

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

Hello, and welcome to Greenberg Traurig trade secret law evolution podcast, where we give you comprehensive summaries and takeaways on the latest developments and trends and trade secret law. We want you to stay current and ahead of the curve on how best to protect your company's most valuable assets. We're your hosts, Jordan Grotzinger and Jenna MacCabe. This is episode three. We're going to discuss four cases that address a few subjects, the ever recurring issue of trade secret identification, whether there was a sufficient showing of irreparable harm in an injunction proceeding, the reasonable measures to keep confidential information, secret element of trade, secret law, and the independent economic value element. You want to dive into the identification case,

Jenna MacCabe ([00:57](#)):

Go for it. So in July, the Southern district of New York heard a case where the plaintiff uses subject matter experts for asset managers and professional service firms, and has developed a list of experts, pricing, methodologies, sales data, and expert preferences, which the plaintiff alleged to be its trade secrets.

Jordan Grotzinger ([01:16](#)):

Right? So a terminated employee, uh, as is typical, started a defendant company to compete with the plaintiff company and in the process downloaded and printed certain confidential information, belonging to the plaintiff, including client lists, client preferences, specific contracts and related materials, and a second employee left extensively for personal reasons. But it turns out that that person also took confidential information. And in fact later became the CEO of the defendant company

Jenna MacCabe ([01:55](#)):

And the plaintiff hired an expert to forensically confirm that the alleged misappropriation had happened. And that's something that's important for you. If you suspect that a departing employee has misappropriated your trade secrets.

Jordan Grotzinger ([02:08](#)):

Yeah. That's really something to always think about, um, when an employee leaves and you have that suspicion because, uh, obviously a departing employee with bad intentions is going to try to cover their tracks and a lay person who's not steeped in technical expertise or it expertise might not be able to get on that trail, so to speak. So, uh, always consider hiring a forensic expert if you have that suspicion to quickly and accurately confirm that in fact, your confidential information was taken

Jenna MacCabe ([02:42](#)):

And here, according to the plaintiff, these defendants had used information to poach a major client.

Jordan Grotzinger ([02:48](#)):

So the plaintiff company sued for violation of the defend trade secrets act. And the defendants moved to dismiss the opinion focused on the requirement of sufficiently identifying trade secrets, which as we've discussed several times arises in various contexts from pleadings to discovery. And the court stated quote, although the second circuit has not expressly articulated a specificity requirement district courts in this circuit routinely require that plaintiffs plead their trade secrets with sufficient specificity to inform the defendants of what they are alleged to have misappropriated.

Jenna MacCabe ([03:28](#)):

And under that standard, the court held that the complaint sufficiently identified the trade secrets and quote it details numerous specific categories of information relating to plaintiff's service, including client lists and client preferences, contract details, expert lists, performance criteria, and the plaintiff had identified specific documents as well, that it alleged to be trade secrets.

Jordan Grotzinger ([03:51](#)):

And the court distinguished a case where the trade secret identification was held to be insufficiently specific. And in that case, the trade secrets were identified only as quote, the products, all enhancements to the products and all proprietary information, data, documentation, and derivative works related to the products close quote. So that kind of sweeping kitchen sink general description, uh, was held out as an example of what not to do as distinguished from this case where the identification was held to be sufficient.

Jenna MacCabe ([04:27](#)):

And in addition, this complaint had described how the trade secrets generated independent economic value from being kept secret. They could be used to under-price the plaintiff and divert its customers and disclosure of the trade secrets would harm the plaintiff's brand emphasis on maintaining the confidential information for its client.

Jordan Grotzinger ([04:46](#)):

And finally, on the reasonable measures to keep secret element, the court found that the plaintiff had taken reasonable measures, um, and the court found misappropriation in that the defendants breached their non-disclosure agreements.

Jenna MacCabe ([05:02](#)):

Um, for these same reasons, the complaint had also stated a claim under New York common law for misappropriation of trade secrets, right?

