Revisiting Restrictive Covenants, Breach of Duty and Employee Theft of Trade Secrets Litigation

Presented by:
Craig A. Schloss | San Diego Office
Co-Presented by:
Whitney Laughlin | AMN Healthcare

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About the Firm

- Represents management exclusively in every aspect of employment, benefits, labor, and immigration law and related litigation
- 750 attorneys in 53 locations nationwide
- Current caseload of over 6,500 litigations and approximately 415 class actions
- Founding member of L&E Global
Misappropriation of Trade Secrets, CACI Jury Instructions

- Misappropriation of Trade Secrets – Introduction
- Misappropriation of Trade Secrets – Essential Factual Elements
- “Trade Secret” Defined
- Secrecy Requirement
- Reasonable Efforts to Protect Secrecy
- Misappropriation by Acquisition
- Misappropriation by Disclosure
- Misappropriation by Use
Improper Means of Acquiring Trade Secret
Remedies for Misappropriation of Trade Secret
Unjust Enrichment
Punitive Damages for Willful and Malicious Misappropriation
“Independent Economic Value” Explained
Affirmative Defense – Information Was Readily Ascertainable by Proper Means
Affirmative Defense – Statute of Limitations – Three-Year Limit (Civil Code, § 3426.6)
Pre-Discovery Disclosure of Alleged Trade Secrets

CCP § 2019.210
- Identify with reasonable particularity before commencing discovery

Advanced Modular Sputtering Inc. v. Superior Court
(2005) 132 Cal.App.4th 826
- Discourage filing of meritless claims
- Prevent discovery to learn about defendant’s claims
- Frame issues for discovery
- Allow defendant to formulate defenses
CUTSA Pre-Emption of Claims Based on Misappropriation of Trade Secrets

- **Silvaco Data Systems v. Intel Corp.**
  - Claims premised on taking of information that does not qualify as trade secret

  - Leave to amend to show common law claims not premised on same nucleus of facts
No Inevitable Disclosure Doctrine in California

Whyte v. Schlage Lock Company

- Evidentiary showing of actual misappropriation required
Permissible Scope of Injunctive Relief

- **Retirement Group v. Galante**
  (2009) 176 Cal.App.4th 1226
  - Disallowed injunction prohibiting solicitation of customers

- **Newlife Sciences, LLC v. Weinstock, et al.**
  (2011) 197 Cal.App.4th 676
  - Non-compete enforced as discovery sanction
Defendant Can Recover Attorneys’ Fees for Specious Trade Secrets Claim

- **SASCO v. Rosendin Electric, Inc.**
  - Absence of evidence of misappropriation

- **FLIR v. Parrish**
  - Bad faith
  - Filed for anti-competitive purposes
Still a viable claim?

- Duty arises from employer – employer relationship

- No tort for breach of duty of loyalty distinct from breach of fiduciary duty
Fillpoint, LLC v. Maas

- Court suggests in footnote that same rule prohibiting ban on non-solicitation of customers applies to solicitation of employees
Sale of Business Exception to Rule Against Non-Competes

- Business & Professions Code § 16601
- *Fillpoint, LLC v. Maas*
  - Must tie restrictive covenants to sale
  - Not just in employment agreement
**Forum Selection and Choice of Law Provisions**

- **Meras Engineering, Inc. v. CH20, Inc.**
  (N.D. Cal., Jan. 14, 2013)
  - Involved California based employees of Washington state employer
  - Federal court in Washington upheld non-compete agreements under Washington choice of law provision
  - California federal court dismissed defendants declaratory relief action
  - California court upheld forum selection clause

- **Application Group v. Hunter**
  - California state court refused to enforce out of state choice of law provision to determine enforceability of non-compete agreement entered into by employee with non-California employer
Advanced Bionics Corp. v. Medtronic, Inc. (2002) 29 Cal.4th 697

- California Supreme Court held that California court could not enjoin out of state proceeding to enforce non-compete against a California resident.

- Court also ruled that out of state action did not divest California of jurisdiction.

- Potential for conflicting judgments.
Possible violation of California non-compete law
Possible violation of anti-trust laws
NLRB Rules Confidentiality and Non-Disparagement Provisions Unlawful

Quicken Loans, Inc., 359 NLRB No. 141 (2013)

- Restricted activities protected by Section 7 of the NLRA
Social Media Issues

- Publication of company’s trade secrets
- Address confidential information in social media policy
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