

THE SEDONA CONFERENCE WORKING GROUP SERIES

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# THE SEDONA CONFERENCE

## *Commentary on Protecting Trade Secrets in Litigation About Them*

A Project of The Sedona Conference  
Working Group on Trade Secrets (WG12)

MARCH 2022 EDITION



# The Sedona Conference Commentary on Protecting Trade Secrets in Litigation About Them

*A Project of The Sedona Conference Working Group (WG12) on Trade Secrets*

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The opinions expressed in this publication, unless otherwise attributed, represent consensus views of the members of The Sedona Conference’s Working Group 12. They do not necessarily represent the views of any of the individual participants or their employers, clients, or any organizations to which they may belong, nor do they necessarily represent official positions of The Sedona Conference.

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## *Preface*

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Welcome to the final, March 2022 version of *The Sedona Conference Commentary on Protecting Trade Secrets in Litigation About Them* (“*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, and the WG12 Inaugural Meeting in Los Angeles, California, in November 2018. The *Commentary* was published for public comment in June 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 James Pooley, the now Chair Emeritus of WG12, and Victoria Cundiff, the Chair of WG12, who serve as the Editors-in-Chief of this publication, and Randall E. Kahnke and Eric Ostroff, 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 John Barry, Charles Duncan, Benjamin I. Fink, Mark Halligan, Dina Hayes, Mary Goodrich Nix, Samuel C. Straight, and Kenneth J. Withers.

The Working Group had the benefit of candid comments by the Judicial Advisors designated to this *Commentary* drafting team effort—Ronald J. Hedges and Hon. Laurie J. Miller. The Working Group further had the benefit of the review of our Judicial Review Panel formed for this *Commentary*, consisting of Hon. Cathy Ann Bencivengo, Hon. Cathy Bissoon, Ronald J. Hedges, and Hon. Laurie J. Miller. 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.

Craig W. Weinlein  
Executive Director  
The Sedona Conference  
March 2022

## *Foreword*

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This Working Group 12 *Commentary on Protecting Trade Secrets in Litigation About Them* provides Principles and Best Practice recommendations to help the bench and bar navigate several competing interests inherent in trade secret litigation, including trade secret plaintiffs' interest in maintaining their asserted trade secrets while asserting them, trade secret defendants' interest in securing information about the asserted trade secrets as necessary to effectively mount a defense, and the public's interest in maintaining public access to the courts.

This drafting process was a challenging one, with fundamental points of disagreement raised on multiple fronts throughout. This publication reflects the consensus, nonpartisan approach of The Sedona Conference.

The editors would like to express their appreciation to the members of the drafting team and the judicial advisors for their valuable input and thoughtful commentary in reaching a balanced consensus on difficult issues.

James Pooley  
Victoria Cundiff  
Editors-in-Chief and Working Group 12 Steering  
Committee Chair Emeritus and Chair

Randall E. Kahnke  
Eric Ostroff  
Senior Editors

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# *Protecting Trade Secrets in Litigation About Them Principles “At a Glance”*

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- Principle No. 2 [WG2, Chapter 2, Principle 1] – In civil proceedings, the public has a qualified right of access to documents filed with a court that are relevant to adjudicating the merits of a controversy. In compelling circumstances, a court may exercise its discretion to deny public access to submitted documents to protect the privacy, confidentiality or other rights of the litigants. ....16
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# *Protecting Trade Secrets in Litigation About Them Guidelines “At a Glance”*

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Guideline No. 16 – Protective orders should set forth a specific process for challenging confidentiality designations, including a conference between the parties. Should the parties be unable to resolve a dispute, the producing party should be required under the protective order to file a motion seeking to maintain the designation. ....28

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# *I. Introduction*

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Trade secrets are a property interest that can be destroyed by disclosure. This makes litigation of trade secrets unique: by bringing claims seeking to remedy misappropriation, a trade secret owner puts these secret information assets at issue in the public litigation process. Without the ability to protect the secrecy of trade secrets in litigation, the law of trade secrets would disappear, as it would be impossible to enforce trade secret rights in the face of misappropriation. Both the Uniform Trade Secrets Act and the Defend Trade Secrets Act explicitly acknowledge the need to protect trade secrets in litigation.

But this issue of protection runs into competing policy objectives: First, defendants need information about the claims to mount an effective defense, and second, the public generally has a constitutional right to access judicial proceedings. In this *Commentary*, Working Group 12 attempts to reconcile these important objectives with the need to protect trade secrets when litigating misappropriation claims. This *Commentary* offers consensus recommendations to parties and courts for addressing these thorny issues in various contexts, including access to trade secret information by in-house counsel, experts, employees, and attorneys who prosecute patents, as well as providing consensus guidance to parties and courts about balancing the right to public access with the trade secret owner's right to maintain the secrecy of its trade secrets.

This *Commentary* also addresses logistical issues that often arise in trade secret cases. In virtually all such cases, discovery is governed by a protective order. This *Commentary* provides guidance for how these orders should be drafted and how parties should exchange information pursuant to a protective order. The goal is to avoid unnecessary overdesign, which burdens parties and the court, while allowing for efficient exchange of information.

This *Commentary* does not address (a) issues surrounding the identification of trade secrets requirement for moving forward with a trade secret misappropriation claim,<sup>1</sup> (b) the effect of court rulings about protecting trade secrets in one proceeding on other related proceedings, (c) how a protective order should be interpreted when it is silent as to a certain issue (e.g., if a protective order does not specify whether a designated document can be used in other proceedings, whether the “default” position should or should not permit such use), and (d) the protection of trade secrets in confidential arbitration proceedings.

References in this *Commentary* to “trade secrets” are not meant to imply that the court has already adjudicated the information's status as a trade secret. Instead, these references will often refer to one party's alleged trade secrets.

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<sup>1</sup> For more details regarding identification of trade secrets issues, see The Sedona Conference, *Commentary on the Proper Identification of Asserted Trade Secrets in Misappropriation Cases* 22 SEDONA CONF. J. 223 (2021), available at: [https://thesedonaconference.org/publication/Commentary\\_on\\_Proper\\_Identification\\_of\\_Trade\\_Secrets\\_in\\_Misappropriation\\_Cases](https://thesedonaconference.org/publication/Commentary_on_Proper_Identification_of_Trade_Secrets_in_Misappropriation_Cases).

## ***II. Access to Trade Secret Information by Party Representatives during Misappropriation Litigation***

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Trade secret litigation necessitates negotiating appropriate terms of an operative protective order to define the tiers of confidential information and trade secrets, and the access to such tiers, while being mindful of the unique nature of proprietary and trade secret information that will be disclosed during the discovery process. Negotiating who may have access to trade secret information and the management of that access during the course of litigation is critical and can often be hotly disputed. Specifically, parties often disagree on the appropriate level of access to the asserted trade secret by certain individuals associated with the opposing party, including in-house attorneys, expert witnesses, and employees. Just as with any disclosure of a trade secret, if the trade secret owner loses control over the scope and manner of disclosure of the trade secret to these individuals during litigation, one of the key criteria for trade secret protection may be destroyed, and competitive harm could result.

Nevertheless, it may be necessary for certain individuals affiliated with the adversary to have access to the trade secrets to prepare their case. It is imperative that attorneys for the receiving party work with their clients to manage internal disclosures of trade secret information produced in litigation in order to avoid creating risk of liability to the producing party by violating the terms of disclosure.

**Principle No. 1 – Whether a party’s in-house attorneys, experts, or employees should be permitted to have access to the trade secrets of another party should be determined by balancing the risk of disclosure and harm to the producing party with the need for the other party to have the information in order to properly prepare its case.**

### **A. ACCESS BY IN-HOUSE ATTORNEYS**

Whether and to what extent in-house attorneys of the receiving party can have access to asserted trade secret information of the producing party is an issue that arises often in trade secret litigation. Typically, a producing party will want to limit, as much as possible, the people who have access to its trade secrets, particularly with respect to people employed directly by an opposing party, who are often competitors. On the other hand, a receiving party may believe its ability to prosecute or defend its position in the case may be inhibited by not having access to the information that is at the heart of the dispute. Some courts have concluded that where a party is represented by outside counsel, outside counsel can adequately represent the party’s interests in the litigation even if in-house counsel is precluded from viewing confidential information.<sup>2</sup> Other courts have held that limiting in-house counsel’s ability to access discovery “may create severe obstacles to a litigating

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<sup>2</sup> Blackbird Tech LCC v. Serv. Lighting & Elec. Supplies, Inc., No. CV 15-53-RGA, 2016 WL 2904592, at \*5 (D. Del. May 18, 2016) (citing ST Sales Tech Holdings, LLC v. Daimler Chrysler Co., LLC, 2008 WL 5634214, at \*8 (E.D. Tex. Mar. 14, 2008) (“Courts have found time and again that requiring a party to rely on its competent outside counsel does not create an undue or unnecessary burden.”)).

party,”<sup>3</sup> and may prevent in-house counsel from appreciating “fully the strengths and weaknesses, such as they are, of their case . . . .”<sup>4</sup>

The fact that in many trade secret cases both sides will be producing information they consider to be a trade secret often leads parties to reach an agreement with respect to this issue through a negotiated protective order. There are some cases, however, where the disagreement cannot be resolved and guidance from the court must be obtained.

When considering whether in-house counsel of the receiving party should have access to trade secret information of the producing party, courts should consider whether (a) in-house counsel of the receiving party is involved in competitive decision-making; and (b) good cause exists for granting access to the in-house attorneys of the receiving party. Courts routinely employ the good-cause standard when deciding protective order issues.<sup>5</sup> In scenarios where a party seeks to enforce a provision under the protective order, a showing of competitive harm resulting from the disclosures is required—and is often resolved through the implementation of a two-tiered protective order.<sup>6</sup> A party must show the protective order is necessary through good cause.<sup>7</sup> Then, the burden shifts to the party seeking to use a designated person to establish that the disclosure of the trade secret is relevant and necessary to the action.<sup>8</sup> The court must balance the need for the party seeking discovery against the opposing party’s claim of injury.<sup>9</sup> Courts in multiple jurisdictions have balanced this need by seeing if the party seeking modification has good cause for the request.<sup>10</sup>

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<sup>3</sup> Philadelphia Gear Corp. v. Power Transmission Servs., Inc., C.A. No. 11364, 1991 WL 29957, at \*4 (Del. Ch. Mar. 6, 1991).

