Trade Secret Law Evolution Podcast
Greenberg Traurig, LLP
Episode 65

Introduction (00:00):

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Jordan Grotzinger:

Welcome to the Trade Secret Law Evolution Podcast, where we give you comprehensive summaries and takeaways on the latest developments and trends in trade secret law. We want you to stay current and ahead of the curve when it comes to protecting your company's most valuable assets. I'm your host, Jordan Grotzinger. Welcome to episode 65 of the Trade Secret Law Evolution Podcast. As you know, our bread and butter is discussing developments in case law, although occasionally we have an interesting guest like a GC or even a federal judge, and this is one of those episodes. We are going to talk with Jennifer Burdman of VeloHealth, who will introduce herself, and we're going to address a subject on which she has some opinions and that subject is trade secret inventory. Jennifer, welcome.

Jennifer Burdman (01:14):

Thank you so much. Pleased to be here.

Jordan Grotzinger (01:17):

Can you talk a little bit about your job and your company?

Jennifer Burdman (01:21):

Sure. I'll give you a brief introduction of my company, but I'd also like to say that my opinions are my own and not those of any of the companies that I currently work for or I've worked for in the past. So I've been an IP lawyer for going on 25 years now. Spent the first 20 years as a litigator, patent and trade secret litigation, and now I work in-house at companies, generally startups at an early stage helping them with everything related to IP protection as well as anything else that they need me to do. From the legal side, I wear a lot of hats. So I'm currently the Chief IP Officer and Deputy General Counsel at VeloHealth. We use machine learning and AI for drug discovery and development.

Jordan Grotzinger (02:12):

That sounds very cutting edge and awesome, and we're really glad you're here. So before we discuss trade secret inventory, which is the practice of identifying and listing trade secrets, maybe even if there's not litigation pending, a little background on how we met. We met in September 2023 at a trade secret conference in Boston, and we both sat on a panel where we addressed, among other things, trade secret inventory, which these days, in addition to an option for companies that have trade secrets, it's become somewhat of a business. There are vendors, there are companies that specialize in assisting other companies with trade secret inventory. Law firms often assist companies with trade secret inventory. And after meeting you, Jennifer, in September, and when this subject came up at another

panel on which I spoke a few weeks ago, it occurred to me that you had some strong opinions on this subject, which is why before that second panel where I was to discuss this subject, I called you and asked you to remind me what some of those opinions were, which really drove my discussion because they were very thoughtful.

(03:43):

So before we get into pros and cons, one fundamental issue that I've, I don't know about, struggled with, but I've thought about because I don't think it's necessarily simple. I'm curious as to your thoughts on how one goes about inventory. I mean, if you've got a company with trade secrets, often companies don't know... Well, the whole point of inventory is to identify trade secrets where maybe the company hasn't necessarily done so yet. So there are assets in the company's portfolio that might be trade secrets, but the company doesn't know it yet, and we might be talking about a large company with a broad range of assets and divisions. So when this comes up with clients or potential clients, I'm frequently asked, "What's the starting point? How do you even do it?" What are your thoughts on that?

Jennifer Burdman (04:39):

I think it's a great question and I think it's underlying my very strong opinion, as you said. The word inventory has a connotation of comprehensiveness and trade secrets fundamentally start off, for the most part, as just confidential information. We can talk about the legal requirements in different jurisdictions for a piece of confidential information to actually be a trade secret, but fundamentally, it has to have value because of the secrecy. And I like to say trade secrets aren't really born as trade secrets, they're just born as confidential information. So when we talk about creating an inventory of all of the trade secrets, what's our threshold for that value? How are we going to say that something is, in its infancy, confidential information that might be a trade secret one day versus, okay, I know that this is definitely secret sauce and we're going to keep this as a trade secret. I think that's the problem with the inventory, you can't get it all.

Jordan Grotzinger (05:50):

So I see you're hinting at which way your views lean, and I want to hear from you on what you think the cons are for inventorying trade secrets. Before I ask you that, my thought is generally, I suppose it depends on the company and the engagement, but my thought generally as to what's the starting point for inventorying if you decide that is a good idea, is to essentially follow the elements of a trade secret, consult with the right point persons at the company who know the answers to whether the three elements are met. And you touched on some of these, and that simply is one, what is a secret? Two, does it have independent economic value or in English, is it valuable to the company and its competitors because of the secrecy? And three, is it subject to reasonable measures to keep it secret? So that's my answer. I mean, it's boring and broad, but I think that has to be the starting point. I think you need to identify the people in the company or the respective divisions who can address those three questions because that's very literally how you would need to identify trade secrets.

