



4-21-2017

Identifying the Trade Secrets at Issue in Litigation Under the Uniform Trade Secrets Act and the Federal Defend Trade Secrets Act

Richard F. Dole, Jr.

Follow this and additional works at: <http://digitalcommons.law.scu.edu/chtlj>



Part of the [Intellectual Property Law Commons](#), and the [Science and Technology Law Commons](#)

Recommended Citation

Richard F. Dole, Jr., *Identifying the Trade Secrets at Issue in Litigation Under the Uniform Trade Secrets Act and the Federal Defend Trade Secrets Act*, 33 SANTA CLARA HIGH TECH. L.J. 470 (2016).

Available at: <http://digitalcommons.law.scu.edu/chtlj/vol33/iss4/2>

This Article is brought to you for free and open access by the Journals at Santa Clara Law Digital Commons. It has been accepted for inclusion in Santa Clara High Technology Law Journal by an authorized editor of Santa Clara Law Digital Commons. For more information, please contact sculawlibrarian@gmail.com.

**IDENTIFYING THE TRADE SECRETS AT ISSUE IN
LITIGATION UNDER THE UNIFORM TRADE SECRETS
ACT AND THE FEDERAL DEFEND TRADE SECRETS ACT**

Richard F. Dole, Jr.[†]

This article discusses the advantages and disadvantages of enabling a defendant to require a plaintiff to identify the trade secrets at issue early in the discovery process and protecting a defendant that does so from responding to discovery with respect to his or her trade secrets until the plaintiff has complied. This approach is fully consistent with, if not compelled by, the Uniform Trade Secrets Act, which has been enacted in forty-seven states, and the federal Defend Trade Secrets Act, which became law in May 2016, both of which were adopted to facilitate civil actions protecting actual trade secrets.

TABLE OF CONTENTS

INTRODUCTION.....	471
I. BACKGROUND OF THE UTSA	472
II. THE UTSA.....	474
A. <i>The UTSA Definition of Trade Secret</i>	474
B. <i>Litigating Trade Secret Misappropriation Under the UTSA</i>	479
1. The CUTSA Early Disclosure Rule.....	479
2. Early Disclosure of Trade Secrets under Enactments of UTSA in Other States	484
III. FEDERAL TRADE SECRET LEGISLATION	496
A. <i>The Economic Espionage Act</i>	496
B. <i>The Defend Trade Secrets Act</i>	500
CONCLUSION	505

[†] Richard F. Dole is the B.W. Young Professor of Law at the University of Houston Law Center. He is a commercial law expert and a scholar of bankruptcy, consumer protection, and creditors' rights and debtors' protections. He has written a treatise on Article 9 of the Uniform Commercial Code and has been a consultant on bankruptcy law revision for the United States Senate Judiciary Committee.

INTRODUCTION

Trade secret litigation is fact-intensive and often long-lasting. In *Mattel, Inc. v. MGA Entertainment, Inc.*,¹ a U.S. District Judge awarded the successful plaintiff's attorneys \$2,172,000 for approximately 3,620 hours spent litigating state-law claims of trade secret misappropriation.² This article suggests that it is both efficient and desirable to enable defendants to require confidential identification of the trade secrets at issue early in the discovery stage of cases under the state-adopted Uniform Trade Secrets Act (UTSA)³ and the recently enacted federal Defend Trade Secrets Act (DTSA).⁴ In order to preclude loss of secrecy during litigation, courts routinely issue protective orders forbidding unauthorized disclosure of trade secrets⁵ and redact their published opinions.⁶ Both the UTSA and the DTSA authorize these and similar precautions to safeguard trade secrets during litigation.⁷

1. *Mattel, Inc. v. MGA Entm't, Inc.*, 801 F. Supp. 2d 950 (C.D. Cal. 2011).

2. *Id.* at 958. A jury awarded the plaintiff \$88.5 million dollars in compensatory damages, which the trial judge remitted to \$85 million dollars. The trial judge awarded the plaintiff an additional \$85 million dollars in exemplary damages. *Id.* at 955-56. The litigation was brought under the California enactment of the Uniform Trade Secrets Act, which authorized recovery of compensatory damages, and, in the event of willful and malicious misappropriation, award of exemplary damages of up to two times the damages recovered, and recovery of the plaintiff's reasonable attorney's fees. *Id.* at 952, 956.

3. UNIF. TRADE SECRETS ACT, §§1-12, 14 U.L.A. 529-659 (2005), 78-120 (2016 Supp.) [hereinafter UTSA]. Judicial decisions under state enactments of the UTSA are identified in the footnotes.

4. Defend Trade Secrets Act, Pub. L. 114-153, 130 Stat. 376-386 (2016).

5. *See, e.g.*, *Del Monte Fresh Produce Co. v. Dole Food Co.*, 148 F. Supp. 2d 1322, 1326 (S.D. Fla. 2001) (Florida enactment) ("Once Del Monte specifies this information [identifying the trade secrets that it seeks to protect], it can rest assured that the trade secrets will be protected by the protective order that is in place in this case.").

6. *See, e.g.*, *Global Advanced Metals USA, Inc. v. Kemet Blue Powder Corp.*, No. 11-00793, 2013 WL 2319348 at *5 (D. Nev. May 28, 2013) (motions to seal and to redact granted).

7. UTSA, *supra* note 3, § 5, 14. U.L.A. at 647 ("In an action under this [Act], a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting protective orders in connection with discovery proceedings, holding in-camera hearings, sealing the records of the action, and ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval."); 18 U.S.C. § 1835 (West 2012) (a provision of the Economic Espionage Act to which the Defend Trade Secrets Act is an amendment) ("In any . . . proceeding under this chapter, the court shall enter such orders and take such other action as may be necessary and appropriate to preserve the confidentiality of trade secrets . . .").

The UTSA was adopted in 1979 and Officially Amended in 1985⁸ by the Uniform Law Commission (the ULC).⁹ The ULC reports the UTSA as having been enacted in forty-seven states.¹⁰ The federal DTSA was signed by former President Obama on May 11, 2016 and was effective immediately.¹¹

I. BACKGROUND OF THE UTSA

The 1939 Restatement (First) of Torts addressed the definition of trade secret in commentary rather than in black-letter text.¹² Comment *b.* to Section 757 described a trade secret as follows:

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. It differs from other secret information in a business...in that it is not simply information as to single or ephemeral events in the conduct of the business, as, for example, the amount or other terms of a secret bid for a contract or the salary of certain employees, or the security investments made or contemplated, or the date fixed for the announcement of a new policy or for bringing out a new model or the like. A trade secret is a process or device for continuous use in the operation of

8. See UTSA, *supra* note 3. Four 1985 Amendments were adopted in response to issues raised by the American Bar Association Section of Patent, Trademark and Copyright Law. See Douglas W. Wyatt, *1981 Summary of Proceedings*, 1981 A.B.A. SEC. PAT., TRADEMARK, & COPYRIGHT L. PROC. 30-1. The A.B.A. Section recommended amending Section 2(b) to limit injunctions allowing future use upon payment of a reasonable royalty to exceptional circumstances, amending Section 3 to allow reasonable royalty damages if neither a plaintiff's actual loss nor a defendant's unjust enrichment were provable, amending Section 7 to make clear that state remedies for breach of contract were not preempted, and amending Section 11 to clarify that the UTSA did not apply to a continuing misappropriation that began prior to its effective date. See *id.* (Resolutions 206-3 to 206-6). The definition of "trade secret" was not amended in 1985.

9. The ULC was organized in 1892 to promote desirable and practicable uniformity in state law. Commissioners are appointed by each state, the District of Columbia, and Puerto Rico. See 14 U.L.A. III-IV (2005) (preface).

10. *Legislative Fact Sheet – Trade Secrets Act*, UNIFORM LAW COMMISSION (2017), <http://bit.do/LegisFactSheetTSA>. The Act has yet to be adopted in Massachusetts, New York, and North Carolina but has been enacted in the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. *Id.* Widespread enactment of the UTSA has been a factor in the increasing importance of trade secret law. David S. Almeling, *Seven Reasons Why Trade Secrets Are Increasingly Important*, 27 BERKELEY TECH. L. J. 1091, 1106 (2012) (“[W]idespread adoption of the UTSA has increased awareness of trade secret law – among lawyers, companies, judges, and others – and has provided greater consistency in the application of trade secret law . . .”).

11. Defend Trade Secrets Act of 2016, PUB. L. 114-153, § 2(e), 130 Stat. 376, 381 (2016) (the Act is effective on the date of enactment).

12. RESTATEMENT (FIRST) OF TORTS, § 757, cmt. b (AM. LAW INST. 1939) [hereinafter RESTATEMENT (FIRST)].

the business The subject matter of a trade secret must be secret.¹³

Comment *b.* also identified six factors relevant to whether information was a trade secret:

Some factors to be considered in determining whether given information is one's trade secret are: (1) the extent to which the information is known outside of his business; (2) the extent to which it is known by employees and others involved in his business; (3) the extent of measures taken by him to guard the secrecy of the information; (4) the value of the information to him and to his competitors; (5) the amount of effort or money expended by him in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.¹⁴

The Restatement (First) prefaced the six factors with the statement: "An exact definition of a trade secret is not possible."¹⁵ A plaintiff did not have to satisfy all six factors in order to prove that a trade secret existed.¹⁶

The open-endedness of the Restatement (First) approach led some courts to infer the existence of a trade secret from the defendant's improper acquisition or improper use of confidential information. In the 1953 decision *Franke v. Wiltschek*,¹⁷ for example, citing *inter alia* the Restatement (First),¹⁸ the Second Circuit affirmed a permanent injunction against the defendants' manufacture and sale of a competing product as well as an accounting of the defendants' profits.¹⁹ Because the defendants had obtained the information from the plaintiffs by feigning willingness to market their product, the Second Circuit panel

13. *Id.*

14. *Id.* The Restatement (Third) of Unfair Competition does not endorse the Restatement (First) factors. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 39, cmt d at 430 (AM. LAW INST. 1995) (Supp. 2016) [hereinafter RESTATEMENT OF UNFAIR COMPETITION] ("It is not possible to state precise criteria for determining the existence of a trade secret. The status of information claimed as a trade secret must be ascertained through a comparative evaluation of all the relevant factors, including the value, secrecy, and definiteness of the information as well as the nature of the defendant's misconduct.")

15. RESTATEMENT (FIRST), *supra* note 12, at 6.

16. *Learning Curve Toys, Inc. v. Playwood Toys, Inc.*, 342 F.3d 714, 722 (7th Cir. 2003) (Illinois enactment) ("[W]e do not construe the foregoing factors as a six-part test, in which the absence of evidence on any single factor necessarily precludes a finding of trade secret protection."); *IVS Hydro, Inc. v. Robinson*, 93 Fed. Appx. 521, 526-27 (4th Cir. 2004) (per curiam) (West Virginia enactment) Wisconsin initially considered that all six Restatement (First) factors had to be proved for a trade secret to exist. However, enactment of the UTSA in Wisconsin transformed the Restatement (First) factors from mandatory requirements into helpful guides. *Minuteman, Inc. v. Alexander*, 434 N.W.2d 773, 778 (1989) ("We hold that although all six elements of the *Restatement's* test are no longer required, the *Restatement* requirements still provide helpful guidance in deciding whether certain materials are trade secrets under our new definition.")

17. *Franke v. Wiltschek*, 209 F.2d 493 (2d Cir. 1953).

18. *Id.* at 495.

19. *Franke v. Wiltschek*, 115 F. Supp. 28, 31 (S.D.N.Y. 1953).

dismissed as irrelevant the evidence that the information was available from an expired patent and from the plaintiffs' publicly marketed product.²⁰ The court considered that the defendants' improper commercial conduct outweighed the lack of secrecy of the information at issue.

II. THE UTSA

A. *The UTSA Definition of Trade Secret*

The UTSA was developed to fill the gap created by the omission of trade secrets from the Restatement (Second) of Torts.²¹ Section 1(4) defines a trade secret as follows:

"Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process that:

- (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
- (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.²²

This definition omits the Restatement (First) requirement that a trade secret be "for continuous use."²³ Under the UTSA, a trade secret

20. *Franke*, 209 F.2d at 494-95. The Second Circuit panel was unanimous with respect to the defendants' liability. But Judge Frank dissented from the majority's affirming the grant of injunctive relief. *Id.* at 503-07. For a similar dictum by Mr. Justice Holmes that preceded the Restatement (First), see *E. I. DuPont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917) ("Whether the plaintiffs have any secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them.").

21. Richard F. Dole, Jr., *Preemption of Other State Law by the Uniform Trade Secrets Act*, 17 SMU SCI. & TECH. L. REV. 95, 97-98 (2014) [hereinafter Dole, *Preemption*]. See 4 Restatement Torts (Second) at 1-2 (1979) (stating that trade secret law had become independent of tort law). Professor Robert Bone has proposed replacement of the traditional trade secret law reflected in the UTSA with a regime limited to enforcement of contracts and traditional torts, perhaps combined with recognition of new property rights conditioned upon public disclosure of the information that traditional trade secret law protects only if kept secret. Robert G. Bone, *An Essay on the Limits of Trade Secret Law*, in LAW, INFO. & INFO. TECH. 99 (Eli Lederman & Ron Shapira eds. Kluwer Law Int'l 2001).

22. UTSA, *supra* note 3, § 1(4). This definition reduces "the inconsistency in case law that naturally flowed from the Restatement (First) of Torts' indeterminate list of trade secrecy factors." Sharon K. Sandeen, *A Contract by Any Other Name is Still a Contract: Examining the Effectiveness of Trade Secret Clauses to Protect Databases*, 45 IDEA 119, 130 (2005) [hereinafter Sandeen, *Databases*].

