



Trade Secret Protection: What Every California Employer Needs to Know

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Seyfarth Shaw LLP

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What We Will Cover:

- How to Best Identify and Protect Trade Secrets
- What Employers Need to Know About The DTSA
- The Impact of California Labor Code Section 925
- Effective Use of Restrictive Covenants in Employment Agreements
- How to Catch a Trade Secret Thief
- Responses to Trade Secret Theft
- Choosing the Right Court
- Suing Under the DTSA vs. California Law or Both

How to Best Identify and Protect Trade Secrets



What Is a Trade Secret?

- Trade secrets = information
- Generally **not known** to others
- Economically valuable (actual or potential)
- Reasonable efforts to maintain secrecy

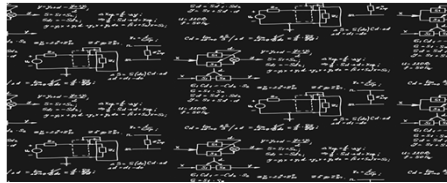


Statutory Definitions

- California Uniform Trade Secrets Act (“CUTSA”) Definition
 - Civil Code §§ 3426.1 et seq.
- [I]nformation, including a formula, pattern, compilation, program, device, method, technique, or process, that: (1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. § 3426.1(d).
- Defend Trade Secrets Act definition is substantially similar to CUTSA. See 18 U.S.C. § 1839(3).

Identifying Trade Secrets

- Need not be novel or unique
- No registration needed
- Must not be published
- Two or more can independently possess the same secret
- May be made up things that are not themselves trade secrets, but in aggregate are trade secret



Examples of Trade Secrets

- Formulas
- Manufacturing Processes
- Marketing Strategies
- Business Plans
- Sensitive Financial Information
- Pricing/**Costs** Information
- Unique Software & Source Code
- Knowledge About Customers (e.g., requirements, preferences, order history, purchasing trends)
- Negative research results
- Customer Lists
- Know How

Identifying Trade Secrets

Factors That Help Determine Whether Information is Trade Secret:

- Extent known outside the company
- Extent known by employees and others inside company
- Measures taken by company to protect secrecy
- Value of trade secret to company and competitors
- Time, effort, and money expended in development
- Ease with which it can be properly acquired or duplicated by others (reverse engineering/independent derivation)



Audit Company Information, Practices, Documents

- Usually, outside counsel works closely with the appropriate business teams to identify the company's important **information assets, security practices, and related documentation**
- Information review:
 - Technical/R&D information
 - Financial information
 - Business Planning/marketing information
 - Compensation information (e.g., bonus formula)
 - Organizational information
- Review physical and computer data security practices
- Review policies and documents
- Review training procedures/process for onboarding and off-boarding
- Implement findings/recommendations



Protection = Reasonable Efforts to Maintain Secrecy

Take actual efforts to maintain secrecy, including:

- Confidentiality agreements = leading indicator
- Information security
 - Password protection
 - E-mail and electronic data policies (beware of BYOD)
 - Confidentiality reminders on screens and documents
- Limit access—need to know/tiered access
- Must take action against breaches (does not always require filing suit)
- Regular training on policies (consider trackable e-modules)
- Onboarding, exit interviews, and related documentation (audit this)
- Limit information made available to vendors and subcontractors and have appropriate contracts with vendors

The Defend Trade Secrets Act: What You Need to Know

- Enacted and went into effect in May 2016
- Created a federal civil cause of action for “misappropriation of a trade secrets that is related to a product or service used in, or intended for use in, interstate or foreign commerce”
- Does not recognize the inevitable disclosure doctrine and no right to enjoin former employee’s employment
- BUT does not preempt state law claims



DTSA Whistleblower Notice Requirement

- To whom/what agreement types it applies
- Legally compliant notice language
- Consequences of failure to include
- Whistleblower notice best practices
- Limited decisions to date related to whistleblower immunity



DTSA Whistleblower Notice: Employer Requirements

- “An employer shall provide notice of the immunity set forth in this subsection in any contract or agreement with an employee that governs the use of a trade secret or other confidential information”
- “An employer shall be considered to be in compliance with the notice requirement...if the employer provides a cross-reference to a policy document provided to the employee that set forth the employer’s reporting policy for a suspected violation of law”



