

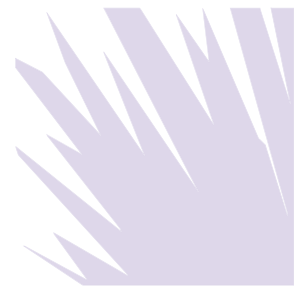
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#### Commentary on Equitable Remedies In Trade Secret Litigation (2022 Version)

## The Sedona Conference Commentary on Equitable Remedies in Trade Secret Litigation

The Sedona Conference



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THE SEDONA CONFERENCE COMMENTARY ON EQUITABLE  
REMEDIES IN TRADE SECRET LITIGATION

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Trade Secrets*

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## PREFACE

Welcome to the final, March 2022 version of The Sedona Conference *Commentary on Equitable Remedies in Trade Secret Litigation* (“*Commentary*”), a project of The Sedona Conference Working Group on Trade Secret Law (WG12). This is one of a series of Working Group commentaries published by The Sedona Conference, a 501(c)(3) research and educational institute dedicated to the advanced study of law and policy in the areas of antitrust law, complex litigation, intellectual property rights, and data security and privacy law. The mission of The Sedona Conference is to move the law forward in a reasoned and just way.

The mission of WG12, formed in February 2018, is “to develop consensus and nonpartisan principles for managing trade secret litigation and well-vetted guidelines for consideration in protecting trade secrets, recognizing that every organization has and uses trade secrets, that trade secret disputes frequently intersect with other important public policies such as employee mobility and international trade, and that trade secret disputes are litigated in both state and federal courts.” The Working Group consists of members representing all stakeholders in trade secret law and litigation.

The WG12 *Commentary* drafting team was launched in 2018. Earlier drafts of this publication were a focus of dialogue at the WG12 Annual Meeting, Online, in November 2020, the WG12 Annual Meeting in Charlotte, North Carolina, in November 2019, the WG12 Inaugural Meeting in Los Angeles, California, in November 2018. The *Commentary* was published for public comment in May 2021. The editors have reviewed the comments received through the Working Group Series review and comment process and, where appropriate, incorporated them into this final version.

This *Commentary* represents the collective efforts of many individual contributors. On behalf of The Sedona Conference, I thank in particular Victoria Cundiff, currently the Chair of WG12, and James Pooley, now the Chair Emeritus of WG12, who serve as the Editors-in-Chief of this publication, and Victoria Cundiff and Elizabeth Rowe, who serve as the Senior Editors of this publication. I also thank everyone else involved for their time and attention during this extensive drafting and editing process, including our Contributing Editors Jennifer A. L. Battle, Michael P. Elkon, Jeffrey D. Feldman, Mindy Morton, and Patrick J. O'Toole Jr. In addition, I thank volunteer Jean Marie Gutierrez for her special assistance and contributions to this effort.

The Working Group had the benefit of candid comments by the Judicial Advisors designated to this *Commentary* drafting team effort—the Honorable Laurel Beeler, the Honorable Donald F. Parsons, Jr. (ret.), and the Honorable Joseph R. Slight III. The statements in this *Commentary* are solely those of the nonjudicial members of the Working Group; they do not represent any judicial endorsement of any recommended practices.

The drafting process for this *Commentary* also was supported by the Working Group 12 Steering Committee.

We encourage your active engagement in the dialogue. Membership in The Sedona Conference Working Group Series is open to all. The Series includes WG12 and several other Working Groups in the areas of electronic document management and discovery, cross-border discovery and data protection laws, international data transfers, data security and privacy liability, patent remedies and damages, and patent litigation best practices. The Sedona Conference hopes and anticipates that the output of its Working Groups will evolve into authoritative statements of law, both as it is and as it should be. Information on

membership and a description of current Working Group activities is available at <https://thesedonaconference.org/wgs>.

Craig W. Weinlein  
Executive Director  
The Sedona Conference  
March 2022

## FOREWORD

Obtaining or resisting some form of equitable relief is a key component of many trade secret disputes, both at an early stage and following trial on the merits. This *Commentary on Equitable Remedies in Trade Secret Litigation* is designed to be a resource to assist parties and decisionmakers in conducting this analysis. The *Commentary* reminds readers that equitable relief in trade secret disputes does not stand apart from general principles of equity and explores how those principles have been applied to trade secret disputes. Given the nature of equitable relief, the *Commentary* does not, and by definition, could not, urge a one-size-fits-all approach to equitable relief in trade secret disputes. Rather, it focuses on exploring the key factors courts consider in assessing any equitable relief and considers how courts have applied these basic equitable factors to evaluating and fashioning equitable relief in trade secret disputes.

Trade secret disputes often arise on an emergency basis before either party has developed a full evidentiary record. The perceived “need for speed” can lead to a number of problems that the *Commentary* works to address. The *Commentary* offers suggestions for assessing how an early remedy can be calibrated to the availability of evidence and whether targeted expedited discovery may assist the parties and the court in evaluating early requests. It also emphasizes that equitable relief, or its denial, must always be tied to the direct and circumstantial evidence presented to the court and the reasonable inferences therefrom and not rely simply on oft-cited mantras or invocations of presumptions. The *Commentary* further offers examples of how such assessments have been made in a variety of cases in jurisdictions across the country. Finally, it gives guidance for selecting, scoping, and drafting a variety of equitable remedies to suit the needs of a variety of disputes.



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Editors-in-Chief and Working Group 12 Steering Committee

Chair and Chair Emeritus

Victoria Cundiff

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## I. INTRODUCTION

Some form of equitable relief is often sought as a critical component in litigated trade secret disputes, whether in lieu of or in addition to a request for money damages at trial. Equitable relief may be sought both at an early stage, for example to preserve evidence or prevent the actual or threatened misappropriation of trade secrets prior to final judgment, and after trial to attempt to prevent further harm and to undo the effects of prior misappropriation. Violation of an order granting equitable relief is punishable by contempt of court.

Whether equitable relief is appropriate and, if so, in what form, is committed to the sound discretion of the courts. This judgment may be set aside on appeal only for abuse of discretion. Abundant case law and commentary caution, however, that “discretion is not whim.”<sup>1</sup>

The fact that a request for equitable relief is made in a trade secret case does not override more general equitable principles but may affect how these principles are applied. Equitable remedies in trade secret disputes, as in other cases, must always be gauged against the purposes of the underlying substantive law as well as the overall rules and principles governing equitable relief and must consider the impact of the proposed order not only on all of the parties but also on the public and third parties.

In addition, special rules and practices have evolved in the trade secret arena. Both the Defend Trade Secrets Act (DTSA) and the Uniform Trade Secrets Act (UTSA) contemplate that equitable relief may be available against actual or threatened misappropriation. It may include affirmative measures to protect trade secrets as well as prohibitory injunctions, which are

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1. For a thoughtful discussion of judicial review of decisions to grant or deny equitable relief generally, see Henry J. Friendly, *Indiscretion About Discretion*, 31 EMORY L.J. 747, 773–78 (1982) (preliminary injunctions).

limited under the DTSA when sought against a trade secret owner's former employees. Equitable relief to address misappropriation can also include discretionary monetary remedies to be established by the court, not a jury, including accountings, disgorgement of unjustly gained profits (viewed as an equitable remedy in some jurisdictions and as a legal remedy in others), or royalties to be paid by a so-called "innocent misappropriator" as a condition of continuing to use the trade secret where the court determines that injunctive relief would be unfair. Much of the *Commentary* is directed to considering how courts have applied basic equitable principles in determining whether to grant relief in the trade secret context and what any such relief should look like.

Requests for equitable relief often require careful case management both while the request is pending and once any order is entered. Applications often require the evaluation of evidence at the outset of the dispute in a highly compressed time frame before critical facts are equally available to the parties. A court asked to enter equitable relief at the outset of a trade secret dispute faces difficult challenges in assessing the facts and balancing the claimed need for immediate relief against the need for a more robust evidentiary record. In some but not all cases, the court may determine that the earliest equitable relief should be directed solely to preserving the *status quo ante* (as it existed prior to the dispute) until discovery, often on an expedited basis, can shed greater light on the equities. The *Commentary* offers guidelines for managing such early requests.

Once the parties have more fully developed relevant evidence, the court may again be called upon to determine whether, and what kind of, equitable relief may be appropriate. This *Commentary* offers guidance to aid the parties and courts in making such evaluations over the course of the dispute and in crafting and managing any equitable relief that is granted both prior to and following trial.

This *Commentary* draws on case law from throughout the United States illustrating various, often creative, ways, that courts have addressed recurring issues. While the *Commentary* relies primarily on federal decisions applying both federal and state trade secret law, it is informed by and cites some decisions and practices from state courts as well. The *Commentary* cites numerous cases to illustrate the importance of factual nuances in evaluating requests for relief, but it is not exhaustive. Readers should also keep in mind that while the language used in decisions and statutes throughout the country may be similar or even identical, different courts may have developed differing interpretations of the same language. Readers considering equitable relief in specific jurisdictions will need not only to consult current reported case law, but also to engage with lawyers practicing in that jurisdiction to understand the actual practice and nuances in that forum.<sup>2</sup>

**An important note on terminology used in this *Commentary*:** Different jurisdictions at times use different terminology to describe similar phases of the dispute. This *Commentary* follows the terminology of Federal Rule of Civil Procedure 65 and uses the term “temporary” equitable relief or “temporary” injunctive relief to refer to relief sought most typically at the first stage of a lawsuit that is designed to be of very limited duration, often seven to ten days. This *Commentary* uses the term

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2. Subject to the caveats noted, decisions and orders of “out-of-jurisdiction” courts, although not controlling, can often offer helpful guidance and spark suggestions for thoughtful equitable remedies to similar disputes arising in other jurisdictions. In the same vein, a number of the decisions this *Commentary* cites illustrating thoughtful approaches to recurring issues have been designated by the issuing courts as “not for publication” or “unpublished.” Whether out- of-jurisdiction or unpublished decisions can be cited varies according to the rules of the relevant jurisdiction. Their analysis may nonetheless be useful to lawyers throughout the country in helping fashion arguments and approaches to similar issues.

“preliminary” equitable relief to refer to relief that is typically sought before trial at a later stage and that often, but not always, is anticipated to endure through trial. Following Rule 65, this *Commentary* uses the term “permanent” to refer to relief following trial, recognizing, however, that such orders may not be perpetual, may have specific time limitations, or may be subject to modification due to changed circumstances. At times as the context requires, this *Commentary* uses the terms “interim” or “pre-trial” as a broad term to address guidance relating to all pretrial equitable relief, whether temporary or preliminary. Readers considering actions brought in state courts will want to understand and use the terminology appropriate in the jurisdiction of interest.

## II. BACKGROUND PRINCIPLES OF EQUITABLE RELIEF

A request for injunctive relief under the UTSA and DTSA as well as under common law is subject to the general rules of equity.<sup>3</sup> While state procedural rules vary, and even in the federal system there is some variation across circuits as to the formulation and weighing of factors for entry of equitable relief, cases across the country emphasize that injunctive relief is an extraordinary remedy, never awarded as of right.<sup>4</sup> Courts considering injunctive relief generally focus on the following four factors:

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3. See, e.g., *JTH Tax, Inc. v. Freedom Tax, Inc.*, No. 3:19-cv-00085-RGJ, 2019 WL 2062519, at \*13 (W.D. Ky. May 9, 2019) (collecting cases); *Capstone Logistics Holdings, Inc. v. Navarrete*, No. 17-cv-4819 (GBD), 2018 WL 6786338, at \*33–34 (S.D.N.Y. Oct. 25, 2018), *aff'd in part and remanded for entry of revised order*, 796 F. App'x 55 (2d Cir. 2020) (summary order). See also the detailed discussions of the application of these factors in trade secret cases throughout this *Commentary*.

4. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). See, e.g., *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997) (requiring that movant by a “clear showing” carries the burden of persuasion); *Chlorine Inst., Inc. v. Soo Line R.R.*, 792 F.3d 903, 914 (8th Cir. 2015); *McNeilly v. Land*, 684 F.3d 611, 615 (6th Cir. 2012), *cited in*, *JTH Tax*, 2019 WL 2062519, at \*4 (trade secret case); *Nichols v. Alcatel, Inc.*, 532 F.3d 364, 372 (5th Cir. 2008) (“A preliminary injunction is an ‘extraordinary remedy’ and should only be granted if the plaintiffs have clearly carried the burden of persuasion in all four requirements”), *cited in*, *inter alia*, *McAfee LLC v. Kinney*, No. 4:19-CV-463, 2019 WL 4101199 (E.D. Tex. Aug. 29, 2019) (trade secret case); *JBR, Inc. v. Keurig Green Mountain, Inc.*, 618 F. App'x 31, 33 (2d Cir. 2015) (summary order); *Overstreet v. Lexington-Fayette Union Cty. Gov't*, 305 F.3d 566, 573 (6th Cir. 2002), *cited in*, *Radiant Global Logistics, Inc. v. Furstenau*, 368 F. Supp. 3d 1112, 1123–24 (E.D. Mich. 2019), *appeal dismissed*, 951 F.3d 393 (6th Cir. 2020) (trade secret case); *Brightview Grp., LP v. Teeters*, 441 F. Supp. 3d 115 (D. Md. 2020) (trade secret case); *MicroStrategy, Inc. v. Motorola, Inc.*, 245 F.3d 335, 339 (4th Cir. 2001) (trademark case); *Packing Corp. of Am., Inc. v. Croner*, 419 F. Supp. 3d 1059, 1072 (N.D. Ill. 2020) (trade secret case); *Admor HVAC Prods., Inc. v. Lessary*, Civ. No. 19-00068 SOM-KJM, 2019 WL 2518105 (D. Haw. June 18, 2019) (trade secret case); *In re Document Techs. Litig.*, 275 F. Supp. 3d 454, 460–61 (S.D.N.Y. 2017) (trade secret case).

- Whether the moving party has established a sufficient likelihood of success on the merits.<sup>5</sup>
- Whether the moving party has established that absent relief, it will suffer immediate (or imminent) and irreparable harm.<sup>6</sup> As part of this assessment, case law focuses on whether in the particular circumstances monetary relief will “make the movant whole,” a consideration that is sometimes phrased as whether the movant has “an adequate remedy at law.”
- Whether the balance of the hardships favors (some jurisdictions say “strongly” favors) the moving party and the impact of particular proposed relief on the nonmoving party.
- Whether the public interest will “not be disserved.” Some jurisdictions phrase this factor as whether the public interest will be harmed by reason of the grant or denial of the injunction.

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5. See discussion *infra* Part V.A. (Evaluating the Movant’s Likelihood of Success on the Merits). If a request for equitable relief is made after trial, this prong generally has been satisfied, although the scope of the determinations at trial as well as the other enumerated factors will be relevant to assessing a request for ongoing equitable relief.

6. See *Winter*, 555 U.S. at 20 (holding that when a plaintiff who demonstrates a strong likelihood of prevailing on the merits shows only a possibility of irreparable harm, a preliminary injunction may not issue). See discussion *infra* Part V.B. (Evaluating Evidence of Irreparable Harm).



The same standards apply in the federal system to requests for temporary,<sup>7</sup> preliminary,<sup>8</sup> and permanent<sup>9</sup> relief. State courts often follow similar rules,<sup>10</sup> but with some instructive variation.<sup>11</sup> The specific current formulations followed in the jurisdiction of interest should always be assessed.

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7. See, e.g., *New Motor Vehicle Bd. v. Orrin W. Fox Co.*, 434 U.S. 1345, 1347 n.2 (1977); *Lockheed Missile & Space Co. v. Hughes Aircraft Co.*, 887 F. Supp. 1320, 1323 (N.D. Cal. 1995), *cited in*, *Maxlite, Inc. v. ATG Elecs.*, No. 8:20-cv-01056-JLS-ADS, 2020 WL 6260007, at \*1 (C.D. Cal. July 13, 2020) and *Earthbound Corp. v. MiTek USA, Inc.*, No. C16-1150 RSM, 2016 WL 4418013, at \*7 (W.D. Wash. Aug. 19, 2016).

8. See *Winter*, 555 U.S. at 20.

9. The Supreme Court has reframed these factors in respect to permanent injunctions as requiring a demonstration by movant (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. *Monsanto Co. v. Geertson Seed Farms*, 561 U.S. 139, 156–57 (2010), quoting *eBay v. MercExchange, LLC*, 547 U.S. 388, 391 (2006). This formulation has been followed in trade secret cases at the permanent injunction stage. See discussion *infra* Part VIII (Additional Factors to Consider in Connection with Permanent Injunctions).

10. See, e.g., *C.G. Riverview, LLC v. 139 Riverview, LLC*, 98 Va. Cir. (2018) (following *Winter* in evaluating request for temporary injunction); *Tex. R. Civ. P.* 693 (“The principles, practice and procedure governing courts of equity shall govern proceedings in injunctions when the same are not in conflict with these rules or the provisions of the statutes.”).

11. See, e.g., Minnesota’s five factor test, which considers, on requests for interim equitable relief, (1) the nature and background of relationship; (2) the harm to be suffered by one party if the temporary restraint is denied compared to that inflicted on other party if an injunction issues pending trial; (3) the likelihood that one party will prevail on the merits when facts are viewed in light of established precedents; (4) aspects of the fact situation which permit or require consideration of public policy expressed in statutes; and (5) the administrative burdens involved in judicial supervision and enforcement

Recognizing that an “improvidently granted” early-stage injunction may damage the enjoined party, under the Federal Rules of Civil Procedure and the rules of many states, a court granting temporary or preliminary equitable relief must assess a bond, or security, to protect the enjoined party against the damage an improper injunction may have inflicted.<sup>12</sup>

How these common rules play out in particular cases varies across jurisdictions and responds to particular factual showings. As examples of the variations in formulating and applying these traditional principles, many cases emphasize that the single most important factor in assessing requests for provisional or interim injunctive relief is the imminent likelihood of irreparable harm and that in its absence the other requirements will not be considered.<sup>13</sup> Other cases state that the likelihood of success is the most important factor.<sup>14</sup> Some cases hold that “[n]o single factor in itself is dispositive; rather, each factor must be considered to determine whether the balance of equities weighs toward granting the injunction.”<sup>15</sup> There is also variation as to

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of temporary decree. *Dahlberg Bros., Inc. v. Ford Motor Co.*, 272 Minn. 264, 274 (1965).

12. See discussion *infra* Part VII (Establishing an Injunction Bond to Protect the Interests of the Nonmoving Party).

13. See, e.g., *Winter*, 555 U.S. at 20; *First W. Capital Mgmt. Co. v. Malamed*, 874 F.3d 1136, 1143 (10th Cir. 2017) (stating, in a trade secret case: “No Showing of Irreparable Harm, No Preliminary Injunction”); *Siegel v. LePore*, 234 F.3d 1163, 1176 (11th Cir. 2000); *Direx Israel, Ltd. v. Breakthrough Med. Corp.*, 952 F.2d 802, 816 (4th Cir. 1991), *as amended* (Jan. 7, 1992), *abrogation recognized on other grounds in Sarsour v. Trump*, 245 F. Supp. 3d 719, 729 n.6 (4th Cir. 2017) (reversing preliminary injunction because the trial court had failed to take into account that movant was not suffering imminent irreparable harm).

14. See, e.g., *Home Instead, Inc. v. Florance*, 721 F.3d 494, 497 (8th Cir. 2013).

15. *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1179 (8th Cir. 1998).

what level of “likelihood of success” must be shown. On a request for a temporary restraining order, for example, where the court is primarily focusing on the as yet unchallenged claims and evidence of the movant and generally no discovery has occurred, the court may focus less on the merits of the movant’s claims than upon the threatened injury to the movant and the possible injury to defendant if the remedy is improvidently granted.<sup>16</sup> Some jurisdictions apply various sliding scales to the assessment of the first three factors, such that, for example, a stronger showing of irreparable harm and a balance of hardships decidedly in favor of the movant will require a lesser need to establish a likelihood of success on the merits.<sup>17</sup> Whether litigating in federal or state courts, litigants are cautioned to assess the specific formulations used in the relevant jurisdictions.

Regardless of the precise formulation adopted by the specific court, the movant bears the burden of persuasion as to all four elements.<sup>18</sup>

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16. See, e.g., *American Messag. Svcs., LLC v. DocHalo, LLC*, No. 10761-VCN, 2015 WL 1726536, at \*at \*2 (Del. Ch. Apr. 9, 2015) (finding that on a request for a temporary restraining order, the existence of a colorable claim is required but “[t]he essential predicate for issuance of the remedy is a threat of imminent, irreparable injury” (citations omitted)).

17. See, e.g., *Abrasic 90 Inc. v. Weldcote Metals, Inc.*, 364 F. Supp. 3d 888, 896 (7th Cir. 2019) (trade secret case citing cases discussing a “sliding scale” approach and requiring that as a threshold movant show that its chances to succeed on its claims are “better than negligible”).

18. See, e.g., *Honeywell, Inc. v. Brewer-Garrett Co.*, 145 F.3d 1331 (6th Cir. 1998), cited in *Millenium Health, LLC v. Roberts*, No. 1:19CV2381, 2020 WL 2814440, at \*8 (N.D. Ohio March 4, 2020), *report and recommendation granted*, 2020 WL 2812871 (N.D. Ohio May 29, 2020), *appeal dismissed*, 2020 WL 7585827 (6th Cir. Nov. 18, 2020); *P.C. Yonkers, Inc. v. Celebrations! the Party & Seasonal Superstore, LLC*, 428 F.3d 504, 508 (3d Cir. 2005). Some decisions suggest or hold that movant must establish each element by clear and convincing evidence. See, e.g., *Reco Equip., Inc. v. Wilson*, No. 2:20-CV-3556, 2020 WL 6823119, at \*6 (S.D. Ohio Nov. 20, 2020) (citation omitted), *aff’d in*

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*part, vacated in part as to non-compete claim and remanded for determination of security*, 2021 WL 5013816 (6th Cir. Oct. 28, 2021). *See also* Arthur J. Gallagher & Co. v. Marchese, 946 N.Y.S. 2d 243, 244 (2d Dep't. 2012) (same).

### III. AN OVERVIEW OF EQUITABLE REMEDIES IN TRADE SECRET DISPUTES

**Affirmative Acts to Protect Trade Secrets.** The UTSA and the DTSA both provide that “[i]n appropriate circumstances, *affirmative acts to protect a trade secret* may be compelled by court order” (emphasis added).<sup>19</sup> This possibility can afford both courts and litigants flexibility, for example, in developing court-ordered procedures to forensically identify and quarantine documents allegedly containing trade secrets and to establish auditing, reporting, and monitoring procedures to protect trade secrets, whether at an early stage<sup>20</sup> or after trial.<sup>21</sup> The early use of such affirmative measures can at times resolve problems and eliminate the need for prohibitory injunctive relief or a full trial.

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19. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 § 3(A)(ii) [hereinafter Defend Trade Secrets Act]; Unif. Trade Secrets Act § 2(c) [hereinafter Unif. Trade Secrets Act]. The Official Commentary to the UTSA explains that Section 2(c) “authorizes mandatory injunctions requiring that a misappropriator return the fruits of misappropriation to an aggrieved person, *e.g.*, the return of stolen blueprints or the surrender of surreptitious photographs or recordings.” As described in the UTSA Commentary, courts have in fact ordered additional kinds of affirmative measures to protect trade secrets including inspections, certifications, monitoring, and other measures.

20. See, *e.g.*, *Amphenol Corp. v. Paul*, No. 3:12CV543 (AVC), 2012 WL 5471857, at \*3 (D. Conn. Nov. 9, 2012) (establishing “fire wall[]” procedure and certification obligations to prevent disclosure of trade secrets), *amended and superseded by* 2013 WL 12250880 (D. Conn. Jan. 8, 2013); *Free Country Ltd. v. Drennen*, 235 F. Supp. 3d 559, 569–70 (S.D.N.Y. Dec. 30, 2016) (directing forensic review and remediation process but denying broader activity restraints once affirmative preservation and remediation measures had been completed); *Huawei Techs. Co., Ltd. v. Motorola, Inc.*, No 11-cv-497, 2011 WL 612722 (N.D. Ill. Feb. 22, 2011) (order detailing forensic and training procedures).

21. See, *e.g.*, *Allergan, Inc. v. Merz Pharm., LLC*, No. SACV-11-446 AG (Ex) (C.D. Cal. filed Mar. 9, 2012) (permanent injunction order detailing forensic remediation requirements); *Epic Sys. Corp. v. Tata Consultancy Servs. Ltd.*, No. 14-cv-748-wmc, 2016 WL 6477011, at \*3 (W.D. Wisc. Nov. 2, 2016).

Conversely, early relief may lead to the discovery of evidence showing that additional equitable relief and ultimately monetary relief is warranted.

**Prohibitory Injunctive Relief.** The UTSA and the DTSA also provide that “actual or threatened misappropriation may be enjoined.”<sup>22</sup> The scope of such prohibitory injunctions can vary widely. For example, an injunction order may simply prohibit the defendant from using or disclosing specified information that has been shown to be (or in the case of a request for early injunctive relief, has been shown likely to be) a trade secret. How even that basic concept is operationalized, however, may vary dramatically depending on the needs of the dispute. Such prohibitions may require in some cases merely that the defendant be prohibited from retaining or accessing particular documents containing the trade secret. Other injunctions may prohibit the defendant from using or disclosing trade secrets (“use” injunctions) or from engaging for a time in activities that put the trade secrets at risk.

After trial, and occasionally earlier, if the trade secrets are found to have become intertwined with the defendant’s processes and systems, the court may enter a “production” injunction requiring the defendant to limit or even exit participation in the field for a period of time. In unusual circumstances on a strong factual showing, a production injunction has even led to a final order directing the dismantling of the defendant’s production line or sales process incorporating the misappropriated trade secrets.<sup>23</sup>

**Mandatory vs. Prohibitory Injunctions.** Some courts have spoken of a heightened burden on parties seeking mandatory

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22. Unif. Trade Secrets Act, *supra* note 19, § 2(a); Defend Trade Secrets Act, *supra* note 19, § 2(3)(A)(i).

23. See discussion *infra* Guideline Nos. 11 and 15–17.

injunctions that force the opposing party to take certain actions as opposed to prohibitory injunctions that prevent it from engaging in particular activities.<sup>24</sup> How orders under the UTSA or DTSA directing affirmative measures to protect trade secrets relate to this general case law varies according to the specific relief requested, the evidence that has been assembled and the procedural posture of the case. For example, the impact on an ongoing operation of an order to preserve or segregate particular documents at the start of a dispute may be relatively modest. At a later phase, however, the information at issue may have become intertwined with information independently developed by or rightfully in the possession of defendant. At that point, assessment of the mandatory vs. prohibitory distinction may require more nuanced scrutiny.<sup>25</sup> Courts may require a greater showing by the movant that the information at issue is indeed a trade secret at risk of misappropriation, or by the defendant that the information has been independently developed, is readily

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24. See, e.g., *Schrier v. Univ. of Colo.*, 427 F.3d 1253, 1260 (10th Cir. 2005); *Tom Doherty Assocs., Inc. v. Saban Entm't, Inc.*, 60 F.3d 27, 34 (2d Cir. 1995) (trademark case). See also *SRS Acquiom Inc. v. PNC Fin. Servs. Grp., Inc.*, No. 1:19-CV-02005-DDD-SKC, 2020 WL 3256883, at \*3 (D. Colo. Mar. 26, 2020); *Brightview Grp., LP v. Teeters*, 441 F. Supp. 3d 115, 128 (D. Md. 2020) (preliminary injunction decision; trade secret case).

25. See, e.g., *SRS Acquiom Inc.*, 2020 WL 3256883, at \*3 (observing that “[t]he Court admits that in many cases trying to resolve what constitutes a mandatory injunction versus a prohibitory one, or which side is seeking to alter the status quo feels more metaphysical than legal or factual,” but concluding that the party’s request for a preliminary injunction enjoining defendant’s continued possession and use of documents more than one year after their departure from plaintiff’s employ “undermines whatever argument [plaintiff] might have had that it was on the side of preserving, rather than upsetting, the status quo”; holding, therefore, that plaintiff must make a “particularly strong” showing that it is likely to succeed on the merits and that the balance of harms is in its favor).

ascertainable, or is otherwise available for the defendant to use without restriction.

**The DTSA's Special Limitations on Injunctive Relief Affecting Former Employees.** Trade secret disputes arise most often against former employees who know them. Recognizing the potential impact of some injunctions on the ability of employees to work for new employers, the DTSA includes three important limitations on equitable relief against former employees. First, state statutes concerning the enforceability of restrictions on competitive employment must be respected.<sup>26</sup> Second, the DTSA prohibits injunctions to “prevent a person from entering into an employment relationship.”<sup>27</sup> And third, the statute specifies that “conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows.”<sup>28</sup> As discussed in some detail below, these rules have not prevented the grant of injunctions placing conditions on engaging in particular competitive employment where courts are presented with sufficient evidence demonstrating threatened misappropriation and imminent irreparable harm.<sup>29</sup>

**Monetary Equitable Relief.** The court may also order monetary equitable remedies. Both the UTSA and the DTSA expressly contemplate that in exceptional circumstances an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time for

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26. 18 U.S.C. § 1836(3)(A)(i)(II). Thus, for example, the DTSA does not preempt or alter California's strong statutory prohibitions on many forms of noncompete agreements embodied in Cal. Bus. & Prof. Code § 16600.

27. 18 U.S.C. § 1836(3)(A)(i)(I).

28. *Id.*

29. *See, e.g.,* Waymo LLC v. Uber Techs., Inc., No. C 17-00939 WHA, 2017 WL 2123560, at \*1–2 (N.D. Cal. May 11, 2017), discussed *infra*.



which use could have been prohibited.<sup>30</sup> This royalty is to be determined by the court sitting in equity, rather than by the finder of fact. Certain other monetary remedies, including an accounting of profits and disgorgement of amounts unfairly gained by the misappropriation, have been held by some courts to be equitable remedies to be awarded by the court.<sup>31</sup> A jury may render an advisory verdict on such claims. The parties and the court should focus at an early stage on whether particular remedies the trade secret owner seeks are “legal” remedies, to be determined by the trier of fact, or “equitable” remedies.<sup>32</sup>

**The Duration of Equitable Relief.** The duration of both injunctive and monetary equitable relief may vary according to the needs of the particular dispute, even at early stages. The duration of interim orders may range from a fixed period of time

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30. Unif. Trade Secrets Act, *supra* note 19, § 2(b); Defend Trade Secrets Act, *supra* note 19, § 2(3)(A)(iii); 18 U.S.C. § 1836(b)(3)(A)(iii).

31. For example, the Federal Circuit has concluded that an award of unjust enrichment damages is an equitable remedy to be determined by the court where it is not a substitute for plaintiff’s lost profits. *Texas Advanced Optoelectronic Sols., Inc. v. Renesas Elecs. Am., Inc.*, 895 F.3d 1304 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 2741 (2019). *Accord*, *GSI Tech., Inc. v. United Memories, Inc.*, 721 F. App’x 591, 594 (9th Cir. 2017); *Motorola Solutions, Inc. v. Hytera Communication, Inc.*, No. 1:17-CV-1973, 2020 WL 6554645 (N.D. Ill. Oct. 19, 2020), and Dkt. No. 1099 (N.D. Ill. filed Jan. 8, 2021). *Cf.* *Epic Sys. Corp. v. Tata Consultancy Servs. Ltd.*, No. 3:14-cv-00748-wmc, 2017 WL 4357993 (W.D. Wis. Sept. 29, 2017), *reconsideration denied*, 2019 WL 1320297 (W.D. Wisc. Mar. 22, 2019) (affirming a jury’s determination of an award of \$140 million in avoided development costs as unjust enrichment rather than as a proxy for lost profits), *damages award aff’d; exemplary damages award reversed and remanded*, 980 F.3d 1117 (7th Cir. 2020).

32. Considerations relating to the proper calculation of equitable monetary remedies are discussed in the *The Sedona Conference Commentary on Monetary Remedies in Trade Secret Litigation*, Public Comment Version (May 2022), available at [https://thesedonaconference.org/publication/Commentary\\_on\\_Monetary\\_Remedies\\_in\\_Trade\\_Secret\\_Litigation](https://thesedonaconference.org/publication/Commentary_on_Monetary_Remedies_in_Trade_Secret_Litigation).

(i.e., through a specific date or event or the completion of particular tasks) to the interval between an order granting relief and trial on the merits. After trial, courts have entered injunctions of a fixed duration and injunctions that are specified to be “permanent” but which, like other orders granting equitable relief, can be vacated for good cause shown. The duration of some permanent injunction orders, as well as some monetary relief, can be tied to a “head start” period found to approximate the unfair lead time the misappropriator gained by the misappropriation. However, as discussed below, some orders granting permanent injunctive relief leave the duration indefinite, allowing the enjoined party to seek modification if warranted by the facts.<sup>33</sup>

**The Geographic Scope of Equitable Relief.** Given the nature of the trade secret right, Congress when enacting the DTSA expressed as the “Sense of Congress” that “trade secret theft, wherever it occurs, harms the companies that own the trade secrets and the employees of the companies.”<sup>34</sup> Both before and after the passage of the DTSA, some courts have entered extra-territorial or even worldwide preliminary or permanent injunctions where found to be warranted.<sup>35</sup>

Finally, it should be noted that some equitable orders, both before and after trial, have also imposed verification or reporting procedures apprising the parties and the court of compliance.<sup>36</sup>

**Equitable Relief May Also Be Available Under Other Legal Theories.** Trade secret disputes may be entwined with other

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33. See discussion *infra* Guideline Nos. 15–17.

34. Defend Trade Secrets Act, Pub. L. 114-153, § 5 (uncodified).

35. See discussion *infra* Part VIII (Additional Factors to Consider in Connection with Permanent Injunctions).

36. See discussion *infra* Guideline Nos. 23 & 24.

claims. For example, many trade secret owners couple their claims for trade secret misappropriation with claims seeking to enforce noncompete or nonsolicitation agreements. Given the variation in the state laws concerning noncompete and nonsolicitation agreements, this *Commentary* does not specifically address injunctive relief that is focused solely on enforcing noncompetition and nonsolicitation contract claims.

