Inside 3Q2015

ACC Association of Corporate Counsel

BALTIMORE

FOCUS

President's Message

Dawn Resh

Happy Re-Entry Time

(or are you feeling those "end of summer" blues!),

It is hard to believe that Fall will soon be upon us and that we will be gearing up for the second half of our program year!

But, before we talk about the fall, I want to take a moment to thank all of you who attended our wonderful Golf/Spa event in May. Despite a delayed start to the golf rounds due to a brief thunderstorm, the day was a great success! Over 80 ACC members and sponsor representatives attended. The spa was relaxing, the golf was a pleasure for some and a trauma for others (depending on handicap!) and the new golf clinic was a resounding success. It will definitely be repeated. The revamped menu for dinner was also a hit!

Hats off to the Golf/Spa planning team that included Cory Blumberg, Larry Venturelli, Ward Classen, and Lynne Durbin. And, to all the other board members who pitched in to lend a hand on the day of the event!

Turning to our fall calendar, our day of service will be on September 11 and we will again be working with the Parks and People Foundation. We will most likely be working on a project in the afternoon, but more details will follow.

On September 29th, we will have a presentation by DLA Piper. Be on the lookout for an announcement in the next few weeks.

In October, our new running event will take place on the 17th as part of the Baltimore Running Festival. We will participate in the 5k as a sponsor of CASA of Maryland (Court Appointed Special Advocates). You should have received sign-up information already. Hope that you are getting in shape and that we will see many of you there!

Also in October, we will be having a joint luncheon meeting with the National Capital Region Chapter in Columbia on October 28. Our sponsor is Womble, Carlyle and they will present an interactive employment/ regulatory exercise that will require more participation than usual!

On November 18th, Anderson Kill will present a luncheon presentation on cyber liability and insurance. And, on December 10, Jackson Lewis will provide an employment related topic.

We are currently planning the fall social, sponsored by Miles & Stockbridge, our premiere sponsor. Stayed tuned for what promises to be a fun evening!

And, of course, there is the ACC Annual Meeting in Boston in October (18-21). Look for an email on whether you will be attending so that we can determine if there are enough members for a lunch table get-together.

On a quick governance note, your board had a fun team building exercise and evening of bowling in July—needless to say, we are glad we are not paid for our bowling skills! And, we have a board meeting coming up in October.

If you have interest in serving on the board or helping on a committee or with any activities, please let me know.

Also, if you have any questions or suggestions about our chapter, please do not hesitate to call or email me or any other board member.

Enjoy the last gasps of summer and I will see you at lunch or running around Baltimore!

Cybersecurity for In-house Counsel: Moving Out of IT Realm to Become an Issue of Corporate Leadership

By Veta T. Richardson, ACC President and CEO

Privacy breaches are now commonplace, though no two are alike. There have been several recent instances of data breaches at multinational corporations affecting millions of consumers and stakeholders. According to a report from a privacy and data protection institute released in September, 43 percent of companies have experienced a data breach – a 10 percent increase over only a year earlier – and more than one-quarter of companies do not have a data breach response plan or team in place. The number of people affected by data breaches intensifies the spotlight on how organizations – and government regulatory agencies – handle these situations.

Currently, a mixture of US laws and regulations lay the groundwork governing the control of data and the duty to disclose information during data breaches. Forty-seven states, in addition to Washington, D.C., Puerto Rico, Guam and the Virgin Islands, have enacted differing standards for dealing with breaches of privacy. Outside the US, countries such as Asia, Europe and Latin America have enacted new laws and amended existing privacy laws to address emerging cybersecurity issues and cross-border business operations.

The growing sophistication of many cyber attacks means that data security is, at best, an evolving issue and, at worst, a fast-moving target.

Around the world, general counsel (GC) and chief legal officers (CLO) at the Association of Corporate Counsel identify data protection as one of the top issues keeping them up at night, according to the *ACC CLO 2015 Survey*, released at the end of January. In fact, more than a quarter (27 percent) of all GCs and CLOs, including 41 percent of CLOs in Canada, 14 percent in the Asia Pacific region and 26 percent in the U.S., have experienced a data breach at their companies, according to this recent ACC research.

Interestingly, the prevalence of data breaches also varies heavily by industry for in-house counsel. GCs of companies in the healthcare industry were nearly twice as likely as the industry average to report that their companies had experienced a data breach over the past two years. In addition to the healthcare industry (49 percent), telecommunications (38 percent), transportation (35 percent), professional services (31 percent) and educational services (29 percent) reported greater than average data breach incidences.

Given the importance of this issue to the in-house community, ACC plans additional research and resources to address cybersecurity. In fact, the article "Cybersecurity – Emerging Trends and Regulatory Guidance" is currently the top trending article on the new ACC Docket site, www.accdocket.com. Two other data-focused pieces, "Transferring Personal Data Out of the European Union" and "Legal Considerations in Migrating the Cloud," round out the top five articles on the site.

Clearly, data and cybersecurity issues are top of mind for in-house lawyers today. And it makes sense, because aside from the chief intelligence officer and other security and information technology professionals, the CLO is often at the center of crisis response when a breach of privacy occurs at company.