23. See *supra* note 13 and accompanying text.

can exist before information has been commercialized.²⁴ A negative trade secret also can exist in research proving that a particular approach does not work.²⁵ Both the 1995 Restatement of Unfair Competition,²⁶ and the 2015 Restatement of Employment Law²⁷ follow this UTSA departure from the Restatement (First).²⁸

The UTSA definition has three aspects. The preamble is a nonexclusive list of the forms in which a trade secret can appear. The list tracks Comment *b.* to Section 757 of the Restatement (First) with the addition of “program,” “method,” and “technique” and the omission of “list of customers.”²⁹ Because the list is not exclusive, neither the additions nor the omission determine the information that can be a trade secret.³⁰

24. UTSA, *supra* note 3, § 1, cmt., 14 U.L.A. at 538. *E.g.*, Learning Curve Toys, 342 F.3d at 716-20, 727, 730-31 (Illinois enactment) (jury verdict for toy designer against toy manufacturer reinstated with respect to misappropriation of the plaintiff’s design for a noise-producing toy train track that the plaintiff had not manufactured); Olson v. Nieman’s, Ltd., 579 N.W.2d 299, 303-04, 314 (Iowa 1998) (Iowa enactment) (potential economic value of inventor’s idea shown by evidence that several manufacturers were interested in it). The UTSA’s application to ideas that have not been commercialized provides a remedy for idea submitters. *See generally* Robert C. Denicola, *The New Law of Ideas*, 28 HARV. J. L. & TECH. 195, 198-203, 225-30, 236 (2014).

25. UTSA, *supra* note 3, § 1, cmt., 14 U.L.A. at 538; *accord*, RESTATEMENT OF UNFAIR COMPETITION, *supra* note 14, § 39, cmt. ([the rejected “use” requirement] “places in doubt protection for so-called ‘negative’ information that teaches conduct to be avoided....”). *But see* Amir H. Khoury, *The Case Against the Protection of Negative Trade Secrets: Sisyphus’ Entrepreneurship*, 54 IDEA 431, 467-75 (2014) (arguing for a negative information defense to trade secret misappropriation involving a final product so that research failures need not be wastefully duplicated by competitors).

26. *See* RESTATEMENT OF UNFAIR COMPETITION, *supra* note 14, § 39.

27. RESTATEMENT OF EMPLOYMENT LAW § 8.02 (2015) (definition of employer’s trade secret) [hereinafter RESTATEMENT OF EMP. LAW]. The significance of this new Restatement is indicated by a statistical analysis of 394 cases in which a federal district court issued a written opinion dealing with trade secrets between 1950 and 2008. In over 85% of the cases, the alleged misappropriator was either a former employee or a former business partner of the plaintiff. David S. Almeling, Darin W. Snyder, Michael Sapoznikow, Whitney E. McCollum & Jill Weader, *A Statistical Analysis of Trade Secret Litigation in the Federal Courts*, 45 GONZ. L. REV. 291, 293, 302-03 (2010).

28. RESTATEMENT OF UNFAIR COMPETITION, *supra* note 14, § 39, cmt. d at 429-30 (discussing abandonment of the for continuous use requirement). The Restatement of Employment Law definition of “employer’s trade secret” contains no reference to “for continuous use.” *See* RESTATEMENT OF EMP. LAW, *supra* note 27, § 8.02. Also comment a. to § 8.02 states that the definition is consistent with both the UTSA and the Restatement of Unfair Competition. *Id.* cmt. a. at 406.

29. Compare *supra* note 22 and accompanying text with *supra* note 13 and accompanying text.

30. *See* American Paper & Packaging Prods., Inc. v. Kirgan, 183 Cal. App. 3d 1318, 1323-24 (2d Dist. 1986) (California enactment) (“We cannot agree with respondents’ argument that the Legislature’s failure to include customer lists in its definition of trade secrets represents an intentional exclusion of same. The very language of Civil Code 3426.1, subdivision (d), is inclusive, not exclusive.”).

Subsection (i) requires that a trade secret derive “actual or potential independent economic value” from “not being generally known to, or readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.”³¹ Independent economic value” derived from secrecy can be shown by proof of both actual or potential value and secrecy.³² The 1995 Restatement of Unfair Competition, for example, paraphrases the UTSA definition as including “any information that . . . is sufficiently valuable and secret to afford an actual or a potential economic advantage over others.”³³

States have enacted a number of non-uniform amendments to the UTSA definition.³⁴ Except in Nebraska, however, the non-uniform amendments are not of major import.³⁵

The UTSA is best understood as an intellectual property statute that encourages the development of valuable new information through recognition of limited exclusive rights.³⁶ The UTSA contains an elaborate definition of “misappropriation,”³⁷ which makes the existence of a trade secret a prerequisite.³⁸ Misappropriation cannot exist if no trade secret exists,³⁹ and actual or threatened

31. UTSA, *supra* note 3, § 1(4) (i), 14 U.L.A. at 538.

32. *See, e.g.*, *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 901 (Minn. 1983) (Minnesota enactment) (“[T]he [trial] court cited the time and money that ECC reasonably expended in developing its motors. That ECC expended time and money between 1966 and 1975 in the development of the 1125 motor and its predecessors does not support a finding of competitive advantage unless, under the present state of the art, a prospective competitor could not produce a comparable motor without a similar expenditure of time and money. The trial court found . . . that such time and money *would* be required of a prospective competitor today The ECC 1125, therefore, did provide ECC with economic value from its secrecy”).

33. RESTATEMENT OF UNFAIR COMPETITION, *supra* note 14, § 39 at 425.

34. For discussion of the non-uniform amendments and their significance, *see* Richard F. Dole, Jr., *Contours of American Trade Secret Law: What is and What Isn't Protectable as a Trade Secret*, 19 SMU SCI. & TECH. L. REV. 89, 96-101 (2016).

35. *See id.*

36. *See generally* Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights*, 61 STAN. L. REV. 311 (2008) [hereinafter Lemley, *IP Rights*]; *but see* Charles Tait Graves, *Trade Secrets as Property: Theory and Consequences*, 15 J. INTELL. PROP. L. 39, 80-84 (2007) (trade secret rights are best justified by the infrastructural nexus that a business provides for creativity).

37. UTSA, *supra* note 3, § 1(2), 14 U.L.A. at 537.

38. *E.g., id.* § 1(2) (i) (“Misappropriation” means (i) acquisition of a trade secret of another”).

39. *E.g., Calisi v. Unified Fin. Servs., LLC*, 232 Ariz. 103, 106, 302 P.3d 628, 631 (Ariz. App. 2013) (Arizona enactment) (“To establish a claim for misappropriation of a trade secret, the claimant must first prove a legally protectable trade secret exists.”) (superior court judgment on trade secret counterclaim vacated due to former employer’s failure to prove that it had a legally protectable trade secret); *Electro-Craft Corp.*, 332 N.W.2d at 897 (“Without a proven trade secret there can be no action for misappropriation, even if defendants’ actions were wrongful.”) (Minnesota enactment). As Professor Sharon Sandeen has observed, the UTSA “was designed to

misappropriation must exist for a remedy for misappropriation to be available.⁴⁰ If trade secret rights are not involved, a plaintiff's tort remedy for theft of its personal property is conversion, not trade secret misappropriation.⁴¹

However, a Comment to the 1995 Restatement of Unfair Competition states:

Because of the public interest in deterring the acquisition of information by improper means, doubts regarding the status of information as a trade secret are likely to be resolved in favor of protection when the means of acquisition are clearly improper.⁴²

The Reporters' Note to the Comment cites the two cases discussed below.⁴³

The first case, *Tan-Line Sun Studios, Inc. v. Bradley*⁴⁴ was a 1986 decision in a federal court diversity action applying the Pennsylvania courts' adoption of the 1939 Restatement of Torts (First) principles of trade secret misappropriation. The plaintiff operated and franchised tanning salons. The defendants were a consultant, who initially had provided advice concerning franchisee financing to the plaintiff, the consultant's wife, and several investors who had opened four competing tanning salons. A trial judge sitting without a jury declared that the plaintiff's "entire methodology for conducting a tanning studio" was a trade secret.⁴⁵ Furthermore,

Because I find that a confidential relationship existed, and because I find that Mr. Bradley used the trade secrets in a manner that breached the confidential relationship, Bradley is liable for his unlawful acquisition and

re-focus attention on the character of the thing to be protected and, thereby, limit the cases in which a successful trade secret claim can be brought." Sandeen, *Databases*, *supra* note 22, at 129.

40. See, e.g., UTSA, *supra* note 3, §§ 2-3 (misappropriation must exist to recover damages and actual or threatened misappropriation must exist to be granted injunctive relief); *Electro-Craft Corp.*, 332 N.W.2d at 897 ("[W]ithout the finding of a trade secret, we cannot grant relief to ECC."). However, a defendant can be awarded reasonable attorney's fees if a plaintiff has claimed that misappropriation existed in bad faith. See UTSA, *supra* note 3, § 4(i), 14 U.L.A. at 642.

41. E.g., *Hecny Transp., Inc. v. Chu*, 430 F.3d 402, 403-405 (7th Cir. 2005) (Illinois enactment) (theft of equipment is actionable [conversion] without a trade secret).

42. RESTATEMENT OF UNFAIR COMPETITION, *supra* note 14, § 43, cmt. d, at 496. See also *id.*, § 39, cmt. d, at 430 ("the nature of the defendant's misconduct" is a factor in whether a trade secret exists). The 2015 Restatement of Employment Law, which also purports to be consistent with the UTSA definition of trade secret, does not reaffirm this. See RESTATEMENT OF EMP. LAW, *supra* note 27, § 8.02, cmt. a, at 406.

43. RESTATEMENT OF UNFAIR COMPETITION, *supra* note 14, § 43, at 498.

44. *Tan-Line Sun Studios, Inc. v. Bradley*, No. 84-5925, 1986 WL 3764 (E.D. Pa. Mar. 25, 1986), *aff'd sub nom Paul v. Tanning, Health, & Fitness Equip. Co.*, 808 F.2d 1517, 1517-18 (3d Cir. 1986) (table).

45. *Id.* at 7.

use of the trade secrets.⁴⁶

In other words, *Tan-Line* is like the Second Circuit *Franke v. Wiltschek* case discussed earlier,⁴⁷ a decision that utilized the Restatement (First)'s open-ended definition of trade secret to punish unsavory commercial behavior as trade secret misappropriation. In view of the fact that the trial judge also found all the defendants liable for fraud and for participating in Mr. Bradley's breach of the duty of loyalty to the plaintiff,⁴⁸ the trade secret discussion in *Tan-Line* was dicta.

The second case, *Clark v. Bunker*⁴⁹ was a 1972 decision in a federal court diversity action applying the Nevada courts' adoption of the 1939 Restatement (First) trade secret principles. The facts were opaque but the analysis was clear. The Ninth Circuit panel stated: "Liability is predicated on communication of the secret to the defendant in confidence and disclosure or unauthorized use of the information by the defendant."⁵⁰ The panel emphasized: "the extreme and unlawful means appellants employed to secure those details—including concealment, affirmative misrepresentation, and commercial espionage."⁵¹

Like *Tan-Line*, *Clark v. Bunker* utilized the Restatement (First)'s open-ended definition of "trade secret" to punish distasteful commercial conduct as trade secret misappropriation. The 1995 Restatement of Unfair Competition Comment sums up these two cases reasonably accurately but the cases and the Restatement of Unfair Competition Comment do not illustrate how the cases should be resolved under the UTSA, which requires the existence of a trade secret for misappropriation to be possible,⁵² and for a remedy for misappropriation to be available.⁵³

The indispensability of a trade secret to the existence of misappropriation and the availability of a remedy for misappropriation has implications for UTSA litigation.

46. *Id.* at 9.

47. Refer to notes 17-20 and accompanying text.

48. *Tan-Line*, 1986 WL at *10-12.

49. *Clark v. Bunker*, 453 F.2d 1008 (9th Cir. 1972).

50. *Id.* at 1008 n.2.

51. *Id.* at 1010.

52. Refer to the authorities *supra* notes 37-39 and accompanying text.

53. Refer to the authorities *supra* note 40 and accompanying text.

B. Litigating Trade Secret Misappropriation Under the UTSA

The UTSA does not alter a state's pleading rules.⁵⁴ Discovery rules are another matter.⁵⁵

1. The CUTSA Early Disclosure Rule

At first blush California is a unique case. In conjunction with its enactment of the California Uniform Trade Secrets Act (CUTSA) in 1985, the California state legislature adopted a special discovery requirement that is now California Code of Civil Procedure § 2019.210:

In any action alleging the misappropriation of a trade secret under the Uniform Trade Secrets Act...before commencing discovery relating to the trade secret, the party alleging the misappropriation shall identify the trade secret with reasonable particularity subject to any court orders that may be appropriate under [the Section dealing with preservation of the secrecy of a trade secret in judicial proceedings]⁵⁶

54. See the authority in *supra* note 3. See, e.g., *Automated Techs., Inc. v. Eller*, 160 F. Supp. 2d 915, 920-921 (N.D. Ill. 2001) (Illinois enactment) (“[T]rade secrets need not be disclosed in detail in a complaint alleging misappropriation. . . .”); *Savor, Inc. v. FMR Corp.*, 812 A.2d 894, 897 (Del. 2002) (Delaware enactment) (“Appellees say that the Savor Program cannot be a trade secret because it is nothing but a combination of widely known business and marketing techniques associated with rebate programs The short answer to these arguments is that, at this stage of the proceedings, Savor gets the benefit of all favorable inferences.”) (reversing dismissal of third amended complaint for failure to identify trade secret with sufficient particularity); *Compuware Corp. v. Int’l Bus. Mach.*, 259 F. Supp. 2d 597, 605 (E.D. Mich. 2002) (“While Compuware has not identified its trade secrets ‘clearly, unambiguously, and with specificity,’ such is not necessary at the pleading stage. The court finds that Compuware’s allegations give adequate notice of its cause of action to IBM. Any further specificity desired by IBM can be achieved through discovery For the reasons set forth above, defendant’s motion to dismiss and for a more definite statement is DENIED.”).

55. See Kevin R. Casey, *Identification of Trade Secrets During Discovery: Timing and Specificity*, 24 AIPLA Q.J. 191, 259 (1996) (“[A] federal district court would likely require . . . [identification of] the allegedly misappropriated trade secrets with ‘reasonable particularity’ near the start of discovery.”); Charles Tait Graves & Brian D. Range, *Identification of Trade Secret Claims in Litigation: Solutions for a Ubiquitous Dispute*, 5 NW. J. TECH. & INTELL. PROP. 68, 97 (2006) [hereinafter Graves & Range, *Identification*] (“[C]ourts in jurisdictions that have not yet enacted a pre-discovery identification requirement for trade secret cases should do so, both as a valuable case management process and to encourage pre-lawsuit investigations.”).