Similarly, a finding that the trade secrets have become part of defendant's patent application or issued patent may lead the trade secret owner to request an order compelling the transfer or licensing of the patent or application. Some case law has held that this relief is not available under trade secret law since the information disclosed in the patent or application is no longer a trade secret and the Uniform Trade Secrets Act does not expressly provide for this remedy.<sup>37</sup> A plaintiff faced with this situation will want to consider all avenues for equitable relief.<sup>38</sup>

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37. See, e.g., *B. Braun Medical, Inc. v. Rogers*, 163 F. App'x 500 (9th Cir. 2006) (observing, however, that this relief may be available under other legal theories, such as constructive trust or in accordance with the terms of a contract); *OmniGen Research, LLC v. Wang*, No. 6:16-CV-268-MC, 2017 WL 5505041, at \*23 (D. Or. Nov. 16, 2017), *appeal dismissed*, 2018 WL 3012530 (9th Cir. May 21, 2018). Cf. *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226, 1250 (Fed. Cir. 1989) (ordering assignment of a patent as a remedy for misappropriation of trade secrets under pre-UTSA authority), *superseded by statute on other grounds*, Cal. Civ. Code § 3426.3, as stated in *B. Braun Med.*, 163 F. App'x at 509. See also *New Lenox Indus., Inc. v. Fenton*, 510 F. Supp. 2d 893 (M.D. Fla. 2007) (recognizing that a number of states courts have entered as a remedy an assignment of patents to the party from whom confidential information underlying the patent had been misappropriated).

38. See, e.g. *Agilent Techs., Inc. v. Kirkland*, C.A. No. 3512-VCS, 2010 WL 610725 (Del. Ch. Feb. 18, 2010) (unpublished) (directing defendants to withdraw the patent application, or, if they refused to do so, assigning the patent to plaintiff, who would be entitled to charge defendants a royalty for practicing the patent); 35 U.S.C. §256 (permitting an application to correct inventorship at the United States Patent Office); *CODA Dev. S.R.O. v. Goodyear*

This *Commentary* focuses exclusively on equitable relief available under trade secret law. The reader should understand that in cases involving multiple theories for injunctive relief, the court will apply many of the same overarching equitable principles described in this *Commentary*, but in the context of differing substantive laws.

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Tire & Rubber Co., 916 F. 3d 1350, 1359 (Fed. Cir. 2019) (finding that claim for correction-of-inventorship pled along with trade secret claims stated a plausible additional claim for relief).

#### IV. EQUITABLE RELIEF AND RELATED REQUESTS AT PRETRIAL PHASES OF A TRADE SECRET CASE

The trade secret owner may seek equitable relief at different phases of a case.

**Principle 1. What constitutes an appropriate equitable remedy may change over the course of the dispute given the evidence available to the parties and the reasonable inferences to be drawn from the evidence.**

As the record becomes more fully developed, the appropriateness of particular relief may change. Applicable substantive law suggests a variety of potential equitable tools, summarized below and discussed at greater length throughout this *Commentary*. Determination of an appropriate remedy must always, however, be tied to the evidence presented and not be awarded simply on the basis of conventions or “standard operating procedures.”<sup>39</sup>

**Guideline 1. A party should not move for temporary equitable relief without notice to the nonmoving party except as permitted by and in accordance with applicable law.**

Most requests for early relief in trade secret cases are made through an application under Federal Rule of Civil Procedure 65 or comparable state law. They are virtually always made after giving some notice to the other side, although in the face of an urgent threat, the movant often seeks to shorten the

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39. See *Stella Sys., LLC v. Medeanalytics, Inc.*, No. C 14-00880 LB, 2014 WL 5828315, at \*11 (N.D. Cal. Nov. 10, 2014) (rejecting counsel’s argument that “TROs (and preliminary injunctions) are issued all the time in cases like this,” observing that such an assertion is applicable only to cases where there are demonstrated thefts of trade secrets).

initial notice period. Many states follow similar rules, although there is variation.

In some cases, however, trade secret claimants contend that absent judicial intervention, trade secrets will be secretly removed from their owner, such as via the use of thumb drives, emails, or cloud storage accounts or other similar devices or means, and broadly disseminated or used without ready detection. In such cases, a trade secret owner might assert, if the accused wrongdoers are given advance notice of any effort to prevent this misappropriation, they will only accelerate their efforts to transfer or use the trade secrets. This *Commentary* addresses two kinds of requests for equitable relief made without notice to the responding party,<sup>40</sup> not to suggest that they are or should be common—they are not—but because consideration of whether they are warranted may engage the early attention of lawyers and their clients when planning case strategy.

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40. The *Commentary* addresses claims for ex parte seizure orders under the DTSA, *see* discussion *infra* Guideline No. 2, and requests for relief brought without notice in accordance with Fed. R. Civ. P. 65 (b)(1), *see* discussion *infra* Guideline No. 3, and similar state statutes. Readers should be aware of the terminology used in the jurisdiction of interest and not assume that the terms “ex parte” or “notice” have a uniform meaning. For example, the California Rules of Court provide that “[a] party seeking an ex parte order must notify all parties no later than 10:00 A.M. the court day before the ex parte appearance, absent a showing of exceptional circumstances that justify a shorter time for notice.” CAL. RULES OF COURT, rule 3.1203. Some other jurisdictions refer to urgent requests seeking to shorten the time for response as “orders to show cause.” The court may direct the means and timing of giving notice of the application in the order itself. *See* N.Y. C.P.L.R. § 2214 (McKinney 2014); CONN. GEN. STAT. ANN. § 52-473(a) (West 2019). Except when referring to “ex parte” orders as specifically provided under the DTSA, this *Commentary* uses the term “without notice” as provided in Fed. R. Civ. P. 65 (b) to refer to applications that are both made and initially presented to the court without notice to the other side.

A. *Requests for Ex Parte Seizure Orders under the DTSA*

Congress enacted as part of the DTSA a self-contained “civil seizure” provision permitting the trade secret owner to seek an ex parte seizure order with no notice to the other side in “extraordinary circumstances.”<sup>41</sup> Notwithstanding the significant attention Congress and the public gave to the ex parte seizure order provisions in the years leading to the enactment of the DTSA, to date few such orders have been granted or even sought. Courts have granted them only on a showing that the defendants were unlikely to comply with a noticed request for a temporary restraining order, such as may be evidenced by prior lies, evasions, exportation of data to the cloud or other devices, and efforts to conceal prior bad acts.<sup>42</sup>

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41. 18 U.S.C. § 1836(b)(2)(A).

42. *E.g.*, *Solar Connect, LLC v. Endicott, et al*, No. 2:17-cv-01235, 2017 WL 11309521 (D. Utah Dec. 4, 2017), *amended and superseded*, 2018 WL 8786166 (D. Utah Feb. 16, 2018), *amended and superseded*, 2018 WL 2386066 (D. Utah Apr. 6, 2018); *Axis Steel Detailing, Inc. v. Prilex Detailing LLC*, No. 2:17-cv-00428, 2017 WL 11309520 (D. Utah May 23, 2017), *amended and superseded* 2017 WL 8947964 (D. Utah June 29, 2017) (where the defendants had previously provided false and misleading information, hidden information and moved computer files, and were shown to have sophisticated computer technology skills they could use to thwart a Rule 65 order or other equitable remedy); *Blue Star Land Servs. v. Coleman*, No. 5:17-cv-00931, 2017 WL 11309528 (W.D. Okla. Aug. 31, 2017) (where defendants had previously downloaded thousands of company files to their Dropbox, deleted emails and other files to cover their tracks, and lied about their actions to solicit other employees); *AVX Corp. v. Kim*, Civil Action No. 6:17-00624-MGL, 2017 WL 11307180 (D.S.D. Mar. 8, 2017) (where defendant had downloaded trade secret information, accessed a coworker’s computer, and lied in the company’s investigation); *Mission Capital Advisors LLC v. Romaka*, No. 16 Civ. 05878 (LLS), 2016 WL 11517104 (S.D.N.Y. July 29, 2016) (where defendant had previously failed to appear at a court hearing to show cause why he should not be restrained from accessing, disclosing, or copying his prior employer’s client and contact lists).

The statutory requirements for obtaining such relief are exacting. They do not by their terms permit deviations. The applicant must present sworn evidence before conducting formal discovery sufficient to satisfy each of the four equitable relief factors at the outset of the case and to comply with additional requirements.<sup>43</sup> Any seizure order must “provide for the narrowest seizure of property necessary” to achieve the purposes of the order and to minimize any interruption of the business operations of third parties and, to the extent possible, the legitimate business operations of the person accused of misappropriating the trade secret. The seized property is to be protected from disclosure until the parties have an opportunity to be heard in court, no later than seven days after entry of the order.<sup>44</sup> At the hearing, the movant has the burden to prove all facts supporting the findings of fact and conclusions of law necessary to support the order. If the movant fails to meet its burden, the seizure order shall be dissolved or modified. Any person who suffers damages by reason of a wrongful or excessive seizure may recover damages that, unlike bonds issued under Federal Rule 65, are not limited by the security posted as a condition to receiving the order.<sup>45</sup>

**Guideline 2. Before moving for an ex parte seizure order under the DTSA, the trade secret owner and the court should consider whether an application to preserve evidence is warranted and will satisfy the immediate needs of the case.**

Recognizing the demanding showing and procedural requirements the DTSA’s ex parte seizure provisions impose,

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43. 18 U.S.C. § 1836(b)(2)(A).

44. 18 U.S.C. § 1836(b)(2)(B).

45. 18 U.S.C. 1836 §§(b)(2)(F) and (G).



some courts have denied requests to enter an ex parte seizure order under the DTSA because the movant failed to show why a Rule 65 injunction would not be adequate to protect trade secrets or how an ex parte seizure order could help.<sup>46</sup> Some courts have addressed requests for such ex parte seizure orders by requiring the movant to serve the defendant with a noticed application and order directing the defendant to preserve evidence<sup>47</sup> or turn over electronic devices to a special master or the court,<sup>48</sup> a third-party expert,<sup>49</sup> or counsel for safekeeping pending further court order at an early date rather than directing seizure by the U.S. Marshal.

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46. See, e.g., *ARB Labs, Inc. v. Woodard*, No. 2:19-cv-00116-JAD-PAL, 2019 WL 332404 (D. Nev. Jan. 25, 2019); *Dazzle Software II, LLC v. Kinney*, No. 2:16-cv-12191-MFL-MLM (E.D. Mich. filed June 15, 2016) (denying an ex parte seizure order where, among other things, the court found that “the relief that’s sought here isn’t going to solve the problem because [plaintiff’s attorney] candidly acknowledged that there are so many questions, so even if he grabbed every single computer I don’t think that would give assurance that there wouldn’t be continued misappropriation” and that the balance of interests did not favor the moving party).

47. See, e.g., *OOO Brunswick Rail Mgmt. v. Sultanov*, No. 5:17-cv-00017-EJD, 2017 WL 67119 (N.D. Cal. Jan. 6, 2017) (directing corporate defendants to preserve evidence); *Pfizer, Inc. v. Amann*, No. 2:17-cv-00911-ER (E.D. Pa. filed Mar. 1, 2017) (directing individual defendant to preserve evidence).

48. See, e.g., *Balearia Caribbean Ltd v. Calvo*, No. 16-23300-CIV-WILLIAMS (S.D. Fla. Filed Aug. 5, 2016); see *OOO Brunswick Rail Mgmt.*, 2017 WL 67119 at \*12 (directing individual defendant to produce devices in court); *Magnesita Refractories Co. v. Mishra*, No. 2:16-CV-524-PPS-JEM, 2017 WL 655860 (N.D. Ind. Feb. 17, 2017).

49. See, e.g., *Earthbound Corp. v. MiTek USA, Inc.*, No. C16-1150 RSM, 2016 WL 4418013 (W.D. Wash. Aug. 19, 2016). Cf. *Pfizer, Inc. v. Amann*, No. 2:17-cv-00911-ER (E.D. Pa. Mar. 1, 2017) (after court’s entry of a preservation TRO, individual consented to turn over personal devices to forensics expert for inspection; new employer agreed to separate protocol for devices of new employer).

Other courts have denied urgent applications for preservation, observing that absent a showing of irreparable harm, early court intervention is not warranted to protect computer files alleged to be in the custody of defendant.<sup>50</sup>

*B. Requests for Temporary Equitable Relief without Notice Under Rule 65*

In some trade secret disputes the trade secret owner may choose not to proceed under the DTSA's ex parte seizure order procedures but may nonetheless have legitimate concerns that if the defending party becomes aware that litigation is about to begin, it will destroy evidence or transfer trade secrets or evidence to others. If the movant contends that it is entitled to a temporary restraining order without notice under Federal Rule of Civil Procedure 65(b)(1) (rather than under the DTSA), it must provide an affidavit or verified complaint clearly showing that immediate and irreparable injury, loss, or damage will result to the movant before the adverse party can be heard in opposition. Further, the movant's attorney must certify in writing any efforts made to give notice and the reasons why notice should not be required.<sup>51</sup> Situations warranting relief without notice are the exception.<sup>52</sup> Litigants seeking relief in state court

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50. *Henry Schein, Inc. v. Cook*, 191 F. Supp. 3d 1072 (N.D. Cal. 2016) (denying request for ex parte temporary restraining order directing defendant to preserve evidence and permit plaintiff to obtain mirrors of data on defendant's personal devices).

51. FED. R. CIV. P. 65 (b) (1). *Cf.* Uniform Rules of Trial Cts., 22 NYCRR] § 202.7 (similar requirements under New York court rules); CONN. GEN. STAT. ANN. § 52-473(b) (West 2019) (similar requirements under Connecticut rules).

52. *See, e.g., Globalization Partners, Inc. v. Layton*, No. 19-CV-01990-BAS-LL, 2019 WL 5268657 (S.D. Cal. Oct. 16, 2019) (denying request for temporary restraining order under Rule 65 without notice to enjoin use or disclosure of alleged trade secrets, order return of documents, and direct review by

should determine and follow applicable rules concerning notice.<sup>53</sup> In all events, the urgent circumstances and the reasons for seeking any relief without notice must be clearly explained.

*C. Noticed Requests for Temporary Equitable Relief to Preserve, Quarantine, or Inspect Documents and Other Materials*

Many cases commence, often on shortened notice, with the trade secret owner's presentation of evidence that documents, often in digital form, appear to have been accessed, downloaded, emailed, uploaded, transferred, or destroyed without authorization, or that prototypes or electronic data storage devices believed to contain the movant's property have been removed. Apart from any further or broader relief it may seek, the trade secret owner may choose to seek immediate relief directing the preservation, quarantine, and, in some cases, early inspection by one or more forensic examiners of the materials preserved.<sup>54</sup>

**Guideline 3. On motions for a temporary restraining order, the parties should address whether a litigation hold or regular discovery obligations will avoid the alleged immediate harm.**

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forensic examiner where plaintiff had not shown that providing notice would undermine prosecution of the action).

53. *Cf., e.g.*, 231 PA. CODE § 1531(d) (2004) (providing that an injunction granted without notice shall be deemed dissolved unless a hearing on the continuance of the injunction is held within five days after the grant of the injunction or as agreed by the parties or directed by the court).

54. *See, e.g.*, *H & E Equip. Servs., Inc. v. Comeaux*, Civil Action No. 20-225-BAJ-EWD, 2020 WL 4364222 (M.D. La. July 30, 2020) (finding threat of irreparable harm based on plaintiff's initial forensic review and entering temporary restraining order directing the preservation of documents and devices, but directing that absent agreement of the parties, forensic review of defendant's devices would not take place until the discovery phase of the case).

At the inception of a lawsuit, the trade secret owner's paramount concern may include ensuring that documents concerning the dispute or containing alleged trade secrets do not disappear. Some such concerns can be effectively addressed simply by verifying that appropriate litigation hold notices are in place in accordance with the document preservation obligations pertaining to every federal case and applicable under many state laws. Concern may be further alleviated if the trade secret owner provides the other party with specific, nonexclusive, guidance on documents to be preserved.

Where the moving party requests further court intervention at an early stage, it should present evidence to justify its request and explain the foreseeable harm the requested order would avoid.<sup>55</sup> If further court intervention is determined to be appropriate, as may be the case, for example, when defendants are shown to have previously destroyed documents and attempted to cover their tracks,<sup>56</sup> an early order directing an accused party to submit digital devices for examination by a forensic expert can preserve evidence and prevent the unauthorized transfer and use of information.<sup>57</sup> It may also potentially lead to early

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55. *First Option Mortg., LLC v. Tabbert*, No. 2:12-CV-00600-KJD-VCF, 2012 WL 1669430, at \*4 (D. Nev. May 11, 2012) (denying request for preservation order as being duplicative of the obligations already imposed on litigants by the Federal Rules of Civil Procedure).

56. *See, e.g., Cutera, Inc. v. Lutronic Aesthetics, Inc.*, 444 F. Supp. 3d 1198 (E.D. Cal. 2020).

57. *See, e.g., ARB Labs, Inc. v. Woodard*, No. 2:19-cv-00116-JAD-PAL, 2019 WL 332404 (D. Nev. Jan. 25, 2019) (ordering preservation of the information at issue and turnover of an identified computer to plaintiff's counsel); *Earthbound Corp. v. MiTek, USA, Inc.*, No. C16-1150 RSM, 2016 WL 4418013, at \*11 (W.D. Wash. Aug. 19, 2016) (issuing a TRO compelling defendants to turn over devices and account passwords to forensic experts—some to a “mutually acceptable neutral” and others to plaintiff's forensic expert—for analysis, while prohibiting defendants from accessing or deleting such data until

resolution of key issues.<sup>58</sup> However, both the parties and the court should proceed with caution. Allowing forensic experts, particularly those engaged by a party, to engage in an unguided search through files that may include personal information or trade secrets of the defendant or third parties unrelated to the matters in dispute may be an unwarranted and expensive intrusion, especially at the early stages of a dispute.<sup>59</sup>

**Guideline 4. In requesting an order to quarantine documents or material or to require immediate forensic inspection, the movant must offer evidence that some or all of the materials at issue likely contain its trade secrets or property and that the movant will likely suffer harm absent limited relief.**

As The Sedona Conference *Commentary on the Proper Identification of Asserted Trade Secrets in Misappropriation Cases* concludes, each asserted trade secret for which interim relief is

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further order of the court); *Free Country Ltd. v. Drennen*, 235 F. Supp. 3d 559, 569 (S.D.N.Y. Dec. 30, 2016) (granting an interim injunction requiring ongoing inspection of forensic images of relevant devices and files). For a discussion of other relief entered in connection with directing defendant to return data and devices, see *Fitspot Ventures, LLC v. Bier*, No. 2:15-cv-06454-ODW(RAO), 2015 WL 5145513, at \*3 (C.D. Cal. Sept. 1, 2015) (entering a TRO directing defendant to return all access codes and previously deleted data and requiring the employee to reconnect the company's network with its cloud-based development platform).

58. See, e.g., *Henry Schein, Inc. v. Cook*, No. 16-cv-03166-JST, 2016 WL 3418537 (N.D. Cal. June 22, 2016) (denying an activity restriction, in light of entry of earlier order prohibiting use of plaintiff's downloaded documents); *Free Country Ltd.*, 235 F. Supp. 3d at 559 (denying activity restriction after completion of forensic review and remediation, finding that following remediation plaintiff had not established a likelihood of success on the merits or irreparable harm); *Williams-Sonoma Direct, Inc. v. Arhaus, LLC*, 109 F. Supp. 3d 1009, 1023–24 (W.D. Tenn. 2015) (same).

59. See, e.g., *First Option Mortg.*, 2012 WL 1669430, at \*4.

sought should be identified with a level of particularity that is reasonable under the circumstances.<sup>60</sup> The extent and scope of the required identification may vary based on the nature of the relief sought, the urgency of the claimed need for relief, and the timing of the request.

One exception to this general principle is that a trade secret owner seeking early injunctive relief is not required to provide a particularized identification of the asserted trade secret when there is evidence that a defending party downloaded or otherwise took documents or information and the plaintiff seeks a court order only requiring the defending party to 1) preserve evidence, or 2) return the documents or information alleged to have been taken. Before ordering early forensic quarantine, imaging, or review, however, the court will want to be satisfied that the plaintiff has established a likelihood that the defendant possesses some information or files belonging to the movant that are likely to include the movant's property or trade secrets and that absent early relief, the movant is subject to potential risk.

**Guideline 5. Orders directing forensic review should, where time permits, be drafted in conjunction with forensic specialists and should give due regard to proportionality and to legitimate privacy or other interests of the nonmoving party.**

An order simply directing the quarantine, return, or inspection of "files containing the plaintiff's trade secrets" gives the

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60. The Sedona Conference, Commentary on the Proper Identification of Asserted Trade Secrets in Misappropriation Cases, 22 SEDONA CONF. J. 223 (2021) [hereinafter Sedona WG12 Identification of Trade Secrets Commentary], available at: [https://thesedonaconference.org/publication/Commentary on Proper Identification of Trade Secrets in Misappropriation Cases](https://thesedonaconference.org/publication/Commentary%20on%20Proper%20Identification%20of%20Trade%20Secrets%20in%20Misappropriation%20Cases).

parties little guidance. Consistent with the nature and urgency of the dispute and any time constraints, the parties and the court should consider obtaining recommendations and agreement by a fixed deadline on points that may include:

- appointing a forensic specialist or directing how the forensic specialist will be selected and supplying a date certain for completion of this task or a return to the court for further direction;
- directing to whom the specialist will be accountable, including, in some cases, directly to the court;
- identifying the information, accounts, or devices that are the object of the inspection;
- specifying the objective of the exercise (such as, to locate and quarantine or remove exact duplicates of particular documents; to search for variants of particular aspects of specific documents; or to search more broadly according to specific parameters such as document source, subject matter, creation date, or otherwise);
- specifying a work plan or provisions for having the work plan reviewed, including a focus on methodologies and tools to be used;
- specifying the scope of review;
- specifying a timetable for conducting and reporting on the review;
- specifying the nature of any reports to be rendered, on what schedule, and to whom;

- specifying provisions for protecting personal information and other information of the defendant or third parties that are not at issue in the suit;<sup>61</sup>
- specifying who is to be given access to materials located by and any reports rendered by the forensic examiner;
- specifying an end point for the forensic work;
- allocating or imposing limitations on financial costs, including who is responsible for paying the forensic specialist, when and how; and
- considering whether costs incurred will be awarded as recoverable costs after trial.

Other segregation and protection techniques, such as requiring the erection of firewalls within a defendant organization to prevent access to information that may have emanated from the plaintiff, may also be appropriate on a proper showing.<sup>62</sup>

**Guideline 6. Courts may be able to address the need for urgent relief concerning electronic files by appointing an expert to make and retain a forensic image of specified devices and accounts, pending further court order.**

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61. Cf. *Lee v. Stonebridge Life Ins. Co.*, No. 11-cv-43 RS, 2013 WL 3889209, \*2 (N.D. Cal. July 30, 2013) (denying order requiring plaintiff to turn over her computer to forensic expert and ordering an alternative process for avoiding a “fishing expedition”).

62. See, e.g., *Amphenol Corp. v. Paul*, No. 3:12CV543(AVC), 2012 WL 5471857 (D. Conn. Nov. 9, 2012), *amended and superseded by* 2013 WL 12250880 (D. Conn. Jan. 8, 2013) (appointing an information technology professional to search corporate defendant’s computer system for evidence of improper transfers of the former employer’s data, establishing a word filter to “fire wall[]” the employee from certain communications, restricting the physical locations in which the employee would perform services, and requiring periodic certifications of compliance).



Arriving at a complete and optimal order should not, however, delay relief where the movant has established a need for urgent relief to image particular devices, such as if there is concern that digital files may otherwise be overwritten or disappear. Courts may be able to address the need for urgent relief by appointing or authorizing the appointment of an expert to make and retain a forensic image of identified devices, accounts, and drives and establishing a more complete protocol thereafter.<sup>63</sup>

Early directions for forensic review should be distinguished from general case discovery and from more extensive mandatory “quarantine and remediation” remedies that may be imposed at a later stage of litigation. Quarantine and remediation remedies to protect trade secrets may also be imposed following trial.<sup>64</sup>

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63. Cf. *Sandvik, Inc. v. Mecca C & S, Inc.*, 38 Pa. D & C. 5th 332, at \*7 (Pa. Com. Pl. May 21, 2014) (describing protocol for appointing a forensic expert from a list of proposed experts submitted by the parties to review the objecting party’s digital files in order to identify relevant and responsive material); *H & E Equip. Servs., Inc. v. Comeaux*, Civil Action No. 20-225-BAJ-EWD, 2020 WL 4364222 (M.D. La. July 30, 2020) (entering temporary restraining order directing the preservation of documents and devices but directing that absent agreement of the parties forensic review would not take place until the discovery phase of the case); *Precigen, Inc. v. Zhang*, No. GJH-20-1454, 2020 WL 3060398, at \*2–3 (D. Md. June 9, 2020) (after movant showed that defendant had previously transferred company information to new employer, gave “evasive and incomplete answers” and attempted to make forensic review difficult, ordering production to a forensic ESI consultant retained by plaintiffs for bit-by-bit imaging of all digital storage devices and accounts in defendant’s possession, custody, or control that had ever contained or been used to transmit or store information related in any way to defendant’s employment with plaintiff or to plaintiff’s confidential information or trade secrets).

64. See discussion *infra* Part VIII (Additional Factors to Consider in Connection with Permanent Injunctions).

*D. Expedited Discovery*

Requests for equitable relief in trade secret cases often arise before either party or the court is fully versed in the material facts, some of which may be subject to significant dispute. Yet a trade secret claimant often asserts that without immediate equitable relief its trade secret will be forever compromised. How can the parties and the court reconcile the need for presentation of evidence relating to essential facts with the asserted need for early intervention?

**Principle 2. On all motions for interim equitable relief, the court should consider the nature and urgency of the harm alleged and the extent to which material facts are undisputed, are known or accessible to either or both parties, or require further discovery to resolve.**

At the outset of most trade secret disputes, the plaintiff has knowledge of its own trade secrets and at least some reasons for its specific concerns. It often lacks access to detailed or direct evidence sufficient to fully establish (or perhaps even to fully evaluate) its case. The defendant may lack knowledge of what the plaintiff claims its trade secrets to be and whether they in fact qualify as such under the law. In responding to a request for urgent interim relief, including temporary and preliminary injunctive relief, a court should take into account the extent to which both sides have access to the necessary evidence and whether specific limited discovery on an expedited basis may be required or helpful.<sup>65</sup>

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65. See *Centrifugal Acquisition Corp., Inc. v. Moon*, No. 09-C-327, 2009 WL 1249294 (E.D. Wis. May 6, 2009) (where undisputed allegations demonstrated that plaintiff had some probability of success on the merits, permitting expedited discovery into truth of defendants' assertion that they were not utilizing plaintiff's trade secrets since otherwise plaintiff's "attempts to obtain preliminary injunctive relief cannot get off the ground"); First Option

**Principle 3. On motions for preliminary equitable relief, the parties and the court should consider whether targeted expedited discovery is appropriate.**

While a request for expedited discovery on particular issues is common in connection with applications for preliminary relief<sup>66</sup> (but rarely made in connection with applications for temporary relief), in most jurisdictions courts and parties should not presume that there will be such discovery. Expedited discovery is not the norm, and, therefore, the moving party typically “must make some *prima facie* showing of the *need* for the expedited discovery.”<sup>67</sup> Under the Federal Rules of Civil Procedure, courts may apply a “good cause” standard in determining

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Mortg., LLC v. Tabbert, No. 2:12-CV-00600-KJD-VCF, 2012 WL 1669430, at \*4 (D. Nev. May 11, 2012) (permitting limited expedited discovery where undisputed facts pointed to need for evidence from individual defendant regarding circumstances of movement of customers from plaintiff to defendant organization).

66. The Advisory Committee Note to the 1993 amendments to Rule 26(d) expressly states, for example, that expedited discovery may be appropriate in cases “involving requests for a preliminary injunction.” See *Inventus Power, Inc. v. Shenzhen Ace Battery Co., Ltd.*, No. 20-CV-3375, 2020 WL 3960451, at \*14 (N.D. Ill. July 13, 2020); *ALARIS Grp., Inc. v. Disability Mgmt. Network, Inc.*, Civil No. 12-446 (RHK/LIB), 2012 WL 13029504, at \*2 (D. Minn. May 30, 2012) (citation omitted). Cf. *Renco Group, Inc. v. MacAndrews AMG Holdings LLC*, C.A. No. 7668-VCN, 2013 WL 209124, at \*1 (Del. Ch. Jan. 18, 2013) (unpublished) (“A party’s request to schedule an application for a preliminary injunction, and to expedite the discovery related thereto, is normally routinely granted. Exceptions to that norm are rare.” A plaintiff need only articulate a “sufficiently colorable claim and show a sufficient possibility of a threatened irreparable injury, as would justify imposing on the defendants and the public the extra (and sometimes substantial) costs of an expedited preliminary injunction proceeding.”) (citations omitted).

67. See, e.g., *Merrill Lynch, Pierce, Fenner & Smith v. O’Connor*, 194 F.R.D. 618, 623 (N.D. Ill. 2000) (emphasis in original).

whether to allow expedited discovery.<sup>68</sup> As further described below in connection with Guideline No. 7, factors to be considered include the breadth of the discovery requests; the purpose for requesting the expedited discovery; the burden on the party responding to the proposed discovery; and how far in advance of the typical discovery the request is made. “Good cause exists when the need for expedited discovery . . . outweighs the prejudice to the responding party.”<sup>69</sup>

Courts may conclude, especially when a temporary restraining order to preserve the status quo is in place, that discovery on a regular timetable combined with a preliminary injunction hearing to be held in the future is more appropriate in a particular case.<sup>70</sup> Expedited discovery also has been denied when the

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68. See FED. R. CIV. P. 26(d), 33(a), 34(b); *Dimensions Data North America v. Netsar-1, Inc.*, 226 F.R.D. 528 (E.D.N.C. 2005) (collecting cases). While to protect defendants from unfairly expedited discovery some courts have applied a more demanding standard that tracks the requirements for establishing entitlement to injunctive relief, including requiring a showing that the discovery sought is necessary to avoid irreparable harm, see, e.g., *Notaro v. Koch*, 95 F.R.D. 403, 405 (S.D.N.Y. 1982); *Forcex Inc. v. Technology Fusion, LLC*, No. 4:11cv88, 2011 WL 2560110 (E.D. Va. June 27, 2011), the more flexible standard of reasonableness and good cause is widely followed in federal courts. See, e.g., *Ciena Corp. v. Jarrard*, 203 F.3d 312, 320 (4th Cir. 2000); *R.R. Donnelley & Sons Co. v. Marino*, No. 6:20-CV-06722 EAW, 2020 WL 7213762, at \*10 (W.D.N.Y. Dec. 8, 2020) (observing that the majority of courts in the Second Circuit apply the more flexible “good cause” standard when evaluating motions for expedited discovery); *Intel Corp. v. Rais*, No. 1:19-CV-20-RP, 2019 WL 164958, at \*7 (W.D. Tex. Jan. 10, 2019) (citing cases); *Sheridan v. Oak Creek Mortg., LLC*, 244 F.R.D. 520, 521 (E.D. Wis. 2007) (citing cases)). Some courts follow a third approach and apply the “reasonableness” test unless the circumstances are such that the *Notaro* factors apply. See, e.g., *Centrifugal Acquisition*, 2009 WL 1249294.

69. *American LegalNet, Inc. v. Davis*, 673 F. Supp. 2d 1063, 1066 (C.D. Cal. 2009) (internal quotations and citations omitted).

70. See, e.g., *Cambria Co. LLC v. Schumann*, No. 19-CV-3145 (NEB/TNL), 2020 WL 373599, at \*9 (D. Minn. Jan. 23, 2020) (denying motion for expedited

court has found that evidence does not warrant entry of a temporary restraining order<sup>71</sup> or that the movant has failed to establish irreparable harm.<sup>72</sup>

**Guideline 7. Expedited discovery is not a substitute for full discovery and should be narrowly tailored to the issues to be addressed at the preliminary injunction hearing.**

The purpose of expedited discovery in advance of the resolution of a motion for interim relief is to further develop the record before the court.<sup>73</sup> The parties should not seek to use it to obtain full case discovery into all the relevant facts related to the claims and defenses. A party seeking expedited discovery is well-advised to present specific proposed requests to the court in connection with the application. Courts granting expedited discovery may constrain the discovery by techniques such as limiting the number of narrowly drawn requests for documents or interrogatories or by permitting a limited number of depositions not to last longer than a specified period of time.<sup>74</sup>

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discovery where court determined that the parties had already created a robust record without discovery and there was no evidence that litigation holds were insufficient to prevent destruction of evidence); *Midwest Sign & Screen Printing Supply Co. v. Dalpe*, 386 F. Supp. 3d 1037, 1057–58 (D. Minn. 2019).

71. See, e.g., *Corelogic Sols., LLC v. Geospan Corp.*, No. SACV 20-01500-CJC(KESx), 2020 WL 7786537, at \*4 (C.D. Cal. Aug. 21, 2020) (finding that the court's denial of a temporary restraining order weighed heavily against expedited discovery).

72. See, e.g., *Southeast X-Ray, Inc. v. Spears*, 929 F. Supp. 2d 867, 878 (W.D. Ark. 2013).

73. *Edudata Corp. v. Scientific. Computs., Inc.*, 599 F. Supp. 1084, 1088 (D. Minn.), *aff'd in part, appeal dismissed*, 746 F.2d 429 (8th Cir. 1984).

74. See, e.g., *Citizens Bank, N.A. v. Margolis*, No. 20-CV-12393, 2020 WL 5505383, at \*3–4 (E.D. Mich. Sept. 11, 2020) (rejecting proposed expedited discovery requests that were not narrowly tailored to the issues for the

Proportionality concerns may loom particularly large in the context of expedited discovery.<sup>75</sup>

Properly tailored expedited discovery may generally be sought by the defending party as well as by the movant where it is shown to be warranted in light of the issues and scope of the preliminary injunction proceeding.<sup>76</sup>

Where the requested discovery will likely elicit information that the other party will claim to be its own trade secrets or confidential information, the movant should be prepared with a

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preliminary injunction hearing and permitting only limited expedited discovery); *Inventus Power, Inc. v. Shenzhen Ace Battery Co., Ltd.*, No. 20-CV-3375, 2020 WL 3960451, at \*14 (N.D. Ill. July 13, 2020) (holding that any expedited discovery should be targeted to matters that will be addressed in a preliminary injunction hearing and not duplicative of investigations that already have been made; directing forensic review of particular devices as a logical starting point for the particular dispute); *Intel Corp. v. Rais*, No. 1:19-CV-20-RP, 2019 WL 164958, at \*7 (W.D. Tex. Jan. 10, 2019) (authorizing limited expedited discovery but denying request for forensic inspection as imposing an undue and greater burden on defendant); *Synthes USA, LLC v. Davis*, No. 4:17-CV-02879-RBH, 2017 WL 5972705, at \*10 and n.16 (D.S.C. Dec. 1, 2017) (granting limited expedited discovery in light of the issuance of a limited preliminary injunction); *First Option Mortg., LLC v. Tabbert*, No. 2:12-CV-00600-KJD-VCF, 2012 WL 1669430, at \*4 (D. Nev. May 11, 2012) (limiting scope of expedited discovery both temporally and in scope). *Cf. Corelogic Sols.*, 2020 WL 7786537, at \*4 (expressing skepticism that the broad discovery plaintiff requested, including multiple depositions, forensic examination, and document requests, could be done in an expedited manner without undue burden on the defendants).

