

# The IP Law Book Review

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**TRADE SECRET LITIGATION AND PROTECTION IN CALIFORNIA (2<sup>nd</sup> ed.),** by **Randall E. Kay and Rebecca Edelson, eds.** State Bar of California, 2009. 642 pp. Paper \$135.

Reviewed by Joseph A. Meckes, Squire, Sanders & Dempsey LLP  
jmeckes@ssd.com

In California's high-tech economy, protection of trade secrets has always been critical to companies whose stock in trade is their intellectual capital, especially given that agreements not to compete will typically run afoul of California law. In today's difficult business environment it is more important than ever for companies to hang on to their know-how to avoid losing in a zero sum game. Lawyers advising California companies, therefore, must have a firm grasp of California's trade secret laws.

California business and intellectual property attorneys will be well served to add **TRADE SECRET LITIGATION AND PROTECTION IN CALIFORNIA (2<sup>nd</sup> ed.)** to their reference libraries. This 25-chapter book published by the Intellectual Property Section of the State Bar of California covers almost every aspect of trade secret protection in California – and then some. Co-editors Randall E. Kay and Rebecca Edelson have assembled a team of 26 authors to pen chapters ranging from the most basic question, “What is a trade secret?,” to providing detailed guidance on how to protect trade secrets when contracting with the federal government.

According to the State Bar, **TRADE SECRET LITIGATION AND PROTECTION IN CALIFORNIA** has been updated to include references to 65 new trade secret cases decided since the first edition was published in 2005. The book also boasts a discussion of trade secret preemption (pp.161-165), which was recently clarified by the Court of Appeal in *K.C. Multimedia, Inc. v. Bank of America Tech. & Ops., Inc.*,<sup>1</sup> as well as new chapters on trade secret licensing (Chapter 24) and the protection of ideas not qualifying as trade secrets (Chapter 25). The licensing chapter is one of the book's longest, dissecting each element of a typical license, providing

an understandable rationale for that element, and providing sample language for the attorney wishing to incorporate those elements into an agreement. Although somewhat out of place in a book about trade secrets, the chapter on idea protection is a nice introduction to the law of implied contractual obligations – which can often contradict the notion that ideas are free.

The book's opening chapters provide a primer on trade secret law and present a practically organized research guide for any attorney considering the basic question of whether there is, in fact, a trade secret worthy of protection. Chapter 1 defines the meaning of the term "trade secret" and then goes on methodically to provide dozens of specific, bullet-pointed examples of information that the courts have determined are (and are not) trade secrets, complete with a summary of the courts' reasoning. Chapter 1 also provides similar case-specific illustrations where courts have determined whether information can be considered "secret," along with a host of other threshold questions. Chapter 2 takes up where the first chapter leaves off, providing a detailed overview of what it means to "misappropriate" information.

The core of TRADE SECRET LITIGATION AND PROTECTION IN CALIFORNIA, however, is the seven chapters focused specifically on procedures and strategies for prosecuting and defending trade secret litigation in court (Chapters 6-12). These chapters address everything from preparation of the initial pleadings to obtaining damages and other civil remedies. The authors have usefully distilled general principles as they relate to trade secrets so that the practitioner can easily find them in one place. Interestingly, however, despite recent U.S. Supreme Court decisions heightening requirements for pleading sufficient facts in a complaint,<sup>2</sup> the authors do not discuss what impact this line of cases might have on trade secret claims brought in federal court. The authors include only a "bare bones" template for drafting a trade secret complaint, which seems unlikely to pass muster under the altered pleading landscape now operative in federal courts.

Importantly, TRADE SECRET LITIGATION AND PROTECTION IN CALIFORNIA dedicates two chapters to critical issues in the handling, preservation, and disclosure of trade secrets during the course of litigation (Chapters 8-9). This section will be of great interest to even the most experienced civil litigators, since the conflicting interests of trade secret plaintiffs, defendants, and the courts have made this area one of the most hotly contested aspects of trade secret litigation. The authors have

succeeded in providing a practical roadmap for navigating through this treacherous landscape.

The two chapters on litigation remedies outline the basic legal framework that will govern attempts to obtain preliminary and permanent injunctions, as well provide an overview of the types of damages that a plaintiff can obtain in a trade secret misappropriation case. In the chapter on injunctions (Chapter 10), the authors walk the reader through each element required to obtain an injunction and provide strategies that both plaintiffs and defendants can use to prevail. The chapter on damages (Chapter 11) is even more useful, taking the time to explore both basic and more creative damages theories and summarizing the courts' reasoning in accepting or rejecting those theories. Simple summaries of these cases provide useful context for a trade secret plaintiff to understand the scope of its losses (and how to prove them).

The editors have also included several "how to" chapters on topics such as setting up a trade secret protection program at a high-tech company, dealing with exiting employees, and contracting with the government. These chapters (two of which are penned by corporate counsel at major technology companies) provide step-by-step best practices for obtaining specific objectives, without getting lost in theoretical legal clutter. For example, the chapter on trade secret protection programs (Chapter 3) begins by discussing the benefits of a trade secret protection program and then laying out the contents of such a program, describing how to implement it at a company, and providing a list of helpful checklist of "do's and don'ts" that summarize what has come before. Similarly, a chapter on employment law issues (Chapter 4) contains some very useful tips attorneys can use when preparing nondisclosure agreements and avoiding illegal non-compete contracts.

