

§ 11.02 Identification of Trade Secrets

[1]—Background

Trade secrets are unlike virtually every other form of intellectual property in that they are not defined by a governmental examination or registration process. This is most obviously so because trade secret principles were established by the common law. However, it is also a reflection of the “confidential relationship” component of trade secret law. As discussed above,¹ the “property vs. confidence” schism in trade secret analysis is largely theoretical, but it is a historical reality, and has resulted in some confusion over implementation of standards. One of these areas of confusion is the owner’s obligation to identify (or “define” or “specify”) its trade secrets in litigation involving a claim of misappropriation.

To be sure, defendants accused of trade secret theft have a legitimate need for clarification concerning the charge so that they can defend themselves. Indeed, it is generally recognized that in order for a claimed trade secret to be measured against that which is generally known or merely a matter of individual skill, and in order to guide a court in setting fair boundaries of discovery, a plaintiff should be required to explain its claim with more detail than the conclusory statement that defendants have misused (or intend to misuse) its “trade secrets.”² However, in administering this requirement in particular cases, some courts have imposed an unrealistic burden of specificity. Perhaps drawing on the standards of patent law and unduly influenced by the property view of trade secrets, these courts may have assumed that a single standard can apply in all cases. In this section we will examine the existing law on the subject, and suggest a conceptual approach that meets the concerns of the defendant while recognizing

¹ See § 1.02[8][d] *supra*.

² See, e.g., *Diodes, Inc. v. Franzen*, 260 Cal. App.2d 244, 252-253, 67 Cal. Rptr. 19 (Cal. App. 1968). See also, *Computer Economics, Inc. v. Gartner Group, Inc.*, 50 F. Supp.2d 980, 985 (S.D. Cal. 1999) (early identification of trade secrets serves four purposes: it discourages meritless claims, prevents abusive discovery of defendant’s secrets, helps define the scope of discovery, and informs thoughtful defenses).

A complete failure to identify protectable trade secrets can lead to dismissal of a claim, even when the facts seem to indicate a fairly strong case for the plaintiff. See, e.g.:

Second Circuit: *TNS Media Research LLC v. TRA Global, Inc.*, 977 F. Supp.2d 281, 313-314 (S.D.N.Y. 2013) (claim dismissed for failure to identify trade secrets despite strong circumstantial evidence of misappropriation and resulting damage).

Tenth Circuit: *Utah Medical Products, Inc. v. Clinical Innovations Associates, Inc.*, 79 F. Supp.2d 1290, 1313 (D. Utah 1999) (summary judgment granted even though defendants had taken 17,000 pages of confidential records, copied much of their business plan from plaintiff’s documents, and had quickly put a product on the market).

the broad—and sometimes necessarily vague—reach of trade secret law.³

[2]—Existing Standards

[a]—Case Law

The reported cases generally can be grouped into six categories. First there are those which primarily serve to restate the general notion that a plaintiff should define its claimed secrets, and which discuss one or both of the two fundamental reasons for the rule requiring identification: (a) to enable the court to direct the process of discovery; and (b) to avoid sweeping into the class of protected matter information which is in the public domain or which is nothing more than a reflection of individual skill.⁴ Second are cases in which patent

³ See § 1.01 *supra*.

⁴ See, e.g., *Diodes, Inc. v. Franzen*, 260 Cal. App.2d 244, 253, 67 Cal. Rptr. 19 (Cal. App. 1968):

“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. If the subject matter of the claimed trade secret is a manufacturing process, the plaintiff must not only identify the end product manufactured, but also supply sufficient data concerning the process, without revealing the details of it, to give both the court and the defendant reasonable notice of the issues which must be met at the time of trial and to provide reasonable guidance in ascertaining the scope of appropriate discovery.”

See also:

Fourth Circuit: Leucadia Inc. v. Applied Extrusion Technologies, Inc., 755 F. Supp. 635, 637 (D. Del. 1991) (scope of discovery).

Fifth Circuit: United Services Automobile Association v. Mitek Systems, Inc., 289 F.R.D. 244, 249 (W.D. Tex. 2013) (compelling identification of trade secrets under Federal Rule of Civil Procedure 16(c)(2)(L); noting that “[a]lthough neither Texas nor Fifth Circuit law requires Pre-Discovery Identification, the Federal Rules of Civil Procedure provide a mechanism for fostering the same goal of facilitating discovery in unique cases.”).

