

Speaker 1: 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. Hi, everybody. Happy new year. Welcome to 2021 and season three

Speaker 2: [00:00:30] Of the trade secret law evolution podcast. Unbelievable that, uh, we're on season three already, and let's jump right in. I hope everybody's safe and well, the subjects we're going to address today are preemption under the uniform trade secrets act compilations as a trade secret, which we addressed in a case late last year and pre enactment disclosures of confidential information under the federal [00:01:00] defend trade secrets act. So the first topic is preemption under the uniform trade secrets act. And this was a case out of the Northern district of Ohio in December, 2020. The cases we, uh, addressed today, all were from that month there, the plaintiff's services, medical equipment for doctors and hospitals, the defendant was a competitor and entered into an NDA with the plaintiff to discuss the defendant acquiring [00:01:30] the plaintiff later a non-party maintenance company that had a contract with the plaintiff said it would not renew that contract and instead work with the defendant.

Speaker 2: So the plaintiff sued for violation of the Ohio uniform trade secrets act and tortious interference with contract on the theory that the defendant used the plaintiff's confidential information to pursue the plaintiff's clients like that maintenance [00:02:00] company. And for the non-lawyers tortious interference with contract in English means that a party, not a party to a contract between two others interferes with that contractual relationship to try to get the relationship or some other, uh, benefit and interferes in a wrongful way. So in this case, we're focusing not on the uniform trade secrets act claim, uh, itself, because it was dismissed [00:02:30] for an unremarkable reason. And that is that the plaintiff's alleged confidential information didn't rise to the level of a protectable trade secret, but on the preemption of the tortious interference claim, other courts like California, address preemption under the uniform trade secrets act. So it's a subject worth discussing the Ohio uniform trade secrets act, quote, displaces, [00:03:00] tort restitutionary, and other laws of this state providing civil remedies for misappropriation of a trade secret close quote, except for contractual remedies and quote other civil remedies that are not based on misappropriation close quote and in the sixth circuit where, uh, Ohio is, this means the act preempts quote, any claim regarding theft or misuse of confidential proprietary, or otherwise [00:03:30] secret information falling short of trade, secret, close quote, but the act preempts other state law claims quote, only to the extent that they are based on misappropriation of trade, secret facts, close quote, the plaintiff argued that its claim survived the tortious interference claim that is survives preemption quote because it alleges far more than the defendants [00:04:00] improper use and disclosure of the trade secrets.

Speaker 2: The plaintiff alleged that the defendant purposely interfered with the plaintiff's existing longstanding business with the third party, that maintenance company by deterring and ultimately preventing plaintiff from doing further business with that party. But the court held quote, this argument is not persuasive. The defendant was free to go after the [00:04:30] plaintiff's clients, as long as it did not violate the parties NDA, therefore the

plaintiff's tortious interference claim rests solely on the issue of whether the defendant violated the agreement by misappropriating the plaintiff's confidential information. When it negotiated with the third party close quote, thus the claim was preempted. And, uh, as we always do, we will crystallize this in, in the takeaway at the end [00:05:00] of the episode, the second subject we address is compilations as a trade secret. This was a case out of the court of appeal, uh, for Florida Florida's third district. And this was a summary judgment case under the Florida uniform trade secrets act involving a compilation as an alleged trade secret.

Speaker 2: The plaintiff's alleged trade secret was its proposed design of a single centralized data [00:05:30] or co-location center for computer hardware located inside a financial center, the building in which the buildings tenants could rent space for their computer hardware or use cloud computing and management services provided by the plaintiff and a co-location center is essentially what I just stated. That is a space to store and operate computer hardware in a building. You know, you see the, the, those kind of rooms in the movies where [00:06:00] somebody's sneaking into a server room and cutting wires. The plaintiff allegedly presented the proposal to the defendant in confidence while the building at issue was under construction, but the defendant chose someone else for its co-location center. And the plaintiff sued under the Florida uniform trade secrets act. The defendant moved for summary judgment, arguing that the plaintiff's quote proposal for the building was not a trade secret under the Florida uniform trade secrets act because it was based [00:06:30] on overall general design features of a co-location center, which were well-known in the data center provider industry close quote, and wasn't novel.

Speaker 2: The plaintiff relied on a declaration or a written sworn statement of its owner who attested that he was not aware of any other data center concept like this in any other building throughout the country. And also relied the plaintiff also relied [00:07:00] on internal emails between the defendant's agents in which they discussed marketing the data center to potential tenants as a new and unique approach to office space. But the trial court granted the motion and the plaintiff appealed in reversing the decision, the court of appeal held quote ordinarily whether a particular type of information constitutes a trade secret is a question of fact, this is because a trade secret [00:07:30] can exist in a combination of characteristics and components. Each of which by itself is in the public domain, but the unified process design and operation of which in unique combination affords a competitive advantage and is protectable secret accordingly.

Speaker 2: Even if all of the information is publicly available, a unique combination, sorry, a unique compilation of that information, which adds value [00:08:00] to the information also may qualify as a trade secret. I'll repeat that because it's important. Even if all of the information is publicly available, all of it, a unique compilation of that information, which adds value to the information also may qualify as a trade secret thus here, although the defendant contended that the centralized data system wasn't [00:08:30] novel, the plaintiff's declaration and those internal emails between the defendant's agents quote created a genuine issue as to whether the proposed project contained elements, which by themselves may be readily ascertainable in the public domain. But when viewed together may still qualify for trade secret protection, close quote, thus the

was reversed. And lastly, we're going to address [00:09:00] [inaudible] disclosures of, uh, allegedly trade secret information under the defend trade secrets act.

