



# Preparing for a Trade Secret Trial Before the Case is Filed

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# Introduction



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# Agenda



**Trade Secrets as a Corporate Strategy**



**Protecting Trade Secrets From Misappropriation**



**Anticipating Misappropriation Allegations Against Your Client**



**Preparing for Litigation**

# What is a Trade Secret?



## Statutorily Defined

Each statute is a little different, but generally, a trade secret is information that:

- (1) Derives *independent economic value* from not being generally known,
- (2) [cannot be *readily ascertained* by proper means], and
- (3) is the subject of *reasonable efforts to maintain its secrecy*.

# Hot Issues in Trade Secret Litigation

## Readily Ascertainable

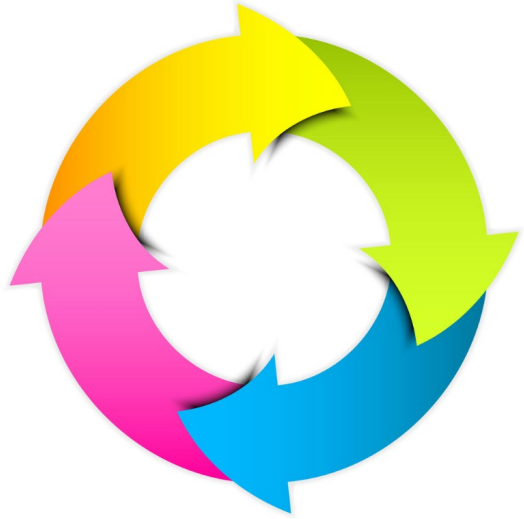
- UTSA and DTSA: A “trade secret” cannot be “readily ascertainable through proper means”
- CUTSA: “Readily ascertainable” information **can** qualify as a trade secret (theoretically)
- BUT: “[T]he focus of the inquiry regarding the independent economic value element is on whether the information is generally known to or readily ascertainable” by competitors.

– *Altavion, Inc. v. Konica Minolta Sys. Lab. Inc.*,  
226 Cal. App. 4th 26, 62 (2014)



## **Trade Secrets as a Corporate Strategy**

# Trade Secrets As A Corporate Strategy



Impacts entire business



Essential for corporate survival



Straddles tort and intellectual property law

# Trade Secrets As A Corporate Strategy

## Value of Trade Secrets

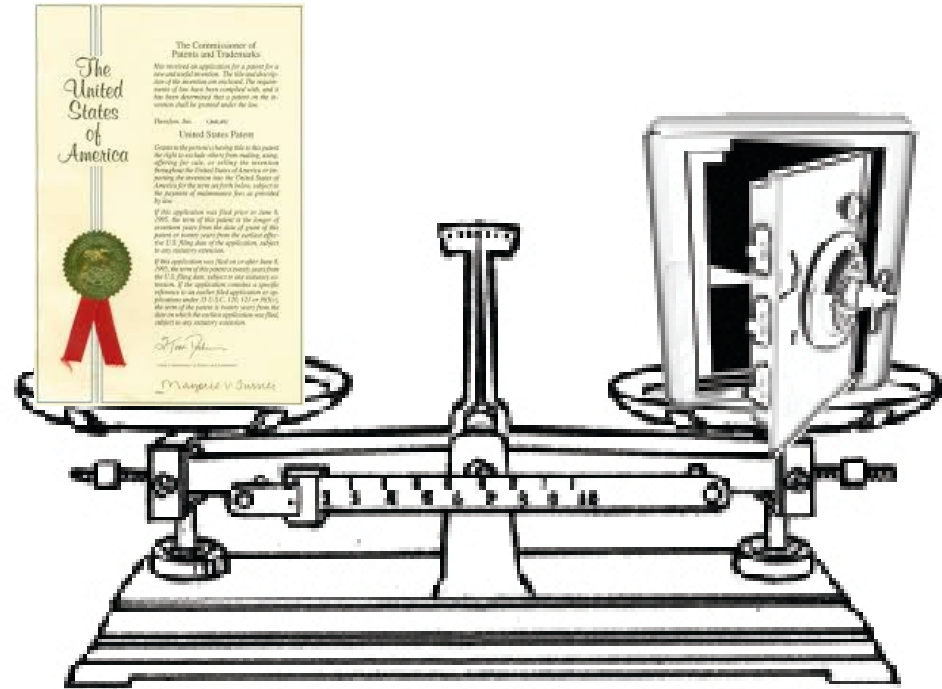
“Trade secrets are a peculiar kind of property. Their only value consists in their being kept private.”

*DVD Copy Control Ass'n v. Bunner*,  
31 Cal. 4th 864, 880 (2003).



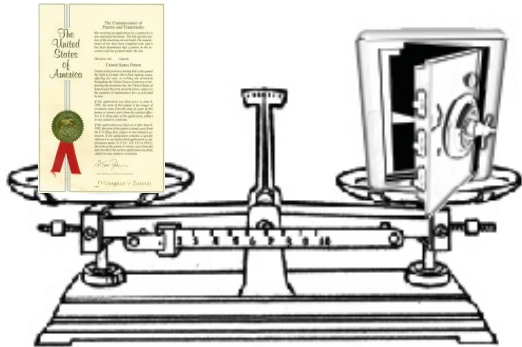
# Trade Secrets As A Corporate Strategy

## To Patent Or Not To Patent?



# Trade Secrets As A Corporate Strategy

## Trade Secret vs. Patents

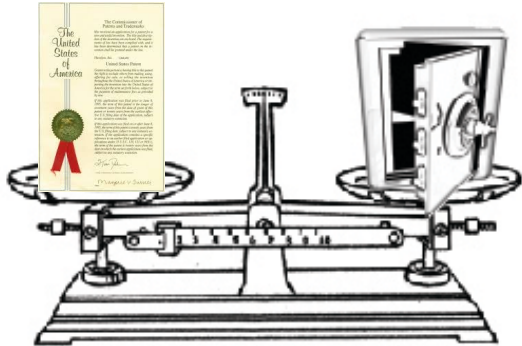


### ➤ Pros

- Unlimited duration
- No disclosure *quid pro quo* required
- Not restricted to pre-set claim language
- No expense to obtain\*