Seventh Circuit: Automed Technologies, Inc. v. Eller, 160 F. Supp.2d 915, 925-926 (N.D. Ill. 2001) (scope of discovery; protective order granted prohibiting discovery of defendant’s trade secrets—but not other information—until plaintiff filed a “particularized trade secret statement, under seal”).

Ninth Circuit: Intermedics, Inc. v. Ventritex, Inc., 822 F. Supp. 634, 655-656 (N.D. Cal. 1993) (in deciding a statute of limitations question, the court expressed concern that the defendant must be protected against a “conceptual moving target” of plaintiff’s trade secret claims; the record reflected numerous allowed changes in plaintiff’s description of its secrets during the litigation, and court acknowledged that “the process of defining trade secrets . . . can be inherently artificial or arbitrary”).

State Courts:

infringement was also an issue, and the court appears to have treated the required level of specificity as that which is required of a patent claim.⁵ Third are matters in which the court reacted strongly to a failure of proof and implied overreaching by the plaintiff in trying to secure an injunction against departing employees,⁶ or where the plaintiff was proceeding on an “inevitable disclosure” theory.⁷ Fourth are actions in which the plaintiff was guilty of extreme evasiveness or other discovery misconduct.⁸ Fifth are cases in which the plaintiff

Delaware: Engelhard Corp. v. Savin Corp., 505 A.2d 30, 32 (Del. Ch. 1986) (court expressed concern that a plaintiff, if permitted discovery of a defendant’s files, will “simply claim whatever [it] finds there”).

New York: MSCI Inc. v. Jacob, 36 Misc.3d 211; 945 N.Y.S.2d 863, 865 (N.Y. Sup. 2012) (plaintiffs precluded from seeking further discovery until identifying which particular parts of their source code were allegedly trade secrets; providing defendants with plaintiffs’ “reference library” was insufficient).

However, the concerns voiced by the *Intermedics* and *Engelhard* courts may be met by requiring that the plaintiff’s claimed secrets be substantiated in contemporaneous records. See § 11.02[3] *infra*.

⁵ See, e.g.:

Second Circuit: Xerox Corp. v. International Business Machines Corp., 64 F.R.D. 367, 372 (S.D.N.Y. 1974) (requiring the plaintiff to provide a “key” relating particular documents to specific secrets).

Fourth Circuit: Struthers Scientific and International Corp. v. General Foods Corp., 51 F.R.D. 149, 153 (D. Del. 1970) (incorrectly observing that trade secret protection of a combination requires a showing that it “represents a valuable contribution differing materially from other methods taught by the prior art”).

⁶ See, e.g.:

Seventh Circuit: AMP Inc. v. Fleischhacker, 823 F.2d 1199, 1203 (7th Cir. 1987).

Federal Circuit: Litton Systems, Inc. v. Sundstrand Corp., 750 F.2d 952, 956 (Fed. Cir. 1984) (“Litton’s Achilles Heel on this record is its insistence on postponing identification or description of such a broad universe of thousands of unidentified trade secrets as to require an extraordinarily sweeping injunction entitling it to veto disclosures necessary to Sundstrand’s conduct of its business.”).

But see:

State Courts:

New Hampshire: Vigitron, Inc. v. Ferguson, 120 N.H. 626, 419 A.2d 1115, 1119 (N.H. 1980) (product injunction appropriate precisely because “it would have been ‘difficult if not impossible’ to enumerate all of the trade secrets and confidential information obtained by the defendants while employed by the plaintiff”).

⁷ See, e.g., Merck & Co. Inc. v. Lyon, 941 F. Supp. 1443, 1460 (M.D.N.C. 1996). See also, § 7.02[2][b][ii] *supra*.

⁸ See, e.g.:

Third Circuit: Cromaglass Corp. v. Ferm, 344 F. Supp. 924, 927-928 (M.D. Pa. 1972) (sanctions for evasive interrogatory answers).

