



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

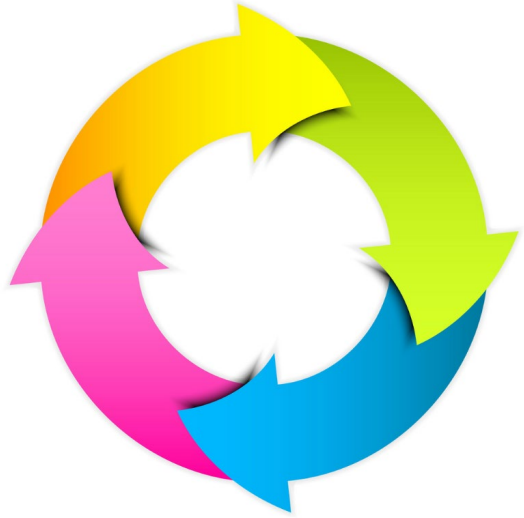
Each statute is a little different, but generally, a trade secret is information that:

- (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*.



Trade Secrets as a Corporate Strategy

Trade Secrets As A Corporate Strategy



Impacts entire business



Essential for corporate survival



Address both offensively & defensively

Trade Secrets As A Corporate Strategy

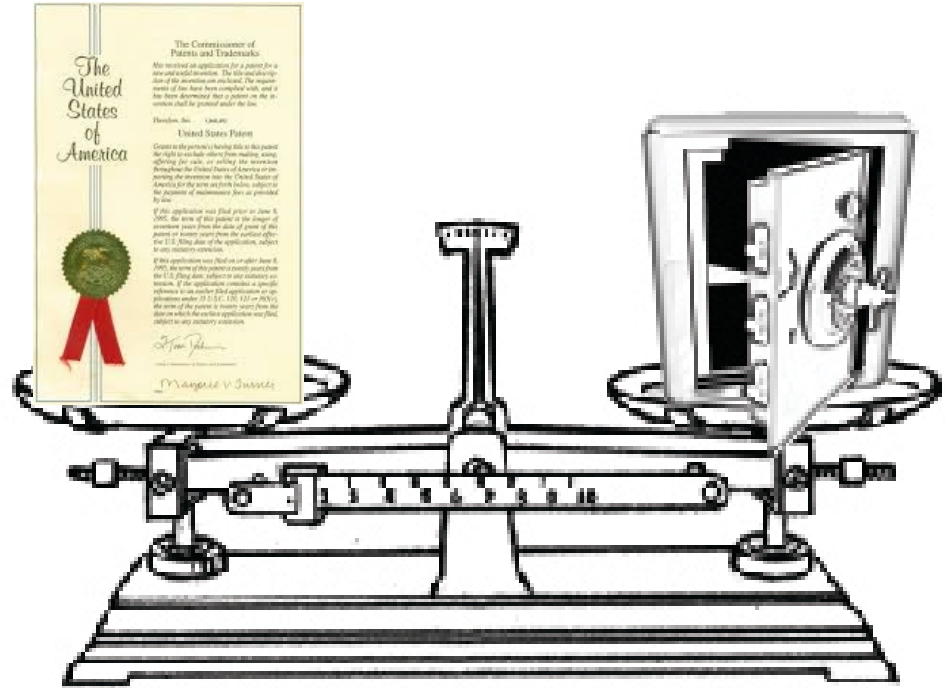
Value of Trade Secrets

“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).

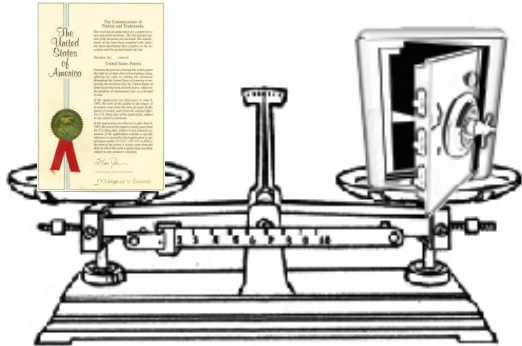
Trade Secrets As A Corporate Strategy

To Patent Or Not To Patent?



Trade Secrets As A Corporate Strategy

Trade Secret vs. Patents

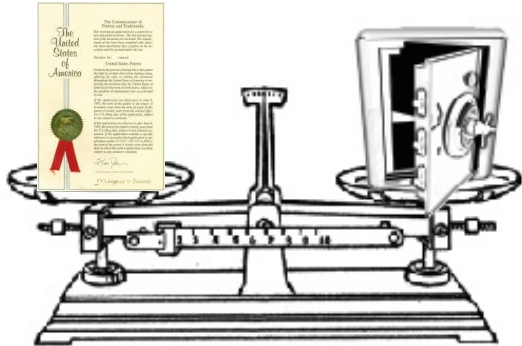


➤ Pros

- 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”

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



Protecting Trade Secrets

Employment Agreements

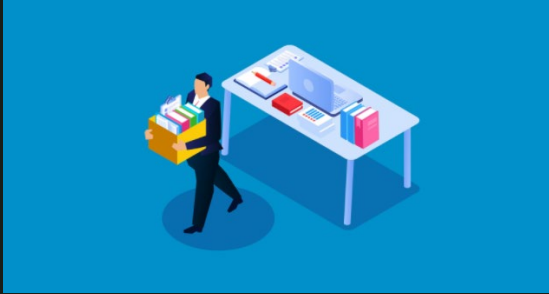
- **Confidentiality obligation**
 - No use or disclosure
 - May later have to choose between contract & TS law
- **Invention assignment**
 - Cover “ideas”, not just actual inventions
 - Cal. Labor Code 2870 - exempt indep ideas
- **Non-solicitation**
 - Hard to enforce in California
 - Pre-departure solicitations?
 - Sale of business?

Protecting Trade Secrets

Policies/Training

- **Repeat confidentiality obligations**
 - Employment agreements, handbooks, trainings, separation agreements
- **Limit work activities to company 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
- Preserve returned documents/equipment if questions



Anticipating Misappropriation Allegations Against Your Client

Anticipating Misappropriation Allegations



Onboarding Practices

- Use care when interviewing competitors' employees
- Warn high-risk hires about misappropriation risk *before* they start
- 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
 - Flash drive use
 - Wiping software
 - Preservation
 - Interviews
 - Consider who will testify



Preparing for Litigation: *Plaintiffs*



First Steps Toward Litigation

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

Preparing for Litigation: *Plaintiffs*

Key pre-filing considerations

- Understand both expense & inconvenience
- Who is named – individuals? New co? both?
- 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?

Learnings from *Medidata v. Veeva*

Medidata v. Veeva, 17-cv-289 (SDNY)

- Jury trial in SDNY in July 2022
- KVP represented defendant (Veeva), K&E represented plaintiff (Medidata)
- Our bad facts: hired key employees to enter competitive space; high volume of “retained” documents
- Plaintiff’s misstep: bit off more than they could chew
- Our strategy: force plaintiffs to articulate “trade secrets” and identify evidence of use
- Result: JMOL after plaintiff’s evidence

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& PETERS

Thank you!
