Jordan Grotzinger (00:05):

Hello, and 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. Welcome to episode four of the trade secret law evolution podcast. You know, if you listened to the last episode, our colleague Jenna MacCabe has joined the ninth circuit as a clerk. She'll be clerking there for a year and we will miss her greatly. But the good news is that other colleagues of mine will rotate in and out as hosts. And my first cohost post Jenna McCabe, and she will be back is my friend, Kevin Cole, who is an associate at GT. Kevin how long have you been working with us?

Kevin Cole (00:59):

It'll be three years in October.

Jordan Grotzinger (01:01):

time flies.

Kevin Cole (01:02):

It does, but in a very good way and very happy to be here.

Jordan Grotzinger (01:05):

Good, happy you're here too. So in this episode, we're going to follow the usual format. We are going to discuss only three cases, uh, this week and the points we're going to cover deal with sovereign immunity. The sufficiency of a showing that information is, or is not a trade secret for purposes of injunctive relief. And the issue we seem to address in every episode, which is trade secret identification. So the sovereign immunity case was an interesting one because it was a rather high profile. I would say this was a case by the DNC, the democratic national convention against the Russian Federation and others. The case was decided at the end of July of this year in the Southern district of New York, the DNC sued the Russian Federation and other parties based on the alleged hacking into the DNC computers and distributing stolen materials on WikiLeaks during the 2016 presidential campaign, you may have heard about that in the news. Um, the DNC asserted among other claims violations of the defend trade secrets act and the Washington DC uniform trade secrets act.

Kevin Cole (02:21):

So of course, one of the parties in this case as the Russian Federation, which is a country, so the court started its analysis by saying that in general, a plaintiff can only Sue a foreign sovereign and in this case, Russia, if soon as authorized by what's called the foreign sovereign immunities act and throughout its opinion, the court prefers this as the FSAA now the DNC, they relied on an exception to get around this. And generally what the foreign sovereign immunity act says is you can't Sue a country. And what the DNC said was, well, we're going to rely on this one exception called non-commercial tort exception. And that applies when, and, and I quote from the court's opinion, when number one money damages are sought against a foreign state for personal injury or death or damage to, or loss of personal property occurring in the United States that is caused by the tortious act or mission of that foreign state or any official or employee of that foreign state while acting within the scope of his office or employment. So as

you can see, the exception is really, it's, it's a very narrow exception, and it's really only intended for situations when the foreign state has committed some type of tort.

Kevin Cole (03:31):

So for example, what the court said is obviously if a foreign government or one of its agents, uh, was in a traffic accident or committed some other type of obvious tort, the FSII, would it apply?

Jordan Grotzinger (03:42):

Did you see lethal weapon Two?

Kevin Cole (03:44):

I saw number one.

Jordan Grotzinger (03:47):

Okay. All right. Well, at least you didn't say you're too young that I hadn't seen that. So lethal weapon two, I believe Andrew maybe you've seen lethal weapon two. That's the one where the South African government is the bad guy. And there's a scene where, uh, Mel, Gibson's kind of trailing this, uh, foreign diplomat from South Africa and the diplomat knows he's being followed. And just to flaunt the American police, he runs a red light crashes into a bunch of people and, and drives away waving as if he's immune and they don't do anything about it. And since then I always thought, Oh wow, you can, you can run somebody over if you're a foreign diplomat, apparently under this non-commercial tort exception that, um, that scene in that movie was not legally accurate, but the diplomats were listening.

Jordan Grotzinger (04:40):

I guess they have to be careful because yeah, on a more serious note though, uh, and despite the, the high profile, uh, nature of this case, it really relates to a topical subject in trade secret law, which is foreign immunity for trade secret theft, which is another subject that, uh, is very prominent now. Um, and, and related to, uh, a handful of countries, uh, about which, you know, so, uh, Russia argued that the noncommercial tort exception did not apply because the entire tort hacking, um, did not occur here, which is a requirement for the non-commercial tort exception. So the conclusion of the court was, uh, that the exception is not applicable even where a foreign government commits a tort abroad, even when that has direct effects in the U S so Russia essentially said, if this happened, some of it happened, maybe some of it happened here, but some of it happened abroad.