DTSA Whistleblower Notice Requirement: “Employee”

- “Employee” Defined—For purposes of this subsection, the term ‘employee’ includes any individual performing work as a contractor or consultant for an employer”
 - Traditional “employee”
 - Contractor
 - Consultant



DTSA Whistleblower Notice Requirement: Notice Language

- **Notice of Immunity under the Defend Trade Secrets Act.**
Employee acknowledges and agrees that the Company has provided Employee with written notice below that the Defend Trade Secrets Act, 18 U.S.C. § 1833(b), provides an immunity for the disclosure of a trade secret to report a suspected violation of law and/or in an anti-retaliation lawsuit, as follows:



DTSA Whistleblower Notice Requirement: Notice Language

1. IMMUNITY.—An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—
 - A. is made—
 - (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and
 - (ii) solely for the purpose of reporting or investigating a suspected violation of law; or
 - B. is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

DTSA Whistleblower Notice Requirement: Notice Language

2. USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT.—An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—
 - A. files any document containing the trade secret under seal; and
 - B. does not disclose the trade secret, except pursuant to court order.

DTSA Whistleblower Notice Requirement: Notice Language Example Alternative Language

- You are hereby notified in accordance with the Defend Trade Secrets Act of 2016 that you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.
- You are further notified that if you file a lawsuit for retaliation by an employer for reporting a suspected violation of law, you may disclose the employer's trade secrets to your attorney and use the trade secret information in the court proceeding if you: (a) file any document containing the trade secret under seal; and (b) do not disclose the trade secret, except pursuant to court order.

Failure to Provide DTSA Whistleblower Notice: Consequences

- “If an employer does not comply with the notice requirement...the employer may not be awarded exemplary damages or attorney fees...in an action against an employee to whom notice was not provided.”



Failure to Provide DTSA Whistleblower Notice: Consequences

- Failure to include whistleblower notice language may invite more judicial scrutiny of important employer documents containing provisions that **protect confidential information**:
 - Non-disclosure/confidentiality agreements
 - Non-competition/non-solicitation agreements
 - Invention assignment agreements
- May invite government scrutiny of the contract or set up arguments for unfair business practices



DTSA Whistleblower Notice Requirement: Update Agreements

- Update non-disclosure (and other relevant) agreements with new employees, contractors, and consultants
 - Should contain immunity provision notice and/or cross-reference to compliant policy
 - Express notice preferable
 - Otherwise, foregoing significant remedies potentially available under the DTSA



Some Limited Case Law Concerning Immunity

- *Unum Group v. Loftus*, No. 16-cv-40154-TSH (D. Mass. December 6, 2016).
 - Former employee suspected of trade secret theft
 - Employer demanded return of documents and laptop
 - Employee refused on the grounds that he had turned over the documents that he removed from employer to his attorney to report and investigate a violation of law
 - Employee filed motion to dismiss



Some Limited Case Law Concerning Immunity

- *Unum Group v. Loftus*, No. 16-cv-40154-TSH (D. Mass. December 6, 2016).
 - Court: defendant's DTSA immunity defense = affirmative defense
 - Court: the record lacked facts to support or reject the affirmative defense
 - Court: it is not ascertainable from the complaint whether defendant turned over all documents to his attorney, which documents he took and what information they contained, or whether he used, is using, or plans to use, those documents for any purpose other than investigating a potential violation of law

Some Limited Case Law Concerning Immunity

- *Unum Group v. Loftus*, No. 16-cv-40154-TSH (D. Mass. December 6, 2016).
 - Court: granted Plaintiff's PI motion
 - Defendant and counsel to turn over all plaintiff documents to the court, destroy all copies of plaintiff documents, and to not make any copies
 - Court: defendant to provide affidavit setting forth whether plaintiff documents have been given to any third party, and, if so, the circumstances



California Labor Code Section 925

- Effective January 1, 2017
- Pertains to forum selection and choice of law provisions in contracts between employer and employee
- Applies to contracts entered into, modified, or extended on or after January 1, 2017
- Legislative history suggests the law was enacted in part in response to agreements containing restrictive covenants (e.g., non-compete) and foreign choice of law and forum provisions



California Labor Code Section 925: Details

- A. An employer shall not require an employee who **primarily resides and works in California**, as **a condition of employment**, to agree to a provision that would do **either** of the following:
1. Require the employee to **adjudicate outside** of California a claim **arising in** California.
 2. Deprive the employee of the **substantive protection** of California law with respect to a controversy **arising in** California.



