

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

Come 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].

Speaker 1 ([00:26](#)):

Hey Kevin, how you doing?

Kevin Cole ([00:27](#)):

Hey Jordan. Great. Uh, thanks for having me back.

Jordan Grotzinger ([00:29](#)):

Welcome back to the show. How was China, China?

Kevin Cole ([00:32](#)):

China was Great. I, uh, spent a lot of time with my family over there. Also learned a little bit about the Chinese courts, as it turns out they should have a very sophisticated system for dealing with a trade secrets over there. Oh really? But yeah, as it turns out, there was a court in Beijing actually that, uh, specialized, uh, expertise for handling trade secrets and patent cases. So I thought it was interesting. I didn't know that.

Jordan Grotzinger ([00:52](#)):

Interesting. Maybe, maybe that's the subject of a separate episode. Great. So let's dive right in, in this episode, we're going to discuss a few cases that address the following issues, a trade secret preemption establishing likelihood of success for purposes of a preliminary injunction after a mass document, download, which you see in a lot of trade secret cases, what affecting interstate commerce for purposes of the defend trade secret act means, and a misappropriation that began before the defend trade secrets act enactment, but continued afterwards. So you want to jump right into the first case.

Kevin Cole ([01:34](#)):

Absolutely. So, uh, this is a case out of the district of Columbia from September of 2019, uh, the plaintiff in this case, alleged that the defendants misappropriated its trade secrets under the guise of merger negotiations. And this is typical in the trade secret case context. We see it come up in a lot of these other cases. The plaintiff has a consulting firm that provides software and data to expand political campaign audiences. Uh, and then the first defendant in this case, because there, there are two is a competitor. And the second defendant, uh, is an investment firm that represented the first defendant, uh, sensibly in connection with acquiring the plaintiff's business.

Jordan Grotzinger ([02:16](#)):

Right? So the plaintiff entered into an NDA with the investment firm pursuant to which the plaintiff provided confidential information about its data services, clients, et cetera. The plaintiff claimed that it later discovered that the investment firm had disclosed that information because a writer with ties to the defendant competitor, as opposed to the defendant investment firm was contacting the plaintiff's employees and asking questions that the writer wouldn't have known to ask without that confidential information. So based on that, the plaintiff sued in the district of Massachusetts for violations of the defend trade secrets act and the Massachusetts trade secrets act and related business tort and contract claim.

Kevin Cole ([03:02](#)):

Right? So the case then was transferred to the district of Columbia and the defendants filed a motion to dismiss. Uh, the court went into a choice of law analysis and in terms of what law should it apply. And we're not going to discuss that here, but it's sufficient to, to note that the court decided to apply the District of Columbia's law. And this was important because the aim of the district of Columbia's uniform trade secret act is quote to make uniform the law with respect to trade secrets among the district of Columbia. And those States enacting the uniform trade secret act. So the district of Columbia's uniform trade secret act actually preempts all claims based on trade secret misappropriation, including, and I'm going to quote from the court's opinion here, uh, both common law and statutory causes of action unless they are contractual or criminal in nature. And that's the end of the quote. So in other words, the plaintiff's claims for common law, uh, misappropriation unjust enrichment and unfair and deceptive practices were dismissed because they were based on the alleged misappropriation,

Jordan Grotzinger ([04:12](#)):

right, and that's something as we'll discuss in the takeaways to always think about when, as a lawyer, you may have the reflex to throw in duplicative claims in a trade secret case, which you see a lot in, in business tort cases. You know, you see a lot of causes of action that are essentially based on the same conduct, but with trade secret cases, you have to be wary of that because of the preemption issue. The next case we're going to discuss I thought was important because it applies to a very common situation in trade secrets cases. And that's when a former employee absconds, uh, with a large volume of documents typically downloading them from the, the plaintiff's computers and what it takes to prove that, that that was a trade secret misappropriation for purposes of obtaining a preliminary injunction. Also a, a very typical scenario in a trade secret case. So this was a case out of the Southern district of Indiana. Also from September, the plaintiff company was in the business of hydro excavation and the defendant individual was a regional manager who later joined a competitor. The defendant was in his role with the plaintiff responsible for, and exposed to growth of customer accounts, sales strategies, et cetera, and signed your typical confidentiality non-compete non-solicitation agreement that, um, uh, protected confidential information and also required the defendant, the employee to return, uh, that information upon the termination of employment.

