

# Searching for “reasonable particularity”

The quandary over revealing enough to satisfy “reasonable particularity” in US trade secrets cases can cause many sleepless nights. **Michael Bunis** and **Lauren Riley** offer some useful tips for defendants and plaintiffs...



**T**rade secret cases present unique problems distinct from other intellectual property disputes because trade secrets are almost never described in advance of litigation. Instead, plaintiffs allude to their trade secrets in the allegations of the publicly filed complaint. Recent cases suggest that many jurisdictions are now requiring plaintiffs to identify their trade secrets with “reasonable particularity” before obtaining trade secret-related discovery. Courts across the US apply some iteration of this requirement in varying degrees of scope and stringency. Among the concerns behind this requirement is the increase in suits by plaintiffs suing former employees who establish competing businesses.

Most defendants demand a detailed articulation of the trade secrets alleged to have been misappropriated before they are forced to engage in costly discovery. Yet, plaintiffs resist describing their trade secrets before they have had a chance to conduct some discovery of the issue. If a plaintiff identifies its trade secrets too narrowly, it may miss information the defendant has

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misappropriated. If a plaintiff identifies its trade secrets too generally, its definition may contain publicly known information and make it subject to summary dismissal on “prior art” grounds. How a plaintiff identifies its trade secrets is critical because the initial trade secret

disclosure presents the first opportunity for a defendant to challenge the sufficiency of the alleged trade secrets. Therefore, a plaintiff’s failure to describe its trade secrets in detail could result in a successful motion to dismiss or summary judgment for the defendant.

## Policy considerations

Courts have articulated four policy considerations behind the reasonable particularity requirement, most of which aim to protect the defendant.<sup>1</sup> First, requiring plaintiffs to particularly identify their trade secrets helps to prevent the filing of meritless trade secret claims.

Second, the reasonable particularity standard prevents plaintiffs from conducting fishing expeditions in discovery as a means to obtain access to a defendant’s trade secrets. Because most parties in trade secret litigation are direct competitors with proprietary information, defendants may be forced to disclose their own trade secrets during discovery. Some commentators, however, have noted that while attorneys may be willing to assist their clients by refusing to define trade secret claims, it is less likely that an attorney

would assist a client in taking confidential information from a competitor by filing a lawsuit and disclosing information designated as confidential under a protective order.

Third, the reasonable particularity standard helps the trial court determine the appropriate scope of discovery. Fourth, the requirement ensures that the plaintiff's trade secret is a "fixed target" for defendants to focus their efforts on. Without a fixed target, plaintiffs (once privy to the defendant's information) could tailor their theory of misappropriation to encompass a defendant's work.<sup>2</sup>

### Developing case law requiring heightened specificity

Courts in most US states use their broad common law case management authority to require more particularity from plaintiffs in identifying their trade secrets, especially in the context of discovery disputes. Courts in several states (or federal courts applying state law) have required a pre-discovery identification of trade secrets by common law: New York, Massachusetts, Delaware, Illinois,<sup>3</sup> Minnesota,<sup>4</sup> and possibly Florida.<sup>5</sup>

In 2012, a New York Appeals Court held that a plaintiff was precluded from seeking further discovery from the defendants until it identified which of the component parts or sequencing of its source code was not publicly available, commonly used, or licensed to third parties.<sup>6</sup> Massachusetts courts have also required a plaintiff to identify its trade secrets with "reasonable particularity" before discovery. In 2012, the federal district court for the District of Massachusetts granted a defendant's motion to compel and ordered the plaintiff to "identify with reasonable particularity the trade secrets that may have been misappropriated before [the plaintiff was] entitled to compel discovery for its trade secret claims."<sup>7</sup> The Delaware Supreme Court has similarly held that a plaintiff "must disclose [its] alleged trade secrets with reasonable particularity" before "obtaining discovery of confidential proprietary information of its adversary."<sup>8</sup>

California is the only state to have codified the reasonable particularity requirement. In 1985, California's legislature enacted Code of Civil Procedure section 2019.210 as part of the state's Uniform Trade Secrets Act. Section 2019.210 states, "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 orders that may be appropriate under Section 3426.5 of the Civil Code." The impetus for the statute came from

a state bar memorandum that highlighted the potential for a plaintiff to engage in discovery abuse by filing a trade secret action for the improper purpose of harassing or driving out of business a competitor by subjecting the competitor to expensive litigation.