Jennifer Burdman (07:16):

Yeah, I think that's a great starting point. I would also say that understanding the purpose behind the inventory is also important so that you can at least hone in on a big company on those divisions and individuals who are going to have the most knowledge about what you're looking for versus a complete inventory of everything. Therefore, you might be speaking to every division, including divisions that don't spring to mind, like finance or marketing or facilities folks.

Jordan Grotzinger (07:56):

Right. Yeah, I mean, to my point earlier, I am just convinced that companies of certain sizes with portfolios of certain sizes have trade secrets that they don't know are trade secrets because of the breadth of the definition. I mean, it could be, the most famous trade secret, of course, is the formula for an old soda brand that everybody knows, but it's so much broader than formulas, as you know. I mean, it could be almost anything from methodologies to lists to processes, as long as it meets those three elements, secret, valuable to you and your competitors because of secrecy and subject to the protection. So that's a really, really broad definition. And I would just imagine, I can't imagine there's actual data on this, but there's got to be a lot of companies that just are sitting on a lot of these assets that are trade secrets without knowing them. And that might, superficially at least, that might make people think, "Oh, well, wouldn't it be nice to know what they are?" Jennifer, why don't you tell me your reasons as to why you don't think that is necessarily a good idea?

Jennifer Burdman (09:16):

Well, as a litigator in my former life, I just know that a document called trade secret inventory will be used against you in a court of law because it can't be a comprehensive inventory. It's going to be out of date, it's going to be missing trade secrets. It likely has things on it that don't meet the threshold of a trade secret at the time it's being used. And so that document can only hurt you if in fact you characterize it as a trade secret inventory. There's no requirement in the law that you have the inventory. So I think you mentioned before, you have to take reasonable measures to keep your secrets secret. The law doesn't say, "And that includes having this listed inventory of everything, which you keep a secret," and so I definitely think it's a dangerous document that will be used against you.

Jordan Grotzinger (10:20):

So in terms of how, and you're right, of course, that there is no legal requirement pre-litigation anyway. I mean, you're going to be asked to identify the trade secrets at issue in litigation, but pre-litigation, if you're just running a company, there is no such requirement. In terms of the risk of this list or inventory being used against you, it sounds like what you're saying is... A couple of things come to mind, and I'm wondering if you agree or think there's more. One risk is that if you don't include... What if you didn't include the trade secret at issue? You mentioned timing and that it's never up-to-date. What if an inventory list is created in 2024 and in 2026, there's a lawsuit, you file a lawsuit over a trade secret that existed in 2024, but it's not on the list. So the defendant asks for your inventory list and it doesn't have the trade secret at issue. And so the defendant can wave the list around in court and say, "See, you listed your trade secrets and didn't include this one, so it's not a trade secret."

Jennifer Burdman (11:41):

That's right. That's right. And if you think about the scenario that you end up in court, it's because somebody has taken the information, therefore found it valuable to take from you and do something with. And so you want the ability to then say, "Well, that is a trade secret by definition versus it's a trade secret because I had it on my list, or must not be a trade secret if I don't." I think in the world we're living in right now where AI, machine learning data is gold, data is gold, and that data could be about anything in your universe in the company. And if somebody's starting to take it from you and steal it inappropriately in spite of all of the reasonable measures you've taken, cybersecurity and all, you need to be able to say, "That was my trade secret." What are the chances you had that on the list?

Jordan Grotzinger (12:47):

That strikes me as a really practical observation because as I said, frequently companies are going to be sitting on a portfolio of trade secrets that they haven't identified as trade secrets because there hasn't been a need to, and they have reasonable protections in place like contracts with confidentiality clauses and corporate policies and IT security. So that element is met and that, under the law, if it's reasonable, that will cover the protection element. And so without the requirement that you identify proactively, instead of incurring the cost of doing an inventory, back to my hypothetical, you get sued in 2026 because somebody stole an asset, a piece of IP because obviously they found it valuable, otherwise they wouldn't have stolen it. And so all of a sudden, light bulb, "Oh, this was not only valuable to us, but it's valuable to our competitors because of its secrecy, i.e, It has independent economic value, the second element of trade secrets. So let's litigate from there.

