



Initiating Trade Secret Litigation

Wednesday, February 15th

FISH.

Meet The Speakers



Esha Bandyopadhyay
Principal
esha@fr.com



Leeron Kalay
Principal
kalay@fr.com



Katie Prescott
Principal
prescott@fr.com

Welcome!

- Housekeeping
- CLE
 - Attorneys requesting CLE must register with the link in the Outlook invite and attend this session via Zoom video. Those attending by audio-only will not receive credit.
 - Attention New York and New Jersey Attorneys: There will be a validation code given out towards the end of this presentation. You must complete the affirmation form in the Outlook invite with the code and email it to mcle.team@fr.com in order to receive credit.
- Questions
- Materials
- <http://www.fr.com/webinars>

Agenda

- **Initiating Trade Secret Litigation**
 - Preserving evidence
 - Investigating thoroughly
 - Deciding who to sue on what legal claim
 - Keeping motivations in check
 - Evaluating whether to seek preliminary relief
 - Crafting a complaint for trade secret misappropriation and related claims



Preserving Evidence

Standard Processes and Procedures

Onboarding

- Employment Agreements
 - (i) The company maintains trade secret or other proprietary information, and
 - (ii) Employees expected to preserve confidentiality of that information – both during and after employment.
 - Prohibit employees from disclosing confidential information to non-employees
 - Prohibit accessing company systems using private devices, or
 - Prohibit removal of confidential information from the premises.
- **Proprietary Information and Information Assignment (PIIA)**
- Preemptive Certifications:
 - Will not disclose or use old employer's confidential information
 - Are not in possession of any non-public information from prior employer
 - Are not going to provide ideas to new employer derived from old employer

Standard Processes and Procedures

Off-Boarding

- Exit Interview
- **Written Attestation**
 - Will not disclose or use employer's confidential information
 - Are not in possession of any non-public information from employer
 - Are not going to provide ideas to new employer derived from employer
- **IT Exit Protocols**
 - Return of all company devices
 - Cut off access to all internal systems
 - Monitoring / Review for unusual activity



Internal Investigations

- **Maintaining Privilege**
 - “Primary Purpose” of the investigation
- **Supporting Bases for Suspicion**
 - Industry rumors and innuendo
 - What information is publicly available
- **IT Investigations**
 - Preservation of devices / records
 - Evidence of unusual activity



External Investigations

- **Maintaining Privilege**
- **Conducting a Forensically Sound Investigation**
- **Preparation for Legal Action**





Invest in a Thorough Investigation

Thorough Investigation of Trade Secrets

- **Ensure that there is a Rule 11 basis for any claims**
- **Was the information at issue a trade secret?**
 - Was the information a secret?
 - Was the information valuable?
 - Was the information subject to reasonable measures of protection?

Thorough Investigation of Suspected Misappropriation

- **What information was misappropriated and how?**
 - This can prove challenging when there is limited information as to a defendant's specific actions
 - If misappropriation involves public disclosure, proper investigation requires thorough analysis of the trade secrets and the disclosures
 - If misappropriation involves bad acts by an employee, this might require investigation by an experienced electronic forensic analyst.

Thorough Investigation of Potential Defenses

- **Is there standing to bring misappropriation claims?**
- **Are the claims time-barred?**
- **Was the competing technology independently developed?**
- **Did the alleged secrets exist in the public domain or were they publicly disclosed?**



Who to Sue on What Legal Claims

Who to Sue?

- **Who to name as a defendant?**
 - Former employee(s)
 - Competitor company
 - Individuals at the competitor company
- **Considerations**
 - Who do you have a claim(s) against?
 - Who has the ability to pay a judgment?
 - What are the relationships between the potential defendants?

Trade Secret Claims

- Federal Defend Trade Secret Act



- State trade secret laws



Contract Related Claims

- **Breach of agreement**
 - Non-disclosure
 - Non-competition
 - Non-solicitation
 - EULA, Terms of Use
- **Breach of Implied Covenant of Good Faith and Fair Dealing**
- **Tortious Interference with Contract or Prospective Economic Relationship**

Other Legal Claims

- **Patent Inventorship Correction & Assignment**
- **Breach of a Fiduciary Duty**
- **Fraud / Misrepresentation**
- **Conversion**
- **Unfair Competition – e.g., California Business & Professions Code Sec. 17200**
- **Conspiracy**
- **Criminal prosecution**
 - Federal Economic Espionage Act
 - State Penal Codes



Keeping Motivations in Check

DTSA 18 U.S.C. § 1836

The term 'misappropriation means'—

- A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
- B) disclosure or use of a trade secret of another without express or implied consent by a person who—
 - (i) used improper means to acquire knowledge of the trade secret;
 - (ii) at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was—
 - I) derived from or through a person who had used improper means to acquire the trade secret...

* * *

The term 'improper means'—

- A) includes **theft, bribery, misrepresentation**, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means...

It's Personal

Pfizer sues ex-employees over trade secret theft

Two chemists are accused of taking information to start their own drug company

DistributionNOW Sues Former Employees For Trade Secret Theft

June 22, 2022, 3:01 PM

- COURT: 434th District Court Fort Bend

Benefitfocus new CEO Levin sued by former employer ADP

BioMarin sues former engineer for allegedly stealing trade secrets

Illumina sues Guardant Health, founders over trade secrets

Criminalization of Misappropriation

§1832. Theft of trade secrets

- (a) Whoever, with intent to convert a trade secret, that is related to a product or service used in or intended for use in interstate or foreign commerce, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret, knowingly-
- 1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains such information;
 - 2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys such information;
 - 3) receives, buys, or possesses such information, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;
 - 4) attempts to commit any offense described in paragraphs (1) through (3); or
 - 5) conspires with one or more other persons to commit any offense described in paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy,
- shall, except as provided in subsection (b), be fined under this title or imprisoned not more than 10 years, or both.



