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TRICKS OF THE TRADE SECRETS CASE

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by
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Trade secrets litigation is on the rise. Many companies have come to see protecting and exploiting trade secrets as an important part of their business plans. In rapidly developing fields, some companies are finding it harder to determine what is generally known (and thus not a trade secret) and what isn't. And the increasing mobility of key employees to competitors raises the prospect, and sometimes the reality, that corporate secrets will go with them. All of these factors increase the likelihood that your company may become involved in trade secrets litigation — or at least the threat of it. Much of that litigation will arise in the context of efforts to enforce a variety of restrictive covenants.

Trade secrets litigation can present a number of potential pitfalls to the unwary litigator. This article highlights many of them and suggests some solutions that may work for you. This is not a comprehensive caselaw summary. Rather, this article is intended to show some of the creative thinking that can be used to solve, and prevent, serious practical problems.

IS IT REALLY A TRADE SECRETS CASE AT ALL?

Sometimes lawyers are too quick to characterize a problem as a trade secrets issue. Thus, when a key salesperson leaves a company, many lawyers (and their clients) have a knee-jerk reaction that they must file a lawsuit to stop that salesperson from misappropriating trade secrets. The first "secret" that may come to mind is the customer list. The reality may be, however, that the customer list itself is not, or is just barely, a trade secret. Within a reasonable time, others in the industry could fairly well ascertain the customers. In such a case, a court might quickly dismiss a trade secrets claim founded only on the list.

The problem may lie in focusing on the wrong secret. Perhaps the case should not be viewed as a customer list case but as a customer *information* case: although the identity of the customers may be well known, their specific needs, plans, pricing requirements, interests, and buying patterns may not be. The company might be more likely to succeed in court if it sought injunctive relief to prevent the salesperson from putting that specialized

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information to use for a competitor, unless the customers also know the information and are willing to share it with multiple competitors.

Perhaps the case should not be even viewed as being primarily about information at all. Perhaps it should be viewed as a case about *relationships* and *talent*. It may be that the primary value of the salesperson is his or her unique ability. The salesperson may singlehandedly account for the majority of the company's business. The problem is not that the customer list or customer information is leaving; the problem is that the person who built the relationships with those customers — at company expense — is leaving.

If the salesperson was under a term contract, or was under contract not to solicit or serve particular customers, the proper legal claim may therefore be that the employee was a "key" or "unique" employee whose skills are sufficiently difficult to replace that his or her departure warrants an injunction against working for a competitor during the remainder of the employment term, or from soliciting customers during the post-term non-solicitation/ non-service period. Under this approach, a court might be able to enjoin the employee from working for a competitor whether the customer information was a trade secret or not. *See, e.g., Ticor Title Insurance Co. v. Cohen*, 173 F.2d 63 (2d Cir. 1999); *Maltby v. Harlow Meyer Savage, Inc.*, 166 Misc. 2d 481, 633 N.Y.S.2d 926 (Sup. Ct. N.Y. Co. 1995), *aff'd*, 223 A.D.2d 16, 637 N.Y.S.2d 110 (1st Dept. 1996). Or, perhaps after departure, the employee engaged in inequitable conduct, refusing to return company property and documents, and then *using* them to compete with the former employer. In the face of such conduct, a court might require only a generalized showing that the information the employee took qualifies for trade secrets protection before granting injunctive relief. *See, e.g., Tour and Study, Inc. v. Hepner,* 432 N.Y.S.2d 148 (1st Dept. 1980) (granting three-year injunction in absence of restrictive covenant or of finding that information constituted trade secrets where employees took documents, used them to compete with former employer, and did not return them even after court order). (Keep in mind, however, that removing secrets but not using them does not necessarily warrant broad injunctive relief; depending upon the facts presented, the court may simply order a return of the information rather than a ban on specific employment activities in which such information could prove to be useful. *See, e.g., LeJeune v. Coin Acceptors, Inc.*, 381 Md. 288 (Md. Ct. App. 2004).)