56. Cal. Civ. Proc. Code § 2019.210 (West 2007) & (2016 Supp.). The special California statute does not apply to the pleading stage of litigation. *Meggitt San Juan Capistrano, Inc. v. Yongzhong*, 575 Fed. Appx. 801, 803 (9th Cir. 2014) (unpublished) (the special California statute does not apply to pleadings). A Wisconsin non-uniform amendment requires greater specificity in another context. The Wisconsin enactment of the UTSA requires that an application for an injunction or a restraining order include “a description of each alleged trade secret in sufficient detail to inform the party to be enjoined or restrained of the nature of the complaint against that party or, if the court so orders, includes written disclosure of the trade secret.” WIS. STAT. ANN. §134.90(3)(a) (West 2016) (Wisconsin enactment).

The Patent, Trademark, and Copyright Section of the California State Bar recommended requiring identification of the alleged trade secrets at issue prior to discovery with respect to trade secrets.⁵⁷ The initial bill required the identification of trade secrets “with particularity.” The qualifier “reasonable” was added during the legislative process.⁵⁸

The special statute was inspired by the opinion in *Diodes, Inc. v. Franzen*.⁵⁹ In *Diodes*, the plaintiff corporation had alleged that two former directors and officers, who also had been salaried employees, had participated in forming a competitor and misappropriating the plaintiff’s “secret process.”⁶⁰ In affirming the trial court’s dismissal of the third amended complaint, a California intermediate appellate court commented in dicta:

Before a defendant is compelled to respond to a complaint based upon claimed misappropriation or misuse of a trade secret and to embark on discovery which may be both prolonged and expensive, the complainant should describe the subject matter of the trade secret with sufficient particularity to separate it from matters of general knowledge in the trade or of special knowledge of those persons who are skilled in the trade, and to permit the defendant to ascertain at least the boundaries within which the secret lies.⁶¹

Thus, the special California statute requires plaintiffs to identify trade secrets at the discovery stage⁶² in order to encourage pre-suit investigation and to narrow the scope and cost of discovery in trade secret cases.⁶³ To comply with this requirement, California plaintiffs

57. *Computer Econ., Inc. v. Gartner Group, Inc.*, 50 F. Supp. 2d 980, 984-985 (S.D. Cal. 1999) (“[The statute] was intended to . . . afford a measure of protection against the procedure of initiating an action to pursue extensive discovery without revelation of the trade secret or secrets.”). A California State Bar Association Memorandum sent to the legislature stated in part: One area not addressed by the UTSA is the area of plaintiff’s abuse in initiating trade secret lawsuits for the purpose of harassing or even driving a competitor out of business by forcing a competitor to spend large sums in defending unwarranted litigation. *Id.* at n.6.

58. James H. Pooley, *The Uniform Trade Secrets Act: California Civil Code 3426*, 1 SANTA CLARA COMPUTER & HIGH TECH. L.J. 193, 215 (1985) [hereinafter Pooley, UTSA].

59. *Diodes, Inc. v. Franzen*, 260 Cal. App. 2d 244, 67 Cal. Rptr. 19 (2d Dist. 1968); see *Computer Econ.*, 50 F. Supp.2d at 984 (“The rationale behind . . . [the special statute] was first articulated in *Diodes, Inc. v. Franzen* . . .”).

60. *Diodes*, 260 Cal. App. 2d at 249-50.

61. *Id.* at 253.

62. See *supra* note 57 and accompanying text. Suggesting that the California statute can be satisfied by an identification that would be appropriate in a complaint because it was inspired by *Diodes*, which involved the adequacy of a complaint, is inaccurate. *Contra* JAMES POOLEY, TRADE SECRETS § 11.02[2][b] n.18.4 (2016) (“[I]mplementing the *Diodes* . . . decision [the special statute] requires only that the plaintiff’s statement provide an initial level of specificity appropriate to a complaint . . .”) [hereinafter POOLEY, TRADE SECRETS].

63. Pooley, *UTSA*, *supra* note 58, at 203.

typically file a Trade Secret Disclosure Statement identifying their trade secrets.⁶⁴

*Advanced Modular Sputtering, Inc. v. Superior Court*⁶⁵ was the first substantive appellate construction of the special statute. The Second District Court of Appeals identified four goals:

First, it promotes well-investigated claims and dissuades the filing of meritless trade secret complaints. Second, it prevents plaintiffs from using the discovery process as a means to obtain the defendant's trade secrets Third, the rule assists the court in framing the appropriate scope of discovery and in determining whether plaintiff's discovery requests fall within that scope Fourth, it enables defendants to form complete and well-reasoned defenses, ensuring that they need not wait until the eve of trial to effectively defend against charges of trade secret misappropriation.⁶⁶

The same intermediate appellate court later emphasized that the two most important goals of the statute were to aid the courts in guiding discovery and to facilitate defendants' formulation of defenses.⁶⁷ After the alleged trade secrets at issue have been identified, for example, both sides' expert reports can be more focused and useful.⁶⁸

Perlan Therapeutics, Inc. v. Superior Court,⁶⁹ a 2010 California intermediate appellate court case, involved the adequacy of the plaintiff's amended Trade Secret Disclosure Statement.⁷⁰ After reviewing the prevailing appellate constructions of the special statute, the court denied the plaintiff's application for a writ of mandate requiring acceptance of the amended Disclosure Statement.⁷¹ The court observed that the statute does not require either the "greatest degree of particularity possible" or a "miniature trial on the merits of a misappropriation claim before discovery can commence."⁷² A plaintiff must indicate how its alleged trade secret differs from publicly

64. See, e.g., *Perlan Therapeutics, Inc. v. Superior Court*, 178 Cal. App. 4th 1333, 1337-38 (rev. den. 1st Dist. 2010) (plaintiff filed a Trade Secret Disclosure Statement to comply with the California special statute).

65. 132 Cal. App. 4th 826 (rev. den. 2d Dist. 2005).

66. *Id.* at 833-34.

67. *Brescia v. Angelin*, 172 Cal. App. 4th 133, 149-50 (2d Dist. 2009).

68. *Graves & Range, Identification, supra* note 55, at 75 ("Without an exact identification, the plaintiff's expert may simply declare that broad areas of technology are trade secrets Meanwhile, the defense experts may be forced to spend a great deal of effort researching and opining on wider areas of technology than are at issue").

69. 178 Cal. App. 4th at 1333.

70. *Id.* at 1338-39 (description of the plaintiff's amended Trade Secret Disclosure Statement).

71. *Id.* at 1354.

72. *Id.* at 1346.

available knowledge but is not required to convince the court as a fact finder that the information is in fact secret.⁷³

a. The Effect of the CUTSA Nonuniform Amendments to the Definition of Trade Secret

California's nonuniform amendments to the UTSA definition of "trade secret" affect the identification required by the special statute. Under the UTSA, sufficient secrecy requires that information be neither generally known to, nor readily ascertainable by proper means by, others who can obtain value from its disclosure or use.⁷⁴ However, a California nonuniform amendment states that a trade secret also must not be generally known to "the public."⁷⁵ A second California nonuniform amendment makes the ready ascertainability of information by proper means an affirmative defense to misappropriation.⁷⁶ In *Brescia v. Angelin*,⁷⁷ for example, a trial court determination requiring a cross-suit plaintiff to describe how its pudding formula and manufacturing process were distinguishable from matters known to skilled persons in the commercial food industry was reversed. A California intermediate appellate court held that it was necessary to show that either the court otherwise could not determine the scope of discovery or the defendant otherwise could not articulate defenses to require a plaintiff to explain how alleged trade secrets differed from what was known in the industry.⁷⁸

The California nonuniform amendments influenced the distinction drawn in *Brescia* between information known to the general public and information known to those in the industry.⁷⁹ Under the official text of the UTSA, the *Brescia* trial court order should not have been reversed but rather expanded to require explanation of how the alleged trade secrets were distinguishable from information that was readily ascertainable to those in the industry.⁸⁰

73. *See id.* at 1351-52.

74. UTSA, *supra* note 3, § 1(4)(i), 14 U.L.A. at 538.

75. Cal. Civ. Code § 3426.1(d) (West 1997) (Supp. 2015).

76. *Id.* (deleting lack of ready ascertainability by proper means from the definition of trade secret). The effect of this deletion is to make the ready ascertainability of information by proper means an affirmative defense to misappropriation in California. *See* Pooley, UTSA, *supra* note 58, at 197-99.

77. *Brescia*, 172 Cal. App. 4th at 149.

78. *Id.* at 149-50.

79. *See supra* notes 75-76 and accompanying text.

80. *See* *IDX Sys. Corp. v. Epic Sys. Corp.*, 165 F. Supp. 2d 812, 817 (W.D. Wisc. 2001) (Wisconsin enactment) ("[T]he description must be specific enough to allow the meaningful comparison of the putative trade secret with information that is generally known and ascertainable in the relevant field or industry."), *rev'd in part on other grounds*, 285 F.3d 581, 583-84 (7th Cir.

b. Applicability of the CUTSA Early Disclosure Rule in Diversity Cases

The Ninth Circuit has yet to rule whether the special California statute applies in federal diversity jurisdiction cases. The California federal district courts are divided on the question,⁸¹ but the better view is that the special California statute should apply in diversity cases. The special statute does not conflict with the Federal Rules of Civil Procedure and failure to apply it would encourage plaintiffs with weak trade secret claims to file in California federal court rather than in California state court.⁸²

The special statute is limited to discovery with respect to trade secret misappropriation.⁸³ It has no effect upon the initial general disclosures required by the Federal Rules of Civil Procedure⁸⁴ and discovery with respect to other substantive legal claims.⁸⁵

2002).

81. *Loop AI Labs, Inc. v. Gatti*, No. 15-00798, 2015 WL 9269758 at *2-3 (N.D. Cal. Dec. 21, 2015) (unpublished) (applying the special California statute in a diversity case notwithstanding a conflicting holding in the Eastern District of California).

82. Under the *Erie* doctrine, in diversity cases federal courts must apply state substantive law and federal procedural law. *Gasperini v. Center for Humanities, Inc.*, 518 U.S. 415, 427 (1996) (“Under the *Erie* doctrine, federal courts sitting in diversity apply state substantive law and federal procedural law.”). The test for substantive state law is whether the state law would have so important an effect upon the rights of one or both parties that a failure to apply it either would unfairly discriminate against citizens of the forum state or would be likely to cause a plaintiff to choose a federal court. *Id.* at 428. *Computer Economics*, 50 F. Supp. 2d at 986-92 (explaining in detail why the California statute does not conflict with the Federal Rules of Civil Procedure and is substantive for *Erie* purposes).

83. See *supra* note 57 and accompanying text. See also *Mediostream, Inc. v. Microsoft Corp.*, 749 F. Supp. 2d 507, 517 (E.D. Tex. 2010) (“[T]he rule does not require that a party identify the trade secret before *discovery* in general begins. Rather, by its plain language, the rule requires that the trade secret be identified ‘before commencing *discovery related to the trade secret.*’”) (quoting Cal. Civ. Pro. Code § 2019.210).

84. The Federal Rules of Civil Procedure require automatic initial disclosure of individuals likely to have discoverable information that the disclosing party may use to support claims or defenses, copies or descriptions by category and location of documents and tangible things that the disclosing party has in its possession and may use to support claims or defenses, computations of damages and other monetary relief claimed, and insurance agreements that could be used to satisfy a judgment or to reimburse satisfaction of a judgment. Fed. R. Civ. P. Rule 26(a)(1). In order to avoid any conflict, a California federal district court should delay implantation of the special statute until the initial disclosures mandated by Fed. R. Civ. Proc. 26(a)(1) have been made. *Computer Economics*, 50 F. Supp. 2d at 990 n.10 (“To the extent the material compelled by Rule 26(a) overlaps with the material precluded from discovery under CCP § 2019(d), the court could simply delay operation of the state statute until the defendant has discharged the obligations imposed by Rule 26(a).”) (dictum). Although *Computer Economics* was decided before the 2000 amendments to Rule 26(a)(1), this remains good advice. The fundamental consistency of California’s special statute with the Federal Rules is demonstrated by the decisions reaching the same result under the Federal Rules. See, e.g., *infra* notes 86-92 and accompanying text.

85. See *Loop AI Labs v. Gatti*, 195 F. Supp. 3d 1107, 1110 (N.D. Cal. Jul. 6, 2016)

2. Early Disclosure of Trade Secrets under Enactments of UTSA in Other States

To what extent is experience under the special California statute relevant in other states that have enacted the UTSA? This was addressed in *Vesta Corp. v. Amdocs Management Ltd.*,⁸⁶ a 2015 Oregon federal diversity case. In *Vesta*, the defendants in a trade secret misappropriation case moved for an order compelling the plaintiff's responses to interrogatories requiring identification of the allegedly misappropriated trade secrets with reasonable particularity and also for a protective order excusing the defendants from responding to discovery requests on the topic until the plaintiff reasonably had identified its trade secrets. The plaintiff objected that the defendants essentially were invoking the special California statute, which did not apply to the case. The federal trial judge responded that the "reasonable particularity" standard for identification of trade secrets was the "growing consensus" of federal courts under the Federal Rules of Civil Procedure and granted both the order to compel and the protective order.⁸⁷ After discovery had commenced, by granting motions for an order compelling identification of the plaintiff's alleged trade secrets and a companion order excusing the defendants from responding to requests about trade secrets until the plaintiff had complied, *Vesta* reached a result comparable to that required by the special California

(California statute) (denying IQS's motion to stay all discovery, but granting a stay of discovery as to Plaintiff's CUTSA claim until such time that Plaintiff filed a statement "identifying with reasonable particularity the trade secrets at issue in this lawsuit.").

86. *Vesta Corp. v. Amdocs Management Ltd.*, 147 F. Supp. 3d 1147 (D. Ore. 2015); *accord Del Monte Fresh Produce*, 148 F. Supp. 2d at 1324 ("Although Florida has not enacted a statute like California's that compels disclosure of trade secrets, the same result is achieved under Florida's case law.").

