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 . So why are we doing this podcast? We're trade secret lawyers and to be good trade secret lawyers, you've got to stay current on the law. And generally that means you've got to take time out of your day to find cases and news and decide what's important, and then learn those cases. And at the end of each episode, you'll learn four to six bullet points of takeaways on what's happened since the last episode in the area of trade secret law, which is so important now because trade secrets in a big way, drive the economy.

Jordan Grotzinger (01:02):

There, there are many company's most valuable assets, so this should be fun. Um, because this is the pilot episode. We're not just going to dive right into developments in the last two or three weeks, but we thought we'd give a short primer on American trade, secret law on the state and federal level. Something that the listeners can refer back to if they ever need a refresher. And then in the last part of this episode, we're going to talk about developments this year. We kind of took that six month chunk as a, a reasonable starting point. So we'll tell you about developments in 2019 and going forward, the episodes will generally summarize developments since the last episode. So with that, we can get into our summary of trade secret law. Now you want to talk about the uniform trade secrets?

Jenna MacCabe (01:53):

Oh yes. So the uniform trade secrets act is a uniform act across the country that many States have adopted particular forms of, and it defines what a trade secret is, which trade secrets are comprised of information such as methods and recipes and research and development. Anything else that you can think of that is not generally known, but derives independent economic value to the company because of its secrecy and companies who have these trade secrets must use reasonable efforts to maintain the secrecy of the information in order for it to be considered a trade secret.

Jordan Grotzinger (02:31):

Yeah, and that's probably the most important part of trade secret law across the country. And it really makes a lot of sense. Is it a trade secret can really be any kind of information as long as it is a secret, as long as it's valuable because it's a secret and the owner takes steps to keep it a secret. It's really that simple. So if you can fit your proprietary information, uh, into those buckets, you've probably got a trade secret.

Jenna MacCabe (03:03):

Jordan, would you like to tell us about what misappropriation is?

Jordan Grotzinger (03:06):

Sure, so misappropriation is acquisition or disclosure or use when it's wrong. Basically it means you can't steal trade secrets. You can't disclose or use them when you know you shouldn't.

Jenna MacCabe (03:16):

The remedies for trade secret misappropriation or actual damages and unjust enrichment. If neither of those are available because the plaintiff can't prove them, then the plaintiff can seek reasonable royalties. Also injunctive relief may be available where monetary damages are not sufficient for the misappropriation. If the plaintiff can further prove willful misappropriation, then the plaintiff can seek punitive damages not to exceed two times the amount of the actual damages,

Jordan Grotzinger (03:44):

Right? And although that is a provision of the uniform trade secrets act, which by the way, is adopted in every state except for New York and North Carolina. Some States vary on the punitive damages. Um, multiple in Ohio, for example, it's three times Alabama, Colorado, and Virginia are lowered by different amounts and some States remove the cap altogether. So it's not limited to two times the amount of punitive damages. Uh, those States include Mississippi, Montana and Missouri.

Jenna MacCabe (04:18):

Also for willful misappropriation, you can seek attorney's fees and costs for the misappropriation.

Jordan Grotzinger (04:24):

It's also has some rights here. If the misappropriation claim is brought in bad faith, the court has discretion to award attorney's fees to the defendant.

Jenna MacCabe (04:31):

And if a motion for an opposition to the motion to terminate an injunction is brought in bad faith. Then either party can get their attorney's fees and costs.

Jordan Grotzinger (04:41):

So that is a brief summary of the uniform trade secrets act. And for the listeners, this is going to be a reference point that you can go back to in subsequent episodes, but we're, we're not going to repeat it, but this will be in the show notes for this pilot episode. So you can get it in writing as well. We're going to turn now to the defend trade secrets act, which is the federal trade secrets act that was passed on May 11th, 2016. There's not much to talk about here because the defend trade secrets act is largely parallel to the uniform trade secrets act, which is a reason that cases from all over the country, every state and all of the federal jurisdictions are informative on trade secret law because it's uniform. And that's why, um, uh, our goal is to keep current on all of this law because, uh, in many trade secrets cases out of state cases are frequently cited because it's a uniform act. So the threshold difference between the two acts is jurisdiction. Since the defend trade secrets act is federal. So what is what is required for jurisdiction under the defend trade secrets act?

Jenna MacCabe (05:50):

You must establish that your claim as related to interstate commerce,

Jordan Grotzinger (05:54):

Right related to a product used or intended for use in interstate commerce. And that's key that the claim be related because as we'll talk about some case law addresses attempts to get into federal court under that test. But if it's not actually related to the claim, it won't work.