The lesson: don't automatically characterize a case as a trade secrets case unless you are sure that is the most effective way to gain relief, and don't assume that even proof of a taking will, without more, necessarily bring broad relief.

Further, even if the case involves genuine and substantial secrets, don't forget to consider that their actual misuse may also constitute a breach of contract or a breach of trust. Putting the focus on the human issue — breach of trust — rather than solely on data and technical information may give the case greater meaning to the decisionmaker.

IF IT IS A TRADE SECRETS CASE, DEFINE THE SECRET

Trade secret litigation must begin with an identifiable trade secret. It does not end there, however, since, as discussed below, a good trade secrets litigator will generously focus not only on the information at stake, but also on the context in which it was acquired or imparted. Most litigators know to look at the *Restatement (First) of Torts,* section 757, comment b (ALI, St. Paul, 1939) or, if applicable, the Uniform Trade Secrets Act, 14 U.L.A. 433 (1985), for a *legal* definition of trade secrets. Too often, however, litigators do not sufficiently grapple with the question of which of their client's trade secrets to put into dispute and how best to define or describe them as a *factual* matter.

WHAT IS THE DISPUTE REALLY ABOUT?

Thus, too many complaints rely on boilerplate: "While at XCo, defendant learned valuable, confidential, and proprietary information including, but not limited to, manufacturing methods, processes, and techniques, formulas, supplies, sources of supplies, marketing and distribution plans, product ideas, customer lists, pricing information, schedules and ...."

How much more effective to describe the secrets this way: "While at XCo, defendant became fully familiar with every aspect of the techniques XCo uses to make aluminum castings more rapidly and at a lower cost than any of its competitors. XCo developed these techniques only after four years of research at a cost of several millions of dollars. Using them, XCo has realized profits in excess of $________ million. Defendant also knows XCo's plans to enhance this technology and the identity of the customers to whom XCo will first present its next generation products. Defendant also knows what pricing XCo is prepared to offer each customer, and when, and how flexible the Company can be in its pricing arrangements." Even without fully describing or disclosing the secrets, you've explained why they matter—thereby making it more likely that you'll get the judge's attention.

Without a protective or sealing order in place, the plaintiff must not, of course, disclose the trade secret in publicly filed papers. To prevent the court from having a ho-hum reaction to a safe but generalized description of the secret, the plaintiff should consider acknowledging in its first wave of papers that it has not fully set forth the trade secrets but will do so upon entry of a protective order. This approach will also help defeat any later claim that the plaintiff should be precluded from claiming more in the way of trade secrets than it disclosed in the initial pleadings.

WHICH PART IS THE SECRET PART?

As discovery proceeds and the hearing date approaches, plaintiff must work hard to present the trade secrets as clearly and succinctly as possible. Be able to explain that the trade secret is not the concept of marketing a cola drink, or the concept of carbonating the drink, or the concept of using sweeteners in the drink, but rather the specific combination of flavorings that leads millions of consumers to buy Coke. This approach will help narrow the issues and likely render much of the defendant's evidence about what doesn't qualify for trade secret protection irrelevant.

Defendant will want to insist on a precise definition of the secrets at issue in an effort to pick it apart. Often defendants will try to box plaintiff into too narrow a definition. If precision is not forthcoming, defendant will then try to exploit any haziness in plaintiff's definition by arguing that plaintiff is attempting to protect general concepts it doesn't own.

Trade secrets owners must recognize that precision is increasingly being required at an ever earlier stage of the litigation as a condition to conducting discovery and maintaining the suit. By statute in California, and by caselaw in most other jurisdictions, a trade secrets plaintiff must flesh out the contours of its secret before a competitor is forced to up to prying discovery. *See, e.g., Zila Swab Technologie, Inc. v. Dyke*, 2002 WL 31028720 (N.D. Ill.). "The burden is on the plaintiff to identify the secrets, in detail, not on defendant to guess at what they are." *Norbrook Laboratories, Ltd. v. G.C. Hanford Mfg. Co.*, 2003 WL 1956214 (N.D.N.Y.).