California Labor Code Section 925: Details

- B. Any provision of a contract that violates subdivision (a) is **voidable** by the employee, and if a provision is rendered void at the request of the employee, the matter shall be adjudicated in California and California law shall govern the dispute.
- C. **In addition to** injunctive relief and any other remedies available, a court may award an employee who is enforcing his or her rights under this section **reasonable attorney's fees**.



California Labor Code Section 925(e): Safe Harbor or Potential Train Wreck For Restrictive Covenants?

(e) This section shall not apply to a contract with an employee who is in fact individually represented by legal counsel in negotiating the terms of an agreement to designate either the venue or forum in which a controversy arising from the employment contract may be adjudicated or the choice of law to be applied.



California Labor Code Section 925(e)

- Remains to be seen how California courts will treat employment agreements containing non-compete agreements and forum selection clauses that appear to qualify under 925(e)
- See *Mechanix Wear, Inc. v. Performance Fabrics, Inc.*, No. 2:16-cv-09152-ODW (SS), 2017 WL 417193 (C.D. Cal., Jan. 31, 2017) (interpreting section 925 as inapplicable because former employee did not “agree to” forum selection clause while a resident of California)



California Labor Code Section 925(e): Suggested Language

BY SIGNING BELOW, EMPLOYEE REPRESENTS THAT EMPLOYEE WAS IN FACT INDIVIDUALLY REPRESENTED BY LEGAL COUNSEL FOR PURPOSES OF NEGOTIATING THE TERMS OF THIS AGREEMENT, INCLUDING THOSE TERMS THAT REQUIRE EMPLOYEE TO ADJUDICATE OUTSIDE OF CALIFORNIA, USING NON-CALIFORNIA LAW, ANY CONTROVERSY RELATING TO OR ARISING UNDER THIS AGREEMENT, INCLUDING ANY CONTROVERSY ARISING IN CALIFORNIA

- Section 925(e) **remains judicially untested** as to whether it insulates a non-competition provision in an employment agreement executed in California from application of Bus. & Prof. Code section 16600

Effective Use of Restrictive Covenants in Employment Agreements

- Generally three types of restrictive covenants:
 - Non-competition
 - Generally **invalid** in CA, but for narrow exceptions
 - Customer non-solicitation
 - Generally **invalid**, unless directly tied to the use of confidential/trade secret information
 - Employee non-solicitation
 - Generally regarded as enforceable, if properly drafted



Non-Competition Provisions

- Covenant that:
 - Overtly prohibits/limits competition; and/or
 - Provides for forfeiture or penalty for competition (e.g., loss of benefit or bonus)
- Prohibited under Bus.& Prof. Code section 16600
 - *Edwards v. Arthur Andersen*, 44 Cal. 4th 937 (2008)
 - “Noncompetition agreements are invalid under section 16600 in California even if narrowly drawn, unless they fall within the statutory exceptions of section[s] 16601, 16602, or 16602.5.”

Customer Non-Solicit Provisions

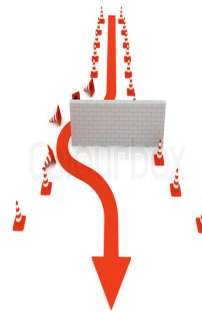
- Covenant that:
 - Overtly prohibits/limits solicitation of customers; and/or
 - Provides for forfeiture or penalty for such solicitation (e.g., loss of benefit or bonus)
- Prohibited under Bus.& Prof. Code section 16600
 - *Dowell v. Biosense Webster, Inc.*, 179 Cal. App. 4th 564, 577 (2009)
 (“Ultimately, these provisions restrain the employee from practicing their chosen profession. Indeed, these clauses are similar to those found to be void under section 16600.”)