<sup>4</sup> Tanyous v. Banoub, C.A. No. 3402-VCN, 2010 WL 692615, at \*1 (Del. Ch. Feb 19, 2010).

<sup>5</sup> See, e.g., Murata Mfg. Co., Ltd. v. Bel Fuse, Inc., 234 F.R.D. 175, 180 (N.D. Ill. 2006) (“In considering whether the party seeking to vacate the protective order has established good cause, the court must weigh that party’s need for modification against the other party’s need for protection, and ought to factor in the availability of alternatives to better achieve both sides’ goals.”); see also Makar-Wellbon v. Sony Elecc., Inc., 187 F.R.D. 576 (E.D. Wis. 1999).

<sup>6</sup> See, e.g., MGP Ingredients Inc. v. Mars, Inc., 245 F.R.D. 497, 500 (D. Kan. 2007).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> See, e.g., Public Citizen v. Liggett Grp., Inc., 858 F.2d 775, 790–91 (1st Cir. 1988); Bayer AG & Miles, Inc. v. Barr Lab., Inc., 162 F.R.D. 456, 458 (S.D.N.Y. 1995); Factory Mut. Ins. Co. v. Insteel Indus., Inc., 212 F.R.D. 301, 304 (M.D.N.C. 2002) (noting that to modify a stipulated protective order, the party must show good cause because “good cause was at least implicitly acknowledged when the order was initiated.”); *In re Southeastern Milk Antitrust Litig.*, 2009 WL 3713119, at \*1 (E.D. Tenn. Nov. 3, 2009) (noting that a party had to establish good cause for modification of a protective order for documents that were marked highly confidential); *LL Bean, Inc. v. Bank of Am. Corp.*, 2009 WL 10730643, at \*1 (D. Me. Aug. 20, 2009) (noting if a defendant does not stipulate to a protective order, it must only show good cause to modify the order, and if the defendant had stipulated to the order, it would need to show “particular good cause”).

**Guideline No. 1 – In determining whether in-house counsel of the receiving party should have access, or limited access, to the trade secrets of the producing party, in-house counsel’s role in competitive decision making should be considered.**

As a practical matter, a receiving party that wants its in-house attorneys to have access to the trade secrets of the producing party should provide the opposing party with information regarding the number of in-house attorneys who would be accessing an opposing party’s trade secret information and, for each in-house attorney, his or her (a) department or role in the organization generally (e.g., litigation, corporate, employment, intellectual property (IP), benefits), (b) title in the legal department (e.g., general counsel, chief legal officer, staff attorney, head IP counsel), (c) history of employment with the organization, (d) whether the person is an officer or part of the executive management team, and (e) whether and to what extent the person has a dual role involving nonlegal duties or responsibilities. These disclosures can be included as requirements of the protective order governing the confidentiality of information and submitted with the signed undertaking that commences an objection period.

In the event the parties are unable to agree, courts should consider this information and any other information the parties may submit to determine if access to trade secrets by in-house counsel is warranted. In making that determination, another factor the court should consider is whether the in-house attorneys who will be provided with access to the trade secrets of a producing party may move into a competitive decision-making role at some point in the future when the trade secret information (a) still constitutes trade secrets and (b) might be relevant to the decision-making role.

In these situations, courts generally engage in a two-step analysis to determine whether in-house counsel should be permitted to access materials designated as confidential, highly confidential, or “attorneys’ eyes only” (AEO) in a protective order.<sup>11</sup> First, courts assess whether an unacceptable risk of inadvertent disclosure exists. This assessment “turns on the extent to which the person to whom the information is to be disclosed is involved in ‘competitive decision making’ with the client.”<sup>12</sup> Second, courts must balance the risk of disclosure against any potential harm to the receiving party from restrictions imposed upon its right to have the benefit of counsel of its choice.<sup>13</sup> Some courts have collapsed this two-step test into a single-question inquiry. For example, the court in *Brown Bag Software v. Symantec Corp.* employed a balancing test to resolve a protective order dispute, balancing the risk of inadvertent disclosure of trade secrets to competitors against the risk that the nondisclosing party would be harmed by such protection<sup>14</sup>

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<sup>11</sup> See, e.g., *Sanofi-Aventis U.S. LLC v. Breckenridge Pharm., Inc.*, 2016 WL 308795, at \*3-4 (D.N.J. Jan. 25, 2016); *In re Deutsche Bank Trust Co. Ams.*, 605 F.3d 1373, 1378–80 (Fed. Cir. 2010). While similar considerations may exist with respect to confidential information that does not rise to the level of a trade secret, the guidance provided here is intended to apply only to information that qualifies as trade secrets. It is assumed that such information will be designated by the producing party as “highly confidential” or “attorneys’ eyes only,” not merely “confidential” in most instances.

<sup>12</sup> *Voice Domain Techs., LLC v. Apple, Inc.*, 2014 WL 5106416, at \*3 (D. Mass. Aug. 4, 2015), citing *U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984).

<sup>13</sup> *In re Deutsche Bank*, 605 F.3d at 1380.

<sup>14</sup> *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1470 (9th Cir. 1992). See also *Kaseberg v. Conaco LLC*, 2016 WL 3997600, at \*12 (S.D. Cal. July 26, 2016).

On the issue of inadvertent disclosure, some courts have held that, even when in-house counsel of the receiving party can mentally distinguish highly confidential information produced in discovery from nonconfidential information, the lawyer may be put in an ethical predicament of having to refuse giving legal advice if doing so would entail improperly revealing the confidential material.<sup>15</sup> “[E]ven the most rigorous efforts of the recipient of such information” may not prevent inadvertent disclosure:

[T]he fact that in-house counsel are bound by the rules of professional responsibility is insufficient alone to warrant granting access to confidential information of a competitor to in-house counsel. Notwithstanding the rules of professional conduct, the inadvertent use or disclosure of confidential information remains a major concern.<sup>16</sup>

Therefore, the risk of inadvertent disclosure should be considered when making discovery determinations regarding whether a producing party must grant access to its trade secrets to in-house counsel of a receiving party.

With respect to “competitive decision making,” courts have typically found this to be a fact-specific inquiry. The term often serves shorthand for a person’s “activities, association, and relationship with a client that are such as to involve counsel’s advice and participation in any or all of the client’s decisions (e.g., pricing, product design, etc.) made in light of similar or corresponding information about a competitor.”<sup>17</sup> Courts must look at the particular facts of the case to “determine whether there is an unacceptable risk of or opportunity for inadvertent disclosure of confidential information.”<sup>18</sup> Importantly, mere contact with a competitive decision-maker is not a disqualification, and consideration into whether there is active participation in the determination of pricing, product design and patents is imperative. With respect to patent prosecution, a person who is involved with *inter partes* review (IPR) proceedings and decisions can be considered a competitive decision maker.<sup>19</sup>

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<sup>15</sup> See, e.g., *In re Deutsche Bank*, 605 F.3d at 1378; *Carpenter Tech. Corp. v. Armco, Inc.*, 132 F.R.D. 24, 27 (E.D. Pa. 1990)).

<sup>16</sup> *Carpenter Tech.*, 132 F.R.D. at 27. See also *F.T.C. v. Exxon Corp.*, 636 F.2d 1336, 1350 (D.C. Cir. 1980) (“[I]t is very difficult for the human mind to compartmentalize and selectively suppress information once learned, no matter how well-intentioned the effort may be to do so.”).

<sup>17</sup> *U.S. Steel*, 730 F.2d at 1468 n.3 (applying the test to counsel); see *Suture Exp., Inc. v. Cardinal Health, 200, LLC*, 2013 WL 6909158, at \*7 (D. Kan. Dec. 31, 2013) (applying the competitive decision-making analysis to a member of plaintiff’s board of directors).

<sup>18</sup> *Suture Exp.*, 2013 WL 6909158, at \*7.

<sup>19</sup> See *Emerson Elec. Co. v. SIPCO, LLC*, 2016 WL 6833741, at \*3–4 (N.D. Cal. Nov. 21, 2016).

**Guideline No. 2 – In determining whether in-house counsel of the receiving party should have access, or limited access, to the trade secrets of the producing party, the extent of the negative impact on the adequacy of the representation should be considered.**

The court should also consider whether and to what extent an in-house attorney's access to the trade secrets of the adverse party is necessary for the in-house attorney to adequately defend the company. If the case involves complex scientific formulas or highly technical matters that can only be properly understood with the assistance of uniquely credentialed or experienced in-house counsel, it is more likely that in-house counsel should have access with the protections identified above. However, if the case involves less technical business information—but trade secrets nonetheless—it is more likely that outside counsel is capable of understanding the information without the assistance of in-house attorneys.<sup>20</sup> In addition to this technical knowledge or expertise in-house counsel may bring to the table, in-house counsel's role in litigation may provide other difficult-to-quantify benefits, including a deep company knowledge or cost-saving efficiencies that are not easily replicated by outside counsel. Factors like the size of the company and the nature of the dispute may impact these considerations and ultimately the degree to which in-house counsel should have access to the producing party's trade secrets.

As stated above, involvement in competitive decision-making is a strong factor against granting in-house counsel of the receiving party access to a producing party's trade secret information during litigation. Further complicating the issue is the lack of safeguards in place to preserve the trade secret information if the in-house counsel given access is later authorized to make competitive decisions for the receiving party. In rare instances, the parties have had the forethought to include in a protective order a prohibition on participation in competitive decision making while litigation is ongoing.<sup>21</sup> However, these safeguards, when adopted, often do not clearly prohibit decision-making after litigation ends or in the event that one of the in-house attorneys finds work elsewhere (say, for a different competitor). In some circumstances, this issue may be resolved by requiring in-house attorneys to sign a nondisclosure agreement that can extend the period of protection beyond the litigation. In the absence of such a requirement, however, it is unclear how to keep in-house counsel of the receiving party from using such information after litigation has ended.<sup>22</sup>

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<sup>20</sup> See, e.g., *Blackbird Tech LCC v. Serv. Lighting & Elec. Supplies, Inc.*, 2016 WL 2904592, at \*5 (D. Del. May 18, 2016) (citing *ST Sales Tech Holdings, LLC v. Daimler Chrysler Co., LLC*, 2008 WL 5634214, at \*8 (E.D. Tex. Mar. 14, 2008) (“Courts have found time and again that requiring a party to rely on its competent outside counsel does not create an undue or unnecessary burden.”)). See also *Akzo N.V. v. U. S. Int'l Trade Comm'n*, 808 F.2d 1471, 1483 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987) (refusing to grant in-house counsel access to confidential business information in connection with exclusion order; “Obviously, where confidential material is disclosed to an employee of a competitor, the risk of the competitor's obtaining an unfair business advantage may be substantially increased.”).