Jenna MacCabe (06:13):

Also the defend trade secrets act allows X party seizures, a remedy. The X party seizure means that the U.S. Marshals can seize trade secrets from alleged thieves without giving them notice, right. And courts, unlike for the uniform trade secrets act, allow claims that started from misappropriation that occurred before the enactment of the defend trade secrets act. So if someone took your trade secrets prior to May 11th, 2016, so long as they're still using those trade secrets, you can bring your claims in federal,

Jordan Grotzinger (06:46):

Right? And on the X party seizure, I think we've actually written an article on this. It's an extreme remedy. It's not often granted historically it hasn't been sought very much and it's quite a high burden. You, you basically need a slam dunk case. Um, so it hasn't been tested much but high burden to get for obvious reasons. Another difference between the uniform trade secrets act and the defense rate secrets act is whistleblower immunity. Under the federal act, employees are immune from liability for trade secret misappropriation. If they disclose a trade secret to the government and attorney or the court for purposes of investigating or based on a violation of the law, also employers have to provide notice of that whistleblower immunity in any employment contracts that have a provision restricting the use or disclosure of trade secret, or confidential information, if they don't. And the employee is found to have misappropriated trade secrets, the employer can't get attorney's fees or punitive damages in a trade secret suit against that employee, unless that disclosure was in the employment contract.

Jordan Grotzinger (07:56):

So for every employer, that's an important thing to think about include that whistleblower immunity. If you've got, you know, if it turns out you're going to have a rogue employee who is liable for trade secret misappropriation, you want that leverage no reason not to put it in. So unlike the episodes that we're going to do in the future where our snapshot is just the last two weeks or four weeks or however long it's been between the last episode, we had to decide what makes sense in terms of how far we should go back. And we thought a clean snapshot would be developments in 2019. So we're going to talk about a handful of cases from this year. And again, our challenge was to decide which ones would be most valuable to our listeners. There's dozens of cases about, again, injunctions motions to dismiss where it's just a recitation of existing law. We thought these were interesting or unique for one reason or another. So we took the 19 snapshot and here they are.

Jenna MacCabe (08:57):

And if you want to see the snapshot from the beginning of the trade secrets act until now, check out our website. We have our article written about all of those major developments,

Jordan Grotzinger (09:07):

Right? You want to talk about the first case?

Jenna MacCabe (09:09):

Yes. On June 24th, the Supreme court came down with a decision that describes how your trade secrets will be protected from freedom of information act requests from the public. The freedom of information act requires that the government produce certain records to the public upon their request. However, Congress has determined that trade secrets and commercial or financial information obtained from person that is privileged or confidential need not be disclosed while trade secrets or confidential by

definition courts determine whether this exemption applies based upon their interpretation of the word confidential. In this case, a newspaper had asked the government for data regarding food expenditures, using food stamps, the government declined to provide that information and the newspaper sued the district court and the eight circuit applied a narrowed interpretation of the word confidential using the DC circuits, 1974 competitive harm test under that test, commercial information cannot be deemed confidential unless the disclosure would be likely to cause substantial harm to the competitive position of the person from whom the information was obtained. The Supreme court now reversed that decision and held that where commercial or financial information is both customarily and actually treated as private by its owner and provided to the government under an assurance of privacy. The information is confidential within the exemptions, meaning.

Jordan Grotzinger (10:32):

So the government is essentially pushing for tighter protection of the trade secrets, right? Correct. So that's interesting. And it's always interesting when the Supreme court grants review, but why does that matter to businesses? We're talking about disclosure by the government.

Jenna MacCabe (10:51):

Businesses frequently have to give their records to the government, whether it's in a government contract or it's in a bid for that contract. And in order to effectuate those contracts or to win the bid, you have to give up some of your trade secrets and the agency might represent to you. We're not going to give this to anyone. If your competitors come and ask under the act, we will not give it to them. But if the court applies the eight circuit test, then those trade secrets might still be disclosed to your competitors.

Jordan Grotzinger (11:22):

There have been a handful of cases this year on the element of trade secret of reasonable effort to maintain secrecy. As you talked about before, Jenna, one of the key elements of a trade secret is that the owner took reasonable measures to maintain the secrecy of the information. So I've looked at reasonable means in terms of four buckets. So to speak reasonable means to protect trade secrets. Usually come in the form of either contracts, company, policies, technology, or physical barriers. There isn't a right answer. It is usually a factual issue. And there's no formula the more, the better obviously. And this is, this is sort of a classic example of an element of the law. That's going to be continuously evolving as technology evolves and something that companies are always going to have to keep an eye on. So I'm going to talk briefly about four cases that addressed what reasonable effort to maintain secrecy means in March of this year, the Western district of Oklahoma ruled on a motion to dismiss.