Employee Non-Solicitation Provisions

- Covenant that:
 - Overtly prohibits inducement, solicitation, encouragement, recruitment etc. (affirmative conduct) of employees of a current/former employer to leave their employer
 - To potentially be enforceable the duration of restriction should be no more than 12 months post-termination of employment
 - *Loral Corp. v. Moyes*, 174 Cal.App.3d 268, 279-280 (1985) (12-month period of restriction upheld; prohibition against hiring former employee not enforceable)
 - Inclusion of “no hire” language will likely be stricken upon challenge
 - *Thomas Weisel Partners, LLC v. BNP Paribas*, No. C 07–6198 MHP, 2010 WL 546497 at *6 (N.D.Cal. 2010)

Potential Section 16600 Workarounds?

- The so-called “trade secrets exception” to 16600
- Some tension between federal and state decisions—federal courts favor exception with state courts sometimes skeptical
 - *Fowler v. Varian Assocs., Inc.*, 196 Cal. App. 3d 34, 44 (1987)
 - *Asset Mktg. Sys., Inc. v. Gagnon*, 542 F.3d 748, 758 (9th Cir. 2008)
 - *Gatan, Inc. v. Nion Company*, No. 15-cv-01862-PJH2017 WL 1196819 (N.D. Cal. March 31, 2017) (“As a general matter, under California law, agreements designed to protect an employer’s proprietary information do not violate section 16600.”)
 - *But see The Retirement Group v. Galante*, 176 Cal. App. 4th 1226 (2009) and *Dowell v. Biosense Webster, Inc.*, 179 Cal. App. 4th 564, 577 (2009) (casting doubt on viability of trade secrets exception)



Trade Secrets Exception

- If attempting to use trade secrets exception, conservative phrasing is that “employee shall not use company trade secrets to...”
 - **Linking** prohibited conduct to use of trade secrets
 - **Linking** prohibited conduct to use of confidential information
 - Marginal risk that employee could challenge prohibition on use of “mere confidential information,” which employee might argue is not a recognized property interest
 - Prohibit use of both types of information; consider using distinct sections to address each type



Forum Selection/Choice of Law Workaround?

- Strategy: California employee is made subject to a restrictive covenant within an employment agreement designating a state forum and law other than California to adjudicate claims arising under/related to the agreement
- Historically, California state and federal courts have been hostile to this:
 - *The Application Group, Inc. v. Hunter Group, Inc.*, 61 Cal. App. 4th 881 (1998)
 - *Arkley v. Aon Risk Services Co. Inc.*, 2012 WL 2674980 at *3 (C.D. Cal., 2012).
- But more recently, such clauses have gained some traction, particularly in federal courts

Forum Selection/Choice of Law Workaround?

- *Atlantic Marine Construction Co., Inc. v. U.S. Dist. Ct. for Western Dist. of Texas*, 134 S.Ct. 568 (December 2013)
 - In the absence of the forum selection clause being procured by improper means (e.g., duress, coercion etc.), the forum selection clause should be presumed valid
 - The transferee court's law, not the transferor court's law, should apply
 - The transferee court could still theoretically choose to apply California substantive law, and this sometimes occurs, but equally or more often, does not
 - Often, this analysis applies in the context of transfer motions where federal common law doctrine such as the "first to file" rule is also at play and may affect the courts' analyses

Forum Selection/Choice of Law Workaround?

- *Marcotte v. Micros Sys., Inc.*, No. C 14-01372 LB, 2014 WL 4477349, at *8 (N.D. Cal. Sept. 11, 2014) ("[A] party challenging enforcement of a forum selection clause may not base its challenge on choice of law analysis.")
- *Rowen v. Soundview Commc'ns, Inc.*, No. 14-CV-05530-WHO, 2015 WL 899294 (N.D. Cal. Mar. 2, 2015) (Granting motion to transfer California action based upon Georgia forum selection law clause and rejecting arguments that transfer would violate Section 16600)
- *Mechanix Wear, Inc. v. Performance Fabrics, Inc.*, No. 2:16-cv-09152-ODW (SS), 2017 WL 417193 (C.D. Cal., Jan. 31, 2017) (dismissing CA declaratory relief action after enforcing forum selection provision)

Forum Selection/Choice of Law Takeaways

- Forum selection/choice of law provisions in CA employment agreements may be potentially viable, but should probably be used sparingly
 - FS/COL provisions more likely to be enforced by CA federal courts
 - Even if the action is transferred to designated forum, transferee court may choose to apply CA law
 - Beware of California Labor Code section 925 and the possibility of attorneys' fees to employee
 - If company intends to enforce the FS/COL provision, be mindful of timing considerations (company sues first vs. being sued)



