Q&A With Seyfarth's Jim McNairy

Law360, New York (April 10, 2013, 12:55 PM ET) -- Jim McNairy is a partner in Seyfarth Shaw LLP's Sacramento, Calif., and San Francisco offices. He specializes in matters involving trade secret, noncompete, computer fraud, unfair competition and related business tort claims. He prosecutes and defends trade secret misappropriation claims, as well as efforts to enforce and invalidate restrictive covenants in employment-related agreements, including obtaining and defending against associated expedited discovery and relief.

Q: What is the most challenging case or deal you have worked on and what made it challenging?

A: We recently represented one of the largest privately held companies in the U.S. in a trade secret misappropriation and employee-raiding case. In addition to a well-funded corporate defendant, there were multiple individual defendants and associated counsel which presented a coordinated defense.

Although we had some really good direct evidence, there was a very large amount of circumstantial evidence derived from nuanced computer forensics performed on hardware and enterprise databases. Also, some of the individual defendants attempted to cover their tracks. One tried to mask his data theft by resetting the internal clock on his computer hard drive — he was trying to create a time gap between the insertion of a USB device and the link files associated with the data he copied.

And in the category of “top 10 things one should not do if one has stolen data,” forensics revealed that upon receiving our cease-and-desist and data preservation letter, one of the defendants did a Google search to find wiping software, proceeded to download it and then attempted to wipe evidence of his data theft.

Defendants also attempted to use pleading challenges to thwart expedited discovery and delay the preliminary injunction hearing. In the end, we were able to show clear evidence of data theft and that trade secrets misappropriated by the individual defendants were placed on the corporate defendant’s computer servers and integrated into its strategic business planning. As a result, we obtained a crippling preliminary injunction that drove the case to settlement.

Q: What aspects of your practice area are in need of reform and why?

A: The law needs to catch up with the reality of how people steal intellectual property. The vast majority of data theft occurs via electronic means and increasingly targets trade secrets. The secrecy aspect of trade secrets make them prime targets for rogue employees, business partners and foreign states. Unlike other forms of intellectual property, trade secrets are not published and/or registered, and this makes trade secret information susceptible to theft.

While the recent amendments to the Economic Espionage Act are helpful to broaden the scope of conduct prohibited under the act and increase the amount of penalties potentially available, there is more that can be done. For example, federal legislation providing for a civil cause of action for certain violations under the act would provide a potentially useful tool for pursuing potential misappropriators, particularly foreign actors for whom it may otherwise be difficult to establish jurisdiction.

Additionally, there remains a split in the federal circuit courts as to the proper interpretation and application of the Computer Fraud and Abuse Act. Currently, some courts interpret the CFAA in a way that requires a defendant to essentially hack into a protected computer or computer network to give rise to liability, while other courts have held that exceeding authorized access is sufficient. The latter interpretation is generally more useful to trade secret holders but has been criticized as allegedly a trap for the unwary computer user who may inadvertently engage in unlawful conduct which could give rise to criminal liability.

Q: What is an important issue relevant to your practice area and why?

A: There are important aspects of California trade secret and competition law that sorely need clarity. Specifically, the preemptive (or "supersessive," as the California Supreme Court prefers) scope of the California Uniform Trade Secrets Act is a significant issue. The operative language of the CUTSA has spawned divergent interpretations as to whether certain business torts and claims such as conversion and trespass to chattels are superseded when pleaded alongside a CUTSA claim.

This issue begins to cause a ripple effect when one considers the frequent intersection of trade secret theft and California's support of employee mobility as articulated in Business and Professions Code Section 16600.

For example, if, as some recent cases suggest, theft of "mere" confidential information that does not rise to the level of trade secret is not legally actionable, what are the implications for nondisclosure agreements that define "confidential information" to include information other than trade secret information? Are such agreements unlawful under Bus. and Prof. Code Section 16600? And, what if there is not a so-called "trade secrets exception" to Section 16600? Is there a whole species of conduct, i.e., unauthorized use of "mere" confidential information that is not actionable?

We are hopeful that the California Supreme Court will provide some guidance sooner rather than later. In the meantime, California businesses will be left to deal with the current ambiguity.

Q: Outside your own firm, name an attorney in your field who has impressed you and explain why.

A: Randy Kay of Jones Day. Trade secret cases often start like drag races — going zero to 300 miles per hour in just seconds. There is a premium in marshaling facts at light speed and communicating them concisely and persuasively to often extraordinarily busy judges. In my observation, Randy does this effectively.

Q: What is a mistake you made early in your career and what did you learn from it?

A: In my practice, I always live by this credo: Never blow by the obvious in pursuit of the interesting. As attorneys, our orientation and training is to unwind complex fact patterns and find solutions. But if one doesn't first address the fundamentals, one never reaches the interesting. I was fortunate to learn this ethic from mentors early in my career.

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