

Jordan Grotzinger ([00:05](#)):

Welcome to the trade secret law evolution podcast, where we give you comprehensive summaries and takeaways on the latest developments and trends in trade secret law. We want you to stay current and ahead of the curve when it comes to protecting your company's most valuable assets. I'm your host Jordan Grotzinger . Hey, Kevin. Jordan. Hey, how are you? Good. How are you ? doing great. So you've got a trial coming up.

Jordan Grotzinger ([00:31](#)):

I do September 24, 24th, and today is the 10th. So two weeks. All right. So actually that I might need to, I guess I have a leave of absence. I have one uh that one day trials do take precedence, a pro bono case. It's a pro bono case. That's great. How long do you think it's going to last? It could be a month. I would guess three weeks to a month. We've got a lot of witnesses. They have a lot of witnesses that defendants to two different, uh, two sets of defendants. And, um, and we it's likely to go because of our clients an elderly woman and we're getting trial preference because of that. Well, good luck with that. And, um, yeah, if necessary, we'll, we'll rotate some other folks in as was the plan, but you'll definitely be back. And, and if you don't go again soon, good luck with the trial.

Jordan Grotzinger ([01:18](#)):

Thanks. Right. Obviously, you know, if it doesn't go count me in. Yep, of course. So I feel like we, there were a lot of cases to look at over these last two weeks, but part of our job in this podcast is to filter out the stuff that is too redundant, or I don't want to say obvious because you can always learn from these cases, but we like to focus on cases that have some sort of original twist or that emphasize really important points. And I felt like we had to go through a stack of cases this week where we'd really just be talking about the exact same things that we've addressed repeatedly, and that aren't that unique in terms of trade secret law. So, but again, that's, you know, that's part of the value of what we do. I hope, uh, we do that homework so that you listeners don't have to. So I think we're just discussing a couple of cases, but with some important principles.

Kevin Cole ([02:18](#)):

right now, I was going to say, I think that the listeners will actually appreciate what we did in terms of the filtering, because it really ties into what we discussed last week in terms of the pleading requirements and what as a plaintiff, you would need to plead in order to really show misappropriation of a trade secret or trade secret identification. And, and I think when we narrowed down the cases, we're really focusing on, on themes that we've highlighted and that are important.

Jordan Grotzinger ([02:41](#)):

That's right. And, and some of the cases we filtered out were actually pretty interesting. I don't know if you saw, but there was one that our firm actually handed out and we got a good result. And it was a, it was a long opinion with a lot of facts, but at the end of the day for purposes of a podcast and what I, the listeners want to learn, you know, it, it was mostly fact-based and, and just a couple of obvious principles applied at the end. So anyway, with that said, the cases that we are going to address today involve trade secret identification. And we talk about that in every episode, but the way I like to look at this one is this case about trade secret identification. I think contains a good explanation of what that really means. Um, you know, how it's not just pleading the elements, but what else you can plead or prove to support those elements. Uh, it's actually, uh, a broader concept than you might think of, uh, on, on first thought. So we'll address that issue. We'll address the issue of consent to disclosure and a case

involving the sufficiency or insufficiency of evidence of misappropriation to avoid summary judgment. So why don't we jump into the first case?

Kevin Cole ([04:00](#)):

So this is a case from the Southern district of New York in 2019, uh, the case involved, four employees who worked for a, uh, a plastic surgery practice, and they worked as patient coordinators, the, uh, the former employees, they sued their employer under the fair labor standards act. And then also under state law, the employer then filed counterclaims against those employees for violations of the defend trade secret act. And then the employer also sued under various, uh, Newark common lawn and other related claims the plaintiffs then in turn filed a motion to dismiss all of the employers counter claims.

Jordan Grotzinger ([04:37](#)):

So to support the counterclaim, the defendants essentially alleged the following in terms of trade secret misappropriation that the employees had acknowledged receipt of the medical practices, terms and conditions of employment, including trade secret protections that their jobs as patient coordinators gave them access to patient contact information that the employee started working for a competitor and referred cases to that competitor, and that they use the practices quote methods for advertising and communicating close quote in violation of their non-compete agreement.