And assessing and helping to mitigate potential liability and reputational risks resulting from a data breach is paramount to corporate counsel across the globe. Particularly for those in-house lawyers who are often well situated to elevate issues of proactive planning. Thus, the aforementioned legislation and other cybersecurity laws remain top-of-mind for corporate counsel, especially as it relates to liability, reputational harm and internal risks (i.e. breaches in protocol for employees access to sensitive or confidential information).

In-house counsel are proponents – and have been cognizant of the benefits – of developing compliance programs and new resources around rules governing the privacy arena, especially as companies become more diverse in their make-up and expand cross-border business operations. Clear communication to the C-suite and board of directors in the event of a data breach is a high priority for them, as they increasingly become business advisors, coupled with providing legal advice, to these audiences. The board of directors wants to be sure that executive teams have this well in-hand to safeguard many facets of the corporation and thwart any major costs associated with a cyber attack.

In addition, cybersecurity is not solely an information technology issue. It is an enterprise wide issue. The movement away from simple awareness toward behavioral change will better direct business leaders operating in various functions throughout a company. This mentality is particularly critical for the CEO, GC or CLO who may be responsible for answering questions posed by the board of directors.

In-house counsel can serve as a real resource in propelling privacy initiatives for their corporate clients. All of these actions can play a role in creating behavioral changes within an organization as it relates to cybersecurity measures.

The harmonization of privacy standards between countries is also vital. For instance, the US and UK have agreed to work together to launch simulated attacks to test the defenses of organizations, which aids towards creating stronger risk resilience and builds upon a foundation of preparedness and business accountability.

Although many cybersecurity-focused bills are moving forward with bipartisan support in Congress, in the meantime, most companies are not waiting for new legislation before they enact additional protections and disclosure policies. In the age of

continued on page 3

continued from page 2

"big data," no company wants to be the next example of a large-scale data breach or, even worse, a mishandled, poorly-communicated breach.

With so many moving parts, the constantly evolving nature of data security and impacts on both the corporate bottom line and corporate reputations, cybersecurity concerns have moved out of the IT realm to become true issues of corporate leadership.

Stay tuned for more on this topic from ACC, including our upcoming cybersecurity survey, which will be fielded later this year.

More about Veta

Veta T. Richardson is President and CEO of the Association of Corporate Counsel (ACC), the largest global bar association serving in-house counsel. Veta's priorities as CEO involve continuing to increase ACC's global footprint and leading the organization through a strategic plan designed to strengthen its position as the global voice for in-house counsel. During 2015, Veta led ACC's expansion into Australia through a membership merger with the Australian Corporate Lawyers Association (ACLA), now ACC Australia. The merger resulted in the establishment of the first staff office outside of North America and a 10 percent increase in ACC's membership, which now stands at 40,000 in-house lawyers in 90 countries. ACC's members, who work at more than 10,000 organizations, including 98 percent of the Fortune 100 and 51 percent of the Global 1000, look to the bar association for strategy, global legal analysis and research related to corporate best practices, advocacy and boardroom trends. Veta has held prior executive-level positions in the nonprofit association realm. She started her legal career as in-house counsel at Sunoco, Inc., where she was responsible for corporate governance, securities disclosure, financings and M&A transactions. She holds a B.S. in Business Management and a J.D. from the University of Maryland.

ACC News

ACC Annual Meeting: Rates Increase After September 9

Register for the ACC Annual Meeting (October 18–21, Boston, MA) by September 9 to save on registration. As the world's largest gathering of in-house counsel, this two-and-a-half-day program offers over 100 CLE/CPD sessions on current legal challenges that apply directly to your work. This meeting is the event that you cannot afford to miss. Day passes are available. Register today at *am.acc.com*.

Learn. Lead. Advance.

The Law Department Leadership 2.0 (21 September, Toronto, ON) is one day of training to advance your department and career. This program will help you hone your skills to be a more effective law department leader, collaborate with non-legal staff, demonstrate the value of your law department to the organization and prepare for the next steps in your career. Register today at *www.acc.com/lawdeptleadership*.

Save the Date: ACC Mid-Year Meeting

The all-new ACC Mid-Year Meeting will be taking place April 10-12 in New York, NY. This conference will offer advanced level education for senior in-house counsel on three tracks: Contracts Practice, Corporate Governance and Financial Industry Compliance & Data Management. For more information, visit *www.acc.com/mym*.

Risk Management, Project Management and Mini MBA

To be successful and become a trusted advisor for business executives, it's imperative to understand the business operations of your company. Attend these business education courses offered by ACC and the Boston University Questrom School of Business to learn critical business disciplines and earn valuable CLE credits:

- Risk Management & In-house Counsel (September 29–October 1)
- Project Management for the In-house Law Department (November 16–17)
- Mini MBA for In-house Counsel (December 2–4)

All programs take place in Boston unless otherwise noted. Learn more and register at *www.acc.com/businessedu*.

Engage Your Network

When your in-house peers join ACC, you increase opportunities to engage with friends and colleagues, expand your professional network, and share ideas and expertise. During our 2015 "Engaging Your Network" new member campaign, running now through September, you will earn rewards for each new member you recruit. We will recognize our Top Recruiters in the *ACC Docket* and at the 2015 Annual Meeting. Learn more by *visiting here*.

