

Trying a Trade Secret Case A Road Map

BENJAMIN K. RILEY

The author is a principal with the law firm of Bartko, Zankel, Bunzel & Miller, San Francisco.

Trade secret trials challenge and engage all of a trial lawyer's essential skills and training. Dealing with state-of-the-art technology—intricate circuit designs, sophisticated manufacturing processes, or highly complex formulas—is often a huge challenge, but there are other pitfalls for the unaware lawyer. Special care must be given in these cases to issues of disclosure, discovery, the preparation of witnesses, the handling of experts and juries, and the use of graphics and technology in the courtroom. With legal and other barriers being erected in patent litigation and with the recent passage of the federal Defend Trade Secrets Act of 2016, trade secret cases have moved to the forefront of technology litigation. Trade secrets litigators must understand the unique and critical strategies, requirements, and hazards presented by the trial of a technical trade secret case.

It all starts with the disclosure of the trade secrets at issue in the case. In California and some other jurisdictions, a plaintiff is required to identify its trade secrets with particularity prior to receiving any discovery from the defendant. *See* CAL. CIV. PROC. CODE § 2019.210. Many plaintiffs try to avoid this requirement or get by with slapdash or overreaching disclosures. Don't make this mistake. Even if the court does not require it, immediate and full identification of trade secrets should be first on the plaintiff's to-do list. In a challenging technology case, fully identifying the client's at-risk trade secrets in a thorough

writing will require multiple meetings with multiple engineers, financial people, and other client representatives. Many, many drafts of the disclosure will be required before it is final.

The written trade secret identification will provide the touchstone for your case. You can't begin working with an expert until you have clearly defined the trade secrets. Under a normal protective order, the client will not be able to review the other side's highly confidential documents related to the trade secrets; only the expert will be able to see, digest, and understand these documents. Prior to starting to review discovery, the expert should be provided with a clear delineation of the trade secrets by which to evaluate the defendant's documents and technology. Normally, the trade secrets will need to be taught to the expert by the client's most knowledgeable persons over a series of tutorials. If the plaintiff flounders or delays in identifying and defining its trade secrets, it will flounder in teaching its expert about the trade secrets, thwarting meaningful review of the defendant's documents. In many jurisdictions, a poor trade secret disclosure will stall the plaintiff's case because it can't get the discovery it needs. Doing a thorough job on the trade secret identification upon filing the case is essential to success.

The trade secret disclosure must balance several competing imperatives. Although in most cases the plaintiff has a good idea of what trade secrets the defendant has allegedly

misappropriated, the details of what is being used often emerge only with discovery. The trade secret identification must be broad enough to encompass technology or information likely to have been known, used, or known and used by the defendant but not so broad as to disclose technology or information the defendant did not have access to or know. Your initial trade secret disclosure might identify 50 or more trade secrets in overlapping categories. But by the time you complete fact discovery, go through expert reports and depositions, and make your final pre-trial disclosures, the number of trade secrets should be greatly reduced. Psychologist George Miller wrote about “the magical number seven plus or minus two.” Normally, there will not be enough time at trial to prove more than five to 10 trade secrets, nor can the judge or jury comprehend more. Continuously refine, limit, and categorize your trade secrets until they are distilled to the seven or so you can prove at trial. Serve updated disclosures to fully apprise the other side and the court of the trade secrets that will be tried.

The trade secret disclosure is equally important for the defendant. If the jurisdiction doesn't formally require the plaintiff to serve a written trade secret disclosure prior to discovery, insist on it anyway, bringing a motion to force early disclosure if necessary. There's plenty of law to rely on. No fishing expeditions into the defendant's documents should be allowed that enable a plaintiff to “define” or “update” its trade secrets to fit the technology that the defendant is using. Don't allow the plaintiff to skate with overbroad or indefinite descriptions of its trade secrets. Vigorously challenge inadequate trade secret descriptions so you can properly limit the scope of discovery into your client's documents and your expert can understand and evaluate the merits of the plaintiff's claim.

