

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

Speaker 2 ([00:25](#)):

[inaudible].

Jordan Grotzinger ([00:26](#)):

So we're on episode five of the trade secret law evolution podcast. We're going to discuss three cases this week, But they address more issues than three. Uh, we're going to be addressing choice of law identification, reasonable measures to maintain secrecy, the inevitable disclosure doctrine and independent economic value. Kevin, how are you?

Kevin Cole ([00:50](#)):

I'm doing great, Jordan. Thanks for having me back. I passed the test the first time.

Jordan Grotzinger ([00:53](#)):

you did, you did with all that rehearsing. Exactly. Let me jump into the first case, which deals with choice of law trade, secret identification, reasonable measures to maintain secrecy and the inevitable disclosure doctrine. This case, as all of the cases we're going to discuss today, came down, um, this month, August, 2019, and this one came from the district of New Jersey. It's not for publication, but the discussions were worth addressing. So this was sort of a classic trade secret case where, uh, between corporate parties who are competing insurance, brokerage businesses, the individual defendants were plaintiff's employees who signed non-solicitation and confidentiality agreements. And the defendants resigned and started working for the corporate defendant. The plaintiff sues the defendants for violation of the defend trade secrets act and the New Jersey trade secrets act and sought a TRO to prevent client solicitation, disclosure of confidential information, et cetera, TROs granted in part. And then some defendants file a motion for judgment on the pleadings, some file, a motion to dismiss,

Kevin Cole ([02:06](#)):

Right? So the defendants argued that the New Jersey trade secret act was an applicable because the individual defendants, they had worked for the plaintiff in New York and the court noted. And I quote in determining the choice of law for trade secret cases, the place of the alleged misappropriation is controlling. So although the defendants argued wrongful conduct had only occurred in New York. The plaintiff pled that its principal place of business is New Jersey and that the individual lived in New Jersey, uh, and that the corporate defendant has offices in New Jersey too. So that the court, therefore couldn't conclude as a matter of law that the New Jersey trade secret act did not apply.

Jordan Grotzinger ([02:46](#)):

So for choice of law at at least in New Jersey, it's the place of alleged misappropriation, uh, on which you have to focus. Uh, then the court got to the issue that we discuss every episode, which is trade secret identification. In this case, the plaintiffs identified the trade secrets as a customer list and opportunity list and quote other proprietary business information. The defendants argued that that identification,

uh, lacked sufficient specificity. And while that general description might not have survived in some of the prior cases, we've discussed, it survived here because the plaintiff specifically named and described the documents that one of the individual defendants had access the day before he resigned. And that another individual defendant had emailed to herself prior to her resignation.

Kevin Cole ([03:47](#)):

The court also addressed in this case, reasonable measures to maintain secrecy. And that's something that we've talked about on other podcasts. And here the court held that the plaintiff actually did take reasonable measures to maintain secrecy because it had required each defendant to sign the ingredients at issue. And each agreement had a standard confidentiality provision. And in addition to that, the employee's handbook that, or the company's, uh, property policy provided that certain information, including business and marketing plans are confidential and valuable trade secrets that can't be disclosed, except when someone's performing their job duties. And, uh, employees have a duty to protect the confidentiality of those documents. And finally, the plaintiff's corporate data storage policy prohibited the use of public cloud storage and confidential information was password protected. So these were all reasonable measures that were taken to maintain the secrecy of those documents.

New Speaker ([04:44](#)):

And as to the element of misappropriation, uh, the court found that that was adequately pled as well, a forensic analysis of the defendant's computer of, of an individual defendant's computer revealed that on information and belief. That's how it was pled. The day before this defendant resigned, he'd accessed and copied a client list, a confidential consulting service agreement and the so-called opportunity list. Plus he'd forwarded over 150 company emails, some with attachments to her personal email, including client talking points, instructions on how to calculate client income, a confidential client list with pricing information and some other information. And then in the discussion of misappropriation, the, the, uh, court said that the plaintiff also alleged the corporate defendant will inevitably possess this information. So that brings us to the inevitable disclosure doctrine. Right?

Kevin Cole ([05:47](#)):

Right. So that the court held that all this was enough to plead misappropriation and the court recognized what Jordan referred to as the inevitable disclosure doctrine in New Jersey and that doctrine, uh, it holds that and the allegation of inevitable disclosure of a trade secret on information and belief is sufficient to state a claim. So in other words, just to simplify, if you can plead that the information will be disclosed due to the, uh, defendant's misappropriation, that level of pleading, uh, in a trade secret case, if you've stated on information and belief can be sufficient to support a claim. Okay.

Jordan Grotzinger ([06:25](#)):

And I guess, I mean, the court said that pleading on information and belief was okay, but, um, logically speaking, I guess you always have to plead inevitable disclosure on information and belief cause you wouldn't really know. Right. Um, which is, you know, that presumably that's one of the reasons why many jurisdictions, including ours in California, do not recognize the inevitable disclosure doctrine. It's not concrete enough. It does by definition call for some speculation, the next case addressed trade secret identification as well. This one was out of the district of Kansas. The plaintiff worked for the defendants and sued them for employment claims the defendants answered and counterclaim for trade secret misappropriation under the Kansas uniform trade secrets act and the plaintiff's motion, uh, move to dismiss the counterclaim.