Speaker 2: This was a case out of the ninth circuit court of appeals in December, 2020, the plaintiff appealed from the district court's dismissal of the defend trade secrets act claim, and argues that the defendant's quote disclosure of certain trade secrets in 2012, prior to the enactment of the [00:09:30] defend trade secrets act on May 11th, 2016 does not preclude his defend trade secrets act claim arising from the defendant's alleged post enactment misappropriation, or continued use of trade secrets, close quote, the case concerned an architecture technology developed by the plaintiff. That was going to be the subject of a partnership with the defendant. Instead, the plaintiff alleged that the defendant [00:10:00] published the plaintiff's alleged trade secret in patent applications in 2012 and excluded the plaintiff from the project. The plaintiff amended his complaint to add a defend trade secrets act claim after the act was enacted after it came into effect, but the district court dismissed the claim because of the disclosure of the alleged trade secrets in the patent in 2012 destroyed trade secret status, because as we've discussed disclosure in a public [00:10:30] document, like a patent application makes it public.

Speaker 2: And in any event, the defend trade secrets act was enacted in 2016, the ninth circuit frame, the issue as follows quote, we must determine whether as a matter of law, the pre enactment disclosure of a trade secret four closes the possibility of a defend trade secrets act claim arising from the continued use of the trade secret. After enactment, while several district courts in this [00:11:00] circuit have considered the issue, it is one of first impression for this court close quote, Congress enacted the defend trade secrets act on May 11th, 2016, the, uh, statute, the ninth circuit explained creates a private right of action for quote, any misappropriation of a trade secret for which any act occurs on or after the date of the enactment of the act close quote, the court held quote with respect to misappropriations [00:11:30] occurring both before and after the statutes enactment, the language of the defend trade secrets act is distinct from other trade secret statutes.

Speaker 2: For example, the uniform trade secrets act is a model statute that sets out a private claim for the misappropriation of trade secrets. The uniform trade secrets act contains an anti continued use provisions stating quote with respect to a continuing [00:12:00] misappropriation that began prior to the effective day close quote. It does not apply to the continuing misappropriation that occurs after the effective date close quote that's the uniform trade secrets act adopted by every American state, but to unlike in the uniform trade secrets act, uh, the ninth circuit explained the federal defend trade secrets act does not contain [00:12:30] an anti continued use provision. This omission, the court explained suggests that the defend trade secrets act is not limited to misappropriation that only began after enactment of the defend trade secrets act. And while the defend trade secrets act states that quote a continuing misappropriation constitutes a single claim of misappropriation.

Speaker 2: It does. So only in the context of the limitations period, that is the statute of [00:13:00] limitations pursuant to the defend trade secrets act. But the parties don't dispute,

whether the plaintiffs defend trade secrets act claim is time-barred and the period of limitations that is the statute of limitations isn't relevant to whether the defend trade secrets act allows for claims of continued use. So summing up the ninth circuit said, quote, Congress was aware of the role and limitations of the uniform trade secrets act as model legislation [00:13:30] for the states. And it recognized the defense rate secrets act and the uniform trade secrets act a similar congresses omission in the defend trade secrets act of an anti continued use provision is therefore significant. If Congress had intended to preclude it claims arising from post enactment continued use that began prior to enactment, it could have done so by incorporating the language of the uniform trade secrets act into the defend trade secrets act [00:14:00] that it did not include such a provision in the defend trade secrets act of Vince's congressional intent for the statute to apply also to post enactment misappropriation that began prior to enactment accordingly, we hold that the misappropriation of a trade secret prior to the enactment of the defend trade secrets act does not preclude a claim arising from post enactment [00:14:30] misappropriation, or continued use of the same trade secret close quote.

Speaker 2: But despite this rule that the court laid down the court affirmed the dismissal of the trade secret claim in this case, because its publication in the 2012 patent application destroyed its status, a secret and therefore, uh, the trade secret ceased to exist, uh, as a protected trade secret [00:15:00] as of that publication. So to the takeaways, one, the uniform trade secrets act can preempt an interference claim based on interference with allegedly confidential information. Even if the trade secret claim also is dismissed courts, including California are including courts in California have explained that the uniform trade secrets act with the first word being uniform was designed for the law to apply [00:15:30] uniformly, to claims for theft of confidential information. Thus not only must the plaintiff's alleged confidential information rise to the level of trade secret to be protected absence of narrow exceptions claims based on alleged theft of confidential information can be preempted.

Speaker 2: Even if the plaintiff can't state a trade secret claim to even if all of the information in an alleged trade secret [00:16:00] is publicly available. A unique compilation of that information, which adds value to the information also may qualify as a trade secret. Of course it would have to be secret and subject to reasonable measures to maintain that secrecy. In addition to adding that independent economic value three, and lastly, in the ninth circuit, the misappropriation of a trade secret prior to the enactment of the defend trade [00:16:30] secrets act does not preclude a claim arising from post enactment, misappropriation, or continued use of the same trade secret. That's that folks glad to be back hope you're well, see CSUN.

Speaker 1: 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. [00:17:00] 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,

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