Proving Theft

Once you have completed your disclosure, how do you prove the theft? For the plaintiff, discovery in trade secret cases provides attorneys'-eyes-only access to the defendant's technology and alleged theft. The clearest cases involve former employees who secretly download and transfer confidential technical files to their new employer or who copy design documents, blueprints, circuits, or other technologies. Carefully examine the former employee's computer and company scanners and servers for evidence of copying and theft. Look for misspellings, footers, metadata, or other telltale markers from the plaintiff's documents that are repeated in the defendant's documents, showing the path of the theft. Misappropriation may also be established where an employee keeps engineering notebooks or other technical documents from his or her former employer and the designs or concepts from the retained documents infiltrate the defendant's design documents. In many cases, the plaintiff will seek

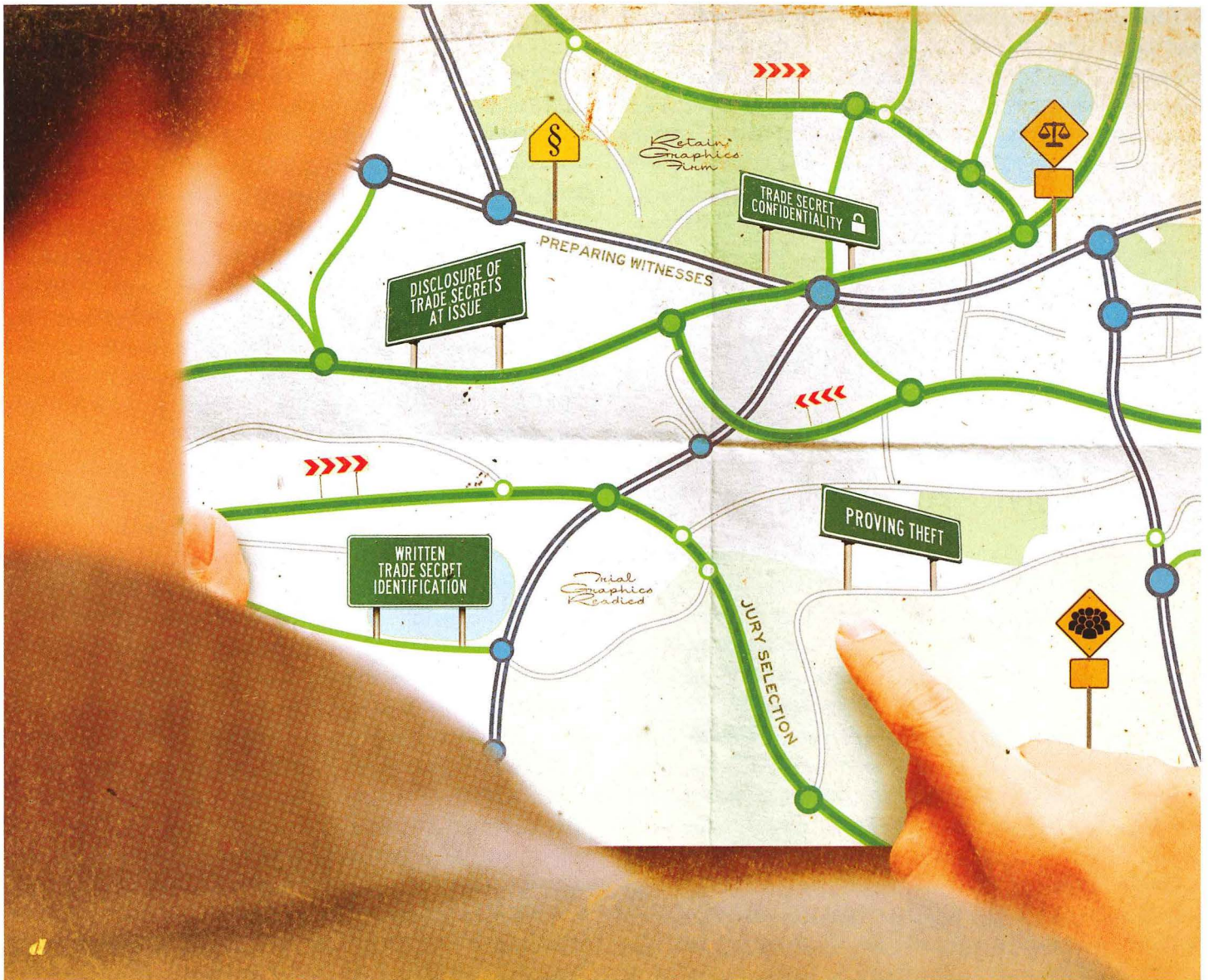
to prove that the defendant based its initial development work on trade secret knowledge learned from its or its employees' previous relationship or work with the plaintiff. The defendant's knowledge of what does and doesn't work in a particular area of technology can save months or even years of development time and will support a claim of misappropriation if that knowledge was obtained through improper means or under a duty to maintain its secrecy. Scour early design documents to show the connection and evolution from the plaintiff's to the defendant's technologies. Emails may reveal design choices and advances based on trade secret knowledge obtained from former employees or customers.

