

Trade Secret Law Evolution

Episode 49

Greenberg Traurig

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

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Jordan Grotzinger ([00:18](#)):

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.

Welcome everybody to episode 49 of the Trade Secret Law Evolution Podcast. One short of 50. Big number, pretty incredible. And today I'm joined by my partner out of our Boston office, Greg Bombard. And before I say a few words about him and he introduces himself, today, we're going to be discussing, in addition to a case that he's handled a case out of the Seventh Circuit Court of Appeals that addresses our favorite issue on this podcast, trade secret identification and also proof of misappropriation.

So Greg is the author of The ABA Guide to Protecting and Litigating Trade Secrets from 2020. He's the co-chair of a subcommittee on Trade Secret Litigation for the ABAs Commercial and Business Litigation Committee. And as I mentioned, he's out of our Boston office, grad of BC Law, Boston College Law School in 2010. Greg, how are you?

Gregory Bombard ([01:40](#)):

Very good. Thank you very much, Jordan, for having me on. Longtime listener, first time participant. So thank you. Very honored to be part of this podcast.

Jordan Grotzinger ([01:50](#)):

Want to say a few words about your practice?

Gregory Bombard ([01:53](#)):

Sure. My practice is really focused on IP litigation and a lot of that is trade secret litigation. And being here in the Boston office, we have a lot of biotech clients. So a lot of that litigation ends up being for biotechs, whether trade secret litigation, patent infringement, licensing disputes, or inventorship disputes. To give you an interesting example of a case that I worked on. We represented a clinical stage public biotech company that was accused by a competitor of trade secret misappropriation. And the fact pattern in that case was pretty familiar to anyone who litigates trade secrets. There were two alleged sources of misappropriation. One was that our client hired six scientists from a competitor. And the

competitor claimed that the technology platform that our client came out with later, looked a lot like what those six scientists had been working on before they left.

And the other claim of misappropriation came out of a failed potential sale of IP. Our client had gotten access through a data room to a bunch of confidential information from the competitor in a potential deal to purchase the competitor's IP. The deal did not go through and later, the competitor claimed that our client had used some of the information that they had seen in that data room to advance their technology. This case was interesting, because it had a lot of issues and one of them was that we asserted a counterclaim in that case against the plaintiff, alleging that the suit was brought in bad faith and that it was an abuse process under Massachusetts Law.

So we filed those counter claims at a time when the Massachusetts SLAPP statute was evolving, Anti-SLAPP statute, was evolving significantly. And so we were actually one of the first defendants to file a counterclaim like that one, alleging that the lawsuit itself was brought for an improper purpose that could survive the anti-SLAPP motion to dismiss. And we did. So it was a really interesting case.

Jordan Grotzinger ([04:31](#)):

They brought the SLAPP motion?

Gregory Bombard ([04:33](#)):

They did. They did. They filed an anti-SLAPP motion to dismiss. They filed a 12(b)(6) motion to dismiss and a motion for summary judgment, and we were able to defeat each of those. So there are multiple, now, presidential opinions that come out of the business litigation session in Boston in that case, that are a roadmap for a defendant in a trade secret case to push back in that particular fact pattern where our allegation was that the plaintiff had brought the case for the purpose of interfering with our client's ability to raise money. And so it was a very interesting case. It was a fun case. We were able to resolve and after the resolution, the client really took off like a rocket ship. So, that was really great to see.

As a litigator, you're not often associated with positive time for the company, but having that resolution, really helped them move forward, get past it and get to a really good exit. So very proud of the work on that case.

Jordan Grotzinger ([05:37](#)):

That does sound like an interesting one. And for the non-litigators and non-lawyers out there, an anti-SLAPP motion. SLAPP is an acronym. S-L-A-P-P, stands for a Strategic Lawsuit Against Public Participation. And what that means in English is, some states have what's called these anti-SLAPP statutes, whereby if a lawsuit would have the effect of essentially chilling free speech or limiting your right to take certain positions in litigation, where free speech is paramount, the lawsuit can face an anti-SLAPP motion. Which is essentially a motion to dismiss, arguing that your lawsuit violates this statute because you're inhibiting my ability to litigate properly, or you're inhibiting my free speech rights or right to petition the government or the courts.

So that, as soon as you said you counterclaim for abusive process, I thought, "Wait a minute. How'd you do that?" But you were obviously able to get around the anti-SLAPP statute in that case. It sounds like based on your litigation theme, that this tactic was more of a business tactic by the plaintiff.