87. *Vesta*, 147 F. Supp. 3d at 1151, 1153-54, 1158; *accord Del Monte Fresh Produce*, 148 F. Supp. 2d at 1325-26 (granting the defendant's motion to compel the plaintiff to identify its trade secrets with reasonable particularity); *Big Vision Private, Ltd. v. E.I. DuPont de Nemours & Co.*, 1 F. Supp. 3d 224, 258 (S.D.N.Y. 2014) ("While the Second Circuit has not explicitly adopted this requirement [the necessity of a plaintiff's identification of its trade secrets], each Circuit Court of Appeals to have opined on this issue has required a comparable degree of specificity, as have numerous district courts across the country."), *aff'd on other grounds, Big Vision Private, Ltd. v. E.I. DuPont de Nemours & Co.*, 610 Fed. Appx. 69 (2d Cir. 2015) (unpublished). *See also Tucson Embedded Sys., Inc. v. Turbine Powered Tech., LLC*, No. 14-01868, 2016 WL 1408347 at *7 (D. Ariz. Apr. 11, 2016) (unpublished) (the Arizona discovery process includes the issue addressed by the special California statute).

statute.⁸⁸ Moreover, in *StoneEagle Services, Inc. v. Valentine*,⁸⁹ a 2013 case, a federal magistrate relied on federal case law and the Federal Rules of Civil Procedure to grant the defendants' motion for an order requiring identification of the plaintiff's allegedly misappropriated trade secrets even though the defendants had not served interrogatories requesting identification.⁹⁰

As *Vesta* illustrates, there are multiple rationales for enabling a defendant to require a plaintiff to identify allegedly misappropriated trade secrets early in pretrial discovery. These rationales are influenced by the reality that a plaintiff ordinarily can identify its own trade secrets from its own documents, records, and witnesses.⁹¹ Discovery of the defendant's documents, records, and witnesses is primarily necessary to prove misappropriation and damages.⁹²

As an intellectual property statute, the UTSA requires the existence of one or more trade secrets to justify its invocation.⁹³ Not

88. A single order requiring identification of the plaintiff's alleged trade secrets before the plaintiff can commence discovery with respect to trade secrets has the same effect. *See, e.g., United Services Automobile Ass'n v. Mitek Systems, Inc.*, 289 F.R.D. 244, 246, 249 (W.D. TX), *aff'd*, No. 12-282, 2013 WL 1867417 (W.D. Tex. Apr. 24, 2013) (unpublished) (a federal magistrate granted the defendant's motion requiring "pre-discovery identification" of plaintiff's trade secrets before the plaintiff could commence discovery on its trade secret claims).

89. No. 12-1687, 2013 WL 9554563 (N.D. Tex. Jun. 5, 2013) (unpublished).

90. *Id.* at 3 ("To the extent that the Fifth Circuit has not yet addressed this issue, the undersigned finds support for the ruling based on the above-referenced case law and the Federal Rules of Civil Procedure."). The magistrate was influenced by the fact that the parties were involved in another case with the same issues in which discovery had been served, responded to, and a motion to compel was pending. The parties had agreed to share the discovery in the two cases. *Id.* at 4. The *StoneEagle* order was followed by another federal magistrate in a case not involving multiple litigation between the parties. *Zenimax Media, Inc. v. Oculus Vr, Inc.*, No. 14-1849, 2015 WL 1120582 at *3 (N.D. Tex. Feb. 13, 2015) (unpublished) ("*StoneEagle* does not conclude that Plaintiffs should receive some discovery pertaining to their trade secret claims prior to being ordered to identify those claims with reasonable particularity") (emphasis added). *See also United Services Automobile Ass'n*, 289 F.R.D. at 246, 248-49 (federal magistrate required the plaintiff to identify its trade secrets prior to commencing discovery with respect to its trade secret claims).

91. *See Graves & Range, Identification, supra* note 55, at 73 ("[T]he plaintiff's identification of its own alleged intellectual property does not depend upon the defendant's documents . . ."). The principal exception would involve a former employee's destruction of all his or her former employer's records with respect to a misappropriated trade secret. *See infra* notes 117, 119 and accompanying text. A plaintiff should have to identify both the facts giving it exclusive rights in information and why the information is solely in the possession of the defendant in order to be excused from identification due to these circumstances. *See infra* notes 117, 119 and accompanying text.

92. *See Loop AI Labs*, 2016 WL 3654378 at *6 ("Plaintiff responds by complaining that IQS has refused to respond to Plaintiff's discovery. This argument is irrelevant, since Plaintiff does not explain how it needs discovery from Defendants in order to identify with particularity its own trade secrets . . ."). *See also Graves & Range, Identification, supra* note 55, at 73 (the defendant's records are most relevant to the defendant's use of the plaintiff's trade secrets).

93. *See Lemley, IP Rights, supra* note 36, at 342 (the UTSA definition of trade secret

only can the UTSA definition of trade secret be read to require identification of allegedly misappropriated trade secrets prior to discovery with respect to misappropriation,⁹⁴ a trade secret must exist for misappropriation to be actionable⁹⁵ and for a remedy for misappropriation to be available.⁹⁶ Identification of allegedly misappropriated trade secrets when requested by the defendant justifies the initiation and maintenance of UTSA litigation.

Procedural rules protecting defendants from unreasonable pretrial discovery also support defendant requests for identification of allegedly misappropriated trade secrets early in the discovery process. Federal Rule of Civil Procedure 26(c)(1)(G), which authorizes orders protecting a party from annoyance, embarrassment, oppression, or undue burden or expense by requiring “that a trade secret...only be revealed in a specified way”⁹⁷ was held by the *Vesta* federal district judge to justify the requested orders.⁹⁸ Federal Rule of Civil Procedure 16(c)(2)(L)⁹⁹ similarly gives a federal district judge broad discretion to adopt special procedures in pretrial conferences. In *Porous Media Corp. v. Midland Brake, Inc.*,¹⁰⁰ a pretrial scheduling order required the plaintiff to provide a list of its trade secrets to each defendant.¹⁰¹ A federal magistrate subsequently granted the defendants’ motion to require the plaintiff to amplify its initial disclosures with the observation:

“prevents plaintiffs from ignoring or glossing over proof of the existence of a trade secret....”).

94. See *IDX Sys.*, 2015 WL 9269758 at 2-3, (“Implicit in this definition [of trade secret in the Wisconsin enactment] is the requirement that plaintiff particularize the information that it seeks to protect.”); *AAR Mfg., Inc. v. Matrix Composites, Inc.*, 98 So.3d 186, 187 (5th Dist. Fla. App. 2012) (per curiam) (“In trade secret misappropriation cases, a plaintiff is required to identify with reasonable particularity the trade secrets at issue before proceeding with discovery”), pet. for review den. (mem.), 130 So.3d 691 (Fla. 2013) (Florida enactment). The *IDX* trial court decision was not influenced by the Wisconsin non-uniform amendment requiring greater identification of a trade secret in conjunction with a request for an injunction or a restraining order. See *IDX Sys.*, 165 F. Supp. 2d at 816-17. For discussion of the Wisconsin non-uniform amendment, see *supra* note 56.

95. Refer to *supra* notes 37-39 and accompanying text.

96. Refer to *supra* note 40 and accompanying text.

97. Fed. R. Civ. Proc. 26(c)(1)(G).

98. *Vesta*, 147 F. Supp. 3d at 1150-51, 1153-54. In *Engelhard Corp. v. Savin Corp.*, 505 A.2d 30, 32-3 (Del. Ch. 1986), a Delaware Vice-Chancellor relied upon a comparable Delaware state court rule to require the plaintiff to file a Trade Secret Statement and to allow the defendant thirty days from service and filing of the Trade Secret Statement to respond to the plaintiff’s pending discovery requests. Federal Rule of Civil Procedure 16(c)(2)(L) regularly has been invoked in this manner. See generally Dean W. Amburn, *Patent Subject Matter Eligibility, Trade Secret Case Strategies, and ESI Issues in IP Litigation*, 2012 WL 1670118 at *11 (2012).

99. Fed. R. Civ. Proc. 16(c)(2)(L).

100. *Porous Media Corp. v. Midland Brake Inc.*, 187 F.R.D. 598 (D. Minn. 1999) (federal magistrate).

101. *Id.* at 599.

The orderly disposition of cases involving claims of misappropriation of trade secrets cannot permit a situation where the details concerning the claimed trade secrets are not disclosed at an early date in the litigation. Adequate discovery cannot be conducted in the absence of the specific disclosure which is required by this Order.¹⁰²

In *United Services Automobile Ass'n v. Mitek Systems, Inc.*,¹⁰³ a federal magistrate granted the defendant's motion to compel the plaintiff to identify its allegedly misappropriated trade secrets before seeking discovery with respect to misappropriation, referring to Federal Rule of Civil Procedure 16(c)(2)(L) as the source of the discretion to do so.¹⁰⁴ A motion *in limine*¹⁰⁵ to exclude evidence of unidentified trade secrets also has been considered to warrant a federal district judge's order that the plaintiff submit "a specific, clear, detailed, and precise list of the trade secrets at issue."¹⁰⁶ The rationales for these special discovery orders include the purposes of the special California statute that have been emphasized by the California courts; namely assisting the court in setting boundaries for discovery and giving the defendant notice of the charges early in the case.¹⁰⁷ State procedural rules likewise have been considered to enable the defendant to require the plaintiff to identify allegedly misappropriated trade secrets early in the discovery process.¹⁰⁸

102. *Id.* at 600.

103. *United Services Automobile Ass'n*, 289 F.R.D at 244.

104. *Id.* at 248-49. A pretrial scheduling order did not require identification of trade secrets in *Mitek*.

105. A motion *in limine* is a motion to exclude evidence. *Luce v. United States*, 469 U.S. 38, 40 n.2, 41 n.4 (1984) ("We use the term in a broad sense to refer to any motion, whether made before or during trial, to exclude prejudicial evidence before the evidence is actually offered."). The Federal Rules of Evidence do not explicitly authorize motions *in limine*. They are based upon a federal district court's inherent authority to manage trials.

106. *Cardiovention, Inc. v. Medtronic, Inc.*, 483 F. Supp. 2d 830, 844 (D. Minn. 2007). *See also* *MBL (USA) Corp. v. Diekman*, 112 Ill. App. 3d 229, 240 (1st Dist. 1983) ("Finally, plaintiff contends that the trial court abused its discretion in granting defendant's motion *in limine*. We cannot agree. Defendant's motion *in limine* requested that the trial court require plaintiff to establish a *prima facie* case of misuse of, and the existence of, a trade secret before allowing plaintiff to question defendant as to his current methods, techniques and processes.").

107. *Compare supra* notes 66-67 and accompanying text with the authority in *supra* notes 97-106. The *Vesta* case also mentioned preventing the plaintiff from using discovery as a fishing expedition to discover the defendant's trade secrets and preventing the plaintiff from molding its claims to what it discovered. *Vesta*, 147 F. Supp. 3d at 1153-54.

108. *See, e.g.*, *Tucson Embedded Sys.*, 2016 WL 1408347 at *7 (unpublished) (the Arizona discovery process includes the issue addressed by the special California statute); *Engelhard Corp. v. Savin Corp.*, 505 A.2d 30, 32-3 (Del. Ch. 1986) (Delaware state court rules required the plaintiff to file a Trade Secret Statement and allowed the defendant 30 days from service and filing of the Trade Secret Statement to respond to the plaintiff's pending discovery requests); *DSM Dyneema, LLC v. Thagard*, No. 13-1686, 2014 WL 531770 at *3-6 (N.C. Super. Ct. Oct. 17, 2014) (unpublished) ("The Court finds the reasoning [of the] cases requiring pre-discovery disclosure of trade secrets persuasive . . .").

c. Arguments Against Early Disclosure of Trade Secrets

James Pooley opposes requiring a plaintiff initially to provide more than a general description of allegedly misappropriated trade secrets.¹⁰⁹ He believes that emphasis upon early identification has been “unduly influenced by the property view of trade secrets”¹¹⁰ Pooley argues for a “flexible approach”¹¹¹ that is inconsistent with the UTSA requirements that a trade secret must exist for misappropriation to exist,¹¹² and for a remedy for misappropriation to be available.¹¹³ Pooley’s view is more compatible with the Restatement (First) open-ended definition of trade secret, which can be read to permit inference of the existence of a trade secret from the defendant’s improper acquisition or disclosure of information.¹¹⁴ Pooley, for example, contends:

Caught in what might appear to be unethical conduct, the defendant naturally tries to switch the litigation’s focus to the nature and value of the property taken, and away from the nature of his behavior.¹¹⁵

He also maintains that “process” trade secrets and “combination” trade secrets, the former derived from extensive trial and error and the latter consisting of a new arrangement of previously-known information, are so difficult to identify that broad descriptions should suffice.¹¹⁶ Finally, he points out that there can be situations in which a defendant former employee either has taken or destroyed all the former

109. POOLEY, TRADE SECRETS, *supra* note 62, at § 11.02[2] (“[T]hrough the first wave of discovery . . . the plaintiff should be permitted to describe the subject matter in more or less general terms.”) It is unclear whether Mr. Pooley would make an exception for cases in which injunctive relief is actively sought. *See id.* (“[I]t is in connection with injunctive orders that a plaintiff should be subjected to the most stringent demands of specificity.”).

110. *Id.* at § 11.02[1].

111. *Id.* at § 11.02[2][c].

112. Refer to the authority *supra* notes 37-39 and accompanying text.

113. Refer to the authority *supra* note 40 and accompanying text.

114. Refer to *supra* notes 17-20 and accompanying text.

115. *See* POOLEY, TRADE SECRETS, *supra* note 62, at § 11.02[2].