<sup>21</sup> See *Affymetrix, Inc. v. Illumina, Inc.*, 2005 WL1801683, at \*1 (D. Del. July 28, 2005).

<sup>22</sup> There are two situations that could arise but are not addressed by this *Commentary*. They are (1) a party is represented in a lawsuit solely by in-house counsel without the involvement of outside counsel; and (2) outside counsel serves as “general counsel” or “general IP counsel” and may participate in competitive decision making for that party. While these situations could arise, they are not prevalent enough to warrant discussion here. Moreover, in such situations, the general principles set forth in this *Commentary* can be applied, but the analysis by the court will likely be fact-intensive and specific to that particular situation.

**Guideline No. 3 – To further protect against disclosure of a producing party’s trade secret information, when in-house attorneys of the receiving party are permitted to have access to the trade secret information, additional safeguards should be required.**

In cases involving trade secrets, courts have imposed various limitations on in-house counsel of the receiving party in order to receive access to the information at issue. One prominent limitation included in protective orders and upheld by courts is the requirement that such in-house counsel sign an affidavit agreeing to be bound by the terms of the protective order.<sup>23</sup> This may be used to ensure that in-house counsel who is given access to the asserted trade secret information is subject to liability for any unauthorized disclosures. Another limitation involves limiting the number of in-house counsel of the receiving party who may access the confidential information.<sup>24</sup> In addition, many courts have put in place and upheld procedural safeguards to simultaneously minimize the risk of disclosure and allow the receiving party to access the materials it needs to sufficiently defend itself from claims of misappropriation (including the need for in-house counsel to be involved in implementation of a litigation hold for the litigation). Some of these procedural safeguards include: having in-house counsel lock their office doors when not in their offices; maintaining locked document storage rooms; maintaining separate servers for in-house counsel’s computers that are not accessible by the rest of the company; maintaining an electronic database to store confidential electronic documents available only to in-house attorneys; prohibiting the relevant attorneys from participating in competitive decision making; and physically housing in-house attorneys in a separate location.<sup>25</sup>

When in-house attorneys of the receiving party are permitted to have access to trade secret information of an adversary, additional safeguards should be required to ensure the protection of the trade secret information. The following limitations should be considered:

- (a) Requiring the in-house attorneys who will have access to the information to sign a sworn statement agreeing to be bound by the terms of the protective order, so that the in-house attorneys are subject to the jurisdiction of the court for any unauthorized use or disclosures.
- (b) Limiting the number of in-house lawyers who are permitted to access the information, particularly in large organizations with numerous in-house attorneys.
- (c) Requiring in-house attorneys to lock the doors to their personal offices to the extent any of the information may exist in a hard-copy or tangible form in their offices.
- (d) Prohibiting in-house attorneys from printing or making a copy (electronic or hard copy) of the information or limiting the number of times the information may be printed or copied.
- (e) To the extent trade secrets of the opposing party are electronically stored by the receiving party’s attorneys, the trade secrets should be stored on a device that is password protected, stored separately from and inaccessible by anyone else associated with the receiving party.

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<sup>23</sup> See, e.g., *Bailey v. Dart Container Corp.*, 980 F. Supp. 560, 582–83 (D. Mass. 1996).

<sup>24</sup> See *id.* at 583.

<sup>25</sup> See *Affymetrix*, 2005 WL1801683, at \*1.



- (f) Prohibiting in-house attorneys from downloading, copying, or otherwise replicating (i.e., via screenshot) trade secret information of the producing party when stored by a third-party vendor.

## B. ACCESS BY EXPERTS

There is no one-size-fits-all strategy to be gleaned from courts' handling of trade secret disclosures to experts. Consistency is lacking among decisions to grant or deny experts access to trade secret information during discovery.

**Guideline No. 4 – To safeguard a producing party's trade secret information when disclosed to a testifying or nontestifying expert, a nondisclosure agreement should be required. A nondisclosure agreement may not be sufficient, however, when the expert is, or may become, a competitor of the producing party.**

Parties may be hesitant to disclose trade secrets to experts unaffiliated with either party for fear that they may have ties to an additional competitor or the industry as a whole. Where there is a disagreement regarding access to confidential information, courts have required the independent experts to sign a confidentiality order or nondisclosure agreement (NDA) to protect against any inappropriate disclosures.<sup>26</sup>

While most courts require experts to sign an NDA, courts differ on whether confidential materials may be disclosed to experts who are employed by or consult with competitors. For example, in *Layne Christensen Co. v. Purolite Co.*, experts were required to sign an NDA before viewing any confidential materials, but disclosure of attorneys' eyes-only materials to experts who were employed or consulted with competitors was expressly prohibited.<sup>27</sup> In contrast, other courts remain unconcerned with an expert's affiliation with a competitor as long as they agree to sign an NDA before confidential materials are disclosed.<sup>28</sup> In the event the producing party maintains its objection to the independent expert's access due to the expert's ongoing relationships with others in the field, an examination into whether alternative independent experts are available or how involved the expert is in the field is warranted. In *Symantec Corp. v. Acronis Corp.*, the objecting party showed that disclosing confidential material to a consultant created a "substantial" risk and that absent a showing that the expert possessed a unique expertise he was not allowed to access the materials.<sup>29</sup> In *Symantec*, the court noted that the consultant did not have unique knowledge "that could not be found in another expert" and he had "ongoing relationships with competitors in the field."<sup>30</sup> Therefore, the court found there was a tangible risk in providing the information and denied his status. The court

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<sup>26</sup> See, e.g., *Sandvik, Inc. v. Mecca C & S, Inc.*, 2014 WL 11210395, at \*9 (Pa. Com. Pl. May 21, 2014).

<sup>27</sup> *Layne Christensen Co. v. Purolite Co.*, 271 F.R.D. 240, 252 (D. Kan. 2010).

<sup>28</sup> See, e.g., *Streck, Inc. v. Research. & Diagnostic Sys.*, 250 F.R.D. 426, 430–33 (D. Neb. 2008) (finding an expert who engaged in active consultancy with a direct competitor was entitled to access because the risk of inadvertent disclosure was small where the expert's work did not fall within the topic area covered by the suit at hand).

<sup>29</sup> *Symantec Corp. v. Acronis Corp.*, 2012 WL 3582974, at \*3 (N.D. Cal. Aug. 20, 2012).

<sup>30</sup> *Id.*

further noted that his status as a consultant “rather than a testifying expert” further undercut how essential he was to the case.<sup>31</sup>

Notably, the court in *Symantec* distinguished its facts from *Advance SemiConductor Materials America v. Applied Materials*, where an objection to an independent testifying expert’s access was overruled because the expert had not consulted in the industry for four years and had no future plans to do so.<sup>32</sup> Further, the independent expert was deemed to have unique knowledge that was not easily found in others.<sup>33</sup> The line of cases that discuss whether access to trade secret information by independent consultants “in the field” is appropriate also turns on whether the objecting party has presented a sound showing that potential misuse is real.<sup>34</sup> Similarly, in *Reedhycalog UK, Ltd. v. Baker Hughes Oilfield Operations Inc.*, the court determined that a party could be a technical expert even though the defendant had tried to hire the expert before plaintiff did because he did not seem to be biased, and there was a “limited amount of non-party experts in the field.”<sup>35</sup> The court noted that the technical expert did not have any engagement in the products he was discussing, and denying access would prejudice the plaintiffs.<sup>36</sup> A party can also argue that a technical expert should not have access to certain materials if the expert has some competitive decision-making power in the industry or if the knowledge the expert would gain could be inadvertently used.<sup>37</sup> In *Sarl v. Sprint Nextel Corp.*, the court found that a technical expert could receive confidential information even though he had worked for an affiliated company of the defendants before the case.<sup>38</sup> The court noted he had no access to defendants’ confidential materials before the case, and it was therefore appropriate.<sup>39</sup>

Where parties have agreed through the protective order to have experts sign an NDA, courts should generally uphold this provision. Contracting for such provisions indicates that the parties believe an NDA can adequately protect their trade secrets. If, however, there is no NDA in the protective order, courts must look much more closely at the facts of the specific case.<sup>40</sup>

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<sup>31</sup> *Id.*

<sup>32</sup> *Advance SemiConductor Materials Am., Inc. v. Applied Materials*, 1996 WL 908654, at \*8–9 (N.D. Cal. Oct. 28, 1996)

<sup>33</sup> *Id.*

<sup>34</sup> *See White v. Hitachi, Ltd.*, 2005 WL 8162337, at \*3 (E.D. Tenn. June 3, 2005) (finding insufficient showing of “real” potential misuse when even though the expert had once worked for the plaintiff, he was now retired).

<sup>35</sup> *Reedhycalog UK, Ltd. v. Baker Hughes Oilfield Operations, Inc.*, 251 F.R.D. 238, 246 (E.D. Tex. 2008).

<sup>36</sup> *Id.*

<sup>37</sup> *See, e.g., Sarl v. Sprint Nextel Corp.*, 2013 WL 501783, at \*9 (D. Kan Feb. 8, 2013).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*; *see also Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 2008 WL 4950989, at \*4 (S.D. Cal. Nov. 18, 2008).

<sup>40</sup> For judicial opinions providing guidance if there is no NDA and a party is concerned about disclosing information to an expert who is employed by or provides services to competitors, *see, e.g., Layne Christensen Co. v. Purolite Co.*, 271 F.R.D. 240, 252 (D. Kan. 2010); *Streck, Inc. v. Rsch. & Diagnostic Sys.*, 250 F.R.D. 426, 430–33 (D. Neb. 2008).