DON'T PUT TOO MANY SECRETS AT ISSUE

Particularly in a departing employee trade secrets case, the trade secrets defendant may know a lot of secrets. Rather than bombarding the court with every conceivable trade secrets claim, however, it often makes sense to target only a few representative areas of information. Even if a former employee may have had access to the entirety of a company's confidential information, claiming that his or her departure puts all of that information in jeopardy allows defendant to take discovery on (and regain exposure to) all of that information. The broad brush approach also invites the response that the employee doesn't recall having seen particular pieces of information or did not pay attention to it, or that substantial portions of that information do not qualify for trade secret protection at all. The more claimed "trade secrets" a defendant can shoot down, the worse the plaintiff's case looks even for legitimate secrets.

Consider, therefore, whether it is really essential to the case to show that the client's former marketing director had some exposure, no matter how fleeting, to the company's product formulas. It may be better to focus on the core secrets defendant undeniably knows. After having offered such proof, it may in certain cases be possible to gain the spillover presumption that defendant knows, and might misuse, other trade secrets, too.

Conversely, however, don't make the mistake of assuming that a defendant knows only one trade secret. In client interviews, it always makes sense to find out whether the former product engineer worked closely with the manufacturing department to plan the product rollout schedule, for example. It may turn out that the significance and secrecy of the rollout schedule is easier to explain than more technical information, and that its threatened misuse will by itself support injunctive relief.

CONSIDER THE CHARACTER QUESTION

In some cases it is clear before discovery begins that the trade secret defendant is a genuine bad guy. We have seen cases in which a defendant recruited phony repairmen to steal trade secrets; a defendant used supplies from plaintiff's warehouse to start up and operate a competing business out of his house while he still worked for plaintiff; and a defendant drilled into another employee's locked files at night to obtain trade secrets. In those cases, there was no question that plaintiff would put defendant's bad character in issue, and no question that the pleadings would include words like "took" and "stole."

But in other cases it may not be so clear, at least at the outset, that defendant lacks integrity. The new employment may violate a restrictive covenant, or may put trade secrets in jeopardy, but that may be simply a function of the nature of the secrets or the new position, not of the defendant's character. Even a saint might have trouble not calling on the trade secrets in some new jobs.

Filing a pleading impugning a defendant's integrity in such a case creates a sideshow that may overshadow the case. Plaintiff can expect to face a seemingly endless stream of witnesses, all attesting to defendant's sterling qualities and character—testimony which could largely have been excluded had the plaintiff not put character in issue.

An individual defendant may try to turn a trade secrets case into a test of his integrity precisely to put such testimony before the court. A plaintiff can deflect this effort in appropriate cases by saying it will presume defendant's integrity, but that is not the issue: given even the highest integrity, the likelihood of inadvertent disclosure is unacceptably high. _Cf._ *Lumex, Inc.*

v. Highsmith, 919 F. Supp. 624 (E.D.N.Y. 1996), going to considerable length to commend defendant's honesty but nonetheless granting an injunction.

In the inevitable disclosure context, some courts have recently brought the character vs. circumstances distinction to the fore by observing that "inevitable" disclosure presumes good faith but focuses on the inherent hazards posed by the job circumstances. "Threatened" disclosure, on the other hand, focuses on the defendant's bad faith, in addition to the job circumstances. *Barilla America, Inc. v. Wright*, 2002 WL 31165069 (S.D. Iowa). The distinction may prove helpful in considering possible litigation approaches in jurisdictions that appear to have rejected the inevitability doctrine.

SUE IN THE RIGHT COURT

Sometimes a trade secret plaintiff may have a choice of courts, either because there is diversity or because a trade secret claim may be brought as a pendent claim. Think carefully when choosing a forum. A kneejerk preference for state or federal court is often wrong for the specific dispute.

Sometimes the state and federal courts, or different state courts, may take very different approaches to trade secrets cases. Some jurisdictions maintain the law/equity split, with different judges hearing the different types of dispute. Some jurisdictions routinely grant, or even insist upon, evidentiary hearings, while others, perhaps more burdened by their caseloads, more typically rule based only on the papers. The quality of the anticipated witnesses on both sides and the complexity of the dispute may dictate, or at least influence, the choice of court when there is a choice.