Chapter 5 focuses on the genesis of many trade secret disputes – departing employees – and provides concrete steps an employer can take when an employee leaves to either (1) minimize the risk that the departing employee will try to compete with stolen trade secrets or (2) lay the evidentiary foundation for a compelling trade secret misappropriation claim. This chapter provides a brief overview of a key employee's exit interview and maps out the considerations a corporate client should go through in deciding whether to file suit. Although quite brief, this chapter gives the busy in-house attorney a framework within which to consider these issues.

Because Chapter 5 (like a few other chapters) does not contain legal citations, however, it is impossible to test the validity of some of its legal assertions. Of course, this approach is great for simplifying the discussion, but may lead to some confusion. For example, the author of this chapter states as a matter of fact that “any civil proceeding you might want to initiate would be stayed pending the outcome of a criminal case” (pp.137-138). Although the author cites to Chapters 13 through 18 (dealing with the criminal aspects of trade secret law), nothing in those chapters suggests that a stay of civil proceedings is inevitable when a criminal case is also instituted (even if, in practice, this is the typical result).

This points up one of the book’s biggest flaws: allowing multiple authors to address overlapping issues without the kind of internal consistency that a single author typically brings to a unified work. For example, both Chapters 8 and 9 contain somewhat repetitive discussions of the trade secret disclosure requirements under Code of Civil Procedure section 2019.210,<sup>3</sup> such that the reader sees the same quotations and same case citations in support of the same legal points over the course of two chapters. Of course, even though working with multiple authors is challenging, the editors should address these issues in any future edition of the book.

The book’s six chapters on criminal trade secret litigation (Chapters 13-18), in contrast, are written by authors who succeed in laying out the basic legal and statutory framework of criminal trade secret liability without too much repetition. An introductory chapter (Chapter 13) provides an overview of this specialized area of law, followed by in-depth discussion of criminal trade secret misappropriation under Penal Code section 499c,<sup>4</sup> California’s unauthorized access to computers statute under Penal Code section 502,<sup>5</sup> and the federal Economic Espionage Act of 1996.<sup>6</sup> These chapters provide a useful primer for attorneys interested in criminal aspects of trade secret law – including criminal defense attorneys and corporate counsel.

For attorneys considering whether to pursue criminal prosecution, the book includes a chapter weighing the pros and cons of seeking criminal prosecution (Chapter 17) and a chapter analyzing how a victim of trade secret theft can interest the government in pursuing a case against the perpetrator (Chapter 16). Although this chapter contains some practical discussion, more guidance as to what might go into a “briefing book” to persuade prosecutors into pursuing criminal trade secret cases would have been helpful.

Even where trade secret protection is not at the core of a dispute, parties may need to protect their trade secrets from disclosure in discovery or from disclosure by courts committed to providing open and public access. To this end, *TRADE SECRET LITIGATION AND PROTECTION IN CALIFORNIA* includes chapters addressing the trade secret privilege and the First Amendment right of access to court records. The discussion of the trade secret privilege (Chapter 20) provides background and strategies for asserting the privilege and for protecting trade secrets even when disclosure is mandated by a court. The First Amendment chapter (Chapter 21), however, is largely theoretical providing little more than the justification for *why* our courts are open without providing the practitioner with useful strategies for actually achieving secrecy in an open environment.

From the preface, it appears that *TRADE SECRET LITIGATION AND PROTECTION IN CALIFORNIA* was finished for print in April 2009. This means that, although the book is only a year old, it is already not as up-to-date as it could be. And, unfortunately, there does not appear to be any plan to supplement or update the book regularly. Thus, the user of this book will need to be sure to undertake a careful review of the legal issues to ensure that the law is current.

Further, although California's trade secret law is based on the Uniform Trade Secret Act, the authors and editors have chosen not to include discussions of issues decided under UTSA in other jurisdictions that may be persuasive to a California court. Of course, in the interest of brevity, this shortcoming is easily forgiven (especially in a book that is already over 600 pages). Nonetheless, it would seem that much of the book's repetition could be eliminated in favor of more thorough discussions of hot legal issues – even where there is no direct California law on point. These shortcomings, however, are relatively minor and, in the end, *TRADE SECRET LITIGATION AND PROTECTION IN CALIFORNIA* succeeds in providing both an invaluable overview of trade secret law in California as well as a resource that even experienced practitioners can turn to for guidance.

## ENDNOTES

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<sup>1</sup> 171 Cal. App. 4th 939 (2009).

<sup>2</sup> *Ashcroft v. Iqbal*, 556 U.S. \_\_\_, 129 S. Ct. 1937 (2009); *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007).

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<sup>3</sup> CA Code Civ.Pro. §2019.210.

<sup>4</sup> CA Penal Code §499c.

<sup>5</sup> CA Penal Code §502.

<sup>6</sup> 18 U.S.C. §§1831-1839.

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