## C. ACCESS BY EMPLOYEES

**Guideline No. 5 – An employee accused of misappropriating trade secrets should be given access to the former employer’s trade secrets that he or she is accused of misappropriating, unless a case presents an unusual circumstance where the former employer can establish good cause for not doing so and appropriate restrictions are put in place to avoid further use or dissemination of the trade secrets.**

Should an employee accused of misappropriating trade secrets be granted access to the trade secrets that were allegedly misappropriated from the former employer? Is it sufficient to allow access to the trade secrets to the former employee’s counsel or expert under an “Attorneys’ Eyes Only” (AEO) or similar designation, but not allow access to the former employee? While there have been few reported cases addressing these questions, those that do attempt to balance the ability of the former employee to defend himself or herself against the harm to the former employer, who has allegedly already been harmed by the misappropriation and now is exposed to harm again by allowing the former employee unfettered and complete access to the trade secret information. In striking this balance and reaching a final determination, most courts have (a) consistent with Federal Rules of Civil Procedure 26(c) (Rule 26(c)), placed the burden of proving “good cause” on the former employer by requiring it to demonstrate why the former employee should not be granted access to the trade secrets; and (b) assessed the question of whether “good cause” exists based on the nature of the trade secret and the ability of the former employee to mount a defense to the claims asserted without being given access to the information.

Courts find themselves in a quandary when faced with challenges to multitiered confidentiality orders that include designations that can be used to shield documents from disclosure to a former employee accused of misappropriating trade secrets:

In deciding whether to compel disclosure of allegedly confidential or trade secret information, this Court weighs competing policy and practical considerations. A trade secret plaintiff has a legitimate interest in avoiding needless disclosure of confidential information. It seems somewhat unfair to make a plaintiff disclose a trade secret simply to prosecute his or her claims against someone who may have stolen that secret. Yet, that same plaintiff, having chosen to file suit accusing the defendant of misconduct, must identify trade secrets at issue with sufficient specificity for the defendant to prepare his or her defenses. Put simply, a defendant must be provided sufficient information to defend himself or herself. The Court also needs sufficient information to determine the relevancy of discovery and the basis for the claims asserted.<sup>41</sup>

It is the consensus of WG12 that consistent with Rule 26(c) and basic due process, the burden of establishing good cause should be placed on the former employer requiring it to demonstrate why

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<sup>41</sup> *Mobilitec Mgmt., LLC v. Harkness*, Case No. 1:16-cv-04396, 2018 WL 7858685, at \*2 (N.D. Ga. July 10, 2018).

the former employee should not be granted access to the trade secrets.<sup>42</sup> The question of whether good cause exists should be assessed based upon relevant factors such as the nature of the trade secret, the extent of the former employee's previous access to the information during employment, whether the former employee's access during employment was authorized or unauthorized, and the ability of the former employee to mount a defense to the claims asserted without being given access to the information.

If the former employee is to be provided with access to the information in discovery, additional safeguards may be required to ensure the protection of the trade secret information, including prohibiting the former employee from being provided with copies (electronic or hard copy) of the information and prohibiting him or her from downloading, copying, or otherwise replicating (i.e., via screenshot) the information.

**Guideline No. 6 – An employee of a receiving party may be given access to the producing party's trade secret information if nonemployee subject matter experts are not readily available, the employee has unique specialized knowledge pertaining to the trade secrets, and the employee agrees to be bound by the restrictions in the protective order.**

The circumstances that could justify an adversary's employees being given access to a competitor's trade secret information are extremely limited. Many parties stipulate to limiting disclosure to independent experts in order to avoid any risk of competitive harm. However, there is a general absence of agreement on disclosures made to non-independent, or employee, experts. If a protective order generically authorizes experts to view trade secrets during discovery, it is unclear whether courts should permit or prohibit disclosure to nonindependent experts. This issue would necessarily be decided on a case-by-case basis.

The one reported case allowing for the sharing of trade secret information with a competitor's employees seems to be based on the particular fact pattern alleged in the complaint. In *Profil Institut für Stoffwechselforschung GmbH v. ProSciento, Inc.*, the court recognized that it was appropriate to share an opposing party's trade secrets with a competitor's employees where the employees had highly specialized knowledge and, per the complaint's allegations, already had access to the alleged trade secrets at issue.<sup>43</sup> Specifically, this case involved the familiar fact pattern of an employee who allegedly stole trade secrets at the time of his departure and further used and relied upon that information during employment with the competitor. The defendant company sought the plaintiff company's trade secret information so that it could disprove the claims and, more specifically, argued that a select group of its employees with specialized knowledge and whom allegedly had already seen and used the information (by way of the employee who had moved from one company

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<sup>42</sup> When analyzing employees' access to trade secrets, some courts have made the distinction between general business information, such as a customer list, and technical or scientific information. See, e.g., *Layne Christensen*, 271 FRD at 246–47.

<sup>43</sup> *Profil Institut für Stoffwechselforschung GmbH v. ProSciento, Inc.*, Civil No. 16cv1549-LAB (BLM), No. 73, slip op. at 7 (S.D. Cal. July 3, 2017).

to the next) should be permitted access to the information. The court agreed this was appropriate in the context of the claims asserted because the trade secrets at issue could not be further harmed.<sup>44</sup>

WG12 recommends applying a Rule 26(b)(3)-type analysis in these circumstances. Specifically, WG12 recommends that “substantial need” and “undue hardship” for providing trade secret information to a competitor’s employee with specialized knowledge be satisfied only in extremely limited circumstances where (a) there are no subject matter experts available to provide assistance to counsel; (b) the party seeking disclosure has objectively conducted a reasonably exhaustive search for expert assistance; and (c) an employee with specialized knowledge has signed a declaration agreeing to be bound to the terms of the protective order. Further, WG12 recommends that consideration be given to (d) whether the employee with specialized knowledge who would receive the competitor’s trade secret information plays a role in competitive decision making (this would weigh against compelling the disclosure), and (e) if disclosure is permitted, adopting the safeguards set forth above for in-house counsel who are permitted access to AEO information for the dissemination of trade secret information to a competitor’s employee.

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<sup>44</sup> Parties commencing trade secret claims thus must be mindful not to include overly broad allegations that could later be used to further harm the plaintiff by the additional dissemination of its trade secret information.

### *III. Patent Prosecution Bars in Trade Secret Cases*

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A patent prosecution bar precludes attorneys who have access to an opposing party's confidential information and trade secrets in litigation from prosecuting patents in the technology field at issue and/or from accessing such information at all. The purpose behind a patent prosecution bar is to prevent lawyers involved in both litigation and patent prosecution from using, even unintentionally, confidential information of an opposing party in patent prosecution.

Regarding patent prosecution bars, the Federal Circuit explained: "A determination of whether a trial lawyer should be denied access to information under a protective order because of his additional role in patent prosecution, or alternatively be barred from representing clients in certain matters before the U.S. Patent and Trademark Office (USPTO), is an issue unique to patent law."<sup>45</sup>

Given "a noted lack of uniformity" regarding patent prosecution bars, the Federal Circuit set forth the following guidelines:

A party seeking imposition of a patent prosecution bar must show that the information designated to trigger the bar, the scope of activities prohibited by the bar, the duration of the bar, and the subject matter covered by the bar reasonably reflect the risk presented by the disclosure of proprietary competitive information. We further hold that the party seeking an exemption from a patent prosecution bar must show on a counsel-by-counsel basis: (1) that counsel's representation of the client in matters before the [US]PTO does not and is not likely to implicate competitive decisionmaking related to the subject matter of the litigation so as to give rise to a risk of inadvertent use of confidential information learned in litigation, and (2) that the potential injury to the moving party from restrictions imposed on its choice of litigation and prosecution counsel outweighs the potential injury to the opposing party caused by such inadvertent use.<sup>46</sup>

Patent prosecution bars are often litigated in patent cases. However, there are few reported cases of patent prosecution bars in trade secret litigation. In one case involving a dispute over misappropriation of trade secrets regarding the development and marketing of blood collection tubes, a federal district court considered plaintiffs' request that a prosecution bar be included in the protective order. The court followed the Federal Circuit guidelines in *In re Deutsche Bank Trust Co. Americas* and determined that the plaintiffs had not met the threshold requirement of showing that absent a patent prosecution bar, defense counsel's "involvement in the subject matter of this litigation presents an unacceptable risk of inadvertent disclosure of confidential information."<sup>47</sup> While the court declined to require a patent prosecution bar in the trade secret dispute, the court

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<sup>45</sup> *In re Deutsche Bank Tr. Co. Americas*, 605 F.3d 1373, 1377–78 (Fed. Cir. 2010) (holding "determination of whether a protective order should include a patent prosecution bar is a matter governed by Federal Circuit law").

<sup>46</sup> *Id.* at 1381.

<sup>47</sup> *CFGenome, LLC v. Streck, Inc.*, No. 4:16CV3130, 2018 WL 2463071, at \*5 (D. Neb. June 1, 2018).

found that “an AEO designation is appropriate to protect the technical and proprietary information of the parties.”<sup>48</sup>

By contrast, another court interpreted a stipulated protective order with a patent prosecution bar in trade secret litigation and succinctly explained “plaintiffs may either consult with [a patent prosecution lawyer and agent] about this lawsuit or have them continue to prosecute patents on the technology at issue. They cannot do both.”<sup>49</sup>

Should patent prosecution attorneys have access to an opposing party’s trade secrets in trade secret litigation and use such trade secrets in their own client’s patent prosecution, the consequences could be very serious. The trade secret owner would likely suffer irreparable and monetary harm, and patent prosecution attorneys could themselves be liable for misappropriation of trade secrets. The issue could also give rise to satellite litigation.

While confidential and AEO designations of protective orders used in most trade secret cases are often sufficient to address the concerns of protecting confidential information and trade secrets in litigation about them, the use of patent prosecution bars should also be carefully considered and used in appropriate circumstances.

**Guideline No. 7 – Patent prosecution bars should be considered in trade secret litigation when patent prosecution attorneys and agents are involved in the litigation and should assess pertinent factors that reasonably reflect the risks presented by the disclosure of proprietary competitive information to the specific counsel involved in the case.**

When patent prosecution attorneys and agents are involved in a trade secret litigation, the parties and the bench should consider whether a patent prosecution bar should be applied.

The burden should be on the party seeking imposition of a patent prosecution bar to show:

- the information designated to trigger the bar, the scope of activities prohibited by the bar, the duration of the bar, and the subject matter covered by the bar reasonably reflect the risk presented by the disclosure of proprietary competitive information.

The burden should be on a party seeking an exemption from a patent prosecution bar to show on a counsel-by-counsel basis:

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<sup>48</sup> *Id.*; *Cf.* *Encap LLC v. Scotts Co. LLC*, No. 11-CV-685, 2015 WL 12991188, at \*4 (E.D. Wis. Jan. 8, 2015) (discussing stipulated patent prosecution bar of protective order in trade secret case and finding “Confidential—Subject to Patent Prosecution Bar” designation on specific documents under the protective order in effect reasonable given attorney’s close relationship with his client, his long history with its patents, and the nature of the information contained in the documents).