116. *Id.* With respect to process trade secrets, Mr. Pooley asserts that the negative trade secrets acquired “from a large base of research and development” are protectable but that “a plaintiff should not be required to minutely describe each bit of a mountain of data as a condition of pursuing a misappropriation claim.” Mr. Pooley is correct in asserting that a person with a functioning process trade secret should not have to describe all its research in order to identify the process. But that is because it is unnecessary to do so. On the other hand, if the plaintiff accuses the defendant of misappropriating particular background research, the plaintiff should be both able and required to identify that research. *See Graves & Range, Identification, supra* note 55, at 96 (“[W]here a plaintiff specifically accuses a defendant of taking and using one or more items of negative information, we see no policy reason not to require that those items also be defined in detail.”).

employer's information about a trade secret and substantial discovery is required to identify the information that has been misappropriated.¹¹⁷ But judges routinely have required identification of process and combination trade secrets,¹¹⁸ and, in the atypical situation in which a former employee either has taken or has destroyed all the information about a trade secret, the plaintiff should be required to identify the circumstances giving it exclusive rights in the information and to explain why it does not have the information.¹¹⁹

Another argument against requiring early identification of allegedly misappropriated trade secrets is that a plaintiff with numerous trade secrets could be unsure which trade secrets have been misappropriated prior to obtaining discovery.¹²⁰ However, a plaintiff with numerous trade secrets can be required to identify the trade secrets most likely to have been misappropriated.¹²¹ After the actual

117. POOLEY, TRADE SECRETS, *supra* note 62, at § 11.02[2]. *Bond v. PolyCycle, Inc.*, 127 Md. App. 365, 732 A.2d 970 (Md. Spec. Ct. App. 1999) involved a situation in which a former employee had misappropriated all the information about trade secrets. In *Bond*, a corporate president who had helped develop a corporation's trade secrets resigned after being refused a compensation package. In addition to taking copies of computer files and other records pertaining to the corporation's secrets, the former president deleted all references to the trade secrets from the corporation's computers and records. *Id.* at 369-70.

118. *E.g., Perlan*, 178 Cal. App. 4th at 1352 (special California statute case) (writ directing trial court to accept the plaintiff's trade secret identification refused; plaintiff had not adequately explained its combination of processes); *Switch Communications Group v. Ballard*, No. 11-00285, 2012 WL 2342929 at *5 (D. Nev. Jun. 19, 2012) (unpublished) (denying plaintiff's motion to compel and granting defendant's motion for a protective order until plaintiff specifically described "what particular combination of components renders each of its designs novel or unique, how the components are combined, and how they operate in unique combination."). *See also Miles, Inc. v. Cookson America, Inc.*, No. 12-310, 1992 WL 136381 at *1 (Del. Ch. Jun. 16, 1992) (unpublished) (plaintiff had identified its secret processes with reasonable particularity).

Because combination trade secrets involve public domain information, they require greater rather than less explanation. *See Aortech Int'l PLC v. Maguire*, Case No. 14-00171, 2016 WL 6459582 at *1 (D. Utah 2016 Oct. 31, 2016) (unpublished) ("[B]ecause the information itself is not confidential, determining what about the compilation is protected requires more of an explanation to make clear the claim and allow the opposing party to conduct meaningful discovery.").

119. *Graves & Range, Identification, supra* note 55, at 96 ("[I]f it were impossible for plaintiff to identify the destroyed secret, a court could require identification of the circumstances of the alleged creation, destruction, and plaintiff's ownership in the information.").

120. *E.g., Global Advanced Metals USA, Inc. v. Kemet Blue Powder Corp.*, No. 11-00793, 2012 WL 3884939 at *6-7 (D. Nev. Sept. 6, 2012) (unpublished) (denying a motion to review a federal magistrate's refusal to order the plaintiff to identify its trade secrets "because of their voluminosity"), reconsideration den. on other grounds, No. 11-00793, 2013 WL 1110778 (D. Nev. Mar. 11, 2013) (unpublished).

121. *E.g., DeRubeis v. Witten Technologies, Inc.*, 244 F.R.D. 676, 681 (N.D. Ga. 2007) ("[T]he Court finds that it is appropriate in this case to require Witten to first identify with 'reasonable particularity' those trade secrets that it believes to be at issue [I]t appears from the record that Witten is reasonably aware of the trade secrets that are at issue in this case. Thus, this approach will not require Witten to list thousands of trade secrets in order to ensure that its

misappropriation has been disclosed by discovery, the trade secrets at issue can be altered.¹²² If necessary to avoid prejudice, the parties can be allowed more discovery with respect to any additional trade secrets placed in issue.¹²³

A variation of the there-are-too-many-trade-secrets-to-identify argument is the “Catch-22” contention. In *DeRubeis v. Witten Technologies, Inc.*,¹²⁴ the court described the contention as follows:

[I]f the trade secret plaintiff is forced to identify the trade secrets at issue without knowing which of those trade secrets have been misappropriated, it is placed in somewhat of a “Catch-22”:

Satisfying the requirement of detailed disclosure of the trade secrets without knowledge [of] what the defendant is doing can be very difficult. If the list is too general, it will encompass material that the defendant will be able to show cannot be [a] trade secret. If instead it is too specific, it may miss what the defendant is doing.¹²⁵

This is a false dichotomy coupled with an erroneous implication that a plaintiff with numerous trade secrets necessarily is unfairly prejudiced by an identification order. A general description of alleged trade secrets is an inadequate response to an order to identify.¹²⁶ Moreover, if a specific identification is made in compliance with an identification order that subsequent discovery revealed missed what the defendant was doing, the plaintiff has good cause to alter the trade secrets at issue.¹²⁷

disclosure sufficiently covers the range of trade secrets that might eventually arise.”); *Avaya, Inc. v. Cisco Sys., Inc.*, No. 10-5881, 2011 WL 4962817, at *3 (D.N.J. Oct. 18, 2011) (“Simply naming the [203] trade secrets that it possesses (some of which are challenged by Cisco) is insufficient to allow intrusive discovery into Cisco’s affairs without first establishing some connection that Cisco actually has misappropriated them.”).

If a plaintiff has numerous trade secrets, a defendant may have little idea which ones it is charged with misappropriating. See *Del Monte Fresh Produce*, 148 F. Supp. 2d at 1326 (“While Del Monte states that there are many trade secrets, it does not provide any guidance as to what they may be. If a ‘multitude’ of trade secrets really are at issue in this case, Del Monte cannot expect Dr. Funk to embark upon a fishing expedition to ascertain what those secrets are.”)

122. See *Dura Global Techs., Inc. v. Magna Donnelly Corp.*, No. 07-10945, 2011 WL 4527576, at *7-9 (E.D. Mich. Sept. 29, 2011) (in its proposed pretrial order plaintiff allowed to identify additional allegedly misappropriated trade secrets disclosed by discovery).

123. See *id.* at *1 (on the defendant’s motion, the parties allowed three additional months of discovery after discovery had closed with respect to additional allegedly misappropriated trade secrets identified by the plaintiff).

124. *DeRubeis*, 244 F.R.D. at 680.

125. *Id.*

126. *E.g.*, *Biod, LLC v. Amnio Tech., LLC*, No. 13-1670, 2014 WL 3864658 at *6 (D. Ariz. Aug. 6, 2014) (“Plaintiffs cannot claim that a method or a process is a trade secret without identifying the steps in the process and explaining how those steps make their method or process unique.”).

127. See *Dura Global Techs., Inc. v. Magna Donnelly Corp.*, No. 07-10945, 2011 WL 4527576, at *1 (E.D. Mich. Sept. 29, 2011); see *DeRubeis*, 244 F.R.D. at 680.

d. Early Disclosure under the UTSA

The judicial authority allowing a defendant to require identification of allegedly misappropriated trade secrets early in the discovery stage of litigation is consistent with UTSA policy. On the other hand, the longer that a defendant delays asserting the need for identification through an appropriate motion, the less the likelihood that a court will respond favorably. *Data General Corp. v. Grumman Systems Support Corp.*,¹²⁸ for example, involved excessive delay. After a more than nine-week jury trial on claims of copyright infringement and trade secret misappropriation, the jury awarded damages of \$27,417,000 for trade secret misappropriation to which the trial judge added \$9,000,000 for willful misappropriation. The defendant thereupon moved for judgment as a matter of law notwithstanding the verdict on the ground that the plaintiff had failed to identify sufficiently the trade secrets at issue.¹²⁹ The trial court's summary rejection of the motion,¹³⁰ was affirmed.¹³¹

Mike's Train House, Inc. v. Lionel, LLC,¹³² a Sixth Circuit decision, may seem to support Pooley's view that combination trade secrets need not be specifically described. The court stated:

When material such as design drawings or manuals are trade secrets based on a unique combination of both protected and unprotected material, a plaintiff should not be obligated to identify which components of the protected material is secret. Thus, the district court did not abuse its discretion in denying Lionel's motion for a new trial on this ground.¹³³

However, the result in *Mike's Train House* is explained by the defendant's failure to raise the identification issue until after a jury trial had been lost.¹³⁴ Inadequate identification of allegedly misappropriated trade secrets ideally should be raised by the defendant early in discovery, and, in any event, during trial on the merits. The

128. *Data General Corp. v. Grumman Systems Support Corp.*, 825 F. Supp. 340 (D. Mass. 1993), reversed in part on other grounds, 36 F.3d 1147 (1st Cir. 1994); an unrelated issue in *Data General* involving federal court subject-matter jurisdiction of infringement actions with respect to unregistered copyrighted works subsequently was abrogated by the United States Supreme Court. *See Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 159-60 n.2, 168-69 (2010) (the copyright registration requirement is not jurisdictional notwithstanding its prior jurisdictional treatment).

129. *Data Gen. Corp.*, 825 F. Supp. at 358.

130. *Id.* at 358-59.

131. *Data Gen. Corp.*, 36 F.3d at 1189-90 (reversing in part on other grounds).

132. *Mike's Train House, Inc. v. Lionel, LLC*, 472 F.3d 398 (6th Cir. 2006).

133. *Id.* at 411.

134. *Id.* at 403 ("After unsuccessfully moving the district court for a new trial and judgment as a matter of law, [Lionel] filed the instant appeal challenging [the jury verdict, the district court's] evidentiary decisions, the specificity with which [MTH] identified its 'trade secrets[.]'").

defense typically is considered irretrievably waived if raised for the first time after the conclusion of trial on merits.¹³⁵ On the other hand, if the necessity of identification of a combination trade secret is pressed during the discovery stage of litigation, it regularly is sustained.¹³⁶ However, if the record demonstrates that the plaintiff has no protectable trade secrets whatsoever, the defendant should prevail whether or not the defendant has made an identification motion.¹³⁷

If a defendant promptly sends interrogatories requiring identification of allegedly misappropriated trade secrets and obtains an order compelling an adequate response, what sanctions are appropriate if the defendant does not comply in good faith? Sanctions have included the attorney's fees and costs incurred by the defendant in bringing a motion to compel or a motion for sanctions,¹³⁸ limitation of

135. See also *3M v. Pribyl*, 259 F.3d 587, 595-96 (7th Cir. 2001), which similarly indicated that a successful plaintiff's verdict was not impaired by the plaintiff's failure to identify the trade secrets in the 500-plus pages of the manuals at issue. *3M* was followed by the Sixth Circuit's decision in *Mike's Train House, Inc.*, 472 F.3d at 410-11.

136. E.g., *Sit-Up, Ltd. v. IAC/InterActiveCorp*, No. 05-9292, 2008 WL 463884, at *9 (S.D.N.Y. Feb. 20, 2008) ("Here Sit-Up has not demonstrated the 'way in which [the] various components fit together as building blocks in order to form the unique whole' Therefore, defendants' motion for summary judgment on this claim is granted."); *Switch Comm'n Grp. v. Ballard*, No. 11-00285, 2012 WL 2342929, at *5 (denying plaintiff's motion to compel and granting Defendant's motion for a protective order until plaintiff specifically described "what particular combination of components renders each of its designs novel or unique, how the components are combined, and how they operate in unique combination."); *Biod, LLC v. Amino Tech., LLC*, No. 13-1670, 2014 WL 3864658 at *6 (D. Ariz. Aug. 6, 2014) (denying plaintiffs' motion to compel discovery and granting defendants' motion for a protective order until plaintiffs "explain how the combination of much of what appears to be generally known information can constitute a trade secret."); *Graves & Range, Identification, supra* note 55, at 77 ("[C]ombination claims can fail for a number of reasons, just as individual trade secret claims can, and thus they should not provide a shield against identification."). *But see dicta* in *Dura Global Techs., Inc. v. Magna Donnelly Corp.*, No. 07-10945, 2008 WL 2064516 at *1 (E.D. Mich. May 14, 2008), which erroneously describes the *Mike's Train House, Inc.* opinion as applicable to combination trade secrets in the discovery stage).

137. E.g., *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 903-04 (reversal of final judgment of misappropriation due to a total absence of protectable trade secrets).

138. See *Compuware Corp. v. Health Care Serv. Corp.*, No. 01-0873, 2002 WL 485710, at *8 (N.D. Ill. Apr. 1, 2002) ("By waiting until the last minute to make this disclosure, Compuware has required Blue Cross to prepare a defense on all fronts and, perhaps, unnecessarily increased Blue Cross' costs. Thus, the Court easily concludes that Compuware should pay not only Blue Cross' fees and expenses in preparing its Motions, but should also pay the \$10,000 fine suggested by Blue Cross."). See also *Universal Comput. Sys., Inc. v. Dealer Sols., LLC*, 183 S.W.3d 741, 745 (Tx. Ct. App 2005) *cert. den.*, 549 U.S. 1031 (2006) (attorney's fee sanction imposed with respect to second motion to compel); *N. Am. Lubricants Co. v. Terry*, No. 11-1284, 2011 WL 5828232, at *6-7 (E.D. Cal. Nov. 18, 2011) (attorney's fees awarded with respect to initial motion to compel where the plaintiff's attorney had failed to confer diligently and in good faith in the discovery dispute and also had failed to appear at the hearing on the motion to compel). After notice and an opportunity for a hearing, Federal Rule of Civil Procedure 37(a)(5) authorizes imposition of liability for reasonable attorney's fees and expenses upon the party or attorney whose conduct required a motion to compel that was granted or who made an a motion to compel

the admissible evidence to the trade secrets initially described by the plaintiff,¹³⁹ and dismissal with prejudice of claims involving unidentified trade secrets.¹⁴⁰ A plaintiff's failure to comply adequately with an order to identify its alleged trade secrets not infrequently also has been followed by the grant of the defendant's motion for summary judgment after discovery has closed.¹⁴¹ In *Imax Corp. v. Cinema Technologies, Inc.*,¹⁴² for example, the Ninth Circuit affirmed the district court's grant of summary judgment to the defendants because the plaintiff's failure to identify the precise numerical dimensions and tolerances of its projector after being ordered to do so had resulted in a

that was denied. Fed. R. Civ. P. 37(a)(5).

