The Trade Secret Paradox

Publication
4.01.09

It is 4:15 on Friday afternoon. The office manager who led the rollout of your 2008 business plan and the sales rep who controls two of the company's top five accounts just resigned without notice to join a competitor. It appears they have already started calling the clients, perhaps even prior to their surprise resignation, and various client files are missing or incomplete. Other computer files look to have been downloaded and then deleted.

Upon hearing the news, your CEO's first inclination is to pursue immediate legal action against the former employees and the firm that hired them for stealing valued company trade secrets. "We need to find out what they took, when they took it and how they are using it."

After finding out what it could take to litigate, however, his next remark will likely be to ask: "Wait? We have to reveal our trade secrets to our competitor in order to file suit?"

Much to the surprise of many executives, courts around the country have generally held that plaintiffs must specifically identify the trade secrets at issue during a lawsuit. So in order to seek damages for misappropriation, companies may be forced to disseminate more of their intellectual property than they are comfortable with - a summary or simple description may not be sufficient.

So what is a plaintiff to do to minimize disclosure of its trade secrets during litigation while maximizing its ability to discover what information may have been taken by defendants? Here are five tips:

- Narrowly Identify the Trade Secrets at Issue
- Ensure Claims Are Based on Fact, Not Speculation
- Avail Yourself of Procedural Protections
- Assert Unrelated Credible Claims
- Take Steps to Preserve Your Trade Secrets

Much to the surprise of many executives, courts around the country have generally held that plaintiffs must specifically identify the trade secrets at issue during a lawsuit.

This article appeared in the April, 2009 issue of *Risk Management Magazine*.

Related People

Michael R. Greco
Regional Managing Partner
303.218.3655
Email

Christopher P. Stief
Regional Managing Partner
207.477.7007
Email