Gregory Bombard ([07:12](#)):

Right. And for the longest time in Massachusetts, any commercial litigator would tell you that the one thing to know about the anti-SLAPP statute, is that you can't sue someone for suing you. You'll just run

straight into the SLAPP statute. And what had happened is, right immediately before we filed that counterclaim, the Massachusetts SJC clarified and created this new pathway for a counterclaim in a commercial case, where the purpose is not primarily to chill the plaintiff's lawsuit. If it's brought for a legitimate reason, with a colorable claim, then it can survive the SLAPP statute. So we felt, and the court agreed in that case that we had a colorable claim that the lawsuit had been brought for an improper purpose. And that our goal in bringing the counterclaim was not to chill the plaintiff's ability to sue us, but rather to get damages for the harm that the lawsuit had brought for our client.

Jordan Grotzinger ([08:18](#)):

That's interesting. Sounds like you took a creative and somewhat aggressive position and it worked. So I'm glad to know about that case and happy for the listeners that they got some free information on First Amendment and litigation privilege law in a trade secret podcast. So thank you for that Greg.

Let's turn to the case we're going to address, which was out of the Seventh Circuit just about a month ago. And it involved hydraulic actuators, which are machines that regulate the flow of working fluids. I'm just going to struggle to explain that in more detail. Greg, you can feel free to, but it doesn't matter that much. They are hydraulic machines that regulate pressurized flow of fluids.

So in this case, similar to part of the scenario you described in your case, an engineer worked at the plaintiff company from 1998 to 2003. In 2002, the engineer worked on a project to develop a new actuator. The 2002 actuator project involved designing a potential alternative valve for the plaintiff companies' existing actuators. And the team on that project updated some computer code to include instructions for opening and closing a solenoid valve. And the team, working on this actuator project, created one unofficial sketch of the prototype. The plaintiff company did not establish that the engineer saw either the updated source code or the sketch of the prototype.

Gregory Bombard ([10:14](#)):

And that's a pretty critical distinction that'll become apparent later on. In 2002, the plaintiff ended this project to update the actuator. Disassembled the prototype, and the plaintiff never used the prototype in any commercialized design. So they just killed this project. Then the engineer resigned in 2003 and went to go work for, apparently various competitors, before landing at the corporate defendant in this case in 2012. So about 10 years between this prototype and working for the corporate defendant. And then in 2013, once he starts working for the corporate defendant, starts working on an actuator prototype for this new company. And the corporate defendant files a patent application in 2014. In 2017, in order to get some claims allowed, the patent office had rejected their claims and they added a limitation to their claims that would require a motor that can quote, "accelerate from zero to maximum revolutions per minute, under full load," end quote. That was apparently very novel and so the patent office issued the patent based on that limitation.

Jordan Grotzinger ([11:47](#)):

So based in part on that patent application, the plaintiff sued in federal district court in Chicago, alleging misappropriation of trade secrets against the individual defendant and the corporate defendant and for breach of an implied, in fact, contract against the engineer. The district court, the trial court, granted summary judgment to the defendant, meaning that it found that given undisputed material facts and applying the law to those facts, the plaintiff stated no claim.

So the plaintiff appeals to the Seventh Circuit Court of Appeals and the two primary issues that the Court of Appeals addressed are the requirement that the plaintiff identify its trade secrets with specificity or particularity. And what kind of proof was necessary to show misappropriation.

Gregory Bombard ([12:48](#)):

So that first issue, the trade secret identification, is one that's familiar to anyone who practices in this area. And it's one of the essential tensions of these cases, a plaintiff identifying what they claim that misappropriated trade secrets are versus the defendant who of course wants to know what they're accused of. And when you deal with protective orders in these cases, that can be a pretty substantial issue, because often the defendant isn't permitted to see the trade secret list. So in this case, the Seventh Circuit holding on trade secret identification was quote, "the key task for a plaintiff is to present a specific element or combination of elements that is unknown to the trade and was allegedly misappropriated," end quote.

And in this case, the plaintiff had identified only quote, "the 2002 designs," end quote, as the trade secret. So the defendants argued that several aspects of those 2002 designs or the 2002 prototype were well known in the actuator industry. The plaintiff admitted that its existing actuator, the one that was to be updated in this 2002 design process, was for sale, publicly available and therefore the existing design was not secret. The plaintiff admitted that this concept of adding a solenoid valve to hold an actuator in place, was known in the industry before 2002. And so the Seventh Circuit ruled quote, "no other aspect of the 2002 actuator prototype has been identified with sufficient specificity to defeat summary judgment," end quote.

