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PERSPECTIVE

# What's different about early assessment in trade secrets cases

By Jordan D. Grotzinger

Litigants value early case assessment by their law firms for obvious business reasons. This exercise is uniquely important in trade secret cases, in which goals and strategies should be carefully defined at the outset to best protect the client's business and, sometimes, its most valuable asset. This article discusses the value of early case assessment for trade secret plaintiffs.

What is the goal? While protracted litigation followed by a trial victory may qualify as a "win" in many cases, companies trying to protect their trade secrets often have more immediate and less expensive goals. Thus, when possible, counsel and the client should specifically develop and define the litigation objective before filing, to both (1) focus the strategy, and (2) ensure a consistent budget. Goals in these cases can range from recovery of the trade secrets, to prevention of unlawful recruiting, to damages and beyond. Each goal can demand a very different strategy and cost, and should be thought out in advance for this reason. In addition to strategy and cost, the goal can inform which forum to choose. For example, if the objective is immediate recovery of misappropriated trade secrets (and subject matter jurisdiction and requisite extraordinary circumstances exist), the client can seek ex parte civil seizure in federal court under the Defend Trade Secrets Act. While not often granted, this federal remedy is not available under California's Uniform Trade Secrets Act.

*Protect the proof.* If a former employee misappropriated trade secrets, the early assessment should include carefully mapping out a forensic investigation. Quickly retaining a forensic expert who is familiar with all the former employee's devices and applicable communication and storage platforms — before the client's IT personnel access the devices — is key to preserve the evidence, document the chain of custody and enable counsel to piece together the proof.

Sufficiently identify your trade secret to be prepared for the "2019.210 fight," which always applies in California state court, and has been held to apply in some California district courts in DTSA cases, including the Northern District. Code of Civil Procedure Section 2019.210 requires trade secret plaintiffs to identify their trade secrets with reasonable particularity before discovery may commence. While not a pleading requirement, 2019.210 essentially functions like one, because the plaintiff cannot take discovery on the trade secret claim without complying. If necessary, the client should hire an expert to help develop and draft this identification and supporting declaration, where appropriate.

If trade secrets are not identified correctly, a 2019.210 dispute can delay the case for months and materially undermine the client's goal of a speedy resolution. Thus, counsel, the client and, where appropriate, an expert should develop an identification that allows the defendant and the court to determine how the trade secret is different from general knowledge and frame the scope of discovery. Sufficiency of the identification is fact-specific and determined on a case-by-case basis, with more complex trade secrets generally requiring more detail to identify. Counsel should avoid "soft targets" for defense arguments that the plaintiff's identification is insufficient, such as broad, "catch-all" language in the identification and diluting the identification with unnecessary attachments that make the trade secrets harder to pinpoint in the 2019.210 statement.

*Decide whether to seek provisional relief.* Temporary and preliminary injunctive relief is available under state and federal law for actual and threatened misappropriation, and plaintiffs should weigh the options carefully. The client's goals, if defined at the outset, should help inform the decision of whether to seek this relief. Counsel and the client should consider the chances of success and the risk of not moving for relief. Courts will review the usual factors when considering whether to grant a TRO or preliminary injunction, including the likelihood of success on the merits and the availability of damages. Risks of not moving include the potential delay of discovery related to the trade secret claim, based on a drawn-out fight over Section 2019.210 identification. If this dispute is likely to be lengthy, the value of provisional relief to protect misappropriated trade secrets may increase.

*Be prepared for quick discovery and move for expedited discovery where necessary.* The right expert can assist with identifying sources, deleted files and patterns of use that can lead to critical proof.

*Consider internal and external perceptions.* If the client is suing to protect a trade secret misappropriated by a former employee, counsel and the client should develop a communication plan to minimize harm to employee morale, especially if the former employee — a recent colleague of the current employees — is a defendant. External perception may be important, too. The client should think about the extent to which its key relationships, such as those with customers and potential recruits, might be undermined by an aggressive stance and tailor its litigation strategy accordingly.

*Be mindful of creating a record that can be turned against you in other cases.* The client should consider what happens if an employee of a competitor seeks to join the client and is accused by the competitor of misappropriating trade secrets. At every step, counsel and the client should try to avoid creating any kind of record that might be used against the client in the future.

Consider whether a criminal referral is appropriate, keeping in mind the prohibition of threatening to present criminal charges to obtain an advantage in a civil case. See Cal. Cal. Penal Code Section 502(d); 18 U.S.C. Section 1832(a).

Finally, develop and draft a target settlement agreement early. A routine template won't work in trade secret cases, where the devil is in the details. A carefully thought-out settlement agreement drafted at the beginning of a case can serve as a map to guide strategy and reverse-engineer the desired outcome, much in the way early assessment of these cases can.

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