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## TRADE SECRETS

### The Identification Issue

**T**RADE SECRET litigation presents a unique issue in intellectual property litigation. With all other types of intellectual property, the subject matter is identified in publicly available material—a registered copyright or trademark, an issued patent or a publicly available product. Trade secrets, by definition, are not publicly available or publicly defined. Accordingly, an issue in all trade secret cases is that plaintiffs must identify their alleged trade secrets.

Yet there is no consensus about when or how plaintiffs must identify their trade secrets. Courts are, however, increasingly requiring plaintiffs to identify with particularity each allegedly misappropriated trade secret during the early stages of discovery. This trend helps litigants to focus their dispute and courts to resolve the litigants' conflict.

Plaintiffs often assert that there is no way to identify each trade secret before they conduct discovery. They also often argue that they need not identify the allegedly misappropriated trade secrets because defendants "know what they took." Neither of these arguments is persuasive because plaintiffs must possess—before filing suit and long before any discovery—a good-faith basis for alleging that they possess a trade secret that has been misappropriated. Even when they acknowledge their duty to identify the trade secrets, plaintiffs often want to keep their options open by delaying identification for as long as possible and by drafting their identification as expansively as possible. They argue that discovery is broad and should not be cabined by when or how they identify their trade secrets.

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Defendants, conversely, often want plaintiffs' identification to be as early and precise as possible. They maintain that such identification assists the court in framing the scope of the litigation in general and discovery in particular, enables defendants to prepare their defenses, and prevents meritless suits from progressing to the burdensome discovery stage.

#### Courts deem identification of the trade secret essential

These competing interests underscore the significance of what is at stake, which is that identification of the alleged trade secrets is central to both elements of every trade secret case: that plaintiffs possessed a valid trade secret and that defendants misappropriated that trade secret. Yet the approach to identification can vary from court to court. As one court lamented last year, "courts have developed at least nine different approaches to the problem." *DeRubeis v. Witten Techs. Inc.*, 244 F.R.D. 676, 681 (N.D. Ga. 2007).

The multiple sources of trade secret

law are responsible for this lack of uniformity. State law governs substantive trade secret issues, and thus each state has its own rules. It also governs procedural trade secret issues in state court, while the Federal Rules of Civil Procedure govern such issues in federal court. One potential unifying authority is the Uniform Trade Secrets Act (UTSA). But while 46 states have adopted the UTSA, it contains no provision regarding the identification of trade secrets.

With the exception of California, the rules regarding identification are developed by the courts. California Code of Civil Procedure 2019.210 requires that "before commencing discovery relating to the trade secret, the party alleging the misappropriation shall identify the trade secret with reasonable particularity." Courts in Delaware, Georgia, Illinois, Massachusetts, Michigan, Minnesota and others have imposed a similar rule via case law.

At the federal level, the Federal Rules of Civil Procedure govern all procedure. While there is no rule or advisory committee note regarding the identification of trade secrets, several rules provide some guidance. Rule 26(d) permits the court to control the "timing and sequence" of discovery. Rule 26(c)(1)(G) permits the court to issue a protective order that requires a trade secret to "be revealed only in a specified way."

A review of federal and state decisions reveals two clear trends. First, modern courts are uniform that plaintiffs need not identify their trade secrets in the complaint. But courts increasingly are requiring identification during the early stages of discovery, and many require

such identification before discovery on the trade secrets commences. Second, courts increasingly are requiring plaintiffs to identify with particularity each allegedly misappropriated trade secret. For example, courts require a listing of specific formulas instead of “secret formulas” and names of specific customers instead of “customer lists.” Many describe this as “reasonable particularity,” while others do not use any specific terms. The level of particularity required can also depend on the stage of the case and the technology involved.

Beyond these trends, synthesizing the law is difficult. One reason is the lack of any standard in the governing statutes or rules. Another is the limited usefulness of precedent in trade secret cases: Because trade secret information is confidential, a public judicial opinion cannot quote adequate identifications of trade secrets, for to do so would disclose the secret information. Litigants and courts therefore are forced to apply vague standards like “reasonable particularity” without detailed precedent.

