



MacDonald Illig SIDEBAR

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SUMMER 2010 EDITORS

Lisa Smith Presta

Steven C. Beckman

Thomas A. Pendleton

MACDONALD ILLIG JONES AND BRITTON LLP

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Information, Please.

In today's technologically sophisticated business environment, there is a vast increase in the volume and complexity of information being produced, stored and shared in the workplace. Learning how to properly create, manage and protect that information is crucial to running a successful business. In this issue of the *MacDonald Illig SIDEBAR*, we discuss the challenges of managing data in the office, the importance of protecting your proprietary information, and the issues surrounding the creation of attorney-client privilege through electronic communications.

We hope you find this issue of our newsletter to be insightful and informative. As always, we welcome your feedback.

Russ Warner
Managing Partner

100 STATE STREET, SUITE 700
ERIE, PA 16507-1459
PHONE: (814) 870-7600
FAX: (814) 454-4647

Confidential Proprietary Information: Is Yours Protected?

Lisa Smith Presta

An employee tells you that he is leaving to pursue other opportunities. Two weeks later, you learn he is employed by a competitor and calling on your customers. Since he did not sign a covenant not to compete, you begin to mentally catalog the proprietary information

he could provide his new employer, and wonder - is any of this protected? In many instances, the answer is no, because the employer did not take the necessary steps beforehand.

In today's workplace, it is more important than ever for employers to protect their proprietary information. The disclosure and use of such information is an issue that often arises when employment ends or when an independent contractor is retained. To attempt to prevent the misappropriation of your business' proprietary information, consider three steps: identify it; protect it; and, enforce it.

Identify It

Protectable proprietary information consists primarily of trade secrets, confidential information and pre-patent developments.

Pennsylvania law defines a "trade secret" as information which derives independent economic value from not being generally known or not being readily ascertainable by proper means, and which is the subject of efforts to maintain its secrecy. Trade secrets have four primary characteristics: novelty, commercial value, continuity of use and secrecy.

Examples of what the courts have found to constitute a trade secret include the manner and method by which a bio-services company priced its services, a computer system developed for a former employer, and the processes and formulations used in producing pipe covering. Examples of what the courts have found did not constitute a trade secret include an educational business program that was marketed to the public and accessible through enrollment, financial data otherwise made public by a company, and pricing information that was already well known to third-party vendors. Customer or client lists have been found both to qualify and not to qualify as a trade secret, depending upon the particular facts.

"Confidential information" is information belonging to a business that is not publicly available in the form in which the business developed it or compiled it. While it may not enjoy the same protections as a trade secret, such confidential information may still be protected by contract and common law.

Protect It

Competition in business is jealously protected by the law. As a result, before protecting proprietary information, courts generally require that an employer demonstrate it took reasonable steps to ensure its confidentiality. Such measures can include the express labeling of confidential information; a printed prohibition against the copying of such information; the use of firewalls and password identification; the prominent display of copyright notices; and, the implementation of a document retention and destruction policy.

As a best practice, a formal, written confidentiality and non-disclosure agreement covering all employees and independent contractors should be adopted. This policy should be disseminated and signed by all current employees, and included as a matter of course in all new employee orientation materials. In addition, a covenant not to compete should be put in place for all key employees, keeping in mind that courts will closely scrutinize such covenants to ensure that they are "reasonable" and that valid consideration for the agreement not to compete exists.

Enforce It

Action may be warranted under common law, federal law and/or state law. The Pennsylvania Uniform Trade Secrets Act provides for injunctive relief and monetary damages for the actual or threatened misappropriation of trade secrets - meaning, acquisition by improper means. Keep in mind that a business is free to attempt to learn the trade secrets of its competitors via lawful means, including reverse engineering.

With respect to enforcement, time is of the essence. Don't wait until misappropriation happens - take action now to prevent it by identifying and protecting your trade secrets and other confidential information. Then, if and when you become concerned that a former employee has misappropriated protected proprietary information, investigate the matter immediately and contact your lawyer. By taking these steps, you will have placed yourself in the best position possible.

Just Between Us: Attorney-Client Privilege in Electronic Communications

Steven C. Beckman

E-mail correspondence is increasingly the lifeblood of business communication. Surveys suggest that up to 80% of all business communication is now conducted by e-mail. We certainly see that every day in our legal practice and suspect it is true for most of you. Despite the fact that we are all using e-mail on a daily basis, most of us have likely not considered the legal implications of the use of e-mail as the principal means of business communication, specifically issues of confidentiality and the attorney-client privilege. These concepts are often misunderstood by attorneys and clients alike. When applied to the more informal communication style that is e-mail, the issue of whether the e-mail communication is covered by the attorney-client privilege can be even more problematic. Furthermore, the tendency for e-mails to be forwarded multiple times, resulting in long e-mail threads, increases the difficulty of maintaining the attorney-client privilege.