Learn How to Negotiate More Effectively with Arent Fox and ACC

ACC and Arent Fox have partnered to bring you powerful new contracts negotiation tools. Visit the ACC Contracts Portal to gain practical tips and insights, including how to negotiate technology agreements. Learn more at *http://acc.com/contracts/negotiations*.

Only one in three executive-level legal and compliance professionals believe they have the right tools to reduce third party ethics and compliance risks. Are you one of them? **NAVEX Global**, an ACC Alliance partner, can help improve your third party due diligence process. ACC members who purchase NAVEX Global's Third Party Risk Management solution will receive 50 percent off their first year platform fee and 15 percent off their initial due diligence report bundle. Learn more at *http://trust.navexglobal.com/ACC*.

Future Law Office

Future Law Office 2020: Redefining the Practice of Law examines key trends that are reshaping law practice management and driving change. Learn from leading experts in the legal field. *Read more*.

Appellate Counsel: When It Makes Sense

By Steven M. Klepper, Kramon & Graham, P.A.

For cases that go up on appeal, clients increasingly are hiring appellate practitioners as lead counsel. The transfer from a trial court to an appellate court presents a logical point to consider bringing additional counsel on board. With the record closed, clients may prefer to transfer primary responsibility to an attorney with the particular skills required for the new phase of litigation. Appellate counsel may come from trial counsel's firm or a different firm. In this article, I explain the value proposition of retaining appellate counsel.

Fixed Fees Can Control the Cost of Appellate Counsel.

Let's begin with the elephant in the room – cost. It takes money to orient appellate counsel, who may charge higher hourly rates. A negotiated fixed fee is an easy solution. Generally, clients love fixed fees, which enable them to reduce litigation costs to a fixed line-item on a budget, and which are a hedge against runaway legal expenses. Because, however, a civil case can end in many different ways at many different points in the representation, it can be difficult to negotiate a fixed fee for a trial representation. For an appeal, it's usually easy. There are fewer filings and not as many unpredictable variables. An appellate attorney should be willing and able to propose a fixed fee based on a preliminary review of the record. At that point, you can choose whether the cost justifies the benefits.

Trial and Appellate Work Involve Different Skill Sets.

When you're looking for trial counsel, you want an attorney with a large toolbox. Trial attorneys need to juggle tasks for a wide range of audiences (juries, judges, opposing counsel, and mediators) in a wide range of settings (depositions, discovery disputes, mediation, motions practice, hearings, and trial). The importance of each task depends on the circumstances of each case.

Appeals, however, involve a narrower range of tasks: legal writing and oral advocacy. In all cases, appellate attorneys' written work must be superior, carefully crafted to persuade appellate judges. For the most part, appeals are won and lost through the written briefs, not during oral argument. Therefore, an appellate lawyer must, above all, be an excellent writer.

It Doesn't Matter Whether You Won or Lost Below.

I often hear that appellate counsel is not as important when you win in the trial court. I disagree. True, the generic odds of success are better for an appellee than for an appellant. Whether you're the appellant or appellee, however, it is important to consider hiring appellate counsel.

First, the generic affirmance/reversal statistics include a great many appeals, including *pro se* appeals, that lack any legitimate appealable issues or that fail to make necessary arguments for reversal. And the procedural posture matters. If the trial court ruled as a matter of law – on a motion to dismiss, for summary judgment, for judgment as a matter of law, or for judgment notwithstanding the verdict – the chances of reversal are much higher. Affirmance may be your last, best chance to put a quick end to litigation that otherwise can drag on for years longer.

Second, skill in navigating the various standards of review is key to winning an appeal. Appeals often typically turn not on who is right or wrong, but on the standard of review of the trial court's decisions – "abuse of discretion," "clear error," or *de novo*. Different standards can govern different stages of the analysis. For example, even where an appellate court reviews the judgment *de novo*, it may be that a key predicate holding is subject to reversal only for an abuse of discretion.

Third, a transcript may tell a different story on paper than what you or your trial counsel may remember. An event that, at the time, seemed utterly unimportant may be a concession or representation that is key to victory on appeal. It can be hard for trial counsel to discard the lens of memory when reviewing the record on appeal.

Fourth, I think it sends the wrong message to trial counsel if you bring in appellate counsel only after a loss. It's possible to do everything right in a winnable case but still lose – just as it's possible to do everything wrong but still win. You're more likely to have a continuing relationship with trial counsel. If trial counsel knows that your policy is to bring in appellate counsel, there are no hard feelings.

Finally, what matters to appellate judges is different from what matters to trial judges. In the trial court, the question is who is right, on the existing law. But in an appellate court, which sets the precedents that bind trial courts, you need to tell the appellate court why it's *important* that you're right. An attorney can face unexpected questions about the justification for what seems like a settled rule of law, since an appellate court may create an exception where a rule's justification does not hold. You want counsel who can anticipate such questions and respond on the fly.

Appellate Counsel Should Work With Trial Counsel.

Nearly all the time, appellate counsel's job is to show that trial counsel did everything right (whether they did or not). In the vast majority of cases, therefore, trial counsel should appear on the brief, provide thoughts, and perhaps sit at counsel table during argument. You may even want trial counsel to argue the appeal, if the case is fact-intensive.