Like most cases, few trade secret cases go to trial. But trade secret cases often resolve through temporary restraining orders and preliminary injunctions. Serious misappropriation of trade secrets will normally prompt a requested temporary restraining order or preliminary injunction. These proceedings are mini-trials at which key documents are exchanged, critical depositions taken, and expert declarations submitted, followed by full briefing and long hearings—all under intense time pressure. A request for preliminary relief provides another reason why the plaintiff must define its trade secrets early: No knowledgeable judge will grant an injunction without a full submission and explication of the trade secrets. Often, the grant or denial of an injunction will give the parties a good understanding of the merits of the case, prompting a settlement.

Preparing Witnesses

If the case does not resolve after injunctive proceedings or discovery, the next major milestone will be identifying and preparing the witnesses for trial. In these days of time limits on testimony, selecting the best witnesses is critical to any matter but particularly to a trade secret case. There's no time for overlapping, duplicative, or unclear testimony.

The most important witness in a trade secret trial will be the inventor or employee who best knows and can explain the trade secrets. This witness needs to be thoroughly prepared with multiple practice sessions on the direct examination and anticipated cross-examination. The examining attorney should develop a preliminary outline from which to work with the witness and flesh out the testimony. Start with the witness's background and expertise, explore the development process of the trade secrets and any antecedent products, detail the company's efforts to safeguard the confidentiality of the trade secrets, and explain the process by which the defendant obtained access to the trade secrets. This key fact witness will be the foundation for the jury's understanding of the technology and also for the expert's opinions on the other side's use or nonuse of the technology. Most trade secrets cases will depend to a large degree



on the strength and credibility of the fact witness who invented and describes the trade secrets. Devote all possible resources into making that witness as strong as possible.

Another critical witness will be the technical expert witness. Your expert must write a thorough report covering all possible testimony and be fully prepared for deposition. In a complex technology case, it may take many months for the expert to learn the trade secrets and technology and to review the other side's key documents to form and support his or her opinions. At least several more weeks will be required for the expert to write the report. The expert should be retained as soon as possible—preferably as soon as you have a final version of the trade secret identification.

An expert with substantial testifying experience is normally most helpful, but at times the person with the best expertise has not served as an expert before. As in any technical case, these

less experienced experts may make terrific witnesses but will need extra guidance on how to approach the tasks, draft the expert report, and testify. Provide clear examples of expert reports—sending nonconfidential portions of prior expert reports to teach style, format, and tone—and meticulously proofread the draft report. Advise the expert that the report may end up being a hundred pages or longer; I've had several experts remark that the report ended up being more extensive than their PhD dissertation! At the end of the day, you want an expert who is fully versed in the facts, has considered and is ready for the various points of view and arguments, and is flexible enough to be strong and persuasive without being overly argumentative and defensive on cross-examination. It's a tall order but can be accomplished with thorough preparation and guidance. Expect to spend many days—and long weekends during trial—preparing the expert's trial testimony.

