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 Kevin, how are you?

Kevin Cole (00:26):

I am doing great, Jordan. Thanks for having me back. It's been a few weeks.

Jordan Grotzinger (00:29):

Welcome back. Glad to have you let's jump right in This week. We're going to discuss cases that address trade secret identification and the issue of reasonable measures to maintain secrecy. So we'll start with a trade secret identification case. This was out of North Carolina superior court from November. All of the cases we're going to discuss today are from this month, November, 2019. So in this case, the plaintiff is a surveyor company in the oil and gas business. It submits bids to obtain work using data compiled, including cost information maps, satellite imaging, and it's a sensible knowledge of environmental issues. The plaintiff considers this data confidential and stores it on a cloud-based server that only certain employees can access with passwords.

Kevin Cole (01:19):

So the individual defendant was a former employee and a survey coordinator, but the standard confidentiality agreement and was involved in the plaintiff's bid preparation. And he also had access to the plaintiff's confidential information. He left and went to work for a competitor, which is the corporate defendant and the plaintiff's it personnel inadvertently failed to revoke the defendant's access to the server. When he resigned now in the last two days of work for the plaintiff, he downloaded more than 200 documents from the server, including budget information, rate tables, and design files. And then over the next four months, he continued to download more than 600 documents from the server and the defendants use this information to undercut the plaintiff's beds. So the plaintiff sues for violation of the North Carolina trade secrets protection act and related claims. And North Carolina is one of the two States. The other being New York that does not adopt the uniform trade secrets act. Although the elements are similar.

Jordan Grotzinger (02:20):

So North Carolina has its own trade secrets protection act, the defendant's move to dismiss. They argued insufficient trade secret identification. And in North Carolina, like other States, the court said, quote to successfully plead a claim for misappropriation of trade secrets. A plaintiff must identify a trade secret with sufficient particularities. So as to enable a defendant to delineate that, which he is accused of misappropriating and a court can determine whether misappropriation has or has threatened to occur, general sweeping allegations are insufficient,

Kevin Cole (02:58):

right? So here the ID was Actually sufficient because the plaintiff identified, uh, rate tables, uh, designed files and a plant template. And this is a quote from the opinion, uh, plant template, multiple deed, plant tracking, spreadsheets, survey plants, and project information. That's the end of the quote. Uh, the plaintiff also identified specific documents that the defendant accessed, which were related to particular

projects and which the plaintiff was bidding and attached to it's verified complaint, a list generated by the it personnel of the specific files that the individual defendant had downloaded.

Jordan Grotzinger (03:34):

So would Those named files and the attachment to the complaint listing out things that were downloaded, the court denied the motion to dismiss, but what might be interesting in this case? And it obviously wasn't addressed at the pleading stage is whether the, uh, it personnel neglect to revoke the defendant's access to the server might negate reasonable measures to maintain secrecy. I think it will certainly be an argument later in the case, so we'll see what happens, but we should follow that. That could be an interesting,

Kevin Cole (04:09):

Yeah, I agree. And as we've discussed in other podcasts, you know, that certainly is a factor that courts take very seriously. And, you know, we've seen in other podcasts where if information, for example, is available at a trade show or, you know, some other public forum, uh, you know, courts are likely to hold that the defendant did not take or the plaintiff to not take reasonable measures to maintain the secrecy. So definitely interesting to see how that plays out here.

Jordan Grotzinger (04:31):

Yeah. And it's we've talked about the buckets of protections that are usually employed to maintain secrecy, which are employment agreements and corporate policies and technology. And sometimes even physical barriers like locks. And in this case, this is sort of analogous to leaving the file room and not locking the door, you know, does that, does that negate reasonable measures? So that is a factual issue that we will have to watch.

Kevin Cole (05:00):

Absolutely. So the next case is a federal case from the Eastern district of California. Also in November, 2019, the plaintiff is a printing and imaging business that has certain confidential information, including pricing information, customer preferences, and contract renewal data. The corporate defendant is a competitor that was founded by an individual defendant, who is the former president of the plaintiffs and was subject to, again, a standard confidentiality agreement with the plaintiff and the plaintiff alleges that the former president solicited the plaintiff's customers for his new company while still working for the plaintiff. And before and after leaving the plaintiff's business access, the plaintiff's confidential information. So the plaintiff sued for violations of the California uniform trade secrets act and the defend trade secrets act and related claims.

Jordan Grotzinger (05:51):

the defendants move to dismiss again, challenging trade secret identification. And under the California uniform trade secrets act, the court said a plaintiff quote need not spell out the details of a trade secret, close quote, because that would destroy secrecy, but the plaintiff must describe the subject matter of the trade secret quote with sufficient particularity to separate it from matters of general knowledge in the trade or of special persons who are skilled in the trade and to permit the defendant to ascertain at least the boundaries within which the trade secret lies, close quote, edit reading that is sort of striking because, you know, w we talked about the North Carolina trade secret protection act and how that's not the uniform trade secrets act, but the test is really the same.

