

Trade Secret Law Evolution Podcast

Episode 56

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.

([00:36](#)):

Welcome to episode 56, everybody. My co-host today is my partner, Bill Stark, out of our Dallas, Texas office. Shout out to Dallas and all my friends there. And we're going to be talking about a case that is not from this year, actually it's from 2021, but it's an interesting and unique case about a pretty serious and one of the most impactful remedies in this area with which Bill was involved. And that is device turnover orders, at least in Texas trade secret cases. This is a Texas case, but as we've discussed before, trade secret law is essentially uniform, and authorities from different states are found persuasive in other states. And so, even though this is a Texas case, this could be useful to practitioners and parties in cases in other states.

([01:38](#)):

So, this case was actually out of Dallas, and the opinion we're going to discuss was from May 4th, 2021. And in this case, the plaintiff sued former employees and the defendant, their new employer, alleging trade secret and non-compete, non-solicit claims. The plaintiff obtains a temporary injunction against the defendants, which included prohibitions that you would normally expect to see in a trade secret and non-compete case, such as in joining the use or disclosure of the plaintiff's trade secret confidential proprietary, et cetera, information, interference with the plaintiff's agreements with current or former employees, interference with the plaintiff's agreements with certain of its clients, and alteration or deletion of documents, computer files, and materials obtained from or belonging to the defendant.

([02:31](#)):

But Bill, tell us about the key provision of the injunction regarding devices.

Bill Stark ([02:37](#)):

So, in addition to those run-of-the-mill injunctions that we see in your standard trade secret and covenant cases, here are the temporary injunction also included a device turnover order, or DTO, that provided the plaintiff with direct access to the defendant's devices. And the order it states, "Defendants must immediately produce to plaintiff's outside counsel for forensic inspection any company or personal

laptops, hard drives, thumb drives, including all thumb drives used by any former employee while working for plaintiff, or other digital storage devices, one, used by the former employees in their work for plaintiff and which contain plaintiff's information, two, used by the former employees while working for plaintiff, and three, in possession of defendants on which may be maintained plaintiff's confidential information and trade secrets."

[\(03:35\)](#):

The provision went on to provide that all this information would be treated as attorney's eyes only, and the plaintiff's experts would only be allowed to examine the information and devices after signing a protective order with AEO protections.

Jordan Grotzinger [\(03:50\)](#):

So, pretty serious injunction, and quite intrusive to the opposing party, obviously. Whenever you're talking about devices, there's a lot of sensitivities for a lot of different reasons. So, the defendants filed an emergency motion to clarify the device turnover order, asking the trial court to clarify whether the three prongs of the DTO were conjunctive or disjunctive. And at the hearing, the trial court orally clarified the DTO as requiring the turnover of any devices that meet any one of the three prongs, and that the third prongs phrase may be maintained means, "is maintained." So, the defendants appealed to the Dallas Court of Appeals.

Bill Stark [\(04:36\)](#):

This is really an interesting case. It's the first time I've seen any case, trade secret or otherwise, that involves such a device turnover order providing direct access to another party's devices. Also, here, interestingly, the plaintiffs didn't make the showings that are typically required by the Texas Supreme Court to allow a party to gain direct access to an opponent's electronically-stored information. Way back in 2009, the Texas Supreme Court first addressed this issue in a case styled *In re Weekley Homes*.

Jordan Grotzinger [\(05:10\)](#):

So, in that case, the Supreme Court found that the trial court abused its discretion by ordering the defendant's employees to turn over their computer hard drives for forensic examination. The plaintiff asserted claims for common law fraud and fraudulent inducement, and related fraud-type claims. And as part of the discovery dispute, the trial court granted a motion for limited access to certain hard drives for the defendant's employees to search for deleted emails. The plaintiff proposed a search protocol under which a forensic expert would image the hard drives, search for emails, extract them and provide them to the defendant for review and production. The defendant would have the right to review the materials, designate which materials were privileged or not discoverable, and produce responsive materials to the plaintiff.