One of the most important issues for a technical expert's testimony in a trade secret trial is the "head start period." Normally, whether the plaintiff seeks an injunction or to recover profits unjustly earned by the defendant (or both), the plaintiff will need to prove that because of the theft of the trade secrets, the defendant obtained an unfair head start in the market. The injunctive and restitutionary damages period will be limited to

Trade secret cases often resolve through temporary restraining orders and preliminary injunctions.

the head start proven to the court. The plaintiff's expert will need to carefully consider, support, and opine on the number of months (or years) of development time saved by the defendant as a result of the misappropriation and use of the trade secrets. The expert also needs to consider whether the same head start (and any related damages) would apply if the jury finds that the defendant misappropriated less than all of the trade secrets. In other words, an expert needs to consider and testify about whether the head start and injury resulting from the use of the individual trade secrets must be apportioned or whether the same head start period and damages apply as long as at least one of the trade secrets is found to be have been misappropriated. The plaintiff's damages expert then will apply the opinion of the technical expert to analyze and opine on the defendant's unjust enrichment during the head start period.

In most trade secret cases, the defendant's expert will want to fully respond to the plaintiff's claimed head start, either disputing it entirely or establishing that any head start was minimal. It's normally a mistake for a defendant to limit its defense to rebutting the plaintiff's contention regarding the defendant's misappropriation of trade secrets. Better to offer alternative testimony that the claimed head start has no basis in the evidence. You don't want the judge or jury to reject your defense of nonuse of the trade secrets and then have no expert testimony rebutting the alleged head start and harm from that misappropriation.

As in any large, complex trial, the lead trial lawyer also must carefully plan the testimony and order of all the other witnesses. Normally, the plaintiff will want to call witnesses from its company for background, as well as the technical witnesses

discussed above, plus other friendly witnesses on key facts. But in trade secret cases, it's often essential to call the key defendant witnesses in the plaintiff's case to prove the misappropriation and use of the trade secrets that form the foundation for the technical and damages experts' testimony. Skilled trial cross-examination comes into play in questioning adverse, formidable witnesses accused of theft and dishonesty. There's no substitute for knowing the facts, record, and depositions cold, and for asking questions to which you are confident of the answer and which you can immediately back up through an exhibit or a deposition excerpt. Witnesses learn quickly when they can play fast and loose and when they can't. Keep all adverse witnesses on a tight leash. Examination of hostile witnesses during the plaintiff's case presents high drama—and real fun for those of us who love trials!

Finally, carefully plan and estimate the time needed for the witness testimony. In complex cases, federal judges and many state court judges frequently limit each side's trial time, for example, 15 to 25 hours including opening and closing. Assign a team member to set up a spreadsheet tracking the anticipated time for each witness, reserving ample time for opening and closing. Circulate the witness spreadsheet to the team and client frequently, and impress on everyone that no examining attorney can substantially exceed his or her allotted time. Each night after the trial days, update the witness examination spreadsheet as witnesses are completed, dropped, or added. Constantly review and rework the time allocations for each witness. And make sure you save sufficient time for closing. Don't be the party that runs out of time and has to sacrifice examinations at the end of the trial or—even worse—precious minutes of closing argument.

Graphics, Juries, and Secrets

Any complex technology trial will require graphics every step of the way. As soon as your trade secret identification is completed, retain your graphics firm. A graphics technician will be essential to provide illustrations and models of the trade secrets for the expert report, plus charts and animations for injunctive motions and other pretrial proceedings. At trial, the opening statement and closing argument will feature full graphic presentations, many of which will be replayed with the witnesses. Tutorials with slides and animations will be the cornerstone of the examinations of the inventor and the technical expert as you teach the trade secrets to the jury and prove (or disprove) the misappropriation. Interactive timelines and graphic maps showing the discovery and development of trade secrets are particularly effective. Team with your inventor, technical expert, and graphics technician to create the best illustration of the client's technology and how it was or was not misappropriated. It's a time for the utmost creativity.

The graphics technician will need to be on call and available throughout the trial.

As in any complex, document-intensive trial, engage a trusted trial technician to work with you and the graphics designer to best present the trial graphics to the jury and court. Trial exhibits will be pre-marked and digitized so they can be immediately displayed on monitors in the courtroom. Trial technicians often work longer hours than the trial lawyers because they have to wait for you to finish your examination outline before they can organize the next day's exhibits and graphics. It's essential that these technicians are fully integrated into the trial team. They can make the difference between smoothly run examinations and trial and distracting and deadly technical meltdowns.