Kevin Cole ([06:38](06:38)):

So I, I thought this was interesting from the opinion, um, at oral argument, when the court asked about the trade secret identification, the plaintiff simply pointed to a paragraph in the complaint, uh, which alleged that quote defendants used plaintiff's trade secrets and other confidential business information, including the use of valuable information regarding customers, contract particulars, including without limitation, pricing, and end date and quote. So the court held that, and th this is a quote from the opinion language, uh, that neither identifies the purported trade secret nor clarifies the general category of the purported trade secret. Uh, and the court also noted that because the list of confidential information is not exhaustive. The plaintiff did not sufficiently identify anything. So the motion was granted as to the, uh, California uniform trade secrets act and the defend trade secrets act.

Jordan Grotzinger ([07:30](07:30)):

So those are our two trade secret identification cases. The next case addresses the element of reasonable measures to maintain secrecy. And this was a case out of the Southern district of Florida. The plaintiff is a tech company that sells a hardware product. It was searching for a developer to build certain administrative software that would enable customers to monitor their use of the plaintiff's hardware product. The plaintiff entered into an agreement for this software development, with the defendants who the plaintiff's alleged then committed a series of fraudulent acts. The plaintiffs sued for violations of the defend trade secrets act, the Florida uniform trade secrets act and related claims. The first two complaints in this lawsuit were dismissed and the defendants then move to dismiss the second Amended complaint,

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

right? So as to the defend trade secret act, the court noted that it had dismissed the prior complaint because the plaintiffs actually conceded that they gave the defendants access to the alleged confidential information without a confidentiality agreement. So the plaintiffs couldn't meet the reasonable measures to maintain secrecy requirement at all

Jordan Grotzinger ([08:41](08:41)):

In defending the second amended complaint, the plaintiffs alleged cure of the pleading defect. And let me break that down in English for the non-lawyers. When somebody moves to dismiss a lawsuit, sometimes the motion is granted, uh, with leave to amend. And what that means is the plaintiff can refile the complaint and try to cure the defects that resulted in the dismissal of the prior complaint. So that's where we are in this case, we've got a second amended complaint where the plaintiffs have said, okay, we've cured the defect from the first amended complaint, the last complaint, their alleged cure in the second amended complaint was that one of the plaintiff's quote demanded the master codes and passwords to the software, including the return of its confidential, proprietary and trade secret customer list, close quote, when he found out about the defendants scheme. So effectively, the plaintiff said, well, our projections were reasonable. Cause when we found out it was out there, the trade secrets were out there, we asked for them back,

Kevin Cole ([09:47](09:47)):

Right. And, and not surprising the court held that that was insufficient. That being, uh, you know, asking for your confidential information back after the fact, uh, and this is an opinion from the court, the quote said that quote, plaintiff's demanding the return of their customer list. After the fact does not constitute

a reasonable step to safeguard the secrecy of the data and quote. So the claim was dismissed with prejudice and in plain English, that just means that the claim couldn't be brought back again, right?

Jordan Grotzinger ([10:12](#)):

Many times, if you, uh, if you're allowed to amend the complaint many times, and it's kind of like three strikes, even though it's, there's never a three strike rule, but often if you get up to three tries and you can't sufficiently alleged a claim, the court will throw it out with prejudice, meaning it's final and it can't be amended again. So two, our takeaways takeaway number one is with regard to trade secret identification, as we've discussed relative to prior cases, it always helps to actually name files or categories of documents when identifying trade secrets at the pleading stage. Obviously you can't disclose the trade secret itself because it's a public record and that would destroy secrecy, but you can be specific enough to, as the courts have said, put the defendants on notice so that they know what they're defending against and naming files or categories, or in one of the cases we discussed attaching a spreadsheet that listed the files that were wrongfully downloaded. I have supported trade secret identification, at least at the pleading stage.

Kevin Cole ([11:18](#)):

So the second takeaway, and this is something that Jordan and I have discussed a lot, what you need to show when identifying a trade secret. And if you think back to the second case we discussed today, when identifying a trade secret, you should resist the urge to use lawyers speak, and you should also resist the urge to use quote and other confidential information and quote. And the point of that is by using the and other confidential information, uh, it does nothing but at best dilute and at worst defeat, your sensible trade secret identification. If you think about that's common sense, if you use language like quote, including, but not limited to, you're saying that there are other trade secrets that you have not identified,

Jordan Grotzinger ([11:58](#)):

right? That's the logical. And when you say lawyer speak, that's really what you're talking about. You're talking about the, the open-ended language, like including, but not limited to, or, or as, as the court quoted in the prior case and other confidential information, unfortunately, we lawyers do have this reflex often to just, you know, leave ourselves a little room to say more, because we always know we're going to learn more later. You cannot do that when you're identifying trade secrets, because as you just pointed out, Kevin, the logical conclusion of that is that you're admitting you haven't identified all the trade secrets yet because you've said here are some, and there are others that I'm not going to identify. It's the same thing. So don't speak like a lawyer, uh, just speak English and identify the trade secrets without that open-ended language, which if a judge is paying attention should always defeat trade secret identification. The next takeaway is on the, uh, element of reasonable measures to maintain secrecy, asking for the return of confidential information. After the fact does not constitute a reasonable measure to maintain secrecy. You need to take affirmative steps. Uh that's what protection is. That's what it means. You can't reverse engineer, uh, protection. So after the fact requests are not going to cut it, that's it everybody until next time.

Jordan Grotzinger ([13:27](#)):

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 (13:59):

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