Bill Stark [\(06:03\)](#):

So, as you pointed out, this is highly intrusive. Not surprisingly there, the defendant objected that the plaintiff's forensic experts would have direct access to the defendant's trade secrets and privileged communications stored on the hard drives. The defendant also argued that it would be burdensome and disruptive to take these hard drives out of commission for imaging, and also objected that the plaintiff had failed to show that it was even feasible to obtain the data sought, because it may have been deleted years prior. After the trial court granted the motion, defendant appealed to the Texas Supreme Court.

Jordan Grotzinger [\(06:40\)](#):

So, after reviewing federal rules and federal case law, the Texas Supreme Court observed that ordering examination of a party's electronic storage device is particularly intrusive and should generally be discouraged, just as permitting open access to a party's file cabinets for general perusal would be. Quite an antiquated concept there, but that's how it used to be. Although direct access to a party's ESI, that's an acronym for electronically stored information, might be permitted in some circumstances, the rules aren't meant to create a routine right of direct access. So, the Supreme Court of Texas held that the plaintiff had failed to demonstrate, one, the particular characteristics of the electronic storage devices involved, two, the familiarity of its experts with those characteristics, or three, a reasonable likelihood that the proposed search methodology would yield the information sought. And the court held that given these failures and considering the highly-intrusive nature of computer storage search and the sensitivity of the subject matter, the trial court had abused its discretion. And stated, "Direct access to another party's electronic storage devices is discouraged and courts should be extremely cautious to guard against undue intrusion."

Bill Stark ([08:09](#)):

So, with that background, turning back to our May 21 case, after the trial court entered then orally clarified the temporary injunction that contained the device turnover order, the defendant's appealed to the Dallas Court of Appeals. The Dallas Court of Appeals held that the temporary injunction was deficient on various grounds and that certain portions of it failed to meet the strict requirements of Texas Rule of Civil Procedure 683, which requires that an injunction state and explain the reasons for why irreparable injury will result in the absence of an injunction. Interestingly, with respect to the device turnover order in particular, the Dallas Court noted, "The temporary injunction order does not address or explain why this mandatory relief is necessary to prevent irreparable injury or extreme hardship or why legal remedies regarding discovery of electronic storage devices are inadequate. Thus, the mandatory injunction portion of the temporary injunction order is improper."

Jordan Grotzinger ([09:16](#)):

After addressing the defendant's other issues, the Dallas Court turned to the propriety of mandatory injunctive relief regarding electronic devices. The defendants argued that the court should vacate the DTO, "for the additional reason that a trial court cannot circumvent Texas rules and procedures governing the permissible scope and proper conduct of electronic discovery by compelling pretrial electronic discovery under the guise of a mandatory injunction." The defendants cited the Texas Rules of Civil procedure governing discovery, which, among other things, specifically address, "electronic or magnetic data," and establish a procedure for seeking the court's protection from improper requests. And argued that there is no, "other statutory mechanism for pursuing pretrial electronic discovery by mandatory injunction." And, "The trial court abused its discretion by compelling pretrial production and inspection of appellant's computers and other devices through the DTO, instead of the rules governing and limiting the scope of that discovery."

Bill Stark ([10:29](#)):

The defendants also argued that the DTO granted plaintiff's attorneys direct, immediate and unfettered access to defendant's devices without the procedural protections required by the Texas Supreme Court in our 2009 case, *In re Weekley Homes*. Defendants argued, "The fact that the trial court granted this relief under the guise of a mandatory injunction with the threat of contempt does not change the order's nature as one compelling pretrial electronic discovery, thus *In re Weekley Homes* applies."

Jordan Grotzinger ([11:04](#)):

But the Dallas Court disagreed and noted that in the *In re Weekley Homes* case that involved discovery regarding ESI, electronically-stored information, rather than a temporary injunction and was not a trade secret case. The court did not find any authority requiring application of the *In re Weekley* case in the temporary injunction context and held that, "The law governing mandatory injunctive relief is consistent with *Weekley's* requirement. The trial court should be mindful of protecting sensitive information and utilize the least intrusive means necessary to facilitate discovery of electronic information."