Keep in mind, too, that in some state courts the "temporary retraining order" will remain in effect until trial on the merits, making it akin to a Federal court's preliminary injunction. Other courts may have the Federal court's two step approach to interim injunctive relief. Some such jurisdictions view immediate relief as a truly extraordinary measure and routinely deny all but the most compelling requests for tro's, while being receptive to requests for preliminary injunction after the parties have conducted discovery. Other court are more inclined to grant a temporary restraining order to preserve the status quo and to grant expedited discovery for a speedy hearing on the request for a preliminary injunction.

These differences among courts can be outcome determinative. The advice of local counsel is essential when litigating outside "home territory."

Other factors to consider in selecting a court include the quality of the judges, the likelihood that a court will enter an appropriate protective order, and the court's ability to turn to the case quickly to grant immediate relief. Finally, where restrictive covenants are involved, knowing whether the prospective forum has "fundamental public policies" relating to enforceability is critical. The same agreement that was enforceable in Massachusetts may not be enforced in California; selecting the appropriate forum for the first volley may prove to be outcome influencing, if not outcome determinative. Alternatively, anticipating the need to later enforce an injunction in a jurisdiction that has contrary public policies might lead a plaintiff to narrow the scope of the relief it demands in the initial forum (e.g., seeking an order prohibiting use or disclosure of particular secrets rather than seeking an order prohibiting work in a particular job).

DON'T SUE TOO LATE

Delay in bringing a trade secrets case for injunctive relief almost always works against plaintiff. Even if the delay is understandable and does not rise to the level of laches, once the status quo has materially changed, it becomes, in most circumstances, less likely that the court will reverse the situation to its starting point.

In the departing employee context, for example, once an employee has actually started to work for the new employer, the court is going to think hard about the effect of this "start-stop" employment on the new employer. The court may also conclude that if disclosure hasn't happened at the outset of the new employment, it is unlikely to occur in the future. If suit is filed before the new employment can begin, however, or if the plaintiff has been able to persuade the new employer to sidetrack the employee pending a decision, a court may be far more willing to enter injunctive relief.

Given these factors, why would a new employer ever agree to a standstill upon receiving a protest letter? To prevent the effects of abruptly losing a new employee if an injunction is granted, to show good faith, to reduce litigation costs, and, perhaps most important, to actually lessen the risk of improperly receiving trade secrets. For a broader discussion of how a hiring employer can reduce the risk not only of litigation but of actual misappropriation of secrets, *see* V.A. Cundiff, "Hiring Your Competitor's Employee: A Trade Secrets Perspective," *PLI Intellectual Property Course Handbook Series*, Number G-719 (2002).

DON'T SUE TOO EARLY

Sometimes, however, it may make sense to wait to bring suit. This might be the case, for example, if the client suspects but has no hard evidence of trade secret misappropriation by a third party who has never been given legitimate access to the trade secret. Bringing a lawsuit will necessarily give the third party direct access to the information. Rather than run that risk, and depending on the ease with which misappropriation is likely to be detected, it may make sense to send a protest letter now threatening to sue for damages later if trade secrets are in fact improperly used. By the time suit has to be filed, if it does, the risk that plaintiff will disclose trade secrets through litigation will be far reduced. By then it will be clear that defendant already knows and has used them, and that the defendant was put on notice that its actions would constitute misappropriation.

It may also be the case that an early suit, without benefit of expedited discovery, will be doomed to fail because the defendant controls the proof. In this case, the most appropriate application may be for expedited discovery. *See, e.g.*, *Delphine Software Int'l S.A.R.L. v. Electronic Arts, Inc.*, 1999 WL 627413 (S.D.N.Y.) (denying temporary restraining order under inevitability doctrine where public disclosure was not imminent and expedited discovery could help resolve disputed factual issues).