If your appellate counsel and trial counsel don't work well together, it's a problem with one or both of them, not with your decision to hire appellate counsel. Trial counsel must not be defensive, and appellate counsel must not be condescending. Both lawyers need to work together and realize that you're selecting counsel based on the different skill sets needed for different courts – neither job is better or harder. Writing the brief doesn't entitle appellate

continued on page 5

continued from page 4

counsel to argue the case. Likewise, trying the case doesn't entitle trial counsel to dictate the organization or structure of the arguments in the appellate brief. The only concern is the client's interest.

Appellate Counsel Can Act as a Consultant.

Even if you choose not to transfer responsibility from trial counsel, there still can be great value in consulting an appellate attorney. In particular, it makes sense at least to consult appellate counsel before drafting and filing briefs. Clients and lawyers devote a great deal of energy mooting their arguments that, to paraphrase Texas Supreme Court Justice Don Willett, would better be spent mooting their briefs. Any appellate judge will tell you that most appeals are decided on the briefs. That's especially true in the Court of Special Appeals of Maryland. About 30 days before argument, the Chief Judge selects the panel judge who will write the court's opinion for each case, except in the (rare) event that the judge is in dissent. I was involved in a case where the court issued a 70-page opinion in a multimillion dollar case three weeks after argument; I doubt that oral argument affected the opinion. The time to refine your argument, in response to tough questions, is before you file your briefs.

Appellate counsel can assist at the outset by identifying the arguments most likely to attract support from appellate judges. Or, a week before a brief is due, appellate counsel can do a "cold" reading of the brief, to gauge how a judge or clerk unfamiliar with a case would react to a brief. An excellent side benefit is that mooting a draft brief requires counsel to complete the draft well in advance of the deadline.

There are other ways that appellate counsel can provide consulting help. In big cases, it can be cost-effective for "embedded" appellate counsel to help preserve error, to prepare written memoranda for mid-trial motions for judgment, or to brief post-trial motions. Appellate counsel's fresh perspective can be a big help during or after a long trial. Also, although I think that mooting a brief is more important, oral argument can move the needle in some cases. Hiring appellate counsel as a "judge" in a moot court argument makes sense in some cases. Oral argument rarely changes the result, but it more frequently influences the reasoning by which the court reaches its ruling. If an appeal involves issues that your client regularly faces – where you care about the court's reasoning, not just whether you win – outside counsel can ask the tough questions that may seem out of left field.

Conclusion

When a case goes up on appeal, it is important to make a conscious decision whether to stick with trial counsel, or instead to bring appellate counsel onto the team. Alternative fee arrangements can help the client to judge whether appellate counsel is worth it. It won't make sense in every case. But hiring appellate counsel makes sense as a value proposition in a great number of cases.

Mr. Klepper is a Principal of Kramon & Graham, P.A., a full service civil litigation and transactions firm. His practice focuses on state and federal appeals. This article is a summary only, and should be used for informational purposes only. The information above is not legal advice and should not be relied on for that purpose. For specific legal advice for your particular circumstances and concerns, you should consult an attorney.

Steven M. Klepper
Kramon & Graham, P.A.
One South Street, Suite 2600
Baltimore, Maryland 21202
(410) 752-6030
sklepper@kg-law.com
www.kramonandgraham.com

Know Before You Go: A Condition Precedent For Trade Secret Litigation

By George F. Ritchie and Ned T. Himmelrich

If you are a plaintiff, time is of the essence in trade secret litigation. Consider the following scenarios: At 5 p.m. on a Friday, a high-level employee with access to your client's confidential customer lists and data informs your client that she has accepted a job with a competitor effective immediately. Monday morning, the client's IT department discovers that over the weekend the employee transferred highly confidentiality trade secret information to a home computer before she left, and the client believes she will begin utilizing that information right away with her new employer. Or, a joint venture in which the parties have shared technology and know-how falls apart on the eve of a new product launch and your client believes its now ex-venturer plans to move forward with the launch anyway, using your client's secrets.

As anyone who has litigated a trade secret case knows, when these situations arise, the first call you make is to your spouse, family and friends. If you had plans for the weekend, cancel them. Vacation? Not. You spend the next several days or weeks scrambling to understand exactly what trade secrets are at risk. Where do you look? The answer obviously depends on the nature of your client's business, but unless your client had the foresight to conduct a trade secret audit, you look everywhere you can. The compromised information could include client information, computer source codes, standard

continued on page 6

continued from page 5

operating procedures, patent applications, non-disclosure agreements, manufacturing data and even board presentations. The list is lengthy. You gather facts in the time available, verify the accuracy of your information as best you can, file your complaint and motion for injunctive relief, and say a little prayer that you have all of the details right. Perhaps in the back of your mind you think that, even if the specifics are a little off, you can take some discovery of the defendant to hone your trade secrets claim.

While no good litigator would intentionally trade accuracy for speed, a number of recent trade secret decisions indicate the increasing importance of understanding (and articulating) at the outset of the litigation the precise nature of the trade secrets your client believes have been misappropriated. The days are on the wane when a plaintiff could file its trade secrets complaint and count on discovery of a defendant before identifying the precise nature of the claims in dispute.