Jordan Grotzinger ([05:09](#)):

And as we noted, I think in our first episode, New York is one of the handful of States that does not follow the uniform trade secrets act, correct. The second case we're going to discuss deals with the irreparable harm requirement of injunctive relief. All of the cases we're discussing today are from this month, July, 2019, this case was out of the district of Colorado. And in this case, the plaintiff company developed proprietary tax software. And specifically here, it was an application that captures the R and D tax credit.

Jenna MacCabe ([05:47](#)):

And the plaintiff had licensed the software to the defendant company. And in that licensing agreement, the defendant company could not reverse engineer the, and couldn't disclose its log-in credentials to anyone else. The defendants then hired a third party to develop a database, to assist them in helping clients claim the tax credit and to help that third party the defendant sent the screenshots of the plaintiff's software and links that could not be accessed without the defendant's credentials and the third-party partially developed the database. So the plaintiff believed the defendants are hiring other developers to continue to attempt to reverse engineer the software.

Jordan Grotzinger ([06:26](#)):

So the plaintiff moves for a TRO and a preliminary injunction under the Colorado uniform trade secrets act. And just as a footnote on the issue of reverse engineering, the uniform trade secrets act does not make reverse engineering actionable. So to protect against that, if you want to call it a loophole, um, this contract specifically prohibited, re reverse engineering, and that's one of the reasons the plaintiff moved for provisional relief. So, uh, in an injunction proceeding, the movement needs to show, of course, the likelihood of success on the merits, the threat of irreparable harm, which outweighs harm to the non-moving party and that the injunction won't harm the public interest.

Jenna MacCabe ([07:13](#)):

So the plaintiff had argued that the trade secret misappropriation is irreparable harm per se, and cited some case law that apparently stood for the proposition that even that irreparable harm need not be shown when a defendant engages in conduct prohibited by a statute authorizing injunctive relief as a remedy.

Jordan Grotzinger ([07:32](#)):

And I've seen this issue before, you know, you see a statute like the uniform trade secrets act, which provides for injunctive relief when there's misappropriation, the issue does arise while, okay. Do you still need to meet all the elements that you would otherwise have to meet for injunctive relief, um, likelihood of success, irreparable harm and so on. If your statute says that, you know, liability itself or in this case, misappropriation itself, uh, is, is enough to get injunctive relief and other remedies, but here, um, the court said, no, you've got to meet those other requirements.

Jenna MacCabe ([08:10](#)):

Yeah. The court cited 10th circuit authority that said that any modified tests can't relax the prongs of the preliminary relief standard. And can't deviate from the standard test,

Jordan Grotzinger ([08:21](#)):

Right? And it's, it's cited 10th circuit law holding that quote courts may presume irreparable harm only when a party is seeking an injunction under a statute that mandates injunctive relief as a remedy for violation of the statute.

Jenna MacCabe ([08:41](#)):

And so the court held that the plaintiff's mantra like invocation of applications and platforms did not enable the court to evaluate irreparable harm or evaluate whether damages were appropriate as an exclusive remedy. So the court discussed how in the licensing agreement, there was a provision about how irreparable harm would be presumed upon a breach of the licensing agreement. And the court said that that was not enough to secure injunctive relief in this case.

Jordan Grotzinger ([09:07](#)):

So not only is it enough, if your statute says you can get injunctive relief, if you show liability, you still have to show the elements of injuncted relief. Just like it's not enough. If an agreement purports to allow for injunctive relief or recites, that there will be irreparable harm upon a breach, you still have to show the elements of injunctive relief. Exactly. The next case also addresses the issue of irreparable harm. And this one was out of the Eastern district of Michigan. Uh, it was another case that held the

plaintiffs to standard based on the irreparable harm requirement. And in that case, the plaintiff was a software company and a prime contractor for the FAA. The individual defendant was the plaintiff's project manager for the FAA project. She convinced the plaintiff's CEO to hire the defendant company as a subcontractor. The individual defendant's husband was the president of the defendant company, which was disclosed to the plaintiff, but the individual defendant did not disclose that she had an ownership in the defendant company. So the defendant company gets hired as the, it subcontractor for this FAA project. And the individual defendant was responsible for informing the plaintiff, whether the FAA project would be rebid or whether, and when it would end, but she didn't. And then she kind of abruptly resigns without notice. And right after that, the FAA terminates its contract with the plaintiff and awards, the same contract to the defendant company, actually on the same day, not right after that, on the same day

Jenna MacCabe ([10:52](#)):

And without having to rebid for it. So the defendant had retained the plaintiff's laptops that contained the proprietary information temporarily and then return them upon demand the plaintiff after that sued for trade secret misappropriation and related claims and move for a preliminary injunction.

