Introduction

Trade secrets are an essential component of a well-rounded intellectual property portfolio, particularly in areas of commerce where other means of protection, such as patents and copyrights, provide inadequate or uneven protection. Whether considered under statutory schemes such as the Uniform Trade Secrets Act (UTSA), or viewed in light of the common law approach, the breadth of available protection can be extensive. Regardless of the precise delineation of elements in any particular jurisdiction, the concept of trade secrets has been applied broadly to cover both technical information (including methods, programs, and designs) and nontechnical information (from client lists and accounting records, to a recipe for fajitas), as long as the content gives the trade secret owner a competitive advantage by reason of the secrecy of that information. But the breadth of potential coverage creates difficulties even as it adds scope.

As a general commercial/technology litigator practicing in Silicon Valley for well over 35 years, I have handled several dozen trade secret cases. Each case has been different because of the variety of relationships in which misappropriation occurs, as well as the tremendous focus on the specifics of the information in question when trade secrets have been compromised. The majority of cases involved very dense technology, from microprocessor designs to recipes using polymethyl methacrylate. The subjects of other cases were less "technical," ranging from financial data to customer lists, including one case that involved the theft of a physical Rolodex (the old-fashioned kind) that contained contact information developed over several years. Many cases I tried to judgment, either in a courtroom or through arbitration, with a few handled all the way through exhaustion of all appeals. An even larger number settled before trial, both with and without the use of formal mediation.

Of course, all of these cases had issues and procedural considerations that trial lawyers must address in any civil matter. But the unique nature of trade secrets as a means of securing intellectual property rights, and the importance of these matters to my business clients, have made these cases the most interesting and created some of the greatest challenges.

Although many companies have sophisticated processes in place to capture the inventions and expressions of ideas that may be subject to patent or copyright protection, few companies give significant thought to the practicalities involved in the protection of their trade secrets until a question of misappropriation arises. Because the guidelines for classifying information as a trade secret per se are more ephemeral than traditional means of protecting intellectual property, experienced trade secret owners understand the importance of establishing comprehensive protocols to ensure they have identified their secrets. In this manner they retain the ability to compel others to treat their proprietary information as a trade secret. Unfortunately, however, for many companies the first step to creating protections for this type of information—recognition of the value of trade secrets to the overall intellectual property portfolio and to the operations of the enterprise—does not occur until after an overt act of misappropriation. When those events arise, company executives have a tendency to demand rapid action from their general litigation counsel, who in turn may not have experience with the practical issues that exist when handling trade secret litigation.

To address this need, this book explores the questions of trade secret identification, protection, and economic value from the standpoint of what executives, the board of directors, and the general counsel must consider when faced with the prospect of trade secret litigation. While the main focus is on the trade secret owner, due consideration is given throughout the text to corresponding issues facing an alleged misappropriator.

When assisting in a situation involving trade secret misappropriation, one of the more important functions of the practitioner is the ongoing process of educating the client on practical and legal issues that exist in this discrete area of intellectual property rights. Few clients are interested in a bare recitation of the legal elements of the claim. Of course, knowledge of legal specifics is essential in order to provide appropriate advice. But clients rarely laud the practitioner who avoids taking a firm position on the probable outcome of a case through the “on the one hand . . .” game. Instead, clients want assistance evaluating risk so that they can determine cost and value, calculate the potential return on the investment necessary to take action, and, finally, assess the business downside from inaction.

The practitioner must help the client define and identify the types of information they should seek to protect as a trade secret. The practitioner must also educate the trade secret holder (and its employees) on which steps must be implemented to adequately protect those secrets. To provide the highest level of assistance, the practitioner must also be familiar with practical issues arising during trade secret litigation, first by confirming the extent to which the client has the "right" to proceed and against whom, and then by providing advice on the best course for enforcing that right. Finally, before filing suit, the practitioner must advise the client on the benefits obtainable through judicial action, as well as the limits on what can be achieved, to ensure that the risks and expense of proceeding down that path are justified.

This book is not a traditional "practice guide," with references to various legal authorities reciting specific elements of a claim or defense, and does not provide string citations to leading appellate decisions that discuss how the requirements inherent in any particular aspect of the proceedings should be addressed. Rather, the approach taken in this work is akin to what a practitioner experiences at a whiteboard session with his or her litigation team, with everyone brainstorming to identify potential pivot points on the issues at hand. These points, sometimes legal and other times "practical," are those occasions where a decision can dramatically impact the nature or course of the proceedings. Once those points are identified, the team can discuss the best approach in light of the particular statute, rule, or regulation that controls in the jurisdiction(s) in which the venue may lie, as these guidelines will ultimately influence, or even constrain, how an issue can or must be addressed. This approach reflects the fact that case law governing intellectual property rights in trade secrets is not fully uniform or static, but rather is subject to the legislatures and judicial decisions of the various states. This lack of uniformity exists notwithstanding the adoption of the Uniform Trade Secrets Act in the majority of the states.

The approach taken herein also reflects the practical fact that selection among several alternative legal pivot points often revolves more on the strategic value of the decision to the client's business, instead of a rote application of identifiable legal principles. Thus, instead of a casebook approach or an analysis of specific appellate decisions, this book focuses on the practical side to protecting trade secrets through identifying and discussing realistic issues the practitioner may face in this area.