These recent decisions also demonstrate why tools to help clients gather and memorialize trade secrets – such as trade secret audits and related protocols -- can be critical to success or failure in litigation. Quick actions by a company faced with trade secret misappropriation require that the company be able to identify its trade secrets. While this sounds self-evident, a surprising number of companies have not conducted adequate trade secret audits and have only vague ideas about the scope of their own trade secrets. Under the recent decisions described below, these companies will not be well-positioned to strike quickly to protect their core IP assets.

A. Perspectives on the Past: Flexibility or Abuse?

Unlike patents, copyrights and trademarks, trade secrets are an amorphous type of intellectual property. The Restatement of Torts, which provided the original explication of trade secrets, defines a "trade secret" as follows:

> A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.

Restatement of Torts §757, cmt. b (1934).

The Uniform Trade Secret Act, which has been adopted by 44 states and the District of Columbia,[i] provides a definition of equal breadth and opacity:

> [I]nformation, including a formula, pattern, compilation, device, method, technique or process, that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Unif. Trade Secrets Act §1(4).

The scope of a company's trade secrets thus may be extremely broad, encompassing everything from financial information to marketing plans to manufacturing techniques and beyond. A company's trade secrets may just as often involve the processes or information the company does not practice or utilize, as well as those that it does. Trade secrets also may be "combination claims" which combine secret and non-secret items together. The protean nature of trade secrets has lead to a conundrum for some IP practitioners: how does one adequately define and protect a company's trade secrets without inadvertently excluding related combinations and extensions?

To a certain degree, trade secret litigation in the past solved this problem. Courts in earlier trade secret cases often allowed plaintiffs to resist precise identification of the trade secrets at issue in a case until very late in the litigation, sometimes upon completion of discovery or even on the eve of trial. These courts have identified at least three policies justifying this approach: 1) a plaintiff's broad right to conduct discovery under the Federal Rules of Civil Procedure; 2) the recognition that a trade secret plaintiff, particularly if the plaintiff has hundreds or thousands of trade secrets, may have no way of knowing what has been misappropriated until it receives discovery on defendant's operations; and 3) the "Catch-22" that might result in forcing a plaintiff to produce either a list of information that is too broad to qualify as trade secrets, or too narrow to capture the defendant's misappropriation.

As commentators have rightfully noted, however, the practice of allowing plaintiffs to conduct discovery before identification can lead to litigation abuse.[ii] Without a clear identification of the claims, defendants may be forced to defend a much broader set of trade secret issues than is justified. Plaintiffs, having looked into a defendant's bag of secret tricks, may be able to tailor their trade secret claims to fit the defendant's business practices. Finally, weak trade secret claims that might otherwise be appropriate for early dismissal survive longer than they should, at considerable expense to the parties.

B. Guidelines for the Future: Identification Early and Often

There have been scattered calls in the past by commentators and some courts for a uniform rule regarding early identification of trade secrets. As of 1996, courts had attempted to resolve this issue through at least nine different approaches, including bifurcation of discovery so that discovery of non-confidential information would take place first, after which a plaintiff would have to demonstrate a factual basis for its claims to allow discovery of confidential information. See *DeRubeis v. Witten Technologies, Inc.*, 244 F.R.D. 676, 680 (D.C. N.Ga. 2007).

Apropos of its position as one of the trade secret centers in the country, California has enacted a statutory requirement which requires a plaintiff in a trade secrets case "to identify the trade secret with reasonable particularity . . . before commencing discovery relating to the trade secret." California Code of Civil Procedure Section 2019.210.

Courts in a number of jurisdictions are beginning to follow suit and apply this standard on their own.

In *DeRubeis*, the U. S. District Court for the Northern District of Georgia required

continued on page 7

continued from page 6

plaintiff to identify its trade secrets with "reasonable particularity" before allowing plaintiff to take discovery. The court interpreted the reasonable particularity standard to require more than a description of areas to which the trade secrets relate: "reasonable particularity" means that the adversary is on notice of the nature of the claims and that the party can discern the relevancy of any requested discovery on its trade secrets. 44 F.R.D. at 681. The *DeRubeis* court concluded that this requirement was appropriate for a number of reasons: 1) plaintiff already appeared reasonably aware of the trade secrets at issue and would not have to list thousands of trade secrets in order to ensure it claims were protected; 2) the "reasonable particularity" standard would avoid the Catch-22 of either over- or under-identifying the crucial IP; 3) the standard would prevent plaintiff from engaging in a "fishing expedition" into defendant's business; 4) the standard placed appropriate limits on discovery by excluding discovery into issues not identified by plaintiff and 5) requiring plaintiffs to identify its trade secrets at this stage would allow defendant to begin to mount a defense to the allegations. *Id.* at 681-682.