75. *Aon PLC v. Infinite Equity, Inc.*, No. 19 C 7504, 2020 WL 1954027, at \*2 (N.D. Ill. Apr. 23, 2020, *objections overruled at* 2020 WL 10459742 (N.D. Ill. Aug. 7, 2020)).

76. *See, e.g., Ciena Corp. v. Jarrard*, 203 F.3d 312, 320 (4th Cir. 2000); *Inventus Power*, 2020 WL 3960451, at \*14 (holding that any expedited discovery should be mutual); *Aon PLC*, 2020 WL 1954027; *R.R. Donnelley & Sons Co. v. Marino*, No. 6:20-CV-06722 EAW, 2020 WL 7213762, at \*10 (W.D.N.Y. Dec. 8, 2020).

proposed form of protective order for handling the documents and information disclosed. Suggested approaches to this issue may be found in The Sedona Conference Working Group 12's *Commentary on Protecting Trade Secrets in Litigation About Them*.<sup>77</sup>

*E. Requests for Interim Injunctive Relief*

Trade secret owners often contend that ongoing or threatened imminent irreparable harm can be avoided only by an order prohibiting the nonmoving party from engaging in particular acts alleged to place trade secrets at risk. Requests for substantive preliminary relief, as opposed to orders directed to preserving documents or to preserving the status quo for a limited period, are generally heard after the parties have had the opportunity to conduct some discovery into facts relevant to deciding the request.

Trade secret owners making vague assertions that unspecified trade secrets are at risk of threatened misappropriation in speculative ways are generally found not to have justified interim relief. Rather, the trade secrets alleged to be at risk must be defined with specificity to the extent appropriate to the phase of the case. As one court recently pointed out, a court cannot begin to evaluate irreparable harm “without any idea of what a movant is talking about when it declares something to be a trade secret.”<sup>78</sup> As observed above, a less comprehensive

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77. The Sedona Conference, *Commentary on Protecting Trade Secrets in Litigation About Them* (2022), 23 SEDONA CONF. J. 741, available at [https://thesedonaconference.org/publication/Commentary\\_on\\_Protecting\\_Trade\\_Secrets\\_in\\_Litigation\\_About\\_Them](https://thesedonaconference.org/publication/Commentary_on_Protecting_Trade_Secrets_in_Litigation_About_Them).

78. Titan Mfg. Sols., Inc. v. National Cost., Inc., No. 19-CV-1749-WJM-SKC, 2019 WL 3205955, at \*2 (D. Colo. July 16, 2019). See also Mallet and Co., Inc. v. Lacayo, 16 F. 4th 364, 381–398 (3d Cir. 2021) (vacating and remanding order granting preliminary injunction because order, and plaintiff, had not adequately described the trade secrets at issue in the case permitting

identification of the trade secrets may be appropriate at the earliest stage of the case, when the key objective is simply to obtain an order directing the return or segregation of particular materials. But where broader relief is sought, the information at issue will ordinarily need to be described with greater specificity and the evidentiary showing concerning misappropriation will generally need to be stronger.<sup>79</sup>

### 1. The movant's burden

The movant bears the burden of presenting evidence of misappropriation, some of which may be circumstantial.<sup>80</sup> To obtain interim equitable relief, the movant must present a *prima facie* case based on available evidence that the information at issue is a trade secret and that absent relief there is reason to believe that it is at risk of imminent irreparable harm through

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defendant to understand what she was enjoined from using or disclosing and permitting appellate court to review the order).

79. See, e.g., *Spark Connected, LLC v. Semtech Corp.*, No. 4:18-cv-748-ALM-KPJ, 2019 WL 4305735, at \*5 (E.D. Tex. Sept. 10, 2019) (finding that movant's specification of trade secrets in connection with a request for preliminary injunction, as drafted was overbroad, vague, and lacked "the specificity required to support injunctive relief"). See also *Integrated Process Sols., Inc. v. Lanix LLC*, No. 19-CV-567 (NEB/LIB), 2019 WL 1238835, at \*4 (D. Minn. Mar. 18, 2019); *Radiant Glob. Logistics, Inc. v. Furstenau*, 368 F. Supp. 3d 1112, 1130 (E.D. Mich. 2019), *appeal dismissed*, 951 F.3d 393 (6th Cir. 2020)); *CPI Card Grp., Inc. v. Dwyer*, 294 F. Supp. 3d 791, 809 (D. Minn. 2018); *Digital Mentor, Inc. v. Ovivo USA, LLC*, No. C17-1935-RAJ, 2018 WL 993944, at \*2 (W.D. Wash. Feb. 21, 2018); *Horner Int'l Co. v. McKoy*, 754 S.E.2d 852, 858–59 (N.C. Ct. App. 2014); *Guy Carpenter & Co., Inc. v. John B. Collins & Assocs., Inc.*, No. 05-1623(JRT/FLN), 2006 WL 2502232, at \*2 (D. Minn. Aug. 29, 2006) (same). See also *Sedona WG12 Identification of Trade Secrets Commentary*, *supra* note 60.

80. See, e.g., *Procter & Gamble Co. v. Stoneham*, 747 N.E.2d 268, 273 (Ohio Ct. App. 2000); *AtriCure, Inc. v. Meng*, 842 Fed. App'x 974, 981 (6th Cir. Jan. 21, 2021) (not for publication).



misappropriation. However, courts have also observed that given the urgencies, “a preliminary injunction is customarily granted on the basis of . . . evidence that is less complete”<sup>81</sup> Once plaintiff has made out a prima facie case, the parties and court should focus on the evidence the accused party likely knows or controls.<sup>82</sup> If the party opposing relief does not come forward with credible evidence within its control rebutting the plaintiff’s showing, courts may conclude that actual or threatened misappropriation has been established for purposes of deciding the request for interim relief.<sup>83</sup> Conversely, the opposing party’s

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81. Univ. of Tex. v. Camenisch, 451 U.S. 390, 395 (1981).

82. See SPBS, Inc. v. Mobley, No. 4:18-cv-391, 2018 WL 4185522, at \*7–8 (E.D. Tex. Aug. 31, 2018), discussed in McAfee v. Kinney, No. 4:19-CV-463, 2019 WL 4101199, at \*7–8 (E.D. Tex. Aug. 29, 2019).

83. See, e.g., AtriCure, 842 Fed. App’x at 974; Reco Equip., Inc. v. Wilson, No. 2:20-CV-3556, 2020 WL 6823119 (S.D. Ohio Nov. 20, 2020), (granting preliminary injunction, finding defendant’s bare denials and failure to testify at hearing for crossexamination were insufficient to overcome plaintiff’s initial showing of likelihood of success on the merits and irreparable harm), *aff’d in part, vacated in part as to non-compete claim and remanded for determination of security*, 2021 WL 5013816 (6th Cir. Oct. 28, 2021); Inventus Power, Inc. v. Shenzhen Ace Battery Co., Ltd., No. 20-CV-3375, 2020 WL 3960451 (N.D. Ill. July 13, 2020) (finding that defendants’ bare and incomplete denials of whether employees had taken trade secrets did not overcome plaintiffs’ showing that employee defendants had downloaded 100,000 confidential technical documents prior to departing and filed three utility patent applications allegedly containing plaintiff’s trade secrets shortly after employee defendants joined corporate defendant); WeRide Corp. v. Huang, 379 F. Supp. 3d 834, 848–49 (N.D. Cal. 2019), *modified in part*, 2019 WL 5722620 (N.D. Cal. Nov. 5, 2019) (granting preliminary injunction where defendant did not come forward with evidence supporting alleged defense of independent development), terminating sanctions entered against defendants at 2020 WL 1967209 (N.D. Cal. Apr. 16, 2020)). Cf. Eldorado Stone, LLC v. Renaissance Stone, Inc., No. 04cv2562 JM(CAB), 2007 WL 460826 (S.D. Cal. Jan. 23, 2007) (denying preliminary injunction where defendant came forward with evidence raising genuine factual issues, concluding that credibility and weight

evidence may rebut the movant's prima facie case, and the movant may need to present further evidence in response.<sup>84</sup>

2. Evidence to be considered in assessing a claim of misappropriation

a. Fears alone are not evidence

Most misappropriation does not take place in public. The movant may not have full access to evidence bearing on misappropriation. Mere speculation, however, is insufficient to satisfy the movant's burden. Cases throughout the country caution that "[a]n injunction should not issue merely to allay fears and apprehensions or to soothe the anxieties of a party."<sup>85</sup> Where "[a]ll

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of the evidence was best left to trier of fact given fact that case had been pending for more than a year and trial would occur shortly).

84. See, e.g., *Wisk Aero LLC v. Archer Aviation Inc.*, No. 3:21-CV-02450, 2021 WL 4073760, at \*19 (N.D. Cal. Aug. 24, 2021) (denying preliminary injunction where plaintiff offered no evidence to rebut defendant's direct showing of independent invention). In *Wisk*, the court discussed shifting burdens once defendant offers evidence of independent development and noted that fast development is not necessarily "implausibly fast" if the evidence shows the rapid development was not related to the use of the trade secrets. *Id.* at \*22.

85. For examples of cases denying interim injunctive relief on grounds that the evidence was overly speculative, see, e.g., *E.R. Squibb & Sons, Inc. v. Hollister, Inc.*, Civ. A. No. 91-203 (JCL), 1991 WL 15296, at \*9 (D.N.J. Feb. 5, 1991), *aff'd*, 941 F.2d 1201 (3d Cir. 1991) (frequently cited thereafter); *Continental Grp., Inc. v. Amoco Chem. Corp.*, 614 F.2d 351, 359 (3d Cir. 1980) (vacating order); *Premier Rides, Inc. v. Stepanian*, Civil Action No. MJG-17-3443, 2018 WL 1035771, at \*10 (D. Md. Feb. 23, 2018) (denying injunction, holding that "[m]ere speculation is insufficient for the Court to find irreparable harm"); *Cortez, Inc. v. Doheny Enters., Inc.*, No. 17 C 2187, 2017 WL 2958071, at \*12 (N.D. Ill. July 11, 2017) (finding that "[i]t is well-established, however, that an 'employer's fear that its former employee will use the trade secrets in his new position is insufficient to justify application of the inevitable disclosure doctrine"); *Avery Dennison Corp. v. Juhasz*, 924 F. Supp. 2d

that is alleged, at bottom, is that defendants could misuse plaintiff's secrets, and plaintiffs fear they will," courts have found that the party seeking relief has not made an adequate showing.<sup>86</sup> Rather, the movant must generally come forward with a detailed and specific showing, consistent with applicable time constraints and access to evidence, to support its claims rather than simply making "broad generalizations" devoid of any evidentiary support.<sup>87</sup>

Some courts have concluded that where the misappropriation of trade secrets is "merely threatened" the party moving for

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893, 901 (N.D. Ohio 2013) (holding that mere conjecture that "it is impossible to believe [that the former employee] won't use the Confidential Information or trade secrets he was exposed to" in a new job is not sufficient to establish a likelihood of success on the merits absent any evidence to support a claim of actual or threatened misappropriation); *Katch, LLC v. Sweetser*, 143 F. Supp. 3d 854, 870 (D. Minn. 2015); *International Bus. Machs. Corp. v. Seagate Tech., Inc.*, 941 F. Supp. 98, 101 (D. Minn. 1992); *Standard Brands, Inc. v. Zumpe*, 264 F. Supp. 254, 267–68 (E.D. La. 1967); *United Prods. Corp. of Am., Inc. v. Cederstrom*, No. A05-1688, 2006 WL 1529478, at \*4 (Minn. App. Ct. June 6, 2006) (unpublished); *Analog Devices, Inc. v. Michalski*, 579 S.E.2d 449, 455 (N.C. Ct. App. 2003) (citation omitted); *Travenol Labs., Inc. v. Turner*, 228 S.E.2d 478, 486 (N.C. Ct. App. 1976), *superseded by statute*, N.C. Trade Secrets Protection Act, N.C.G.S.A. § 66-152, *as recognized in* *Eli Research, Inc. v. United Commc'ns. Grp., LLC*, 312 F. Supp. 2d 748, 758–59 (M.D.N.C. 2004).

86. *Teradyne, Inc. v. Clear Commc'ns. Corp.*, 707 F. Supp. 353, 357 (N.D. Ill. 1989).

87. *See, e.g., CleanFish, LLC v. Sims*, No. 19-cv-03663-HSG, 2019 WL 2716293, at \*3–4 (N.D. Cal. June 28, 2019) (denying request for temporary restraining order where plaintiff's evidence "contrasts sharply with the type of detailed and specific showing courts have found sufficient to find that defendants were misappropriating trade secrets" and where evidence in the record did not support plaintiff's "broad generalizations"); *Convergen Energy LLC v. Brooks*, No. 20-CV-3746 (LJL), 2020 WL 5549039, at \*21 (S.D.N.Y. Sept. 16, 2020) (denying injunction in aid of arbitration where plaintiff did not demonstrate impending harm or a risk that defendants will or were in a position to exploit information but merely offered speculative scenarios).

injunctive relief has a *heightened* burden and must establish a “substantial threat” of impending injury before an injunction will be issued.<sup>88</sup> In considering the potential impact of injunctive relief in the departing employee context, some courts have gone even further and held that, at least where the employee is not subject to an enforceable noncompete covenant, the movant must demonstrate a “high degree of probability” that disclosure is “inevitable.”<sup>89</sup>

- b. Circumstantial evidence can be probative if it is reliable and supports a reasonable inference as to a relevant fact

Against the need for something more than “fear” or “speculation” in assessing whether actual misappropriation has occurred or future misappropriation is threatened, however, courts have expressed sensitivity to the fact that much trade secret misappropriation takes place in secret, and a party seeking to protect its trade secrets through litigation may not have full access to evidence as to what actions the accused party is actually taking, especially at the early stages of a dispute. Courts have observed, as in the frequently-cited case *Greenberg v. Croydon Plastics Co., Inc.*,<sup>90</sup> that

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88. See, e.g., *United Healthcare Servs., Inc. v. Louro*, No. 20-2696 (JRT/ECW), 2021 WL 533680, at \*5 (D. Minn. Feb. 12, 2021); *Lexis-Nexis v. Beer*, 41 F. Supp. 2d 950, 958 (D. Minn. 1999); *Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g Corp.*, 255 F. Supp. 645, 654 (E.D. Mich. 1966); *Dutch Cookie Mach. Co. v. Vande Vrede*, 286 N.W. 612, 615 (Mich. 1939).

89. See *Pkg. Corp. of Am., Inc. v. Croner*, 419 F. Supp. 3d 1059, 1070 (N.D. Ill. 2019); *Katch*, 143 F. Supp. 3d at 869; *International Bus. Machs.*, 941 F. Supp. at 101; *Surgidev Corp. v. Eye Tech., Inc.*, 648 F. Supp. 661, 695 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987). See also discussion *infra* Guideline No. 9.

90. 378 F. Supp. 806, 814 (E.D. Pa. 1974).

Plaintiffs in trade secret cases, who must prove by a fair preponderance of the evidence disclosure to third parties and use of the trade secret by the third parties, are confronted with an extraordinarily difficult task. Misappropriation and misuse can rarely be proved by convincing direct evidence. In most cases plaintiffs must construct a web of perhaps ambiguous circumstantial evidence from which the trier of fact may draw inferences which convince him that it is more probable than not that what plaintiffs allege happened did in fact take place. Against this often delicate construct of circumstantial evidence there frequently must be balanced defendants and defendants' witnesses who directly deny everything.

In developing circumstantial evidence, the moving party will want to focus on gathering and understanding the evidence it *does* have—such as evidence of the unauthorized removal or transfer of information containing trade secrets to an organization that is likely to use it or an unexpected “leap forward” announced by a business counterparty whose authorized access to trade secrets has terminated or that has recently hired plaintiff's employees who have taken trade secrets. The moving party may need to augment the evidence it does have through specific discovery or at the injunction hearing and should be prepared to explain what evidence the opposing party controls and can be expected to produce.

### 3. Evidentiary hearings on requests for interim equitable relief

In many cases, evidence pertinent to a request for interim equitable relief can be put before the court effectively and efficiently through sworn statements, deposition transcripts, and

documentary evidence. In some cases, however, there may be credibility disputes on material factual issues. The parties may want to arrange a pre-argument conference with the court to determine what contested issues must be resolved on an application for equitable relief and what evidence on those issues will be presented, and to help the court determine whether it needs to hear testimony on these issues.

**Guideline 8. Where material facts are contested or credibility issues are important, if the court's standard procedures do not provide for evidentiary hearings, then one or both parties may present a request for an evidentiary hearing on specific contested issues.**

To the extent consistent with the needs and resources of the court, "a trial court should conduct an evidentiary hearing when 'consideration of the injunction motion [will be] influenced in some significant degree by credibility issues and factual disputes.'"<sup>91</sup> Conducting live or virtual evidentiary

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91. *Fres-Co Sys. USA, Inc. v. Hawkins*, No. 16-3591, 690 F. App'x. 72, 80 (3d Cir. 2017) (citations omitted) (trade secret case); *see also* *Kos Pharm., Inc. v. Andrx Corp.*, 369 F.3d 700, 719 n.16 (3d Cir. 2004) (trademark case) (noting the "rule that it may be improper to resolve a preliminary injunction motion on a paper record alone" and that "where the motion turns on a disputed factual issue, an evidentiary hearing is ordinarily required"); *Cobell v. Norton*, 391 F.3d 251, 261 (D.C. Cir. 2004) (holding that "when a court must make credibility determinations to resolve key factual disputes in favor of the moving party, it is an abuse of discretion for the court to settle the question on the basis of documents alone, without an evidentiary hearing"). For examples of trade secret cases expressly commenting on the use of evidentiary hearings on requests for preliminary injunctive relief, *see, e.g.,* *WHIC LLC v. NextGen Labs., Inc.*, 341 F. Supp. 3d 1147 (D. Haw. 2018) (holding a multi-hour evidentiary hearing on merits and on the likelihood of irreparable harm in a trade secret dispute); *AirFacts, Inc. v. de Amezaga*, Civil Action No. DKC 15-1489, 2017 WL 3592440, at \*12 (D. Md. Aug. 21, 2017) (holding a five day evidentiary hearing, after which court credited defendant's explanations

hearings on those specific issues can help resolve credibility or other critical factual disputes<sup>92</sup> and may also assist the court in

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regarding why he had retained company documents and denied the requested injunction), *aff'd in part, vacated in part*, 909 F.3d 84 (4th Cir. 2018); *In re Document Techs. Litig.*, 275 F. Supp. 3d 454, 461 (S.D.N.Y. 2017) (referencing a 3-day evidentiary hearing on request for injunction); *Intertek USA, Inc. v. AmSpec, LLC*, No. 14 CV 6160, 2014 WL 4477933, at \*6 (N.D. Ill. Sept. 11, 2014) (granting preliminary injunction after evidentiary hearing at which defendants “had an opportunity to rebut [movant’s] inferences at the preliminary injunction hearing,” observing that one defendant failed to take the stand at all to explain his actions); *PLC Trenching Co., LLC v. Newton*, No. 6:11-CV-0515 (GTS/DEP), 2012 WL 1155963 (N.D.N.Y. Apr. 6, 2012) (emphasizing the value of witness testimony that is subject to cross-examination as opposed to declarations that have not been subject to cross examination and commenting on a defendant’s failure to testify); *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1265 (7th Cir. 1995) (referencing an evidentiary hearing conducted over a ten day period); *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102, 117–18 (3d Cir. 2010) (referencing the defendant’s failure to testify at evidentiary hearing); *see also Heil Trailer Int’l Co. v. Kula*, 542 F. App’x 329, 334 (5th Cir. 2013) (citations omitted) (trade secret case); 11A CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FED. PRAC. & PROC. CIV. § 2949 (2d ed.), cited in *Heil Trailer* (stating: “If there is a factual controversy, . . . oral testimony is preferable to affidavits because of the opportunity it provides to observe the demeanor of the witnesses”). *Cf. United Healthcare Ins. Co. v. AdvancePCS*, 316 F. 3d 737, 744 (8th Cir. 2002) (“An evidentiary hearing is required prior to issuing a preliminary injunction only when a material factual controversy exists.”).

92. Recognizing the potential utility of evidentiary hearings, some local rules or state statutes expressly authorize such hearings where warranted by the papers. *See, e.g.,* N.Y. C.P.L.R. § 6312(c) (McKinney 2019), which altered prior New York case law requiring preliminary injunctions to be denied where there were material disputes of fact by providing that where plaintiff demonstrated the elements required for the issuance of a preliminary injunction, defendant’s presentation of evidence sufficient to raise an issue of fact as to any of such elements should not in itself be grounds for denial of the motion. Rather, “In such event the court shall make a determination by hearing or otherwise whether each of the elements required for issuance of a preliminary injunction exists.” *Id.* *See also* N.D. R. Civ. P. 65(d)(2) (West 2021),

evaluating, among other things, such matters as whether a witness who submits a contrite affidavit has in fact “learned their lesson” from prior, now corrected, improper acts such that further relief is not warranted.<sup>93</sup>

#### 4. Consolidation of the preliminary injunction hearing with the trial on the merits

Federal Rule 65(a)(2) provides that “before or after beginning the hearing on a motion for a preliminary injunction,” the court may advance the trial on the merits and consolidate it with the hearing. Even when consolidation is not ordered, evidence that is received on the motion and that would be admissible at trial becomes part of the trial record and need not be repeated at trial. However, the court must preserve the parties’ right to a jury trial on issues triable to a jury. Some courts require the parties to advise the court of their decision to request consolidation before the preliminary injunction hearing, when they do not yet know the outcome of the request for relief. In some cases after considering the issues and the evidence to be presented, the court may find that it is appropriate in the interest of efficiency to consolidate the preliminary injunction hearing with trial on the merits.<sup>94</sup> The court should provide clear and unambiguous

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providing that “[u]nless the court directs otherwise, evidence on a motion for a preliminary injunction may be by oral testimony.”).

93. See, e.g., *Intertek USA*, 2014 WL 4477933, at \*8 (finding, having observed the individual defendants’ testimony at the hearing, that “the court is confident that [the defendants] have learned their lesson and will not further disclose Intertek’s trade secrets”).

94. See, e.g., *Maxum Petroleum, Inc. v. Hiatt*, No. 3:16-CV-01615 (VLB), 2016 WL 5496283 (D. Conn. Sept. 28, 2016) (denying temporary restraining order where plaintiff had not established irreparable harm but granting expedited discovery and ordering expedited trial on the merits to be consolidated with a hearing on a motion for preliminary injunction in light of showing of urgency); *D.P. Dough Franchising, LLC v. Southworth*, No. 2:15-CV-



notice of its intention to do so in time for the parties to present evidence at the hearing; otherwise a reviewing court may decide to remand the case for trial.<sup>95</sup>

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2635, 2017 WL 4315013 (S.D. Ohio Sept. 26, 2017) (consolidating preliminary injunction hearing with trial on the merits on consent of the parties; denying permanent injunction).

95. *See, e.g.,* Attorneyfirst, LLC v. Ascension Entm't, Inc., 144 Fed. Appx 283, 287 (4<sup>th</sup> Cir. 2005) (following the “now-settled” principle that before consolidation of a trial on the merits with a hearing on a motion for preliminary injunction, the parties should normally receive clear and unambiguous notice to that effect either before the hearing commences or at a time which will still afford the parties a full opportunity to present their respective cases; reversing trial court order entering judgment on the merits and remanding for further proceedings) (citations omitted). *See* Total Garage Store, LLC v. Moody, No. M2001901342-COAR-3CV, 2020 WL 6892012 (Tenn. Ct. App. Nov. 24, 2020) (remanding in light of the fact that notice of consolidation was given only after the conclusion of the hearing).

## V. APPLYING EQUITABLE PRINCIPLES TO REQUESTS FOR INTERIM RELIEF

### A. *Evaluating the Movant's Likelihood of Success on the Merits*

#### 1. Evidence of prior actual misappropriation

Evidence that defendant has already engaged in misappropriation obviously raises concern that absent injunctive relief, further misappropriation will occur. Where the court determines that actual misappropriation is not ongoing or does not pose an imminent risk of irreparable harm, however, it may conclude that equitable relief is not warranted to prevent irreparable harm.<sup>96</sup>

#### 2. Evidence of threatened misappropriation

Under both the UTSA and the DTSA, both actual and “threatened” misappropriation can be enjoined. While statutes and case law do not give a hard and fast definition of “threatened” misappropriation, reported decisions make clear that while an overt, expressed threat to misappropriate trade secrets is evidence of threatened misappropriation, such a showing is not required.<sup>97</sup> This section discusses case law evaluating claims

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96. See, e.g., *DTC Energy Grp., Inc. v. Hirschfeld*, 912 F.3d 1263, 1271 (10th Cir. 2018) (“Not all plaintiffs who have already suffered lost customers, stolen trade secrets, or intangible injury can show a sufficient probability of future irreparable harm to warrant a preliminary injunction”); see also *McAfee v. Kinney*, No. 4:19-CV-463, 2019 WL 4101199, at \*11 (E.D. Tex. Aug. 29, 2019) (finding that any breach the former employee may have committed in the past did not demonstrate a significant threat of impending further misappropriation and can instead be remedied by money damages).

97. See, e.g., *Lasen, Inc. v. Tadjikov*, No. A-1-CA-34744, 2018 WL 6839454, at \*6 (N.M. Ct. App. Dec. 21, 2018) (“Despite Lasen’s failure to help us on this point, we conclude that Tadjikov’s interpretation of ‘threatened misappropriation’ is too narrow. First, the plain meaning of the word ‘threat’ is

that future misappropriation is threatened and that the threat warrants equitable relief.

3. Some remarks on threatened misappropriation and “inevitable disclosure”

The term “inevitable disclosure” has been used in some cases as a shorthand way of expressing the conclusion that without court intervention the evidence establishes a serious threat that particular information will be disclosed or used without the owner’s authorization. The term is used particularly, but not exclusively, when the threat is alleged to come at the hands of an employee who learned trade secrets at one organization and plans to join a competing organization in a similar capacity.<sup>98</sup> Often the primary concern is that the employee will “use” the information in the new position. While the term has most commonly been used when addressing a request for a court-imposed activity restriction against an accused party who is not subject to a noncompete agreement,<sup>99</sup> some cases have used the

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broader than Tadjikov admits. To be sure, the term includes the communication of an explicit intent to harm, but it is also defined as ‘[a]n indication of approaching menace; the suggestion of an impending detriment,’ and as ‘[a] person or thing that might well cause harm.’ Second, other courts have not limited the term to situations in which a defendant explicitly threatens to disclose trade secrets to others.”) (alterations in original, citation omitted), *cert. denied*, 2020 WL 7640855 (N.M. Jan. 7, 2020).

98. See, e.g., *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995). Cf. *Huawei Techs. Co., Ltd. v. Motorola, Inc.*, No 11-cv-497, 2011 WL 612722 (N.D. Ill. Feb. 22, 2011) (finding a risk of inevitable disclosure in connection with defendant’s plan to transfer assets and employees who had learned Huawei trade secrets to a joint venture with plaintiff’s competitor).

99. See *Earthweb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999), *aff’d*, No. 99-9302, 2000 WL 1093320 (2d Cir. May 18, 2000) (referring to “inevitable disclosure” arguments in the absence of a pre-dispute noncompete agreement as the “purest” application of the argument).

term “inevitable disclosure” when determining whether to enforce noncompete agreements.<sup>100</sup>

Judicial decisions and commentary abound debating whether the terms “inevitable disclosure” and “threatened misappropriation” are synonymous.<sup>101</sup> Complicating the discussion, some cases have evaluated the facts before them and found that they support a finding of *both* “threatened” and “inevitable” disclosure.<sup>102</sup>

WG12 agrees with the observation made by the court in *Molon Motor and Coil Corporation v. Nidec Motor Corporation*<sup>103</sup> when

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100. See, e.g., *Polymet Corp. v. Newman*, 2016 WL 4449641, at \*4 (S.D. Ohio 2016) (noting that Ohio’s appellate courts have not granted injunctive relief under the “inevitable disclosure” doctrine in the absence of a restrictive covenant). See also *Berardi’s Fresh Roast, Inc. v. PMD Ent., Inc.*, No. 90822, 2008 WL 4681825, at \*4 (Ohio Ct. App. Oct. 23, 2008); *Payment Alliance v. Ferreira*, 530 F. Supp. 2d 477, 481 (S.D.N.Y. 2007); *International Bus. Machs. Corp. v. Papermaster*, No. 08-CV-9078 (KMK), 2008 WL 4974508 (S.D.N.Y. Nov. 21, 2008); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 631 (E.D.N.Y. 1996); *Marcam Corp. v. Orchard*, 885 F. Supp. 294, 297–98 (D. Mass. 1995) (all considering “inevitable disclosure” arguments in determining whether to enforce restrictive covenants).

101. California, for example, has expressly rejected the so-called “inevitable disclosure” doctrine, *Whyte v. Schlage Lock Co.*, 125 Cal Rptr. 2d 277 (Cal Ct. App. 2002), while permitting injunctive relief to enjoin “threatened” misappropriation, *Central Valley General Hospital v. Smith*, 162 Cal. App.4th 501 (2008). Cf. *Barilla America v. Wright*, No. 4-02-CV-90267, 2002 WL 31165069 (S.D. Iowa July 5, 2002) (observing that an alternative way of reading the “inevitable disclosure” doctrine is that it is just one way of showing threatened misappropriation that applies a stricter standard focusing on the employee’s intent; finding standard satisfied).

102. See, e.g., *Mickey’s Linen v. Fischer*, No. 17 C 02154, 2017 WL 3970593, at \*12–13 (N.D. Ill. Nov. 8, 2017). Cf. *Smithfield Pkg’d Meats Sales Corp. v. Dietz & Watson, Inc.*, 452 F. Supp. 3d 843, 362 (S.D. Iowa 2020) (finding that the plaintiff need not rely on the “inevitable disclosure” doctrine because it had presented compelling evidence of threatened misappropriation).

103. No. 16 C 03545, 2017 WL 1954531, at \*5 n.13 (N.D. Ill. May 11, 2017).

discussing the so-called “inevitable disclosure” doctrine that “calling a line of reasoning a ‘doctrine’ poses the risk of ossifying the ‘factors’ into a rigid test. At bottom, whether a trade secret would be inevitably disclosed is really a question of circumstantial evidence, and those types of questions defy straitjacket formulas.”<sup>104</sup>

Rather than attempting to resolve the elusive question of whether “inevitable” disclosure is different from “threatened” misappropriation, WG12 finds it more useful to focus the discussion on what evidence and factors may be pertinent to reaching or rejecting a finding of threatened misappropriation warranting any equitable relief in a particular case. “Simply stating that inappropriate use of information is inevitable is not sufficient.”<sup>105</sup> Neither is making a bare assertion that future use or disclosure is “threatened.”<sup>106</sup> What matters, as with all claims

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104. See also *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102, 115–16 (3d Cir. 2010) (“[T]he ‘proper inquiry’ in determining whether to grant an injunction to prevent the threatened disclosure of trade secrets is not whether a defendant inevitably will disclose a trade secret in the absence of injunctive relief, but instead whether ‘there is sufficient likelihood, or substantial threat, of defendant doing so in the future.’”) (citations omitted); accord *CentiMark Corp. v. Jacobsen*, Civil Action No. 11-1137, 2011 WL 5977668, at \*12 (W.D. Pa. Nov. 29, 2011) (acknowledging that state and federal precedent has revealed the “inevitab[ility]” inquiry to somewhat miss the mark).

105. *Premier Dealer Svc., Inc. v. Allegiance Administrators, LLC*, No. 2:18-CV-735, 2018 WL 5801283, at \*5 (S.D. Ohio Nov. 6, 2018).

106. Some jurisdictions have used the term “inevitable disclosure” after the enactment of the DTSA, although they have required the party seeking relief to establish facts supporting the need for relief going beyond the defendant’s knowledge of trade secrets. An Ohio court, for example, has observed that “[c]ourts applying the inevitable disclosure doctrine have recognized that when employees have intimate knowledge of their employer’s confidential business information and trade secrets, it is virtually impossible for those employees to leave the company and work for a competitor, but compartmentalize their knowledge and avoid using their former employer’s

seeking equitable relief, is the evidence and reasonable inferences to be drawn therefrom. The discussion below focuses on the evidence courts have considered in cases considering relief that has been requested using both terms.

**Guideline 9. An accused employee's generalized knowledge of a claimant's trade secrets, without more, is unlikely to be sufficient to establish a finding of a likelihood of success on a claim of threatened misappropriation.**

The DTSA provides that an injunction should not be entered restricting the activities of an employee simply because of information the employee knows.<sup>107</sup> Decisions under the DTSA as well as case law under the UTSA and common law have held that the fact that an employee has generalized knowledge of a

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confidential business information and trade secrets at their new job," *Polymet Corp. v. Newman*, 2016 WL 4449641, at \*4 (S.D. Ohio 2016), but has cautioned that "the usual elements for an injunction must be proved. . .even when the plaintiff seeks to invoke the inevitable-disclosure doctrine to enjoin a former employee's employment with a competitor," *Id.* (finding the plaintiff had not satisfied these elements). To the same effect *see* *United Healthcare Servs., Inc. v. Louro*, No. 20-2696 (JRT/ECW), 2021 WL 533680, at \*5 (D. Minn. Feb. 12, 2021), emphasizing that to succeed on an "inevitable disclosure" theory, the moving party must show that there is a "high degree of probability" of inevitable disclosure and that "[m]ere knowledge of a trade secret is not enough, even where the person with such knowledge takes a comparable position with a competitor," (citation omitted), enumerating factors to consider and concluding that under both the Uniform Trade Secrets Act and the DTSA the plaintiff's pleadings "do not meet the high bar for inevitable disclosure." *Id.*; *Pkg. Corp. of Am., Inc. v. Croner*, 419 F. Supp. 3d 1059, 1070 (N.D. Ill. 2019) (dismissing trade secret claim under DTSA that "briefly gestures" to the "inevitable disclosure" doctrine but alleged no foundation upon which court could find a showing of intent or high probability that defendant would use its trade secrets, "especially in light of the skepticism other courts in this district have shown toward the inevitability doctrine").