Kevin Cole ([05:15](#)):

So Specifically in their claim under the defend trade secrets act, the defendants alleged that the employees misappropriated the employer's trade secrets by, and this is a quote from the opinion using their specialized training and skills learned by the medical practice, including their trade secrets, with respect to patient coordination, signing up patients, advertising and other techniques and, and quote, uh, with their new employer

Jordan Grotzinger ([05:43](#)):

And the court held, this was insufficient. And as we've discussed previously, while there's no specificity requirement, uh, for pleading trade secrets in the second circuit, the plaintiff still must plead their trade secrets, sufficient specificity to inform the defendants of what they are alleged to have misappropriated. So despite the lack of a specificity requirement, the leading pleading cases, Iqbal and Twombly, and I'll explain what those are briefly for the non lawyers listening require that the complainant have sufficient information about the alleged trade secrets, nature value, and measures taken to safeguard them and to support an inference that the information qualifies it as a trade secret Iqbal and Twombly are leading pleading cases that set forth the standard, uh, for pleading plausible cases in federal court. In other words, in plain English, um, allegations can not be too conclusory and they have to contain enough facts that push the claim across the line from, uh, essentially speculative, speculative, or possible to plausible. And so sort of a common sense rule, but enforced pretty strictly in federal court. So the court here is, is looking at Iqbal and Twombly and saying, even though trade secrets, don't have to be identified with specificity per se. They still have to meet that basic standard,

Kevin Cole ([07:15](#)):

Right? And just, again, those two cases Iqbal and Twombly, those are Supreme court cases. And just so everyone knows, these are not only within the context of trade secret cases. These are cases that come up and in that, uh, plaintiffs and defendants are looking at an any type of case. So that the court here though in the trade secret context is just referring back to those.

Jordan Grotzinger ([07:34](#)):

So the court said there's no one size fits all definition, but as we've also discussed in the context of some prior cases, the factors that the pleader should address include the following, and these are not elements of a trade secret definition. You know, the definition of a trade secret is, is just essentially any information or method or pattern or formula that is, um, secret that is valuable because it's secret. And that is subject to reasonable measures to maintain secrecy by the owner. So these factors do not speak directly to those, but they support them. And here they are the extent to which the information that is alleged to be a trade secret is known outside of the business. The extent to which the information is known by employees and others in the business, the extent of measures taken to guard secrecy, that one does relate to an element directly the value of the information to the business and to its competitors, the plaintiffs, or the trade secret owners investment in the information.

Jordan Grotzinger ([08:40](#)):

In other words, the amount of effort or money spent on developing it and the ease or difficulty with which the information could be properly acquired or duplicated with others. So these factors are not elements, and they go quite far beyond the sort of basic definition of a trade secret, but they all, they all support those elements and, and what they are essentially are really useful guidelines for the pleader to be thinking about, um, if they want to sufficiently identify something as a trade secret,

Kevin Cole ([09:12](#)):

right? And the problem here for the plaintiff or for the defendants was that they didn't address these factors at all. And they instead, and this is what the court said. They described the alleged trade secret at the highest level of abstraction. In other words, they didn't allege, and they didn't explain any of these factors to show why their information and what they were attempting to claim is protectable as a trade secret actually was a trade secret. And because of that, the court dismissed the claims with leave to amend,

Jordan Grotzinger ([09:40](#)):

right? And the claim that was dismissed, the counterclaim was that was dismissed, was the counterclaim for violation of the defend trade secrets act, which of course is the federal trade secrets act. Now the defendants and counter claimants had also alleged related claims in their counterclaim, not just violation of the defend trade secrets act, but they were state law claims. And because the defend trade secrets act claim was dismissed, the court declined to exercise supplemental jurisdiction, which has had the option to do over the state law claim. So the consequences of not sufficiently identifying the trade secrets, um, reached beyond just the trade secret claim, uh, that was the federal hook for the entire counterclaim. So all the state claims went away as well. Uh, you know, so I guess the moral of the story is if you've got other claims, the failure to identify trade secrets can have ripple effects like that, right.

Kevin Cole ([10:39](#)):

And it really shows how specific you need to be in alleging why something really is a trade secret, because as Jordan said, your other claims in this particular instance can, can go away.