<sup>49</sup> *M.A. Mobile LTD. v. Indian Inst. of Tech. Kharagpur*, No. C08-02658 RMW HRL, 2010 WL 3490209, at \*2 (N.D. Cal. Sept. 3, 2010); *see also* *Ultra Premium Servs., LLC v. OFS Int’l, LLC*, No. 4:19-CV-2277, 2019 WL 5846900, at \*6 (S.D. Tex. Nov. 7, 2019) (requiring patent prosecution bar in trade secret case after litigation had begun based on balance of factors regarding risk of disclosure and illustrating the need to consider this issue early in the case).

- that counsel's representation of the client in matters before the USPTO does not and is not likely to implicate competitive decision making related to the subject matter of the litigation so as to give rise to a risk of inadvertent use of confidential information learned in litigation, and
- that the potential injury to the moving party from restrictions imposed on its choice of litigation and prosecution counsel outweighs the potential injury to the opposing party caused by such inadvertent use.

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A typical patent prosecution bar provision includes the following provisions:

- Absent written consent from the Producing Party, any individual who receives access to “HIGHLY CONFIDENTIAL – ATTORNEYS’ EYES ONLY” [*Optional: or* “HIGHLY CONFIDENTIAL – SOURCE CODE”] information shall not be involved in the prosecution of patents or patent applications relating to [insert subject matter of the invention and of highly confidential technical information to be produced], including without limitation the trade secrets asserted in this action, before any foreign or domestic agency, including the United States Patent and Trademark Office.
- For purposes of this paragraph, “prosecution” includes directly or indirectly drafting, amending, advising, or otherwise affecting the scope or maintenance of patent claims.
- To avoid any doubt, “prosecution” as used in this paragraph does not include representing a party challenging a patent before a domestic or foreign agency (including, but not limited to, a reissue protest, ex parte reexamination or inter partes reexamination).
- This Prosecution Bar shall begin when access to “HIGHLY CONFIDENTIAL – ATTORNEYS’ EYES ONLY” [*Optional: or* “HIGHLY CONFIDENTIAL – SOURCE CODE”] information is first received by the affected individual and shall end two (2) years after final termination of this action.



## ***IV. Protection of Trade Secret Information Disclosed at Trial and the Right of Public Access to Court Proceedings***

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### A. QUALIFIED RIGHT OF PUBLIC ACCESS

**Principle No. 2 [WG2, Chapter 2, Principle 1] – In civil proceedings, the public has a qualified right of access to documents filed with a court that are relevant to adjudicating the merits of a controversy. In compelling circumstances, a court may exercise its discretion to deny public access to submitted documents to protect the privacy, confidentiality or other rights of the litigants.<sup>50</sup>**

Trade secrets actions typically take place at the intersection between the public right of access to court filings/proceedings and the protection of the litigants’ trade secrets. The right of access is firmly entrenched in the law throughout the United States. At the same time, there are protections available under the federal Defend Trade Secrets Act<sup>51</sup> (DTSA) and the Uniform Trade Secrets Act (UTSA) to safeguard trade secrets from disclosure during litigation, which serve as qualifications on the public’s right of access to court proceedings. Thus, in trade secret cases, there is tension between the qualified right of public access and the litigants’ need to protect the confidentiality and value of their trade secrets.

A constitutional right to public access arises if the proceedings or documents have historically been open to the general public and “public access plays a significant positive role in the functioning of the particular process in question.”<sup>52</sup> “If the particular proceeding in question passes these tests of experience and logic, a qualified First Amendment right of public access attaches.”<sup>53</sup> But this right is not unlimited. The qualified right to public access can be overcome “only by an overriding interest based on findings that closure is essential to preserve higher values and is narrowly tailored to serve that interest.”<sup>54</sup> The protection of trade secrets has long been recognized as one of these overriding interests that justify an exception to this right. Indeed, the Supreme Court has recognized that “sources of business information that might harm a litigant’s competitive standing” are exempted

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<sup>50</sup> The Sedona Conference, *The Sedona Guidelines: Best Practices Addressing Protective Orders, Confidentiality & Public Access in Civil Cases*, at Chapter 2, Principle 1 (March 2007), available at: [https://thesedonaconference.org/publication/Working\\_Group\\_2\\_Guidelines](https://thesedonaconference.org/publication/Working_Group_2_Guidelines).

<sup>51</sup> 18 U.S.C. § 1836, *et seq.*

<sup>52</sup> *Press-Enterprise Co. v. Superior Court*, 478 U.S. 1, 8 (1986).

<sup>53</sup> *Id.* at 9.

<sup>54</sup> *Id.*; see also *Globe Newspaper Co. v. Superior Court*, 457 U.S. 596, 606–07 (1982) (“Where, as in the present case, the State attempts to deny the right of access in order to inhibit the disclosure of sensitive information, it must be shown that the denial is necessitated by a compelling governmental interest, and is narrowly tailored to serve that interest.”).

from public disclosure.<sup>55 56</sup> As further noted by the Ninth Circuit, “[t]he publication of materials that could result in infringement upon trade secrets has long been considered a factor that would overcome th[e] strong presumption” of public access to court proceedings.<sup>57</sup>

Both the DTSA and the UTSA direct courts to implement safeguards to protect the litigants’ trade secrets.<sup>58</sup> And courts commonly implement protections in trade secret matters.<sup>59</sup> This sensible directive ensures that victims of trade secret misappropriation can seek redress in the courts without having to suffer further damage to their trade secret property rights by disclosure within the litigation.

## B. TRADE SECRET INFORMATION PRESUMED TO BE RESTRICTED FROM DISCLOSURE

**Principle No. 3 – Because public disclosure of a trade secret in litigation could destroy its value, if the trade secret owner establishes that certain information reveals all or a meaningful part of a trade secret, such information should be restricted from public disclosure, in both filings and open court. Restrictions should be as narrowly tailored as necessary to protect the trade secrets at issue.**

As discussed above, a party that has been victimized by trade secret misappropriation should be able to seek redress in the courts without having to fear further public disclosure of its trade secrets. Where a litigant can make a showing that disclosure of the information at issue would reveal all or a meaningful part of a trade secret, good cause exists to implement protections.<sup>60</sup> Indeed, this is precisely the reason why the DTSA and the UTSA instruct courts to implement protections. A trade

<sup>55</sup> *Nixon v. Warner Commc’ns*, 435 U.S. 589, 598 (1978).

<sup>56</sup> For complete discussion of public access considerations, see *The Sedona Guidelines: Best Practices Addressing Protective Orders, Confidentiality & Public Access in Civil Cases*, *supra* note 50.

<sup>57</sup> *Apple Inc. v. Psystar Corp.*, 658 F.3d 1150, 1162 (9th Cir. 2011).

<sup>58</sup> See Uniform Trade Secrets Act § 5 (The Uniform Trade Secret Act requires that courts “preserve the secrecy of an alleged trade secret by reasonable means, which may include granting protective orders in connection with discovery proceedings, holding in camera hearings, sealing the records of the action, and ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval.”); 18 U.S.C. § 1835(a) (The Defend Trade Secret Act requires that courts “enter such orders and take such other action as may be necessary and appropriate to preserve the confidentiality of trade secrets, consistent with the requirements of the Federal Rules of Criminal and Civil Procedure, the Federal Rules of Evidence, and all other applicable laws.”).

<sup>59</sup> See, e.g., *In re Iowa Freedom of Info. Council*, 724 F.2d 658 (8th Cir. 1983) (denying petition for mandamus regarding the exclusion of all non-parties from a contempt hearing to determine if a party used trade secrets in violation of a protective order); *Brown & Williamson Tobacco Co. v. FTC*, 710 F.2d 1165, 1180 (6th Cir. 1983) (vacating order to seal documents because trade secrets were not at issue, noting that “legitimate trade secrets” are a “recognized exception to the right of public access to judicial records”); *Woven Elecs. Corp. v. Advance Grp.*, Nos. 89-1580, 89-1588, 1991 WL 54118, at \*6 (4th Cir. 1991) (directing trial court to review the trial record and seal those portions “necessary to prevent the disclosure of trade secrets”); *Joint Stock Soc’y v. UDV N. Am.*, 104 F. Supp. 2d 390, 396 (D. Del. 2000) (allowing certain records containing trade secrets to remain sealed over objection of news reporter); *Neural Magic, Inc. v. Facebook, Inc.*, Civil Action No. 20-10444-DJC (D. Mass. May 29, 2020) (redacting alleged trade secrets from order denying motion for preliminary injunction).

<sup>60</sup> See *Nixon*, 435 U.S. at 598.

secret is a property right that can be destroyed by disclosure. Without the ability to adequately protect a trade secret, the trade secret laws become useless. Thus, when a party makes a showing that the litigation involves information that reveals all or a meaningful part of a trade secret, that information should be entitled to protections against disclosure.

Whether restrictions are needed is “best left to the sound discretion of the court, discretion to be exercised in light of the relevant facts and circumstances of the particular case.”<sup>61</sup> Thus, courts need to use their discretion when evaluating the evidence presented by the trade secret owner to determine whether protections are appropriate. For example, while the burden in the first instance is on the party seeking protections, once that party has met its burden of showing that the litigation involves information that reveals all or a meaningful part of a trade secret, the party opposing the restrictions can still show that disclosure will not cause harm. If the court finds that disclosure would not cause harm, for example in a situation where only a part of a trade secret would be disclosed in a manner that did not reveal information in a usable form, the court should determine whether any restriction is necessary. The plaintiff’s identification of the trade secrets at issue at the outset of the case is a logical starting point for this analysis. The information at issue should fall within the scope of the plaintiff’s prior identification. If it does not, the plaintiff will have to reconcile the omission before being entitled to protections.

