

Jordan Grotzinger:

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

Jordan Grotzinger:

Welcome to episode 24 of the trade secret law evolution podcast. Ashley, how are you? Wonderful. Happy to be here. How are you doing Jordan? I'm fine. I'm just hoping that there's, I'm always concerned about, um, background noise in our new quarantine life. I got some kind of helicopter circling over and all kinds of other action in close vicinity. So, um, bear with us, please keeps it interesting. Keeps it interesting for sure. This one won't be too long. We're going to discuss one case, but, uh, the court really, um, analyzed in a helpful way. The issue of trade secret identification, which is probably the most prevalent issue in this area of law. And this case came out of the Northern district of Illinois in may of 2020, the plaintiff licensed software to the defendant to facilitate scheduling for the defendants energy consulting business. But the defendant later acquired other software that it preferred and the plaintiff accused the defendant of stealing its trade secrets And this was a summary judgment case. Unlike a lot of the cases that we have, which are pleading cases and in focused on whether the plaintiff had sufficiently identified its trade secrets.

Ashley Farrell Pickett:

yea as a little bit more background, defendant was in the business of implementing energy efficiency programs for utilities and plaintiff provided the defendant with quote software development services and exclusive licensing rights for a rebate incentive processing portal. So essentially what that means is the plaintiff helped the defendant offer an online rebate processing program to its utility company, clients and plaintiff software program allowed the defendant as a business to process the customer rebates or care of customer reward program online and included also a scheduling tool. So the parties worked together successfully for a time until that point came when defendant replaced plaintiff software with another software that was called ESM tracker.

Jordan Grotzinger:

So the defendant moved for summary judgment, which was granted in part, but the plaintiff's trade secret claim survived quote to the extent it pertains to features of the plaintiff's scheduling tool that were not part of DSM tracker before the defendant transitioned from the tool to DMS tracker close quote. In other words, the court left open the possibility that the defendant incorporated features of the plaintiff's tool into the defendant's new software. And the court explained that a jury quote would be able to analyze whether the defendant misappropriated specific features that were in the scheduling tool, but missing from DSM tracker and later added to DSM tracker after the defendant accessed the plaintiff's software.

Ashley Farrell Pickett:

So the defendant took another shot. It moved for summary judgment again against the surviving claim that Jordan just discussed. And in advanced defendant pounded additional discovery on the plaintiff seeking specific detail on what it was the defendant had allegedly stole from the scheduling tool and incorporated into the DSM tracker and after a discovery fight back and forth, plaintiff filed what they termed in identification of trade secrets. And what that did, was it purported to identify the trade secret

specifically, but it was a spreadsheet that identified the alleged trade secret and what that trade secret did.

Jordan Grotzinger:

So defendant went ahead and proceeded with its MSJ, right? And this was an example of how the trade secret identification fight can go way past the pleading stage. Probably most of the cases we've discussed on this issue we're pleading cases, but this is an issue that that often remains a fight, uh, through long stretches of the litigation and here, uh, through summary judgment. So, so the plaintiff files this identification trying again to specify enough what its trade secrets were. And the court went into the standard. It stated that quote, a plaintiff must do more than just identify a kind of technology and then invite the court to hunt through details in search of items, meeting the statutory definition, close quote of a trade secret. That is what is a trade secret it's information that secret valuable because it's secret and subject to reasonable efforts to maintain secrecy. That is a short version of what the statutes say, the state statute and the federal statute here, instead of heeding the court's warnings, the plaintiff expanded its definition of trade secrets without distinguishing what was public and what was secret in its list. The court said quote, within the 34 individual modules, the plaintiff identifies the trade secrets, as well as the publicly facing functionality, close quote, thus quote, instead of separating the trade secrets from the functionality that is readily ascertainable, that is not secret the plaintiff's trade secret identification, quote unquote makes the distinction even murkier. Many of the items that appear in this description are exceedingly hard to call trade secrets. Things that any user or passer by sees at a glance are readily ascertainable by proper means close quote, for example, the allegedly secret quote, email and text messaging module referred to the ability to send notifications to customers without explaining how that is.