Seventh Circuit: IDX Systems Corp. v. EPIC Systems Corp., 165 F. Supp.2d 812, 819 (W.D. Wis. 2001) (granting summary judgment for defendant: “[The plaintiff] has produced an unnavigable amount of documentation and instructed the Court and defendants to find its trade secrets themselves.”), *aff’d on trade secret issues*, 285 F.3d 581, 583 (7th Cir. 2002) (plaintiff “has been both too vague and too inclusive, effectively asserting that all information in or about its software is a trade secret. That’s not plausible—and, more to the point, such a broad assertion does not match up to the statutory definition.”). See also, JFB Hart Coatings, Inc. v. AM General

made no real effort to articulate its secrets, but merely relied on conclusions.⁹ Finally are a number of cases tending to favor the plaintiff which appear to accept the notion of identifying secrets by “areas”¹⁰ or “features,”¹¹ or a “process”¹² or “entire methodology.”¹³

LLC, 764 F. Supp.2d 974 (N.D. Ill. 2011) (considering sanction of dismissal for allegedly fabricated documents constituting identification of trade secrets).

Eighth Circuit: Sun Media Systems, Inc. v. KDSM, LLC, 564 F. Supp.2d 946, 963-64 (S.D. Iowa 2008) (granting summary judgment where, among other things, plaintiff during discovery and deposition “provided little more than vague and unparticularized responses to the issue of what it believes constitutes a trade secret in this case”).

Ninth Circuit: Imax Corp. v. Cinema Technologies, Inc., 152 F.3d 1161, 1167 (9th Cir. 1998) (where secrets claimed in dimensions and tolerances of complex projector system, it was insufficient to repeatedly identify secrets only by reference to documents without specifying precisely the measurements claimed).

Even egregious misconduct in failing to identify alleged secrets may be excused, however, if the defendant contributed to the problem by failing to provide plaintiff with information necessary to the analysis. See *Static Control Components, Inc. v. Darkprint Imaging, Inc.*, 240 F. Supp.2d 465, 478 (M.D.N.C. 2002) (defendant failed to provide information that would allow plaintiff to discern which secrets had been misappropriated).

⁹ See, e.g.:

Seventh Circuit: Bondpro Corp. v. Siemens Power Generation, Inc., 463 F.3d 702, 710 (7th Cir. 2006) (affirming judgment as a matter of law for defendant when plaintiff identified only non-secret components of manufacturing process and failed to disclose precise specifics); *Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263, 1266 (7th Cir. 1992) (“It is not enough to point to broad areas of technology and assert that something there must have been secret and misappropriated. The plaintiff must show concrete trade secrets.”).

Ninth Circuit: *Integral Development Corp. v. Tolat*, 2014 U.S. Dist. LEXIS 23429 at *8-9 (N.D. Cal. Feb. 24, 2014) (granting summary judgment where plaintiff identified only broad categories of documents containing “highly sensitive” information).

Eleventh Circuit: *Knights Armament Co. v. Optical Systems Technology, Inc.*, 254 F.R.D. 463, 467 (M.D. Fla. 2008) (ordering that plaintiff supplement vague interrogatory responses with “specific characteristics of each trade secret, such as a particular drawing, process, procedure, or cost/pricing data” instead of by “generic category”).

State Courts:

Florida: *Revello Medical Management, Inc. v. Med-Data Infotech USA, Inc.*, 50 So.3d 678 (Fla. App. 2010) (plaintiff’s discovery responses “declined to publish the exact nature of the trade secrets” with respect to source code).

¹⁰ *Fourth Circuit:* *Olympus Managed Health Care, Inc. v. American Housecall Physicians*, 853 F. Supp.2d 559, 572 (W.D.N.C. 2012) (rejecting defendant’s argument that plaintiff merely listed “broad categories” of trade secrets such as “contract templates,” “marketing materials,” “product designs,” “provided services,” and “financials”).

Seventh Circuit: *Nilssen v. Motorola, Inc.*, 963 F. Supp. 664, 673 (N.D. Ill. 1997).

Federal Circuit: *Roton Barrier, Inc. v. The Stanley Works*, 79 F.3d 1112, 1117-1118 (Fed. Cir. 1996).

¹¹ *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 898 (Minn. 1983) (claim adequately expressed as “specific features” of the plaintiff’s device).

¹² *Rohm and Haas Co. v. Adco Chemical Co.*, 689 F.2d 424, 433 (3d Cir. 1982). See also, *Paradigm Alliance, Inc. v. Celeritas Technologies, LLC*, 659 F. Supp.2d 1167, 1185 (D. Kan. 2009) (description of processes and “the specific task that each

[b]—California Statute

As it was considering adoption of the Uniform Trade Secrets Act, California took the occasion to address the identification issue by codifying a decision that had rejected a complaint alleging misappropriation of trade secrets only in conclusory terms.¹⁴ The provision ultimately was passed as part of an amended version of the UTSA, and became Section 2019.210 of the California Code of Civil Procedure. It reads as follows:

“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 [protective] orders that may be appropriate. . . .”