Importantly, however, restrictions on the disclosure of trade secrets, whether in court filings or in open court, should be narrowly tailored to protect the trade secrets at issue. For example, in court filings, parties should redact only those portions of the public filings containing information that reveals part or all of a trade secret, instead of filing the entire document under seal. Similarly, the courtroom should be closed only for those limited portions of a trial or hearing during which information that reveals part or all of a trade secret is disclosed. By narrowly tailoring needed restrictions, courts give life to the constitutional right to public access. As noted in *Woven Electronics Corp. v. Advance Group*:

The district court should review the entire record of the trial, including the exhibits and transcripts if any, and seal only those portions necessary to prevent the disclosure of trade secrets. Such a partial sealing strikes an appropriate balance between the public’s right of access to judicial records and proceedings and the parties’ legitimate interest in the protection of sensitive proprietary information. We emphasize . . . that we are not announcing a blanket rule that the presence of trade secrets will in every case and at all events justify the closure of a hearing or trial. In these sensitive situations courts must proceed cautiously and with due regard to the unique facts involved in each case.<sup>62</sup>

When implementing protections, courts and parties should be mindful of the stage of the case in which the protections are sought. In particular, restrictions on information disclosed between the parties in discovery are far different than restricting access to publicly filed materials. The public right to access does not attach to nonpublic exchanges between parties, as opposed to matters filed with the court or presented in a court proceeding, and thus protections applicable to the former require far less scrutiny than the latter. Similarly, the

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<sup>61</sup> *Id.* at 598–99.

<sup>62</sup> 1991 WL 54118, at \*6 (4th Cir. 1991) (citation omitted).

degree to which otherwise public materials are restricted or redacted is relevant; there is a difference between limited redactions versus the wholesale sealing of a filing or exhibit. Courts and parties should limit the restriction to redactions wherever possible. Finally, once the matter reaches trial, the public's interest is at its apex, requiring courts and parties to carefully consider the need for protections as well as to narrowly tailor any protections that are deemed necessary.

### C. TRIAL CONSIDERATIONS

**Principle No. 4 – In cases to be tried before a jury, restrictions on disclosure of a trade secret at trial should be implemented in a manner that minimizes any prejudicial effects of the restrictions.**

At trial, the trade secret owner is not the only stakeholder who must be accounted for when implementing restrictions on disclosure. When a jury is involved, restrictions like sealing the courtroom could send a message to the jury that the information at issue is a trade secret, even though that determination may be in the jury's hands. For this reason, sealing the courtroom during trial should be a last resort, used only when less restrictive means—such as using aliases or code words to describe the trade secret—cannot be used. In these circumstances, courts will almost always need to give a curative instruction to the jury that directs them that the sealing of the courtroom and the use of other protections is not to be considered when making any of their findings.

Additionally, when sealing is necessary, the number of times that the courtroom is sealed should be minimized. This helps to mitigate any possible prejudice to the jury.

For example, in *United States v. Roberts*, a case involving photographs that allegedly disclosed trade secrets, the court implemented protections at trial in a way that limited the suggestive nature of the restrictions.<sup>63</sup> This included (a) publishing the photographs to the jury in a way that did not allow others in the courtroom to view them, such as by publishing by hand instead of electronically; (b) to the extent trade secret information needed to be displayed on the electronic monitors, turning off the public monitors without the jury being aware; (c) placing demonstrative aids where only the jury could see them; and (d) giving a special instruction that the jury should attach no significance to the manner in which the photos were displayed or handled.

These issues do not apply to (a) matters to be tried before the court, and (b) pretrial disclosure restrictions, such as those in a protective order that governs the pretrial exchange of documents and information between the parties.

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<sup>63</sup> *United States v. Roberts*, No. 3:08-CR-175, 2010 WL 1010000, at \*1 (E.D. Tenn. Mar. 17, 2010).

**Guideline No. 8** – In a matter tried before a jury, when the court seals the courtroom or implements other protections that are known to the jury, the court should instruct the jury to draw no inferences on any contested issue from the existence of those protections.

**Guideline No. 9** – When a trial will involve sealing the courtroom, the parties should confer and propose to the court a means of coordinating the presentation of evidence to minimize the number of times that the courtroom needs to be sealed.

Taking these steps protects the parties' rights to a fair trial by an impartial jury. Grouping the presentation of the evidence may entail calling witnesses out of order but may also minimize the number of times that the courtroom needs to be sealed and mitigate against any improper inferences that the jury may draw from that.

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WG12 provides the following proposed model jury instruction:

This action involves allegations that certain materials are subject to protection as trade secrets. To protect this information from public disclosure, the court has [describe protections]. The jury is reminded that [the party asserting the trade secret] bears the burden of proving all elements of its claim for misappropriation of trade secrets, as explained in instruction number [insert]. When evaluating whether [the party asserting the trade secret] has satisfied this burden, the jury is not permitted to take into account, or consider in any way, the fact that the court [describe protections].

This instruction makes the jury aware that the restrictions themselves are not to be considered when determining whether the party asserting the trade secret has satisfied its burden to establish the existence of the trade secrets at issue. Depending on the court's local practice, this instruction can be given in the initial instructions, the final instructions, or both. Again depending on local practice, this instruction could be inserted immediately after the substantive instruction on the misappropriation-of-trade-secrets claim, and it can be modified to parallel the form of instructions used in the particular jurisdiction.

#### **D. CASE MANAGEMENT GUIDELINES FOR IMPLEMENTING PROTECTIONS**

Implementing protections against disclosure of trade secret information in litigation raises practical considerations, such as the timing and types of protections. Effectively addressing these considerations requires parties to work together cooperatively, in good faith, and in a timely fashion.

## 1. Address protections early in a case

**Guideline No. 10 – Attorneys should address the issue of needed protections at the earliest possible time, for example, at the Federal Rule of Civil Procedure 26(f) initial conference.**

Attorneys need to work together to ensure that the need for protections is addressed early in the case. This allows for agreement where possible and the ability to bring any areas of disagreement to the judge at an early stage in the case. It is important for attorneys to work collaboratively to address the issue of protections and narrow any areas of dispute as much as possible.

**Guideline No. 11 – Restrictions on disclosure of a trade secret in litigation should be implemented in a manner that minimizes the burden on courts and their administrative staff, while adequately protecting the trade secrets at issue.**

Additionally, attorneys need to be cognizant of the burdens that the requested protections will have on courts and their administrative staff. These restrictions will often be unique to each jurisdiction. For example, some courts use systems where sealing a document restricts access from all court personnel except the judges themselves. This could make it more difficult for a judge to efficiently handle a matter. Where less restrictive options are available, they should be carefully considered. For example, some jurisdictions distinguish between “confidential” filings, which can be reviewed by court staff, and “under seal” filings, which can only be viewed by the judge.<sup>64</sup> Filing “under seal” may place greater administrative burdens on courts and judicial staff. Thus, parties should use the least burdensome method that will adequately protect the information at issue. Similarly, there are many jurisdiction-specific rules relating to the filing of motions to seal that will determine how such motions must be filed.

## 2. Types of protections

**Guideline No. 12 – Protections for trade secrets may include: sealing the courtroom during portions of trials or hearings; restricting public access to the portions of filings, transcripts, exhibits, and evidence that reveal part or all of a trade secret; and ordering court personnel and jurors not to disclose or use any information learned at trial.**

As discussed above, protections should be narrowly construed. As part of this effort, parties and courts should look to the full arsenal of protections, selecting the narrowest available restriction that adequately protects the trade secrets at issue. For example, court filings should be redacted where possible, instead of sealing the entire filing.

Case law shows the various ways courts implement protections, including:

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<sup>64</sup> See, e.g., Minn. Gen. R. Prac. 11.03 & 11.04.

- sealing the courtroom for a preliminary injunction hearing that involved alleged trade secrets;<sup>65</sup>
- ordering that transcripts be redacted before being made publicly available;<sup>66</sup>
- permitting exhibits to be filed under seal;<sup>67</sup>
- entering a number of protections, including (a) not filing exhibits on the public docket; (b) not publishing exhibits to the gallery; and (c) subjecting witnesses who were shown certain exhibits to an order requiring them to keep the information confidential;<sup>68</sup>
- closing the courtroom at trial whenever there was testimony about alleged trade secrets;<sup>69</sup> and
- declining to close the courtroom at trial, instead (a) making trial observers subject to the protective order; (b) sealing exhibits admitted into evidence; and (c) redacting court orders<sup>70</sup>

Courts may also consider using code names to identify the particular trade secrets or categories of trade secrets. These decisions show that determining the appropriate protections requires a case-by-case analysis. The court must review the particular trade secrets at issue to determine how to implement protections that will safeguard the information.

When drafting orders or opinions, judges should be careful not to publicly disclose trade secret information that has previously been ordered subject to protections. One way to avoid this inadvertent disclosure is, to the extent possible under the rules of the particular jurisdiction, to have the court provide the parties with the order prior to filing it publicly. This would allow the parties to offer proposed redactions for the court's consideration.

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<sup>65</sup> BP Am. Prod. Co. v. Hamer, No. 19-CV-03581-CMA-STV, 2019 WL 7049990, at \*1 (D. Colo. Dec. 23, 2019).

<sup>66</sup> Facebook, Inc. v. ConnectU, Inc., No. C 07-01389 JW, 2008 WL 11357787, at \*1 (N.D. Cal. July 2, 2008).

<sup>67</sup> Motorola Sols., Inc. v. Hytera Commc'ns Corp., 367 F. Supp. 3d 813 (N.D. Ill. 2019).

<sup>68</sup> Sumotext Corp. v. Zoove, Inc., No. 16-CV-01370-BLF, 2020 WL 836737, at \*1 (N.D. Cal. Feb. 20, 2020).

<sup>69</sup> CDA of Am. Inc. v. Midland Life Ins. Co., No. 01-CV-837, 2006 WL 5349266, at \*1 (S.D. Ohio Mar. 27, 2006).

<sup>70</sup> LifeNet Health v. LifeCell Corp., No. 2:13CV486, 2015 WL 12516758, at \*1 (E.D. Va. Jan. 9, 2015).

### 3. Dealing with “alleged” trade secrets

**Principle No. 5 – A court does not need to make a conclusive determination as to whether a party’s information qualifies as a trade secret before ordering appropriate protections. Instead, the court should determine whether that party has credibly identified the existence of a trade secret, making a particularized finding regarding the specific information that is subject to protection.**

Consistent with the Uniform Trade Secrets Act, which addresses protections for “alleged” trade secrets,<sup>71</sup> courts do not need to make a conclusive determination as to whether a party’s information qualifies as a trade secret before ordering appropriate protections. Indeed, in jury cases, this determination may be the province of the jury. Instead, the court should determine whether that party has credibly identified the existence of a trade secret, making a particularized finding regarding the specific information that is subject to protection.