A Few Parting Points On Section 16600

- Section 16600 recently has been applied in areas where it previously appeared only sparingly
 - *Golden v. Cal. Physicians Emergency Medical Group*, 782 F.3d 1083 (9th Cir. 2015) (16600 invalidates “no hire” provision in settlement agreement)
 - 16600’s prohibition of restraints against “*engaging in a lawful profession, trade, or business of any kind...extends to any ‘restraint of a substantial character,’ no matter its form or scope.*” (Emphasis added.)
 - *Gatan, Inc. v. Nion Co.*, No. 15-cv-1862-PJH, 2016 WL 1243477, *3 (N.D. Cal. 2016) (applying section 16600 in a business-to-business transaction to hold that a non-compete provision was invalid)
 - In its analysis, the court clearly endorsed the existence of a “trade secrets exception” to 16600

A Parting Point On Non-Disclosure Agreements: They Are **IMPORTANT!**

- Properly drafted NDA's offer several benefits:
 - Go a long way toward satisfying “reasonable measures” standard
 - Contract = **binding/enforceable**; policy = circumstantial evidence
 - Contract = helps fortify other (non-trade secret) claims, e.g.:
 - Unauthorized use of confidential information
 - Duty of loyalty
 - Conversion
 - Will not be preempted by trade secret claim
 - Can be **powerful alternative** where trade secret claim doesn't pan out
 - *Zenimax Media, Inc. v. Oculus VR, LLC*, No. 3:14-CV-1849 (N.D. Texas 2017)
 - No liability on trade secret claim, but breach of NDA damages = **\$200,000,000**
 - Jury Charge: “What sum of money would fairly and reasonably compensate ZeniMax and ID Software for their injuries that resulted from Oculus's failure to comply with the Non-Disclosure Agreement?”

How to Catch a Trade Secret Thief

How they do it:

- Copy documents
- Download information from computers (external drives)
- E-mail information
- Memorize information
- Obtain information from former employees
- Hacking into computer networks
- Pretending to conduct business negotiations



How to Catch a Trade Secret Thief: Be Proactive!

Step #1: Create a culture of confidentiality that values and protects confidential information

- Implement confidentiality measures (see reasonable efforts slide above)
- For particularly valuable/sensitive trade secrets, use enhanced security measures
 - Strict need to know access
 - Double-encryption on databases containing trade secrets
 - Ensure audit function on all databases containing trade secrets
 - Potential use of clean room (access to trade secrets can only be had upon each person removing all communication and electronic storage devices; no materials of any kind leave secured area)
 - Use of “tracers,” e.g., strategic typos embedded in trade secret information that are downstream flags against “origin” defenses

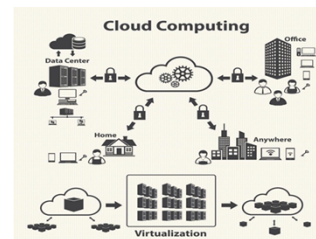
How to Catch a Trade Secret Thief: Circle the Wagons and Lay Foundation for Computer Forensics

Step #2: The *vast majority* of trade secret theft is accomplished electronically. If trade secret theft is suspected and employee has left company or is about to:

- Disable access to all e-mail, databases, and trade secrets
- Preserve data destruction/overwrite protocols (including video/keys)
- Conduct exit interview where possible
 - Inventory all devices—obtain those that are missing, if possible
 - Exit certification re confidential/trade secret information
 - Obtain statement of where employee is going
 - Obtain any passwords needed (devices, cloud, social media)
- Reminder of obligations letter
 - Standard language and enclosures (e.g., copy of NDA)
 - Consider indicating any open items: declined exit interview, unaccounted for devices, declined exit certification etc.