Kevin Cole ([05:52](#)):

Right? So in this case, the employee who's, the defendant was solicited by a different company, a competitor actually. And just to be clear that that competitor is not a party in this lawsuit, the employee, the defendant then resigned from the plaintiff's business that same day. Uh, but didn't tell anyone where he was going. And, uh, the company still reminded him of his obligations under the confidentiality agreement that Jordan just discussed the defendant though. So the employee was alleged to have downloaded over 5,000 documents, uh, on the Eve of his resignation, including budgets,

employee, contact, information, pricing, information, strategic plans, financials, and training materials, all, all sorts of stuff. Obviously, uh, the plaintiff then the business sued for violation of Indiana's uniform trade, secret act and related claims and sought a preliminary injunction.

Jordan Grotzinger ([06:46](#)):

So the defendant ostensibly steals this large batch of documents, and the plaintiff has to scramble here in deciding what to do and how to prove the remedy at Watts here. It, it seeks, uh, a preliminary injunction. So it's got to show the likelihood of success on the merits of its trade secret claim. So in analyzing that element, the court analyzed whether the documents constituted trade secrets, that is information not generally known that derives independent economic value and is subject to reasonable efforts to maintain secrecy the definition of a trade secret. And to meet that burden, it was kind of interesting cause the court, when discussing what the plaintiff provided in terms of proof, it was a little inconsistent. First, the court said that the plaintiff provided a quote full list of documents that were found to have been in the defendant's possession and outlined the various business practices that the plaintiff employed to keep the documents secret.

Jordan Grotzinger ([07:53](#)):

Okay. That would go to the reasonable measures to maintain secrecy. So the court says he, you know, despite the large volume of documents, uh, there was a full list of those documents and proof as to how the, the secrecy of them was maintained. But shortly after that statement, the court said that the plaintiff actually provided a detailed summary of the documents as opposed to a full list. That's a very different thing. When you're talking about thousands of documents and a plaintiff having to scramble to move for an injunction and putting together proper proof. So now the courts saying that instead of a full list, a summary of the documents was provided, but the court noted that, that, uh, that, that Indiana courts have generally held that several of the identified categories of documentation qualify as either confidential information or trade secrets when they are subject to reasonable efforts, such as those employed by the plaintiff to maintain their secrecy, or keep them from becoming ascertainable to the general public close quote.

Jordan Grotzinger ([09:03](#)):

So despite first saying a full list was provided the court, I guess, clarified and said a summary was provided, but that was okay because the categories of documents in that summary have been held by Indiana courts to constitute trade secrets. When there is proof that the plaintiff made reasonable efforts to maintain their secrecy. So that was that's important, uh, because it says that if you are reacting to a rogue, former employee who stole thousands of documents, that as a practical matter are very hard to identify and prove on an individual basis, constitute trade secrets. It's okay to rather it's sufficient to establish the likelihood of success for purposes of a preliminary injunction by summarizing categories of the documents. So you don't necessarily have to go through every one. As long as those categories are generally held to constitute trade secrets. And the plaintiff provides proof that it made reasonable efforts to maintain their secrecy.

Kevin Cole ([10:18](#)):

Right and Jordan what you just said is actually particularly important here, because it really gets to the next point. And that's the defendant's argument. And the defendant had argued that the plaintiff failed to explain how each document qualifies as a trade secret. And again, you know, what the defendant essentially was asking the court to do was to literally go through 5,000 pages of documents and to

categorize each one and to say, this is, or this or this, or this does not reach the level of trade secret protection, but the court held that Indiana courts, um, have never placed such a burden of proof that high of a burden of proof on plaintiffs. And, and that's particularly true at this stage when they're tasked with quickly reviewing thousands of documents. So is to Jordan's point, uh, a detailed summary of the documents explaining why they were sufficient for trade secret protection purposes was enough.

Jordan Grotzinger ([11:12](#)):

And That's a good practical result because, uh, usually when you're seeking a preliminary injunction, you are doing it on an emergency basis. You don't know what exactly the defendant has necessarily. And even less clear is what he, she, or it is going to do with it. Uh, whether he, she or it is going to actually disclose it to the competitor that they now work for, or otherwise misappropriate the trade secret and damage the plaintiff. So, uh, you're under a lot of time pressure as a plaintiff in that situation. And, and this ruling, um, gives plaintiffs in that situation, a little breathing room, uh, so that you don't have to go through every single document, but a summary with that backup is sufficient,