139. *E.g.*, *Hickory Specialties, Inc. v. Forest Flavors Int'l, Inc.*, 12 F. Supp. 2d 760, 770-71 (M.D. Tenn. 1998) (plaintiff estopped from making a supplementary presentation identifying 36 additional trade secrets after discovery closed); *Pixion, Inc. v. Placeware, Inc.*, 421 F. Supp. 2d 1233, 1240-42 (N.D. Cal. 2005) (plaintiff cannot supplement a prior trade secret identification under the special California statute in order to defeat a motion for summary judgment); *Fast Food Gourmet, Inc. v. Little Lady Foods, Inc.*, 542 F. Supp. 2d 849, 852-54 (N.D. Ill. 2008) (plaintiff barred from introducing evidence adding to prior unamended trade secret identification). *See also* *Cardiovention, Inc. v. Medtronic, Inc.*, 483 F. Supp. 2d 830, 844 (D. Minn. 2007) (motion to exclude evidence of previously unidentified trade secrets appropriate). Federal Rule of Civil Procedure 37(c)(1) provides that unjustified failure to disclose information or to supplement information when ordered to do so can result in being barred thereafter from using the information. Fed. R. Civ. P. Rule 37(c)(1).

140. *E.g.*, *Compuware*, 2002 WL 485710 at *8 ("With respect to the nine software products that were not dissected in Compuware's March 18, 2002 filing, the Court readily concludes that dismissal with prejudice is warranted. Compuware has not met its burden of specifically identifying the trade secrets of nine of the twelve software products identified in the Complaint."). Federal Rule of Civil Procedure 37(b)(2) provides that the sanctions for not obeying a discovery order can include striking pleadings, and dismissing the action or proceeding in whole or in part. Fed. R. Civ. P. 37(b)(2)(A)(iii), (v).

141. Before discovery closes, a defendant ordinarily should object to inadequate identification through a motion to compel. *See, e.g.*, *Charles Schwab & Co. Inc. v. Carter*, No. 04-7071, 2005 WL 2369815 at *11 (N.D. Ill. Sept. 27, 2005) ("Defendants could raise any shortcoming in Schwab's interrogatory responses (and any attendant confusion regarding what trade secrets are at issue in this case) in a motion to compel, especially since discovery in this case has yet to close.>").

142. *Imax Corp. v. Cinema Technologies, Inc.*, 152 F. 3d 1161 (9th Cir. 1998); *accord* *CHS Inc. v. Petronet, LLC*, No. 10-94, 2011 WL 1885465, at *6-8 (D. Minn. May 18, 2011) (granting summary judgment to defendants where the plaintiff chose to rely upon its initial identification notwithstanding the court's expressed reservations). *See also* *IDX Sys. V. Epic Sys. Corp.*, 165 F. Supp. 2d at 812, 819, 829 (summary judgment for defendants on the basis of lack of specificity although plaintiff had not been ordered to provide greater specificity); *Sun Media Sys., Inc. v. KDSM, LLC*, 564 F. Supp. 2d 946, 961-64, 973 (S.D. Iowa) (summary judgment for defendants to whose interrogatories requesting identification of trade secrets the plaintiff gave "vague and unparticularized responses"); *reconsideration den.*, 576 F. Supp. 2d 1018 (S.D. Iowa 2008); *Givaudan Fragrances Corp. v. Krivda*, No. 08-4409, 2013 WL 5781183, at *5-7 (D.N.J. Oct. 25, 2013) *aff'd*, 639 Fed. Appx. 840 (3d Cir. 2016) (granting summary judgment to defendants notwithstanding the absence of a prior order compelling disclosure with respect to 582 allegedly secret perfumes for which the plaintiff refused to identify both the ingredients and the percentage of their quantities).

failure to prove the existence of a trade secret.¹⁴³ If plaintiff bad faith is involved, the plaintiff can be ordered to reimburse the defendant's reasonable attorney's fees in defending an action persisted in¹⁴⁴ notwithstanding the plaintiff's failure to respond meaningfully to a court order to identify its trade secrets.¹⁴⁵

Once a plaintiff identifies its allegedly misappropriated trade secrets, persuasive authority requires good cause to change the trade secrets initially identified.¹⁴⁶ Good cause includes having learned through discovery for the first time of different or additional misappropriated trade secrets.¹⁴⁷

What are the parameters of a sufficient identification? The burden is upon the defendant both to raise the issue and to propound

143. *Imax Corp.*, 152 F.3d at 1166-67.

144. *See Tradesman Int'l, Inc. v. Black*, 724 F.3d 1004, 1016 (7th Cir. 2013) ("A claim is made in bad faith when it is initiated in bad faith, maintained in bad faith, or both."); *Optic Graphics, Inc. v. Agee*, 87 Md. App. 770, 789 (Ct. Special App. 1991) ("[A] trial court has inherent power to impose sanctions for *continuing* an action vexatiously, wantonly or for oppressive reasons.") *cert. den.*, 598 A.2d 465.

145. *See Automated Packaging Sys., Inc. v. Sharp Packaging, Inc.*, No. 88-0656, 1989 WL 223755, at 3 (E.D. Wis. Mar. 17, 1989) ("This court finds that the plaintiff's motions for preliminary injunction were brought in bad faith, and will award the defendants' reasonable attorney fees incurred in their defense of the motions for preliminary injunction . . ."), *aff'd*, 892 F.2d 1050 (7th Cir. 1989). The UTSA authorizes a court to award reasonable attorney's fees to a defendant if a claim of misappropriation has been made in bad faith. UTSA, *supra* note 3, §4(i). Several courts have ruled that bad faith requires both the objective speciousness of a claim of misappropriation and an improper motive for maintaining suit. *E.g.*, *Dice Corp. v. Bold Techs. Ltd.*, No. 11-13578, 2014 WL 2763618, at *15-17 (E.D. Mich. Jun. 18, 2014) (defendant awarded attorney's fees in defending an action in which the plaintiff failed to prove either the existence of a trade secret or misappropriation that had been maintained in order to prevent customer defections to the defendant). *But see Baker Hughes, Inc. v. S&S Chem., LLC*, No. 14-531, 2016 WL 6155688, at *5 (W.D. Mich. Oct. 24, 2016) ("Under Michigan law, a plaintiff alleging misappropriation of trade secrets is required to identify the trade secrets at issue 'clearly unambiguously, and with specificity.' However this degree of particularity is not required at the pleading stage. It can occur during discovery.' . . . Based on Michigan's pleading standards for trade secret claims, the Court cannot say that Plaintiff's lack of specificity in their second amended complaint demonstrates bad faith.").

146. *See, e.g., Social Apps, LLC v. Zynga, Inc.*, No. 11-04910, 2012 WL 2203063, at *5 (N.D. Cal. Jun. 14, 2012) (granting motion to compel the identification of trade secrets without leave to amend); *Dura Global Techs., Inc. v. Magna Donnelly Corp.*, No. 07-10945, 2011 WL 4527576, at *7-9 (E.D. Mich. Sept. 29, 2011) (plaintiff allowed to add additional misappropriated trade secrets disclosed by discovery to its proposed final pretrial order); *Vesta*, 147 F. Supp. 3d at 1157 (plaintiff required to show good cause to amend its identification of trade secrets as discovery progresses); *Storagecraft Tech. Corp. v. Persistent Telecom Sols., Inc.*, No. 14-76, 2015 WL 9592517 at *5 (D. Utah Dec. 31, 2015) ("Persistent . . . cannot change the basis for its trade secret misappropriation claim merely to avoid summary judgment."). *See generally Graves & Range, Identification*, *supra* note 55, at 99 ("Subjecting amendments and alterations to judicial review would help prevent the problems that we have experienced in many cases where the alleged secrets change repeatedly as the case proceeds, often as the close of discovery nears.").

147. *Dura Global Techs.*, 2011 WL 4527576 at *7-9 (plaintiff allowed to add additional misappropriated trade secrets identified through discovery to its proposed final pretrial order).

interrogatories that require adequate identification of allegedly misappropriated trade secrets.¹⁴⁸ It is common for interrogatories to request specific and precise identification of the trade secrets considered to have been misappropriated.¹⁴⁹ Under the UTSA, a plaintiff can be required to identify the information that the plaintiff considers has actual or potential value, is secret, has been the subject of reasonable efforts to maintain secrecy, and has been or will be misappropriated.¹⁵⁰ The identification should permit meaningful comparison with information that is generally known to and readily ascertainable by those in the relevant industry.¹⁵¹ To the extent necessary for meaningful identification, there should be an accompanying descriptive narrative.¹⁵² Any identification that is not

148. In *Charles Schwab*, 2005 WL 2369815, in conjunction with denying the defendants' motion for summary judgment for failure to identify trade secrets because discovery had not closed, the federal district judge observed that the defendants' interrogatories had been general. *Id.* at *11 ("Schwab aptly notes . . . that Defendants' interrogatories were not as 'pointed' as Defendants make them seem . . . Defendants' interrogatories do not ask Schwab to isolate the information that is trade secret, but rather ask Schwab to lump trade secrets in with other proprietary and confidential information.").

149. *E.g.*, *Hill v. Best Med. Int'l, Inc.*, No. 09-1194, 2010 WL 2546023, at *1 (W.D. Pa. Jun. 24, 2010) ("Identify with precision and specificity each and every alleged trade secret Plaintiff contends Defendant Accuray misappropriated."). The following Model interrogatory has been proposed:

Identify with precision and specificity each and every alleged trade secret [Plaintiff] contends that [Defendant] misappropriated. "Identify with precision and specificity each and every trade secret" as used herein means to provide a specific description of each such alleged trade secret, on an individual basis for each such alleged trade secret, in such a manner that the exact identity, scope, boundaries, constitutive elements, and content of each such alleged trade secret are fully disclosed in writing, including any asserted combinations . . . Plaintiff should not rely on any vague or conclusory phrases that do not separately list and describe each such alleged trade secret.

Graves & Range, *Identification*, *supra* note 55, at 99.

150. UTSA, *supra* note 3, § 4(i). For a remedy for misappropriation to be available under the UTSA, there must be actual or threatened misappropriation of a trade secret. *Id.*

151. Restatement (First), *supra* note 12, at 5. *See IDX Sys.*, 165 F. Supp. 2d at 812, 817 ("[T]he description must be specific enough to allow the meaningful comparison of the putative trade secret with information that is generally known and ascertainable in the relevant field or industry."); *Dow Chem. Can., Inc. v. HRD Corp.*, 909 F. Supp. 2d 340, 346 (D. Del. 2012) ("[I]dentification must be particular enough as to separate the trade secret from matters of general knowledge in the trade or of special knowledge of persons skilled in the trade."), *aff'd*, 507 Fed. Appx. 741 (3d Cir. 2014), *cert. den.*, 135 Sup. Ct. 1539 (2015); *MSCI, Inc. v. Jacob*, 36 Misc.3d 211, 212, 945 N.Y.S.2d 863, 864 (Sup. Ct. N.Y. Cty. 2012) ("The court ordered plaintiffs to supplement their responses to defendants' interrogatories by providing a list of source code components: (i) that are covered by third party licenses; (ii) are in the public domain; or (iii) over which plaintiffs do not claim trade secret status."). Actual proof that the identified information has value, is secret, and has been the subject of reasonable efforts to maintain secrecy is not necessary until after discovery has closed. UTSA, *supra* note 3, § 4(i).

152. *See Babcock Power, Inc. v. Kapsalis*, No. 13-717, 2015 WL 9244487, at *6 (W.D. Ky. Dec. 17, 2015) (unpublished) ("[P]laintiffs shall provide, by January 5, 2016, a full and complete description, in narrative form, of the specific trade secrets that they claim are at issue, plaintiffs

marked “confidential” and subject to a non-disclosure order should be suspect.¹⁵³

III. FEDERAL TRADE SECRET LEGISLATION

A. *The Economic Espionage Act*

On October 11, 1996, President Clinton signed the Economic Espionage Act (EEA),¹⁵⁴ the first significant federal statute specifically criminalizing trade secret theft.¹⁵⁵ The EEA is a combination of two bills, one dealing with economic espionage intended to benefit foreign governments, foreign instrumentalities, or foreign agents¹⁵⁶ and the other dealing with trade secret theft affecting interstate or foreign commerce.¹⁵⁷ Both bills initially referred to “proprietary economic information,”¹⁵⁸ with a definition modeled upon the UTSA definition of trade secret.¹⁵⁹ The enacted statute applies to both economic espionage involving “trade secrets” and theft of “trade secrets.”¹⁶⁰ Section 1831, the economic espionage provision, requires that an actor either intend or know that the offense “will benefit a foreign government, foreign instrumentality, or foreign agent.”¹⁶¹ Section 1832, the trade secret theft provision, requires an intent to convert a trade secret related to a product or service used in, or intended for use in, interstate or foreign commerce to the economic benefit of a person

must also identify which specific documents constitute those trade secrets.”). Combination trade secrets are especially likely to require descriptive narrative. Refer to the authority in *supra* note 118. See also *Stoncor Group, Inc. v. Campton*, No. 05-1225, 2006 WL 314336, at *2 (W.D. Wash. Feb. 7, 2006) (unpublished) (“StonCor’s response to interrogatory 11...identified the trade secrets that are at issue in this case: StonCor’s installer network and list, its pricing strategies and policies, and its customer lists among other things.’...Defendants are entitled to discovery related to all of the so-called ‘other things’ allegedly misappropriated.”).

153. *L-3 Communications Corp. v. Jaxon Engineering & Maintenance, Inc.*, No. 10-02868, 2011 WL 10858409 at *3 (D. Colo. Oct. 12, 2011) (“[T]he fact that all of the Plaintiff’s discussions of its trade secrets have occurred in the public portions of the record further suggests that Plaintiffs have failed to disclose their trade secrets with reasonable particularity.”). See also *Graves & Range, Identification*, *supra* note 55, at 91 (“No plaintiff making a good faith identification would disclose its alleged trade secrets in a non-confidential document.”).