Jordan Grotzinger ([11:09](#)):

So the court noted, uh, in its analysis that the plaintiff has to make a showing of irreparable harm by clear and convincing evidence. And it also noted that irreparable harm is the most important prerequisite for injunctive relief, which is generally held to be the case.

Jenna MacCabe ([11:26](#)):

But here, the plaintiff's showing of irreparable harm was inadequate because the plaintiff had argued that without the injunction that defendant would use the plaintiff's pricing and staffing information in other contexts to be awarded other government work competitive to the plaintiff. That wasn't enough because the defendant worked exclusively on the FAA project and plaintiff argued that defendant would use its information for other work, but that's at best tenuous in the future harm to the plaintiff was completely speculative without noting what particular contracts were upcoming.

Jordan Grotzinger ([11:59](#)):

So in other words, the, the plaintiff's irreparable harm argument was that, uh, because of the defendant's conduct, um, they might be able to compete with the plaintiff for purposes of getting other government work. In other words, the irreparable harm showing wasn't tied to the project at hand, which was the FAA project.

Jenna MacCabe ([12:26](#)):

Yeah. And also because the defendant no longer had the laptops, the court found that the defendant were no longer in possession of the trade secrets.

Jordan Grotzinger ([12:35](#)):

So the preliminary injunction was denied.

Jenna MacCabe ([12:37](#)):

Finally, there was no explanation of why damages wouldn't be sufficient in this case. Harm is only a reparable if damages would be not sufficient. So it's interesting here that the plaintiff didn't make any strong argument about that. And the court had suggested that loss of competitive advantage could be adequately compensated by money damages.

Jordan Grotzinger ([12:58](#)):

That was an interesting, um, piece of, I, you could probably characterize it as dicta, but it was an interesting statement because it's a little difficult to imagine how loss of competitive advantage is compensable by damages. It, it actually strikes me as something of an example of a harm that you can't really measure in damages. But, uh, this court said that it could, the next case dealt with the elements of reasonable measures to keep confidential information secret and the element of independent economic value. This case was out of the Eastern district of New York. And, um, this sounded like a pretty hotly contested dispute. So the plaintiff hires the defendant company to redesign its website. The relationship blew up pretty quickly and the defendants who had access to the website, they redesigned for the plaintiff blocked it. And not only that, but they started writing, um, negative messaging on, on the plaintiff's own website, like stealing isn't nice pay your bill and also posted negative content on the plaintiff's Instagram account.

Jenna MacCabe ([14:19](#)):

And so the plaintiff demanded control of the media, but the defendants kept sending increasingly high invoices that weren't accounted for in the original contract. So the plaintiff sued for trade secret misappropriation, as well as other claims

Jordan Grotzinger ([14:33](#)):

And here the defendants defaulted. But, uh, as the court noted, district courts need not agree that the alleged facts in a default proceeding constitute a valid cause of action. So the court did an independent analysis of the claims and as to the defend trade act claim, the court found that the plaintiff did not meet the element of reasonable measures to keep its trade secrets secret, because all the plaintiff said as to the login credentials, it was trying to, uh, enforce or rather protect his trade secrets. All the plaintiff said was that it doesn't disclose those credentials to third parties, quote, unless such disclosure was necessary to further her business objectives, close quote. And the plaintiff also said that, uh, the login credentials were unlikely to be duplicated, but the court found that that was not sufficient to show reasonable measures to maintain secrecy because among other things, there was nothing concrete, like, um, uh, an NDA or a covenant to protect passwords. There was just this sort of general nebulous practice that the plaintiff wouldn't disclose it and less necessary. That's not enough to meet the reasonable measures element

Jenna MacCabe ([15:56](#)):

And the passwords themselves didn't possess the independent economic value because although they're valuable to the plaintiff, because they allow the plaintiff to access their own websites, they weren't valuable to other people put differently because the economic value of the passwords wasn't independent of the websites they are used to access the passwords are not trade secrets.