Relying on *DeRubeis*, the U.S. District Court for the Eastern District of Michigan in *Dura Global, Tech, Inc. v. Magna Donnelly Corp.*, 2008 WL 2064516 (E.D.Mich.) stayed discovery until plaintiffs provided defendants with a list identifying the trade secrets alleged to have been misappropriated "with reasonable particularity." The *Dura Global* court also provided some insight into how stringently this standard can be applied. The Court reviewed plaintiff's initial list of trade secrets in connection with a motion to compel filed by the defendant and criticized the list as being "better described as a brief identifying areas as to which their trade secrets related . . . [the trade secrets] ***are described in general terms, such as 'business strategies and inside information,'*** interspersed with more specific information which identifies particular trade secrets." (emphasis added). 2008 WL 2064516 at *2.

The court concluded that plaintiff's list was lacking and highlighted the dangers of over-designating the trade secrets at issue:

> ***If Plaintiffs are claiming the misappropriation of each of these thousand of trade secrets, such a list is required by the reasonable particularity standard,*** with the exception noted above regarding trade secrets which are compilations of secret and non-secret information for which the secret information need not be specifically identified. ***However, the compilation must be identified with particularity.***

Id. (Emphasis added).[1]

In a similar vein, the U.S. District Court for the Northern District of California in *Farhang v. Indian Institute of Techonology, Kharagpur*, 2010 WL 2228936 (N.D. Cal.) dismissed several of plaintiff's claims for misappropriation of trade secrets due to insufficient early stage identification. In *Farhang*, plaintiff brought suit against defendants alleging, among other things, misappropriation of plaintiff's core technology as described in patent applications relating to wireless data technology, and plaintiff's "specific business models and implementations relating to this technology." 2010 WL 2228936 at *14. While the court found that the patent applications sufficiently described trade secret information, it held that a description of the business models and implementation as "specifics regarding the actual implementation of . . . the project" was insufficient under the reasonable particularity standard. *Id.* The court accordingly dismissed this aspect of the trade secret claim.

Courts across the country, including state courts, continue to hone the reasonable particularity standard in the context of complex texhnology claims. For instance, in an unreported opinion from the Superior Court of North Carolina, Gaston County, a court required a trade secret plaintiff in a case involving composite fibers used in combat helmets to go beyond summaries of the alleged trade secrets at issue, before beginning discovery. *See DSM Dyneema, LLC v. Thagrad, et al.*, 2014 WL 5317770 2014.

Although plaintiff had provided the defendants with lengthy narative descriptions of the trade secrets, the court held that Plaintiff "cannot claim that a method or process is a trade secret at this stage of the litigation without identifying the steps in the process and explaining how those steps make the process or method unique." *Id.* at *7. *See also Switch Communications Group v. Ballard*, 2012 WL 2342929 (finding discovery responses containing general references to computer HVAC products did not met reasonable particularity standard).

Not all courts applying the reasonable particularity standard have found plaintiff's identification lacking. In a trade secret case concerning computer software, *Storagecraft Technology Corp. v. Symantec Corp.*, 2009 WL 361282 (D. Utah), the U.S. District Court for the District of Utah found that plaintiff's description of its trade secrets as "all source code received under the License Agreement or derived or created from such code" met the reasonable particularity standard. 2009 WL 361282 at *2. The court specifically rejected defendant's argument for a "bit by bit" identification of the source code, and further found defendant's attacks on the ultimate merits of the trade secret claim improper at that stage of the case. *Id.* The Storagecraft court noted that "the reasonable particularity standard . . . is different from those standards used in determining whether a party is entitled to injunctive relief." *Id.* at *3.

While Federal Rule of Civil Procedure 65 (d) has always required specificity in orders granting injunctive relief, the Seventh Circuit's decision in *Patriot Homes, Inc. v. Forest River Housing, Inc.*, 512 F.3d 412 (7th Cir. 2008) may also be an indication of increased scrutiny of trade secret claims in the context of injunctive relief. And often, injunctive relief is the only remedy that can protect a client's ongoing market advantage. The plaintiff in *Patriot Homes* sought an injunction prohibiting defendant from disclosing and using its trade secrets relating to modular home designs. In reversing the lower court's grant of the TRO, the Seventh Circuit wrote that:

> the preliminary injunction entered by the district court uses a collection of verbs to prohibit Sterling from engaging in certain conduct, ***but ultimately it fails to detail what the conduct is, i.e., the substance of the trade "secret" or "confidential information" to which the verbs refer.***

continued on page 8

continued from page 7

512 F.3d at 416 (Emphasis added).

The court went on to note that while the plaintiff contended that its trade secrets were contained in its "playbook" for modular home construction, it was not possible to tell how much of the information in the playbook was readily available through FOIA requests. The court concluded that a district court issuing injunctive relief in a trade secret case must "identify each and every element of . . . trade secret and [identify] specific proscribed acts." *Id.*

The "takeaway" from these recent decisions is that potential trade secret plaintiffs must conduct greater due diligence before filing litigation. Plaintiffs will not be able to get away with vague allegations of trade secret misappropriation, hoping to sharpen their case after taking discovery of defendants. If a plaintiff cannot identify with "reasonable particularity" the trade secrets at issue at the outset, the plaintiff may not get the opportunity to conduct discovery and its claims will be dismissed.