154. Economic Espionage Act, 18 U.S.C. §§ 1831-1839 (as amended 2016).

155. POOLEY, *TRADE SECRETS*, *supra* note 62, §13.03.

156. S.1557, 104th CONG. (1996) (proposing the Economic Security Act of 1996).

157. S. REP. NO. 104-359, at 4-5 (1996) (discussing S.1556 proposing the Industrial Espionage Act of 1996).

158. *Id.* at 3 (discussing S.1556). S.1557, the proposed Economic Security Act of 1996, added “vital” to the phrase. S.1557, §901(4), 104th CONG. § 901(4) (1996) (definition of “vital proprietary economic information.”).

159. *Id.* at 14 (“This definition is closely modeled on the definition of a ‘trade secret’ in the Uniform Trade Secrets Act.”).

160. Economic Espionage Act, 18 U.S.C. §§1831(a) & 1832(a) (West 2012).

161. 18 U.S.C. §1831(a) (preamble).

other than its owner either intending or knowing that the trade secret owner will be injured.¹⁶²

The criminal penalties are severe. Violation of Section 1831, the economic espionage provision, can subject an individual to a fine of up to \$5,000,000 or 15 years imprisonment, or both,¹⁶³ and an organization to a fine of the greater of \$10,000,000 or three times the value of the stolen trade secret to the defendant organization, including costs saved.¹⁶⁴ Violation of Section 1832, the trade secret theft provision, can subject an individual to a maximum fine of up to two times the gross gain from the offense, or up to two times the gross loss from the offense, or \$250,000, whichever is greater, or imprisonment for up to ten years, or both fine and imprisonment.¹⁶⁵ An organization can be fined the greater of \$5,000,000 or three times the value of the stolen trade secret to the organization, including costs saved.¹⁶⁶

Attempts and conspiracies to violate both provisions have the same penalties as full-blown violations.¹⁶⁷ Yet a defendant can be convicted of an attempt or a conspiracy based upon evidence that the defendant believed that information was a trade secret. The United States need not prove that a statutory trade secret actually existed.¹⁶⁸ In addition, the property involved in and derived from misappropriation is subject to forfeiture,¹⁶⁹ and a convicted defendant must pay restitution to the victim.¹⁷⁰

Both provisions share a definition of “trade secret” based on the UTSA:

all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically,

162. 18 U.S.C. §1832(a) (preamble).

163. 18 U.S.C. §1831(a).

164. 18 U.S.C. §1831(b).

165. 18 U.S.C. §1832(a). Because the EEA does not specify the maximum fine for individual violators, the general felony maximum applies. 18 U.S.C. §3571(b) (3) (West 2012). An individual can be fined a maximum of either two times the gross gain or two times the gross loss caused by the offense, or \$250,000, whichever is larger. 18 U.S.C. §3571(b) (2)-(3), (d).

166. 18 U.S.C. §1832(b) (as amended 2016) (as amended by the Defend Trade Secrets Act).

167. See 18 U.S.C. §1831(a) (4)-(5); 18 U.S.C. § 1832(a) (4)-(5) (West 2012).

168. *E.g.*, *United States v. Hsu*, 155 F.3d 189, 204 (3d Cir. 1998) (“[P]roof that the defendants sought to steal actual trade secrets is not an element of the crimes of attempt or conspiracy under the EEA.”). See also *United States v. Hsu*, 40 F. Supp. 2d 623, 630-31 (E.D. Pa. 1999) (denying a motion to dismiss an EEA indictment due to the vagueness of the EEA definition of trade secret because the defendant was charged only with attempt and conspiracy).

169. 18 U.S.C. §1834; & 18 U.S.C. § 2323(a)(1).

170. 18 U.S.C. § 2323(c); 18 U.S.C. § 3663A(a)(1).

electronically, graphically, photographically, or in writing if..

- (A) the owner thereof has taken reasonable measures to keep such information secret; and
- (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information¹⁷¹

The EEA’s illustrative list¹⁷² of the forms and types of information that can be a trade secret is more elaborate than the UTSA’s illustrative list but that is not a substantive difference.¹⁷³ Nor is the EEA’s express reference to “intangible” trade secrets and “whether or how” memorialized a departure from the UTSA. Deliberately memorializing a trade secret that has not been memorialized physically is actionable

171. 18 U.S.C. §1839(3) (as amended 2016) (as amended by the Defend Trade Secrets Act); H.R. REP. NO. 104-788, at 12 (1996) (“The definition of ‘trade secret’ is based largely on the definition of that term in the Uniform Trade Secrets Act.”). As intended, the 2016 amendment brought the EEA definition into greater conformity with the UTSA, which refers to trade secrets as information not generally known to, and not readily ascertainable by proper means by, “persons who can obtain economic value from its disclosure or use.” UTSA, *supra* note 3, §1(4), at 538. Both the Senate and the House Judiciary Committee Reports on the Defend Trade Secrets Act state:

The intent of Section 2(b)(1)(A)—striking “the public” and inserting “another person who can obtain economic value from the disclosure or use of the information”—is to bring the Federal definition of a trade secret in conformity with the definition used in the Uniform Trade Secrets Act (“UTSA”).

S. REP. 114-220, at 10 (2016); H. REP. 114-529, at 13 (2016).

Prior to the amendment, the test for secrecy was whether information was generally known to or readily ascertainable by “the public.” 18 U.S.C. §1839(3) (2012). The federal courts discussed in dicta whether this was a marked departure from the UTSA but never definitively resolved the issue. In *United States v. Lange*, for example, Judge Easterbrook commented:

A problem with using the general public as the reference group for identifying a trade secret is that many things unknown to the public at large are well known to engineers, scientists and others whose intellectual property the Economic Espionage act was enacted to protect....Section 1839(3) (B) replaces “persons who can obtain economic value from its disclosure or use” with “the public.” *United States v. Lange*, 312 F.3d 263 (7th Cir. 2002). The prosecutor believes that the substitution supports the conclusion that Congress referred to the *general* public. Yet one could say instead that “the public” is shorthand for the longer phrase, which then would be read as “the *economically relevant* public”- that is, the persons whose ignorance of the information is the source of its economic value.

Id. (dicta).

172. H.R. REP. NO. 104-788 at 12 (“These general categories of information are included in the definition of trade secret for illustrative purposes and should not be read to limit the definition of trade secret. It is the Committee’s intent that this definition be read broadly.”).

173. James H.A. Pooley, Mark A. Lemley, & Peter J. Toren, *Understanding the Economic Espionage Act of 1996*, 5 TEX. INTELL. PROP. L.J. 177, 189 (1997) (“Because of the expansive interpretation already given to the UTSA definition, the EEA will probably apply to the same types of information....”).

under the UTSA.¹⁷⁴ In *Ed Nowogroski Insurance, Inc. v. Rucker*,¹⁷⁵ a Supreme Court of Washington En Banc decision, the court, for example, stated:

The form of information, whether written or memorized, is immaterial under the . . . Uniform Trade Secrets Act [which] makes no distinction about the form of trade secrets. Whether the information is on a CD, a blueprint, a film, a recording, a hard paper copy or memorized by the employee, the inquiry is whether it meets the definition of trade secret under the Act and whether it was misappropriated.¹⁷⁶

Notwithstanding its expansive language and severe criminal penalties, the EEA has been sparingly invoked by the U.S. Justice Department. A 2012 analysis of enforcement actions reported approximately 124 prosecutions in the sixteen years since enactment, an average of less than eight a year.¹⁷⁷ Prosecutions had occurred in less than 45% of federal judicial districts.¹⁷⁸ Less than 10% of the prosecutions involved economic espionage. More than 90% involved trade secret theft.¹⁷⁹

The sparse number of annual prosecutions suggested that the EEA had not been a major deterrent to trade secret theft.¹⁸⁰ This, plus evidence that serious trade secret misappropriation was occurring¹⁸¹ resulted in Congressional enactment and President Obama's signing on May 11, 2016 of the DTSA. The new federal statute amended the EEA,

174. RESTATEMENT OF EMP. LAW, *supra* note 27, § 8.02, Reporters' Notes to comment g. at 421 (“[M]ore than 40 states have adopted the UTSA in a substantially similar form and the majority position is that memorized information can be the basis for a trade-secret claim.”).

175. *Ed Nowogroski Insurance, Inc. v. Rucker*, 137 Wash.2d 427 (1999) (en banc) (Washington enactment).

176. *Id.* 137 Wash.2d at 449 (Washington enactment); *accord*, *Al Minor & Assoc. v. Martin*, 117 Ohio St. 3d 58, 64 (2008) (Ohio enactment) (“[I]nformation . . . is protected by the UTSA, regardless of the manner, mode, or form in which it is stored—whether on paper, in a computer, in one’s memory, or in any other medium.”); *see also* *Stampede Tool Warehouse, Inc. v. May*, 272 Ill. App. 3d 580, 590 (1st. Dist.), *appeal den.*, 163 Ill.2d 589 (1995) (table) (Illinois enactment) (“[M]emorization is one method of misappropriation.”).

177. Peter J. Toren, *An Analysis of Economic Espionage Act Prosecutions*, 84 BNA PAT., TRADEMARK & COPYRIGHT J. 884 (2012) [hereinafter cited as Toren, *EEA*].

178. *Id.* at 886.

179. *Id.* at 886-87.

180. *Id.* at 886 (“[E]nhancing the certainty of punishment produces a stronger deterrent effect than enhancing the severity of the punishment.”).

181. *See, e.g.*, H. REP.114-529, at 3 (2016) (“Trade secrets are an integral part of a company’s competitive advantage in today’s economy, and with the increased digitization of critical data and increased global trade, this information is highly susceptible to theft General Keith Alexander, former head of the National Security Agency and U.S. Cyber Command, estimated that U.S. companies lose \$250 billion per year due to the theft of their intellectual property.”).

most importantly¹⁸² by adding a federal private civil remedy,¹⁸³ and by changing the EEA definition of trade secret.¹⁸⁴

B. *The Defend Trade Secrets Act*

The centerpiece of the DTSA is the creation of a federal private civil action for trade secret misappropriation involving a product or a service related to interstate or foreign commerce:

An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.¹⁸⁵

Most of the federal private remedies for trade secret misappropriation are derived from the UTSA.¹⁸⁶ However, in

182. The Defend Trade Secrets Act also includes provisions: (1) increasing the maximum fine for an organization engaged in criminal trade secret theft; (2) creating civil and criminal immunity for individuals who confidentially disclose a trade secret to a governmental unit or to an attorney solely for the purpose of reporting or investigating a violation of law or in court and under seal in defending against an employer lawsuit for reporting a suspected violation of law; (3) adding criminal economic espionage and criminal trade secret theft to the predicate acts for RICO violations; (4) requiring the U.S. Attorney General to report to the U.S. House and Senate Judiciary Committees and to make public not later than one year after the date of enactment and biannually thereafter recommendations with respect to the theft of trade secrets from U.S. companies outside the U.S., including the protections afforded by U.S. trading partners and progress under trade agreements and treaties dealing with the problem; and (5) requiring the Federal Judicial Center to recommend to the U.S. House and Senate Judiciary Committees not later than two years after the date of enactment and thereafter from time to time best practices for the seizure of information and media storing it, and for the securing of media after seizure. PUB. L. 114-153, §§ 3-4, 6-7 (2016).

183. 18 U.S.C. § 1836(b) (2012) (amended 2016). The existence of this new federal civil remedy may result in even fewer EEA criminal prosecutions. U.S. Attorney prosecution guidelines disfavor prosecuting cases in which the victim has a meaningful civil remedy. Toren, *EEA*, *supra* note 177, at 886.

184. 18 U.S.C. § 1839(3)(B) (2012) (amended 2016). This amendment conformed the EEA definition of trade secret to the UTSA definition by requiring that a trade secret derive economic value from not being generally known to, and not being readily ascertainable by proper means by, persons who can derive economic value from its disclosure or use. Refer to *supra* note 22 and accompanying text.

185. 18 U.S.C. § 1836(b)(1). The phrasing of the interstate or foreign commerce nexus for federal court jurisdiction is identical to that in the EEA criminal trade secret theft provision. Refer to *supra* note 162 and accompanying text. *See* S. REP. 114-220, at 5 (2016); H.R. REP. NO. 114-529, at 9 (2016) (“This jurisdictional nexus to interstate or foreign commerce language is identical to the existing language required for Federal jurisdiction over the criminal theft of a trade secret under § 1832(a).”).

186. *See* 18 U.S.C. § 1836(b)(3) (regarding injunctive relief, damages, and, in the event of willful and malicious misappropriation, exemplary damages, plus a successful plaintiff’s reasonable attorney’s fees. Reasonable attorney’s fees also can be awarded if a claim of misappropriation is made in bad faith or a motion to terminate an injunction is either made or opposed in bad faith). The injunctive and damage provisions are “drawn directly” from the UTSA, and the exemplary damage and attorney’s fee provisions are “similar to” and “modeled on” the UTSA. S. REP. 114-220, at 8-9 (2016); H.R. REP. NO. 114-529, at 12-13 (2016).

A special limitation, which was intended to protect employee mobility, states that the terms of

extraordinary circumstances, the DTSA also authorizes *ex parte* application for court-ordered seizure of property in order to prevent the propagation or dissemination of a trade secret.¹⁸⁷ Among the statutory safeguards against abuse of this extraordinary remedy¹⁸⁸ are the requirement of an affidavit or a verified complaint and court findings that it clearly appears from specific facts that: (1) equitable relief would be inadequate because the party against whom seizure is ordered would evade, avoid, or otherwise not comply with it; (2) immediate and irreparable injury would occur if seizure is not ordered; (3) the harm to the applicant from denying the application would outweigh the harm to the legitimate interests of the person against whom seizure is ordered and substantially outweigh the harm to third parties; (4) the applicant is likely to succeed in showing that the information at issue is a trade secret that the person against whom seizure is ordered either misappropriated by improper means or conspired to use improper means to misappropriate; (5) the person against whom seizure is ordered has actual possession of the trade secret and the other property to be seized; (6) the application describes with reasonable particularity the matter to be seized, and, to the extent reasonable, its location; (7) if prior notice were given, the person against whom seizure is ordered or confederates would destroy, move, hide, or otherwise make inaccessible the property to be seized; and (8) the applicant has not publicized the requested seizure,¹⁸⁹ as publication could signify

an injunction shall not:

- (l) 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 that the person knows; or otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business.