Ashley Farrell Pickett:

So to give some more context, the court also discussed cases where the identification was efficient. For example, in one case the plaintiff had identified four key elements that it disclosed the defendant in confidence, including key technical elements, but it's circuits. And it narrow the set of specific non-technical items and identified as trade secrets. What specific detailed information about the reliability and cost of the design of the circuits was a trade secret. So plaintiff, in that case, for instance, also supported that non-technical information with documents, hairy backup, okay.

Jordan Grotzinger:

And the court here is summed it up like this quote here in sharp contrast, the plaintiff clings to generalities. It describes what it's alleged trade secrets do, not what they are. The plaintiff took generalities and douse them with a heavy sprinkling of action verbs, close quote, for example, quote, module one manages the inventory of appointments, close quote.

Ashley Farrell Pickett:

And so on the court went on to say, maybe there is some secret valuable software that plaintiff uses to perform those functions to code maybe out there, maybe there is some secret methodology or process too, but if so, the plaintiff has an identified it and the time to come forward with something has now passed after all the court said, summary judgment is the put up or shut up moment in a lawsuit, which I liked that quote. And here the court found that plaintiff didn't put up rather quote by failing to identify any program methodology or process. And so on with specificity, plaintiff has made it impossible to parse out the trade secrets,

Jordan Grotzinger:

And in addition, the court said the plaintiff was required to quote, produce evidence on its own programs with which the trier of fact can compare to the defendant's software to determine whether misappropriation has occurred. It didn't cite to that evidence in its identification. So it was basically saying like, like the court said at the, at the top of this discussion, you can't just hand it off to the court and expect the court to do the homework. You've got to identify this stuff and connect the dots. So to our takeaways, you want to take the first one Ashley.

Ashley Farrell Pickett:

Sure. So when identifying a trade secret, you have to separate out the public facing elements from the true, the secret ones. Otherwise the court will not be able to distinguish what is public versus what is truly secret.

Jordan Grotzinger:

Second takeaway is, as you said, a couple of minutes ago, describe in identifying traits secrets. Describe not just what it does, but what it is. And this is one of those examples up there are, there are countless ways you can support that information or material or a method or a process or whatever is a trade secret. And the more descriptive you are, the better chance you have that you will prove that it rises to that protected status. This is another example. Don't just describe my trade secret. Does XYZ describe my trade trade secret is ABC and it does XYZ.

Ashley Farrell Pickett:

Exactly. And the third and final takeaway is that when you're trying to prove trade secret appropriation, or just surviving MSJ as a plaintiff, you need a tougher evidence to compare your product with the defendants so that the court can determine if this appropriation actually occurred.

Jordan Grotzinger:

Right. And that, as they say, is that, and I have one more point as I scroll through my iPhone podcast app here, because it was June 25th, 2019 that we launched our pilot. So really this is the one year anniversary of this podcast. And, uh, you know, we, we set out to, to fill a need, uh, a, something you could sort of download into your head in the car or on a run for 15 or 20 minutes every couple of weeks to keep you current on this law. And I'm so happy that we stuck with it and, and that we worked together on this Ashley and John, uh, and everybody else who's, uh, who's working on this and listening. It's been awesome looking forward to another year. And I just want to thank all you guys and all the listeners for sticking with us for a year and making this the most downloaded podcast on this space among the 1.5 other podcasts in the space. I'm kidding. There are more, but thank you. This is great. Very exciting stuff. So, uh, until next time.

Jordan Grotzinger:

Great. All right, guys, talk to you later. 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 us. Also, please subscribe. We're on apple podcasts, Stitcher, Spotify, and other platforms. Thanks everybody. Until next time,

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