Jordan Grotzinger (05:49):

And for the non-commercial tort exception, you have to show that the entire tort occurred here. If it didn't, it didn't apply. And the court agreed with that argument, holding quote, this case is a far cry from jurisdiction over a traffic accident involving a foreign diplomat, which is the paradigm for the non-commercial tort exception. So that argument, uh, or rather Russia's argument worked, uh, and the DNC's argument on this exception did not .

Kevin Cole (06:19):

Right and what the court also said was when you think about commercial activity, uh, the, the exception only applies if there actually is commercial activity and here what we were dealing with or what the court was dealing with were cyber attacks. And the court said very clearly cyber attacks, just aren't, uh,

you know, what we think of when we think of private commercial activity, uh, that that's generally done in commerce and, and, you know, to say it even differently, if a country plans a strike in this case, a cyber attack, uh, against another party or against another country, that's a, that's obviously outside what we would normally consider as private commercial activity, right?

Jordan Grotzinger (06:59):

And so Kevin, you're referring to, uh, the commercial activity exception, which was the other exception that the DNC argued separate from the non-commercial tort exception and the commercial activity exception applies, quote, where the action is based upon a commercial activity carried on in the United States by a foreign state close quote, but that only occurs where it acts in the manner of a private player within the market. And as you said, Kevin transcend transnational, cyber attacks do not, uh, constitute such activity. Um, also the court said the commercial activity exception only applies to lawful activity. So it's really, you know, it could be entitled the lawful commercial activity exception. And since the alleged conduct here was not lawful, that exception did not apply either. And so, uh, the court, uh, said that Russia is immune under the FSI, and that relief should be sought by the political branches of the government and not from the courts.

Jordan Grotzinger (08:08):

So, um, it's an interesting opinion for companies that are worried about foreign trade secrets theft.

Kevin Cole (08:17):

So the next one is a case where really the focus here is about, uh, the showing that you have to make and identifying a trade secret. So the next case is a case from, uh, the Northern district of Ohio in 2019. Uh, this case involves a plaintiff who was a distributor of transmission parts and the, the plaintiff, uh, it's a company purchased assets, uh, out of Detroit and it had an office in Detroit, and then it hired as one of its regional managers, a certain individual who entered into a non-compete agreements, uh, that individual later, uh, went to work for a different company. And then ultimately as part of his work at that company went off and started a spinoff company that company hired former employees of the plaintiff in that case.

Kevin Cole (09:04):

So the plaintiff brought claims under Ohio's uniform trade secret act, and they moved for a preliminary injunction to prevent the defendant and its employees from disclosing what it claimed or its trade secrets. So the plaintiff's theory was essentially sort of a classic trade secret theory that the defendants rated, uh, the plaintiff, uh, company, and also relied on inevitable disclosure at the inevitable disclosure doctrine. That is because the defendants knew the plaintiff's customer information, business strategy, et cetera, they'll inevitably misappropriate those alleged trade secrets. And the court noted certain factors that the Ohio Supreme court considers when determining whether material rises to the level of being a trade secret, including the extent to which, uh, the information is known outside the business, of course, precautions to maintain secrecy, the quote savings affected and the value to the holder in having the information as against competitors close quote, and the amount of money spent in development and what it would take others to duplicate that information.

Kevin Cole (10:21):

Right? So when, uh, when a court is evaluating whether or not a preliminary injunction should issue, they run through a number of factors. And one of those factors is whether or not the plaintiff can show

a likelihood of success. And here the court argued that the plaintiff couldn't show a likelihood of success because much of the information that the plaintiff was claiming was a trade secret was publicly available. Uh, so, so for example, one of the things they pointed to was these former employees were relying on revenue information of its, of the plaintiff's customers. And the court said, well, actually, the, the plaintiff's office place, the revenues had been posted on plaques that hung in the office walls and revenues were announced at trade shows. So that information is obviously something that the company wasn't keeping secret. It was, it was advertising it. And also the customer lists and pricing lists, which is generally something that employers are claiming is, is a trade secret.

Kevin Cole (11:17):

Uh, the court pointed out that that information in this case was actually publicly available through Google and the company actually widely shared that information, right?