DON'T WAIT FOR OTHERS TO TAKE ACTION

A client may have advance warning that it is heading into a trade secrets danger zone. Perhaps a potential plaintiff has sent a letter warning the client away from hiring a particular employee or from using certain information. The client may believe it has a strong position, but wants assurance before it takes further action that a court agrees.

Rather than making a misstep and facing damages later, it may make sense to seek a declaration *now* that particular information is not a trade secret or that use of the information will not violate particular agreements. Filing a declaratory judgment action can bring the issue to a head, often at a time and in a court that suits the would-be defendant. Cf. *Application Group, Inc. v. The Hunter Group, Inc.*, 61 Cal. App. 4th 881 (1st Dept), review den., 1998 Cal. LEXIS 2968 (Cal. May 13, 1998) and *Lowry Computer Products, Inc. v. Head*, 984 F. Supp. 1111 (E.D. Mich. 1997) where different forums took radically different views of California's public policies about enforcing restrictive covenants.

CHOOSE DEFENDANTS CAREFULLY

Trade secret litigation almost inevitably educates the defendant to some extent about plaintiff's trade secrets. Even if the defendant has seen the trade secret previously, as in the course of an employment or supplier or joint venture or other relationship, the process of litigating will frequently refresh an individual defendant's memory about the significance of particular information. That is one reason to limit the scope of trade secrets sued upon.

If a party that has never seen the trade secret before is also named as a defendant, however, as when a new employer is named as a defendant, the danger is far worse. The lawsuit itself can inflict the very harm it was brought to prevent: putting confidential information in the hands of a competitor.

Absent a compelling reason to do otherwise, such as evidence that the third party has already seen or even used the trade secret, it is therefore frequently wise not to name parties that have not legitimately seen the trade secret information before. Federal Rule of Civil Procedure 65 or state law counterparts will generally make injunctive relief binding on third parties acting together with the defendant.

A caveat for the lawyer inclined to represent both the former employee and the new employer if both are named as defendants in a trade secrets case: there may be an irreconcilable conflict. The attorney will be learning what may be trade secrets from the former employee. Is the attorney absolutely certain he or she can keep from disclosing those secrets, even in a general way, to the new employer? Is the attorney certain that he or she won't use the information to draft a patent application? And will the attorney be comfortable excluding the employer, as at times will be necessary, from discussions with the employee? That is why it is often wise to have separate counsel.

THINK ABOUT THE PROTECTIVE ORDER

Before commencing a trade secrets case, the plaintiff must realize that it will have to disclose information about its trade secrets. A plaintiff should consider preparing for this eventuality by serving an acceptable protective order with or shortly after the complaint. A plaintiff might be guided by protective orders previously entered by courts in the judicial district where the action is brought. Increasingly, courts are requiring some presentation of an evidentiary basis for imposing a protective order. *See, e.g., Citizens First Nat'l Bank of Princeton v. Cincinnati Ins. Co.*, 178 F.3d 943 (7th Cir. 1999); *USA Technologies, Inc. v. Alphanet Hospitality Systems, Inc.*, No. 98-3027, 1999 U.S. Dist LEXIS 8120 (E.D. Pa. May 25, 1999). Early agreement on or entry of the protective order will likely lead to early discovery and thus an early injunction hearing. A defendant in a trade secret case should similarly consider drafting and preparing a protective order at a very early stage to gain faster access to information bearing on plaintiff's claims.

What constitutes an appropriate protective order depends on the nature of the information and parties involved. If the defendant is alleged to have seen the trade secrets before, during employment, for example, a protective order can be very simple. It may provide simply that both parties can see information designated as confidential but that the information may not be disclosed to third parties and may be used only for purposes of the litigation.

A case involving parties with unequal knowledge of the trade secrets or involving some defendants, such as a new employer, that may not yet have seen the trade secrets at all, however, requires a very different kind of approach. If the trade secrets are extremely valuable but do not involve highly technical information, it may make sense to insist on an attorneys' eyes-only protective order providing that defendants who have not previously been given lawful access to the trade secrets may view the secrets only through their outside trial counsel. Defendants who have already seen the secret, however, can be permitted to see them again if necessary to defend against the claims, although not, of course, to use them outside the litigation.