In *Duraglobal Techs. Inc. v. Magna Donnelly Corp.*, 2008 WL 2064516 (E.D. Mich. May 14, 2008), the court twice ordered the plaintiff to identify its trade secrets with “reasonable particularity.” The first order was in response to the defendant’s motion, under Fed. R. Civ. P. 26, for a protective order that the plaintiff supplement its interrogatory responses and identify its trade secret; that discovery be stayed until such identification; and that the plaintiff be barred from later supplementing its identification. The court granted the first two requests and rejected the plaintiff’s argument that it had satisfied its burden by identifying 8,500 pages of trade secrets, reasoning that it was not the defendant’s burden to wade through documents to discern the alleged trade secrets. The court denied the third request, finding no legal support for such a bar. Next, after the plaintiff supplemented its response, the court again ordered it to separately identify each trade secret because its supplemental list had only identified “areas to which their trade secrets relate” and interspersed those areas with certain “particular trade secrets.”

In *Proven Methods Seminars LLC v. American Grants & Affordable Housing Institute*, 2008 WL 282374 (E.D. Calif.

Jan. 31, 2008), the court addressed the intersection of California’s § 2019.210 and the Federal Rules of Civil Procedure. The defendant claimed that under § 2019.210, the plaintiff must identify its trade secret before discovery can commence. While § 2019.210 regulates the sequence of discovery, at least one federal court has viewed it as substantive and applied it in federal court. *Computer Econ. Inc. v. Gartner Group Inc.*, 50 F. Supp. 2d 980, 985 (S.D. Calif.

## Courts increasingly require plaintiffs to identify with particularity the allegedly misappropriated trade secret.

1999). The *Proven Methods* court rejected that holding. 2008 WL 282374, at \*3. Nevertheless, it agreed with the substance of the defendant’s § 2019.210 objection—that the plaintiff’s identification was too general. For example, the plaintiff identified “training materials and sales methods and materials,” and “operative data, systems, and methodologies.” *Id.* at \*4. The court found such identification “so broad...that defendants are prevented from providing a meaningful response.” *Id.* As a result, the court ordered the plaintiff to supplement and “clarify” its identification through interrogatory responses.

In *Sit-up Ltd. v. IAC/Interactive Corp.*, 2008 WL 463884 (S.D.N.Y. Feb. 20, 2008), the court addressed the identification issue three times. The first was when the plaintiff failed to sufficiently respond to an interrogatory that asked it to identify its alleged trade secrets. The court ordered the plaintiff to produce “a detailed specific list of each trade secret.” *Id.* at \*6. Second, the plaintiff’s

supplemental list failed because it outlined general categories. Third, the defendant filed a summary judgment motion claiming that the final list lacked sufficient specificity. The court granted summary judgment on certain alleged trade secrets, reasoning that such identifications as “secret sauce” and “overarching business method” are not identified with sufficient specificity.

## Uncertainty about required level of identification remains

Without changes to the UTSA and Federal Rules, courts will continue to struggle to identify rules for properly identifying allegedly misappropriated trade secrets. More courts are likely to follow the modern trend and require some form of early identification, although uncertainty about the required level of identification will continue to impair the efficient administration of trade secret cases.

Despite this uncertainty, the way forward is clear. For cases in any jurisdiction outside of California state court, defendants should propound an interrogatory that requires plaintiffs to identify with particularity each allegedly misappropriated trade secret. Any disputes about the sufficiency of the plaintiffs’ responses should be the subject of a motion to compel. For plaintiffs, the way forward is also clear. In preparing to assert a trade secret claim, they should clearly identify what they believe has been misappropriated and what they believe qualifies as a trade secret.

An alternative way forward is to address the identification problem at its root—i.e., the lack of uniform authority. States could adopt a specific identification rule. For federal courts, solutions would be to revise the Federal Rules or to adopt trade secret local rules.

Such solutions merit attention. Meanwhile, trade secret litigants should expect the modern trend to accelerate. ■