C. Trade Secrets Audits: "Reasonable Particularity"

Let's turn back to the hypothetical litigation scenarios posed at the beginning. After you have informed your loved ones that you will not be able to enjoy a weekend at the beach with them because your client's trade secrets have just walked out the door on a thumb drive, the second phone call you should place will be to your client, asking it to begin identifying the exact nature of the trade secrets at issue. With luck, the very first document your client will send to you will be its trade secret audit, updated within at least the last calendar year.

Much has been written recently about trade secret audits and the various forms they can take, depending on the size of the company, the nature of its business and the amount of money the company is willing to invest in the project.[iii] In broad terms, a trade secret audit will identify a company's trade secrets and provide a comprehensive plan to protect them, including execution of employee nondisclosure agreements, confidential designations on trade secret material, and even physical barriers to prevent the dissemination of trade secrets.

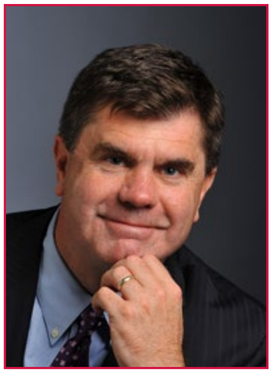
From a litigator's point of view, these audits should have several basic features in order to be valuable in assisting the prosecution of trade secret claims. First, the audit should describe the trade secret in as much detail as possible. So, for example, if the client believes its customer information is a trade secret, the audit ought to identify the kinds of information kept on customers, including, for example, in the case of manufactured goods, orders, payment history, margin analysis, specifications of custom products, marketing plans, and customer training programs. Providing this level of detail, instead of a generic designation of "customer files" or "sales history," will enable litigation counsel to identify the precise nature of the affected trade secrets quickly, and describe the protected information to the court with "reasonable particularity."

Second, a useful trade secret audit will identify the employees most knowledgeable on the particular topic, and this information will be updated on regular basis with new employee departures and arrivals. This information will enable litigation counsel to identify efficiently those witnesses who will need to be interviewed in preparation for the lawsuit, as well as identify custodians whose electronic data will need to be mined for discovery.

Finally, a useful trade secret audit will identify the documents that comprise and/or relate to the trade secret. So, in the case of our manufacturing example, all manuals, recipes, standard operating procedures and written protocols/instructions should be identified next to the description of the confidential process. Such a list will aid in the process of efficient document and information gathering during those first few crucial weeks when litigation counsel is working to understand and best present her initial salvo to the court. Of course, any company conducting a trade secret audit must bear in mind that the audit likely will be discoverable in litigation, and the audit should be thoroughly reviewed to ensure that it will be well-received by a court and/or jury.

D. Conclusion

While trade secrets remain a flexible form of intellectual property, the litigation procedures concerning misappropriation claims are tightening up to require earlier, more specific identification of the trade secrets at issue. This development should be a spur for clients and practitioners to create specific trade secret audits and related protocols upon which litigation counsel can draw when the need for speed in pursuing would-be misappropriators arises.



Mr. Ritchie is a partner in the Litigation and Intellectual Property/Technology Groups at Gordon Feinblatt LLC and may be reached at *gritchie@gfrlaw.com*.

Mr. Himmelrich heads the Intellectual Property/Technology Group at Gordon Feinblatt LLC and is also a member of the firm's Business Law Group. He may be reached at *nhimmelrich@gfrlaw.com*.

Citations:

[1]But see *Interactive Solutions Group, Inc. v. Autozone Parts, Inc.*, 2012 WL 1288173, 2 (denying motion to dismiss and noting that *Dura* opinion "did not involve a motion seeking to dismiss a trade secret misappropriations claim . . . Rather, the defendant sought to dismiss the trade secret count as a discovery sanction.")

[i]The remaining six states which have not adopted the UTAS – Massachusetts, New Jersey, New York, Pennsylvania, Texas and Wyoming – protect trade secrets through common law or state-specific statutes.

[ii]*See* Lee Ann Stevenson, Can You Be More Specific?, New York Law Journal, February 15, 2010; Charles Tait Graves and Brian D. Range, Identification of Trade Secret Claims in Litigation: Solutions for a Ubiquitous Dispute, 5 Nw. J. Tech. & Intell. Prop. 68 (Fall 2006), at 78-81.

[iii]*See e.g.*, Scott F. Gibson, Conducting a Trade Secret Audit, For the Defense, February 2011.

Ten Tips to Obtain Your Insurance Recovery

By Daniel J. Healy and Rhonda D. Orin

Too many businesses purchase insurance and stop there, assuming that their policies will work as advertised when a claim must be filed. In truth, buying the right insurance coverage is just the first step in using an insurance portfolio to obtain coverage for a company's losses and liabilities.

When it comes time to claim coverage under a policy, insurance companies often look for ways to delay and avoid payment. This delay often comes at a time when a policyholder has suffered a loss and is in financial need. Insurance companies are particularly adept and well practiced at delay tactics and avoiding some or all of their payment obligations.

The following steps are designed to help policyholders forestall or surmount these tactics. Understanding your insurance coverage and being prepared to rely on it ahead of time, beyond purchasing the policies a broker recommends, improves the likelihood of efficient and reliable claim payments. Prepared policyholders stand on a solid groundwork for taking the next steps in pursuing a claim after a loss and, as is sometimes necessary, after a denial.