107. 18 U.S.C. § 1836(3)(A)(i)(I).

former employer's trade secrets, without more, will not support a finding of threatened misappropriation.<sup>108</sup> Courts throughout

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108. See, e.g., *United Healthcare Servs.*, 2021 WL 533680, at \*5; *Cambria Co. LLC v. Schumann*, No. 19-CV-3145 (NEB/TNL), 2020 WL 373599, at \*6 (D. Minn. Jan. 23, 2020) (denying motion for preliminary injunction seeking to enjoin former employee from working for competitor following expiration of his two-year noncompete agreement as a way of protecting trade secrets, observing that “putting aside that [plaintiff] has not shown trade secrets to be in [defendant’s] head, courts do not grant injunctions when the only trade secrets are in the employee’s head and the company has not demonstrated a high probability of inevitable disclosure”); *Midwest Sign & Screen Printing Supply Co. v. Dalpe*, 386 F. Supp. 3d 1037, 1053 (D. Minn. 2019) (“Merely showing that [the employee] had knowledge of trade secrets is not enough.”) (alterations in original, citation omitted); *Freedom Medical Inc. v. Whitman*, 343 F. Supp. 3d 509 (E.D. Pa. 2018) (recognizing that Pennsylvania courts have employed the “inevitable disclosure” doctrine, but denying preliminary injunction where plaintiff had not carried its burden of establishing that misappropriation was likely as to defendants who knew but were not shown to have retained or used trade secrets); *Katch, LLC v. Sweetser*, 143 F. Supp. 3d 854, 870 (D. Minn. 2015) (“Mere knowledge of a trade secret is not enough, even where the person with such knowledge takes a comparable position with a competitor.”) (citation omitted); *Cargill Inc. v. Kuan*, No. 14-cv-2325-RM-MJW, 2014 WL 5336233, at \*6 (D. Colo. Oct. 20, 2014) (same). *Triumph Pkg. Grp. v. Ward*, 834 F. Supp. 2d 796 (N.D. Ill. 2011) (denying preliminary injunction under “inevitable disclosure” theory, observing that courts do not often apply the doctrine, which requires the showing of “high probability” of disclosure; finding that the mere fact that a person who learned trade secrets assumed a similar position at a competitor does not, without more, make it inevitable that he will use or disclose trade secret information so as to demonstrate irreparable injury); *Bridgestone/Firestone, Inc. v. Lockhart*, 5 F. Supp. 2d 667, 681 (S.D. Ind. 1998) (“The trade secret statute does not prohibit a former employee who has knowledge of trade secrets from going to work for a competitor.”); *Marietta Corp. v. Fairhurst*, 301 A.D. 2d 734, 738 (N.Y. App. Div. 2003) (finding that in the absence of any wrongdoing which would cause a breach of the confidentiality agreement, after expiration of a noncompete agreement, “mere knowledge of the intricacies of a business is simply not enough”); *Motion Control Sys., Inc. v. East*, 546 S.E.2d 424, 426 (Va. 2001) (“Mere knowledge of trade secrets is insufficient to support an injunction . . .”).

the country have emphasized that “it is not the case that every former employee with specialized technical knowledge can be enjoined from working for a competitor.”<sup>109</sup> In language resonating with the DTSA’s provisions on equitable relief directed to former employees, it has been held that “there must be some substantive support of a legitimate threat of disclosure in the facts of the case beyond the mere fact that a former employee has agreed to protect confidential information.”

Further, where the defendant’s original acquisition of the trade secrets was authorized, mere possession of the trade secrets, without more, does not necessarily establish a likelihood of success on a claim that future misappropriation is threatened,<sup>110</sup> especially where an equitable order directing the return or remediation of particular documents or data will alleviate or remedy the risk.<sup>111</sup>

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109. *A&P Tech., Inc. v. Lariviere*, No. 1:17-cv-534, 2017 WL 6606961, at \*5 (S.D. Ohio Dec. 27, 2017) (finding that “reviewing courts look to the particular facts of the case for circumstantial evidence of misappropriation, intent to misappropriate, nefarious activities or attempts to circumvent any of the parties’ agreements, demonstrated acts of dishonesty, evidence of deleting or copying files, improper solicitation, or other such evidence to weigh the need for injunctive relief”).

110. *See, e.g., Clorox Co. v. S.C. Johnson & Son, Inc.*, 627 F. Supp. 2d 954, 969 (E.D. Wis. 2009) (“Therefore, a plaintiff must do more than show the defendant possesses trade secrets to prove a claim of threatened misappropriation of trade secrets.”); *StrikePoint Trading, LLC v. Sabolyk*, No. SACV 07-1073 DOC(MLGx), 2009 WL 10659684, at \*8 (C.D. Cal. Aug. 18, 2009) (“However, ‘the issuance of an injunction based on a claim of threatened misappropriation requires a greater showing than mere possession by a defendant of trade secrets where the defendant acquired the trade secrets by proper means.’”) (citation omitted).

111. *See, e.g., Henry Schein, Inc. v. Cook*, No. 16-cv-03166-JST, 2016 WL 3418537 (N.D. Cal. June 22, 2016) (denying an activity restriction, finding that plaintiff had not established that such an order was necessary to protect its trade secrets in light of order prohibiting use of plaintiff’s documents); *Free*



The “something more,” as discussed below, that may establish a showing of threatened misappropriation giving rise to a need for injunctive relief, regardless of terminology, includes the same kinds of evidence that has been found by some courts to show that under the circumstances the threat of misappropriation is “inevitable.” For example, evidence of wrongdoing by the accused party and other evidence suggesting lack of trustworthiness have led to the imposition of activity restrictions on employees moving to competitors even under the DTSA,<sup>112</sup> as

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*Country Ltd. v. Drennen*, 235 F. Supp. 3d 559, 569 (S.D.N.Y. 2016) (denying activity restriction after completion of forensic review and remediation where plaintiff had not established a likelihood of success on the merits or ongoing irreparable harm); *Williams-Sonoma Direct, Inc. v. Arhaus, LLC*, 109 F. Supp. 3d 1009, 1023–24 (W.D. Tenn. 2015) (denying preliminary injunction prohibiting former employee who did not have a noncompete agreement from continuing to work for a competitor where defendants no longer had access to the trade secrets and there was no evidence of ongoing use of the information); *Intertek USA Inc. v. AmSpec, LLC*, No. 14 CV 6160, 2014 WL 4477933, at \*8 (N.D. Ill. Sept. 11, 2014) (finding that “sufficient steps have been taken over the course of this litigation to ensure that any Intertek trade secrets that the individual defendants possess will be removed from their possession”); *Boston Scientific Corp. v. Lee*, Civil Action No. 13-13156-DJC, 2014 WL1946687 (D. Mass. May 14, 2014) (denying activity restraint, finding that any harm to plaintiff would be averted by an injunction ordering the return of the material he had retained and that a broader injunction on competing would, under the circumstances, unfairly deprive defendant of his livelihood). *Cf.* *Badger Daylighting Corp. v. Palmer*, No. 1:19-CV-02106-SEB-MJD, 2019 WL 4572798 (S.D. Ind. Sept. 20, 2019) (finding an ongoing threat of potential or actual misappropriation of trade secrets, but only for so long as employee continued to possess documents containing trade secrets).

112. *See, e.g., Waymo LLC v. Uber Techs., Inc.*, No. C 17-00939 WHA, 2017 WL 2123560, at \*1–2 (N.D. Cal. May 11, 2017) (imposing activity restriction on individual engineer where the movant had presented evidence that before leaving employment with Waymo, engineer had downloaded 14,000 digital files which he did not return, told a colleague he planned to “replicate” Waymo technology, sold his new company to Uber for promised milestone earnouts of \$680 million, and become head of Uber’s driverless car

was also true in some pre-DTSA cases using “inevitable disclosure” terminology.<sup>113</sup>

The following is an illustrative guide to factors some courts have found to be important in evaluating the likelihood of the success on the merits in connection with specific requests for equitable relief. Practitioners are cautioned to review the current case law in the relevant jurisdictions to determine what terminology and what evidence is most frequently relied on in the jurisdiction of interest.

4. Nonexclusive factors or evidence that may be relevant to assessing whether the movant has established a likelihood of success that misappropriation is “threatened”
  - a. The nature of the trade secrets alleged to be at issue

Courts generally are less inclined to find threatened misappropriation, or a likelihood of irreparable harm, where the trade secrets alleged to be at issue are: 1) “fragile and ephemeral”;<sup>114</sup>

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program, and at the time of the preliminary injunction hearing, the evidence did not show that Uber had taken steps to prevent the executive from bringing Waymo information to Uber or using it, as Uber had done with other employees); *T&S Brass & Bronze Works, Inc. v. Slanina*, No. 6:16-03687-MGL, 2017 WL 1734362, at \*12 (D.S.C. May 4, 2017) (imposing activity restrictions going beyond those contained in the employee’s contract and concluding that “[t]his prohibition is based on this court’s finding of actual misappropriations and disclosures and the continued threat of the same and not based merely on the knowledge the defendants hold [sic].”) (citation omitted).

113. See, e.g., *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995).

114. *Bridgestone/Firestone, Inc. v. Lockhart*, 5 F. Supp. 2d 667, 681 (S.D. Ind. 1998).

2) transitory;<sup>115</sup> 3) aged or obsolete;<sup>116</sup> 4) “elementary and obvious”;<sup>117</sup> 5) not “timely, sensitive, strategic and/or technical”

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115. *Katch, LLC v. Sweetser*, 143 F. Supp. 3d 854, 869 (D. Minn. 2015) (finding that factual question of whether pricing information regularly changes reduced plaintiff’s likelihood of success on the merits); *Bridgestone/Firestone*, 5 F. Supp. 2d at 681–82; *Merck & Co. Inc. v. Lyon*, 941 F. Supp. 1443, 1461 (M.D.N.C. 1996); *Archer Daniels Midland Co. v. Sinele*, 139 N.E.3d 1036, 1041 (Ill. App. Ct. 2019).

116. *Fox Sports Net N., LLC v. Minnesota Twins P’ship*, 319 F.3d 329, 336 (8th Cir. 2003) (“[O]bsolete information cannot form the basis for a trade secret claim because the information has no economic value.”); *Cortez, Inc. v. Doheny Enters., Inc.*, No. 17 C 2187, 2017 WL 2958071, at \*12 (N.D. Ill. July 11, 2017) (denying requested injunction where plaintiff produced no admissible, credible evidence that defendant had misappropriated trade secrets through improper acquisition or use, and record evidence suggested that information the former employee remembers was stale or irrelevant due to plaintiff’s changed operational structure); *Katch*, 143 F. Supp. 3d at 869, 875; *Cargill Inc. v. Kuan*, No. 14-CV-2325-RM-MJW, 2014 WL 5336233, at \*5 (D. Colo. Oct. 20, 2014).

117. *H&R Block E. Tax Servs., Inc. v. Enchura*, 122 F. Supp. 2d 1067, 1074 (W.D. Mo. 2000).

information;<sup>118</sup> 5) granular and difficult to memorize;<sup>119</sup> or 6) “general” business information.<sup>120</sup>

b. The defendant’s knowledge of and access to the trade secrets at issue

If the accused party does not know or possess and is not likely to recall the trade secrets claimed to be at issue, threatened misuse and irreparable harm from use or disclosure is less likely to occur. Accordingly, in the case of an employee who is moving to a competitor, courts evaluate the accused party’s historical access to and knowledge of the former employer’s trade secrets. Relevant factors may include the former employee’s seniority,<sup>121</sup>

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118. *Hydrofarm, Inc. v. Orendorff*, 905 N.E.2d 658, 665 (Ohio Ct. App. 2008) (denying injunction where the former employee did not possess “timely, sensitive, strategic, and/or technical information that, if it was proved, posed a serious threat to . . . former employer’s business or a specific segment thereof.”). It should be noted, however, that a number of cases have held that nontechnical information, including marketing information, may be protectable as a trade secret and may have considerable value, even if for a relatively short duration. *See, e.g., PepsiCo.*, 54 F.3d at 1265–66 (finding marketing “attack plans” would have value as a trade secret for a six-month period of injunction); *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102, 112 (3d Cir. 2010) (“Our review of the relevant decisional law leads us to reject Botticella’s proposed distinction between technical and other information. To start with, it is clear that ‘trade secrets need not be technical in nature’ to be protected fully by Pennsylvania law. . .”) (citations omitted).

119. *Free Country Ltd. v. Drennen*, 235 F. Supp. 3d 559, 569 (S.D.N.Y. 2016) (denying activity restriction after forensic review and remediation of 50,000 files where the court “[was] not persuaded that [defendant] could have memorized gigabytes of data concerning Free Country’s past, present, and future business in such a short period of time”); *Del Monte Fresh Produce Co. v. Dole Food Co. Inc.*, 148 F. Supp. 2d 1326, 1339 (S.D. Fla. 2001); *H&R Block E. Tax Servs.*, 122 F. Supp. 2d at 1075; *Bridgestone/Firestone*, 5 F. Supp. 2d at 682.

120. *Merck*, 941 F. Supp. at 1461.

121. *Avery Dennison Corp. v. Finkle*, No. CV010757706, 2002 WL 241284, at \*2–3 (Conn. Super. Ct. Feb. 1, 2002) (unpublished) (“The court finds that

although courts have probed to determine whether a senior executive in fact knew, used, or was likely to have retained more than passing knowledge about the operational details of trade secrets claimed to be at issue;<sup>122</sup> an employee's role in the

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as a result of the management level and leadership position of Donald Finkle at Avery Dennison, he had direct access to, and in some instances contributed to the formulation of, procedures and information relating to [trade secrets at issue.]”); *see generally Bimbo Bakeries*, 613 F.3d at 105–07; *Del Monte*, 148 F. Supp. 2d at 1329; *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405, 1416 (N.D. Iowa 1996) (considering accused party's seniority).

122. *International Bus. Machs. Corp. v. Visentin*, No. 11 Civ. 399 (LAP) 2011 WL 672025, at \*12 (S.D.N.Y. Feb. 16, 2011), *aff'd*, 437 F. App'x 53 (2d Cir. 2011) (finding that misappropriation was not threatened where while IBM had established that defendant knew some trade secrets and had had exposure to others, it had not demonstrated that his knowledge was sufficiently deep or relevant that these secrets would be placed in jeopardy in the new position as Hewlett-Packard had designed it); *Del Monte*, 148 F. Supp. 2d at 1329 (noting that while defendant was one of Del Monte's senior scientists and highest ranking executives who had considerable access to all of Del Monte's trade secrets, his work, as an auditor/overseer did not require him to formulate or apply specific trade secrets). *Cf. National Starch Chem. Corp. v. Parker Chem. Corp.*, 530 A.2d 31, 32–33 (N.J. Super. Ct. App. Div. 1987) (finding threatened misappropriation where the defendant had helped to develop and retained complete recall of key formula his new employer had unsuccessfully endeavored to develop).

development or frequent use of the information;<sup>123</sup> and an employee's likely recall of the trade secrets.<sup>124</sup>

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123. See, e.g., *Uncle B's Bakery*, 920 F. Supp. at 1436 (granting relief where evidence showed that "O'Rourke would be taking with him far more than his skills, but particularized plans or processes developed by Uncle B's Bakery, in which development O'Rourke was intimately involved."). Intimate knowledge of secrets relevant to a new employer might also be found likely lead to threatened misappropriation even if the accused party did not initially develop the trade secrets. See, e.g., *Payment Alliance Int'l, Inc. v. Ferreira*, 530 F. Supp. 2d 477, 482 (S.D.N.Y. 2007) (employee was knowledgeable about the development and overall design of the secret software application even though he had not designed it at the technical level); *Est. . . e Lauder Cos., Inc. v. Batra*, 430 F. Supp. 2d 158, 175 (S.D.N.Y. 2006) ("The fact that Batra was not the scientist behind the formulas and the development of new products bears not on whether or not Est. . . e Lauder has carried its burden of demonstrating irreparable harm" given the pervasive nature of his knowledge of marketing and product plans). Cf. *H&R Block E. Tax Servs., Inc. v. Enchura*, 122 F. Supp. 2d 1067, 1075 (W.D. Mo. 2000) ("The matter might be different if, for instance, either person was involved in the development of new products for JH. In such a case, it might be reasonable to conclude that someone armed with knowledge of Plaintiffs' plans could not help but consider those plans in developing new plans for JH. This is not the case at hand.").

124. See, e.g., *Cargill Inc. v. Kuan*, No. 14-CV-2325-RM-MJW, 2014 WL 5336233, at \*6 (D. Colo. Oct. 20, 2014) ("On the record as a whole, the evidence supports a finding that while Mr. Kuan did once have specific knowledge of Cargill's trade secrets, his knowledge now is generalized. Generalized knowledge . . . [is] insufficient to support a finding of 'threatened misappropriation.'"); *Del Monte*, 148 F. Supp. 2d at 1339 (denying injunction, noting former employee's inability to recall former employer's trade secrets with precision). But see *Emery Indus., Inc. v. Cottier*, No. C-1-78-474, 1978 WL 21419, at \*6-7 (S.D. Ohio Aug. 18, 1978) (granting activity injunction to prevent threat of misappropriation even though "[i]t could not be claimed that the detail of the proprietary material could be or is carried around by the defendant in his head," because "[t]he generality of it is [carried around by the defendant in his head], and the generality is usable for conclusory purposes"; "[e]quitable intervention is sanctioned when it appears that there exists a present real threat of disclosure, even without actual disclosure").

- c. The accused party's prior wrongdoing, lack of credibility, or inattention to confidentiality

Proof of prior wrongdoing or lies with respect to trade secrets can be powerful evidence that future misappropriation is threatened,<sup>125</sup> particularly where the accused party has already disclosed trade secrets to or used them for a competitor organization.<sup>126</sup> In the famous *PepsiCo v. Redmond* "inevitable disclosure" case, for example,<sup>127</sup> the court concluded that Redmond's "lack of forthrightness on some occasions, and out and out lies on others . . . leads the court to conclude that [the defendant] could not be trusted to act with the necessary sensitivity and good faith,"<sup>128</sup> leading the trial court to find a risk of irreparable harm absent injunctive relief and impose activity restrictions on the employee to prevent his involvement in certain activities for

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125. See, e.g., *ReadyLink Healthcare v. Cotton*, 24 Cal. Rptr. 3d 720, 727 (Cal. Ct. App. 2005).

126. See, e.g., *Vendavo, Inc. v. Long*, No. 397 F. Supp. 3d 1115, 1139 (N.D. Ill. 2019) (finding threatened misappropriation where defendants had prepared business plan for new employer and used plaintiff's trade secrets prior to beginning work with new employer); *Radiant Glob. Logistics, Inc. v. Furstenau*, 368 F. Supp. 3d 1112, 1120 (E.D. Mich. 2019), *appeal dismissed*, 951 F.3d 393 (6th Cir. 2020) (finding threatened misappropriation where, among other things, the employee had removed documents and had assisted the new organization in establishing and building out a new business location while still employed by the former employer); *Intertek USA, Inc. v. AmSpec, LLC*, No. 14 CV 6160, 2014 WL 4477933, at \*6 (N.D. Ill. Sept. 11, 2014) (finding threatened misappropriation where employee had transmitted trade secrets for use in new employer's business plan); *Xantrex Tech., Inc. v. Advanced Energy Indus., Inc.*, No. 07-CV-02324-WYD-MEH, 2008 WL 2185882, at \*4 (D. Colo. May 23, 2008) (finding threatened misappropriation based on evidence that, while employed by the trade secret owner, the defendant had prepared product design and market analyses for the new employer and that the defendant recalled trade secret owner's technical trade secrets).

127. *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995).

128. *Id.* at 1270.

six months, the period of time that the court found the evidence showed was likely to place trade secrets at risk.<sup>129</sup>

d. The accused party's unusual pre-separation activity

Examples of suspect activity may include: 1) unusual access of the former employer's premises and computer files;<sup>130</sup> 2) simultaneously accessing multiple confidential documents;<sup>131</sup> 3) downloading or printing large volumes of confidential information;<sup>132</sup> 4) emailing former employer's confidential

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129. See also *Mickey's Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at \*12–13 (N.D. Ill. Sept. 8, 2017) (concluding that wholly apart from circumstantial evidence of misappropriation, the overlap of the jobs and defendant's lies and destruction of evidence compelled the conclusion that defendant would inevitably use or disclose plaintiff's trade secrets during his employment with a competitor unless enjoined from doing so, finding that the employee's "bare assurances that he will not misappropriate his former employer's trade secrets may be discounted when he has such a 'history of deceit'"); *Advanced Micro Devices, Inc. v. Feldstein*, No. CV 13-40007-TSH 2013 WL 10944934 (D. Mass. May 15, 2013) (finding that where an actual threat of irreparable harm is shown and the credibility of the parties to be enjoined is in question, equitable relief is within the court's discretion without regard to any "presumptions" of irreparable harm).

130. See, e.g., *Clorox Co. v. S.C. Johnson & Son, Inc.*, 627 F. Supp. 2d 954, 959 (E.D. Wis. 2009).

131. See, e.g., *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102, 107 (3d Cir. 2010); *Xantrex Tech.*, 2008 WL 2185882, at \*4; *Smithfield Pkg'd Meats Sales Corp. v. Dietz & Watson, Inc.*, 452 F. Supp. 3d 843, 862–63 (S.D. Iowa 2020) (finding defendant's departure with a significant amount of business information on a USB drive, inconsistent testimony on key points related to the USB drive, and solicitation of plaintiff's customers were "troubling" and that defendant's explanations were not credible; granting preliminary injunction to prevent threatened misappropriation).

132. See, e.g., *Waymo LLC v. Uber Techs., Inc.*, No. C 17-00939 WHA, 2017 WL 2123560, at \*1–2 (N.D. Cal. May 11, 2017); *Ayco Co., L.P. v. Frisch*, 795 F. Supp. 2d 193, 198–99, 208 (N.D.N.Y. 2011).



documents to a personal email account;<sup>133</sup> 5) using portable storage devices when accessing the former employer's computer system;<sup>134</sup> 6) wiping, deleting or reformatting files on personal devices such as laptops and personal digital assistants; and 7) altering or deleting a former employer's records.<sup>135</sup> A departing employee's pre-departure lies may suggest a risk of future threatened misappropriation.<sup>136</sup> Similarly, when the employee fails to disclose that the intended future employment violates an existing employment agreement and thereby is permitted to continue to access trade secrets during a notice period, courts may find threatened misappropriation.<sup>137</sup>

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133. See, e.g., *Radiant Glob. Logistics, Inc. v. Furstenau*, 368 F. Supp. 3d 1112, 1120 (E.D. Mich. 2019), *appeal dismissed*, 951 F.3d 393 (6th Cir. Mich. 2020).

134. See, e.g., *Cutera, Inc. v. Lutronic Aesthetics, Inc.*, 444 F. Supp. 3d 1198, 1203 (E.D. Cal. 2020); *Waymo*, 2017 WL 2123560, at \*1–2; *OmniGen Research, LLC v. Wang*, No. 6:16-CV-268-MC, 2017 WL 5505041, at \*22 (D. Or. Nov. 16, 2017), *appeal dismissed*, 2018 WL 3012530 (9th Cir. May 21, 2018); *Bimbo Bakeries*, 613 F.3d at 107–108, 118; *LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451, 456, 467 (Md. 2004).

135. See, e.g., *AHS Staffing, LLC v. Quest Staffing Grp., Inc.*, 335 F. Supp. 3d 856, 865, 872 (E.D. Tex. 2018); *Waymo*, 2017 WL 2123560, at \*1–2.

136. See, e.g., *Badger Daylighting Corp. v. Palmer*, No. 1:19-cv-02106-SEB-MJD, 2019 WL 4572798, at \*10 (S.D. Ind. Sept. 20, 2019) (granting limited injunction in part where defendant's "apparent disingenuousness has not helped his cause in trying to convince us that he no longer retains any access to the documents [he took with him at resignation], noting that "[h]is repeated lack of candor has created a level of distrust that neither the Court nor [the defendant] can wish away"); *Radiant Glob. Logistics*, 368 F. Supp. 3d at 1130 (E.D. Mich. 2019) ("Court finds Furstenau's testimony to be inherently incredible as to many key components that establish threatened misappropriation."), *appeal dismissed*, 951 F.3d 393 (6th Cir. Mich. 2020); *AHS Staffing*, 335 F. Supp. 3d at 865.

137. See, e.g., *Bimbo Bakeries*, 613 F.3d at 118 (finding defendant's failure to disclose "his acceptance of a job offer from a direct competitor" and "remaining in a position to receive [former employer's] confidential information and,

The evidence, however, should be assessed as a whole and in the context of the defendant's current actions. The parties and the court should still evaluate whether the past wrongdoing has been or can be corrected, the ongoing value of the trade secrets, the circumstances of the prior bad acts,<sup>138</sup> and whether there is an ongoing threat of imminent and irreparable harm, discussed in Part V.B. (Evaluating Evidence of Irreparable Harm).

e. The accused party's invocation of the Fifth Amendment

When an accused party in a civil trade secret suit invokes the Fifth Amendment and refuses to testify, the plaintiff may be stymied in gathering evidence. However, when a defendant asserts a Fifth Amendment privilege against self-incrimination in a civil case, that assertion may itself be introduced as evidence as permitted by the court and may ultimately result in a finding at trial, or on a motion for preliminary injunction, that the plaintiff's evidence is un rebutted.<sup>139</sup>

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in fact, receiving such information" to be factors supporting issuance of injunction). *Cf. Leach v. Ford Motor Company*, No. 03-74625 (E.D. Mich. Jan. 16, 2004) (denying injunction where employee had advised employer of his plans to work for a competitor and employer continued to provide him with trade secrets while it tried to persuade him to stay with the employer).

138. *See Freedom Med. Inc. v. Whitman*, 343 F. Supp. 3d 509, 518, 523 (E.D. Pa. 2018) (finding under the facts presented that "[former employee's] past misappropriation is insufficient, without more, to support the issuance of a preliminary injunction"); *see also, LeJeune*, 849 A.2d at 467.

139. *See, e.g., Arminius Schleifmittel GmbH v. Design Indus. Inc.*, No. 1:06CV00644, 2007 WL 534573 (M.D.N.C. Feb. 15, 2007) (granting preliminary injunction on finding that plaintiff's case was un rebutted, based in part on one defendant's invocation of Fifth Amendment and a second defendant's failure to deny plaintiff's evidence). Note, however, that state law may vary considerably about the extent to which invocations of the Fifth Amendment may be commented on. California's evidentiary code, for example, prohibits comment on the invocation. Cal. Evid. Code §913(a).

- f. The accused party's refusal to cooperate in returning information or to provide assurances regarding the protection of confidential information

A former employee or business partner's refusal to return or to give assurances to protect confidential information can evidence threatened misappropriation.<sup>140</sup> However, depending on other evidence before the court, such acts may be held not to support a finding of threatened misappropriation or to simply warrant an order directing specific affirmative measures to quarantine and remediate documents allegedly containing trade secrets, rather than broader injunctive relief to prevent further activities by the nonmoving party.<sup>141</sup>

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140. See, e.g., *Lasen, Inc. v. Tadjikov*, 456 P.3d 1090, 198 (N.M. Ct. App. Dec. 21, 2018) ("Without attempting to set forth a comprehensive definition of 'threatened misappropriation,' we agree that it occurs when a defendant possesses trade secrets and wrongfully refuses to return them to the owner."), *cert. denied*, No. S-1-SC-37720, 2020 WL 7640855 (N.M. Jan. 7, 2020); *Jazz Pharm., Inc. v. Synchrony Grp., LLC*, 343 F. Supp. 3d 434, 446 (E.D. Pa. 2018) ("An employee's additional failure to ensure an employer that it would refrain from using or disclosing the employer's trade secrets, despite their written agreement, may also constitute threatened misappropriation.") (citation omitted); *Waymo* 2017 WL 2123560, at \*5, \*10; *Central Valley Gen. Hosp. v. Smith*, 75 Cal. Rptr. 3d 771, 791–92 (Cal. Ct. App. 2008) (finding that threatened misappropriation can be found where (1) trade secrets remain in the possession of a defendant who actually misused or disclosed some of them in the past; (2) trade secrets are held by a defendant who intends to improperly use or disclose them; or (3) a defendant possesses trade secrets and wrongfully refuses to return them after a demand for their return has been made).

141. See, e.g., *Earthbound Corp. v. MiTek USA, Inc.*, No. C16-1150 RSM, 2016 WL 4418013 (W.D. Wash. Aug. 19, 2016); *Free Country Ltd. v. Drennen*, 235 F. Supp. 3d 559, 569 (S.D.N.Y. 2016).

g. The accused party's need for and ability to use the trade secrets at issue

The context of an accused party's actions is important. For example, the fact that a former employee is joining or forming an actual or emerging competitor or that a former business partner to whom trade secrets were disclosed is creating a new, directly competing product may be pertinent to assessing both the likelihood of success on the merits and the risk of irreparable harm. It is not, however, dispositive. As always in trade secret disputes, the details matter.

A defendant organization or a party hiring a defendant employee may have a pressing need for the trade secrets at issue and may have previously failed to achieve the breakthrough the trade secret would facilitate. Likewise, a party trying to break into a particular business may have been unable to create a competing product until it had access to the trade secrets.<sup>142</sup> The movant may develop evidence that the competitor organization sought out an employee or group of employees for the apparent

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142. Compare *Schlumberger Tech. Corp. v. Frentrop*, No. B 81-108, 1981 WL 48166 (D. Conn. June 3, 1981) (prohibiting employee from performing consulting services relating to specialized generators where employee had been thoroughly immersed in the technology, former employer was the only organization ever to have developed the technology, and new organization had hired consultant specifically to perform services developing competing generators) with *National Starch & Chemical Corp. v. Parker Chemical Corp.*, 530 A.2d 31 (N.J. Super. Ct. App. Div. 1987) (finding likelihood of irreparable harm and granting limited activity restriction prohibiting employee from engaging in the 5% of his job directed to developing an adhesive formula new employer desired to offer but had previously failed in developing) and *PSC Inc. v. Reiss*, 111 F. Supp. 2d 252 (W.D.N.Y. 2000) (finding no likelihood of success or irreparable harm and denying injunction to prevent alleged inevitable disclosure where hiring company was market leader and had no demonstrated need for the trade secrets).

purpose of acquiring trade secrets.<sup>143</sup> An individual at the center of a departing-employee suit may be transitioning to a position in which he or she is able to direct or implement the use of the trade secrets,<sup>144</sup> or the movant may be able to present evidence (rather than simply conjecture) that given the nature of the position and the competitor's need for the trade secrets at issue, the former employee "... cannot help but consider them while performing duties for the [new employer]." <sup>145</sup> Evidence of the employee's or hiring organization's lack of attention to the need to guard against the receipt of trade secrets can be found to

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143. See, e.g., *Genentech, Inc. v. JHL Biotech, Inc.*, No. C18-06582 WHA, 2019 WL 1045911, at \*19 (N.D. Cal. Mar. 5, 2019) (granting injunction where evidence showed that new organization had engaged employees to train others in plaintiff's technology and to bring their former employer's information with them to use in doing so while they were employed by the plaintiff organization); *E.I. duPont de Nemours & Co. v. American Potash & Chem. Corp.*, 200 A.2d 428 (Del. Ch. 1964) (affirming grant of injunction, finding the fact that the only place a California company advertised for technical employees was in movant's hometown was evidence of an improper effort to obtain duPont's secrets); *B.F. Goodrich v. Wohlgemuth*, 92 N.E.2d 99 (Ohio Ct. App. 1963) (affirming grant of limited activity restriction where defendant employee, who knew specialized technology at issue, had testified that "loyalty and ethics had their price; insofar as he was concerned, [the new employer] was paying the price"). But see *Katch, LLC v. Sweetser*, 143 F. Supp. 3d 854, 863 (D. Minn. 2015) (finding the fact that employee defendant who did not have a noncompete agreement turned down former employer's offer to pay him twice his normal salary if he would sit out for three months did not evidence the employee's intent to take trade secrets).

144. See, e.g., *Waymo*, 2017 WL 2123560; *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102, 106–07 (3d Cir. 2010) (defendant had accepted position as head of operations for competitor); *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1264–66 (7th Cir. 1995) (defendant intended to head the "integration" team for merging two direct competitors of his former employer's sports drink group and to lead the "attack plans" against his former employer's product).

145. *H&R Block E. Tax Servs., Inc. v. Enchura*, 122 F. Supp. 2d 1067, 1075–76 (W.D. Mo. 2000).

constitute further evidence that threatened use or disclosure of trade secrets is likely to occur.<sup>146</sup>

The parties and the court should not assume, however, that simply because the plaintiff and a defendant in trade secret disputes are competitors, plaintiff has necessarily demonstrated a likelihood of success. The new organization may have no current need for or ability to implement the trade secrets alleged to be at issue,<sup>147</sup> such as where the organizations are embarked on different technological solutions to problems<sup>148</sup> or have adopted

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146. *Cerro Fabricated Prods. LLC v. Solanick*, 300 F. Supp. 3d 632 (M.D. Pa. 2018).

147. *Compare MEMC Elec. Materials v. Balakrishnan*, No. 2:12-CV-344, 2012 WL 3962905, at \*9 (S.D. Ohio Sept. 11, 2012) (denying activity injunction where plaintiff could not identify specific trade secrets at risk and evidence showed that while one day the two organizations might compete, “the companies are not competing right now”) *with Conley v. DSC Commc’ns Corp.*, No. 05-98-01051-CV, 1999 WL 89955, at \*5 (Tex. App. Feb. 24, 1999) (finding that new employer had a need for the trade secret information at issue where both employers were in direct competition, selling comparable technology in the same markets, and were both on the short list of manufacturers under consideration for a contract worth up to \$100,000,000 per year).

148. *See, e.g., Spark Connected, LLC v. Semtech Corp.*, No. 4:18-CV-748-ALM-KPJ, 2019 WL 4305735 (E.D. Tex. Sept. 10, 2019) (denying preliminary injunction where evidence did not show that plaintiff and defendant competed for the same customers in the same niche of the wireless power market); *Katch*, 143 F. Supp. 3d at 871 (finding the disputed fact that the computer platforms employed by the two organizations are different to some extent “significantly reduces the risk of inevitable disclosure and thus [plaintiff’s] likelihood of success on the merits”); *Interbake Foods, L.L.C. v. Tomasiello*, 461 F. Supp. 2d 943, 973–74 (N.D. Iowa 2006) (denying “inevitable disclosure” injunction where the equipment, processes, and recipes independently developed by the two employers were significantly different and the trade secrets would thus be of little value to the new employer without substantial modification); *Hoskins Mfg. Co. v. PMC Corp.*, 47 F. Supp. 2d 852, 854 (E.D. Mich. 1999) (granting summary judgment for trade secret defendant where there were significant differences between the two organization’s manufacturing processes rendering the information at issue less likely to be at risk);

different business models;<sup>149</sup> where the organizations sell to different markets;<sup>150</sup> where the competitor organization presents evidence that it has developed its own plans and processes independently;<sup>151</sup> or where the accused or hiring organization does not have the financial ability to pursue adoption of the trade secret.<sup>152</sup> An employee who is at the center of a trade secret dispute may have little or no ability to influence or direct the use of the trade secrets at issue and hence presents little likelihood of threatened misappropriation.<sup>153</sup> And even evidence of

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Horner Int'l Co. v. McKoy, 754 S.E.2d 852, 859 (N.C. Ct. App. 2014); Analog Devices, Inc. v. Michalski, 579 S.E.2d 449, 455 (N.C. Ct. App. 2003) (denying threatened misappropriation injunction where court found that while employee clearly knew plaintiff's trade secrets, the trade secrets were nontransferable to the new business).