Jennifer Burdman (14:10):

Yeah, that's right. And look, I'm not saying put your head in the sand and don't know what you're sitting on. You should know the secrets of how to make the soft drink that you were referring to before or the device at issue and what's inside of it. I'm not saying don't know what those trade secrets are. What I'm saying is don't put them on a list and call it a comprehensive inventory. But there are a lot of things you could call that other than list of my trade secrets.

Jordan Grotzinger (14:47):

Right. I suppose another perhaps less acute risk of such a list being used against you is if the items on the list can be easily challenged, in other words, if there are assets on there that don't really meet the elements of a trade secret. So obviously the first example I gave is pretty black and white. If there's litigation over a trade secret and the plaintiff had a previous trade secret inventory list that didn't include the trade secret at issue, even though it existed at the time, obviously you're going to have an issue because the defendant's going to be all over that. But I suppose there's an additional risk if your list has items that the defendant can pick apart and say, "Well, I see you have asset X on this list, but is that really a secret or is that known in the business or is that really subject to reasonable measures?" And the more your list can be challenged, I suppose the more your theory that the trade secret at issue actually is a trade secret can be challenged.

Jennifer Burdman (16:02):

Sure. So in that scenario, what comes to my mind is the interplay between trade secrets and patents. And on these inventories, when I've talked to individuals who are making them, I ask what level of detail they're putting for the trade secrets. You could see everything from the manufacturing process for X, down to the specific SOP for that manufacturing process. Well, frequently there are patents around a process as well. And while you can certainly have trade secrets and patents at the same time, they can't cover exactly the same thing. And so the freezing on a inventory could easily be used against your patent or your patent against your trade secret in that circumstance. And that could be a very expensive sideshow in litigation that you may or may not win.

Jordan Grotzinger (17:09):

As all sideshows in litigation are.

Jennifer Burdman (17:12):

That's right.

Jordan Grotzinger (17:14):

On the issue of potential over inclusiveness on an inventory that is later picked apart to attack the credibility of the trade secret claim at issue. When we discussed this prior to my last panel when I needed you as the inventory resource, you discussed this hot doc dynamic. Do you remember that?

Jennifer Burdman (17:40):

I do.

Jordan Grotzinger (17:41):

Can you explain what you meant?

Jennifer Burdman (17:44):

So I believe I said hot doc referencing back to a million years ago when I was an associate at the law firm you are at right now.

Jordan Grotzinger (17:55):

Yeah, please don't date us too much because we're at about the same level, so.

Jennifer Burdman (17:59):

Okay, we didn't have a lot of the technology that's in place now. And when we would do document review, you'd be looking through boxes of emails printed out and other documents. And when you saw something that you thought was very important to the litigation, you would call it a hot doc, and old-school, we would tape it to the wall, that's a hot doc. And this would go on for months. And by the end of the discovery period, what was once a hot doc might now only be lukewarm, and what was cold doc before is now a very hot doc, scorching doc. And so over the course of even just a few months as you developed an understanding of a litigation and the case at hand, the value of certain information changed in the same way that over time the value of confidential information changes in different circumstances. And so today I'm calling it confidential information, tomorrow I could call it a trade secret. That certainly makes sense, but then I didn't have it on my inventory.

Jordan Grotzinger (19:13):

That strikes me as a strong analogy, and I'm certainly familiar with that dynamic. I mean, you see that dynamic so much in the litigation business. When you're preparing for a deposition, you've got a big list of exhibits and you think you're going to ask the witness about all of them, and then when you're halfway through, you're going through some of these exhibits like this means nothing anymore. And the value of documents changes often and quickly in our cases. So I think that analogy is important. Okay, I'm going to be a little bit of a devil's advocate here and list what I think the potential pros are of trade secret inventory, not assigning particular value to anyone and in no particular order. Number one, you can identify the assets in order to specifically apply the required reasonable measures to them. Two, and this one I actually think is potentially important, if access restriction is important in your company, meaning let's say it's a huge company with all levels of employees and perhaps you don't want certain employees who really don't need to know anything about your trade secrets and who might be more prone to attrition or going to competitors to have access to them.