Jordan Grotzinger ([16:20](#)):

So that's a summary of our four cases. And as an every episode, we're going to quickly go through the takeaways. So the first takeaway deals with trade secret identification for purposes of injunctive relief,

and to sufficiently identify trade secrets in such a proceeding, you want to identify specific categories of information or specific documents. And like we discussed last episode, it helps to be comprehensive and not exemplarily avoid kitchen sink, like descriptions and, and that sort of deadly language like including, but not limited to

Jenna MacCabe ([16:56](#)):

Our next takeaway is that prevail in the independent economic value element at the injunction stage, you need to explain that the information generates independent economic value, for example, by allowing the defendant to undercut you on pricing or by undermining your brand identity as a keeper of confidential information for your clients.

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

The next takeaway is that in the 10th circuit, at least trade secret misappropriation is not irreparable harm per se, any modified tests that relaxes one of the prongs for preliminary relief, like a likelihood of success, irreparable harm, balance of equities, et cetera, is impermissible. And the courts may presume irreparable harm only when the party is seeking an injunction under a statute that mandates injunctive relief as a remedy for violation of that statute.

Jenna MacCabe ([17:51](#)):

Our forest takeaway is that if you want to show a reparable harm, you should tie your theory to the project or the incident at hand in your case, if your theory is that you might lose work relating to unrelated projects, the judge might find it too speculative. It also helps if you have proof that the defendants still have your trade secrets in their possession, if you don't, or can't allege that a preliminary injunction won't likely be grand

Jordan Grotzinger ([18:15](#)):

And on the reasonable measures to maintain secrecy element, those measures need to be specific and concrete. I think we discussed previously that reasonable measures tend to fall into a handful of buckets. And those buckets include contracts, policies, technology, and sometimes physical barriers. So general practices or preferences. Like I usually don't disclose this to people unless I need to are not going to be concrete enough to show a reasonable measure. Ideally, you want to fit your reasonable measure into one or more of those buckets, um, and be as specific as possible.

Jenna MacCabe ([19:03](#)):

Our final takeaway is that economic value must be independent of the value to the plaintiff, such that others could derive value from the trade secret. So while things like formulas and customer lists might be independently, economically valuable log-in credentials that essentially are valuable only to plaintiffs may not reach the independent require.

Jordan Grotzinger ([19:23](#)):

That was an interesting case to me because it's one of the few that sort of focused on what independent means. And I thought that the example of this case was illustrative. So here we were talking about login credentials. And as the court said, obviously, a login credential is valuable to the plaintiff, but the court said it's not independently valuable, like a formula or customer list might be. So what does that mean? And what it really means is that the economic value must be independent. As you said, Jenna, of the

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value to the plaintiff independently valuable such that a bad actor could get value from the misappropriation. So those are our takeaways for the day. And this is your last episode for at least a few months, Jenna is off to the ninth circuit to clerk. I can't believe it.

Jenna MacCabe ([20:20](#)):

Thanks Jordan, I'll miss you.

Jordan Grotzinger ([20:20](#)):

yeah, well, you'll be back and, um, we'll have to rotate in co-hosts that it won't be the same and Best of luck you're going to do. Great. We can't wait to have you back.

Jenna MacCabe ([20:29](#)):

Thank you so much.

Jordan Grotzinger ([20:30](#)):

All right, everybody. Thank you until next time. 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 us by email [GrotzingerJ@gtlaw.com](mailto:GrotzingerJ@gtlaw.com) or [MacCabeJ@gtlaw.com](mailto:MacCabeJ@gtlaw.com) or on LinkedIn. If you like, what you hear, please spread the word and feel free to review us on iTunes. Thank you until next time,

Jenna MacCabe ([21:03](#)):

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