LEVELING THE PLAYING FIELD: DUE PROCESS AND TRADE SECRET MISAPPROPRIATION CAL. CIV. PROC. CODE § 2019.210

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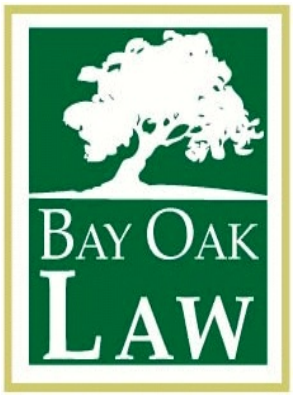
The Fifth Amendment to the US Constitution guarantees due process of law. One type of due process is knowing the details of the accusations in a court of law against you. But in trade secret misappropriation cases, the trade secret owner has a good reason not to put the details of the trade secret in the complaint: as a public document, anyone can see it. Some trade secret owners use this secrecy as a way of bashing former employees, by preventing the trade secret defendants from knowing what they are alleged to have stolen. How do courts balance the interests of the trade secret owner in preventing the trade secret from being generally known, and the interest of the defendants in knowing what they are being accused of taking?

In California, Cal. Civ. Proc. Code § 2019.210

> "was enacted to curb unsupported trade secret lawsuits routinely commenced to harass competitors and former employees. The California legislature understood that plaintiffs in trade secret cases are often unable to identify any trade secrets, even after months of extensive discovery. Trade secret claims are especially prone to discovery abuse since neither the court nor the defendant can delineate the scope of permissible discovery without an identification of plaintiff's alleged trade secrets. By restricting a plaintiff's ability to engage in discovery until it identifies its trade secrets "with reasonable particularity,"[Cal. Civ. Proc. Code § 2019.210] strikes a balance between a plaintiff's right to protect its trade secrets and a defendant's right to be free from the burdens associated with unsupported trade secrets claims."

Computer Economics, Inc. v. Gartner Group, Inc., 50 F. Supp. 2d 980, 992 (S.D. Cal. 1999). (Cal. Civ. Proc. Code § 2019.210 was known as Cal. Civ. Proc. Code § 2019(d) before it was renumbered effective January 2005. 33 Cal.L.Rev.Comm. Reports 825 (2004).)

"Reasonable Particularity." Cal. Civ. Proc. Code § 2019.210 requires that plaintiffs disclose with "reasonable particularity" the trade secrets defendants are alleged to have misappropriated. Until this occurs, plaintiffs cannot start



discovery – including written interrogatories, requests for documents, and depositions. Defendants can use this Cal. Civ. Proc. Code § 2019.210 as a shield to slow down the *blitzkrieg* that trade secret cases often start with.

Background. The roots of what is now Cal. Civ. Proc. Code § 2019.210 date back almost 50 years. In *Diodes, Inc. v. Franzen*, 260 Cal. App. 2d 244, 253 (1968), the appellate court recognized the due process rights of the defendant, and held that a plaintiff must "describe the subject matter of the trade secret with sufficient particularity to separate it from matters of general knowledge of those persons who are skilled in the trade, and to permit the defendant to ascertain the boundaries within which the secret lies."

The trend in California is far greater particularity than ever before. It is not enough to claim general categories: a Cal. Civ. Proc. Code § 2019.210 designation requires identifying the *exact* trade secret misappropriated. The case of *Perlan Therapeutics, Inc. v. Superior Court*, 178 Cal. App. 4th 1333 (2009) squarely rejects the typical trade secret plaintiff move of making a tremendously overbroad attempt to designate everything a trade secret. In *Perlan*, plaintiff provided four pages of "trade secrets," but "[m]uch of the text simply repeats the narrative available in the publicly filed second amended complaint and provides additional technical detail that is nonetheless publicly available. . . . Despite the highly technical language used, it is apparent that this description does not provide specific identifications of the peptides or reagents used in the process." *Id*. at 1338-1339. The *Perlan* appellate court upheld requiring the plaintiff to identify the alleged trade secrets misappropriated with far more particularity.

