Exactly Which Trade Secrets Am I Enjoined From Using?

Insights
8.14.11

If there is one thing that non-compete and trade secret plaintiffs and defendants can agree upon, it is that injunctions need to be clear. If an injunction is going to preclude someone from doing something, it is best if they know exactly what they can and cannot do.

In federal court, this requirement comes directly from Federal Rule of Civil Procedure 65(d), which states that every injunction must, among other things, state its terms specifically and "describe in reasonable detail – and not by referring to the complaint or other document – the act or acts restrained or required."

This means it is not sufficient for a court to merely enjoin a defendant from using or disclosing, for example, the "trade secrets described in the plaintiff's complaint." Nor would it be sufficient to preclude a defendant from "using 'confidential information' as that term is defined in defendant's employment agreement." This does not mean that a court needs to specifically list each and every discrete piece of information that is the subject of the order. Rather, it simply means that a party required to comply with an injunction must be able to determine from the words of the injunction what he can and cannot do, or what he is required to do.

This prerequisite recently played a role in an appellate court's decision to vacate an injunction written by a district court. Namely, in IDG USA v. Kevin Schupp, the United States Court of Appeals

for the 2nd Circuit reiterated that a "party enjoined must be able to ascertain from the four corners of the order precisely what acts are forbidden." (A copy of the Court's decision is available in pdf format below.) The problem with the injunction at issue before the 2nd Circuit was that it simply prohibited the disclosure of trade secrets or confidential information, with no additional description of what secrets or confidential information were to be protected.

Accordingly, the 2nd Circuit remanded the case to the district court with instructions to add additional specificity. The 2nd Circuit noted that the district court could cure the defects by tracking the words of the non-compete agreement, which defined trade secrets and confidential information. The Court reasoned that although an injunction may not incorporate extrinsic documents by reference, it can track language from such documents in order to add specificity to the injunction.

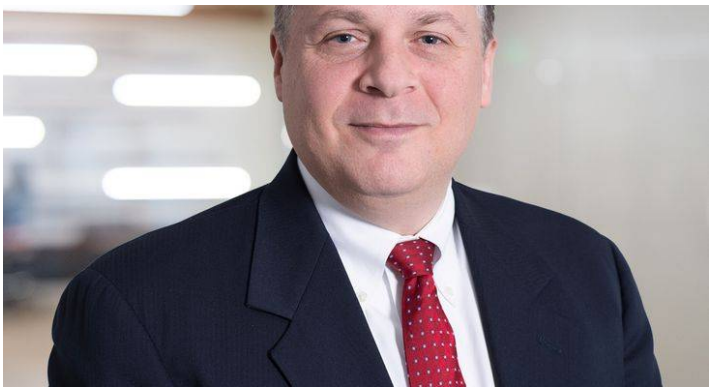
Vague language in injunctions often comes about for two reasons. First, some courts simply enter injunctions in a form proposed by the parties. Lawyers in injunction cases are sometimes working long days at a fast pace and sometimes fail to give their proposed orders careful consideration. While there is nothing wrong with a court signing off on a proposed order, if a proposed order is going to become a court order, it must still nonetheless comply with the requirement of Rule 65 in terms of its specificity. Vague and ambiguous language often proves to be ineffective and will likely be insufficient to support a finding of contempt.

Another factor that sometimes gives rise to imprecise injunctions is a party's legitimate concern about further disclosure of trade secrets through litigation. In other words, trade secret plaintiffs struggle with the tension between wanting to specify what trade secrets may not be used by the defendant, on the one hand, while not wanting to spell out those very same trade secrets to a party they do not trust, on the other hand. This tension is not new and courts around the country have generally held that plaintiffs must specifically identify the trade secrets at issue. This means that trade secret plaintiffs may have to actually disclose what trade secrets they believe the defendants misappropriated, and not just in a summary, descriptive fashion. (See You Just Stole My Trade Secrets. Want Some More?) It does, however, not mean that the details of those trade secrets need to be listed in a publicly available injunction.

Michael R. Greco is a partner in the Employee Defection & Trade Secrets Practice Group at Fisher Phillips. To receive notice of future blog posts either follow Michael R. Greco on Twitter or on LinkedIn or subscribe to this blog's RSS feed.

IDG v. Schupp.pdf (20.70 kb)

Related People



Michael R. Greco
Regional Managing Partner
303.218.3655
Email