What about the jury in trade secret or other highly technical cases? Many lawyers and jury consultants tend to avoid well-educated jurors with particular expertise in the technology—for example, electrical engineers in a circuit design case. The thinking is that a juror with substantial expertise will form “a jury of one” to whom other jurors will defer. While this is a legitimate concern, it should not be taken too far. Normally, a well-prepared lawyer will want a smart jury. Lawyers used to routinely excuse other lawyers on the jury; now lawyers are often retained as jurors for their analytical abilities. Unless a technical juror appears ill-suited to collective decision making or has other personal qualities that tend to disqualify him or her, think twice before you excuse an intelligent engineer or scientist just because that person may know about the technology. In federal or other courts where you have limited voir dire and as few as four peremptory challenges, you may have to choose between persons with little education or limited language skills and the specially skilled engineer. Often it's preferable to opt for a person with substantial education and life experience who may better understand the technology, even if that person has special expertise in the subject matter.

In any complex case, it's normally best to retain a jury consultant and conduct some form of mock jury proceeding prior to trial. If there's time, do several different jury exercises. Besides priming the trial team, mock jury exercises are often helpful in testing and refining critical themes, exploring a potential jury's technical comprehension, and obtaining critical feedback regarding witness credibility and “likability.” Testing the presentation and explanation of the trade secrets to a mock jury is particularly important. Does the mock jury adequately understand the trade secrets and the technology? Also, always try to agree with the other side on a three- or four-page jury questionnaire; start with the court's standard jury question list and tailor it for your case. If you're able to reach substantial agreement on a fairly limited and balanced questionnaire, most judges will allow it to be used, often sending it to the jury panel prior to the start of voir dire. Finally, listen to your jury consultant,

your client representative, your trial team, and others as to who would or would not be a good juror. If anyone on the trial team has a “bad feeling” about a prospective juror, give that feeling full consideration. But never disregard your own gut as a trial lawyer. Given a selection process with a limited number of peremptory challenges and visibility into who would serve next following a strike, it's normally fairly easy to reach consensus as to which jurors should be struck and which should be retained.

No matter who your jurors are, you'll need to make the case and technology as simple as possible. This is the biggest challenge in trade secret litigation. You should never talk down to a jury, but you *do* have to simplify concepts and use analogies every chance possible. We all retain and learn much better when information is presented both visually and orally. Always accompany testimony or argument with visuals—exhibits, models, prototype and actual products, charts, graphics, and animations. Da Vinci said that “simplicity is the ultimate form of sophistication.” Keep trade secret visuals and examinations simple and clear, and remember the magic number seven. Given an option, simpler (and shorter) is always better.

Another challenge in the trial of a trade secret case is safeguarding the confidentiality of trade secrets during court proceedings. By definition, trade secrets must be kept confidential. But court hearings and trials are normally open to the public, and judges do not like to close their courtrooms. In my trade secret trials, we've taken two different approaches. Most frequently, the judge will instruct the parties to segment their trade secret presentations, limiting the time during which the courtroom must be cleared of unauthorized personnel. Lawyers can structure their arguments and examinations to start and perhaps finish with material that does not disclose trade secrets, leaving a limited segment in the middle where spectators are asked to leave the courtroom. Alternatively, some courts will order the parties to agree on a one-page protective order that all in trial attendance must sign. The protective order will limit the use of any trade secret knowledge obtained by trial spectators and confirm the parties' and the court's agreement that no presentation or discussion of the trade secrets at trial will compromise the secrecy or status of the trade secrets.

Trade secret trials require all of the skills expected of a strong trial lawyer—plus greater technical understanding and unique strategies and constraints. There's no substitute for diving into the facts and the technology, reading everything you can, assembling a crack trial team, and applying and using your highest and best litigation tools and skills. Then define and refine your trade secrets early and often; select, prepare, and present your best witnesses; simplify your evidence and presentations; and be efficient. All much easier said than done, but tremendously satisfying work for a trial lawyer. ■