

Fishing For Trade Secrets

March 14, 2018 by James Pooley

In a boat out on the lake, the little boy says, “Grandpa, why are we holding our poles out here?” I say, “Because that’s where I think the fish are.” “Will we catch any?” “I don’t know. Let’s wait and see.”

To anyone familiar with the discovery process in U.S. litigation, involving production of millions of emails and other electronic records, and dozens of pre-trial depositions of witnesses, it may be surprising to learn that less than a century ago we allowed none of that. Trial was the place where documents were introduced and testimony taken. The idea of getting early access to the other side’s evidence was widely derided as a “fishing expedition,” casting about for something you weren’t sure existed.

It took over twenty years of fierce infighting within the American Bar Association before the idea of requiring disclosure to an adversary was embraced and reflected in the 1938 Federal Rules of Evidence. Within a decade, the Supreme Court declared the corner fully turned: “No longer can the time-honored cry of ‘fishing expedition’ serve to preclude a party from inquiring into the facts underlying the opponent’s case. Mutual knowledge of all the relevant facts gathered by both parties is essential to proper litigation.” *Hickman v. Taylor*, 329 U.S. 495, 507 (1947)

Unfortunately, old taboos tend to linger. The first major revision to the Federal Rules issued in 1970, liberalizing the framework to make discovery easier. Objections were still framed as encouraging “fishing expeditions,” or sometimes the more dramatic “draining the swamp” of evidence. (Of course we no longer use that metaphor, since it’s been usurped by people who want politicians out of Washington.)

Broad discovery can be critical in trade secret cases, where the plaintiff may not know which of its secrets have been taken or misused. Misappropriation rarely happens in broad daylight. Although forensics can sometimes show that information has been copied or accessed improperly, often the alleged victim can only provide an educated guess as to what happened. Here in the U.S. the basic rule allows a plaintiff to file its case based on reasonable suspicion, and to use the discovery process to fill in the gaps.

Of course, modern discovery can be quite disruptive and expensive. Recognizing that there is a particular danger of abuse in trade secret cases, where defendants are often individuals or vulnerable start-ups, courts long ago began to manage this risk by requiring plaintiffs to identify the relevant secrets with “reasonable particularity.” In 1985, California decided to reinforce that requirement with a statute that prohibits a plaintiff from taking any discovery until it has complied.

Some courts outside of California have embraced this approach as sensible case management, explaining that it prevents unbounded rummaging through the defendant’s own secrets. But a few have gone further, posing the issue as not just potential harassment of the defendant but also the risk that the plaintiff, once given access to the defendant’s files, will – in the words of the judge who presided over the *Waymo v. Uber* case – “cleverly specify whatever happens to be there as having been trade secrets stolen from plaintiff.”

The problem with this observation is that it is unsupported by empirical evidence. And logically, one would expect – and courts can insist – that a plaintiff will be able to prove its own trade secrets by pre-existing records, eliminating the abstract concern about copying.

Naturally, discovery in trade secret cases can be abused. It’s part of a court’s job to avoid deliberate damage to a party inflicted by the cost of litigation. But in an information economy, disputes over trade secrets require access to information. We should allow all parties to a case to be properly informed by giving them access to the facts, in a way that is reasonably managed.

It’s important that trade secret owners consider this tension before filing litigation, especially in cases involving departing employees, where the relative burdens of litigation can affect how the court handles discovery. Here are some tips to help keep your case from being stalled by aggressive demands for details about your secrets.

- Take time during an employee’s exit interview to discuss and record, in as much detail as possible, their access to sensitive information during their time at the company. If they sign an exit statement with a list of categories, it will be difficult for them to argue later that those same categories, when

listed in a complaint, are too vague.

- Your pre-filing investigation should not focus solely on gathering evidence of bad behavior, but should include a careful review with managers about the specific information and projects the defendants had access to. This way, you will be prepared to articulate the most relevant information, and to do it immediately.
- Make two lists of the relevant secrets, one suitable for public view, and the other that provides much more detail.
- Prepare a stipulated protective order that aligns with any forms or examples used by the court where you will be filing your complaint. At the time of filing, give notice that you have a more detailed list that will be made available to defense counsel under the restrictions of your proposed protective order.
- Consider applying for an order to take expedited discovery, explaining your need to get access to the defendant's information immediately, to understand and assess the risk and perhaps to support an application for a preliminary injunction. Of course, if you have enough evidence at the outset to justify a temporary restraining order, then you can make your discovery application in that context.

The overall objective is to get the discovery process moving while demonstrating that you have given careful thought to the court's and the defendant's need to know what you are claiming as trade secrets. Getting that issue out of the way will make it more likely that you can use discovery in the way it was intended, to "discover" facts that are important to your case.

That a plaintiff seems to be fishing is no reason by itself to view its discovery as unreasonable. In trade secret cases, just like when we're out on the water, we go to where we think the fish are, and then we wait and see.

As I explain to my grandchildren, if we knew we would always succeed, we'd call it catching, not fishing.

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