Preliminary Relief

Preliminary Relief Options

- **Temporary Restraining Order**
- **Preliminary Injunction**
- **Must Show**
 - (1) likely to succeed on the merits;
 - (2) likely to suffer irreparable harm in the absence of preliminary relief;
 - (3) that the balance of equities tips in its favor; and
 - (4) that an injunction is in the public interest.

Preliminary Relief is More Common In Trade Secret Cases

2010-2019	Trade Secret (Requests Decided on the Merits)	Trade Secret (Grant Rate)	Patent (Requests Decided on the Merits)	Patent (Grant Rate)
Temporary Restraining Order	1000+	68%	157	54%
Preliminary Injunction	1000+	55%	434	37%

Source: Lex Machina

Exemplary Trade Secret Case Timeline

Months From Filing	Event
2-4	Briefing on preliminary motions (e.g., failure to state a claim Answer to narrowed, amended complaint
3-5	Briefing on motion to compel trade secret identification (California)
12	Completion of fact discovery
15	Completion of expert discovery
17	Dispositive motions
20	Pretrial submissions
22	Trial

Preliminary Relief Timeline: Exemplary TRO Schedule

Timing	Event
Day 0	Complaint filed Motion for TRO and expedited briefing on the same filed Motion to expedite discovery and expedited briefing on the same filed
Day 1	Orders setting TRO evidentiary hearing and expedited briefing schedules
Day 11	Deadline for defendant to file opposition to motion for TRO Deadline for defendant to file opposition to motion for expedited discovery
Day 18	Deadline for plaintiff to file reply in support of motion for TRO Deadline for plaintiff to file reply in support of motion for expedited discovery
Day 21	Deadline for defendant to file motion to dismiss or answer
Day 28	Evidentiary hearing on motion for TRO

Preliminary Relief Timelines: Exemplary PI Schedule

Timing	Event
Week 0	Complaint filed Motion to expedite discovery and expedited briefing on the same filed
Week 2	Order expediting limited discovery
Week 3	Motion to dismiss or answer filed
Week 4	Motion for preliminary injunction (PI) filed
Week 7	Deadline for defendant to file opposition to motion for PI
Week 8	Deadline for plaintiff to file rely brief in support of motion for PI
Week 9	PI Hearing
Week 11	Order on PI

Preliminary Relief Options

- Ex parte seizure
- **Application must show “Extraordinary Circumstances,” and**
 - Normal equitable relief inadequate because the party would evade, avoid, or otherwise not comply with the order;
 - Immediate and irreparable injury;
 - Harm to applicant of denying outweighs harm to legitimate interests of seizure target, and substantially outweighs harm to any third party;
 - Likelihood of success on the merits;
 - The seizure is for property necessary to prevent the propagation or dissemination of the trade secret;
 - Seizure target has actual possession of the trade secrets;
 - Application describes “with reasonable particularity” the matter to be seized and the location.

DTSA: 18 U.S.C. § 1836(b)(2)



Crafting the Complaint

Crafting Complaints

- **Stuck between a rock and a hard place**
 - Too much detail can result in “public disclosure”
 - It’s difficult to identify specific trade secrets prior to discovery
 - Too much specificity might ultimately prove limiting
- **Courts across the country have recognized the difficulty inherent in articulating what trade secrets may have been misappropriated**
 - *Oakwood Laboratories, LLC v. Thanoo, et al.*, 993 F.3d 892 (3d Cir. 2021)

Identification of Trade Secrets After an Initial Pleading

- **California Code of Civil Procedure section 2019.210**
 - Some federal courts have held that California's discovery rules govern in cases alleging a misappropriation of trade secrets under California law
- **Protection against broad dissemination of trade secrets during discovery**

Thank You!



Esha Bandyopadhyay
Principal
esha@fr.com



Leeron Kalay
Principal
kalay@fr.com



Katherine Prescott
Principal
prescott@fr.com

Please send your NY CLE forms to mcleteam@fr.com

Any questions about the webinar, contact the events team at eventsteam@fr.com

A replay of the webinar will be available for viewing at <http://www.fr.com/webinars>

© Copyright 2023 Fish & Richardson P.C. The opinions expressed are those of the authors and do not necessarily reflect the views of Fish & Richardson P.C., any other of its lawyers, its clients, or any of its or their respective affiliates. This presentation is for general information purposes and is not intended to be and should not be taken as legal advice and does not establish an attorney-client relationship.

These materials may be considered advertising for legal services under the laws and rules of professional conduct of the jurisdictions in which we practice.. Legal advice of any nature should be sought from legal counsel. Unsolicited e-mails and information sent to Fish & Richardson P.C. will not be considered confidential and do not create an attorney-client relationship with Fish & Richardson P.C. or any of our attorneys. Furthermore, these communications and materials may be disclosed to others and may not receive a response. If you are not already a client of Fish & Richardson P.C., do not include any confidential information in this message. For more information about Fish & Richardson P.C. and our practices, please visit www.fr.com.

FISH.
FISH & RICHARDSON