Jordan Grotzinger (12:35):

And it said that whether a trade secret owner took reasonable efforts to maintain secrecy is an issue of fact, and absolute secrecy is not required in that case. The motion to dismiss was denied because there were password protected servers that limited access of the trade secrets to management and confidentiality agreement. So in that case, those two things were found to be sufficient, to constitute a reasonable effort to maintain secrecy. In the same month, the district of Delaware found that physical barriers, including fences locks and security clearance into the facility, password protection, background checks, confidentiality agreements, and physically marking proprietary documents as such constituted reasonable efforts to maintain secrecy. So that's a pretty strong list of protections and the court approved it in April of 2019, the Northern district of California ruled on a motion for preliminary

injunction. And granted it finding that the restriction of trade secrets to onsite employees or those who have logged on via password protected VPNs or virtual private networks, encryption and confidentiality agreements were enough to support a reasonable efforts to maintain secrecy for purposes of the likelihood of success in an injunction motion.

Jordan Grotzinger (14:06):

And the last case I'm going to mention was one in which the protections were found to be insufficient. And in that case, out of the Southern district of Florida, also in April, the court found that the protections that issue were not sufficient, even though there was password protection and employees were restricted in terms of their access to the trade secrets, the issue in that case, or the problem in that case was that, uh, the owner of the trade secret also disclosed the secrets to developers without confidentiality agreement. So you can have all the protections in the world if you drop the ball once. Um, and don't protect it from disclosure, that can be enough to defeat the reasonable means element, and you don't have a trade secret claim anymore. Another issue that we see a lot is whether the identification of trade secrets is sufficient. That comes up in the context of whether you're entitled to discovery. There's a state statute on that in California, whether the pleading is sufficient, you see that a lot in federal court. Um, and we also found a case on whether the identification of the trade secrets in an injunction was suffered.

Jenna MacCabe (15:14):

The fifth circuit held that the injunction was void because the court hadn't described in reasonable detail, what acts were subject to the injunction,

Jordan Grotzinger (15:23):

Right? So that was in the injunction context. But I promise that in future episodes, we're going to get into a lot of cases over whether identification was specific enough for purposes of discovery or for purposes of pleading because the law isn't entirely consistent on that. You know, there's a code of civil procedure statute in California that requires the definition to be specific enough to guide the defendant in order to know what to ask. And whether that applies to pleadings is a little bit gray. Some federal courts say it does some say they don't as a practical matter, it does a lot. And, um, this is, this is always going to be an interesting issue to watch develop. And then the last case we'll talk about from 2019 was one from the beginning of the year in January, the district of Hawaii addressed the federal act subject matter jurisdiction requirement.

Jordan Grotzinger (16:19):

And as we talked about a few minutes ago for subject matter jurisdiction under the defend trade secrets act, the claim for trade secret misappropriation has to be related to a product used in or intended for use in interstate commerce. The case in Hawaii was brought by a healthcare provider against a former employee for stealing client lists. So there, the court found that subject matter jurisdiction was lacking because the plaintiff's only hook was that their clients had federal patient ID numbers that qualified them for the plaintiff's services that was insufficient because that didn't show that the claim for trade secret misappropriation was related to interstate commerce. So it can't be so tangential or just have anything to do with federal law or federal rights. The test is the claim has to affect interstate commerce. So as we mentioned at the beginning, at the end of every episode, we're going to give you four or five bullet points with takeaways.

Jordan Grotzinger (17:22):

And the reason we decided to do that is because this is a law podcast and you're driving at work or you're at the gym. And I guarantee you didn't listen to every word because nobody does. Um, even when I listened to non-law podcasts, I find myself drifting off to other things. And then I, I sort of catch myself and, and hear what I'm listening to and think, Oh, that sounds interesting. And I'll hit the rewind button on my iPhone to back 1530, 45 seconds. Um, so that I can listen to it again. So this last section of takeaways summarizes everything we've just said, and it's a few seconds of information that you can learn, and that will hopefully be valuable to you.

Jenna MacCabe (18:08):

The Supreme court addressed freedom of information, act access to trade secret information and the government's possession, which could be important to you if the government has your trade secrets, for example, in the context of a government contract. Now, if you keep your information private and the government assures you, that I will do the same, the information will be exempt from disclosure.

Jordan Grotzinger (18:27):

Another really important takeaway because it's an element of trade secret misappropriation is that for reasonable efforts to maintain secrecy, not only are protections like password requirements, barriers, policies, and confidentiality agreements important. So is constant vigilance. You get up all of those protections, but if you disclose your trade secrets, once without a confidentiality agreement, the protection is blown.

Jenna MacCabe (18:54):

If you're unable to maintain secrecy and your trade secrets are stolen, and you've got to seek an injunction, then you need to have specificity or at least reasonable detail as to what is going to be prohibited by the injunction broad and generic language, like not using proprietary and confidential information may not be enough for about injunction

Jordan Grotzinger (19:14):

And last for subject matter jurisdiction under the federal defend trade secrets act. It's key that the claim for misappropriation itself affect interstate commerce. You can't have some tangential relationship to federal rights or law, like the federal ID numbers that that plaintiff's patients had in the case we discussed the claim itself for trade secret misappropriation has to affect interstate commerce. 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 or 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 (20:10):

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