We often see e-mails where the attorney is cc'd with the idea that this will somehow make the e-mail communication privileged and thereby not discoverable in future litigation. Simply copying correspondence to legal counsel does not, in and of itself, make that communication privileged. In general, in order to qualify for the protection afforded by the attorney-client privilege, the communication must be primarily for the purpose of legal advice, opinions, services or assistance by an attorney. This is true whether the communication is by e-mail or any other form. If the communication is not for one of the above identified purposes, merely copying it to your attorney and/or labeling it confidential is not sufficient to bring it within the scope of attorney-client privilege. Moreover, even if the original communication was privileged, forwarding it on to others increases the risk that privilege will be lost since the privilege may be waived depending on who receives it. To date, courts have only addressed the attorney-client privilege as applied to e-mails in a limited number of cases. Based upon this precedent, it is clear that the more limited the recipients of an e-mail and the more the correspondence is focused on legal issues, the greater the likelihood it will be covered by the privilege. For an informative discussion of how courts may apply the attorney-client privilege to e-mail correspondence, see *In re: Vioxx Products Liability Litigation*, 501 F.Supp.2d. 789 (E.D. La.).

Finally, regardless of whether confidentiality or attorney-client privilege apply, it is increasingly important to consider what you say and how you say it. Having reviewed thousands of e-mails related to both business and litigation matters over the past few years, I am frequently surprised at what individuals will say in e-mails that they would never write in an old fashioned business letter. Name calling, back biting, gossip, admissions of improper behavior, etc., are all frequently expressed in e-mails. Even where those e-mails may not be central to a dispute, they allow an experienced litigator to paint an unflattering picture of the individual or situation. E-mails of this nature can seriously damage a person's credibility and his or her overall effectiveness in a case. We are certainly all guilty of occasionally using e-mail as a less formal means of communication; however, in a business setting, it is important to remember that e-mail communications should be handled only in a professional manner. It never hurts to be reminded that an author should not say anything in an e-mail that he or she would be embarrassed to read in a newspaper headline.

Challenges of Managing Information in Today's Offices

Thomas A. Pendleton

The continuity and success of a business or non-profit organization depends upon the ability to manage information which is important to the organization. Current office technology makes it easy to create information, whether the information is found in a word processing document, a spreadsheet, a digital photograph, a technical drawing, a PDF file or a video. This article is the first in a series which talks about how an organization should manage the information and documents in its possession. This article will discuss why a document management and retention system is important. Subsequent articles will discuss what the contents of that document management system should be.

Managing information properly allows a business to become more efficient, to control costs and to reduce risks. Not only has the amount of information increased, the number of locations where stored has increased, as well. Ten or fifteen years ago, one or two copies of a document were probably stored in a file cabinet. Now, multiple copies of the same document can be found on a personal computer, on a camera phone, as an e-mail attachment and/or on an Internet website.

This multiplication of storage sites also increases the risks associated with document management. If information was stored in a file cabinet, a document could get lost or misfiled, it could get damaged by fire or water, or individual documents could potentially be taken by an unscrupulous employee.

The electronic storage of information makes it possible (or even likely) that the following events could happen. Large quantities of data could be deleted accidentally, information could get misdirected through improper e-mail addresses, or an unscrupulous employee could walk out with large amounts of information.

In addition to organizing information for business purposes, it is important to understand where information is located for regulatory purposes. Activities of organizations are monitored by diverse agencies such as the Internal Revenue Service, the Environmental Protection Agency, the Department of Health and Human Services and their state agency counterparts. If information cannot be readily located, in a best case scenario an audit by one of these agencies will become more expensive and time-consuming. If information cannot be found at all, the result could range from an adverse finding on the audit to the loss of a grant opportunity to a penalty imposed by the agency.

Properly maintaining information is also essential if a business becomes involved in litigation. Under rules currently applicable in federal courts and likely to be extended to state courts, a party is required to preserve information when either a lawsuit has been filed or is reasonably anticipated. If information is lost or destroyed while a lawsuit is pending or reasonably anticipated, courts have frequently imposed substantial monetary penalties and occasionally entered a judgment in favor of the opposing party to the lawsuit.

For all of these reasons, information and documents should be maintained in an orderly fashion and in a manner which allows them to be located and preserved when needed. The next issue of this newsletter will contain suggestions on how to create a document management system for your organization

Firm News

MacDonald Illig Partners Selected as 2010 Pennsylvania Super Lawyers

MacDonald Illig is pleased to announce that senior partners T. Warren Jones and Roger H. Taft have been selected as 2010 Pennsylvania Super Lawyers. The Pennsylvania Super Lawyers designation is awarded to only the top 5% of all Pennsylvania attorneys following a selection process that includes peer nominations, an evaluation of professional achievement, and independent research of the candidates. This marks the fourth consecutive year in which Mr. Jones and Mr. Taft have received this honor.