[\(11:51\)](#):

So, the court concluded that, "Though the DTO in this case is deficient for the reasons described in our analysis above, we cannot conclude Texas law entirely precludes mandatory injunctions requiring production of digital storage devices when the applicable standards, including rule 683, specificity and irreparable injury requirements, are met." And importantly, the defendants sought review by the Texas Supreme Court and review was denied. So, Bill, what are some of the takeaways here?

Bill Stark [\(12:27\)](#):

Yeah, this leads to a lot of really important and interesting takeaways for trade secret cases in Texas. In trial courts under the Dallas Court of Appeals, which includes most of the Dallas Metroplex, device turnover orders appear to be available to trade secret plaintiffs seeking injunctive relief. Also, the Texas Supreme Court's denial of the petition for review provides a strong argument that the court didn't see anything there it needed to address, and thus DTOs are likely available to any trade secret plaintiff statewide.

Jordan Grotzinger [\(13:03\)](#):

Second takeaway is, at least in Texas, in seeking a DTO, make sure that all of the necessary standards are met, particularly rule 683's requirements, which are strictly enforced.

Bill Stark [\(13:17\)](#):

Yeah, and the rule 683 requirements are very important in Texas, but they tend to be requirements more of form than substance, of the findings that have to be conveyed in the injunction order. And so, in all likelihood, any intelligent enterprising trade secret plaintiff attorney is going to be able to meet those requirements, so long as they pay attention to the rules and requirements, and make sure they include all of the necessary findings to later support their DTO on appeal.

Jordan Grotzinger [\(13:48\)](#):

And Bill, just generally speaking, since this takeaway is quite Texas specific, what does 683 require?

Bill Stark [\(13:57\)](#):

So, 683 requires, and I'll quote because it's a relatively short rule. So, "Every order granting an injunction and every restraining order shall set forth the reasons for its issuance, shall be specific in its terms, shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts to be restrained." The Texas case law has gone on to find that among other things, these requirements of 683 require that the order set forth the reasons for why irreparable harm will be suffered in the absence of an injunction order.

Jordan Grotzinger [\(14:38\)](#):

Okay, so I take back my comment that that is Texas specific because those requirements really do echo requirements for injunctions across the country. The laws are different from state to state sometimes, but generally speaking, those requirements you need to meet them in Texas and elsewhere to get injunctive relief.

[\(15:02\)](#):

The next takeaway, sort of an obvious one, is that a DTO, a device-turnover order is a very powerful tool that can, as a practical matter, probably in the vast majority of cases, drive an early resolution of the case because nobody wants to turn over their devices in 2023, period. Nobody. And the injunction fight often sets the stage for how trade secret cases will play out. And these kinds of orders provide a trade secret plaintiff with a huge strategic advantage because it allows the plaintiff to gain access to the defendant's information, similar to being able to sort of just go to the defendant's file room, if we were talking the 1980s, and go through the file cabinets. And because such access is available through an injunction, but very difficult to obtain in the course of normal discovery, as most business litigants know, it provides a trade secret plaintiff with a major advantage.

Bill Stark [\(16:11\)](#):

It does. And so, this sort of advantage leaves open a variety of issues that the courts are going to need to address over the coming years. For lawyers, probably the first and most obvious is privilege. The defendant's devices are likely to include privileged materials, whether those are emails or texts with their lawyers, maybe voicemails left by the lawyers notes from meetings, what have you. And this is obviously information that the plaintiff otherwise would not be able to gain access in the course of normal litigation but has under the guise of a device turnover order.

[\(16:52\)](#):

Another big issue that the courts are going to have to wrestle with is protection of the defendant's trade secrets, confidential and proprietary information. Obviously, one of the big issues in most trade secret litigation is obviously the plaintiff is seeking to protect their trade secrets, but at the same time, the defendant needs to be able to protect their trade secrets from disclosure to the plaintiff and other parties. This, although a real and substantial issue, can likely be resolved with AEO protections. So, one of the takeaways is if you're a trade secret plaintiff seeking a DTO as part of your injunction, make sure you're also filing an appropriate confidentiality order at the same time with AEO protection, so the court can enter both orders at the same time and head this issue off at the pass.