If the information is highly technical in nature, the problem becomes more complicated. The protective order should address whether in-house patent counsel or designated retired or current employees from the parties can view confidential information and, if so, under what terms. "Attorneys eyes only" agreements might in certain cases need to prevent certain attorneys (e.g., certain patent attorneys or attorneys who have multiple roles) from viewing the trade secrets. *See, e.g., Norbrook Laboratories, Ltd. v. G.C. Hanford Mfg. Co.*, 2003 WL 1956214 (N.D.N.Y.). It may make sense to have "tiers" of confidentiality, with "confidential" information accessible to parties and "superconfidential" information accessible only to designated individuals, perhaps including third-party experts acceptable (from a perspective of risk of disclosure) to the disclosing party.

Keep in mind that if the dispute goes to a jury trial, the jurors will need to be questioned to ensure that they will be in a position to adhere to any court-imposed confidentiality requirements.

Although no form of protective order is likely to work in every action, the guiding principle should be "will the protective order place confidential information in the hands of people who do not already know it?" If the answer is yes, scrutinize the protective order, and the litigation, to see whether there is a less intrusive way of proceeding. If the answer is "no," disclosure is less troublesome but use will still need to be restricted to use for purposes of the litigation.

The concern about unduly increasing exposure to trade secrets should not just be the plaintiff's. As discussed below, a corporate defendant should not want many of its employee's "tainted" by receiving the plaintiff's trade secrets in litigation, nor should it wish to spread its own secrets through discovery.

DON'T OVERLOOK INSIDE EXPERTS

Many trade secret cases involve technical information. With a protective order in place, it can become essential to rely on expert witnesses to explain the technology to the trial lawyers and to the decisionmakers. Yet using outside experts discloses the client's trade secrets to a third party that otherwise would not have seen them. In some industries, such disclosure can be tantamount to publishing the secret—not because the experts are likely to use or disclose the trade secret deliberately, but because in some industries experts consult to the entire industry, and nothing short of a prefrontal lobotomy could prevent the expert from drawing upon the new knowledge gained in the lawsuit for other clients.

One sometimes overlooked solution is to rely on in-house experts. The client knows the state of the art in the affected industry and should be in the best position to help make an assessment of how the trade secret fits into that knowledge. Patent counsel, a retired employee, or a select group of current employees who are either expected to transfer into a new area in which they will have no occasion to draw upon the knowledge they have gained in a lawsuit or who will sign an agreement not to use or disclose the information can all be ideal candidates for consideration as potential experts.

Using in-house personnel as experts can also offer a strategic advantage at trial. A plaintiff company can benefit by showing that those who developed the trade secrets at issue are experts in their fields; similarly, a defendant can urge that its employees are already experts and therefore have no need to use the trade secrets of another.

CONSIDER OUTSIDE EXPERTS, TOO

Think very carefully, however, before calling upon inside experts. Although they may be in the best position to present the client's technology, and may be extremely capable of explaining or debunking claims of trade secrecy, if the adversary discloses information during the course of the litigation that is in fact a trade secret to the client's in-house experts, those experts will henceforth be under an obligation not to use that information. To insure that they don't, they may have to excuse themselves from certain future business activities.

Thus, a defendant company that entrusts plaintiff's information to an in-house expert may wind up at the end of a trade secrets case losing not only the newly hired employee who had worked for the plaintiff, but also the services of the employees who served as experts. Similarly, if the plaintiff's experts receive information the defendant contends is its own trade secret, they will become tainted, and the departure of one employee may quickly be compounded by the effective "loss" of others. Outside experts can offer a better practical solution, provided the industry is not a sieve and the experts agree to restrict the nature and scope of further consulting.

To prevent "leaky experts", some litigants agree that before confidential information can be shown to outside experts, the identity of the expert—whether testifying or non-testifying—should be revealed so that any industry or other relevant affiliations can be challenged. The quid pro quo for such "pre-disclosure" of experts can be an agreement not to comment at trial on the failure to present testimony of the non-testifying experts.

