesel technology, note that in the course of implementing an engineering solution as part of a biodiesel project, you may be developing not only marketable technology but also patentable technology. While



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A primer on common trade secret terms:

The following are definitions of several common terms used during the protection of trade secrets in industry.

- ▶ Non-competition agreement: Usually a contract between an employer and employee that prevents the employee from competing against the former employer for a certain period of time upon termination. These are also common between business partners and customers to ensure proprietary information isn't used in competing projects.
- ▶ Confidentiality agreement: An agreement designed to protect trade secrets and expertise from being misused by those who have learned of them. They are typically between business partners and customers so propriety information isn't released to third parties.
- ▶ License agreement: This agreement grants permission to engage in a certain activity, or use proprietary information in a prescribed manner.
- ▶ Intellectual property: Any tangible asset that consists of human knowledge and ideas. Examples include patents, copyrights, trademarks and software.
- ▶ Patent: The exclusive right, granted by the government, to make use of an invention or process for a specific period of time.

there are potentially significant costs involved in filing patent applications, they can be managed by being strategic about where they are filed and focusing foreign patent applications on select aspects of the biodiesel technology. It is important to consider filing in countries where the company has significant or multiple biodiesel projects, where competitors have significant or multiple biodiesel projects, or countries that represent a new target market for business.

License agreements with foreign business partners and customers will have a different level of enforceability if the biodiesel technology behind them is protected by patents in the countries where the projects are located.

Protecting proprietary information overseas can be tricky business. Understanding the enforceability of contracts with foreign business partners and customers and obtaining patent protection in the jurisdictions in which biodiesel projects are located will help assess whether—and how much—proprietary information should be shared on overseas biodiesel projects. ■

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