The plaintiff’s identification of its trade secrets informs this analysis. If a plaintiff has satisfied its burden to identify the trade secrets at issue with reasonable particularity, then information falling within the identified trade secrets should be subject to protections. For further information on the issue of identification, consult Working Group 12’s *Commentary on the Proper Identification of Asserted Trade Secrets*.<sup>72</sup>

If that a court determines that a party is not entitled to requested protections, the court should nonetheless restrict public access to the information at issue until the moving party has had the opportunity to seek appellate relief.

### 4. Trial-specific issues

**Guideline No. 13 – Prior to sealing the courtroom in a trial or hearing, the court should conduct an *in camera* hearing to examine the trade secrets at issue and determine the scope of the protection.**

Courts will generally have to review, *in camera*, the alleged trade secrets to determine if protections are warranted, as well as what protections to apply.<sup>73</sup> Given the public’s right to access, this review should take place even if the other party does not object to the restrictions.<sup>74</sup>

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<sup>71</sup> Uniform Trade Secrets Act § 5.

<sup>72</sup> The Sedona Conference, *Commentary on the Proper Identification of Asserted Trade Secrets in Misappropriation Cases*, 22 SEDONA CONF. J. 223, 234 & n. 5 (2021) available at [https://thesedonaconference.org/publication/Commentary\\_on\\_Proper\\_Identification\\_of\\_Trade\\_Secrets\\_in\\_Misappropriation\\_Cases](https://thesedonaconference.org/publication/Commentary_on_Proper_Identification_of_Trade_Secrets_in_Misappropriation_Cases).

<sup>73</sup> See, e.g., *Woven Elecs. Corp. v. Advance Grp.*, 1991 WL 54118, at \*6 (4th Cir. 1991) (“Where a party or a member of the public voices an objection to closure a district court must provide that person a reasonable time to state his objections. The court should then make an initial *in camera* determination as to whether trade secrets are likely to be involved.”) (citation omitted).

<sup>74</sup> *Id.*



## *V. Appropriate Classification of Information in Trade Secret Discovery*

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Trade secret litigation presents plaintiffs and defendants alike with a common dilemma: how best to protect their respective trade secrets (and other internal confidential information) while seeking a remedy for misappropriation or pursuing a defense against a misappropriation claim. In practice, in order to support their asserted misappropriation claim, a party in a trade secret case must disclose not only the alleged existence of a trade secret, but, in most cases, the secret itself and the details regarding its proprietary development, protections and value. Similarly, to wage an adequate defense in a trade secret case, a party must collect and produce evidence containing the details surrounding the alleged misappropriation that may reveal its own cache of trade secrets and other highly sensitive internal information. Fact discovery is routinely the battleground where these two competing concerns face off, and, depending on the contentiousness of the case, can lead to expensive, protracted motion practice that does not serve any participant—including the court.

Parties are best served when, at the outset of litigation, agreement is reached as to the certain tiers of designations that shall be used to provide the framework for the necessary protections of discovery by respective sides. The most common classification tiers include “Confidential,” and “Highly Confidential-Attorneys’ Eyes Only.” Depending on the scope and variety of information, and the extent to which nonlawyers may be required to interpret the information, additional classifications may be appropriate to identify which of the information may be accessible by in-house lawyers (if there is a need to distinguish between internal and external counsel), nonlawyer party personnel with particular technical or subject-matter insight, or third-party experts and advisors. Classification tiers should be identified and defined in the governing stipulated protective order entered in the case.

When the parties agree to a protective order and submit it to the court for approval, they should keep in mind that such an order is an agreement between them about how they want to protect their proprietary information while conducting the case. The parties cannot, through an agreed protective order, require the court to take or refrain from taking any actions. The parties should also be wary of burdens on the court and administrative staff when drafting protective orders. And the parties should use, wherever possible, a jurisdictionally approved protective order.

In a perfect world, the classification designations are applied judiciously to each and every document (or portion of document) in accordance with the protective order. However, during high-stakes trade secret litigations, parties tend to flinch at the notion of turning over their internal sensitive information directly to competitors, worrying that the tiers do not necessarily provide protection for the secrets—after all, once the cat is out of the bag, it is out of the bag. Additionally, and especially as the number of documents grows with electronic discovery while response times remain the same or shrink, parties are often under tremendous pressure to turn out voluminous document production and may (at least initially) feel pressure to conservatively overdesignate or mass-designate documents in lieu of thoughtful document-by-document review and classification. In particular, trade secrets cases often involve expedited discovery in advance of an injunction hearing, which puts further pressure on the parties and, in some circumstances, may justify initial designation of documents by group, to be followed by appropriate adjustment when the time pressure lifts.

Overdesignation can burden the receiving party. To the extent it leads to litigated dispute, overdesignation also burdens courts. And it can unnecessarily complicate (a) the taking of depositions (by placing procedural burdens on the process of examining witnesses regarding designated documents), and (b) the presentation of evidence to the court or jury. For these reasons, it is essential that the parties work in good faith to address any designation-related issues, avoiding court intervention wherever possible.

**Principle No. 6 – The parties should cooperate in good faith to develop and implement a protective order that balances: (a) the need to protect trade secret information; (b) the right of both parties to receive timely disclosures and discovery responses; and (c) the right to have specified nonattorney representatives also timely review the other party’s discovery responses.**

Poorly drafted protective orders can be negotiated and executed in haste during a particularly urgent stage of litigation (in advance of a preliminary injunction hearing, in connection with expedited discovery, etc.), when parties may be motivated more by time than substance; or they can be treated more perfunctorily, where standard classifications are identified, followed by boilerplate language regarding designation challenges and filing procedures. It is important that the protective order, and its terms and guidelines for designating material into protective classifications, balance the need to protect confidential information concerning trade secrets against the right of both parties to timely receive disclosures and discovery responses; while also allowing access to such information—including for review and evaluation by appropriately qualified and interested nonattorneys. Whether motivated by the urgency of time, the intent of protecting proprietary and trade secret information, or procedural strategy, producing parties may be inclined to designate information or documents to higher levels of restriction than may reasonably be appropriate under the circumstances. An undernegotiated protective order that does not effectively inform and guide the parties for fair, reasonable, and balanced designation can lead to frequent, unnecessary, time-consuming, and costly dispute resolution throughout discovery and during trial. Parties should take time, even when time is most of the essence, to anticipate the likely disputes in a contentious trade secret case and draft the relevant provisions accordingly, both with respect to the rules of designation and the consequences of overdesignation. All parties should strive to minimize the extent to which the court is called upon to resolve disputes pertaining to appropriate designations, but they should also set forth clear, objective criteria for settling disputes. Where the parties are willing to thoughtfully craft reciprocal provisions governing the information exchange, then the court can more efficiently enforce the negotiated repercussions of noncompliance

**Guideline No. 14 – Parties should develop protective orders to protect the type of information likely to be discovered in each particular case, using any jurisdictionally provided model protective order as a starting point.**

Parties should develop protective orders specific to the case, using any jurisdictionally provided model protective order as a starting point. For example, the Northern District of California issued a Model Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information and/or Trade Secrets that provides thorough definitions, restrictions, and other guidelines that are crucial to the protection of information, and applies equally to both plaintiff and defendant in such

cases.<sup>75</sup> Other districts, in 33 of the 50 states, have similar model protective orders containing provisions that define the types of information that warrant the “Confidential” classification, and that warrant “Attorneys’ Eyes Only.” See for example, the “Discovery Confidentiality Order” for the District of New Jersey,<sup>76</sup> where “Attorneys Eyes Only” is reserved for “highly sensitive business or personal information, the disclosure of which is highly likely to cause significant harm to an individual or to the business or competitive position of the designating party.” These model protective orders can be used by the parties in their entirety or with minor revisions should the circumstances of the case necessitate deviation from the template. Using a standing order by the court that sets forth its expectations of the parties, as well as an accepted form of protective order, can provide parties with a common, reasonable starting place while minimizing the court’s burden in reviewing often lengthy and dense proposed protective orders.

For cases in jurisdictions where there is no such model protective order, the parties should develop protective orders with confidentiality designations specifically defined to address the types of information likely to be discovered in that particular case. The parties should not agree to or propose a form protective order, without tailoring it to the specific circumstances of each case. It may be helpful to use as a starting point a confidentiality order that has been approved by another jurisdiction. The protective order should provide objective guidelines categorizing the type of information or documents likely to be discovered in each particular case into confidentiality designations, to the extent knowable at the time.

Parties should avoid relying on recycled forms of protective orders without further analysis and review. Parties should take time to consider the special circumstances of the matter at hand and draft the protective order accordingly in each instance, taking into consideration the trade secrets at issue, the foundation and context of such trade secrets, the unique circumstances in the appropriate context of the parties to the litigation and the legitimate need for access by the other side. The justification for satisfying a designation threshold may vary depending on the nature of the trade secret—what may be “Highly Confidential – Attorneys’ Eyes Only” in one matter, may only need be “Confidential” in another. Similarly, whether there should even be a “Confidential – Outside Attorneys’ Eyes Only” designation and what information meets the higher level of restriction should be considered on a case-by-case basis. The protective order should narrowly address the circumstances of the particular case. Again, if the jurisdiction has an approved form of protective order, that should be the starting point.

Parties often lack motivation to take the time up front to vet the circumstances of the particular case and draft protective orders narrowly for the specific situation. Often, parties (especially plaintiffs with an urgent mandate to proceed) will deem it in their best interest to proceed quickly with a broad, undefined protective order, leaving themselves the “flexibility” to customize arguments on a situation-by-situation basis as the case progresses. This places a significant burden on the court to subjectively adjudicate discovery matters frequently, urgently, and contentiously throughout the case. By insisting on a well-considered protective order before it is entered, the parties may reduce the number of situations that require the court’s involvement, or, at least, may afford the court a more objective foundation with more guidance from the parties for resolving such disputes.

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<sup>75</sup> Available at <https://www.cand.uscourts.gov/forms/model-protective-orders/>.

<sup>76</sup> Available at <https://www.njd.uscourts.gov/sites/njd/files/APPS.pdf>.

Occasionally, the parties may find as discovery progresses that the confidentiality designation categorizations defined in the confidentiality order at the outset turn out not to properly address certain categories of documents. In that circumstance, counsel should first negotiate in good faith to amend the relevant portion of the protective order in way that will help both sides anticipate and address any issues going forward, bringing such disputes to the court only as a last resort.