149. See *Katch*, 143 F. Supp. 3d at 871–72; *H&R Block E. Tax Servs.*, 122 F. Supp. 2d at 1069–70.

150. *Triumph Packaging Grp. v. Ward*, 834 F. Supp. 2d 796, 810 (N.D. Ill. 2011).

151. See, e.g., *Cardinal Health Staffing Network, Inc. v. Bowen*, 106 S.W.3d 230 (Tex. App. 2003) (finding that misappropriation was not threatened where the new employer had developed its own business plan over a year before claimant's former employee came aboard and would have started its own competing business with or without the former employee).

152. See, e.g., *Standard Brands, Inc. v. Zumpe*, 264 F. Supp. 254, 261 (E.D. La. 1967) (denying activity restriction where defendant presented credible evidence that the individual's new employer had no interest in and no financial ability to pursue new product lines which the use of the trade secrets could assist).

153. See, e.g., *Campbell's Soup Co. v. Giles*, 47 F.3d 467, 471 (1st Cir. 1995) (finding no "inevitable" misappropriation by midlevel employee hired to carry out existing plan in which there was "only minimal room left for competitive maneuvering"); *PSC Inc. v. Reiss*, 111 F. Supp. 2d 252 (W.D.N.Y. 2000) (finding that threat of misappropriation was not inevitable where employee sold a product with little knowledge of how it works, had only general knowledge of former company's plans, and in his new position would simply be selling an established product for a competitor).

arguable past misappropriation does not necessarily establish any future misappropriation with any specificity.<sup>154</sup>

This *Commentary* does not probe the differing and rapidly changing case law and differing state law standards regarding the availability and enforceability of restrictive covenants. Courts faced with evidence that a former employee or business partner has breached enforceable contractual obligations to the trade secret claimant will want to consider whether such contractual obligations were enforceable under applicable law, and if so, whether any breach evidences a likelihood of ongoing risk to the trade secrets absent injunctive relief.

h. Nonspeculative evidence of sudden or impending breakthroughs by the accused party

Claims asserting that misappropriation is threatened are, by definition, brought before the moving party has all the evidence it needs to establish that misappropriation is *in fact* occurring or has occurred. A clue often asserted by trade secret owners is that a defendant organization has made or announced a sudden breakthrough that it had not previously signaled to the market. Because the accused party controls much if not all of the evidence on these issues, its failure to present evidence rebutting this claim has been found to bolster the moving party's prima facie case and merit early equitable relief.<sup>155</sup>

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154. See, e.g., *Wisk Aero LLC v. Archer Aviation Inc.*, No. 3:21-cv-02450, 2021 WL 4073760 (N.D. Cal. Aug. 24, 2021) (denying motion to dismiss since complaint stated a plausible claim, but denying application for misappropriation where plaintiff could not provide evidence of specific future risk, did not establish connection between unauthorized downloads and trade secrets at issue, and did not rebut defendants' evidence of independent development).

155. See, e.g., *WeRide Corp. v. Huang*, No. 5:18-CV-07233-EJD, 2019 WL 1439394 (N.D. Cal. Apr. 1, 2019) (granting a preliminary injunction where in response to prima facie case of misappropriation, defendants offered only



- i. An accused party's timely attention to developing and executing voluntary measures to reduce the risk of misappropriation

Evidence of a defendant's candor and forthrightness may negate a claim of threatened misappropriation.<sup>156</sup> Courts have found that the movant had not established a likelihood of

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vague or incomplete denials of wrongdoing and no evidence concerning how they had achieved their advanced capabilities), *modified in part*, 2019 WL 5722620 (N.D. Cal. Nov. 5, 2019), terminating sanctions entered against defendants at 2020 WL 1967209 (N.D. Cal. Apr. 16, 2020)). *See also* AtriCure, Inc. v. Meng, 842 Fed. App'x 974 (6th Cir. 2021) (not for publication) (finding evidence of misappropriation warranting a preliminary injunction where plaintiff presented seven witnesses to testify regarding the trade secrets plaintiff had developed at a cost of \$50 million, the individual defendants' access to them, and corporate defendant's release of a substantially similar product after hiring former employees of movant; while defendants contended that the new product had been developed through examining products of competitors they came forward with no witnesses or other evidence supporting this claim); *American Can Co. v. Mansukhani*, 814 F.2d 421 (7th Cir. 1987) (noting that evidence that defendant had created its new ink formula within hours of leaving plaintiff's employ supported finding of misappropriation). *But see, e.g.*, *GTI Corp. v. Calhoon*, 309 F. Supp. 762, 766 (S.D. Ohio 1969) (finding no misappropriation where defendant developed competing product within ten weeks where evidence showed that defendants, who collectively had 59 years of relevant experience, had worked "sixteen hours a day seven days a week" to complete the design and development); *Wisk Aero*, 2021 WL 4073760 at \*20 (denying preliminary injunction finding that "just because development is fast does not mean it is implausibly so; a quick timeline can have explanations other than trade secrets theft"; finding that the evidence supported a finding of legitimate explanations and a longer timeline than plaintiff had asserted).

156. *See, e.g.*, *Prime Therapeutics LLC v. Beatty*, 354 F. Supp. 3d 957, 972 (D. Minn. 2018) (noting former employee's candor and honesty in relation to her resignation from former employer as supporting denial of injunction); *CMI Int'l, Inc. v. Internet Int'l Corp.*, 649 N.W.2d 808, 813 (Mich. Ct. App. 2002) (noting an absence of duplicity as a reason for denying threatened misappropriation injunction).

success on the merits or a threat of imminent irreparable harm in some cases where: 1) there was no evidence that the former employer's trade secrets were in fact actually improperly retained, used, or disclosed;<sup>157</sup> 2) the defendant's acquisition of the former employer's trade secrets occurred during employment, was authorized, and there was no contractual obligation requiring their return;<sup>158</sup> 3) the accused party was not under an obligation to retain documents for litigation and destroyed or returned the former employer's trade secret information prior to the suit to affirmatively avoid its misuse;<sup>159</sup> 4) the defendant

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157. See, e.g., *TDBBS LLC v. Ethical Prods. Inc.*, No. CV-19-01312-PHX-SMB, 2019 WL 979944 (D. Ariz. Feb. 28, 2019) (denying requested relief, finding that while individual's decision to email sensitive documents to himself on his last day of work raised an inference of wrongdoing, defendant had averred under oath that the material was not transmitted and in-house counsel for the new employer had represented that it had not received the information at issue), *subsequent determination*, 2019 WL 1242961 (D. Ariz. Mar. 18, 2019); *Prime Therapeutics*, 354 F. Supp. 3d at 972; *Katch, LLC v. Sweetser*, 143 F. Supp. 3d 854, 871 (D. Minn. 2015); *FLIR Sys., Inc. v. Parrish*, 95 Cal. Rptr. 3d 307, 316 (Cal. Ct. App. 2009) ("The trial court found that the download was not a threatened misappropriation because there was no evidence that the contents of the hard drive, 'if such contents existed, were improperly accessed, used, or copied before the drive was destroyed.'"); *Del Monte Fresh Produce Co. v. Dole Food Co. Inc.*, 148 F. Supp. 2d 1326, 1339 (S.D. Fla. 2001); *Bridgestone/Firestone, Inc. v. Lockhart*, 5 F. Supp. 2d 667, 682 (S.D. Ind. 1998).

158. See, e.g., *CPI Card Grp., Inc. v. Dwyer*, 294 F. Supp. 3d 791, 809–10 (D. Minn. 2018) (forwarding of confidential information to a personal email account minutes before resignation was found not to be evidence of misappropriation because the activity was not expressly prohibited by former employer's confidentiality agreement); *AirFacts, Inc. v. de Amezaga*, Civil Action No. DKC 15-1489, 2017 WL 3592440, at \*12 (D. Md. Aug. 21, 2017) (crediting defendant's explanations regarding why he had retained company documents and denying requested injunction), *aff'd in part, vacated in part*, 909 F.3d 84 (4th Cir. 2018).

159. See, e.g., *Packaging Corp. of Am., Inc. v. Croner*, 419 F. Supp. 3d 1059 (N.D. Ill. 2020) (denying interim injunction where at most defendant was

gave assurances that he would not use or had no need for the former employer's trade secrets in his new position and agreed to cooperate in efforts to quarantine and return materials that had been downloaded or retained;<sup>160</sup> and 5) the defendant

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shown to have retained certain documents after resignation which he had subsequently deleted prior to suit and there was no evidence that the documents had been shared with or forwarded to others); *Integrated Process Sols., Inc. v. Lanix LLC*, No. 19-CV-567 (NEB/LIB), 2019 WL 1238835, at \*6 (D. Minn. Mar. 18, 2019); *Midwest Sign & Screen Printing Supply Co. v. Dalpe*, 386 F. Supp. 3d 1037, 1052–54 (D. Minn. 2019); *Cargill Inc. v. Kuan*, No. 14-CV-2325-RM-MJW, 2014 WL 5336233, at \*6 (D. Colo. Oct. 20, 2014); *Holton v. Physician Oncology Servs., LP*, 742 S.E.2d 702, 705 (Ga. 2013); *FLIR Sys.*, 95 Cal. Rptr. 3d at 317. Forensics “remediation” taking place outside actual litigation that has not been properly documented and that occurs after litigation was threatened could, however, be found to constitute “spoliation” by destroying relevant evidence that might bear on the question of whether particular information had been transferred to others. *See, e.g., Panera, LLC v. Nettles*, No. 4:16-cv-1181-JAR, 2016 WL 4124114, at \*4 (E.D. Mo. Aug. 3, 2016) (finding that defendant's resetting of computer to “factory state” and deletion of documents gave rise to a strong inference of irreparable harm where the employee was subject to a noncompete agreement).

160. *See, e.g., Integrated Process Sols.*, 2019 WL 1238835, at \*2, \*5–6; *Midwest Sign*, 386 F. Supp. 3d at 1056–57; *Delphi Automotive PLC v. Absmeier*, 167 F. Supp. 3d 868, 882 (E.D. Mich. 2016) (denying an activity injunction where upon learning of the dispute, defendant voluntarily retained a computer forensic company to quarantine digital files alleged to be at issue in a manner to make them inaccessible to defendant and any other third party and transferred the drives at issue to plaintiff), *modified by* No. 15-cv-13966, 2016 WL 1156741 (E.D. Mich. Mar. 24, 2016); *Fisher/Unitech, Inc. v. Computer Aided Tech., Inc.*, No. 13 C 02090, 2013 WL 1446425 (N.D. Ill. Apr. 9, 2013) (denying injunction where, although defendant had concededly transferred a large volume of documents from a prior employer to a laptop issued by his new employer, by the time of litigation the parties were working cooperatively to preserve and analyze the information and remove it from devices not belonging to the former employer); *American Airlines, Inc. v. Imhof*, 620 F. Supp. 2d 574, 582 (S.D.N.Y. 2009) (denying activity injunction where upon being sued defendant worked with counsel to recover and quarantine all files at issue).

remained bound by a formal nondisclosure agreement and the court found no evidence of a prior violation.<sup>161</sup> Evidence that a competitor defendant has voluntarily established and implemented measures to avoid receiving trade secrets may be found to negate both a likelihood that the movant will succeed on a claim for threatened misappropriation and the risk of irreparable harm.<sup>162</sup>

A court is not obliged to deny injunctive relief, however, simply because the defendant asserts that it has taken some steps to avoid future harm.<sup>163</sup> Moreover, the failure of any prior

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161. See *In re Document Techs. Litig.*, 275 F. Supp. 3d 454 (S.D.N.Y. 2017) (denying injunction to enforce nonsolicitation agreement to protect trade secrets where employees were subject to nondisclosure agreements and there was no evidence of violation); *Avery Dennison Corp. v. Juhasz*, 924 F. Supp. 2d 893, 900–01 (N.D. Ohio 2013) (denying injunction where while “suspicion and mistrust” of a new employer was “perhaps understandable,” finding that suspicion was not sufficient to overcome the credible testimony of the defendant that he clearly understood his obligations under the applicable agreements and agreed to abide by them); *Clorox Co. v. S.C. Johnson & Son, Inc.*, 627 F. Supp. 2d 954, 971 (E.D. Wis. 2009); *Del Monte*, 148 F. Supp. 2d at 1339; *Bridgestone/Firestone*, 5 F. Supp. 2d 667 at 682 (S.D. Ind. 1998).

162. See, e.g., *International Bus. Machs. Corp. v. Visentin*, No. 11 Civ. 399 (LAP), 2011 WL 672025 (S.D.N.Y. Feb. 16, 2011), *aff’d*, 437 F. App’x 53 (2d Cir. 2011) (denying injunction because thoughtful job structuring by the new employer had voluntarily removed the employee from the areas where he might cause the greatest risk to the former employer’s trade secrets prior to suit and counseled the employee of his ongoing obligations of confidentiality to his prior employer); *United Prods. Corp. of Am. v. Cedarstrom*, No. A05-1688, 2006 WL 1529478, at \*2 (Minn. Ct. App. Sept. 5, 2006) (unpublished) (denying injunction because employer’s pre-suit actions to structure employee’s duties negated movant’s concerns of irreparable harm under the facts presented).

163. See, e.g., *Inventus Power, Inc. v. Shenzhen Ace Battery Co.*, No. 20-CV-3375, 2020 WL 3960451, at \*14 (N.D. Ill. July 13, 2020) (finding that fact that defendant had required all new employees to sign an agreement not to use any confidential information or trade secrets of others was insufficient to

preventive measures by the new employer to prevent actual misappropriation may call into question the efficacy of its measures and support a finding that without court-ordered measures, further disclosures would likely occur.<sup>164</sup>

*B. Evaluating Evidence of Irreparable Harm*

1. Presumptions on motions for interim equitable relief

**Principle 4. The parties and the courts should evaluate the available evidence and the parties' respective burdens before determining whether any presumptions should apply to requests for equitable relief.**

When assessing claims for equitable relief in trade secret disputes, the court should not rely exclusively on purported “presumptions,” whether based on case law or contract, but should consider the evidence each party controls, the burden of proof or production each party bears, and the evidence each party has presented. Where the movant has carried its burden of showing that misappropriation is threatened or will continue unless enjoined, the court may conclude in appropriate cases that a presumption of irreparable harm applies and should assess whether the nonmovant has rebutted any presumptions.

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rebut plaintiff's showing that defendants had previously removed documents containing trade secrets and incorporated plaintiff's trade secrets in patent applications; noting that defendant had not cited any case law indicating that such an agreement standing alone was sufficient to avoid liability for misappropriation).

164. *Vendavo, Inc. v. Long*, No. 19-CV-1725, 2019 WL 4139000, at \*15 (N.D. Ill. Aug. 30, 2019).

## 2. Legal presumptions in trade secret cases are not irrebuttable

Both the DTSA and the UTSA authorize, but do not mandate, injunctive relief to prevent or remedy misappropriation.<sup>165</sup> The discretionary language in both statutes has led some courts to hold that presuming irreparable harm as a matter of law in suits brought under these acts would be “contrary to traditional equitable principles.”<sup>166</sup>

Other courts have historically spoken of there being a “presumption” of irreparable harm in trade secret disputes. Principle No. 4 reflects that case law nationally points to the conclusion that any such presumptions are rebuttable. The applicability of any presumption and availability of injunctive

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165. Defend Trade Secrets Act, *supra* note 19, § 2(3)(A)(i); *Id.* § 2(3)(A)(ii); Unif. Trade Secrets Act, *supra* note 19, § 2(a) and § 2(c).

166. See, e.g., First W. Capital Mgm’t v. Malamed, 874 F.3d 1136, 1140 (10th Cir. 2017) (citation omitted); *followed in* DTC Energy Group, Inc. v. Hirschfeld, 912 F.3d 1263, 1270, 1266 n.3 (10th Cir. 2018) (denying preliminary injunctive relief); JTH Tax, Inc. v. Freedom Tax, Inc., No. 3:19-cv-85-RGJ, 2019 WL 2057323 (W.D. Ky. Mar. 15, 2019), *subsequent determination*, 2019 WL 2062519 (May 9, 2019); DLMC, Inc. v. Flores, CV. No. 18-00352 DKW-KSC, 2018 WL 6682986 (D. Haw. Dec. 19, 2018); Capital Tool & Mfg. Co., Inc. v. Maschinenfabrik Herkules, 837 F.2d 171 (4th Cir. 1998) (holding the text of Virginia’s Uniform Trade Secrets Act permits but does not require entry of a preliminary injunction even on a showing that the statute has been violated). *Cf.* Regions Bank v. Raymond James & Assocs., Inc., No. 6:20-cv-658-Orl-40EJK, 2020 WL 7419650, at \*5 (M.D. Fla. Apr. 20, 2020) (holding that Florida’s noncompete statute states that “use of specific trade secrets, customer lists, or direct solicitation of existing customers” creates a presumption of irreparable injury and may be specifically enjoined; finding evidence of future irreparable harm) (citations omitted). In a subsequent decision in the case, however, the court denied a preliminary injunction at because defendant had known the customers at issue before working for plaintiff, the phone numbers at issue were not trade secrets, and harm would be readily calculable. 2020 WL 6870815 (M.D. Fla. May 15, 2020).

relief must be assessed in light of evidence presented to the court, taking into account the parties' respective access to evidence and evidentiary burdens. Movants do not satisfy their burden to establish entitlement to injunctive relief simply by invoking mantras or purported presumptions alone,<sup>167</sup> including the familiar refrain that "a trade secret once lost is, of course, lost forever."

The Second Circuit used this phrase when granting a narrowly drawn preliminary injunction and ordering an expedited trial in its 1984 decision in *FMC Corp. v. Taiwan Tainan Giant Industrial Co. Ltd.*<sup>168</sup> This language has been widely quoted nationally in opinions discussing legal presumptions in trade secret disputes ever since, although not always with attribution or with the same emphasis.<sup>169</sup> The Second Circuit has subsequently

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167. *Titan Mfg. Sols., Inc. v. National Cost, Inc.*, No. 19-CV-1749-WJM-SKC, 2019 WL 3205955, at \*2 (D. Colo. July 16, 2019) (holding that generic claims and "mantra-like" invocations that particular information is a trade secret at risk and that once the details have been disclosed "it is difficult—if not impossible—to control [their] dissemination" is not sufficient to carry plaintiff's burden of establishing irreparable harm) (alteration in original). *See also* *Cutera, Inc. v. Lutronic Aesthetics, Inc.*, 444 F. Supp. 3d 1198, 1208 (E.D. Cal. 2020) (finding that evidence presented established a likelihood of irreparable harm, but after first noting that "this court joins those district courts who have declined to rely on a presumption in determining irreparable harm in the intellectual property context"); *Sky Capital Grp., LLC v. Rojas*, No. 1:09-CV-00083-EJL, 2009 WL 1370938, at \*12 (D. Idaho May 14, 2009) (observing that in the Ninth Circuit a trade secrets plaintiff who shows likely success on the merits of its claim is not entitled to a presumption of irreparable harm warranting preliminary injunctive relief, citing *Pacific Aerospace & Electronics, Inc. v. Taylor*, 295 F. Supp. 2d 1188, 1198 (E.D. Wash. 2003)).

168. 730 F.2d 61, 63 (2d Cir. 1984).

169. *See, e.g.*, *Neo Gen Screening, Inc. v. TeleChem Int'l, Inc.*, 69 F. App'x 550, 555 (3d Cir. 2003); *Peoplestrategy, Inc. v. Lively Employer Servs., Inc.*, No. 3:20-CV-02640-BRM-DEA, 2020 WL 7869214, at \*8 (D.N.J. Aug. 28, 2020) (unpublished), *reconsideration denied*, 2020 WL 7237930, at \*3-4 (D.N.J. Dec. 9, 2020) (citing *Taiwan Tainan Giant* as supporting the proposition that a

clarified in *Faiveley Transport Malmo AB v. Wabtec Corp.*<sup>170</sup> that while the *Taiwan Tainan Giant* language, which it characterized as a “passing observation,”<sup>171</sup> had been read by some courts to mean that an irrebuttable presumption of irreparable harm automatically arises upon a determination that a trade secret has been misappropriated, “[t]hat reading is not correct.”<sup>172</sup> Rather, the Second Circuit has explained:

A rebuttable presumption of irreparable harm might be warranted in cases where there is a danger that, unless enjoined, a misappropriator of trade secrets will disseminate those secrets to a wider audience or otherwise irreparably impair the value of those secrets. Where a misappropriator seeks only to use those secrets—without further dissemination or irreparable impairment of value—in pursuit of profit, no such presumption is warranted because an award of damages will often provide a complete remedy for such an injury.<sup>173</sup>

Courts nationally have discussed the *Faiveley* decision and differ on whether a finding that a trade secret plaintiff has

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showing of misappropriation “may” result in irreparable harm to reputation, trade and good will); *Cerro Fabricated Prods., LLC v. Solanick*, 300 F. Supp. 3d 632, 655 (M.D. Pa. 2018); *Teksystems, Inc. v. Spotswood*, Civil No. RDB 05-1532, 2005 WL 8174397, at \*5 (D. Md. June 29, 2005), *Touchpoint Sols. Inc. v. Eastman Kodak Co.*, 345 F. Supp. 2d 23, 32 (D. Mass. 2004) (quoting language from *Taiwan Tainan Giant* but finding, however, that “[n]otwithstanding that presumption, injunctive relief is only appropriate where, on the facts before the Court, irreparable harm is threatened”) (citation omitted).

170. 559 F.3d 110, 118–19 (2d Cir. 2009).

171. *Id.* at 118.

172. *Id.*

173. *Id.*



established a likelihood of success gives rise to any legal presumptions. They agree, however, that any such presumption, if it exists, may be rebutted.<sup>174</sup> For example, in *InnoSys, Inc. v.*

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174. See, e.g., *Brightview Grp., LP v. Teeters*, 441 F. Supp. 3d 115, 138 (D. Md. 2020), noting that the Fourth Circuit appears to require “an individualized analysis of irreparable harm on a case-by-case basis” (citation omitted) (preliminary injunction decision); *Inventus Power, Inc. v. Shenzhen Ace Battery Co.*, No. 20-CV-3375, 2020 WL 3960451, at \*12 (N.D. Ill. July 13, 2020) (holding that while within the Northern District of Illinois there appears to be a presumption of irreparable harm in cases of trade secret misappropriation, the presumption “can be rebutted by the defendant by ‘demonstrating that [the] plaintiff will not suffer any harm if the injunction is not granted’” (citations omitted)); *Reco Equip., Inc. v. Wilson*, No. 2:20-CV-3556, 2020 WL 6823119, at \*17 (S.D. Ohio Nov. 20, 2020) (observing that courts in this district “have regularly recognized that irreparable harm generally is presumed when a plaintiff has demonstrated a likelihood of success on a misappropriation of trade secrets claim or in the context of a noncompetition agreement implicating trade secrets,” but discussing the evidence supporting application of the presumption in the case at hand), *aff’d in part, vacated in part as to noncompete claim and remanded for determination of security*, 2021 WL 5013816 (6th Cir. Oct. 28, 2021)); *Peoplestrategy*, 2020 WL 7869214, at \*8 (unpublished) (observing that a preliminary injunction is not automatic merely because a trade secret claim is alleged and ought not be granted absent satisfaction of all the prerequisites for equitable relief (citing cases)), *reconsideration denied*, 2020 WL 7237930 (D.N.J. Dec. 9, 2020); *Maxum Petroleum, Inc. v. Hiatt*, No. 3:16-CV-0001615 (VLB), 2016 WL 5496283 (D. Conn. Sept. 28, 2016) (finding that presumption of irreparable harm did not apply and that evidence did not establish irreparable harm); *Intertek USA Inc. v. AmSpec, LLC*, No. 14 CV 6160, 2014 WL 4477933, at \*6 (N.D. Ill. Sept. 11, 2014) (stating that there is a presumption of irreparable harm to the plaintiff in cases of trade secret misappropriation, but that defendants may rebut this presumption by demonstrating that plaintiff will not suffer harm if the injunction is not granted). Similarly, some courts assessing the Supreme Court’s decision in *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006) have concluded when ruling on requests for a preliminary injunction that there is no longer a presumption of irreparable harm in intellectual property disputes, including trade secret disputes. See, e.g., *Southeast X-Ray, Inc. v. Spears*, 929 F. Supp. 2d 867, 872 (W.D. Ark. 2013) (holding that *eBay* had eliminated

*Mercer*,<sup>175</sup> the Utah Supreme Court, applying state law, strongly criticized the Second Circuit's analysis in *Faiveley*. It emphasized that a trade secret is a right of property "which is at its core a right to exclude others. With this in mind, . . . [a] long-settled principle of trade secret law recognizes a presumption of harm upon proof of misappropriation. 'Over the years, courts have often ruled that a trade secret claimant is entitled to a rebuttable presumption of irreparable harm for the purposes of injunctive relief.'"<sup>176</sup> The court concluded that "[t]he presumption of irreparable harm is widely endorsed and rarely questioned. And where it has been questioned, it has usually been only to clarify that the presumption may be rebutted, as in circumstances where the trade secret has become so generally known that it no longer exists."<sup>177</sup> Evaluating the evidence before it, the court concluded that, "the presumption of irreparable harm was affirmatively reinforced by evidence of irreparable harm presented by InnoSys."<sup>178</sup>

The dissent, citing *Faiveley*, faulted the majority for appearing to "endorse the proposition that when a plaintiff seeks an injunction in a case involving trade secrets there is a

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presumptions of irreparable harm and denying preliminary injunction); *Advanced Micro Devices, Inc. v. Feldstein*, No. CV 13-40007-TSH 2013 WL 10944934 (D. Mass. May 15, 2013) (granting preliminary injunction but stating that in light of *eBay*, it was making its determination without relying on purported presumption of irreparable harm).

175. 364 P.3d 1013, 1021(Utah 2015).

176. *InnoSys*, 364 P.3d at 1020. In reaching this conclusion, the court cited a leading treatise's summary stating that "[o]ver the years, courts have often ruled that a trade secret claimant is entitled to a rebuttable presumption of irreparable harm for the purposes of injunctive relief, 4 ROGER M. MILGRIM & ERIC E. BENSON, *MILGRIM ON TRADE SECRETS*, § 15.02[1][c](2013) (citing extensive cases)." *Id.*

177. *InnoSys*, 364 P. 3d at 1021.

178. *Id.* at 1022.

presumption of a threat of future harm rather than merely a presumption that any harm would be irreparable”<sup>179</sup> It observed that “the leading commentator on trade secrets [who the majority had quoted] has noted that the presumption of irreparable harm is not a presumption that harm will occur”<sup>180</sup> but rather depends “on whether there is a threat of future harm at all.”<sup>181</sup>

The upshot is that courts and litigants increasingly focus on the evidence presented by the parties, not simply on purported presumptions alone, when evaluating irreparable harm and in assessing whether any presumption that may arise has been rebutted.<sup>182</sup>

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179. *Id.* at 1030.

180. *Id.* at 1031, citing MILGRIM & BENSON, *supra* note 176, § 15.02[1][c](2013), which the majority had also cited as stating that a presumption applies “*at least where there is a threat of disclosure of the trade secret*” (emphasis added in opinion).

181. *InnoSys*, 364 P. 2d at 1031.

182. Thus, for example, some courts considering the Second Circuit’s clarification in *Faiveley* of its widely cited statement in *Taiwan Tainan Giant* that “a trade secret once lost is, of course, lost forever” have concluded that a movant had presented evidence that absent injunctive relief it would suffer harm that would be unable to be repaired through monetary relief and that a presumption of irreparable harm was therefore appropriate. *See, e.g.,* Brightview Grp., LP v. Teeters, 441 F. Supp. 3d 115 (D. Md. 2020); WeRide Corp. v. Huang, No. 5:18-CV-07233-EJD, 2019 WL 1439394, at \*12 (N.D. Cal. Apr. 1, 2019), *modified in part*, 2019 WL 5722620 (N.D. Cal. Nov. 5, 2019), terminating sanctions against defendants entered, 2020 WL 1967209 (N.D. Cal. Apr. 16, 2020)). *See also* Genentech, Inc. v. JHL Biotech, Inc., No. C 18-06582 WHA, 2019 WL 1045911, at \*19 (N.D. Cal. Mar. 5, 2019); Par Pharm., Inc. v. QuVa Pharma, Inc., Civ. Action No. 17-6115-BRM-DEA, 2018 WL 1374023, at \*8 (D.N.J. Mar. 16, 2018) (unpublished), *aff’d in part and rev’d in part for determination of appropriate duration of preliminary injunction*, 764 F. App’x 273 (3d Cir. 2019) (unpublished) (observing that a preliminary injunction “is not automatic merely because a trade secret claim is alleged and ought not be granted absent satisfaction of all the prerequisites for equitable relief”) (citation omitted); Systems Spray-Cooled, Inc. v. FCH Tech, LLC, No. 1:16-CV-

### 3. Contractual presumptions of irreparable harm are informative but not dispositive

Hoping to avoid uncertainties of determinations by a court, many contracts under which trade secret owners share trade secrets, whether with employees or other organizations, contain an “acknowledgment” that any breach of contractual confidentiality obligations “will result in irreparable injury” that cannot be quantified. Just as trade secret statutes and case law do not give rise to irrebuttable presumptions of irreparable harm, neither do contractual acknowledgments. Some courts take such acknowledgments into account, particularly on motions for early injunctive relief, concluding that such contractual recitals reflect an advance and agreed-upon assessment by the parties that the court will not disturb absent good cause.<sup>183</sup> This

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1085, 2017 WL 2124469 (W.D. Ark. May 16, 2017) (finding that a presumption did not apply but that the evidence supported a finding of irreparable harm as to misuse of some but not all of the trade secrets alleged to be at issue).

Other cases considering the *Faiveley* decision have concluded that evidence before the court did not support a finding of irreparable harm. *See, e.g.*, TDBBS LLC v. Ethical Prods. Inc., No. CV-19-01312-PHX-SMB, 2019 WL 979944 (D. Ariz. Feb. 28, 2019) (finding that under the circumstances presented, movant did not allege that defendant was making further disclosures of the protected information), *subsequent determination*, 2019 WL 1242961 (D. Ariz. Mar. 18, 2019); *accord* Graham Capital Mgmt., L.P. v. Bongiovanni, No. 3:18-cv-01665-WWE, 2019 WL 632287 (D. Conn. Feb. 14, 2019); DLMC, Inc. v. Flores, CV. No. 18-00352 DKW-KSC, 2018 WL 6682986 (D. Haw. Dec. 19, 2018); Passlogix, Inc. v. 2FA Tech., LLC, No. 08 Civ. 10986 (PKL), 2010 WL 2505628 (S.D.N.Y. June 21, 2010); Synergy Advanced Pharms., Inc. v. CapeBio, LLC, No. 10 Civ. 1736 (SAS), 2010 WL 2194809 (S.D.N.Y. June 1, 2010); American Airlines, Inc. v. Imhof, No. 09 Civ. 4535 (LAK), 620 F. Supp. 2d 574, 582 (S.D.N.Y. 2009); Sys. Mgm’t Planning, Inc. v. Gordon, 23 Misc. 3d 1104 (A), 2009 WL 901514 (N.Y. Sup. Ct. Apr. 3, 2009) (unpublished).

183. *See, e.g.*, CPI Card Grp. Inc. v. Dwyer, 294 F. Supp. 3d 791, 817 (D. Minn. 2018) (applying Delaware law and collecting Delaware precedent). *See also* Mercer Health & Benefits LLC v. DiGregorio, 307 F. Supp. 3d 326 (S.D.N.Y. 2018) (finding that such contractual provisions, while not

conclusion may be particularly appropriate where the contract is between organizations that may have commensurate bargaining power.<sup>184</sup> Other courts place little evidentiary value on such acknowledgments on the theory that the question is a matter of law to be determined by the court, not by the parties as a stipulation of fact.<sup>185</sup>

Principle No. 4 adopts the middle ground that has been increasingly followed by many courts, viewing such acknowledgments as potentially relevant evidence but directing the parties and the court to evaluate the totality of the evidence to determine whether the contractual presumption is supported.<sup>186</sup>

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dispositive, can support a finding of irreparable harm); *Cintas Corp. v. Perry*, No. 03 C 8404, 2004 WL 2032124 (N.D. Ill. Aug. 20 2004).

184. See, e.g., *Martin Marietta Materials, Inc. v. Vulcan Materials Co.*, 68 A.3d 1208 (Del. 2012).

185. See, e.g., *Versata Software, Inc. v. Internet Brands, Inc.*, No. 2:08-cv-313-WCB, 2012 WL 3075167 (E.D. Tex. July 30, 2012) (relying on *eBay*, 547 U.S. 38, in concluding that “the parties cannot invoke the equity powers of this Court by consent”); *Agency Solutions.com., LLC v. Trizetto Grp., Inc.*, 819 F. Supp 2d 1001 (E.D. Cal. 2011); *First Health Grp. Corp. v. Nat’l Prescription Adm’rs, Inc.*, 155 F. Supp. 2d 194, 235 (M.D. Pa. 2001); *TGR Enters., Inc. v. Kozhev*, 853 N.E.2d 739 (Ohio Ct. App. 2006) (finding contractual recital not to be binding because actual injury must be proved). Similarly, one court has held that a contract provision that “entitles the plaintiff to a *per se* finding of irreparable harm . . . runs contrary to the sort of case-by-case analysis courts engage in” and could lead to absurd results. *Int’l Creative Mgmt., Inc. v. Abate*, No. 07 Civ. 1979 (PKL), 2007 WL 950092, at \*6–7 (S.D.N.Y. Mar. 28, 2007).