Jordan Grotzinger (11:25):

So, yeah, posting your, um, allegedly trade secrets statistics on, on plaques in your office does not quite meet the reasonable means to maintain secrecy test, which of course will be one of our takeaways. The court addressed the inevitable disclosure doctrine and noted that in Ohio, that doctrine is limited to where the employee quote with detailed and comprehensive knowledge of an employer's trade and confidential information has begun employment with a competitor in a position that is substantially similar to the position held during the former employment. And the court held that there was an insufficient showing of that here want to move on to the, uh, trade secret identification case. And Kevin, this is, as we talked about yesterday, this issue always comes up in the context of discovery and pleadings. And I think it's come up in every episode. So why don't we dig into that one?

Kevin Cole (12:25):

Sure. So this is a case from the North Carolina appellate courts in 2019, the plaintiff in this case is a title insurance company and the defendant as a former employee, who was an underwriter there. And as part of that employee's duties, they maintain client relationships and that particular employee, the defendant, uh, signed a non-compete and while still employed, actually that defendant started her own title agency and was allegedly soliciting clients in violation of the non-compete that she signed. So that the plaintiff corporation, it sued for violation of North Carolina's trade, secret protection act and, and other claims, and the court granted the motion to dismiss by the defendant.

Jordan Grotzinger (13:06):

Yes. And, and notable is the statute, the North Carolina trade secret protection act, not the North Carolina uniform trade secret act. As we mentioned, I believe in our pilot, uh, North Carolina is one of two States that does not adopt the USTA it's North Carolina and New York, although the laws are similar. So on appeal, the court of appeals recited the elements of a trade secret, which are similar to the elements under the uniform act and noted that quote, a plaintiff must identify trade secrets with sufficient particularity. So as to enable a defendant to delineate that, which he is accused of misappropriating close quote, and in making that determination, the courts, uh, the court of appeal said that they consider factors similar to what the Ohio court on the prior case we discussed. And a lot of courts following the USTA consider, including the extent to which the information is known outside of the business, the value of the information to the business and to competitors, cost of development and ease or difficulty with which the info, the information could be properly acquired or duplicate it.

Kevin Cole (14:20):

Right. And similar to the last case, uh, you know, we're dealing again with customer lists. And one of the things that the court said was that the customer lists here, uh, the plaintiff didn't make a showing that these were not readily available. And, uh, you know, as, as part of the, as part of the plaintiffs, uh, pleading requirements and what they had to show, they had to show that the information would not be readily accessible to the, to the defendant in this case. Uh, but for her employment and what the court said is the plaintiff didn't show that, uh, you know, there was nothing here showing that, uh, the, the lists that the, um, that were at issue here, weren't available through trade shows or seminar attendance lists, and because the information was readily accessible, it wasn't worthy of trade, secret protection.

Jordan Grotzinger (15:06):

And those are the three cases we address this week. And, and you'll note that, um, none of the plaintiffs prevailed. Uh, so here are our takeaways. Takeaway number one is that under the foreign sovereign immunities act, the non-commercial tort exception to sovereign immunity does not apply unless the entire tort occurred here. It doesn't even apply if there was tortious conduct abroad with direct effect here, the whole tort has to occur here for that exception to apply.

Kevin Cole (15:39):

Another takeaway, illegal conduct, can't satisfy the commercial activity exception. And again, when we think back to the case involving, uh, the democratic national committee in Russia, there, we were dealing with hacking and the court said, hacking is obviously illegal and illegal conduct does not fit within the FSIA requirements.

Jordan Grotzinger (16:00):

Take away three, is that to make a showing that material is trade secret or protected as a trade secret for purposes of an injunction, or generally in addition to supporting the elements of a trade secret, generally like the material has independent economic value and is subject to reasonable measures to maintain secrecy. It helps when you're pleading or proving this to explain things like the savings affected and the value to the holder of the trade secrets in having the information as against competitors and the amount of money spent in development and what it would take others to duplicate the information. None of those pieces of information are a part of the elements, but they are things to consider to support them and things that the court finds persuasive and things that the two courts, uh, in this case, um, found were relevant and lacking. So those are examples. There are many more and be creative, but those are sort of classic examples of how to support that material is actually trade secret. Things like that, not just concluding it has independent economic value, and we do stuff to keep it secret, back it up with specifics like that.