Jordan Grotzinger ([14:44](#)):

So as the listeners know, this is probably the most common issue in trade secret opinions, that is, what is required to sufficiently identify a trade secret? And there's a lot of case law that talks about how specific a plaintiff must be. It's interesting, in this case, although the Seventh Circuit framed the issue as, were you specific enough plaintiff? In fact, and a little differently in my eyes anyway, it's almost as if the issue was, did you come up with anything secret? Here, the Court of Appeals walked through the alleged trade secrets and said, essentially, "No, this is public. No, this is not secret. No, this is known in the industry." And the plaintiff didn't specifically identify anything else or anything that was secret. So that was a dispositive problem for the plaintiff.

The Seventh Circuit also addressed the issue of misappropriation and whether the plaintiff had proffered sufficient proof to raise an issue of fact, therefore defeat summary judgment as to misappropriation. And as to this issue, the plaintiff said that there was misappropriation based on, one, the filing of the patent application and two, the designing of the competing actuator. And the Seventh Circuit affirmed that the evidence was not sufficient to show that the 2002 prototype met all of the claim limitations of the patent application. In other words, there was no evidence that the 2002 prototype could accelerate from zero to maximum RPM under load, which was the subject of the corporate defendant's patent application and the premise of the plaintiff's trade secret theory.

Gregory Bombard ([17:10](#)):

Well, and that's an interesting intersection of the patent application theory for misappropriation. So essentially the plaintiff is saying, by filing the application, you've misappropriated the trade secret because you've published what had formerly been my secret technology. And so here the Seventh Circuit is saying, "No, your 2002 prototype, there's no evidence that that prototype could have met all of these claim limitations, including this critical one, the ability to accelerate from zero to maximum RPM under load. And so unless you can show that that had been designed in the 2002 process, then simply filing this patent application, can't be misappropriation."

The plaintiff had a backup position, which was that the defendants had used the engineer's knowledge of this 2002 design process to help move the 2013 design process forward. But the Seventh

Circuit noted some design features that were different between the 2002 design and the 2013 design. That the 2013 design quote "does not use the manifold two tubing or computer source code that were part of the 2002 prototype," end quote. And with respect to the source code specifically, the Seventh Circuit said quote, "plaintiff asks us to infer that the engineer retained knowledge of the 2002 source code, which he never saw for 11 years. And then deployed that exact code when building the new actuator," end quote.

Jordan Grotzinger ([18:52](#)):

And that's where the Seventh Circuit kind of tied up. It's holding that the misappropriation theory rested on untenable inferences. But before I expand on that discussion, Greg can you just, we've had a few references to claims limitations, which relate to the patent application. Can you explain plainly what that means for our non-patent lawyers out there, including me?

Gregory Bombard ([19:24](#)):

I can try. So a patent, when you get a patent, the essential deal is that you reveal to the world what your invention is and in exchange, as long as that invention is novel, non obvious, et cetera, you get a government sponsored monopoly to be the only person who's permitted to sell that or use that technology, that invention. And so the deal is, you have to describe with particularity, all of the various elements that make your invention unique. The claims limitation might be, my invention is a car that has the following features. And then you have all these sub features. Those are claim limitations. It has headlights, taillights, four wheels and windshield wipers. And so when you get your patent allowed, your patent is limited to only the technology or the invention that hits all of those claim limitations. And so someone who wants to sell a car that has headlights, taillights, three wheels and windshield wipers, generally would not be found to infringe that patent, because it doesn't meet the claim limitation of requiring four wheels.

So here, when this engineer or when the corporate defendant gets this patent allowed, one of the critical elements of that patent, was to have the ability to accelerate from zero to maximum RPM under load. And so if a competitor sold an actuator that did not have the ability to accelerate from zero to maximum RPM under load, generally that competitor would not have been found to infringe that patent.

Jordan Grotzinger ([21:14](#)):

That is very helpful. Thank you. So a claim limitation is essentially a feature of your invention that is disclosed in your patent application. Is that accurate?

Gregory Bombard ([21:28](#)):

Exactly. And that you're claiming is particularly unique and generally speaking, different from what is in the public domain.