186. See, e.g., *York Risk Servs. Grp. Inc. v. Couture*, 787 F. App’x 301, 308 (6th Cir. 2019) (unpublished) (“At most, the court cited the contractual provision as one piece of evidence in support of a finding of irreparable harm, which is permissible.”); *Dominion Video Satellite, Inc. v. Echostar Satellite Corp.*, 356 F.3d 1256, 1266 (10th Cir. 2004) (citing cases for the proposition that “[w]hile courts have given weight to parties’ contractual statements regarding the nature of harm and attendant remedies that will arise as a result of a breach of a contract, they nonetheless characteristically hold that such statements alone are insufficient to support a finding of irreparable harm and

#### 4. Establishing imminent harm

Speculation or supposition that some harm may occur in the future unless the nonmoving party is enjoined has been held to be insufficient to justify injunctive relief. The harm that the movant seeks to avoid through equitable relief should be “imminent,” not “remote and uncertain.”<sup>187</sup> Courts have held that

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an award of injunctive relief”); *Cabela’s LLC v. Highby*, 362 F. Supp. 3d 208, 224 (D. Del. 2019), *aff’d*, 801 F. App’x 48 (3d Cir. 2020) (concluding that “most federal courts do not consider a contractual stipulation dispositive for purposes of showing irreparable harm” although it can be one factor); *Spark Connected, LLC v. Semtech Corp.*, No. 4:18-cv-748-ALM-KPJ, 2019 WL 4305735, at \*6 (E.D. Tex. Sept. 10, 2019) (finding that notwithstanding the contractual acknowledgement, movant “must demonstrate the threat of irreparable harm by independent proof or no injunction may issue” (citations omitted)); *Empower Energies, Inc. v. SolarBlue, LLC*, No. 16cv3220 (DLC), 2016 WL 5338555, at \*12 (S.D.N.Y. Sept. 23, 2016) (“giv[ing] little weight to the clause in the [funding agreement] that pre-declares that any breach of the Agreement will result in irreparable harm”); *Riverside Publ’g Co. v. Mercer Publ’g LLC*, No. C 11–1249, 2011 WL 3420421, at \*8 (W.D. Wash. Aug. 4, 2011) (citing cases declining to presume irreparable harm based on a contract clause); *Kansas City Southern v. Grupo TMM, S.A.*, No. Civ. A. No. 20518-NC, 2003 WL 22659332, at \*5 (Del. Ch. Nov. 4, 2003) (holding that “Although a contractual stipulation as to the irreparable nature of the harm that would result from a breach cannot limit this Court’s discretion to decline to order injunctive relief, such a stipulation does allow the Court to make a finding of irreparable harm provided the agreement containing the stipulation is otherwise enforceable. If the facts plainly do not warrant a finding of irreparable harm, this Court is not required to ignore those facts, especially since the parties cannot confer subject matter jurisdiction upon a court.”).

187. See, e.g., *Faiveley Transport Malmo AB v. Wabtec Corp.*, 559 F.3d 110, 118 (2d Cir. 2009) (stating that “[t]o satisfy the irreparable harm requirement, [p]laintiffs must demonstrate that absent a preliminary injunction they will suffer an injury that is neither remote nor speculative, but actual and imminent, and one that cannot be remedied if a court waits until the end of trial to resolve the harm”) (alterations in original, citation omitted); *Continental Grp., Inc. v. Amoco Chem. Corp.*, 614 F.2d 351, 359 (3d Cir. 1980) (holding that to satisfy the second prong of the preliminary injunction inquiry, a party

“irreparable harm that may occur, if at all, years in the future, and certainly not before a trial on the merits, does not warrant injunctive relief.”<sup>188</sup> Nonetheless, if the threatened harm is shown to be significant, this fact alone may weigh heavily in favor of interim injunctive relief.

Further, in evaluating a request for further injunctive relief after earlier equitable relief has been granted, or following trial, where a likelihood of success has been established, courts will consider whether early equitable measures have already alleviated or negated the threat of future irreparable harm.<sup>189</sup>

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must make “a ‘clear showing of immediate irreparable injury’”) (citation omitted).

188. See, e.g., *Loxo Oncology, Inc. v. Array Biopharma Inc.*, No. 18 cv-03062-PAB-MEH, 2019 WL 10270263, at \*6 (D. Colo. June 26, 2019) (denying injunctive relief where potential irreparable harm was “remote and uncertain” and would not occur before a trial on the merits); *Direx Israel, Ltd. v. Breakthrough Med. Corp.*, 952 F.2d 802 (4th Cir. 1991), *as amended* (Jan. 7, 1992), *abrogation recognized on other grounds in Sarsour v. Trump*, 245 F. Supp. 3d 719, 729 n.6 (4th Cir. 2017) (same); *MEMC Elec. Materials v. Balakrishnan*, No. 2:12-CV-344, 2012 WL 3962905 (S.D. Ohio Sept. 11, 2012) (denying injunctive relief since, among other reasons, while the organizations might someday compete, they did not do so now); *Synergy Advanced Pharm., Inc. v. CapeBio, LLC*, No. 10 Civ. 1736 (SAS), 2010 WL 2194809 (S.D.N.Y. June 1, 2010) (denying injunction where there was no evidence that defendants threatened to disclose the allegedly confidential information and it was uncertain whether any product made through the use of the information would ever be released).

189. See, e.g., *Free Country Ltd. v. Drennen*, 235 F. Supp. 3d 559, 569 (S.D.N.Y. 2016) (denying broader activity restraints once affirmative preservation and remediation measures had been completed); *Intertek USA Inc. v. AmSpec, LLC*, No. 14 CV 6160, 2014 WL 4477933, at \*8 (N.D. Ill. Sept. 11, 2014) (finding that “sufficient steps have been taken over the course of this litigation to ensure that any Intertek trade secrets that the individual defendants possess will be removed from their possession,” weighing against broad preliminary injunctive relief); *Williams-Sonoma Direct, Inc. v. Arhaus, LLC*, 109 F. Supp. 3d 1009, 1023–24 (W.D. Tenn. 2015) (denying preliminary injunction prohibiting employee who did not have a noncompete agreement

5. The impact of delay in bringing suit or seeking equitable relief on a finding of irreparable harm

Delay in seeking equitable relief may be a factor weighing against a claim that absent relief, the movant will suffer irreparable harm. A number of cases have found, even in the face of delay insufficient to support a laches defense, that “failure to act sooner undercuts the sense of urgency that ordinarily accompanies a motion for preliminary relief and suggests that there is, in fact, no irreparable injury.”<sup>190</sup> However, courts have also recognized that extenuating circumstances such as the need to

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from continuing to work for a competitor where defendants no longer had access to trade secrets after remediation activities conducted pursuant to an extended temporary restraining order and there was no evidence of ongoing use of the information).

190. See, e.g., *Southtech Orthopedics, Inc. v. Dingus*, 428 F. Supp. 2d 410, 420 (E.D.N.C. 2006) (finding that a delay insufficient to support a laches defense may nonetheless mitigate against preliminary injunctive relief by indicating a lack of imminent and irreparable harm to the plaintiff). See also, *Applied Materials, Inc. v. LTD Ceramics, Inc.*, No. C-01-20478-JF (PVT), 2002 WL 971721 (N.D. Cal. Mar. 22, 2002) (finding that waiting a year after beginning investigations into a trade secret claim and seven months thereafter before moving for injunctive relief negated a claim of irreparable harm); *Spark Connected*, 2019 WL 4305735 (finding that a nine-month delay in filing for injunctive relief after learning of acts complained of pointed to lack of imminent irreparable harm); *Worldwide Sport Nutritional Supplements, Inc. v. Five Star Brands LLC*, 80 F. Supp. 2d 25, 34 (S.D.N.Y. 1999) (citing cases) (finding that a seven-month delay in bringing suit after movant had discovered evidence making it “very suspicious” that energy bars were being manufactured using movant’s trade secrets undercut the urgency of the claimed need for relief). Cf. *SRS Acquiom Inc. v. PNC Fin. Servs. Grp., Inc.*, No. 1:19-CV-02005-DDD-SKC, 2020 WL 3256883, at \*3 (D. Colo. Mar. 26, 2020) (holding that while delay of over one year in bringing suit does not mean that injunction should necessarily be rejected completely, movant must make a particularly strong showing of a likelihood of success on the merits and a balance of hardships).



complete specific investigation<sup>191</sup> or settlement discussions may make a delay in filing reasonable under the circumstances.

#### 6. Facts bearing on a finding of irreparable harm

As discussed above, a movant seeking injunctive relief will typically need to come forward with evidence, rather than relying solely on any legal presumptions, that absent injunctive relief it will suffer irreparable harm. Further, courts have cautioned that to support a claim for interim relief, a movant's claim that absent relief it will suffer a "loss of control over business reputation and damage to goodwill" "cannot be 'grounded in platitudes rather than evidence.'"<sup>192</sup>

Courts have found that many of the same facts that point to a likelihood of success, particularly those bearing on the defendant's intent or lack of care, as well as the following evidence, may be pertinent when considering irreparable harm.

##### a. Evidence that information remains at risk

In some cases, the evidence suggests that unless restrained, the defendant has the ability and will continue to misappropriate trade secrets. Thus, for example, in *Brightview Group, LP v.*

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191. See, e.g., *BP Chems., Ltd. v. Formosa Chem. & Fibre Corp.*, 229 F.3d 254 (3d Cir. 2000) (finding that irreparable harm was not precluded by delay in filing suit caused by plaintiff's good faith efforts to investigate a trade secret claim and determine how serious the violation is); *Computer Assoc. Int'l, Inc. v. Bryan*, 784 F. Supp. 982, 987 (E.D.N.Y. 1992) (excusing delay where plaintiffs used time before seeking preliminary injunction to conduct extensive investigation to gather facts required to support action concerning complex technologies).

192. *Cutera, Inc. v. Lutronic Aesthetics, Inc.*, 444 F. Supp. 3d 1198, 1208 (E.D. Cal. 2020) (citations omitted) (finding, however, that the evidence presented showed that absent relief defendants intended to use the information at issue and would attempt to cover their tracks).

*Teeters*,<sup>193</sup> where the defendants had downloaded files containing trade secrets and transferred them to a new employer's computer system, some copies had become embedded in documents shared with others, and one defendant testified that "maybe" he would use the former employer's information if it were available to him, the court found the plaintiff had established irreparable harm and ordered preliminary injunctive relief to prevent recurrent violations. Similarly, in *Waymo LLC v. Uber Technologies, Inc.*, where the record showed that a former employee remained in possession of over 14,000 confidential files, at least some of which likely contained Waymo's trade secrets, "[m]isuse of that treasure trove remains an ever-present danger wholly at his whim" absent relief, warranting preliminary injunctive relief.<sup>194</sup>

b. Evidence of the difficulty of undoing any ongoing misappropriation

Once the plaintiff has established a *prima facie* case of misappropriation, in some cases "undoing" the misappropriation after trial, such as by directing that misappropriated information

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193. 441 F. Supp. 3d 115 (D. Md. 2020).

194. *Waymo LLC v. Uber Techs., Inc.*, No. C 17-00939 WHA, 2017 WL 2123560, at \*11 (N.D. Cal. May 11, 2017). *See also* *Genentech, Inc. v. JHL Biotech, Inc.*, No. C 18-06582 WHA, 2019 WL 1045911, at \*19 (N.D. Cal. Mar. 1, 2019) (same); *Cutera*, 444 F. Supp. 3d at 1198; *OmniGen Research, LLC v. Wang*, No. 6:16-CV-268-MC, 2017 WL 5505041, at \*22 (D. Or. Nov. 16, 2017), *appeal dismissed*, 2018 WL 3012530 (9th Cir. May 21, 2018); *Stream Cos. v. Windward Advert.*, No. 12-cv-4549, 2013 WL 12114590, at \*14 (E.D. Pa. Feb. 7, 2013) (finding irreparable harm where defendants had not produced any evidence that they had returned any of Stream's proprietary information); *ClearOne Commc'ns, Inc. v. Chiang*, 608 F. Supp. 2d 1270, 1279–81 (D. Utah 2009) (finding that given defendants' extensive prior bad acts, defendants' assertions that they stopped using the plaintiff's trade secrets did not eliminate the imminent threat of irreparable harm to plaintiff), *aff'd in part*, 643 F.3d 735 (10th Cir. 2011).

be disentangled from the accused party's operations may not be feasible or even possible. For example, in *Waymo v. Uber* the court focused on the evidence that the misuse of information from Waymo might be virtually untraceable and separating it out at the end of trial would be not only difficult but a "bone crushing" exercise. Accordingly, the court found that Waymo had established both a likelihood of success on the merits of its claim for misappropriation and harm that could not be undone—irreparable harm—and entered preliminary injunctive relief limiting the former employee's ability to engage in specific activities for Uber.<sup>195</sup>

c. Evidence of the difficulty or impossibility of  
quantifying the monetary impact of the  
misappropriation

In considering whether injunctive relief is warranted, the court must consider whether the movant has an adequate remedy at law, namely damages. This is another way of asking whether the harm to be avoided is irreparable absent an injunction. Starting with the premise that the rules of equity should not be applied in a fashion that consistently favors one party over the other, the parties and courts should review with skepticism arguments that money damages are "never" or "always" calculable in trade secret disputes. Thus, for example, while some trade secret plaintiffs may assume that asserting the misappropriation will impair their goodwill in an amount that is impossible to calculate justifies injunctive relief, an argument that has succeeded on some facts,<sup>196</sup> courts have rejected this

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195. *Waymo*, 2017 WL 2123560. *See also Genentech*, 2019 WL 1045911, at \*19; *Cutera*, 444 F. Supp. 3d at 1198.

196. *See, e.g., Invesco Trust (N.A.), Inc. v. Deutsche Investment Mgmt. Ams., Inc.*, 904 N.Y.S.2d 46 (N.Y. App. Div. June 29, 2010) (affirming finding that without a preliminary injunction plaintiff would likely sustain a loss of

conclusion when the claim is simply conclusory.<sup>197</sup> As with all other aspects of equitable relief, *the movant bears the burden* of submitting evidence that there is *in fact* a credible risk of such loss in the specific case at bar rather than simply relying upon generalized invocations that harm is “irreparable” because goodwill is involved.<sup>198</sup> “Mere injuries, however substantial, in

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business impossible or very difficult to quantify); *Technicon Data Sys. Corp. v. Curtis 1000, Inc.*, No. 7644, 1884 WL 8268 (Del. Ch. Aug. 21, 1984) (unpublished) (finding sufficient showing of irreparable harm where movant showed likely loss of good will and unfair competitive advantage).

197. See, e.g., *In re Document Techs. Litig.*, 275 F. Supp. 3d 454, 469 (S.D.N.Y. 2017) (rejecting plaintiff’s “conclusory statements from [plaintiff’s] Chief Integration Officer that the company saw ‘harm to [its] good will’ because of the defendant’s ‘abrupt’ departure,” finding that it is precisely such “unsubstantiated testimony, disconnected from proof that any customers have actually ceased doing business with [plaintiff] or testimony from any clients that they think less of the company, that New York courts have held is insufficient to show actual or imminent harm to a plaintiff’s ‘goodwill.’”); *Katch, LLC v. Sweetser*, 143 F. Supp. 3d 854, 875 (D. Minn. 2015) (finding that plaintiff had offered no explanation as to why damages would be impossible to measure or any more difficult than any other situation in which a party claims damages based on lost profits); *Rapco Foam, Inc. v. Scientific Applications, Inc.*, 479 F. Supp. 1027, 1031 (S.D.N.Y. 1979) (finding that claiming that there would be a “loss of competitive advantage” absent relief was not in itself sufficient to warrant injunctive relief where plaintiff presented no evidence concerning its position in the marketplace, the nature of competition within that market, or the impact of the misappropriation sufficient to show that any loss of competitive damages would not be measurable in money damages); *Sky Capital Grp., LLC v. Rojas*, No. 1:09-CV-00083-EJL, 2009 WL 1370938, at \*12–13 (D. Idaho May 14, 2009) (finding that the damages and harms movant alleged were simply generalized threats of lost revenue and profits which could be adequately addressed by monetary relief).

198. See, e.g., *Bison Advisors LLC v. Kessler*, No. Civ. No. 14-3121 (DSD/SER), 2014 WL 4389289, at \*4 (D. Minn. Oct. 30, 2014) (holding that the movant bears the burden of showing that lost profits would be difficult to quantify such that money damages would be difficult to ascertain; without this showing, there can be no irreparable harm); *ABC Phones of North Carolina, Inc. v. Yahyavi*, No. 5:20-CV-0090-BR, 2020 WL 1668046, at \*4 (E.D.N.C.

terms of money, time, and energy necessarily expended in the absence of a stay, are not enough. The possibility that adequate compensatory or other corrective relief will be available at a later date, in the ordinary course of litigation, weighs heavily against a claim of irreparable harm.”<sup>199</sup> However, courts have observed that irreparable harm is especially likely to stem from losses in a market environment where customers, once they are lost to a competitor through misappropriation, are difficult to win back.<sup>200</sup>

While in sophisticated trade secret disputes an economic expert is occasionally enlisted at an early stage to inform the court that a variety of financial awards are available and could ultimately be calculable given full access to information, such an assertion should be examined carefully by the presiding judge in the context of the specific case. The court should assess whether given the nature of the trade secret and the alleged

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Apr. 3, 2020) (rejecting “blanket assertions devoid of any justification for relief” as evidence of irreparable harm).

199. Hughes Network Sys., Inc. v. InterDigital Commc’ns Corp., 17 F. 3d 691, 694 (4th Cir. 1994).

200. See, e.g., Life Spine, Inc. v. Aegis Spine, Inc., No. 19 CV 7092, 2021 WL 963811, at \*22 (N.D. Ill. Mar. 15, 2021) (citations omitted), *aff’d* 8 F.4th 531 (7th Cir. 2021); Peoplestrategy, Inc. v. Lively Employer Svcs., Inc., No. 320 CV 02640, 2020 WL 7930 at \*5 (D. N.J. Dec. 9, 2020) (considering *Faiveley* and affirming grant of preliminary injunction to protect trade secrets upon finding that plaintiff had presented evidence that absent relief it would suffer future irreparable reputational injury and injury to trade and goodwill); ExpertConnect, LLC v. Fowler, No. 18 CIV. 4828 (LGS), 2018 WL 11264885 (S.D.N.Y. July 25, 2018) (considering the decision in *Faiveley* and on reconsideration, affirming grant of preliminary injunction where the evidence showed that defendants had not only used movant’s trade secrets but also disclosed them to experts and clients so as to “impair the value of those secrets,” which the court found could “not be remedied if a court waits until the end of trial to resolve the harm”).

misappropriation, any damages calculation could likely be developed that would not be largely speculative.<sup>201</sup>

*C. Assessing and Balancing the Hardships in Orders Granting Injunctive Relief*

**Principle 5. The court may incorporate provisions into orders granting equitable relief designed to balance the hardships between the parties.**

Even if the movant presents some evidence of a likelihood of success, in some cases the hardships the proposed relief would impose on the nonmovant may be so severe that the court may determine that injunctive relief is not warranted.<sup>202</sup>

In other cases, where the court determines that some relief is appropriate but that particular relief under consideration is overly broad or likely to lead to material hardships or impose undue costs on the nonmoving party, it may be possible to

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201. See, e.g., *Waymo*, 2017 WL 2123560, at \*11 (finding that harm was irreparable since “[i]t would likely be futile to attempt, after the fact, to estimate the monetary value of injury suffered from either the loss of Waymo’s competitive position in this nascent industry or the destruction of its trade secrets pertaining to the same”). Cf. *Neural Magic, Inc. v. Facebook, Inc.*, No. 1:20-cv-10444-DJC (D. Mass. filed May 29, 2020) (denying preliminary injunctive relief both because plaintiff had failed to identify properly protected trade secrets that were at risk of threatened misappropriation and because the court found that the plaintiff could develop a plausible damages claim based upon the impact of the misappropriation on its business valuation).

202. See, e.g., *MPay Inc. v. Erie Custom Comput. Applications, Inc.*, 970 F.3d 1010, 1020–21 (8th Cir. 2020) (denying preliminary injunction in light of plaintiff’s failure to show any irreparable harm; balanced against this was the “significant harm” nonmovants would suffer if injunction were to issue since the injunction would prevent them from using the software that forms the basis of their business); *Katch, LLC v. Sweetser*, 143 F. Supp. 3d 854, 876 (D. Minn. 2015) (denying injunction when requested relief would prevent an individual from engaging in any work in a field to which he or she has devoted significant training and experience).

incorporate *counterbalancing measures* into the order granting relief.<sup>203</sup> This approach to allocating the hardships may be viewed as being akin to the proportionality concepts adopted by other projects of The Sedona Conference. Examples of such counterbalancing measures are reflected in the illustrative guidelines below.

**Guideline 10. When an order will impose activity restrictions on a former employee, the parties may present evidence on whether, in lieu of or in addition to a bond, compensation should be paid to the employee during the restricted period, and if so, by whom.**

When the court is enforcing a noncompete agreement to protect trade secrets, a contract may already direct payment of compensation by the complaining former employer to employees whose activities are enjoined.<sup>204</sup> This could be a point argued by

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203. The issue of fashioning relief to reduce the hardships on the nonmoving party is different from the issue of establishing a bond to address damage to the nonmoving party in the event that the injunction is found to have been improvidently granted, although the issues may be considered together. *See* discussion *infra* Part VII (Establishing an Injunction Bond to Protect the Interests of the Nonmoving Party).

204. For cases granting preliminary relief and enforcing contractual payment provisions contained in noncompete agreements designed to protect trade secrets, *see* *Est. . e Lauder Cos., Inc. v. Batra*, 430 F. Supp. 2d 158, 182 (S.D.N.Y. 2006) (“Here the risk of Batra’s loss of livelihood is entirely mitigated by the fact that Est. . e Lauder will continue to pay Batra his salary of \$375,000 per year for the duration of the ‘sitting out’ period.”); *Avery Dennison Corp. v. Finkle*, No. CV010757706, 2002 WL 241284, \*at 3 n.13 (Conn. Super. Ct. Feb. 1, 2002) (unpublished) (“Implicit in the decision of the court is the order that [defendant] be so compensated. Noncompliance by the plaintiff with this contractual provision [to pay two-thirds of defendant’s base monthly salary] will be grounds for an immediate review by the court of the continued propriety of the temporary injunction as well as possible sanctions by the court”); *Marcam Corp. v. Orchard*, 885 F. Supp. 294, 298 (D.

movant to reduce the impact of the injunction on the defendant. Where a preexisting contractual payment obligation is not in place, the court may want when establishing the amount of the bond to address the potential economic harm to defendant from the loss of compensation during an injunction<sup>205</sup> Alternatively, the movant may want to offer, the defendant may choose to request, or the court may on its own initiative choose to direct some payment during the period of an activity restraint (by the movant or, as found to be warranted, by the new employer).<sup>206</sup>

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Mass. 1995) (finding that potential harm to former employer if injunction was not granted was greater than harm to employee if it was since former employer had agreed to pay employee 110% of the salary offered by the new employer); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 628 (E.D.N.Y. 1996) (finding that potential harm to employee from an injunction enforcing a restrictive covenant to protect trade secrets was mitigated because restrictive covenant required former employer to make payments to employee equal to his monthly base pay at termination together with health and life insurance premiums); *Hekimian Labs., Inc. v. Domain Sys. Inc.*, 664 F. Supp. 493, 498–99 (S.D. Fla. 1987) (finding that the contractual payment of 50% of salary during the one-year restriction period avoided any claim of undue hardship, finding “this provision to be quite a significant factor for purposes of balancing the interests of [the former employer] and [the defendant employee]”).

205. See discussion *infra* Part VII (Establishing an Injunction Bond to Protect the Interests of the Nonmoving Party).

206. See, e.g., *Ayco Co., L.P. v. Feldman*, No. 1:10-CV-1213 (GLS/DRH), 2010 WL 4286154 (N.D.N.Y. Oct. 22, 2010) (enforcing 90-day noncompete agreement where former employer stipulated in court that it would pay employee his base salary if an injunction issued); *Evolution Mkts., Inc. v. Penny*, 889 N.Y.S.2d 882, at \*2 (N.Y. Sup. Ct., Westchester Cty. 2009) (unpublished) (enforcing noncompete agreement to protect trade secrets and customer relationships against trading assistant where “[d]uring the oral argument, the Court made clear that it expected that [plaintiff] would be paying [defendant] her base salary while the motion was pending” and, apparently, during the period of the injunction); *Aetna Ret. Servs., Inc. v. Hug*, No. CV970479974S, 1997 WL 396212, at \*11 (Conn. Super. Ct. June 18, 1997) (unpublished) (conditioning grant of injunction on former employer’s representation in court that it would pay [defendant] the pro rata portion of his



The totality of the circumstances and applicable law may lead the court to conclude in a particular case, however, that payment before the case ends is not appropriate when not required under the contract<sup>207</sup> and that the potential hardship to the defendant is more appropriately addressed by means of the bond.

**Guideline 11. Establishing a fixed commencement date or termination date for an order granting interim equitable relief may assist in balancing the hardships on the parties.**

Where shown to be warranted, it may be appropriate to balance the hardships to an employee whose activities have been enjoined by selecting an effective date that would enable the employee time to find alternative employment. However, such an approach would also need to include measures designed to protect the trade secret during this period.<sup>208</sup> Crafting

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\$210,000 base salary during the period of restraint); *Emery Indus., Inc. v. Cottier*, No. C-1-78-474, 1978 WL 21419, at \*10 (S.D. Ohio Aug. 18, 1978) (requiring plaintiff to compensate the employee during the period of the injunction). *Cf. Katch*, 143 F. Supp. 3d at 854 (recognizing plaintiff's effort to reduce harm to defendant by offering to pay normal salary during pendency of injunction, but nonetheless denying request for injunction imposing activity restraint as not warranted by the evidence). *But see Intertek USA Inc. v. AmSpec LLC*, No. 14 CV 6160, 2014 WL 4477933, at \*8 (N.D. Ill. Sept. 11, 2014) (ordering the *new employer* to pay the employees' salaries during the injunction period based on its finding that the new employer had contributed to the problem).

207. *See, e.g., Ticor Title Ins. Co. v. Cohen*, 173 F.3d 63, 68–69 (2d Cir. 1999), *abrogation recognized by LaJolla Cove Inv'rs, Inc. v. GoConnect Ltd*, No. 11CV1907 JLS(JMA), 2012 WL 1580995 (S.D. Cal. May 4, 2012), finding that payment was not warranted where contract did not require it and defendant had been highly compensated during employment.

208. *See Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405, 1438–39 (1996) (emphasizing that any violation of nondisclosure restrictions “either during this thirty-day grace period or afterwards, during the pendency of the preliminary injunction, will be punished as contempts by the severest

preliminary injunctive relief to be in effect for a specific duration rather than through trial on the merits,<sup>209</sup> or effectively limiting its duration by expediting trial on the merits,<sup>210</sup> can also help to

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sanctions of which this court can avail itself"). Cf. *Peoplestrategy, Inc. v. Lively Employer Svcs., Inc.*, No. 3:20-CV-02640-BRM-DEA, 2020 WL 7237930 (D. N.J. Dec. 9, 2020) (on motion for reconsideration, granting defendants more time to comply with preliminary injunction to enable customers to transition to new service providers).

209. Compare, e.g., *Red Valve, Inc. v. Titan Valve, Inc.*, No. 18CVS1064, 2018 WL 1830503, at \*15 (N.C. Super. Ct. Apr. 10, 2018) (issuing injunction "pending final resolution of this civil action" unless otherwise ordered by the court) and *Bartech Sys. Int'l, Inc. v. Mobile Simple Sol., Inc.*, No. 2:15-cv-02422-MMD-NJK, 2016 WL 3002371, at \*8 (D. Nev. May 24, 2016) (imposing restrictions on defendant's use of specified information "during the pendency of this action") with *Peoplestrategy*, 2020 WL 7869214, at \*8, \*11 (unpublished) (entering preliminary "head start" injunction restricting defendant's ability to solicit particular clients where plaintiff had established misappropriation and use of trade secrets, but limiting duration of preliminary injunction to one year in light of defendants' prior relevant experience in the industry), *reconsideration denied*, 2020 WL 7237930 (D.N.J. Dec. 9, 2020) and *Executive Consulting Grp., LLC v. Baggot*, No. 1:18-cv-00231-CMA-MJW, 2018 WL 1942762, at \*10 (D. Col. Apr. 25, 2018) (issuing preliminary injunction for period of nine months or "through the trial of this matter," whichever is earlier); and *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1272 (7th Cir. 1995) (issuing preliminary injunction to run through a date certain six months from entry, finding that "the injunction against [defendant's new employment at plaintiff's subsidiary] extends no further than necessary" and was within the trial court's discretion).

210. In *Bimbo Bakeries USA, Inc. v. Botticella*, Civil Action No. 10-0194, 2010 WL 571774, at \*17 (E.D. Pa. Feb. 9, 2010), for example, recognizing the potential adverse impact of an order prohibiting defendant from assuming particular employment until a determination on the merits after trial, the trial court established a trial schedule that would have given defendant a trial just two months after entry of the preliminary injunction award. Defendant chose, however, to file an appeal, which had the practical effect of extending the period of the injunction. *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102, 104 (3d Cir. 2010). See also *FMC Corp. v. Taiwan Tainan Giant Indus. Co., Ltd.*, 730 F.2d 61, 64 (2d Cir. 1984) (granting narrowly drawn preliminary

balance the hardships that may arise from a grant of interim equitable relief. The order should also specify whether it becomes effective only upon the posting of the injunction bond or at some other time.

#### *D. Assessing the Public Interest*

Virtually all trade secret disputes present an interplay of competing public policies. The Supreme Court has cautioned that “[i]n exercising their sound discretion, courts of equity should pay particular regard for the public consequences in employing the extraordinary remedy of injunction.”<sup>211</sup> On one hand, as the Supreme Court has recognized, trade secret law reflects a strong policy in favor of protecting trade secrets as a way of encouraging innovation and protecting the standards of commercial morality.<sup>212</sup> On the other, the law recognizes compelling

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injunction, but observing that the action was impeding employee’s ability to make a living by using the non-trade secret expertise he has developed in his career; holding that the best way fairly to ensure that all the parties’ rights are protected was to have them determined finally as quickly as possible and remanding for expedited discovery and trial to be set as early as possible). *Cf.* *Maxum Petroleum, Inc. v. Hiatt*, No. 3:16-CV-0001615 (VLB), 2016 WL 5496283 (D. Conn. Sept. 28, 2016) (denying temporary restraining order in light of movant’s failure to establish irreparable harm, but in light of alleged urgency, setting case down for expedited discovery and early trial to be consolidated with preliminary injunction hearing to limit any potential damages from disclosure of trade secrets).

211. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008) (*quoting* *Weinberger v. Romero-Barcello*, 456 U.S. 305, 312 (1982)).

212. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 482 (1974). An emphatic account of this policy is found in *Earthbound Corp. v. MiTek USA, Inc.*, No. C16-1150 RSM, 2016 WL 4418013, at \*10 (W.D. Wash. Aug. 19, 2016), imposing a temporary restraining order and expressly noting that protecting trade secrets is in the public interest, in part because the Economic Espionage Act of 1996 (18 U.S.C. § 1832) establishes criminal penalties for misappropriation of trade secrets. “Theft of trade secrets, and allowing the thieves to retain and

interests in encouraging competition through the liberal exchange of ideas and information<sup>213</sup> without imposing unwarranted restrictions on the right of persons to engage in businesses and occupations of their choosing.<sup>214</sup> Determining which of these policies is paramount in a particular case calls for more than citing general public policies. Rather, it requires consideration of how each of these public policies may be implicated in the case at bar, both in determining whether equitable relief is

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use the confidential information they purloined, undermines business development and stability; preventing such conduct is in the public's interest." *Id.*

213. *Cambria Co. LLC v. Schumann*, No. 19-CV-3145 (NEB/TNI), 2020 WL 373599, at \*8 (D. Minn. Jan. 23, 2020) (denying motion for preliminary injunction that had sought to protect trade secrets by enjoining former employee from working for competitor following expiration of his two-year noncompete agreement) (citation omitted). *See also Bimbo Bakeries*, 613 F. 3d 119 (observing that "there is a public interest in employers being free to hire whom they please and in employees being free to work for whom they please," and that Pennsylvania courts "consider the right of the employee to be the more significant," (citing cases); nonetheless on the facts presented, affirming activity injunction to protect the trade secret owner).

214. *See, e.g., Cutera, Inc. v. Lutronic Aesthetics, Inc.*, 444 F. Supp. 3d 1198 (E.D. Cal. 2020) (granting a tailored temporary restraining defendant from obtaining, retaining, using, or disclosing Cutera trade secret information, as defined, but not otherwise restricting the activities of particular employees, finding that doing so would be contrary to public policy); *SRS Acquiom Inc. v. PNC Fin. Servs. Grp., Inc.*, No. 1:19-CV-02005-DDD-SKC, 2020 WL 3256883, at \*12 (D. Colo. Mar. 26, 2020) (denying preliminary injunction after discussing competing policy considerations, determining that requested relief would enjoin use of information "that at this point is mostly public and thus not trade-secret material"); *Williams-Sonoma Direct, Inc. v. Arhaus, LLC*, 109 F. Supp. 3d 1009, 1023–24 (W.D. Tenn. 2015) (denying preliminary injunction prohibiting former employee who did not have a noncompete agreement from continuing to work for a competitor where defendants no longer had access to the trade secrets, there was no evidence of ongoing use of the information, and "[s]tripped of the minutiae, much of the information [the employee] likely retains in his head" was "of the type that one would find in any business school class on supply chain management").

warranted at all, and if so, the appropriate scope of any relief and appropriate measures to balance the hardships. If either party contends that the proposed relief has particular significance to the public, it should present evidence, not simply cite familiar maxims, supporting its position.

## VI. ESTABLISHING THE PROPER SCOPE OF INTERIM RELIEF

Should the evidence establish the need for interim equitable relief, the parties and the court should assess the proper scope of relief. While decisions have cautioned that interim relief should be narrowly tailored and no broader than necessary to prevent the harm alleged,<sup>215</sup> the determination of the appropriate scope of equitable relief in a particular case lies at the very heart of the exercise of the court's discretion and requires assessment of all four factors for evaluating equitable relief. In arriving at the appropriate scope of relief, factors the courts have considered include, among other things:

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215. See, e.g., *Faiveley Transport Malmö AB v. Wabtec Corp.*, 559 F.3d 110, 119 (2d Cir. 2009) (holding that “[i]n cases where the presumption applies (and has not been rebutted) or where irreparable injury has been demonstrated,” “a ‘narrowly drawn’ preliminary injunction that protects the trade secret from further disclosure or use may be appropriate. In all cases, the relief should be ‘narrowly tailored to fit specific legal violations’ and to avoid ‘unnecessary burdens on lawful commercial activity.’” (citing *Waldman Publ’g Corp. v. Landoll, Inc.*, 43 F.3d 775, 785 (2d Cir. 1994))); *Brightview Grp., LP v. Teeters*, 441 F. Supp. 3d 115 (D. Md. 2020) (preliminary injunction decision, commending plaintiff for narrowing its request for preliminary relief to an order prohibiting defendants from accessing, using, disclosing, or disseminating documents referenced in an appendix to the order). *But see Arminius Schleifmittel GmbH v. Design Indus., Inc.* No. 1:06CV00644, 2007 WL 534573, at \*7 (M.D.N.C. Feb. 15, 2007) (recognizing that, generally, the scope of a preliminary injunction must be narrowly tailored and should not deprive a defendant of the right to use its own skills and talents in the marketplace, but concluding that given the evidence of defendants’ unauthorized disclosure and use of trade secrets, it was appropriate in the case at bar to grant a preliminary injunction prohibiting defendants from offering for sale a product incorporating the misappropriated trade secret designs and prohibiting two defendants from entering the corporate defendant’s business premises).