Jordan Grotzinger ([10:49](#)):

Yup. The next case involved, this was a quite a beast of an opinion, um, involving an 11 year piece of litigation over an alleged joint venture that concerned the exploitation of technology that was designed

to create mobile apps and, uh, the trade secret issues, uh, lucky for the listeners. I don't want anybody falling asleep and driving off the road here. We're, we're pretty narrow. So we focus on those. So in sum, the parties that negotiated about this potential joint venture to exploit this technology and the defendants move for summary judgment on the plaintiff's California uniform trade secrets act claim on the grounds on two grounds that the plaintiff had consented to disclosure of the alleged trade secrets. And in any event there was insufficient evidence of misappropriation. So, um, the defendants move for summary judgment on that ground.

Kevin Cole ([11:52](#)):

So as to the issue of consent and that's consent to the disclosure of the trade secrets, the court noted that there can be no misappropriation of a trade secret where the trade secret owner actually consents to the other parties, disclosure. So all the plaintiffs here did not, uh, quote micromanage the defendant's principle and, uh, in trusted him to handle the, the technical side of the joint venture, uh, the parties understandings of the principal's authority deferred. So this, there was no issue of I'm sorry, there was an issue of fact then as to whether or not the plaintiffs had actually consented to the defendant's disclosure. And because there was that issue of fact, uh, the court couldn't grant summary judgment.

Jordan Grotzinger ([12:33](#)):

So they survive summary judgment on the consent issue, but as to the sufficiency of evidence of misappropriation issue, the plaintiff relied as as many plaintiffs do and have to, in these cases on circumstantial evidence claiming essentially that the defendant engineers made improper disclosures during certain meetings and presentations, which is a really typical way that trade secret claims, um, arise, protected, particularly in the non employment context, when you're making a pitch or you're trying to fundraise, and you have a confidential deck, uh, this is you see this all the time where, uh, somebody alleges, Hey, you, you disclose too much in that meeting. And, and, and the defendant, the ostensible defendant, um, misappropriated that information. So the court noted that because direct evidence is not always available in these cases. Plaintiffs can use circumstantial evidence to prove a trade secret misappropriation case. Um, and in fact, the court said, quote, in most cases, plaintiffs must construct a web of perhaps ambiguous circumstantial evidence from which the trier of fact may draw inference,

Kevin Cole ([13:50](#)):

Right? So the problem here and, uh, you know, Jordan is Jordan said, you know, you can sometimes, uh, use circumstantial evidence, but here the evidence wasn't sufficient, the court said that just because meetings took place, uh, for purposes of securing customers for the tech side of the business, um, that the parties were collaborating on that that did not support an inference of improper disclosure. And also the fact that a third party had developed similar tech also does not raise, um, plaintiff's claims above the speculative level. So on that basis, the court was able to grant summary judgment.

Jordan Grotzinger ([14:24](#)):

Okay. So as to the takeaways. Takeaway number one is that trade secret identification involves more than literally identifying the alleged trade secret. So we use that phrase all the time, trade, secret identification, and some cases address the issue in that literal sense. What are the trade secrets? Are they a customer list or a formula or an algorithm? Yes, you must identify those, but the concept of secret identification is broader and it is not, it should not be thought of as literal. You need to think

along the guidelines that the court and the second circuit set forth to support the elements of, uh, you know, that it's a secret that it's valuable because it's a secret and that you take reasonable measures to maintain it as a secret. All of those factors that the Southern district of New York discussed relate directly to those elements, uh, like the plaintiff's investment, uh, like who outside the business knows the information who inside the business knows the information, again, their guidelines to think about how to define your trade secrets that support them in a pleading or later like a summary judgment motion or trial.

Kevin Cole ([15:36](#)):

Right. And Jordan, actually, just one thing I thought of just adding to your takeaway, you know, we've the things that the second circuit is listing in terms of the factors in terms of showing a trade secret and what you need to allege. These are all the same themes that other courts, not just the second circuit in the Southern district of New York. We saw this in North Carolina. We saw this in, in Texas, you know, the courts are pointing to similar factors in same with California. So it actually really shows you that all of these courts are sort of viewing the pleading standard for trade secret and in a somewhat similar way.