Three recent California Court of Appeals cases have analysed the reasonable particularity requirement at length and have provided the framework for courts around the country to apply the standard. Forty-eight US states have now adopted the Uniform Trade Secrets Act (UTSA), which was meant to provide uniformity to the standards and remedies for misappropriation actions across the country. As a result, courts in states that have also adopted the UTSA now look to California law in applying the "reasonable particularity" requirement.

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In *Advanced Modular Sputtering, Inc v Superior Court*, 132 Cal App 4th 826 (Cal Ct App 2005), the Second District Court of Appeal held that the reasonable particularity standard "does not mean that the party alleging misappropriation has to define every minute detail of its claimed trade secret. . . Nor does it require a discovery referee or trial court to conduct a miniature trial on the merits of a misappropriation claim. Rather, it means that the plaintiff must make some showing that is reasonable, ie, fair, proper, just and rational, under all of the circumstances to

identify its alleged trade secret in a manner that will allow the trial court to control the scope of subsequent discovery, protect all parties' proprietary information, and allow them a fair opportunity to prepare and present their best case or defence at a trial on the merits."

In *Brescia v Angelin*, 172 Cal App 4th 133 (Cal Ct App 2009), the Second District Court of Appeal clarified its *Advanced Modular* decision by holding that section 2019.210 does not require a trade secret claimant to explain how its trade secret differs from the prior art in every case. Such an explanation is only required when the identification alone is "inadequate to permit the defendant to learn the boundaries of the secret and investigate defences or to permit the court to understand the designation and fashion discovery." The court found that the plaintiff had sufficiently described his trade secrets in a pudding formula and its manufacturing process by listing the fifteen specific ingredients by common name and percentage of the total pudding and particularly describing each step in the mixing and testing of the pudding. The court also liberally construed the reasonable particularity standard, noting that "reasonable doubts about [the identification's] adequacy are to be resolved in favour of allowing discovery to go forward."

In *Perlan Therapeutics, Inc v Superior Court*, 178 Cal App 4th 1333 (Cal Ct App 2009), however, the Fourth District Court of Appeal published its opinion in response to *Advanced Modular* and *Brescia* in order to "emphasise that trial courts still have broad discretion under section 2019.210." The court held that the plaintiff failed to sufficiently describe its trade secrets where it (1) did not segregate its alleged trade secrets (by, for example, listing them numerically); (2) did not clearly explain how its secrets differed from publicly available knowledge; (3) included a large amount of surplusage in its statement, such as legal objections, factual allegations, and reservations of right; and (4) referenced hundreds of pages of extra documents. Since *Perlan*, California courts have exercised their broad discretion under section 2019.210 to find for both plaintiffs and defendants on this issue.<sup>9</sup>

### Practical advice for plaintiffs

In describing its trade secrets, a plaintiff should continue to be expansive enough to encompass all secret information that the defendant has allegedly taken, while still being sufficiently specific to satisfy the heightened identification standard. Below are some key steps that a plaintiff can take:

- Describe the trade secrets in narrative form, rather than by cross-reference to other

trade secrets or documents. If a plaintiff does reference a document as setting forth one or more trade secrets, it should specify precisely which portions of the document describe the trade secrets.

- Focus on why the allegedly misappropriated information merits protection, rather than merely identifying a concept or listing commonly protected categories of information.
- Avoid catch-all phrases such as “all related research, development, advancements, improvements, and processes related thereto” and “including the concept of x, y, and z.” A court is likely to find that this language fails to sufficiently identify the trade secret.
- Consider involving expert witnesses in both the articulation of the trade secrets and any briefing on the sufficiency of the trade secret designation. While a plaintiff is generally not required to distinguish its trade secrets from the prior art, in instances where trade secrets consist of incremental variations of information known in the field, a more exacting level of particularity may be required to distinguish the alleged trade secrets from matters already known to persons in the field.
- Consider periodically documenting their trade secrets, even in the absence of litigation. This will allow plaintiffs more time to consider the specific information they aim to protect as trade secrets and the scope of such trade secrets.