**Guideline No. 15 – In circumstances where group designation of documents is required, within a reasonable time after initial production, the parties should cooperate in good faith to adjust the confidentiality designation from documents or categories of documents to allow access by specific individuals as appropriate and necessary for the recipient to defend its position.**

Group designation of documents as Attorney’s Eyes Only without evaluation of individual documents may be a practical necessity in some trade secret cases to allow for timely responses to document requests. However, this practical constraint must be balanced against the recipient’s ability to prepare its case.

As a practical reality, trade secret cases often require parties to review and produce a large number of documents quickly. This is particularly true for cases involving expedited discovery in advance of a preliminary injunction hearing, as often occurs in misappropriation cases. As a result of such timing pressure or the sheer volume of modern electronically stored information production, a producing party will frequently designate large groups of documents under a protective order as AEO, without conducting a document-by-document review to determine an appropriate level of designation. In Group designation may not be necessary in cases involving a small volume of documents, where a producing party has sufficient time to conduct a document-by-document designation analysis.

While group designation as AEO may be expedient, it can also interfere with the receiving party’s ability to manage its case by limiting communications with clients or other parties or witnesses. It also can create logistical hurdles when taking depositions, filing documents with the court, and presenting evidence at evidentiary hearings or at trial. For these reasons, when such a group designation is used, the parties should work together to address these issues within a reasonable time following production. The “reasonable time” for engaging in this process will necessarily vary by case and turn on factors such as the need to prepare for an evidentiary hearing or depositions, the need to confer with clients in connection with settlement negotiations, and any local rules governing the filing of documents under seal.

**Guideline No. 16 – Protective orders should set forth a specific process for challenging confidentiality designations, including a conference between the parties. Should the parties be unable to resolve a dispute, the producing party should be required under the protective order to file a motion seeking to maintain the designation.**

Proposed protective orders should set forth a specific process for challenging confidentiality designations, including the requirement of a good-faith telephonic or in-person conference between the parties within a set period following the requesting party's challenge, during which the parties are required to discuss each challenged document in an effort to resolve any disagreement. Protective orders should take into consideration local rules or practice for adjudicating disputes arising under protective orders.

The producing party bears the burden of justifying its confidentiality designations. Should the receiving party challenge a confidentiality designation, the producing party should be required under the protective order to file a motion seeking to maintain the designation.

The producing party's original confidentiality designation should be maintained until the resolution of the dispute over the designation.

**Guideline No. 17 – Protective orders should contain a provision recognizing that the court can award fees to the prevailing party in a motion regarding the propriety of a designation where the court finds that the designation or opposition thereto was not substantially justified.**

While designation, disclosure, and use in litigation of protected information is primarily the obligation of the parties, the court is inevitably involved and affected by the diligence, or lack thereof, of the parties. Therefore, it becomes the responsibility of all parties, and the court, together, to ensure an efficient, least-disruptive process for protecting trade secret information while making sufficient protected disclosures for the parties to realize their rights to prosecute and defend claims in litigation. This responsibility begins with a narrowly drafted protective order that considers the specific facts and circumstances of the matter and the parties, clearly defines necessary classification levels, expresses objective criteria by which the parties may designate information at each level of protection, and provides for consequences that are a meaningful deterrent to violation of, and incentive for good-faith compliance with, its terms. The court can play an important oversight and authoritative role in this part of the process as a condition to accepting and entering the proposed order. Once the order is entered, the parties must act in good faith to efficiently comply, and the court may intervene with some force, including with an award of fees, when the parties stray substantially from this commitment.

**Guideline No. 18 – Protective orders should address how designated documents are handled and produced between the parties. By contrast, procedures for the filing of such designated documents with the court or presenting such documents at trial are governed by the applicable law and practice of each jurisdiction.**

Courts are granted the authority to enter a protective order “for good cause,” which at the discovery stage usually means facilitating the prompt and fair exchange of discovery without compromising the confidentiality of bona fide or alleged trade secrets or other commercial confidences. The negotiation of a protective order represents a good opportunity for the parties to define appropriate tiers of classification and provide guidelines for classifying documents to be used in discovery. Such designations should be minimized and applied on a document-by-document, or at least classification-by-classification, basis only to the extent necessary to adequately protect trade secrets from disclosure under the specific circumstances of the matter and the document or testimony.

A well-drafted protective order may also spell out the procedures to be followed between the parties should a party wish to file a designated document with the court, either as an attachment to a motion or an exhibit at a hearing or trial. However, while the court may enforce the terms of a protective order as between the parties, a protective order cannot bind a court to procedures contrary to its local rules, policies and procedures or governing law.

To address the handling of designated documents by the court, many courts have adopted model procedures and many judges have their own model orders.<sup>77</sup> These are not the “boilerplate” orders referred to in prior Guidelines. These court-issued model orders have been carefully crafted to reflect the courts’ resources and internal procedures. They also reflect a different standard for adoption, in that the standard required for entry of an order that would prevent evidence or a proceeding from public view is higher than the “good cause” that facilitates discovery between the parties.<sup>78</sup>

As a best practice – or simply common sense – the first step in drafting a protective order should be to consult the court to determine whether there are relevant local rules, model orders, or required forms. Then, consider whether your case raises any special issues that require modification of that model or form and document the reasons supporting such modification for the court’s consideration. If the court does not have a model, consider modifying a relevant model from another jurisdiction with similar resources. In all cases, however, avoid starting from recycled samples, models or forms that were not developed to address trade secrets or similar commercial confidences, or that ignore the court’s established procedures.

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<sup>77</sup> See, e.g., U.S. District Court, Southern District of New York, Electronic Case Filing Rules & Instruction, Section 6, Filing Under Seal and Redacting in Civil and Miscellaneous Cases, [https://nysd.uscourts.gov/sites/default/files/pdf/ecf\\_rules/ECF%20Rules%20020121%20FINAL.pdf](https://nysd.uscourts.gov/sites/default/files/pdf/ecf_rules/ECF%20Rules%20020121%20FINAL.pdf). See also *HouseCanary Inc. v. Title Source Inc.*, No. 19-0673 (Tex., April 30, 2021).

<sup>78</sup> See, e.g., *Lugosch v. Pyramid Co. of Onondaga*, 435 F.3d 110, 119–20 (2d Cir. 2006); *In re Avandia Mktg., Sales Practices and Prods. Liab. Litig.*, 924 F.3d 662 (3d Cir. 2019).

While a well-crafted and narrowly tailored protective order may assist the parties and the court by articulating the criteria for designating a document or testimony as “confidential” or “attorneys eyes only,” may establish procedures for resolving any dispute between the parties regarding such designations, and may even establish a framework for presenting a dispute or a stipulation regarding such designations to the court (subject to the court’s own procedures), the protective order alone cannot require the court to seal any evidence or proceeding. The court has an independent duty to strike a proper balance between maintaining public access to court proceedings and allowing parties to protect as confidential whatever information qualifies for such protection. To the extent that the issue can be anticipated, the appropriate mechanisms for those determinations are a case-management order that addresses the filing of designated documents and testimony with the court in pretrial motions and proceedings, and a pretrial order that addresses the handling of designated documents and testimony at trial. The purpose of the protective order is to minimize the instances in which the parties must approach the court regarding the designation of confidential documents and testimony, and to provide a smooth path for the litigants to present the issue to the court in the rare instances in which a court determination is necessary.

# *The Sedona Conference Working Group Series & WGS Membership Program*

**“DIALOGUE  
DESIGNED  
TO MOVE  
THE LAW  
FORWARD  
IN A  
REASONED  
AND JUST  
WAY.”**

The Sedona Conference was founded in 1997 by Richard Braman in pursuit of his vision to move the law forward in a reasoned and just way. Richard’s personal principles and beliefs became the guiding principles for The Sedona Conference: professionalism, civility, an open mind, respect for the beliefs of others, thoughtfulness, reflection, and a belief in a process based on civilized dialogue, not debate. Under Richard’s guidance, The Sedona Conference has convened leading jurists, attorneys, academics, and experts, all of whom support the mission of the organization by their participation in conferences and the Sedona Conference Working Group Series (WGS). After a long and courageous battle with cancer, Richard passed away on June 9, 2014, but not before seeing The Sedona Conference grow into the leading nonpartisan, nonprofit research and educational institute dedicated to the advanced study of law and policy in the areas of complex litigation, antitrust law, and intellectual property rights.

The WGS was established to pursue in-depth study of tipping point issues in the areas of antitrust law, complex litigation, and intellectual property rights. It represents the evolution of The Sedona Conference from a forum for advanced dialogue to an open think tank confronting some of the most challenging issues faced by our legal system today.

A Sedona Working Group is created when a “tipping point” issue in the law is identified, and it has been determined that the bench and bar would benefit from neutral, nonpartisan principles, guidelines, best practices, or other commentaries. Working Group drafts are subjected to a peer review process involving members of the entire Working Group Series including—when possible—dialogue at one of our regular season conferences, resulting in authoritative, meaningful, and balanced final commentaries for publication and distribution.

The first Working Group was convened in October 2002 and was dedicated to the development of guidelines for electronic document retention and production. Its first publication, *The Sedona Principles: Best Practices Recommendations & Principles Addressing Electronic Document Production*, has been cited favorably in scores of court decisions, as well as by policy makers, professional associations, and legal academics. In the years since then, the publications of other Working Groups have had similar positive impact.

Any interested jurist, attorney, academic, consultant, or expert may join the Working Group Series. Members may participate in brainstorming groups, on drafting teams, and in Working Group dialogues. Membership also provides access to advance drafts of WGS output with the opportunity for early input. For further information and to join, visit the “Working Group Series” area of our website, <https://thesedonaconference.org/wgs>.



# *The Sedona Conference Working Group 12 on Trade Secrets—List of Steering Committee Members and Judicial Advisors*

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The Sedona Conference’s Working Group 12 on Trade Secrets Steering Committee Members and Judicial Advisors are listed below. Organizational information is included solely for purposes of identification.

The opinions expressed in publications of The Sedona Conference’s Working Groups, unless otherwise attributed, represent consensus views of the Working Groups’ members. They do not necessarily represent the views of any of the individual participants or their employers, clients, or any organizations to which they may belong, nor do they necessarily represent official positions of The Sedona Conference. Furthermore, the statements in each publication are solely those of the non-judicial members of the Working Group; they do not represent judicial endorsement of the opinions expressed or the practices recommended.

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