Jordan Grotzinger ([21:38](#)):

Got it. So to wrap up the discussion of the Seventh Circuit case, the Court of Appeals held that the misappropriation theory rested quote, "on a series of untenable inferences," close quote. Including that it had been 11 years since the engineer's employment with the plaintiff, the engineer didn't take any documents with him and worked for other competitors in the meantime, designing actuators. So the court held quote, "the plaintiff has not directed us to a case where a court inferred that the misappropriation of trade secrets could plausibly have occurred despite a lack of evidence concerning

the defendant's seizure or possession of documents," close quote. And, quote, "the 11 year gap renders the inferences that the plaintiff asks us to draw exceptionally unreasonable," close quote. So bottom line, the Seven Circuit said the summary judgment win for the defendants stands.

And now to our case takeaways. On trade secret identification, as we know, and as the Seventh Circuit affirmed again here, the plaintiff must identify a specific element or combination thereof that is actually secret in the industry. And generalizations about allegedly secret designs, won't do, especially where they're comprised of public elements.

Gregory Bombard ([23:12](#)):

Then on the misappropriation side, the key is direct evidence that matches your trade secret, your claim to trade secret, against the defendant's technology. And so in this case, the phrase we've repeated a few times is, here an actuator prototype that could accelerate from zero to maximum RPM under load. I don't know if anyone really knows what that means, but it was very important in this case.

And so there, that was the critical distinction that the defendant's technology had and that it appeared that the plaintiff's technology, or at least the 2002 prototype, did not have. Now that of course is not to say that if the defendant's technology is more advanced or different than the plaintiff's technology, that that would defeat a claim of misappropriation in every case. But here, one of the big issues that the plaintiff ran into, was the fact that some of the really novel, critical pieces of that 2002 prototype sketch and the source code, they couldn't establish that the defendant engineer had actually ever seen either of those things. And certainly hadn't established that he had taken them with him on a thumb drive or something.

Jordan Grotzinger ([24:37](#)):

And finally, as to misappropriation, and this sounds obvious, but the Seventh Circuit found it worth repeating. To establish misappropriation you need evidence connecting the defendant to the plaintiff's trade secrets. Now, I haven't done a copyright case in a while, but I remember enough. It's sort of like the principle of access, right? There's got to be access so that the defendant is shown to have copied the copyrightable work. Well, similarly here, if you're going to prove trade secret misappropriation, there's got to be proof of access by the defendant of the plaintiff's trade secrets. So for example, in our Seventh Circuit case, the plaintiff lacked proof of the individual defendants' access to critical documents, which allegedly contained the trade secrets.

So now for my new favorite part of our podcast, which is the interesting fact about our guest. Now, Greg, I have to tell you, and I find this fun, even though it's probably somewhat cruel. You have serious competition here. I mean, previous guests have included a former New Jersey State Trooper, Rich McCrea out of our Tampa office. And almost medieval art expert, our partner, Jen Surprenant in New York. And someone who worked a stock exchange floor, like in Trading Places, who is our partner, Bina Palnitkar in Dallas. So I don't know if you can compete with those, but please try.

Gregory Bombard ([26:29](#)):

I will say this one has been particularly challenging Jordan, so thank you. And I think as I've prepared to appear here and think about this issue, I've come to realize a deeper, fundamental truth about myself, which is that I'm just not that much fun.

I'll do my best. It sounds like really the good ones are folks who had interesting former jobs. So I will try to match that or at least add to the list of interesting former resumes. I worked at a Friendly's. And I don't know if you have Friendly's out in LA, but-

Jordan Grotzinger ([27:08](#)):

We do not, but I grew up back East. So I'm very familiar with Friendly's.

Gregory Bombard ([27:13](#)):

So Friendly's for those who are unaware is a chain of hamburger and ice cream joints that was founded in Wilbraham, Massachusetts. So I worked as a server. My first job was working as a server at Friendly's for about five years from high school and through college. And that experience really taught me a lot about being a lawyer, making sure that you were busing the dirty plates off your clients table and bringing them fresh, hot food, as soon as you could, without letting it sit there and get stale. So maybe my entire career is based off of my experience, working for the great Friendly's Ice Cream Company.

Jordan Grotzinger ([27:58](#)):

I respect that. And I remember it's been many years since I've been to a Friendly's, but I remember some pretty excellent hot dogs and milkshakes. Well, Greg, thank you very much. Welcome to GT. Great to have you at the firm. Great to have you on the podcast. And I hope we do it again.

Gregory Bombard ([28:19](#)):

Cool. Thank you so much, Jordan.

Jordan Grotzinger ([28:21](#)):

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 Podcast, Stitcher, Spotify, and other platforms. Thanks everybody. Until next time.

Speaker 4 ([28:52](#)):

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