DON'T GET BURIED IN THE DETAILS

Defendants in trade secrets cases sometimes tend to be too drawn into the details of plaintiff's claimed secrets. Thus, they may devote substantial energy to showing that each and every element of the trade secret is disclosed somewhere in publicly available material. Sometimes this effort is self-defeating.

If the pieces of the trade secret can only be found in expired foreign patents, obscure industry publications, or periodicals in different but arguably analogous industries, plaintiff may well be able to argue that not only did defendant not learn the information from these sources, but the fact that the information is only disclosed in such obscure sources is evidence of how valuable and little known the secret really is.

The defendant may do better to concentrate not on the trade secret but on the advances it has already made without the trade secret. Thus, for example, if the defendant can show that it has just committed to building a plant based on one manufacturing method, it needn't be drawn into a debate over whether the plaintiff's different manufacturing method is a trade secret or not. Instead, it may be able to show that there is virtually no likelihood that defendant will, or even could, use the information in the new facility. Keeping the defense simple may make it much more likely to succeed.

Plaintiffs can also get overly caught up in the technical aspects of their trade secrets. While they must be able to explain relevant details of the secret, introducing evidence that the plaintiff has spent substantial money over a long time and enjoyed substantial commercial success because of superior results that cannot be achieved by others who do not use the secret may be more effective in leading a trier of fact to conclude that the secret is indeed little known and very valuable. If the court sees a duck, it may not need an autopsy report.

TAILOR THE INJUNCTIVE RELIEF REQUESTED

Sometimes trade secret litigants become overly zealous, seeking an injunction prohibiting a former employee from working "in the software industry" for a period of time, for example, rather than one preventing the employee from working on particular types of software about which he has learned plaintiff's trade secrets. This overreaching approach can doom the injunction.

A court may find no need for such a broad injunction and is unlikely to engage in its own investigation of possible ways to narrow the scope of the injunction. Or an appellate court may vacate such an injunction, triggering liability on the bond. A better approach is to seek an injunction carving out clearly identified areas of activity—seeking a prohibition on working on production scheduling software or on computerized servo motors for a specified period of time, for example.

Sometimes, conversely, litigants forget to consider the many ways in which a trade secret defendant can put trade secrets at risk. They may seek an injunction barring a defendant from participating in the manufacture of certain kinds of products for a period of time, for example, but forget that the defendant may still be able to use the trade secrets if he or she controls the budget of the division selling the products. Based on knowledge about dead ends, suppliers, what works and what doesn't, the defendant may use the budgeting process to influence the course of the new employer's development efforts.

An injunction prohibiting the individual from engaging "directly or indirectly in activities concerning the manufacturing process for specified types of products, whether as an engineer, supervisor, consultant, or in any other capacity in which he or she will have input, direction, or decisionmaking authority with respect to any aspect of the manufacturing process" may better prevent such misuse.

POLICING THE INJUNCTION

Often the plaintiff devotes 100 per cent of its energy to obtaining injunctive relief, but gives little attention to how to police it. Other would-be plaintiffs sometimes decide not to bring quite winnable lawsuits out of fear that even if they win, the defendant will violate the order, undetected. Both approaches are misplaced. The plaintiff and the enjoined defendant both have an interest in devising an enforcement mechanism that will really work.

In negotiations and in court proceedings, it makes sense to seek creative enforcement mechanisms. Some that have worked include:

- Requiring a corporate defendant to take a "snap-shot" of its existing technology, processes, product plans, product schedules, pricing plans, and so on, and escrowing that information with counsel or the court to be examined later in case of any claim that defendant changed its plans because of improper use of trade secrets;

- Using a mutually agreeable neutral expert to conduct periodic visits to determine compliance with the court order and file reports certifying compliance or identifying areas of apparent noncompliance; or

- Requiring periodic affidavits of compliance.

Other creative approaches may work for you.