- the nature and scope of the trade secret(s) at issue—trade secrets in fields in which there is much public information typically merit narrower injunctive relief.<sup>216</sup>
- the extent to which the defendant has engaged in independent development;<sup>217</sup>
- the likely useful life of the trade secret;
- the extent of the defendant's established wrongdoing or concealment, with broader relief potentially being granted in the face of significant wrongdoing or where the information at issue remains in the defendant's possession;<sup>218</sup> and
- the defendant's prior violation of court orders.<sup>219</sup>

Where evidence is developed after an initial hearing showing that additional information is at risk beyond that previously identified, the court may entertain a request for an amendment to the original order altering the relief.<sup>220</sup>

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216. See, e.g., *American Can Co. v. Mansukhani*, 742 F.2d 314, 326 (7th Cir. 1984) (remanding decision on preliminary injunction that did not limit the definition of trade secrets to exclude information in the public literature for determination of whether defendant's products had been derived from the trade secret or from public information), *subsequent decision on contempt*, 814 F.2d 421 (7th Cir.1987).

217. This consideration more frequently arises in the context of assessing a demand for permanent injunctive relief. See discussion *infra* Part VIII (Additional Factors to Consider in Connection with Permanent Injunctions).

218. See, e.g., *OmniGen Research, LLC v. Wang*, No. 6:16-CV-268-MC, 2017 WL 5505041, at \*22 (D. Or. Nov. 16, 2017), *appeal dismissed*, 2018 WL 3012530 (9th Cir. May 21, 2018).

219. *Id.* See discussion *infra* Guideline No. 19.

220. See, e.g., *Invacare Corp. v. Nordquist*, No. 1:18-CV-62, 2018 WL 3768278 (N.D. Ohio Aug. 9, 2018) (modifying original preliminary injunction in light of newly-produced evidence that defendant had misappropriated additional information beyond that known to plaintiff at the time of the preliminary injunction hearing).

Where a plaintiff seeks an injunction to limit particular employment activities by a former employee and the defendant is subject to a noncompete or similar agreement, the court will need to consider whether the contractual restrictions are enforceable.

If the court concludes that equitable relief is necessary to prevent the use or disclosure of the trade secret, the court may frame the order in a way to prevent circumvention, including through the use of terms explicitly preventing the enjoined party from using, disclosing, licensing, transferring, selling, or offering to sell the trade secret and, as appropriate, products or processes incorporating the trade secret, or assisting others to do the prohibited acts. It has been observed that “[a]n injunction should be ‘tailored to eliminate only the specific harm alleged,’ but it should not be ‘so narrow as to invite easy evasion.’”<sup>221</sup>

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221. *Skydive Arizona, Inc. v. Quattrocchi*, 673 F.3d 1105, 1116 (9th Cir. 2012) (internal citations omitted).



## VII. ESTABLISHING AN INJUNCTION BOND TO PROTECT THE INTERESTS OF THE NONMOVING PARTY

An interim injunction may have dramatic economic consequences for the party enjoined. Interim equitable relief is often fashioned on an early or incomplete record. Later, a reviewing court, or the trial court upon review of further evidence, may ultimately determine that the injunction was not properly granted. An enjoined party could suffer injury from the injunction before the decision is reviewed. To provide security against the damages caused by an improvidently granted interim injunction, courts are directed by applicable procedural rules to establish a bond to which the enjoined party may have recourse. Thus, under Federal Rule of Civil Procedure 65(c), the court “may issue a preliminary injunction or a temporary restraining order only if the movant gives security in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained.” The bond is generally the cap on the damages a wrongfully enjoined party can recover.<sup>222</sup> Many states have similar rules.<sup>223</sup> That being the case, at least one federal court of appeals decision outside the trade secret context has cautioned

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222. See, e.g., 13 MOORE’S FEDERAL PRACTICE § 65–94.1 (3d. ed. 1997); *Mead Johnson & Co. v. Abbott Labs*, 201 F.3d 883, 888 (7th Cir.), *amended on denial of rehearing*, 209 F.3d 1032 (7th Cir. 2000); *Johnson Controls, Inc. v. A.P.T. Critical Sys., Inc.*, 323 F. Supp. 2d 525 (S.D.N.Y. 2004) (trade secret case). Readers should note that to the contrary, in connection with ex parte seizure orders under the DTSA, the bond is expressly specified as not constituting a cap on the damages that may be recovered by the wrongfully enjoined party. 18 U.S.C. 1836 §§ (b)(2)(F) and (G).

223. See, e.g., *Emerald Partners v. Berlin*, 712 A.2d 1006 (Del. Ch. 1997) (non-trade secret case). *But see* N.D. R. Civ. P. 65(h)(5) (West 2021), providing that the bond is not a cap and does not limit the costs and damages a wrongfully-enjoined party may recover; illustrating the importance of researching the law applicable to the jurisdiction of interest.

that “[w]hen setting the amount of security, district courts should err on the high side,” since an error in setting the bond too low “produces irreparable injury, because the damages for an erroneous preliminary injunction cannot exceed the amount of the bond[;]” whereas, “[a]n error in setting the bond too high . . . is not serious” because the wrongfully enjoined party “still would have to prove its loss[.]”<sup>224</sup> Recoverable damages must arise from the operation of the injunction itself, not from the suit independently of the injunction, and must not be remote or speculative.<sup>225</sup>

Several circuits have expressly acknowledged the mandatory phrasing of the bond requirement under Rule 65(c), holding that this means that a bond is required in every case.<sup>226</sup> Most

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224. *Mead Johnson*, 201 F.3d at 888; *Mallet and Co., Inc. v. Lacayo*, 16 F. 4th 364, 391 (3d Cir. 2021) (“the consequences” could be “dire if district courts were to significantly underestimate the economic impact of an injunction it issues,” remanding for further consideration of bond); *Life Spine, Inc. v. Aegis Spine, Inc.*, No. 19 CV 7092, 2021 WL 963811, at \*23–24 (N.D. Ill. Mar. 15, 2021), *aff’d* 8 F.4th 531 (7th Cir. 2021); *see also* *Guzzetta v. Service Corp. of Westover Hills*, 7 A.3d 467 (Del. 2010) (non-trade secret case).

225. *Brightview Grp., LP v. Teeters*, 441 F. Supp. 3d 115, 144–45 (D. Md. 2020) (preliminary injunction decision; summarizing general precedents on injunction bonds). *Cf. Guzzetta*, 7 A.3d at 470 (non-trade secret case summarizing general precedents on injunction bonds).

226. *See* *Globus Med., Inc. v. Vortex Spine, LLC*, 605 F. App’x 126, 129 (3d Cir. 2015) (holding that courts “must interpret this requirement strictly”); *Scanvec Amiable Ltd. v. Chang*, 80 F. App’x 171, 176 (3d Cir. 2003) (unpublished) (“We have long held that the *posting* of adequate security is a ‘condition precedent’ to injunctive relief.” (emphasis added, citations omitted)); *Patuxent Section I Corp. v. St. Mary’s Cty. Metro. Comm’n*, 1975 WL 166159, at \*1 (4th Cir. Mar. 26, 1975) (“[A] bond [is] required” for a preliminary injunction, citing Federal Rule of Civil Procedure 65(c)); *Hoechst Diafoil Co. v. Nan Ya Plastics Corp.*, 174 F.3d 411, 421 (4th Cir. 1999) (trade secret case) (Rule 65(c) “is mandatory and unambiguous. Although the district court has discretion to set the bond amount ‘in such sum as the court deems proper,’ it is not free to disregard the bond requirement altogether. In view

circuits, however, have interpreted the second half of the Rule (requiring that the bond be “in an amount that the court considers proper[.]”) as rendering the amount of the bond and, more significantly, whether a bond is required at all within the discretion of the district court.<sup>227</sup> This is so even if the amount of the bond is set lower than the amount of nonspeculative potential damages that would be suffered by a wrongfully enjoined party.<sup>228</sup> The exercise of this discretion may be appropriate, for

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of the clear language of Rule 65(c), failure to require a bond upon issuing injunctive relief is reversible error.”) (internal citations omitted); *Atomic Oil Co. of Okla., Inc. v. Bardahl Oil Co.*, 419 F.2d 1097, 1100–01 (10th Cir. 1969) (“Rule 65(c) states in mandatory language that the giving of security is an absolute condition precedent to the issuance of a preliminary injunction.”). *See also* *Zambelli Fireworks Mfg. Co. v. Wood*, 592 F.3d 412, 426 (3d Cir. 2010) (finding, “[w]e have never excused a district court from requiring a bond where an injunction prevents commercial, money-making activities”); *Frank’s GMC Truck Ctr., Inc. v. General Motors Corp.*, 847 F.2d 100, 103 (3d Cir. 1988) (“[A]bsent circumstances where there is no risk of monetary loss to the defendant, the failure of a district court to require a successful applicant to post a bond constitutes reversible error.”).

227. *See* *Reco Equip., Inc. v. Wilson*, No. 20-4312, 2021 WL 5013816 (6th Cir. Oct. 28, 2021) (“Though Rule 65(c)’s language suggests security is mandatory, our circuit has long recognized a district court’s discretion over *whether* to require the posting of security. In other words, a lower court can expressly choose not to require security. But it must affirmatively do so—it can’t ignore the issue altogether.”) (remanding for consideration of whether security should be ordered and if so the amount) (citations omitted) (emphasis in original).

228. *See* *Urbain v. Knapp Bros. Mfg. Co.*, 217 F.2d 810, 815–16 (6th Cir. 1954) (“The rule leaves it to the District Judge to order the giving of security in such sum as the court considers proper. This would indicate plainly that the matter of requiring security in each case rests in the discretion of the District Judge.”); *Corrigan Dispatch Co. v. Casa Guzman, S.A.*, 569 F.2d 300, 302–03 (5th Cir. 1978); *Temple Univ. v. White*, 941 F.2d 201, 219 (3d Cir. 1991); *Wayne Chem., Inc. v. Columbus Agency Serv. Corp.*, 567 F.2d 692, 701 (7th Cir. 1977); *Johnson v. Couturier*, 572 F.3d 1067, 1086 (9th Cir. 2009); *see also* 11A CHARLES ALAN WRIGHT & ARTHUR R. MILLER, *FEDERAL PRACTICE &*

example, where interim relief is granted on a relatively well-developed record after substantial discovery in which both parties have participated, reducing the likelihood that on appeal the injunction will be found to have been improvidently granted, or where the nonmovant has not shown a likelihood of harm.<sup>229</sup>

The application of these principles has led to a wide range of bonds in trade secret disputes.<sup>230</sup> The bond amount is related to the scope of the injunction and “ordinarily depends on the gravity of the potential harm to the enjoined party.”<sup>231</sup> Thus, for example, a bond will typically be larger when an injunction impacts the operation of a business and smaller when the

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PROCEDURES CIV. § 2954, at 524 (2d ed.) (“The mandatory nature of the security requirement is ameliorated by the remaining portion of the first sentence of Rule 65(c), which states that the security be ‘in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained.’”).

229. See, e.g., *Integra Optics, Inc. v. Nash*, No. 1:18-CV-0345(GTS/TWD), 2018 WL 2244460, at \*16 (N.D.N.Y. Apr. 10, 2018) (ordering that plaintiff would not be required to post a bond in connection with preliminary injunction enforcing confidentiality and non-solicitation agreement where plaintiff was “very likely to prevail on the merits of its claims” and defendant had not shown that she would likely suffer harm (citations omitted)); *Hoechst Diafoil*, 174 F.3d at 421 n.3 (listing factors courts consider in determining the bond amount in trade secret cases).

230. See *Brightview Grp.*, 441 F. Supp. 3d at 145 (surveying bond decisions in trade secret cases).

231. *Hoechst Diafoil*, 174 F.3d at 421 n.3 (trade secret case); see also *Doctor’s Assocs., Inc. v. Stuart*, 85 F.3d 975, 985 (2d Cir. 1996); *Int’l Controls Corp. v. Vesco*, 490 F.2d 1334, 1356 (2d Cir. 1974) (non-trade secret case) (“In construing this language, we have stated that, especially in view of the phrase— ‘as the court deems proper’— the district court may dispense with security where there has been no proof of likelihood of harm to the party enjoined.”) (internal citations omitted); *Cont’l Oil Co. v. Frontier Refining Co.*, 338 F.2d 780, 782 (10th Cir. 1964).

injunction is directed to the return of documents.<sup>232</sup> Depending on the scope of the injunction and its likely impact on the party to be enjoined, courts have imposed substantial bonds in trade secret cases where warranted by the evidence.<sup>233</sup> Courts have also imposed nominal bond in trade secret cases awarding

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232. See *Prairie Field Servs., LLC v. Welsh*, No. 20-CV-2160 (ECT/KMM), 2020 WL 6336705, at \*18 (D. Minn. Oct. 29, 2020) (imposing bond of \$10,000 in connection with an injunction order directing the return of documents since compliance would likely cause defendant to incur forensic expense).

233. See, e.g., *Genentech, Inc. v. JHL Biotech, Inc.*, No. C 18-06582 WHA, 2019 WL 1045911, at \*22 (N.D. Cal. Mar. 5, 2019) (imposing a bond of \$50,000,000 in connection with order enjoining defendants from using particular information to develop particular drugs given evidence of the market for the pharmaceutical products at issue); *Life Spine, Inc. v. Aegis Spine, Inc.*, No. 19 CV 7092, 2021 WL 963811, at \*23–24 (N.D. Ill. Mar. 15, 2021), *aff'd* 8 F.4th 531 (7th Cir. 2021) (ordering bond of \$6,000,000 in connection with entry of a preliminary injunction preventing defendant from developing, manufacturing, marketing, distributing, or selling its competing line of surgical devices pending trial); *Peoplestrategy, Inc. v. Lively Employer Servs., Inc.*, No. 3:20-CV-02640-BRM-DEA, 2020 WL 7869214, at \*10 (D.N.J. Aug. 28, 2020) (unpublished) (ordering posting of \$200,000 bond in connection with preliminary injunction requiring defendants to cease using plaintiff's proprietary information and soliciting plaintiffs' employees and customers for one year since injunction would force defendants to forego revenue; amount calculated by reference to value of accounts), *reconsideration denied*, 2020 WL 7237930 (D.N.J. Dec. 9, 2020); *Waymo LLC v. Uber Techs., Inc.*, No. C 17-00939 WHA, 2017 WL 2123560, at \*14 (N.D. Cal. May 11, 2017) (conditioning injunction directing return of documents and limiting one employee's work on LiDAR technology on the posting of a \$5,000,000 bond); *Systems Spray-Cooled, Inc. v. FCH Tech, LLC*, No. 1:16-CV-1085, 2017 WL 2124469 (W.D. Ark. May 16, 2017) (conditioning preliminary injunction enjoining defendants from using or disclosing plaintiff's design drawings and worksheets on posting of a \$5,000,000 bond); *International Bus. Mchs. Corp. v. Papermaster*, No. 08-CV-9078-KMK, Dkt. #22 (S.D.N.Y. Nov. 13, 2008) (establishing a bond after posthearing briefing in the amount of \$3,000,000 in connection with an injunction enforcing a highly compensated executive's noncompete agreement to protect trade secrets).

limited injunctive relief, again as supported by the evidence.<sup>234</sup> However, the amount of the bond should be calibrated to the needs of the specific case rather than following “rules of thumb” based on rulings in other cases.<sup>235</sup>

Under the Federal Rules of Civil Procedure, regardless of the size of the bond, the court can be reversed if it does not make factual findings and provide an explanation for setting the bond at a particular amount.<sup>236</sup>

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234. See *Pyro Spectaculars N., Inc. v. Souza*, 861 F. Supp. 2d 1079, 1098 (E.D. Cal. 2012) (no bond); *Tesla, Inc. v. Khatilov*, No. 4:21-cv-00528-YGR, 2021 WL 624174 (N.D. Cal. Jan. 22, 2021) (no bond in connection with injunction requiring turnover of materials for forensic review). Cf. *Neo Gen Screening, Inc. v. TeleChem Int’l, Inc.*, 69 F. App’x 550, 556–57 (3d Cir. 2003) (affirming award of \$10,000 bond in trade secret case because the enjoined party “produced no evidence of any irreparable harm to it from the injunction”).

235. *Mallet and Co., Inc. v. Lacayo*, 16 F. 4th 364, 392 (3d Cir. 2021) (reversing trial court’s entry of a bond of \$500,000 in connection with entry of a “production injunction” preliminarily enjoining defendant from distributing particular products where amount of bond had been based on trial court’s canvassing of decisions throughout the country establishing bonds in similar cases, holding that the determination of the appropriate bond must be tied to analysis of the specific case and injunction before the court).

236. See, e.g., *Reco Equip., Inc. v. Wilson*, No. 20-4312, 2021 WL 5013816 at \*5 (6th Cir. Oct. 28, 2021) (remanding for explanation of decision on security); *Mallet*, 16 F.4th at 392; *Gateway E. Ry. Co. v. Terminal R.R. Ass’n*, 35 F.3d 1134, 1142 (7th Cir. 1994) (“Because the district court has provided us with no explanation for its decision to set the bond at the chosen figure, it is impossible for us to determine whether or not the \$70,000 bond was ‘within the range of options from which one could expect a reasonable trial judge to select.’ Consequently, we remand for a more definite statement of findings on this issue.”) (internal citations omitted); *Corning Inc. v. PicVue Elecs., Ltd.*, 365 F.3d 156, 158 (2d Cir. 2004) (trade secret and copyright case) (“While it might have been within the discretion of the district court to decide that, under the circumstances, no security was required, . . . the district court was required to make this determination before it entered the preliminary injunction.”) (internal citations omitted); *Hill v. Xyquad, Inc.*, 939 F.2d 627, 632 (8th Cir. 1991) (“Although we allow the district court much discretion in setting

**Guideline 12. The parties should present evidence and argument regarding the proper amount of any bond that is tied to any interim relief ordered.**

While the specific approaches to assessing the imposition of a bond vary, parties should assess and present to the court evidence tied to the proposed interim injunctive relief in support of their proposed amount for the bond. Too often argument over the amount of a bond appears to emerge only as an unsubstantiated afterthought as the parties exit the courtroom.<sup>237</sup> If the issue has not been fully presented, the court or the parties may want to seek the further evidence and argument on the bond once an injunction has been entered and the scope of the relief being ordered is clear.<sup>238</sup>

Some nondisclosure or other contracts at issue in trade secret disputes specify that if a party is successful in a request for

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bond, we will reverse its order if it abuses that discretion due to some improper purposes, or otherwise fails to require an adequate bond or to make the necessary findings in support of its determinations.”). *Cf. Guzzetta v. Svc. Corp. of Westover Hills*, 7 A.3d 467 (Del. 2010).

237. *See Inventus Power, Inc. v. Shenzhen Ace Battery Co.*, No. 20-CV-3375, 2020 WL 3960451, at \*14 (N.D. Ill. July 13, 2020) (ordering \$50,000 bond where plaintiff had argued that there should be no bond “because defendant ‘should never have stolen . . . trade secrets in the first place’” and defendant had argued that there should be a “substantial monetary bond” because “the relief sought by Plaintiffs could imperil Defendant’s ‘entire business,’” but submitted no evidence; noting that the parties could move to adjust the bond in the future).

238. *See, e.g., Mallet and Co. v. Lacayo*, No. 19-1409, 2020 WL 6866386, at \*14 (requesting further input from the parties on the order on preliminary injunction in a trade secret dispute, particularly as relates to the entry of a security bond); *Peoplestrategy*, 2020 WL 7869214, at \*2 n.4 (directing further briefing on the amount of the bond); *Inventus Power*, 2020 WL 3960451, at \*14 (observing that argument on the amount of the bond can be more focused once the scope of the injunction is established).

injunctive or other equitable relief, the court shall be permitted to enter the relief without requiring the posting of a bond. Courts differ in their willingness to give force to such provisions.<sup>239</sup> A court may act within its discretion in requiring a bond even though a relevant contract waives the requirement, at least where the movant expresses a willingness to post a bond.<sup>240</sup> Similar to contractual “acknowledgements” of irreparable harm, parties should present evidence on whether enforcing a contractual waiver of security is appropriate in the particular dispute.

Any order granting interim injunctive relief should specify whether it becomes effective at the date of the order, subject to vacatur if the bond is not posted by a specific date, upon the posting of the bond, or at some other time.

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239. Compare *Singas Famous Pizza Brands Corp. v. N.Y. Advert., LLC*, No 10 Civ. 8976(RJH), 2011 WL 497978, at \*12 (S.D.N.Y. Feb. 10, 2011) (enforcing the parties’ contractual waiver of a bond), *aff’d*, 468 F. App’x 43 (2d Cir. 2012) with *Life Spine, Inc. v. Aegis Spine, Inc.*, No. 19 CV 7092, 2021 WL 963811, at \*23–24 (N.D. Ill. Mar. 15, 2021) (refusing to extend a private agreement attempting to do away with the bond requirement to a claim for trade secret misappropriation) and *TP Grp.-CI, Inc. v. Vetecnik*, No. 1:16-cv-00623-RGA, 2016 WL 5864030, at \*3 (D. Del. Oct. 6, 2016) (refusing to enforce contractual waiver of bond).

240. See Transcript of Oral Argument at 36:14–23, *Presidio, Inc. v. Leonard*, C.A. No. 2019-0298-JRS (Del. Ch. filed May 24, 2019).



### VIII. ADDITIONAL FACTORS TO CONSIDER IN CONNECTION WITH PERMANENT INJUNCTIONS

By the time a trade secret dispute goes to trial, discovery is complete and the finder of fact is able to assess all the evidence and the credibility of the witnesses on each side. If the factfinder determines that the defendant has misappropriated the movant's trade secrets, the trade secret owner has succeeded on the merits of its claim. Nevertheless, permanent injunctive relief is not automatic.

In some cases the trade secret owner may decide not to seek permanent injunctive relief.<sup>241</sup> It may be satisfied by any monetary award. The information may no longer be a trade secret.<sup>242</sup> The trade secret owner itself may have elected to make its trade secret public by filing for or obtaining a patent. Future relief may be available to the trade owner under other theories, such as part of a claim for patent infringement. Others may have independently developed the trade secret or information that is a close substitute, diminishing the value of the trade secret to its owner.

In some cases, the trade secret owner may ask the court to enter an order permanently enjoining the defendant from further using or disclosing the information that has been found to be misappropriated. The court may determine, however, that in a particular case the trade secret has become so widely known that enjoining its further use and disclosure would impose

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241. For a recent empirical look at requests for permanent injunctive relief as well as the absence of such requests after trial, *see*, Elizabeth A. Rowe, *eBay, Permanent Injunctions, and Trade Secrets*, 77 WASH. & LEE L. REV. 553 (2020) (examining many unpublished orders).

242. *See, e.g.*, 02 Micro Int'l Ltd. v. Monolithic Power Sys., Inc., 399 F. Supp. 2d 1064 (N.D. Cal. 2006), *aff'd* 221 F. App'x 996 (Fed. Cir. 2007) (denying use injunction because the information was no longer secret and had been disclosed; jury had awarded unjust enrichment damages).

inappropriate restrictions on the public's ability to continue to access it.<sup>243</sup>

Even if some third parties are now free to use the trade secrets through their own legitimate efforts, the trade secret owner may urge that money damages have not undone the effects of the unfair competitive lead time or "head start" the defendant gained through misappropriation and that an injunction should be entered delaying the defendant from entering or participating in the market for some period.

As with other decisions regarding equitable relief, the availability of permanent injunctive relief after a finding of misappropriation at trial is not necessarily presumed. Courts continue to apply the traditional rules of equity, in particular focusing on the nature and scope of the trade secret, whether the plaintiff is able to establish ongoing irreparable harm, and the impact of the proposed relief on the defendant and on the public.<sup>244</sup> A

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243. See, e.g., *B. Braun Med., Inc. v. Rogers*, 163 F. App'x 500, 509 (9th Cir. 2006) (holding that "[I]njunctive relief is only available to protect a trade secret. Once a trade secret has been widely disclosed, it is no longer secret and does not merit injunctive relief."); *DVD Copy Control Ass'n Inc. v. Bunner*, 10 Cal. Rptr. 3d 185, 194–95 (Cal. Ct. App. 2004) (finding that permanent injunctive relief barring use or disclosure of trade secret was unwarranted where the trade secret had become so widely known that it was even available on t-shirts; concluding that an injunction would remove from the general public information that was no longer a trade secret).

244. See, e.g., *Syntel Sterling Best Shores Mauritius, Ltd. v. Trizetto Grp., Inc.*, No. 15-Civ. 211 (LGS), 2021 WL 1553926, at \*12 (S.D.N.Y. Apr. 20, 2021) (following *eBay* and *Faiveley* in declining to apply a presumption of irreparable harm after trial; finding, however, that the plaintiff had established the four equitable factors; and granting a permanent injunction); *Cajun Servs. Unlimited, LLC v. Benton Energy Serv. Co.*, Civil Action Nos. 17-491, c/w 18-5630 & 18-5932, 2020 WL 375594, at \*7 (E.D. La. Jan. 23, 2020), *motion to amend denied*, 2020 WL 3188991 (E.D. La. June 15, 2020), *aff'd mem.* 855 Fed. App'x 771 (Fed. Cir. 2021); *CardiaQ Valve Techs., Inc. v. Neovasc, Inc.*, No. 14-cv-12405-ADB, 2016 WL 6465411, at \*7 (D. Mass. Oct. 31, 2016), *aff'd*, 708 F.

request for a permanent injunction can raise additional considerations that were not before the court in weighing interim relief; principally whether any monetary remedies that have been awarded at trial have “repaired” the harm, the question of whether to award a “use” injunction or a “production” injunction, and the duration of appropriate relief.

One frequent component of permanent injunctive relief is an order directing the “eradication” or “remediation” of misappropriated documents and computer files. By the time the trial has been completed, more specific direction as to the location and types of files to be addressed and more robust remediation

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App’x 654 (Fed. Cir. Sept. 1, 2017) (unpublished) (following *eBay* and assessing the “well-established principles of equity” in determining whether to grant permanent injunctive relief rather than applying any presumption; denying permanent injunction); *Steves & Sons, Inc. v. JELD-WEN, Inc.* No. 3:16cv545, 2018 WL 6272893, at \*5 (E.D. Va. Nov. 30, 2018) (denying permanent injunctive relief in light of plaintiff’s argument that damages would be an adequate remedy; not reaching consideration of *eBay*); *Bimbo Bakeries USA, Inc. v. Sycamore*, No. 2:13-cv-00749-DN-DBP, 2018 WL 1578115 (D. Utah Mar. 29, 2018) (following *eBay*; finding that the evidence warranted granting a limited permanent injunction); *Aspen Tech., Inc. v. Kunt*, No. H-10-1127, 2013 WL 12090343, at \*3 (S.D. Tex. Feb. 4, 2013) (making findings “as required by *eBay*,” establishing irreparable harm and the lack of an adequate remedy at law, particularly in view of defendant’s commencement of bankruptcy proceedings and plaintiff’s likely inability to recover damages, and granting permanent injunction); *Versata Software, Inc. v. Internet Brands, Inc.*, No. 2:08-CV-313-WCB, 2012 WL 3075712 (E.D. Tex. July 30, 2012) (following *eBay* in assessing the request; denying a permanent injunction); *Uhlig, LLC v. Shirley*, No. 6:08-CV-01208-JMC, 2012 WL 2458062 (D.S.C. June 27, 2012) (finding that *eBay* had effectively abrogated a presumption of irreparable harm applicable to trade secret disputes and denying permanent injunction after finding that movant had not established irreparable harm). *Cf.* *Brightview Group, LP v. Teeters*, No. SAG-19-2774, 2021 WL 1238501 (D. Md. March 26, 2021) (after ruling on motion for summary judgment, applying *eBay*’s requirement that court consider all four equitable factors and not simply apply a presumption of irreparable harm; finding a threat of continuing misappropriation if no permanent injunction was issued).

procedures may be fashioned than may have been possible at an earlier stage of the dispute.<sup>245</sup> Issues may remain as to the scope of remediation and who will pay for it.

Another component of permanent injunctive relief may be the imposition of a variety of activity restrictions on the party found to have engaged in misappropriation. Depending on the facts presented, these restrictions may be stated to apply outside the United States, even worldwide.<sup>246</sup>

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245. See, e.g., *Epic Sys. Corp. v. Tata Consultancy Svcs., Ltd.*, No. 14-cv-748-wmc, 2016 WL 6477011, at \*3 (W.D. Wis. Nov. 2, 2016) (imposing remediation order after trial); *IHE Auto Parts, LLC v. Abelson*, No. 1:16-CV-4717-SCJ, 2017 WL 7519067 (N.D. Ga. Nov. 16, 2017) (issuing permanent injunction barring employee caught taking material with him via USB flash drive on his last day of work from using or disclosing plaintiff's trade secrets and requiring him to provide all USB devices for inspection and removal of plaintiff's trade secret information); *OmniGen Research, LLC v. Wang*, No. 6:16-CV-268-MC, 2017 WL 5505041, at \*22 (D. Or. Nov. 16, 2017), *appeal dismissed*, 2018 WL 3012530 (9th Cir. May 21, 2018); *Allergan, Inc. v. Merz Pharm., LLC*, No. SACV-11-446 AG (Ex) (C.D. Cal. filed Mar. 9, 2012) (entering permanent injunction order detailing forensic remediation requirements). For an even more aggressive permanent remediation directive, see *Specialized Tech. Res., Inc. v. JPS Elastomerics Corp.*, No. HSCV200700200, 2011 WL 1366584 (Mass. Super. Ct. Feb. 10, 2011) (ordering that plant incorporating trade secrets be dismantled and that thorough review be conducted to locate and return documents containing identified trade secrets), *aff'd*, 957 N.E.2d 1116 (Mass App. Ct. 2011).

246. See, e.g., *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 941 F.2d 970, 974 (9th Cir. 1991); *OmniGen Research*, 2017 WL 5505041, at \*22; *Syntel Sterling*, 2021 WL 1553826, at \*14 (entering worldwide permanent injunction under DTSA where acts in furtherance of the offense had occurred in the United States); *General Elec. Co. v. Sung*, 843 F. Supp. 776 (D. Mass. 1994). Cf. *Nordson Corp. v. Plasschaert*, 674 F.2d 1371, 1377 (11th Cir. 1982) (observing that "[a]s a practical matter, however, geographical limits often can be set" (limiting permanent injunction to Western Europe, the United States and Canada); *AtriCure, Inc. v. Meng*, 842 Fed. App'x 974 (6th Cir. Jan. 21, 2021) (unpublished) (granting worldwide preliminary injunction under Ohio's Uniform Trade Secrets Act). Cf. Restatement (Third) of Unfair Competition,

**Guideline 13. Positions the parties have taken regarding damages at trial may bear on the question of whether the movant will suffer irreparable injury without a permanent injunction.**

To obtain permanent injunctive relief after trial the movant is typically still required to establish that without injunctive relief it will suffer irreparable harm.<sup>247</sup> If the jury has already awarded damages for future continuing harm, it may be appropriate to find on particular facts that an injunction “would be redundant of the legal relief which the jury has already awarded,”<sup>248</sup> even if the damages award is less than the movant requested.<sup>249</sup> Where, however, damages are found to compensate only past harm, permanent injunctive relief may be

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§44 cmt. d, stating that “[a] defendant would normally be enjoined from disclosing or using the trade secret even outside the geographic market of the trade secret owner.”

247. See, e.g., *Brocade Commc’ns Sys., Inc. v. A10 Networks, Inc.*, No. C 10-3428 PSG, 2013 WL 890126, at \*3 (N.D. Cal. Jan. 23, 2013).

248. *Whiteside Biomechanics, Inc. v. Sofamor Danek Grp., Inc.*, 88 F. Supp. 2d 1009, 1020 (E.D. Mo. 2000), *aff’d*, 13 F. App’x 950 (Fed. Cir. 2001). See also *CardiAQ Valve Techs.*, 2016 WL 6465411, at \*7; *Allied Erecting & Dismantling Co. v. Genesis Equipment & Mfg., Inc.*, No. 4:06-CV-114, 2010 WL 3370286 (N.D. Ohio Aug. 26, 2010), *aff’d*, 511 F. App’x 398 (6th Cir. 2013).

249. *Steves & Sons*, 2018 WL 6272893, at \*5 (denying permanent injunctive relief where “it could not be clearer” that the trade secret claimant’s expert witness had testified that an award of a reasonable royalty would allow the trade secret defendant to use any trade secret without future restraint; the fact that the jury awarded a reasonable royalty in a lower amount than claimant’s expert had requested did not change this result); *Pike v. Texas ECM Mgm’t, LLC*, 610 S.W. 3d 763 (Tex. 2020) (holding that the fact that movant’s damages expert had used evidence of the market value attributable to future income streams to attempt to prove that misappropriation had reduced the movant’s market value meant that movant’s claim was reparable, even though the reviewing court concluded movant had failed to offer legally sufficient evidence of damages).

appropriate to prevent future harm.<sup>250</sup> As with other aspects of equitable relief, the inquiry is fact specific. Positions that both parties have taken at trial will be relevant. Where the record evidence shows, for example, that the trade secret owner would not have voluntarily licensed its trade secret and the plaintiff did not argue at trial that a damages award would make it whole, permanent injunctive may be found to be appropriate.<sup>251</sup>

**Guideline 14. A “use” injunction should specify any trade secret it addresses and, where practical, carve out particular information that has been found not to be a trade secret.**

The most common form of injunction following trial is an order directing defendant not to use or disclose the trade secrets at issue, including by such means as using, distributing, copying, modifying, selling, offering to sell, or licensing the trade secret, products embodying the trade secret, or information derived from the trade secret.<sup>252</sup> The injunction order should provide notice of the trade secret in reasonable detail.<sup>253</sup> Courts

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250. *Syntel Sterling*, 2021 WL 1553926, at \*13.

251. *TMRJ Holdings, Inc. v. Inhance Techs., LLC*, 540 S.W.3d 202, 214 (Tex. Ct. App. 2018).

252. *See, e.g., Chetu, Inc. v. Salihu*, No. 09-60588-CIV, 2010 WL 1372329, at \*1 (S.D. Fla. Apr. 2, 2010).