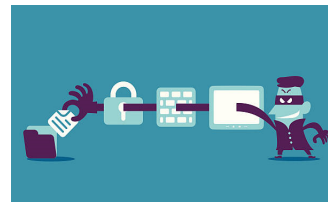
Computer Forensics: Data Doesn't Lie

- DO NOT PLAY DETECTIVE
 - Sure, your IT people are great, but professional forensic examiners are usually a better option (skills, experience, objectivity, and experience testifying at deposition/hearing)
- Identify and “quarantine” all potentially relevant data sources
- Laptop/desktop
- Smart phone/PDA/iPad
- E-mail sources
- Portable media
- Any other electronic media



Digital Forensics: Typical Focus

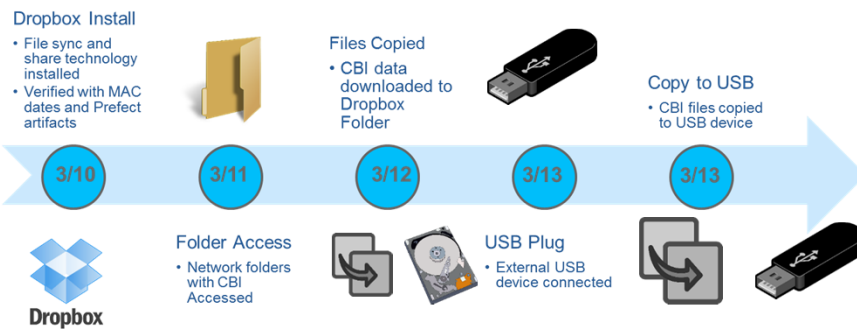
- Proper Chain of Custody = helps maintain integrity of evidence
- Dates and times of activities
- Removable device history (flash drives, external hard drives)
- File transfers (e.g. ink files, CD burning, etc.)
- Cloud Computing
- Network access (both workstations and remotely)
- Other methods (Skype, FTP, social media)
- Personal e-mail usage
- Data destruction (e.g., data wiping)
- Audit IT systems (anything missing?)



Digital Forensics: Markers of Notable Conduct

- **LNK Files** = show recent file opening activity on computer
 - Create and written dates can indicate when the a file was opened
- **Jumplists** = Windows artifacts that track files, folders, and sites that are opened/accessed
- **ShellBAG data** = can indicate what folders were accessed
- **File Sync and Share Apps** = example is evidence on local hard drive showing sync of local application to cloud service like Dropbox
- **File transfers** = File Transfer Protocols showing file transfer via internet

Activity Timelines Help Tell The Story



Smoking Out Sneaky Bad Actors

- Suppose employee Jon Snow was employed from February 2012-March 2013
- Expected period of activity is 12 months, with heavier focus on the last several weeks of employment
- You find that an **anti-forensics application** was installed and used
 - But it was installed and used in 2009?
- This causes you to do some more sleuthing...

Smoking Out Sneaky Bad Actors

- Dennis Rodman to the rescue?
 - Jon Snow was internet browsing Rodman's 2011 induction to NBA Hall of Fame, but it had a 2009 time stamp
- How can this be?
- Snow was using anti-forensics tools to, among other things, reset the internal CPU clock to alter dates and times, but an actual event objectively occurring on a date certain gave away his bad acts

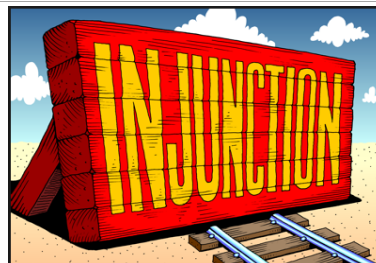


It Appears Trade Secrets Have Been Taken: What Next?



Seeking Injunctive Relief

- Trade Secrets must remain confidential
- Injunctive relief is the primary way trade secret owners can seek civil relief to maintain secrecy and prevent use or disclosure
- Obtaining injunctive relief requires swift action and assembling the right team



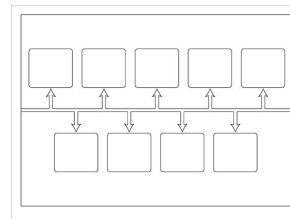
Assemble the Right Team & Tools

- The right team = the group of declarants needed to tell your compelling story
- Most often, teams consist of:
 - HR (establish timelines, authenticate HR records etc.)
 - Employee's Manager(s)
 - Person(s) who can establish existence of trade secret
 - Internal and external IT
 - Coworkers/Corp. security
 - In-house and external counsel
 - Reminder of obligations/C&D letter
 - Preservation demand
 - Private investigator