18 U.S.C. § 1836(b)(3)(A)(i).

187. *Id.* § 1836(b)(2). A less dramatic distinction from the UTSA is the DTSA's application to continuing misappropriation that began before its effective date. The DTSA applies to a continuing misappropriation that recurs after its May 11, 2016 effective date. *Adams Arms, LLC v. Unified Weapon Systems, Inc.*, No. 16-1503, 2016 WL 5391394, at *5-7 (M.D. Fla. Sept. 27, 2016) (unpublished). The UTSA, on the other hand, specifically excludes coverage of a continuing misappropriation that began before its effective date in an enacting state. *Id.*

188. In commenting upon the version of the *ex parte* seizure provision that appeared in the 2015 bill proposing the Defend Trade Secrets Act, Professor Eric Goldman concluded:

Given the unique attributes of trade secrets that make plaintiffs' self-serving statements impossible for judges to evaluate independently, additional procedural mechanisms are not enough to reduce the risk of errors [I]t would make sense to strip the Seizure Provision from the Act

Eric Goldman, *Ex Parte Seizures and the Defend Trade Secrets Act*, 72 WASH. & LEE L. REV. ONLINE 284, 307 (2015).

189. *Id.* § 1836(b)(2)(A). In *OOO Brunswick Rail Management v. Sultanov*, No. 17-00017, 2017 WL 67119 at *2 (N.D. Cal. Jan. 6, 2017), a federal district court denied an *ex parte* application for seizure of a defendant's company-issued laptop and mobile phone under the DTSA

improper motivation. The court can require the applicant to provide adequate security for resulting liability.¹⁹⁰ A hearing upon the propriety of an *ex parte* seizure at which the applicant has the burden of proof ordinarily is to be held no later than seven days after the order is issued,¹⁹¹ and a person harmed by the order can move for its dissolution or modification at any time.¹⁹² Damage liability is imposed for wrongful or excessive seizure.¹⁹³ All seized material is to be taken into the custody of the court.¹⁹⁴

The DTSA defines “misappropriation” for purposes of the federal private civil action in accord with the UTSA.¹⁹⁵ The broader EEA tests for criminal economic espionage and criminal trade secret theft were not used.¹⁹⁶

The new federal private civil action for trade secret misappropriation generally does not preempt state law, including the UTSA.¹⁹⁷ Federal courts have federal question jurisdiction of actions under the federal statute,¹⁹⁸ and state courts have concurrent jurisdiction.¹⁹⁹ Federal and state court cases can include claims under

because equitable relief ordering the defendant to bring the devices to a scheduled hearing and to refrain from accessing or modifying the devices was sufficient.

190. *Id.* § 1836(2)(B)(v)(i). The amount of security required does not limit the damages recoverable for wrongful or excessive seizure. *Id.* § 1836(b)(2)(G).

191. *Id.* §§ 1836(b)(2)(B)(v), 1836(b)(2)(F)(i).

192. *Id.* § 1836(b)(2)(F)(iii).

193. *Id.* § 1836(b)(2)(G).

194. *Id.* § 1836(b)(D)(i).

195. *Id.* § 1839(5). Both the Senate and House Judiciary Committee Reports on the Act contain the following statement:

[M]isappropriation is defined identically in all relevant respects to the definition of misappropriation in § 1(2) of the UTSA. The Committee intentionally used this established definition to make clear that this Act is not intended to alter the balance of current trade secret law or alter specific court decisions.

S. REP. NO. 114-220, at 10 (2016); H.R. REP. NO. 114-529, at 14 (2016).

196. *See* 18 U.S.C. §§ 1831(a)(1)-(3), 1832(a)(1)-(3). These EEA definitions of wrongful conduct are broader than UTSA misappropriation. *See* Zoe Argento, *Killing the Golden Goose: The Dangers of Strengthening Domestic Trade Secret Rights in Response to Cybermisappropriation*, 16 *YALE J. L. & TECH.* 172, 227 (2014) (“The EEA’s version of misappropriation criminalizes many forms of conduct that would be deemed fair competition and therefore lawful under the UTSA.”).

197. Pub. L. No. 114-153 § 2(f), 130 Stat. 376, 382 (2016) (providing that the federal private civil action amendments do not alter 18 U.S.C. § 1838 (2012), which states that the EEA does not preempt state civil remedies). A minor exception is Pub. L. No. 114-153 § 7(b), 130 Stat. 376, 385-86 (2016) (preempting state law inconsistent with the immunity created by the Defend Trade Secret Act for confidential disclosure of trade secrets to the government, to an attorney, or in a court filing under seal).

198. 18 U.S.C. § 1836(e) (federal district courts have original jurisdiction of civil actions under the federal Act).

199. *Clafin v. Houseman*, 93 U.S. 130, 136 (1876) (“[I]f exclusive [federal court] jurisdiction be neither express nor implied, the State courts have concurrent jurisdiction [of federal

both the federal statute and a state enactment of the UTSA.²⁰⁰ However, suing under the federal statute alone does not permit a plaintiff to assert noncontractual state legal claims preempted by the applicable state enactment of the UTSA.²⁰¹ The preemptive effect of the UTSA upon other state law is not dependent upon the assertion of a UTSA claim.²⁰²

The legislative history of the Defend Trade Secrets Act is replete with assertions that the statute will increase the uniformity of American trade secret law.²⁰³ Because the federal definitions of both “trade secret” and “misappropriation” are consistent with the UTSA,²⁰⁴ this will occur only if the courts look to well-reasoned decisions under the UTSA to construe the federal statute.²⁰⁵

claims] whenever, by their own constitution, they are competent to take it.”). *See also* Tafflin v. Levitt, 493 U.S. 455, 458-460 (1990) (state courts have concurrent jurisdiction of RICO claims). However, a defendant sued in state court under the Defend Trade Secrets Act could remove the action to federal court on the basis of federal question jurisdiction. *See* 28 U.S.C. §§ 1441(a)-(b) (2012).

200. As of September 27, 2016, most of the initial Defend Trade Secrets Act cases were filed in federal court but relief seemed primarily to be sought under the companion claim under a state enactment of the UTSA. Scott Graham, *Errant Email Leads to Conn. Trade Secrets Suit*, LAW.COM (Sept. 27, 2016), <http://bit.do/errant-email-suit> (“Like most DTSA cases we’ve seen so far, it’s going to be decided under the forum state’s version of the law.”).

201. The Official Text of the UTSA preempts duplicative tort, restitutionary, and other non-contractual law of an enacting state that provides a civil remedy for misappropriation of a trade secret. UTSA, *supra* note 3, § 7(a). Iowa, Nebraska, and New Mexico have omitted the UTSA preemption clause and there is split of judicial authority as to its scope in enacting states. The majority approach preempts non-contractual legal claims protecting business information, whether or not the business information satisfies the UTSA definition of trade secret; whereas the minority approach preempts non-contractual legal claims protecting business information only if the business information satisfies the UTSA definition of trade secret. *See generally* Dole, *Preemption*, *supra* note 21, at 99, 108-10. The minority approach can run afoul of federal patent preemption. *See generally*, Charles Tait Graves & Elizabeth Tippet, *UTSA Preemption And The Public Domain: How Courts Have Overlooked Patent Preemption of State Law Claims Alleging Employee Wrongdoing*, 65 RUTGERS L. REV. 59 (2012). Federal copyright preemption also limits application of the minority approach. *See id.* at 64 n.4. *See also* Warren Braunig & Andrea Nill Sanchez, *What the Defend Trade Secrets Act Means for California* (Jul. 13, 2016), <http://bit.do/DTSForCA> (the Defend Trade Secrets Act should not be construed to resurrect common-law tort claims that the California enactment of the UTSA preempted).

202. *See* UTSA, *supra* note 3, § 7(a); PHA Lighting Design, Inc. v. Kosheluk, No. 1:08-cv-01208-JOF, 2010 WL 1328754 at 10-11 (N.D. Ga. Mar. 30, 2010) (Georgia enactment preempted unjust enrichment and conversion claims even though there was no claim of trade secret misappropriation).

203. *See, e.g.*, 162 CONG. REC. S1630 (daily ed. Apr. 4, 2016) (“Our Defend Trade Secrets Act creates a single national baseline, or a minimal level of protection, and gives trade secret owners access to both a uniform national law and to the reach of the Federal courts[]”) (remarks of Senator Coons); 162 CONG. REC. H2032 (daily ed. Apr. 27, 2016) (“S. 1890 would provide trade secrets owners access to uniform national law and the ability to make their case in Federal court.”) (remarks of Rep. Conyers).

204. Refer to the authority in *supra* notes 171 & 195 and accompanying text.

205. *See* Sharon K. Sandeen, *The DTSA: The Litigator’s Full-Employment Act*, 72 WASH.

The legislative history indicates that this is what Congress intended. In addition to proposing legislation that tracked the UTSA definitions of trade secret and misappropriation,²⁰⁶ both the Senate and House Judiciary Committees issued reports stating that they had no intention to alter the result of court decisions under the UTSA:

While . . . minor differences between the UTSA and the Federal definition of a trade secret remain, the Committee does not intend for the definition of a trade secret to be meaningfully different from the scope of that definition as understood by courts in States that have adopted the UTSA “[M]isappropriation” is defined identically in all relevant respects to the definition of misappropriation in §1(2) of the UTSA. The Committee intentionally used this established definition to make clear that this Act is not intended to alter the balance of current trade secret law or alter specific court decisions.²⁰⁷

With the exception of applications for ex parte seizure orders, the Defend Trade Secrets Act does not refer expressly to when allegedly misappropriated trade secrets should be identified.²⁰⁸ But the federal Act follows the UTSA in making the existence of a trade secret a prerequisite to misappropriation and to entitlement to a remedy for misappropriation.²⁰⁹ As under the UTSA, misappropriation and the availability of a remedy for misappropriation do not exist if there is no trade secret.²¹⁰ It follows that a defendant under the Defend Trade

& LEE L. REV. ONLINE 308, 320 (2015) (if the federal courts do not draw upon UTSA precedents, the federal Act “will create uncertainty for decades.”). *See also* David S. Almeling, *Four Reasons to Enact a Federal Trade Secrets Act*, 19 FORDHAM INTELL. PROPER. MEDIA & ENT. L.J. 769, 796 (2009) (“One could argue that an FTSA [federal trade secret act] would, upon passage create a vacuum in which there would be no precedent to apply An FTSA will . . . not create a complete vacuum, as courts will be able to incorporate and use UTSA-based precedent.”).

206. The intent . . . is to bring the Federal definition of a trade secret in conformity with the definition in the Uniform Trade Secrets Act (“UTSA”) “[M]isappropriation” is defined identically in all relevant respects to the definition of misappropriation in § 1(2) of the UTSA.”

S. REP. NO. 114-220, at 10 (2016); H.R. REP. NO. 114-529, at 13-14 (2016).

207. S. REP. NO. 114-220, at 10; H.R. REP. NO. 114-529, at 14 (2016).

208. The only explicit reference to identification of a trade secret with particularity in the statute or its legislative history is with respect to application for an ex parte seizure order. *See* 18 U.S.C. § 1836(b)(2)(A)(ii)(VI) (amended 2016) (an application must describe “with reasonable particularity the matter to be seized”); *see also* S. REP. NO. 114-220, at 6; H.R. REP. NO. 114-529, at 10 (“[I]t is the Committee’s expectation that courts will require applicants to describe the trade secret that would be the subject of the order with sufficient particularity so that the court may evaluate the request.”).

209. *See* 18 U.S.C. § 1839(5) (amended 2016) (misappropriation is wrongful “acquisition,” “disclosure,” or “use” of a “trade secret”); UTSA, *supra* note 3, § 1(2), (misappropriation is wrongful “acquisition,” “disclosure,” or “use” of a “trade secret”). The Defend Trade Secrets Act definition of misappropriation is identical “in all relevant respects” to the UTSA definition. S. REP. NO. 114-220, at 10; H.R. REP. NO. 114-529, at 14.

210. Refer to the authority *supra* notes 39 & 40 and accompanying text.

Secrets Act should be able to require identification of allegedly misappropriated trade secrets early in the discovery process.²¹¹

CONCLUSION

Both the UTSA and the Defend Trade Secrets Act federal private action based upon the UTSA²¹² are intellectual property statutes intended to protect actual trade secrets.²¹³ A defendant should be able to obtain an order requiring a plaintiff that can do so to identify the allegedly misappropriated trade secrets at issue early in the discovery process. A defendant also should be able to obtain a protective order excusing response to the plaintiff's inquiries about trade secrets until the plaintiff has complied with the identification order. Greater judicial recognition of this will encourage pre-filing investigation of claims, facilitate judicial control of discovery, give better notice to defendants of the issues in the case, and provide earlier and sharper focus to state and federal trade secret litigation.

211. Refer to the authority *supra* notes 86-108 and accompanying text. On the other hand, like the UTSA, the DTSA does not require specific identification of alleged trade secrets in the pleadings. *Mission Measurement Corp. et al. v. Blackbaud, Inc.*, No. 16-6003, 2016 WL 6277496 at *5-6 (N.D. Ill. Oct. 27, 2016) (denying motion to dismiss both UTSA and DTSA claims for lack of specificity).

212. Refer to the authority *supra* notes 171, 186 & 195 and accompanying text.

213. The DTSA contains a provision stating that it is not to be construed as a law pertaining to intellectual property for purposes of other acts of Congress. Pub. L. No. 114-153, § 2(g), 130 Stat. at 382. This provision underscores the fact that the Act was based upon the federal power over interstate and foreign commerce. Another purpose was to make clear that Internet Service Providers, which are subject to federal laws pertaining to intellectual property, are exempt from the Act. See James Pooley, *The Myth of the Trade Secret Troll: Why the Defend Trade Secrets Act Improves the Protection of Commercial Information*, 23 GEO. MASON L. REV. 1045, 1065 (2016). Committee Reports in both Houses of Congress make equally clear that the Act is intended to encourage the development of valuable information by protecting trade secret rights from misappropriation. S. REP. NO. 114-220, at 3 (“By improving trade secret protection, the Defend Trade Secrets Act of 2016 will incentivize future innovation while protecting and encouraging the creation of American jobs.”); H.R. REP. NO. 114-529, at 6 (2016) (“This bill will equip companies with the additional tools they need to protect their proprietary information, to preserve and increase jobs and promote growth in the United States, and to continue to lead the world in creating new and innovative products, technologies, and services.”).