For many years, interpretation of Section 2019.210 varied from court to court. There was precious little to inform courts and counsel about the required level of specificity apart from some legislative history which indicates that the qualifying term “reasonable” was inserted during the process to mitigate the plaintiff’s burden.¹⁵ This led to a great deal of motion practice, with different judges requiring different levels of detail.¹⁶

of these processes completes” was sufficiently general so as not to disclose the underlying trade secret, but specific enough to allow the defendant the ability to inquire into details in discovery).

¹³ See:

Third Circuit: Tan-Line Studios, Inc. v. Bradley, 1 U.S.P.Q.2d 2032, 2038 (E.D. Pa. 1986), *aff’d* 808 F.2d 1517 (3d Cir. 1986).

Sixth Circuit: Mike’s Train House, Inc. v. Lionel, LLC, 472 F.3d 398, 81 U.S.P.Q.2d 1161 (6th Cir. 2006) (plaintiff need not identify secrets within asserted combination trade secret; questionable ruling seemingly assumes that raising a combination claim obviates need for further identification).

Seventh Circuit: Thermodyne Food Service Products, Inc. v. McDonald’s Corp., 940 F. Supp. 1300, 1304-1305 (N.D. Ill. 1996) (regarding the related claim of a “combination” trade secret in which the value inheres in the “interrelationship” of its component parts rather than in the parts themselves).

¹⁴ *Diodes, Inc. v. Franzen*, 260 Cal. App.2d 244, 253, 67 Cal. Rptr. 19 (1968).

¹⁵ See Pooley, “The Uniform Trade Secrets Act: California Civil Code Section 3426,” 1 Santa Clara Computer and High-Tech L.J. 193, 203, 215 (1985).

¹⁶ In federal courts hearing cases based on California trade secret law, there is a split of authority as to whether Section 2019.210 should be applied. One court held that the statute applies under the *Erie* doctrine. See *Computer Economics, Inc. v. Gartner Group, Inc.*, 50 F. Supp.2d 980, 991-91 (S.D. Cal. 1999) (discussing the background of the statute and reasons cited in the case law for requiring identification of trade secret claims). However, that decision was made at a time during which the Southern District of California had “opted out” of Fed. R. Civ. Proc. 26, which is now mandatory in all districts. At least one case followed *Computer Economics*. See *Neothermia Corp. v. Rubicor Medical, Inc.*, 345 F. Supp.2d 1042, 1044 (N.D. Cal. 2004). By contrast, courts in the Eastern District of California have ruled that

Two cases in the 2000s shed welcome light on the degree of specificity required in the pre-discovery identification. This should result in more uniform practice in California trade secret cases. One court clarified that the Section 2019.210 identification need not explain why the plaintiff believes the information is a trade secret (or how it differs from public knowledge), but it affirmed the trial court's requirement that the plaintiff provide a fairly detailed description of a pudding recipe and manufacturing process rather than pointing to some 300 pages of documentation.¹⁷ The court also held that more technical cases may require some effort to distinguish the identified claims from non-secret information.¹⁸ Another case, in a high technology setting, held that a court may resolve the issue of specificity based on the opinion of a "credible expert" (for the plaintiff).^{18.1} Both emphasized a general preference in favor of discovery.^{18.2} Taken together, the two decisions should eliminate the more extreme positions sometimes taken by plaintiffs and by defendants.^{18.3}

Section 2019.210 does not apply in federal court because it alters the federal sequence of discovery. See *Proven Methods Seminars, LLC v. American Grants & Affordable Housing Institute*, 2008 WL 282374 at *2-3 (E.D. Cal. Jan. 31, 2008) (but requiring plaintiff to respond to defense interrogatories regarding identification). Other courts avoid the issue by requiring a pre-discovery identification of trade secret claims under the federal court's inherent power to manage discovery, rather than under Section 2019.210. See, e.g., *Applied Materials, Inc. v. Advanced Micro-Fabrication Equipment (Shanghai) Co., Ltd.*, 2008 WL 183520 at *1 n.2 (N.D. Cal. Jan. 18, 2008).