Timelines Often Are Powerful

- Key events:
 - Expressed interest in leaving (private or more public)
 - Change in work-related behavior
 - Internal-facing communications
 - Market-facing communications
- Timing of accepting new employment
- Timing of resignation
- Computer forensics = fact check/veracity
- Change in conduct pre and post-preservation demand
 - Dissembling
 - Unexplained Data gaps

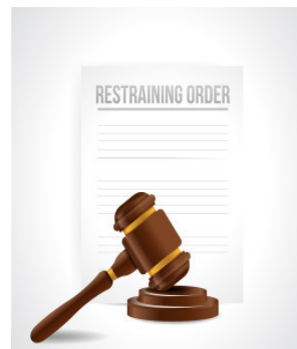


Pick Your Defendant(s) Wisely

- Corporate vs. Individual Defendants?
- Jurisdiction over defendants?
- Convenience of forum?
- Any operative contracts and forum selection/choice of law/arbitration provisions?
- Balance access to discovery with optics of potential overreach
- Avoid interpleader hang-ups

Plead the Best Claims

- Plead claims on which you have the highest likelihood of success
 - Beware of providing fodder for a motion to dismiss
- Seek TRO on only those claims for which it is required



Choosing the Right Court

- Federal vs. State Court
 - Both courts: assess whether impacted docket, which judge may be drawn, and trade secret case decisional history
 - DTSA = Ticket to federal jurisdiction
 - CUTSA = deep, well-developed body of law
 - Trade secret identification specificity (probably both courts)
 - State court: often quicker access to court/hearing
 - Federal court: initial disclosures
 - Federal courts: some allow for more forgiving evidentiary standards on TRO, but don't count on it
 - Federal court: smaller juries, but must be unanimous
 - Federal court: more likely to have judge for all purposes

Suing Under the DTSA or UTSA or Both?

DTSA

Attorneys' Fees	Bad faith claims, motion made or "resisted in bad faith," or willful and malicious misappropriation
Ex Parte Seizure	Application can be brought by a plaintiff without any notice to the adverse party, but subject to limitations
Injunctions	Actual or threatened misappropriation may be enjoined provided order does not (i) prevent a person from entering into an employment relationship, and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows; or (ii) otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business.
Royalties	In exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited.
Compensatory Damages	Damages for actual loss and for unjust enrichment or reasonable royalty for unauthorized use or disclosure.
Exemplary Damages	Exemplary damages of two times actual damages permitted for willful or malicious misappropriation
Statute of Limitations	Three years
Whistleblower Immunity Provisions	Protects individuals from criminal or civil liability for disclosing a trade secret if (i) it is made in confidence to a government official or to an attorney for the purpose of reporting a violation of law or (ii) is disclosed to an attorney or used in court (subject to limitations) by an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law; requires that employers include notice of such immunity in any agreement with an employee, contractor or consultant that governs the use of trade secret or confidential information

Suing Under the DTSA or UTSA or Both?

UTSA

Attorneys' Fees	Bad faith claims, motion made or "resisted in bad faith," or willful and malicious misappropriation
Ex Parte Seizure	Not authorized
Injunctions	Actual or threatened misappropriation may be enjoined.
Royalties	In exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited.
Compensatory Damages	Damages for actual loss and for unjust enrichment or reasonable royalty for unauthorized use or disclosure.
Exemplary Damages	Exemplary damages of two times actual damages permitted for willful or malicious misappropriation
Statute of Limitations	Typically three years
Whistleblower Immunity Provisions	None

DTSA Ex Parte Seizure

- Ex parte seizure of property "only in extraordinary circumstances" to prevent dissemination of subject trade secret
- Requirements to obtain an ex parte seizure order:
 - Harm to applicant of denying application outweighs harm to interests of person against whom seizure is sought
 - Applicant must show:
 - Information is a trade secret; and
 - The person against whom the seizure would be ordered (1) misappropriated the trade secret through improper means; or (2) conspired to use improper means to misappropriate the trade secret at issue

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- Additional considerations:
 - Must meet typical standards for injunctive relief
 - Possession by defendant of trade secret/property
 - Must describe with reasonable particularity things to be seized
 - Imminent likelihood that materials to be seized will be destroyed, moved, hidden otherwise made inaccessible to the court
 - Other forms of injunctive relief inadequate
 - No publicity concerning seizure
- So far, courts have shown some preference for typical Rule 65 injunctive relief



Questions?



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Thank you!