Kevin Cole (17:23):

Right? So similar to that in terms of, uh, you know, protecting trade secrets and what you have to do to really make sure that you are, uh, identifying something as a trade secret, if you want to keep something a trade secret, don't engrave it on plaques at your office. Don't talk about it at trade shows. And you'll, you'll think back to that case from Ohio, which is, uh, you know, exactly what was happening in that case where the, uh, the corporation in that case was at their business. Uh, they're placing information on plaques. They were talking about it freely at trade shows. If you're doing those two things, it's very hard to later come out and say that that information is protected as a trade secret.

Jordan Grotzinger (17:59):

And that kind of thing seems so obvious, but when you boil down a trade secret case, whether you're prosecuting or defending it, the principles, even though, you know, to stay current, there's a lot of reading. We read a lot of stuff to filter out what was important and then read these cases. But ultimately they boil down to really common sense principles like a trade secret. It's something that's actually, it's just a secret. It's valuable because it's secret. It's a secret. So don't publish it, don't put it on a plaque. Don't allege that something that can be assembled by Googling, uh, a trade show, attendance list, um, is a trade secret. Ultimately like a lot of laws, this is pretty common sense based, and, and that, um, that plaques, uh, you know, the statistics on the plaques example struck me as, as a good illustration of that.

Jordan Grotzinger (18:53):

Our next takeaway is that in Ohio, the inevitable disclosure doctrine, which we've talked about, and a lot of States, including our home of California, do not adopt in Ohio. That doctrine is limited to where the employee quote with detailed and comprehensive knowledge of an employer's trade secrets and confidential information has begun employment with a competitor in a position that is substantially similar to the position held during the former employment. So even though Ohio recognizes that doctrine, they tighten it up in that manner.

Kevin Cole (19:29):

Another takeaway, and this gets to what Jordan was saying in terms of, you know, sometimes the law can seem so obvious in terms of what you need to do to protect a trade secret, but, you know, courts are out are clearly, you know, dismissing cases and, and they're constantly needing to remind people what you need to plead in order to prove a trade secret. And as another example of that, if you are pleading and, and you're attempting to prove that something's a trade secret, one of the things you need to do, and it helps to explain why that information can't be duplicated by other people or through public means. So for example, if a company is claiming that a customer list is protectable as a trade secret, and as we saw today, they released two cases where that claim was made. And that seems to be a pretty common claim. Uh, you know, you'd have to show that that information is not something that can be duplicated or available through other public means. So for example, if that same information is available through a trade show, attendance list, or through a convention or something like that, it would be very difficult to show that that information is protectable as a trade secret.

Jordan Grotzinger (20:32):

And finally, um, as I mentioned, our final takeaway is that these cases are hard. They can be hard to win. None of the plaintiffs prevailed in these three cases. And so taking all of the factors that the courts considered in finding that the plaintiffs here didn't make sufficient showings, um, you gotta be careful follow those factors, be creative and, and really build, uh, support for the elements of trade secrets. Using some of those factors that aren't in the statute. But again are common sense based like how much did you spend on developing this thing? How much time did you invest? How hard is it for competitors to duplicate? That's not in the statute, but it's common sense stuff that courts look at to see if you've made a sufficient showing. And so, um, trade secret cases are, have to be built carefully. And as we always do, uh, we look at every case that about trade secrets, nationally, that came down since the last episode, we don't talk about every one, because some of them just make points that are obvious that there's really no wrinkle or anything worth discussing.

Jordan Grotzinger (21:45):

And part of the value we're trying to give to you, the listeners is we filter that stuff out. We do the homework, we read the stuff, decide what you probably want to know if it's your job to know this stuff, or if you're interested in it. And these are the cases we decided that were worth discussing. So hope you enjoyed seeing a couple of weeks, Kevin, I think maybe you're going to do this again.

Kevin Cole (22:06):

Jordan, sign me up. I'm uh, I loved it. This was great. Ready for the next one. Yeah. Obviously you've been rehearsing a lot, like in the mirror and I've uh, yeah, I mean the entire car ride today. I'll we can, that's all. I did. Great job, right? Bye everybody.

Jordan Grotzinger (22:23):

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 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 (22:55):

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