It is worthwhile recalling that the purpose of such an early identification is to inform the scope of discovery; a plaintiff's description of its trade secrets, prepared for litigation, is not admissible in evidence at trial. See *Peat, Inc. v. Vanguard Research, Inc.*, 378 F.3d 1154, 1160 (11th Cir. 2004) (admission of plaintiff's description, prepared in response to discovery request, was prejudicial error).

At least one court has found the California statute to be applicable in another jurisdiction. See *Del Monte Fresh Produce Co. v. Dole Food Co.*, 148 F. Supp.2d 1322, 1323 (S.D. Fla. 2001) (finding "no true conflict" between Florida and California law on the point, court granted motion to compel, requiring plaintiff to specify claimed secrets with reasonable particularity).

¹⁷ *Brescia v. Angelin*, 172 Cal. App.4th 133, 143-150, 90 Cal. Rptr.3d 842 (2009).

¹⁸ *Id.*, at 149. See also, *Loop AI Labs, Inc. v. Gatti*, 195 F.Supp.3d 1107, 1113-1114 (N.D. Cal. 2016) (in highly technical case, plaintiff filed its identification in a public document, making ambiguous references to broad categories).

^{18.1} *Advanced Modular Sputtering, Inc. v. Superior Court*, 132 Cal. App.4th 826, 836-37, 33 Cal. Rptr.3d 901 (2005).

^{18.2} *Id.* See also, *Brescia v. Angelin*, N. 17 *supra*, 172 Cal. App.4th at 149.

^{18.3} Another California decision provided guidance with respect to the proper roles of the trial and appellate courts in deciding issues under Section 2019.210. *Perlan Therapeutics, Inc. v. Superior Court*, 178 Cal. App.4th 1333, 101 Cal. Rptr.3d 211 (2009). The court stated that trial courts' discovery rulings under Section 2019.210 are reviewed for abuse of discretion. The court stated that "in *Advanced Modular*, the trial court improperly weighed competing expert declaration, turning the discovery dispute into a trial on the merits. In *Brescia*, the trial court demanded an explanation of how the trade secret differed from publicly available knowledge, even though the alleged trade secret was identified with precision. So long as a trial court applies the correct legal standard and there is a basis in the record for its decision, appellate courts should not micromanage discovery." *Id.*, 178 Cal. App.4th at 1348-49.

At the same time, California's pre-discovery identification process has muddied the waters with respect to revision of the plaintiff's position as the lawsuit progresses. It is unclear, for example, whether the required statement should be treated as merely preliminary to the plaintiff's original discovery effort, subject to modification by trade secret descriptions in other forms of discovery responses, such as interrogatories and requests for admissions; or whether it stands on a footing equal to (or greater than) a complaint, with the result that it has a binding effect and can be amended only with permission of the court. The net result is that the defendant can never be certain of which target to shoot at (complaint, statutory description, interrogatory answer) and the plaintiff can never be sure which statement is binding and how amendments should be made.^{18.4} This uncertainty is layered over the issue of how specific any description must be to begin with.

[c]—Flexible Approach to Identification

The decision as to what kind of identification should be required of a trade secret plaintiff must be based on a recognition of certain fundamentals. The best practice is fairness to both sides. The defendant should know the nature of the charge in order to raise its best defenses, limit the scope of discovery, and ensure that the plaintiff's accusations do not stray into non-secret information. On the other hand, the plaintiff should be free to pursue the sort of broad discovery the law allows, without the defense using the identification issue to block legitimate inquiries. Given these obviously legitimate but competing interests, the approach to be followed in any case must above all be flexible, taking into account the varying ways in which trade secret disputes arise.

It is not necessary to describe all trade secrets as though they were patent claims.¹⁹ The nature of the patent right, which is exclusionary

^{18.4} The better choice is the former; after all, implementing the *Diodes*, N. 14 *supra*, decision requires only that the plaintiff's statement provide an initial level of specificity appropriate to a complaint, and evidentiary detail is better left to discovery tools. Case law is inconsistent, however, on the continuing effect of the statement and any constraints on amendment. See *Vacco Industries, Inc. v. Van den Berg*, 5 Cal. App.4th 34, 51 n.6, 6 Cal. Rptr.2d 602 (Cal. App. 1992). See also, *Computer Economics, Inc. v. Gartner Group, Inc.*, 50 F. Supp.2d 980, 990 (S.D. Cal. 1999) ("Once complied with, CCP § 2019(d) disappears for the remainder of the litigation and has no subsequent affect [*sic*] on the sequence and timing of discovery.").