### Tips for defendants

The emerging trend in trade secrets law means that defendants can be more aggressive in demanding particularity from plaintiffs in their trade secrets identification. If you are a defendant in a trade secret action, here is what you need to do:

- Secure a protective order as soon as possible to prevent the plaintiff from hiding behind confidentiality concerns in refusing to identify its trade secrets. Remember that properly-phrased discovery requests are essential to obtaining a specific identification of the plaintiff's trade secrets.
- Notice the deposition of a corporate representative of the plaintiff early in the case for testimony regarding the details of the misappropriation claims. Live witness testimony will likely result in a more specific identification of the trade secret than a written disclosure, which will almost certainly be doctored by plaintiff's counsel.
- Consider filing a motion to compel and stay discovery if you receive inadequate identification of the plaintiff's trade secrets. If after engaging in written discovery, the

plaintiff still refuses to provide a sufficient description, the defendant should consider filing a summary judgment motion. A plaintiff's refusal to identify its trade secrets may alert the court to a potential problem, making summary judgment more likely.

Both trade secrets plaintiffs and defendants must be aware of the trend in trade secrets law to require greater particularity at an earlier stage of litigation so as to adjust their strategy accordingly. But this trend should be encouraging to both plaintiffs and defendants, as it requires the parties to focus on the specific allegations at issue, thus facilitating earlier resolution and potential cost savings for litigants on both sides.

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### Footnotes

1. See *Computer Econ, Inc v Gartner Grp., Inc*, 50 F Supp 2d 980, 985 (SD Cal 1999).
2. See *MSCI Inc v Jacob*, 945 NYS.2d 863, 866 (NY App Div 2010).
3. See *Automed Techs., Inc v Eller*, 160 F Supp 2d 915, 925–26 (ND Ill 2001) (citing Delaware law to hold that plaintiff must identify its trade secrets with “reasonable particularity” before it can compel discovery of defendant's trade secrets).
4. See *Porous Media Corp v Midland Brake, Inc*, 187 FRD 598, 600 (D Minn 1999) (“Failure to identify the trade secrets with sufficient specificity renders the Court powerless to

enforce any trade secret claim.”).

5. See *Del Monte Fresh Produce Co v Dole Food Co*, 148 F Supp 2d 1322, 1325–26 (SD Fla 2001) (applying both California's pre-discovery statute and Florida common law to require identification with reasonable particularity; not entirely clear whether court believed that district courts applying Florida trade secret law should apply a pre-discovery identification procedure in future cases).
6. *MSCI Inc*, 945 NYS 2d at 866.
7. *Content Mgmt Assocs v FMR LLC*, 2012 US Dist LEXIS 17320, at \*1 (D Mass 13 Feb, 2012); see also *Sutra, Inc v Ice Express*, EHF, 2008 US Dist LEXIS 52849, at \*9 (D Mass July 10, 2008) (granting defendant's summary judgment motion as to the trade secret claim where the plaintiff's proffered description of its trade secret was “far too open textured to meet the test for an identifiable trade secret”); *L-3 Commc'ns Corp v Reveal Imaging Techs*, 2004 Mass Super LEXIS 519, at \*34–36 (Mass Super Ct. Dec 2, 2004) (granting defendant's motion for protective order and ordering plaintiff to serve on defendant a statement specifically identifying its trade secrets that form the basis of its misappropriation claims before any discovery may be had on those claims).
8. *SmithKline Beecham Pharms Co v Merck & Co*, 766 A.2d 442, 447 (Del 2000).
9. See *TelSwitch, Inc v Billing Solutions, Inc*, 2012 US Dist LEXIS 127043 (ND Cal 6 Sept, 2012) (finding plaintiff's disclosure sufficient); *Delphon Inds, LLC v Int'l Test Solutions, Inc*, 2012 US Dist LEXIS 659 (ND Cal 4 Jan, 2012) (finding plaintiff's identification insufficient and ordering plaintiff to amend its disclosures); *Phoenix Techs, Ltd v DeviceVM, Inc*, 2010 US Dist LEXIS 24884 (ND Cal 17 Mar, 2010) (holding that plaintiff's identification satisfied the reasonable particularity requirement based on credible expert testimony).

### Authors



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