Jordan Grotzinger ([16:05](#)):

Yeah, it's really helpful. And it's helpful because generally speaking, and with, uh, with a couple of exceptions, we're talking about a uniform statute. And so, uh, th that's why we're able to talk about nationwide law in this podcast and not just limited to say California, where we live, because all these cases are w while they may not be binding, you know, we, we couldn't cite that Southern district in New York case. And in one of our cases in California as binding authority, but if it's not at least persuasive authority, it is definitely a guide on how to think and support your claims. Right?

Kevin Cole ([16:44](#)):

So second takeaway, uh, if you're in federal court and your hook into federal court is the federal defend trade secret act. And if you don't properly plead that claim, then the court can dismiss other state claims that you might have for lack of subject matter jurisdiction. So again, thinking back to that Southern district of New York case, the plaintiffs were able to get into court in that case because in federal court, because they had alleged a federal claim and the court in certain instances, if there's a federal claim can exercise its discretion because, you know, it's not always easy to get to federal court and the court can hear state claims, but at the federal claim goes away. And if you don't properly plead that federal defend trade secret at claim, then your other claims might go away too. So th the consequences for failure to plead sufficiently can be, you know, more drastic than just losing one claim.

Jordan Grotzinger ([17:33](#)):

That's right. So if, if the defend trade secrets act is your only federal hook, your, your, um, your obligation to sufficiently plead becomes that much more serious because you lose more than the claim, right. Uh, if you don't do it, the third is that rather obvious concept, but we're thinking about, particularly in the way the court we discussed analyzed it it's that there can't be misappropriation if the trade secret owner consents to disclosure, and in the joint venture case we discussed, there wasn't really a resolution to that issue. The court just held, there was an issue of fact preventing summary judgment, because it wasn't clear on the record, whether the, uh, the party alleged to have consented actually did. So. So what does that mean as a practical matter, it should be kept in mind. And if there is consent, uh, to disclose trade secrets, it should be documented. Um, you know, if there was some written agreement or confirming statement about the consent here, it may be, the result would have

been different in that summary judgment motion, but it was too vague. So the court couldn't rule on it at that stage, right?

Kevin Cole ([18:49](#)):

And the final takeaway, this is also from that same joint venture case, is that a trade secret misappropriation can, as the court said, be based on circumstantial evidence, if it does actually support a reasonable inference of a trade secret misappropriation claim, but the claim and the theory, it can't be speculative. So for example, looking at that, uh, that case, uh, involving the joint venture, just because meetings took place where, you know, a trade secret may have been discussed, and the fact that some third party developer, you know, just happened to develop similar technology that was too speculative. And, and that didn't, that was not enough to get to circumstantial evidence in proving trade secret misappropriation,

Jordan Grotzinger ([19:31](#)):

right? And because those circumstances are so common in non-employment trade secret cases, you want to be careful about not just being satisfied. Well, you know, this was in a pitch deck, or we discussed X, Y, Z in a meeting, and therefore misappropriation must have happened. Even at the pleading stage. You really should try to be more specific and try to identify more to overcome speculation, right? That's it for this episode. So keep me posted on the trial best of luck.

Jordan Grotzinger ([20:03](#)):

And hopefully you'll be back soon. Absolutely count me in no matter what. Alright, bye everybody. Okay. That's a wrap. Thanks for joining us on this episode of the trade secret law evolution podcast as the law evolves. So will this podcast, so we value your feedback, let us know how we can be more helpful to you. Send us your questions and comments. You can reach me by email at GrotzingerJ@gtlaw.com or on LinkedIn. And if you like, what you hear, please spread the word and feel free to review us. Also, please subscribe. We're on Apple podcasts, Stitcher, Spotify, and other platforms. Thanks everybody. Until next time,

Jenna MacCabe ([20:44](#)):

Greenberg Traurig has more than 2000 attorneys and 39 in the United States, Latin America, Europe, Asia in the middle East GT has been recognized for its philanthropic, giving diversity and innovation, and is constantly among the largest firms in the U S on the law three 6,400. And among the top 20 on the AmLaw global 100 Content is for informational purposes only, and does not contain legal or other advice and or opinions for more information, please visit [B I T . L Y / G T law disclosures](#).