

# Keeping it secret

How to protect your company's trade secrets during litigation

**F**or a company that depends on the confidentiality of its intellectual property, protecting its trade secrets during litigation may be as important, if not more important, than succeeding in the litigation itself.

"Whether the company is a plaintiff or a defendant in litigation, depending on the scope of the case, its trade secret information may be discoverable," says Joshua E. Liebman, an attorney at Novack and Macey LLP. "In fact, in some instances, a company may be required to disclose its valuable trade secrets to one of its direct competitors."

*Smart Business* spoke with Liebman about how to protect trade secrets during litigation.

## What are trade secrets?

To paraphrase Section 1(4) of the Uniform Trade Secrets Act — which has been adopted by most states — a trade secret is information that derives independent economic value from not being generally known to other persons and that is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. It is important to remember that both elements must be met for information to be classified as a trade secret.

In other words, although a customer list that is developed over two decades and that identifies particular needs and price points for each customer clearly provides its owner with economic value, it is a trade secret only if its owner takes reasonable steps to keep the list secret.

## Why would a party be required to disclose its trade secrets?

Trade secrets will almost always be disclosed by a party prosecuting a claim for either misappropriation of trade secrets or breach of a confidentiality agreement involving trade secrets. In addition to those two obvious examples, trade secret information could be responsive to discovery requests served in any other breach of contract or business tort case.

Generally, courts permit broad discovery and require parties to produce documents and other potential evidence that are relevant to any party's claim or defense, even if the potential evidence constitutes a trade secret. As a result, a defendant company may not only find itself in a lawsuit that it did not initiate but also in a position where it is forced to produce trade secret information to its competitor.



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## What can a company do to protect its trade secret information from disclosure?

The first step is to identify what it considers to be trade secret information. Once the trade secrets are identified, the company's attorney should closely scrutinize the discovery requests to determine whether the trade secrets are responsive to the requests. If the information is not responsive, it does not have to be produced.

If the attorney determines that the trade secret information is responsive to one or more requests, he or she should analyze whether there are proper grounds for objecting to those requests. Objecting on the basis that the information requested is confidential or a trade secret is not permitted. Instead, a valid objection is that the discovery request is overly broad because a complete response thereto would require the production of information that is not relevant to any of the parties' claims or defenses.

Once an objection is made, the attorneys may try to negotiate a limitation on the discovery request. If the attorneys cannot reach an agreement, then the party that served the request can ask the court to intervene by filing a motion to compel the production of documents or other information.

If a company's attorney or the court determines that trade secret information is responsive to a discovery request and no objection applies, then the information must be pro-

duced. However, the information can be protected through the entry of a protective order, which prohibits the use of the disclosed information for any purpose other than the litigation in which it was produced.

## How does a protective order work?

Generally, parties negotiate and agree to the terms of a protective order. In some instances, certain provisions of the protective order may be in dispute and require court intervention. In either case, the court must approve of the terms and enter the order so that it is a court order that can be enforced against anyone who breaches it.

Although protective orders vary, typically they divide protected information into two categories: confidential information and attorneys' eyes only information. Confidential information usually can be shared with the court (but only under seal), counsel for the parties to the litigation and their legal staffs, expert witnesses or consultants retained by the parties, deponents in the litigation and the parties themselves. Most protective orders require expert witnesses, consultants and deponents to sign acknowledgements consenting to be bound by the terms of the protective order prior to reviewing confidential information.

By contrast, attorneys' eyes only information generally can only be shared with counsel for the parties to the litigation. Highly sensitive and/or competitive information that a company does not want its opponent to access should be designated as attorneys' eyes only.

That designation, however, should be used sparingly. It places a heavy burden on the attorney reviewing the information because he or she cannot consult with the client to determine whether the information is relevant, accurate or complete. Accordingly, a blanket attorneys' eyes only designation likely will invoke an objection to the designation, which may result in loss of the heightened protection necessary for the information that truly is a trade secret.

Protective orders generally require protected information to be returned or destroyed at the end of litigation. A party concerned about its opponent using its trade secrets at the close of litigation should demand a signed verification that all protected information, including electronic and hard copies thereof, has been destroyed. <<

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