Mr. Jones is a trial lawyer who represents both individuals and insurance companies in significant personal injury cases and wrongful death actions both in the state and federal courts.

Mr. Taft is a principal trial lawyer at MacDonald Illig whose focus is employment litigation, including employment discrimination and wrongful discharge cases, and commercial litigation.

For more information about Super Lawyers, visit their website at www.SuperLawyers.com.

Shamburg Admitted to Practice in Florida

S. Craig Shamburg, an Associate at MacDonald Illig, recently became licensed to practice law in the state of Florida. Mr. Shamburg is a member of the Firm's Trusts & Estates, Business Transactions, and Tax practice groups. He is also licensed to practice law in Pennsylvania.

Mr. Shamburg received his Bachelor of Science Degree in Accounting from the Pennsylvania State University, University Park Campus in 2005. While at Penn State, he spent a semester working for a Certified Public Accounting Firm with an emphasis on partnership and limited liability company tax matters. In 2009, he graduated with honors from the University of Dayton School of Law. At Dayton, he was a member of the law review and the volunteer income tax assistance program.

Mr. Shamburg also serves as an Erie Ambassador through the Erie Regional Chamber and Growth Partnership.

MacDonald Illig Welcomes Summer Associates

MacDonald Illig is pleased to welcome the arrival of four summer associates: Ryan Watson, Jo Alspaugh, Jeremy Lightner and Michael Comstock.

Mr. Watson comes from Philipsburg, Pennsylvania and is currently a second year law student at Cornell Law School. Ms. Alspaugh is from Russell, Pennsylvania and is currently a first year law student at Case Western Reserve University School of Law. Mr. Lightner is from Fairview, Pennsylvania and is currently a first year law student at University of Illinois College of Law. Mr. Comstock is from Erie, Pennsylvania and is currently a first year law student at Georgetown University Law Center.

The summer associates will participate in a 12-week program designed to provide them with exposure to and experience in a wide variety of practice areas.

Community News

MacDonald Illig Attorneys Partner with Nonprofit Partnership for Quarterly Presentation Series

MacDonald Illig is partnering with the Nonprofit Partnership, a membership-based program that provides education, training, and tools to strengthen local nonprofit agencies, to provide quarterly presentations on topics ranging from Intellectual Property matters to Labor & Employment issues. The first presentation, "Intellectual Property, Collaborations, and Third Party Contracting" was conducted in early June. The next seminar in the series is slated to take place in September and will cover Labor & Employment issues. For more information about these seminars, click [here](#). To learn more about the Nonprofit Partnership, visit their website at www.TheNonprofitPartnership.org.

MacDonald Illig Contributes to Educational Improvement Funds

MacDonald, Illig, Jones & Britton LLP recently made a substantial financial contribution to support educational improvement funds at 14 area nonprofit organizations through the Pennsylvania Educational Improvement Tax Credit Program (EITC).

The funds were distributed among 14 organizations located within Erie County, Pennsylvania, including the Barber National Institute, WQLN Public Broadcasting, Sarah Reed Children's Center, Arts Council of Erie, Erie Philharmonic, Erie Playhouse, Erie Times-News, Americans for the Competitive Enterprise System, Foundation for Free Enterprise Education, Fairview School Foundation, General McLane Foundation, Inner-City Neighborhood Art House, Mercyhurst College, and Perseus House Charter School of Excellence.

The Pennsylvania Department of Community and Economic Development's EITC program provides for the funding of scholarship organizations, educational improvement and pre-kindergarten initiatives.

MacDonald Illig Attorneys, Staff Support Nonprofit Organizations

Since our inception more than a century ago, MacDonald Illig has remained committed to community service and involvement. To this end, our attorneys and staff give regularly of their time and talent to area nonprofit agencies.

For more than a decade, MacDonald Illig employees have participated in the Hooked on Books! children's reading program. Hooked on Books! is an organization of committed adults whose mission is to instill a knowledge and love of books in children whose circumstances may offer little opportunity to gain this knowledge and love otherwise. By evincing enthusiasm for reading and by carefully choosing appropriate books, the adult "reading pals" in the program open up for the children in the inner-city exciting new worlds of knowledge and imaginative power. To learn more about this program and how you can help, please visit the Hooked on Books! website at www.hoberie.com.

For the third consecutive year, MacDonald Illig is sponsoring the American Cancer Society's Relay for Life Walk. Our attorneys, staff and their family members are lacing up their sneakers and preparing to walk a few laps to raise funds at this year's event scheduled for July 23-24 at Fairview High School. To learn more about this event, click [here](#) to visit the Fairview Relay for Life website.

100 STATE STREET, SUITE 700	PHONE: (814) 870-7600
ERIE, PA 16507-1459	FAX: (814) 454-4647

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