Kevin Cole ([07:18](#)):

So the plaintiffs had argued that the defendants did not sufficiently describe the trade secret. Uh, the rule in Kansas though, is that a party neat, not alleged a trade secret in detail, but must plead sufficiently to separate the trade secret from the general skill and knowledge of others. The court noted, and I quote the ultimate sufficiency of a party's factual showing of a trade secret is not properly addressed on a motion to dismiss. So we've, we've seen this in other cases where the court is addressing the, the level of pleading standards in the context of a trade secret to really, uh, explain what a plaintiff needs to state in order to survive a claim.

Jordan Grotzinger ([07:55](#)):

And here the defendants, uh, in their counterclaim had identified the trade secrets as auditing techniques, marketing programs, pricing information, and technical data that was secret and valuable because of its secrecy, which of course is the definition of a trade secret and their agreements the court said plausibly allege reasonable efforts to maintain secrecy. So the pleading survive.

Kevin Cole ([08:23](#)):

So the next case involves a and one element of a trade secret claim, independent economic value. And we've discussed this in other podcasts too. This is a case from the district of Oklahoma, uh, in 2019, the plaintiff in this case sued three former employees of the plaintiffs and their new company for violations of the defend trade secret act. And also the Oklahoma uniform trade secret act and several related claims and the defendants filed a motion to dismiss.

Jordan Grotzinger ([08:51](#)):

So the court held that where as here there were multiple defendants quote, it is particularly important that the complaint make clear exactly who is alleged to have done what to whom close quote. But the court also held here that the plaintiff hadn't stated a claim against any defendant since it hadn't sufficiently alleged that the the allegedly stolen information had independent economic value.

Kevin Cole ([09:20](#)):

Right? So what the court said was that the, the pleading of misappropriation, so how the plaintiff pled misappropriation, uh, is as well as the, the reasonable measures that it took to protect that information that was sufficiently pled. But the plaintiff had merely concluded that the information derived independent economic value just from its virtue of being confidential. And it essentially just copied and pasted language from the statute, but to survive a motion to dismiss a party, alleging a trade secret misappropriation must make specific allegations as to the information owned and its value. And so, while the allegations must only specify the general contours of the alleged trade secrets, a plaintiff can't just make conclusory statements, uh, copied and pasted from the statute in order to state elements for a trade secret claim. Uh, a plaintiff does not, for example. And I quote from the court again, alleged that the secrecy of the information provided it with the competitive advantage end quote. So, and then some, the plaintiff really has to do more than just simply allege and conclusory terms and copying from the language of a statute, how its trade secrets derive independent economic value.

Jordan Grotzinger ([10:32](#)):

And we've discussed other cases, I think, including on the last episode, where to support a trade secret, you do have to give, um, while the court would list examples of, of things that you need to show to

support say independent economic value. So that was one, you know, that, uh, the information provided, uh, the company with a competitive advantage. So now to our takeaways, takeaway number one is that in New Jersey, at least in determining the choice of law for trade secret cases, the place of alleged misappropriation is controlling.

Kevin Cole ([11:10](#)):

another takeaway, specifically naming and describing documents that the defendant accessed or emailed to himself or herself prior to resignation can satisfy the ID requirement at the pleadings level.

Jordan Grotzinger ([11:24](#)):

as to reasonable measures, to maintain secrecy, a combination of confidentiality agreements, company policies, and data storage and access rules can constitute reasonable measures. And as I've said before, reasonable measures always seem to be some combination of contract, meaning, uh, agreements that usually employees enter into where they agree to maintain confidentiality company policies that require confidentiality technology like password protection or prohibitions on public cloud storage and sometimes physical barriers. So, uh, you know, reasonable measures seem, all of them seem to fall into one of those four buckets. And the more protections you can allege, the better chance you have at stating a trade secret claim,

Kevin Cole ([12:25](#)):

right? So that actually ties in well with our next takeaway, which, and we saw this from the Kansas case that sometimes, uh, a conclusory level of pleading of a general identification of a trade secret and related conclusions, uh, that those trade secrets are valuable because of their secrecy sometimes can be enough to state a claim. And at least that was the case in Kansas. Uh, but that, that really does seem to be a bare minimum standard. And, uh, that holding aside that it probably is a best practice for plaintiffs to try and tighten up their claims with supporting facts, such as why their trade secrets are valuable, what would happen if the competitor obtained them. And, and Jordan discussed this in connection with our last case that, uh, you know, when you, when you alleged that something has independent economic value, you really should try and be specific about what would happen if that information got into the hands of a competitor.

Jordan Grotzinger ([13:15](#)):

The next takeaway is to plead trade secret. Most appropriation, the plaintiff must make specific allegations as to the information owned and its value. And while the allegations must only specify the general contours of the alleged trade secrets, conclusory statements of the elements, aren't enough. For example, if applicable alleged that the secrecy of the information provided the plaintiff with a competitive advantage. And the last takeaway I wanted to add here as shown from this entire discussion is that the standard of trade secret identification really does seem to vary. I mean, Kevin we've discussed cases where courts are pretty rigorous in terms of how specific you need to be, um, what you actually have to identify. And yet others like the one in Kansas accepted, at least at the pleading stage, pretty general allegations that, you know, XYZ are secret and they're valuable because of their secrecy, clearly that would not have flown in some of the prior cases we've discussed. So that's a fact, uh, the standards vary from court to court generally. And so it's always a good idea if you're prosecuting these cases to try to be as specific as possible and build as much support as you can to meet the,

Jordan Grotzinger ([14:39](#)):

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Of a trade secret. That's going to do it for this week. Absolutely. All right. See you soon. Bye everybody. Thanks. 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 ([15:21](#)):

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