Some guidance on the amendment issue was attempted by *Neothermia Corp. v. Rubicor Medical, Inc.*, 345 F. Supp.2d 1042, 1044-1045 (N.D. Cal. 2004), but uncertainty remains. The court observed that trade secret definitions were analogous to Rule 26 initial disclosures, which must be supplemented whenever the party discovers new information; but it also "cautioned" the plaintiff that amendments to the statutory statement would require a demonstration of good cause.

¹⁹ *Cf.*, *Minnesota Mining & Manufacturing Co. v. Pribyl*, 259 F.3d 587, 595 (7th Cir. 2001) (injunction sufficiently specific in referring to process manuals that

and basically in contradiction of free market principles, must be extremely precise, so that competitors can predictably determine their exposure and alternatives. Trade secret rights, in contrast, are nonexclusive; even the guilty defendant has the opportunity to expiate its sins by engaging in independent development, including reverse engineering of the plaintiff's product.²⁰ Therefore, a trade secret description should not have to meet the "enablement" requirement of a patent application, which demands disclosure sufficient to teach informed practitioners exactly how to implement the invention.²¹

Indeed, some information that the law recognizes as protectable trade secrets cannot be described in extreme detail in a single document. This is most obviously true of a secret process, which, although reflected in a present implementation that presumably has value, also derives from prior versions and from a large base of research and development which should be protectable. The record of this work may consist largely of "negative secrets," that is, information about what doesn't work, reflecting hundreds or thousands of blind alleys identified through trial and error.²² Surely a plaintiff should be able to protect this information; and just as surely a plaintiff should not be required to minutely describe each bit of a mountain of data as a condition of pursuing a misappropriation claim.

As a practical matter, too, a flexible identification requirement that recognizes the difference between patents and trade secrets makes a lot of sense. A patent-like approach shifts the balance too much in favor of the defendant. 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. There is nothing intrinsically wrong with this,

contained large amounts of publicly known data: "In order to be considered a trade secret, a pattern, technique, or process need not reach the level of invention necessary to warrant patent protection."). But see, *Jobscience, Inc. v. CVPartners, Inc.*, 2014 U.S. Dist. LEXIS 26371 at *15 (N.D. Cal. Feb. 28, 2014) (requiring plaintiff, prior to taking discovery, to identify "each of the precise claimed trade secrets, numbered, with a list of the specific elements for each, as claims would appear at the end of a patent").

²⁰ See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 489-490, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974) ("Trade secret law provides far weaker protection in many respects than the patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e.g., independent creation or reverse engineering, patent law operates 'against the world,' forbidding any use of the invention for whatever purpose for a significant length of time. The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof [citation omitted]. Where patent law acts as a barrier, trade secret law functions relatively as a sieve.").

²¹ See § 3.01[3] *supra*.

²² See § 4.02[3] *supra*.

but taken to the logical extreme permitted by a patent-like standard, it skews the analysis to the benefit of the clever defendant. It also forces the parties to engage in expensive and time-consuming struggles over the collateral issue of the relative precision and sufficiency of the plaintiff's identification.

The touchstone of the flexible standard must be balance. One should be skeptical of extreme arguments on either side. The plaintiff should not be able to get away with gossamer conclusions or illusory collections of jargon which provide no guidance for discovery and no hope for a future disposition that intelligently distinguishes the nature of the secret from that which is well known, readily accessible, or nothing more than skill. On the other hand, recognizing that the notion of trade secrets covers an enormously broad area of information (vastly broader than patentable subject matter), that trade secrets are by their nature often difficult to describe, and that they are inherently a bit vague, the defendant should not be permitted to bring the lawsuit to a halt while engaging in a feckless search for the perfect and precise expression of the plaintiff's claim. Judges, whose job it is to distinguish the meaningful from the trivial, can tell the difference.

A preliminary factor the court should consider is the nature of the claimed secret. If the defendant is charged with misappropriation of a chemical formula or an algorithm, it should be easy enough to identify at least that subject matter with precision.²³ However, as discussed above, the nature of a secret process, with its underlying platform of accumulated negative data, is such that it cannot practically be restated in exhaustive detail. The same could be said of secret compilations and combinations of known (or of known and secret) data, which if they provide value are protectable.²⁴ In appropriate circumstances, it should be enough to identify a broad technology in broad terms, and to describe its value in terms of the interrelationship of its various interdependent component parts.²⁵ In order to make such a designation

²³ See *ECT International, Inc. v. Zwerlein*, 597 N.W.2d 479 (Wis. App. 1999) (affirming summary judgment for the defendant based in part on failure to provide sufficient designation of the "components" of a software program claimed to be secret). See also, *Social Apps, LLC v. Zynga, Inc.*, 2012 U.S. Dist. LEXIS 82767 at *10-11 (N.D. Cal. June 14, 2012) (merely listing categories such as "server architecture," "process for adding and updating content," and "processes for expanding server capacity" did not sufficiently identify trade secrets).