1. Be sure that the policies your business purchases match the risks your business faces.

While buying insurance may seem straightforward, you need to analyze the types of risks your business has faced and the types it will face as it evolves with technology and industry changes. In particular, cyber coverage may be a consideration if your business processes, stores or even contracts out for the processing of electronic personal or credit card information. Similarly, D&O and specialty lines for professionals or employment practices often are overlooked.

2. Make sure you get what you intended to purchase.

Make sure not only that you obtained the right policy with the right coverage forms, but that the insurance company actually delivers that policy with those coverage forms and endorsements. In today's electronic age, a surprising number of policyholders receive their policy as an electronic file and never open it until they need it, after a loss has affected their business. Finding out in the wake of a major loss that a key endorsement is missing from the electronic file can be a serious problem, even if you otherwise received the policy you intended to purchase. Insurance companies often claim not to have policies that match the policyholder's. If the policyholder's copy is incomplete, it can create unnecessary difficulty in proving that the right coverage was ever in place, which leads to delay. On the other hand, checking these items when they come in and correcting them at the time creates an electronic record of receiving the right policy with the right coverage that insurance companies cannot credibly deny.

3. Index and organize current and past policies.

Hand-in-hand with making sure you get what you paid for, keep track of all policies that your business has purchased. Occurrence-based policies in particular have long-term value far beyond the effective date. Others before you may not have created files making the policies easy to locate. If that is the case, act now to reconstruct and document you company's historic insurance portfolio. Trying to do so under pressure of a major loss or liability creates further delay and complications, not to mention stress. Organize and index your current policies as you purchase them. If it has not been done already, index and create an archive of historical policies -- particularly occurrence-based liability policies, which provide broad coverage for claims that may still be brought today, even if purchased decades ago.

4. Complete insurance applications accurately and carefully.

Too many businesses treat insurance applications as mere formalities. Large businesses sometimes spend significant resources during renewal, working through a broker, but may still haphazardly complete the required application. Don't do this. Errors, including innocent errors, can cost you coverage you should otherwise get. If the error was made prior to policy inception, then there may be little that coverage counsel is able to do.

5. Give notice of claims early and often.

Notice of claims, even potential claims, should be provided quickly. Policyholders should consider which policies may apply to a potential claim and provide notice to all that may potentially respond -- often, more than one policy may apply. If you delay, timely notice provisions may complicate or even void coverage.

6. Challenge denials from insurance companies.

Insurance companies deny claims all too often on grounds that are not sustainable. They often use boilerplate language and reach conclusions without having the relevant facts. Policyholders should assess why it is they submitted the claim for coverage and what the insurance policy is supposed to cover. A denial should not be accepted as the final word.

7. Assemble a team.

Business policyholders generally need to involve personnel from different departments to address insurance claims and the losses underlying those claims. While the risk manager and general counsel's office intuitively make the team, others may be needed, depending on whether the claim involves operations, particular technology, financial information or other information specific to a particular department within the policyholder organization. Outside consultants may be needed as well. Conversely, certain persons may not be good candidates to participate in a claim team, depending on the loss or liability giving rise to the claim. If there is underlying litigation, counsel in that litigation is not the best counsel to pursue coverage for the litigation, for a number of reasons -- e.g., the insurance company is paying them.

continued on page 10

continued from page 9

8. Estimate or quantify the losses.

As early in the process as possible, track monetary losses, including funds spent, potential business interruption, defense costs or other expenses associated with the loss. Stick to the approach and numbers you use and do not let insurance companies arbitrarily re-label the categorization of your losses and expenses. Attention should be paid to policy language and, potentially, case law, in order to avoid limiting coverage unnecessarily.

9. Set a goal.

Business or organizational policyholders in particular need to set a goal for any claim they submit. Complicated claims processes, often made intentionally more complicated by insurance companies, can obscure the big picture and change the overall course of a claim. Set a goal and only modify it with after analysis.

10. Settle carefully.

Document your settlement. Clearly state what release is being given, whether it is a release of claims, policies or something else. Negotiate with each insurance company separately and avoid trying to reach universal settlements.

These tips focus on a number of common issues that can help before a claim arises, during the claim process and after. Policyholders need to persist in their claims and not be deterred by insurance companies that have much more experience with the claim process.

Rhonda D. Orin *(rorin@andersonkill.com) is the managing partner in the Washington, DC, office of Anderson Kill, a national law firm. Ms. Orin has recovered millions of dollars for policyholders in connection with hurricane losses, environmental clean-ups, asbestos insurance recoveries, the administration of ERISA plans and other circumstances.*

Daniel J. Healy *(dhealy@andersonkill.com) is a partner in the firm's Washington, DC, office. Mr. Healy has obtained insurance coverage for hurricane losses, 9/11 losses, environmental and asbestos liabilities, healthcare plans and other losses. As a former Trial Attorney at the Department of Justice, he has extensive experience in courts across the country.*

Upcoming Event

DLA Piper Lunch Presentation
September 29, 2015

Baltimore Running Festival 5k -- ACC Baltimore
Oct 17, 2015
8:15 AM - 10:15 AM
Paca & Pratt Streets
Baltimore, MD