# Trade Secrets As A Corporate Strategy

## Trade Secret vs. Patents



### ➤ Cons

- Vulnerable to independent development
- Lost upon disclosure
- Requires constant vigilance



## **Protecting Trade Secrets From Misappropriation**

# Protecting Trade Secrets

## The “recipe” for Coca-Cola

- Kept in bank vault in Atlanta
- Vault can only be opened by BOD resolution
- Only two people may know formula at any time
- They may not fly on same plane at same time
- Company does not disclose their identity

From: *Coca Cola Bottling Co. of Shreveport, Inc. v. Coca Cola Co.*, 107 F.R.D. 288 (D. Del. 1985)

# Protecting Trade Secrets

## Taking “Reasonable Efforts”

- Confidentiality Agreements
- IT/Digital Security
- Physical Barriers
- Labeling
- Company Policies and Training
- Offboarding Departing Employees Properly



# Protecting Trade Secrets

## Employment Agreements

- Confidentiality obligation
- Invention assignment
  - Should be as broad as possible (cover “ideas”)
  - Should comply with Cal. Labor Code 2870: exempts independently developed ideas that do not relate to employer’s business or result from work done for employer
  - Carve-out for inventions owned at start of employment; require disclosure, review w/counsel at the start
- Customer non-solicitation
  - Not enforceable in California. *Edwards v. Arthur Andersen*, 44 Cal. 4th 937 (2008)

# Protecting Trade Secrets

## Policies/Training

- **Repeat confidentiality obligations**
  - Employment agreements, handbooks, trainings, separation agreements
- **Limit work activities to employer-issued devices**
  - Waive privacy as to employer-issued devices
  - Prohibit deleting/destroying (i.e., it's a breach to wipe computer right before leaving)
- **Policies**
  - Codify them
  - Require periodic training and track compliance
  - Review and update regularly



# Protecting Trade Secrets



# Offboarding Practices

- Timeliness
- Exit checklist
- Signed agreements
- Follow up on returned documents/equipment



## **Anticipating Misappropriation Allegations Against Your Client**

# Anticipating Misappropriation Allegations



## Onboarding Practices

- Use care when interviewing competitors' employees
- Employment agreements should incorporate preexisting confidentiality obligations
- Identify areas of prior work
  - Walling off?
- Remind new employees of obligations during onboarding training

# Anticipating Misappropriation Allegations

## Policies/Training

- Key provisions for preparing to defend against misappropriation claims :
  - Repeats requirement to abide by preexisting confidentiality obligations (already in employment agreements)
  - Sets clear limits on which applications employees may use for work
  - Sets limits on competitive intelligence gathering
- And, again:
  - Codify policies
  - Require periodic training. Track compliance.
  - Review and update regularly.

# Trade Secret Defense

## Business Executive Support

- Attend and support proprietary info training sessions
- Emphasize policies to “high risk” employees (e.g., senior executive hired from direct competitor)
- Include concept of integrity/fair play in corporate values/mission statement



# Trade Secret Defense

## Have a Policy, and Enforce It

- Correct weaknesses
- Discipline breaches
- Pressure test





**Preparing for Litigation:**  
*Plaintiffs*

# Preparing for Litigation: *Plaintiffs*



## Confirming Suspicions

- Scenarios
  - Employee is hired by competitor
  - Competitor develops a similar product
- Investigation
  - Physical access
  - Electronic access
  - Flashdrive use
  - Wiping software
  - Preservation
  - Interviews





# Preparing for Litigation: *Plaintiffs*



## First Steps Toward Litigation

- Issue internal litigation hold
- Identify trade secrets
  - California: Code Civ. Proc. § 2019.210
  - Other courts: Rogs, depos
- Send letters commensurate with findings
  - Standard reminders
  - Request return of information
  - Cease work at new employer
  - Further investigation

# Preparing for Litigation: *Plaintiffs*

## Key pre-filing considerations

- Is your client prepared for expense and inconvenience?
- Do you name individuals as defendants?
- Add claim under DTSA?
  - State v. federal jurisdiction
  - No preemption of other claims under DTSA
  - DTSA has no “ownership” requirement
  - DTSA permits civil seizure (theoretically)
- Seek TRO/PI?



**Preparing for Litigation:**  
*Defendants*

# Preparing for Litigation: *Defendants*

## Pre-filing steps

- Investigate immediately
  - Counsel must be involved from the beginning
- Preserve documents
  - Litigation holds are critical, *but also*
  - Preserve company-controlled sources
  - Make sure you get everything
- Return/sequester plaintiff's documents
  - Make a clean record that you investigated promptly and thoroughly

# Preparing for Litigation: *Defendants*

## Key pre-filing considerations

- Circle the wagons around accused individual(s)?
- Clean-room development of accused technology?

# A Brief Note On Damages



## Remedies include

- Injunctive Relief
- Monetary Damages
  - Actual loss
  - Unjust enrichment
  - Reasonable royalty
  - Exemplary (2x damages)

**KEKER**  

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**& PETERS**

**Thank you!**

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