²⁴ See § 4.03[2] *supra*.

²⁵ See, e.g., *Thermodyne Food Service Products, Inc. v. McDonald's Corp.*, 940 F. Supp. 1300, 1304-1305 n.4 (N.D. Ill. 1996).

"The Court is mindful that it is not enough for a plaintiff to point to broad areas of technology and assert that something there must have been secret and misappropriated [citation omitted]. The Court, however, does not believe Plaintiffs are doing that here. Indeed, Plaintiffs have pointed to the Thermodyne technology—a rather specific area of technology—and asserted that the interrelationship of the

meaningful, however, the defendant should be given access to all of the records of the plaintiff's process and its development. This is not the same as pointing to a massive volume of data and saying "the secret's in there somewhere"; rather, the plaintiff identifies the entire record as a valuable secret.

Another aspect of the nature of the secret is how closely it approaches unprotectable skill or general knowledge. This was explored above in connection with the abstract definition of a trade secret.²⁶ It has useful application in the practical circumstance of litigation, where the plaintiff should be challenged to identify its subject matter with greater precision to the extent that it appears difficult to distinguish from the kind of know-how that one would expect an employee to be able to take freely from one job to the next.²⁷

A second major factor is the stage of the litigation. In general, less specificity should be required at the beginning, while greater specificity should be required after meaningful discovery has taken place.²⁸

component parts is the trade secret that was misappropriated." The subject matter of the claimed secret had been identified in a "disclosure" attached to an amended complaint expanding the claim from a portion of the "Thermodyne technology" to the "component parts and technologies which comprise" it. On a motion for summary judgment the court found no fault in this description, explaining that "a reasonable interpretation of the disclosure should have put Defendants on notice that Plaintiffs were claiming a protected trade secret in each, individual component of the Thermodyne technology and, additionally, or alternatively, in the *interrelationship* of the component parts which comprise the broader Thermodyne technology."

²⁶ See § 4.01[3][b][ii] *supra*.

²⁷ See *Restatement (Third) of Unfair Competition*, § 39, comment d: "[A] court may require greater specificity when the plaintiff's claim involves information that is closely integrated with the general skill and knowledge that is properly retained by former employees." See also, *Southwest Research Institute v. Keraplast Technologies, Ltd.*, 103 S.W.3d 478, 482 (Tex. App. 2003) (not enough for employer to assert as to employee that "all he knows he learned from me," since much of that learning constitutes unprotectable skill and general knowledge).

²⁸ *Compare*, *Lawson Products, Inc. v. Chromate Industrial Corp.*, 158 F. Supp.2d 860, 864 (N.D. Ill. 2001) (notice pleading standard implies a lesser requirement of particularity at the outset of a case), *with* *IDX Systems Corp. v. EPIC Systems Corp.*, 165 F. Supp.2d 812, 816-817 (W.D. Wis. 2001) ("At the complaint stage, . . . plaintiff is not and cannot be expected to plead its trade secrets in detail. . . . However, . . . [b]y the summary judgment and trial stages plaintiff must describe its trade secrets in sufficient detail such that a reasonable jury could find that plaintiff established each statutory element of a trade secret."), *aff'd on trade secret issues*, 285 F.3d 581 (7th Cir. 2002).

See also:

Ninth Circuit: *VFD Consulting, Inc. v. 21st Services, Inc.*, 425 F. Supp.2d 1037, 1048 n.6 (N.D. Cal. 2006) (defendant's failure during discovery to complain of insufficient identification does not excuse plaintiff's obligation, when confronted with a summary judgment motion, to identify its trade secrets with particularity).