Jordan Grotzinger [\(17:43\)](#):

Right. And of course, these same concerns apply to private personal information. A device contains a lot more data than business data, from medical to personal, to embarrassing, who knows? Which is why everyone fights tooth and nail to avoid the turnover of their devices. But as you alluded to, Bill, courts do have wide discretion to fashion protections against the viewing of non-discoverable information, like privileged information, like medical or private information that has nothing to do with the case. But these are open issues that judges at the trial court level will have to address whenever a device turnover order is granted. Because you can be certain that the party against whom that order is issued will insist on it.

[\(18:44\)](#):

And the last takeaway is that although device turnover orders are available, are they limited to device turnover orders or can a trade secret plaintiff obtain a mandatory injunction requiring defendants to turn over credentials to their cloud storage? So, less of a takeaway than an open issue. In any event, as

companies increasingly utilize cloud storage, this may be an issue going forward. So, we hope that's useful. I think it will be in any trade secret case where you may want to go after devices, both for purposes of protecting trade secrets, and also for leverage and early resolution purposes. Because as I mentioned, people get real sensitive when they got to turn their devices over. And if an early injunction orders that, the odds of the case settling early and both sides not spending a lot of money on litigation probably increase dramatically.

[\(19:52\)](#):

So, with that said, we move to my favorite part of the podcast, which is the interesting or fun fact part. Bill, you know the history of this segment. You got stiff competition. Tell us what you got.

Bill Stark [\(20:05\)](#):

Well, there is stiff competition indeed, but I'm going to go out on a limb and speculate that I'm probably the first high school dropout to appear on this podcast.

Jordan Grotzinger [\(20:14\)](#):

Wow.

Bill Stark [\(20:15\)](#):

Can you confirm that or will you investigate?

Jordan Grotzinger [\(20:19\)](#):

I can't, but I'm going to take your word for it.

Bill Stark [\(20:22\)](#):

Yeah, so-

Jordan Grotzinger [\(20:23\)](#):

I hope you have a law degree.

Bill Stark [\(20:24\)](#):

Well, amazingly enough, they'll pass them out to just about anyone. I had the benefit of quite a few years of expensive private school education in Dallas, and I'm constantly reminded by my folks that after all that, I'm still a high school dropout, but it's maybe only a little bit misleading. After my junior year of high school, I was tired of high school, didn't enjoy it, didn't have a great time. And so, the spring semester I was complaining to my parents that, "Golly, I wish I could just go straight to college." And I guess they finally got tired of listening to me complaining and they said, "Well, why don't you?"

[\(21:02\)](#):

And it's sort of like a light bulb went off. I was like, "You know what? Why don't I?" So, I had my grades, obviously, SAT scores, ACT scores, all that good stuff. And so, reached out to a handful of colleges about starting in the fall. And the majority of them said, "That's cute. Come back to us in the fall for regular admission." And then, the University of Dallas said, "Well, we'd like to welcome you to our incoming freshman class." So, I wrapped up my junior year of high school in May and then started college that August, and the rest is history.

Jordan Grotzinger ([21:39](#)):

That is a good one. From high school dropout to big law trade secret lawyer. That is impressive, sir, and a worthy addition to our collection of interesting facts. So, thank you for that. And congrats on overcoming that part of your resume, which was voluntary, I guess.

Bill Stark ([21:58](#)):

Thank you. Yes, it was extremely voluntary. And hindsight being 20/20, it worked out fine, but maybe not the best plan.

Jordan Grotzinger ([22:06](#)):

Right. Well, life is funny that way. Bill, nice to see you face-to-face. I hope to see you guys soon. Say hi to Bina for me, and let's do this again.

Bill Stark ([22:18](#)):

Let's do. Thanks for having me.

Jordan Grotzinger ([22:20](#)):

All right.

([22:23](#)):

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.

Speaker 4 ([22:54](#)):

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