253. *See Mallet & Co. Inc. v. Lacayo*, 16 F. 4th 364, 388–89 (3d Cir. 2021) (vacating and remanding for further assessment and identification of the trade secrets at issue; if on remand trial court determined preliminary injunctive relief to be appropriate, requiring trial court to sufficiently define the trade secrets at issue and narrowly tailor scope of injunction since “basic fairness requires that those enjoined receive explicit notice of precisely what conduct is outlawed”); *E.W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108, 1113–17 (8th Cir. 1969) (holding that injunction against “using or disclosing trade secrets and confidential technical information” was too vague to give fair notice of the information at issue); *TMRJ Holdings*, 540 S.W.3d at 214. *Cf. Corning Inc. v. PicVue Elecs., Ltd.*, 365 F.3d 156, 157–58 (2d Cir. 2004)

have recognized that the injunction should not be so broad as to limit lawful competition by prohibiting the use of fully public information.<sup>254</sup> A permanent injunction should not prohibit the use of information that has been found to be lawfully developed through independent means.<sup>255</sup> An injunction order may,

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(vacating and remanding preliminary injunction order that did not specify trade secrets).

254. See, e.g., *Mallet*, 16 F. 4th at 388–89; *Brightview Grp. LP v. Teeters*, No. SAG-19-2774, 2021 WL 1238501 (D. Md. March 29, 2021) (entering permanent injunction that narrowed preliminary injunction to clarify that injunction prohibits only the use of specified documents court had found to contain trade secrets; expressly not enjoining the use or disclosure of nonconfidential or proprietary information stored in defendants’ memories from their work experience or available from public sources that may also be contained in some of the restricted documents); *KCG Holdings, Inc. v. Khandekar*, No. 17-CV-3533 (AJN), 2020 WL 1189302, at \*17–18 (S.D.N.Y. Mar. 12, 2020) (granting narrower permanent injunction than plaintiff had requested since requested injunction would have prohibited defendant from working on market predictors in any capacity in perpetuity; instead entering injunction prohibiting defendant only from using or disseminating specific information he had obtained through misappropriation), *reconsideration denied*, 2021 WL 517226 (S.D.N.Y. Feb. 11, 2021); *Bimbo Bakeries USA, Inc. v. Sycamore*, Case No. 2:13-cv-00749-DN-DBP, 2018 WL 1578115, \*6 (D. Utah 2018) (granting permanent injunction prohibiting defendants from using specific recipe but otherwise permitting them to compete in the bread market and produce granny-style bread); *Tradesman Int’l, Inc. v. Black*, 724 F.3d 1004, 1014 (7th Cir. 2013) (denying permanent injunctive relief to protect proprietary information that was closer to know-how than to trade secrets and would not provide an unfair advantage to defendants, concluding that the requested permanent injunction “appear[ed] to be nothing but ‘merely seek[ing] to eliminate ordinary competition.’” (citation omitted)); *TMRJ Holdings*, 540 S.W.3d at 214 (Tex. Ct. App. 2018) (remanding injunction that could be read to prohibit all commercial uses of fluorine, where evidence at trial had showed that some fluorine-manufacturing processes were not trade secrets of plaintiff).

255. See, e.g., *Ecimos, LLC v. Carrier Corp.*, No. 2:15-CV-2726-JPM-CGC, 2018 WL 7272058 (W.D. Tenn. Oct. 9, 2018) (following *eBay* and tailoring permanent injunctive to prevent misuse of specific trade secret and appointing

however, as further discussed in connection with Guideline No. 19, be phrased in a fashion appropriate to ensure compliance.

**Guideline 15. An injunction may be entered after trial without a fixed termination date in accordance with applicable law and procedural rules.**

Many injunctions after trial are phrased as being “permanent” without specifying a termination date.<sup>256</sup> It is more accurate to say that such injunctions are of “indefinite duration.” Federal Rule of Civil Procedure 60(b)(5) authorizes the court to relieve a party from the order where “applying it prospectively is no longer equitable.”<sup>257</sup>

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a special master to oversee clean room development of new noninfringing database); *Revolution Retail Sys., LLC v. Sentinel Techs., Inc.*, C.A. No. 10605-VCP, 2015 WL 6611601 (Del. Ch. Oct. 30, 2015), *order clarified by* 2015 WL 6776198 (Del. Ch. Nov. 5, 2015) (carving out from permanent injunction products not found to have been developed through misappropriation); *Halliburton Energy Servs., Inc. v. Axis Techs., Inc.*, 444 S.W.3d 251 (Tex. App. 2014) (limiting scope of injunction to clarify that it did not extend to products that were not derived from plaintiff’s trade secrets). *Cf.* *Agilent Techs., Inc. v. Kirkland*, C.A. No. 3512-VCS, 2010 WL 610725 (Del. Ch. Feb. 18, 2010) (unpublished) (denying permanent injunction that would threaten the continued viability of a business which includes significant aspects that were independently developed).

256. For a discussion of state and federal decisions on perpetual injunctions, *see Halliburton*, 444 S.W.3d at 260 (concluding that under the facts presented trial court abused its discretion in refusing to grant Halliburton a perpetual injunction because “the law is clear that injunctive relief for trade secret misappropriation must be sufficient to protect the plaintiff’s legal rights and remove the competitive advantage obtained through the misappropriation” and defendants had failed to show that anything less than a perpetual injunction would serve these purposes; narrowing scope of injunction, however, since it could be read to encompass the manufacture of products that were not made using or derived from Halliburton trade secrets).

257. *See Crutchfield v. United States Army Corps of Eng’rs*, 175 F. Supp. 2d 835 (E.D. Va. 2001), outlining six factors courts have considered in



**Guideline 16. The duration of a “head start” permanent injunction should be supported by evidence of the duration of the unfair commercial advantage gained through misappropriation.**

The UTSA provides that “[u]pon application to the court, an injunction shall be terminated when the trade secret has ceased to exist.”<sup>258</sup> The UTSA also provides that once a trade secret no longer exists the injunction “may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation,”<sup>259</sup> generally referred to as the “head start” or “lead time” period. This formulation has not been adopted in every state that has adopted the UTSA, so litigants need to determine which

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determining whether to dissolve any injunction: (1) the circumstances leading to entry of the injunction and the nature of the conduct sought to be prevented; (2) the length of time since entry of the injunction; (3) whether the party subject to its terms has complied or attempted to comply in good faith with the injunction; (4) the likelihood that the conduct or conditions sought to be prevented will recur absent the injunction; (5) whether the moving party can demonstrate a significant, unforeseen change in the facts or law and whether such changed circumstances have made compliance substantially more onerous or have made the decree unworkable; and (6) whether the objective of the decree has been achieved and whether continued enforcement would be detrimental to the public interest. This six-factor test has been applied in the trade secret context in, *e.g.*, *MicroStrategy, Inc. v. Business Objects, S.A.*, 661 F. Supp. 2d 548 (E.D. Va. 2009) (granting defendants’ second motion to dissolve injunction based on showing that the nine-year old documents that had been the subject of the injunction no longer constituted trade secrets and that a sufficient period of time had passed since entry of the injunction five years earlier to eliminate any competitive advantage from the misappropriation).

258. Unif. Trade Secrets Act, *supra* note 19, § 2(a).

259. *Id.*

formulation applies in jurisdictions of interest.<sup>260</sup> The DTSA does not contain this language.

In some cases the proper duration of a head start or lead time injunction, whether a “use” injunction or a “production” injunction, can be established based on the evidence presented at trial of the time the trade secret has been useful and not susceptible to reverse engineering.<sup>261</sup> Other cases focus on the evidence presented concerning the time it took the trade secret owner to

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260. See Richard F. Dole, Jr., *Permanent Injunctive Relief for Trade Secret Misappropriation Without an Express Limit Upon Its Duration*, 17 B.U. J. SCI. & TECH. L. 173, 196 (2011) for a discussion of the history of the adoption of this provision along with examples of its application.

261. See, e.g., *ShowCoat Sols., LLC v. Butler*, No. 1:18-CV-789-ALB, 2020 WL 1467215 (M.D. Ala. Mar. 19, 2020) (ordering use and production injunctions as to different trade secrets, with the duration of the production injunction calibrated to evidence of how long it took others to develop similar formulas, along with an injunction prohibiting the sale of computer code that had been developed through misappropriation). For other examples of cases discussing “head start” injunctions (all decided under common law), see, e.g., *Picker Int’l Corp. v. Imaging Equip. Servs., Inc.*, 931 F. Supp. 18 (D. Mass. 1995), *aff’d*, 94 F.3d 640 (1st Cir. 1996) (ordering permanent use injunction where defendant had engaged in ten-year campaign to acquire and use specialized trade secrets at issue, continuing even during the trial); *Monovis, Inc. v. Aquino*, 905 F. Supp. 1205 (W.D.N.Y. 1994) (permanently enjoining individual and his new organization from competing in the highly specialized single screw compressor marketplace given his prior misappropriation and subterfuge and his intimate knowledge of the technology secrets and fact that the rest of the industry had been unable to develop alternatives, but had taken licenses from plaintiff); *Peggy Lawton Kitchens, Inc. v. Hogan*, 466 N.E.2d 138, 139 (Mass. App. Ct. 1984) (affirming permanent injunction where evidence showed that plaintiff’s cookie recipe had produced cookies for many years that were unique among forty other regional brands); *Curtiss-Wright Corp. v. Edel-Brown Tool & Die Co., Inc.*, 407 N.E.2d 319 (Mass. 1980) (affirming order imposing permanent production injunction where trial court had found that no other manufacturer had ever been able to produce two-tone sinks of the type produced by plaintiff; remanding for damages calculation).

develop the information at issue, and the period it enjoyed its advantage prior to the misappropriation.<sup>262</sup> Still other cases focus on evidence of the period of time it would take the defendant or a legitimate competitor to engage in successful reverse engineering or independent development.<sup>263</sup> Arriving at an

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262. See, e.g., *Epic Sys. Corp. v. Tata Consultancy Servs., Ltd.*, No. 14-cv-748-wmc, 2016 WL 6477011, at \*3 (W.D. Wis. Nov. 2, 2016) (injunction order directing nonuse, nondisclosure, and activity restrictions for four years based on evidence that the information provided a four-year head start but that thereafter the information would be of little value); *Merck & Co., Inc. v. SmithKline Beecham Pharms. Co.*, No. C.A. 15443-NC, 1999 WL 669354 (Del. Ch. 1999) (unpublished)), *aff'd*, 746 A.2d 277 (Del. 2000) (concluding, after considering evidence of the time it had taken trade secret owner to develop information at issue that defendant had gained a three-year head start from the misappropriation and prohibiting defendant from marketing a vaccine that had been developed through the misappropriation in the United States or Canada for three years after FDA approval). Cf. *Allergan, Inc. v. Merz Pharms., LLC*, No. SACV-11-446 AG (Ex), 2012 WL 781705 (C.D. Cal. Mar. 9, 2012) (imposing eight-month injunction against marketing, selling, or distributing botulinum toxin product where plaintiff's pre-suit projections had anticipated that it would take defendant that length of time to enter the market in the ordinary course through fair competition and court had found misappropriation of marketing and sales trade secrets).

263. *Epic Sys.* 2016 WL 6477011, at \*3; *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 941 F.2d 970, 974 (9th Cir. 1991) (finding evidence in the record to support eight-month head start injunction but noting that it is preferable for trial court to make specific findings); *Syntex Ophthalmics, Inc. v. Novicky*, 745 F.2d 1423, 1435–37 (Fed. Cir. 1984), *vacated on other grounds sub nom.* *Novicky v. Syntex Ophthalmics, Inc.*, 470 U.S. 1047 (1985) (finding that defendant could reverse engineer the trade secret in eight years following termination of employment, so maximum permissible injunction would be eight years); *Winston Research Corp. v. Minnesota Mining & Mfg. Co.*, 350 F.2d 134, 142 (9th Cir. 1965) (tying duration of injunction to projected development period for competitors once trade secret owner planned to fully disclose the secrets in marketing materials); *K-2 Ski Co. v. Head Ski Co., Inc.*, 506 F.2d 471 (9th Cir. 1974).

appropriate fixed duration may require testimony from both technical and economic experts.

Where the specific period of time in which the defendants could have lawfully acquired the information is unclear, some courts have awarded indefinite injunctions, with the burden on the defendants to seek a modification when the commercial advantage from the appropriation has ended.<sup>264</sup>

**Guideline 17. Where a trade secret process has become inextricably connected to the process to manufacture a product, a “production” injunction may be entered to prohibit or limit the defendant’s further production of the product.**

In the unusual case where the misappropriated trade secrets have become inextricably connected to the defendants’ manufacture of a product, a court may find that a use injunction alone would be ineffective in eliminating the competitive advantage gained by the misappropriator, because the defendant cannot be relied on to unlearn or abandon the misappropriated technology.<sup>265</sup> There is an “inextricable connection” when the trade

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264. Cf. *Curtiss-Wright Corp.*, 407 N.E.2d at 326, n.8 (granting permanent injunction, but stating, “[w]e do not preclude the possibility that at some time in the future a substantial change of circumstances may entitle the defendant to seek judicial consideration as to whether the injunction should be dissolved”).

265. RESTATEMENT (THIRD) OF UNFAIR COMPETITION §44, cmt. d (AM. LAW INST. 1995) (stating that a production injunction may be appropriate where a use injunction would be impossible to enforce due to difficulty of distinguishing further improper use of trade secret from independent discovery); *Specialized Tech. Res., Inc. v. JPS Elastomerics Corp.*, No. HSCV200700200, 2011 WL 1366584 (Mass. Super. Ct. Feb. 10, 2011), *aff’d*, 957 N.E.2d 1116 (Mass. App. Ct. 2011) (ordering that plant incorporating trade secrets be dismantled and that defendant be enjoined for five years, the period of time it had taken plaintiff to develop the trade secrets, from producing products at

secrets form such an integral and substantial part of the comprehensive manufacturing process or technology that the defendants did not and would not be able independently to manufacture or design a comparable product without relying on the trade secrets.<sup>266</sup> In establishing the duration of such an injunction, the court will generally be guided by the factors discussed in relation to Guideline No. 16.

**Guideline 18. The court may in its discretion consider whether a compelling public interest would be disserved by entry of an injunction prohibiting the sale of the defendant's product, where, for example, the defendant's product made through**

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issue); *Wyeth v. Natural Biologics, Inc.*, 395 F.3d 897, 903 (8th Cir. 2005) (entering permanent production injunction); *General Elec. Co. v. Sung*, 843 F. Supp. 776 (D. Mass. 1994) (enjoining defendant from producing industrial grade diamonds for seven years where manufacturing process incorporating plaintiff's trade secrets was inextricably intertwined with defendants' production process, defendants' approach to litigation did little to inspire confidence that they could be relied upon not to use trade secret and to police themselves if permitted to continue in the field; duration of the injunction was calculated by considering plaintiff's twenty-year development time and reducing it because the industry had progressed since plaintiff's original work and lawful independent development would now take a shorter period of time); *Christopher M's Hand Poured Fudge, Inc. v. Hennon*, 699 A.2d 1272, 1277 (Pa. Super. Ct. 1997), *appeal denied*, 717 A.2d 1026 (Pa. 1998) (permanently enjoining defendant from manufacturing or selling fudge where the defendant had had no prior experience in the field and the theft of the former employer's secret recipe was found to be inextricably intertwined with the production of fudge); *Monovis*, 905 F. Supp. at 1235 (imposing production injunction of indefinite duration where, among other things, evidence showed that defendants' approach to litigation did little to inspire confidence that they could be relied upon not to use trade secret and to police themselves if permitted to continue in the field).

266. See *General Elec.*, 843 F. Supp. at 780.

**misappropriation does not duplicate the movant's product.**

Particularly where the trade secret at issue pertains to public health and the movant's and defendant's products offer different health benefits, and where the movant is unable to satisfy market demand, a court may be reluctant to impose injunctive relief that would have the effect of removing a product from the market or from further development that could benefit the health of particular citizens whose needs may not be met by the plaintiff's product. In *CardiAQ Valve Technologies, Inc. v. Neovasc, Inc.*, for example, the court declined to grant a permanent injunction prohibiting the defendant from continuing to develop a heart valve based in part on a factual finding that the public would also be disserved by the injunction where neither plaintiff nor defendant's valve had been approved for sale and it was impossible to know which device would ultimately be approved. "The proposed 18-month suspension would be duplicative of the monetary relief, and is not warranted given the uncertainty in the [heart valve] market, the impact the injunction would have on Neovasc, and the public's interest in having access to a potentially life-saving technology."<sup>267</sup> This holding should not be read, however, to suggest that a permanent injunction is never appropriate where a product is made for use in the healthcare field.<sup>268</sup>

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267. No. 14-cv-12405-ADB, 2016 WL 6465411, at \*7 (D. Mass. Oct. 31, 2016), *aff'd*, 708 F. App'x 654 (Fed. Cir. Sept. 1, 2017). *Cf.* *Agilent Techs., Inc. v. Kirkland*, C.A. No. 3512-VCS, 2010 WL 610725, at \*31 (Del. Ch. Feb. 18, 2010) (unpublished) (denying request for permanent injunction seeking to keep product developed through use of trade secrets off the market in part based on impact to the public which had come to rely on defendant's product and that might suffer commercial harm if the product was no longer available).

268. *Cf., e.g., Merck & Co., Inc. v. SmithKline Beecham Pharms. Co.*, No. C.A. 15443-NC, 1999 WL 669354 (Del. Ch. 1999) (unpublished), *aff'd*, 746 A.2d 277 (Del. 2000) (granting an injunction prohibiting defendant from

**Guideline 19. An order granting broad permanent injunctive relief may be appropriate where evidence of past violations shows that it is necessary to ensure compliance and avoid future disputes.**

Courts have the discretion to fashion a broad order imposing permanent equitable relief where found to be warranted. Where, for example, there is strong evidence of prior misconduct by the misappropriator, broad relief may be appropriate to ensure that the parties and the court can readily evaluate compliance. Thus, in *Wyeth v. Natural Biologics, Inc.*, the Eighth Circuit affirmed a permanent injunction barring defendant from all activity related to the development of natural conjugated estrogens where the district court found that during litigation the defendant had attempted to conceal its misappropriation through destruction of evidence, false testimony, and improper redactions, concluding that “Natural Biologics cannot be trusted to avoid using the misappropriated process.”<sup>269</sup>

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marketing a vaccine in the United States or Canada that had been developed through misappropriation of trade secrets for three years after FDA approval since defendant’s vaccine would likely be substantially identical to that already offered to the public by plaintiff organization); *see also Wyeth*, 395 F. 3d 897.

269. 395 F. 3d at 903. *See also ClearOne Commc’ns, Inc. v. Bowers*, 643 F.3d 735 (10th Cir. 2011) (affirming permanent injunction of indefinite duration prohibiting use of specific trade secrets and information derived therefrom in light of defendants’ prior behavior and posttrial contemptuous conduct); *Minnesota Mining & Mfg. Co. v. Pribyl*, 259 F.3d 587, 598 (7th Cir. 2001) (finding no abuse of discretion where the trial court had entered a broader injunction than the narrow order defendants had suggested in order to curb “the misconduct and evasive action of defendant,” finding that under the circumstances “no opportunity for loopholes should be allowed”); *Monovis*, 905 F. Supp. At 1234 (granting permanent injunction prohibiting defendants from engaging in the single screw compressor marketplace where “there is much to cause this Court to question whether the defendants would in good faith

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act to avoid using and disclosing information belonging to others; the record in this case suggests the opposite. The defendants have repeatedly chosen to interpret [its] obligations in a begrudgingly narrow sense, violating both their letter and spirit"); *W.L. Gore & Assocs., Inc. v. Wu*, No. 263-N, 2006 WL 2692584, at \*14 (Del. Ch. Sept. 15, 2006) (enjoining defendant for ten years from working on polymers he had worked on for plaintiff in light of finding that defendant had destroyed evidence making it possible to determine the full scope of his misappropriation and "he has given evasive testimony, obstructed discovery, lost or destroyed evidence and disobeyed previous court orders. On this record, the Court has no confidence that [he] will refrain from using [plaintiff's] trade secrets if he is allowed to work in areas where he will have to exercise the discretion and judgment to not use them"), *aff'd* 918 A.2d 1171 (Del. Sup. Ct. 2007); *Solutech Corp., Inc. v. Agnew*, 88 Wash. App. 1067 (Wash. Ct. App. 1997) (unpublished) (affirming an injunction prohibiting individuals from engaging in making any apple wax formulas, not simply those identical to plaintiff's formula, in light of the fact that the parties had been in and out of court numerous times on disputes over compliance with a temporary restraining order).



## IX. FURTHER GUIDELINES FOR CRAFTING AN ORDER GRANTING EQUITABLE RELIEF

While every order granting equitable relief, whether interim or permanent, will necessarily contain unique elements, this *Commentary* provides the following additional guidance on elements to consider in fashioning equitable orders granting affirmative or prohibitive injunctive relief. All of these recommendations must be considered in the context of the magnitude and urgency of the relief requested, the time constraints of the courts, and the degree to which the parties and the court have had access to relevant evidence. A party wishing to ensure that any order concerning equitable relief is well-tailored may be well-advised to submit a proposed form of order to guide the court and the parties in the presentation and evaluation of evidence.

**Guideline 20. An order granting equitable relief should state the reasons for its entry, consistent with applicable procedural rules and the phase of the dispute.**

Federal Rule of Civil Procedure 65(d) and many state law counterparts require the court to state the reasons why an order is being entered. Rule 52(a)(1) expressly states that such findings and conclusions may be stated on the record. If emergency injunctive relief is sought early in a case, the movant should present a proposed form of order that provides at least a high-level statement of reasons for the relief in conjunction with the filing of its moving papers.

At later phases of a dispute, many courts find it convenient to request that the parties to submit proposed findings of fact and conclusions of law for consideration, and some counsel offer to submit such proposed findings and conclusions. Such documents can help ensure that the court does not omit material findings or slip inadvertently into error regarding technical

evidence. However, courts will necessarily conduct independent review of such proposed findings and conclusions, as the final decision will become the findings of the court.<sup>270</sup>

**Guideline 21. An order granting equitable relief to protect trade secrets may identify the trade secrets in a sealed attachment.**

As discussed more fully in the *The Sedona Conference Commentary on Protecting Trade Secrets in Litigation About Them*,<sup>271</sup> while the parties and those to be enjoined must receive notice of the trade secrets as to which the relief extends, the court order should not expose the details of the trade secrets at issue to the public, as such disclosure would inherently destroy their value. This notice must be clear and definite,<sup>272</sup> consistent with the phase of the case. One common practice in trade secret cases is for the court to refer the parties to a sealed attachment

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270. See, e.g., *Syntel Sterling Best Shores Mauritius, Ltd. v. Trizetto Grp., Inc.*, No. 15-Civ. 211 (LGS), 2021 WL 1553926, at \*14 (S.D.N.Y. Apr. 20, 2021) (directing parties to submit a proposed form of order for a permanent injunction consistent with court's opinion and not making changes to proposed order unless both agreed). On occasion courts adopt verbatim, or nearly so, proposed findings and conclusions of one of the parties. This practice does not by itself necessarily constitute reversible error but may lead the reviewing court to subject such findings to heightened review. See, e.g., *PepsiCo, Inc. v. Redmond*, 54 F. 3d 1262, n.4 (7th Cir. 1995).

271. *Commentary on Protecting Trade Secrets in Litigation About Them*, *supra* note 77.

272. See, e.g., *Capstone Logistics Holdings, Inc. v. Navarrete*, 838 F. App'x 588, 590 (2d. Cir. 2020) (unpublished) (remanding permanent injunction order that it otherwise affirmed on the merits to require definition of the trade secrets at issue, finding that permanent injunction entered by the district court failed to satisfy the specificity requirements of Rule 65(d) since it is "not possible to ascertain from the four corners of the order precisely what acts are forbidden"); *on remand*, *Capstone Logistics Holdings, Inc. v. Navarrete*, No. 17 Civ. 4819, Dkt. #589 (S.D.N.Y. March 4, 2021).

specifying the information at issue.<sup>273</sup> In some cases in which there are multiple defendants, one of whom has not yet been shown to have received the trade secrets at issue, as may be the case, for example, in certain “customer-list” cases, the court may choose to direct that portions of the order may be provided only to counsel rather than directly to all of the parties.<sup>274</sup>

**Guideline 22. An order granting equitable relief may specify that it should be served on specific individuals, organizations, or divisions of an organization.**

Rule 65 and state court analogues provide that ordinarily an injunction shall be binding only on those who receive actual notice of the order by personal service or otherwise, ordinarily: (A) the parties; (B) the parties’ officers, agents, servants, employees, and attorneys; and (C) other persons who are in active concert or participation with the foregoing categories of people.

Often by the time that an order is entered it is apparent to the court and to the parties, the particular divisions or

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273. See, e.g., *Henry Hope X-Ray Prods., Inc. v. Marron Carel, Inc.*, 674 F.2d 1336, 1343 (9th Cir. 1982); *Macom Tech. Sols. Holdings, Inc. v. Infineon Techs. AG*, No. 2:16-CV-02859-CAS(PLAx), 2016 WL 6495373, at \*25 (C.D. Cal. Oct. 31, 2016), *issuing order*, 2016 WL 11005112 (C.D. Cal. Dec. 7, 2016), *aff’d in part, vacated in part*, 881 F.3d 1323 (Fed. Cir. 2018) (following *Henry Hope*); *Capstone Logistics Holdings*, 838 F. App’x at 590 (finding that the “better practice” is for the district court to enter its permanent injunction in a separate document); *Brightview Grp., LP v. Teeters*, 441 F. Supp. 3d 115 (D. Md. 2020) (preliminarily enjoining defendants from accessing, using, disclosing or disseminating documents referenced in an appendix to the Order); preliminary injunction modified in permanent injunction at 2021 WL 1238501 (D. Md. March 29, 2021); *Bimbo Bakeries USA, Inc. v. Sycamore*, No. 2:13-cv-00749-DN-DBP, 2018 WL 1578115, at \*6 (D. Utah 2018).

274. Cf. *W.L. Gore*, 2006 WL 2692584, at \*11–12 (holding that the fact that the listed polymers would only be viewable on an attorneys-eyes-only basis did not, under the facts presented, which included extensive litigation misconduct by defendant, violate defendant’s due process rights).

departments within an organization or specific individuals that should be apprised of the terms of any equitable relief. The parties can request, and the court may on its own motion specify in the order that it shall be served, for example, on the “head of defendant’s research & development team having responsibility for product X.” Such an order should prevent any future findings that relevant individuals were not apprised of the order. Similarly, the court may direct the enjoined party to notify specified third parties of the entry of an order granting injunctive relief.<sup>275</sup>

Importantly, however, nonparties having notice of an order are obliged as a matter of law in most jurisdictions not to assist parties to circumvent or violate the order. Stated differently, under Rule 65(d)(2)(C), such parties may be exposed to liability if they are in active concert or participate with the explicitly enjoined party or its agents in violating an injunction. Establishing liability may require further discovery.

**Guideline 23. Extensive ongoing compliance mechanisms should be viewed as the exception and not the rule. They may be warranted in particular cases to ensure the return of documents found to contain the movant’s trade secrets and for limited other purposes.**

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275. See, e.g., *Inventus Power, Inc. v. Shenzhen Ace Battery Co., Ltd.*, No. 20-CV-3375, 2020 WL 3960451, at \*16 (N.D. Ill. July 13, 2020) (directing defendant to notify its distributors and resellers of the entry of the Temporary Restraining Order and their obligation to comply with it as well as directing defendant to certify compliance in writing to the court within seven days of entry); *WHIC LLC v. NextGen Labs., Inc.*, 341 F. Supp. 3d 1147 (D. Haw. 2018) (directing defendants to send copy of order to specific clients and to former plaintiff employees now working at defendant company); *Epic Sys. Corp. v. Tata Consultancy Servs., Ltd.*, No. 14-cv-748-wmc, 2016 WL 6477011 (W.D. Wisc. Nov. 2, 2016), at \*3 (requiring defendant to present information about injunction to all employees).

Often the prevailing party in a request for equitable relief, whether interim or permanent, expresses reservations about whether the relief will be complied with and seeks to impose continuing reporting obligations on the party against whom relief is directed. Some such requirements can be implemented with little court involvement, such as by orders requiring periodic certifications of compliance.<sup>276</sup>

In other cases, courts have ordered more robust continuing compliance mechanisms, such as appointing an independent forensic specialist to direct the eradication/return of specific documents according to an agreed protocol, either at an early stage<sup>277</sup> or after trial.<sup>278</sup> At least one court has directed the enjoined party to establish “clean room” procedures monitored by a gatekeeper to develop new products without the use of plaintiff’s trade secrets. The order in that case specified that the cost of the gatekeeper would be borne by the enjoined party,<sup>279</sup> and

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276. See, e.g., *Cook Med., Inc. v. Griffin*, No. 1:08-cv-188-SEB-JMS, 2008 WL 858996 (S.D. Ind. Mar. 25, 2008) (ordering defendants to maintain contemporaneous, accurate diaries of contacts with specified customers and submit them to plaintiff for monthly review to ensure compliance with order prohibiting soliciting or servicing particular customers), *order clarified by* 2008 WL 2225614 (S.D. Ind. May 27, 2008).

277. See *supra* Guidelines Nos. 3–6.

278. See, e.g., *Epic Sys.*, 2016 WL 6477011, at \*3; *Allergan, Inc. v. Merz Pharms., LLC*, No. SACV-11-446 AG (Ex), 2012 WL 781705 (C.D. Cal. Mar. 9, 2012) (permanent injunction order detailing forensic remediation requirements); *Specialized Tech. Res., Inc. v. JPS Elastomerics Corp.*, No. HSCV200700200, 2011 WL 1366584 (Mass. Super. Ct. Feb. 10, 2011), *aff’d*, 957 N.E.2d 1116 (Mass. App. Ct. 2011); *OmniGen Research, LLC v. Wang*, No. 6:16-CV-268-MC, 2017 WL 5505041, at \*26 (D. Or. Nov. 16, 2017) (ordering compliance mechanisms including forensic remediation and posting of security), *appeal dismissed*, 2018 WL 3012530 (9th Cir. May 21, 2018).

279. *Bridgetree, Inc. v. Red F Mktg., LLC*, No. 3:10-cv-00228-FDW-DSC, 2013 WL 443698, at \*23–24 (W.D.N.C. Feb. 5, 2013). See also *Ecimos, LLC v. Carrier Corp.*, No. 2:15-CV-2726-JPM-CGC, 2018 WL 7272058 (W.D. Tenn.

that the cost of additional forensic review and monitoring for a two-year period would be shared by the parties absent a violation.<sup>280</sup> Other courts have granted ongoing monitoring procedures, including appointing a monitor to conduct periodic unannounced visits to the defendants' facilities to assess ongoing development by the defendant of any competing product and report any evidence of violations.<sup>281</sup> Courts have also directed targeted depositions after some time has elapsed to test whether compliance measures have been implemented and followed.<sup>282</sup>

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Oct. 9, 2018) (entering permanent injunction prohibiting use of some information and appointing a special master to oversee clean room development of new noninfringing database).

280. *Bridgetree*, 2013 WL 443698, at \*24.

281. *See, e.g., Epic Sys.*, 2016 WL 6477011, at \*3 (permanent injunction order directing monitoring); *Picker Int'l Corp. v. Imaging Equip. Servs., Inc.*, 931 F. Supp. 18, 45 (D. Mass. 1995) (appointing former FBI agent as a monitor to investigate and report on compliance with order given finding at trial of a "10-year campaign of misconduct"), *aff'd*, 94 F.3d 640 (1st Cir. 1996) (unpublished); *PLC Trenching Co., LLC, v. Newton*, No. 6:11-CV-0515 (GTS/DEP), 2012 WL 1155963 (N.D.N.Y. Apr. 6, 2012) (permanent injunction order permitting plaintiff to directly monitor compliance by making announced or unannounced inspections of defendants' facilities at defendant's expense since defendants had willfully violated a prior injunction); *Myriad Dev., Inc. v. Alltech, Inc.*, No. 1:08-cv-00253 (W.D. Tex. filed Mar. 28, 2008) (permanent injunction order detailing implementation of injunction requiring defendant to remove misappropriated features and functions from computer systems and to file notice with the court certifying compliance); *Cf. Syntex Ophthalmics, Inc. v. Tsuetaki*, 701 F.2d 677 (7th Cir. 1983) (establishing procedure for court-appointed patent expert well-versed in the relevant technical field to advise the court on whether defendant's proposed production of certain chemical compounds would violate the court's injunction or were based on public information).

282. *See, e.g., Amphenol Corp. v. Paul*, No. 3:12CV543 (AVC), 2012 WL 5471857 (D. Conn. Nov. 9, 2012) (preliminary injunction order), *amended and superseded by* 2013 WL 12250880 (D. Conn. Jan. 8, 2013); *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d 1111 (N.D. Cal. 1999) (preliminary injunction order requiring defendant to submit to two subsequent

While such orders can protect trade secrets and reduce the need for applications for contempt, they can be burdensome for the court as well as the parties. Mere fears of noncompliance do not mandate ongoing oversight for compliance, just as they do not necessarily warrant injunctive relief in the first place.<sup>283</sup> It is well within the court's discretion to decline to enter ongoing monitoring and reporting protocols as being unduly burdensome for the court to administer or for the parties to implement, among other reasons. Indeed, at least one state court, Minnesota, has recognized as a factor for the court to consider when evaluating requests for injunctive relief and fashioning orders "the administrative burden of supervising and enforcing the order."<sup>284</sup>

**Guideline 24. An order directing ongoing compliance mechanisms should allocate the cost and specify the duration of such procedures.**

Ongoing monitoring, including forensic review, can be costly. Courts have allocated the expense of such procedures in various ways; in some cases requiring the defendant to bear the

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depositions, to report to the court any efforts by new employer or others to obtain trade secrets at issue, and requiring production of documents relating to defendant's work).

283. See, e.g., *Pyro Spectaculars N., Inc. v. Souza*, 861 F. Supp. 2d 1079, 1098 (E.D. Cal. Mar. 21, 2012) (denying movant's request for a monitor to ensure compliance with a preliminary injunction as unnecessarily expensive and unwarranted where discovery was ongoing and could reveal noncompliance). Cf. *Mickey's Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at \*19 (N.D. Ill. Sept. 8, 2017) (rejecting as "unduly burdensome" a request for injunctive relief that would require the defendant to seek the plaintiff's approval "whenever he 'has a question of whether a customer qualifies as restricted.'"); *W.L. Gore & Assocs., Inc. v. Wu*, 2006 WL 2692584, at \*18 (Del. Ch. 2006) (rejecting ongoing compliance meetings as "unduly burdensome and intrusive").

284. See *Dahlberg Brothers, Inc. v. Ford Motor Co.*, 137 N.W.2d 314, 321-322 (1965); *Eakman v. Brutger*, 285 N.W.2d 95 (Minn. 1979).

costs, particularly after trial, on the theory that but for the defendant's acts, monitoring would not be necessary. In other cases, the court has placed responsibility for ongoing costs on the movant, perhaps reflecting the view that the movant will determine how much monitoring or remediation it is willing to pay for. A frequent resolution is to require the parties to share the costs. Regardless of the approach ultimately adopted, it should be clearly stated.