Kevin Cole ([12:02](#)):

right and Jordan. But if you don't mind, just for the benefit of our listeners, I think we've made the point clear, but you know, you still have to be pretty detailed, I think, and what you're showing to the court, still a detailed summary. But I, I think the big takeaway is that there's, there's certainly at least under this case, there's no requirement for the plaintiff to have to literally go through every single document. You know, it, as long as the list is detailed enough, uh, you know, this case would suggest that that's okay,

Jordan Grotzinger ([12:27](#)):

Agreed. And if you're the plaintiff, you should always be striving to be as detailed as possible, prove what you can. Uh, but this court recognizes that, that you're not required to, to prove what might be impossible on such a short, um, uh, in such a short timeframe. Also, in this case, the defendant didn't dispute that some of the documents taken qualified as trade secrets and, uh, contrary to the defendant's argument, the court noted if they weren't valuable independently, economically valuable, why did the defendant take them? In addition, he was evasive about what he took and he had argued, um, that deleting the files, which he was required to do under his agreement, had quotes, slipped his mind. So these, all these circumstances, uh, gave the court enough suspicion to additionally support the likelihood of success finding.

Kevin Cole ([13:23](#)):

And finally, the court held that proof of use was not necessary because the case law that the defendants cited involved, other defendants who didn't use or steal information, uh, and then also the other elements of the injunction, uh, were met and the preliminary injunction was granted as to the trade secret misappropriation

Jordan Grotzinger ([13:42](#)):

So the next case involves the meaning of subject matter jurisdiction for defend trade secret act purposes. In other words, the effect on interstate commerce, this was a case out of the district of Hawaii in September, and was actually similar to, but not the same case as one we discussed on the same issue in our pilot episode, also involving a, uh, a hospice business. In this case, the plaintiff provided was a

non-profit providing hospice care and sued for violation of the defend trade secrets act and related claims. The defendant moved to dismiss on subject matter jurisdiction grounds.

Kevin Cole ([14:24](#)):

So The court first analyzed the defend trade secret act subject matter jurisdiction requirement, uh, which says, and this is a quote from the opinion and owner of a trade secret that is misappropriated may bring a civil action under the subsection. If the trade secret is related to a product or service used in or intended for use in interstate or foreign commerce

Jordan Grotzinger ([14:47](#)):

So here the trade secret was defined as quote acquired valuable business information about the methods, formulas, techniques, processes, procedures, and programs necessary to successfully implement plaintiff's supportive care program, close quote. The defendant argued that to invoke defend treats, trade secrets act, uh, subject matter jurisdiction. The plaintiff must, but didn't here plead that the trade secret and here that is the provision of supportive care services was used in interstate commerce, but the plaintiff argued that it's not that burdensome and that all it needs to show is that the trade secret relates to interstate commerce.

Kevin Cole ([15:39](#)):

So the court rejected both arguments, and the court said that, uh, requiring the use aspect of that would render the related to language, uh, superficialis, but plaintiff's reading is overbroad as it would effectively grant federal jurisdiction on all trade secrets.

Jordan Grotzinger ([15:57](#)):

So the court held that quote, what must relate to the product or service in interstate commerce is such secret information, close quote. In other words, the plaintiff must plead a relationship between number one, the secret information that is the trade secret, and number two, a product or service used or intended for use in interstate commerce. That's the test, according to the court,

Kevin Cole ([16:29](#)):

Right? And the court held that the plaintiff, uh, did not meet that test because the plaintiff did not plead facts, identifying the relationship between medical supplies from out of state and how those were used in the supportive care program that implicated the plaintiff's trade secrets. So, you know, in other words, what part of the shipping of out of state medical supplies is tethered to plaintiff's secret information,

Jordan Grotzinger ([16:53](#)):

Right? And that tethering to, or relationship, uh, requirement is really at the heart of how the court frames this test, the plaintiff argued that its methods for procuring inter-state products were part of its trade secrets. Now, in response to that argument, the court said, well, that might suffice. But the problem in this case is the plaintiff. Didn't plead that as its trade secret, which, you know, you always have to be careful how you identify your trade secret, not only for identification purposes generally, but it might link to, um, uh, subject matter jurisdiction if you're pleading under the defend trade secrets act and trying to say that it affects interstate commerce.

Kevin Cole ([17:35](#)):

And then finally, uh, the fact that the hospice, uh, was federally regulated was insufficient. Uh, the plaintiff still did not establish the connection between, uh, the plaintiff's trade secrets and federal funding regulation. And as a result, the motion was granted.