State Courts:

North Carolina: *Washburn v. Yadkin Bank and Trust Co.*, 660 S.E.2d 577, 586 (N.C. App. 2008) (affirming dismissal of trade secret counterclaims where complaint

At the point at which the complaint is filed and the earliest exchange of information occurs (whether through “initial disclosure” as required by Rule 26 of the Federal Rules or through the first wave of discovery), the plaintiff should be permitted to describe the subject matter in more or less general terms. Certainly after substantial discovery has taken place, the defendant deserves a better idea of that which he is charged with taking.²⁹ By the time of trial, the plaintiff ought to provide the most particularized description that is appropriate to the nature of the secret.

A third factor is whether injunctive relief is actively³⁰ sought. Because the defendant is exposed to contempt for violation, and because the court may be required to step in to monitor the details of compliance, any injunction must describe the prohibited behavior in terms that leave no doubt as to what it is that the defendant is prohibited from doing.³¹ Therefore, it is in connection with injunctive orders that a plaintiff should be subjected to the most stringent demands of specificity.

A fourth factor is the extent to which the information relative to the trade secret claims may be exclusively in the possession of the defendant or a third party. This is not an uncommon circumstance, as in the case of former employees who are charged with keeping to themselves (and taking with them) inventions and discoveries that they were obliged by contract or common law to disclose to their employer. The nature of such misconduct makes it impossible, until after substantial discovery has occurred, reliably to identify the information that was misappropriated.

was excessively vague and referred only to “business methods, clients, [and] their specific requirements and needs”).

²⁹ See *Labor Ready, Inc. v. Williams Staffing, LLC*, 149 F. Supp.2d 398, 412 (N.D. Ill. 2001) (while notice pleading requires few or no details in complaint, the court will expect far greater specificity by the time that summary judgment motions are considered).

³⁰ It is common for plaintiffs to demand injunctive relief as part of the general prayer of a complaint, but not to employ the specific mechanisms (such as an order to show cause) necessary to secure a preliminary injunction until after gathering enough evidence through discovery.

³¹ See § 7.02[2][e] *supra*. See also:

Eighth Circuit: *E.W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108, 1114-1115 (8th Cir. 1969) (reversing a broadly worded injunction prohibiting defendants from working with, for example, “[t]raffic control apparatus of the solid state type,” and stating that “[t]he danger of generic description of ‘trade secrets’, based on general and vague findings of fact, is that the individual defendants are restrained from engaging in perfectly lawful employment without regard to the scope of the claimed trade secrets.”).

Ninth Circuit: *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 923 F. Supp. 1231, 1252 (N.D. Cal. 1995).

A final consideration is the amendability of a plaintiff's expression of its claims. As a general matter, trade secret claims should be subject to amendment under the same circumstances and conditions as any other claims. In part the decision will depend on how and where the description was made; presumably a complaint will be subject to more formal requirements than an interrogatory answer, for example.³² Other important factors will include the nature of the proposed amendment (a "refinement" is less troublesome than a wholesale change), the stage of the litigation (earlier is easier, while close to trial a specific showing of diligence should be required), and of course the extent of prejudice to the defendant.³³ While the court should consider the possibility that a request for leave to amend is made in bad faith,³⁴ such as substitution of one vague and unsupportable claim for another which is different but equally defective, more often the amendment will reflect newly discovered facts and newly gained perspectives. To the frequently-cited objection that the plaintiff's new claim is nothing more than an invention tailored to what the plaintiff has learned of the defendant's activities, a sufficient answer is to require that the new matter be reflected in verifiable records of the plaintiff that predate the litigation.

³² See:

Seventh Circuit: Combined Metals of Chicago Ltd. v. Airtek, Inc., 985 F. Supp. 827, 832 (N.D. Ill. 1997) (court gave claimant one chance to amend counterclaim to identify "specific technology" underlying claim of secret, or lose the right to make a claim based on that technology).

State Courts:

California: Vacco Industries, Inc. v. Van den Berg, 5 Cal. App.4th 34, 51 n.6, 6 Cal. Rptr.2d 602 (Cal. App. 1992) (noting that the plaintiff had amended its statutory trade secret description four times before trial).

³³ See SmithKline Beecham Pharmaceuticals Co. v. Merck & Co., 766 A.2d 442, 447-448 (Del. 2000) (affirming trial court's decision to allow plaintiff to "refine" its trade secret disclosure in light of information learned from discovery of defendant's process).

³⁴ See, e.g., Stutz Motor Car of America, Inc. v. Reebok International, Ltd., 909 F. Supp. 1353, 1360 (C.D. Cal. 1995) (no amendment permitted in order to avoid certain loss of a dispositive motion).