DON'T OVERLOOK ADR

Alternative dispute resolution ("ADR ") can be particularly useful in trade secrets cases. To a greater extent than in many courts, ADR can be structured to enable the parties to keep each other from viewing confidential information.

In some trade secret dispute resolution procedures, for example, the party claiming improper use of trade secrets can submit its secrets in confidence to a neutral evaluator or even arbitrator, who will then compare them with information submitted by the defendant about its actual activities or intended plans. The evaluator becomes a "black box," and neither party learns the other's secrets through litigation. Of course, such an evaluator must be carefully screened for conflicts before serving and must enter into a strong non-use/nondisclosure agreement.

This approach may not always be desirable. Because it does not permit cross-examination, it should be avoided if there is any doubt of the neutral evaluator's ability to understand or evaluate the evidence. Further, the "black box" procedure should generally be limited to disclosures of the most confidential trade secrets. Otherwise parties may be even more inclined than usual to present arguments, as opposed to simply particularly sensitive evidence, outside each other's hearing.

When parties enter into a relationship of confidence in which trade secrets will be disclosed, they might consider entering into an alternative dispute resolution agreement. Components of such an agreement pertinent to trade secrets disputes might include a statement in employment agreements, for example, that the ADR provision will extend both to disputes arising under the employment *and* those regarding any subsequent employment. This approach will also tend to insure that the new employer will not be involved in the process, since the new employer will not have consented, at least in advance, to the dispute resolution mechanism.

The agreement should also include a provision permitting entry of temporary injunctive relief, either by the arbitrator or neutral evaluator according to a specified timetable or by a court.

ANTICIPATE TROUBLE

Perhaps the biggest mistake trade secrets lawyers can make is failing to talk with their clients in advance about ways of preventing trade secrets litigation. A company that has valuable trade secrets and intends to disclose them to employees, suppliers, joint venturers, licensees, or other third parties, for example, needs to make those disclosures only under circumstances that underscore the confidential relationship and prohibit the third party from subsequently using or disclosing the trade secrets. Counsel can help clients by showing how to keep disclosures to a minimum, discussing ways to enhance the atmosphere of confidentiality, and tailoring specific safeguards to the information involved, greatly reducing the need for litigation.

POINTS TO ANTICIPATE

Moreover, even in drafting confidentiality agreements as well as more restrictive covenants, attorneys can go far toward minimizing problems and litigation costs, if trade secrets litigation ever does occur by including:

- Concrete examples, and not just boilerplate, putting employees on notice of the information the company regards as confidential;

- A provision directing the employee to ask the employer if he or she has any doubts about whether something is or is not a trade secret;

- A severability provision providing that the court can "bluepencil" or modify restrictive covenants to make them reasonable at the time of enforcement (Some states permit bluepenciling only if the parties have agreed to it in advance; note that a few states, however, do not permit it at all);

- A provision requiring employees to disclose to the former employer who their new employer will be and what their proposed job functions will be before they commence work at the new company;

- A provision requiring employees to show the confidential disclosure agreement to their new employer;
- A provision requiring departing employees to engage in exit interviews before leaving the company;
- A forum selection provision; and
- A choice of law provision.

Non-solicit/non-serve agreements and true non-compete agreements will of course require even greater care at the drafting stage. "Forum" agreements may serve as a useful checklist but will almost never be the craftsman's end point.

Other situations also lend themselves to prelitigation (or anti-litigation) planning. For example, developing complete records concerning how and why the client hired a competitor's employee, what restrictions the hiring company has installed to prevent misappropriation, or documenting that the client has engaged in independent development or lawful reverse engineering of a product can help ensure that the client will be able to prove that it did not act improperly. It may also help the client resolve any conflict at an early stage.

CONCLUSION

Trade secrets litigation is intensely fact oriented. How to protect trade secrets, how to avoid using them, how to restrain their misuse and how to enforce measures designed to protect them all require thoughtful analysis of the secret, the relationship between the parties, and the forum in which disputes will be resolved. Perhaps the most important secret to being a good trade secrets litigator is to realize that there is no secret for success — only a series of considerations to be thoughtfully and continuously weighed and balanced.