Jordan Grotzinger ([17:53](#)):

So the last case we're going to discuss, um, we only discuss it for a narrow but important issue that you see often in defend trade secrets act cases. This was a case out of the district of Utah in September. And, uh, the parties in this case were competitors in terminal emulation products, terminal emulation is the ability to make one computer terminal. Typically a personal computer appear to look like another, usually older type of terminal so that a user can access programs originally written to communicate with the other type of terminal. So here are the plaintiff alleged that the defendant poached employees to steal trade secrets, pretty, pretty typical circumstance. And we discussed this case for one issue, whether trade secret misappropriation that began before the enactment of the defend trade secrets act in May, 2016 is actually

Kevin Cole ([18:51](#)):

Right. So the defendant filed a motion to dismiss the defend trade secret claim. And as Jordan just alluded to, uh, that was based on the argument that the trade secret misappropriation occurred before the defend trade secret act was enacted, uh, in may of 2016, but the court held that, and this is a quote from the opinion, the federal courts that have encountered the question have agreed that the DTSS, the defend trade secret act applies to continuing misappropriation that began prior to, but continued after the DTSA's enactment, uh, end quote. So here, because plaintiff had alleged that continuing misappropriation, the defendant's motion to dismiss was denied.

Jordan Grotzinger ([19:35](#)):

Right, right. Just for, uh, specificity, the act was, uh, the defend trade secrets act was enacted effective May 11th, 2016. So that's, that's the date to remember when assessing this issue. So here are our takeaways takeaway number one is that the uniform trade secrets act preempts claims based on trade secret misappropriation, even if it's not framed as, or called trade secret misappropriation, unless, uh, the claim is contractual or criminal in nature. So, uh, to the lawyers listening, um, fight the reflex to throw in your parallel, you know, unfair competition and other business tort claims that are essentially based on the same conduct as the alleged trade secret misappropriation, because they will be dismissed.

Kevin Cole ([20:28](#)):

Great. So second takeaway, um, and this, if you think back to the second case with the, uh, the large document download, when you have a large document download, uh, as the plaintiff, you don't necessarily need to establish every stolen document as a trade secret in order to get your injunction, uh, to establish a likelihood of success on a trade secret misappropriation claim, you should at least though summarize in detail the kinds of documents that were stolen, uh, what types of, uh, those documents are generally held to be trade secrets. And you should also establish that the plaintiff took reasonable measures to keep those secrets. And, uh, you know, as we, as we saw from that case, suspicious circumstances, uh, such as downloading the documents on the Eve of your resignation, not telling anyone where you're going all thinking back to those case, uh, you know, to that one case, those are, uh, factors that can help, uh, as a plaintiff, uh, support your claim for trade secret injunction.

Jordan Grotzinger ([21:24](#)):

And to your point, Kevin, um, it's always important in those situations to, to prove as best you can. So if you can, um, in an, in a digestible way for the court, identify every document as a trade secret and prove that at the adjunction stage. Great do it, uh, just because a summary may suffice as, as listeners and followers of this law can see the standards are always evolving and there's no bright line here. And so do the best you can with your proof. If, if all you can do is summarize it fine, but make sure those categories in your summary are types of information generally held to be trade secrets and make sure you prove that they are subject to reasonable measures to maintain their secrecy. I talked about that a lot today because as you know, that comes up so much in these cases, right?

Jordan Grotzinger ([22:23](#)):

The next takeaway is that for defend trade secrets act, subject matter jurisdiction, the plaintiff must plead a relationship or a tethering between one, the secret information that is the trade secret and to a product or service used or intended for use in interstate commerce. So you don't have to show that the trade secret was used in interstate commerce, but it's also not necessarily enough to show that well, it broadly vaguely relates to interstate commerce. No, there's a middle ground. According to the court in Hawaii, you have to show a relationship between the trade secrets and a product or service used or intended for use in interstate commerce.

Kevin Cole ([23:10](#)):

So our final takeaway from today, and this gets to our last case that we talked about, the defend trade secret act applies to continuing misappropriation that began prior to, but continued after the defend trade secret acts enactment. And as Jordan pointed out, the critical date, uh, for thinking about that is may 11 of 2016. So as long as, uh, there was, uh, some violation of the deep TSA that happened, uh, prior to may 11 of 2016, but continued after that date, a claim DTSA Or a claim under the defend trade secret act is still viable, right?

Jordan Grotzinger ([23:50](#)):

Simple principle. But you see it a lot when you've got a misappropriation case with conduct occurring before May 11th, 2016. So that's all we've got for this week. Kevin, I'll see you soon. Absolutely 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 ([24:40](#)):

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