While Cal. Civ. Proc. Code § 2019.210 is a California state discovery statute, federal district courts have substantively applied the statue in federal actions dealing with misappropriation of trade secrets. *See, e.g., Advante Int'l Corp v. Mintel Learning Tech*., No. C-05-01022, 2006 WL 3371576, at * 3 n. 4 (N.D. Cal. Nov. 21, 2006) (Cal. Civ. Proc. Code § 2019.210 "provides an appropriate guide in the absence of specific provisions in the federal rules governing trade secret discovery.")

In *Computer Economics*, above, the Southern District of California held that federal courts cannot carve Cal. Civ. Proc. Code § 2019.210 out of the California Uniform Trade Secrets Act ("CUTSA") "without frustrating the legislature's legitimate goals and disregarding the purposes of [*Erie R.R. Co. v. Tompkins*, 304 U.S. 64 (1938)]." *Computer Economics*, 50 F. Supp. 2d at 992. Failing to apply Cal. Civ. Proc. Code § 2019.210 "would entitle a plaintiff to virtually unlimited discovery, enhancing its settlement leverage and allowing it to conform

misappropriation claims to the evidence produced by the defendant in discovery." Prohibiting these tactical abuses is the precise reason that Cal. Civ. Proc. Code § 2019.210 requires identification of the alleged trade secrets with particularity before discovery of the alleged misappropriator can commence. The *Computer Economics* court noted that Cal. Civ. Proc. Code § 2019.210 serves several purposes: "(1) it promotes investigation of claims prior to suit and discourages the filing of meritless trade secret complaints; (2) it prevents plaintiff from using the discovery process as a means to obtain the defendant's trade secrets; (3) it frames the appropriate scope of discovery; and (4) it enables the defendant to form complete and well-reasoned defenses." *Computer Economics*, 50 F. Supp. 2d at 985.

The Ninth Circuit's opinion in *Imax Corp. v. Cinema Technologies*, 152 F.3d 1161 (9th Cir. 1998) illustrates how Cal. Civ. Proc. Code § 2019.210 transforms into a tool of substantive law. In discovery, the plaintiff identified the trade secrets as, among other things, "the design of the cam unit, including every dimension and tolerance that defines or reflects that design." Id. at 1166. The defendant moved for summary judgment on the grounds that the plaintiff had failed to specifically identify the trade secrets at issue and, therefore, had not demonstrated that such information constituted trade secrets. Id. The court agreed, holding that plaintiff's failure to identify the precise numerical dimensions and tolerances of the purported trade secret rendered its claim fatally defective. Id. at 1166-68; see also *Universal Analytics. Inc. v. MacNeal-Schwendler Corp.*, 707 F.Supp. 1170, 1177-78 (C.D.Cal. 1989).

This concern is particularly important where a plaintiff is unfairly trying to claim ownership not of a trade secret, but of former employees' skill, experience, and general knowledge. See *Diodes*, 260 Cal. App. 2d at 250. "The concept of a trade secret does not include a man's aptitude, his skill, his dexterity, his manual and mental ability, and such other subjective knowledge he obtains while in the course of his employment ... the right to use and expand these powers remains his property." *SI Handling Systems, Inc. v. Heisley*, 753 F.2d 1244, 1255 (3rd Cir. 1985).

Lessons for Defendants: As soon as a defendant is served in a trade secret action, it should serve a demand for identification of trade secrets under Cal. Civ. Proc. Code § 2019.210. Until plaintiff complies, plaintiff cannot proceed with any discovery. Crafty defendants take advantage of the initial delay of discovery by plaintiffs to serve plaintiffs with discovery, for which they are often unprepared.

Lessons for Plaintiffs. Trade secret plaintiffs need to avoid being lulled into complacency. While the trade secrets at issue cannot be inserted into the complaint itself in any detail, the plaintiff should prepare a designation of trade secrets under Cal. Civ. Proc. Code § 2019.210 in as much detail as possible, and be prepared to serve it once a protective order is in place.

Trade secret misappropriation cases are usually sprints, not marathons. Plaintiffs hope to catch defendants off-balance, while defendants seek to wear down plaintiffs. Cal. Civ. Proc. Code § 2019.210 levels the playing field.

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