(20:44):

I suppose that number two on my list, knowing what trade secrets are would help restrict access to them. Three, and you touched on a point that is related, it might be helpful to have a list of items that you don't want in a patent application because patent applications are public and if you make a trade secret public, it is no longer a trade secret because it is not a secret. And finally and fourth identifying the trade secrets might be useful in deal diligence. In other words, a purchaser might want to know specifically what it's buying. So that was my list of pros. Thoughts on those, thoughts on any material ones that you think I missed?

Jennifer Burdman (21:36):

I think those are all really important issues and are certainly pros for understanding the law and understanding your business and then protecting your confidential information. In particular, the access restrictions within a company is huge, and I certainly carry that flag everywhere I go. It has to be a need-to-know basis only, and that is really tough for small companies. And as companies grow, if you intend to be able to say that you have reasonable measures to protect trade secrets, you've got to think about does everybody need to know everything all the time, forever? Certainly not. And so I like to partner with my IT team to make sure that we are protecting everything with reasonable measures regardless of whether it's going to be a trade secret one day, is a trade secret today or was a trade secret yesterday and now maybe less so. And that's hard, that's complicated for companies to do. And again, I'm not saying don't know what your trade secrets are, have lists. You could have so many lists, just don't say that they're comprehensive and that they're the single source of truth and inventory of your trade secrets.

Jordan Grotzinger (22:58):

In other words, feel free to write them down, but don't put them in a box that can be, or a title that can be used against you.

Jennifer Burdman (23:06):

And when you're writing it down, how much are you writing down? Because I'm sure you're not actually writing the formula to the soft drink down. You're saying, "I believe the formula is a trade secret." And so think about the breadth at which you're writing that categorization down, and if that is actually something that looks just like a patent application you just filed.

Jordan Grotzinger (23:28):

So what about the following issue, which we have not discussed before today? If for whatever reason someone is just compelled, not legally, but colloquially, I guess, to make a comprehensive list of they want to hire a vendor and make their trade secret inventory list. Or you know what? Let's take the vendor out of the hypothetical. They want to make a comprehensive trade secret list. Can you mitigate, and I'm thinking out loud here, so it's not a rhetorical question, can you mitigate the risk of the list being used against you if you prepare the list under privilege? In other words, let's say you, Jennifer Burdman have a change of heart. You wake up tomorrow and you love comprehensive trade secret lists, and so you identify the people who would best know what your company's trade secrets are, and you say to them, you say to them on an email or in a conference room or whatever, "Let's create a list, but send it to me only and obviously not to anyone outside the company," so that the email with the list is privileged. And then the list exists, it's an internal reference point, but it's not discoverable because it's attorney-client privilege. What are your thoughts on that, if any?

Jennifer Burdman (25:06):

That certainly mitigates some of the risk, but I think, sorry, here I go, being the litigator, it opens the door for more risk because if in fact you've done a great job and your litigation happens right afterwards and you've got the trade secret on that, are you now going to waive privilege to use that list? And how far is that waiver going to go? Similarly, if you want to use that list in a diligence situation, that may be waiving privilege as well. And so again, I think that there's probably a staging of this. There might be a privileged discussion and event where you identify certain trade secrets and then maybe you make a non-privileged document that gets stored somewhere else for some other purpose, much like the patent application or such. But I think it's dangerous when companies believe that just by including the lawyer and calling it privileged, we're good to go forever. Another secret.

Jordan Grotzinger (26:23):

And as you said earlier, the privileged part of it, even if it's just used as an internal reference point, I suppose, creates some risk if the list is wrong or not up to date because then you have a reference that's not totally accurate.

Jennifer Burdman (26:40):

Yeah, I think I always go back to what's the purpose, what are you doing it for? And what I've heard at the conferences we've been at is that some legal departments and IP departments in particular get pressure because someone in the business heard that there's a company that will do an inventory for you, and why aren't we using this inventory system? And I'm not knocking these companies. I think it's probably a great tool, let's just not kid ourselves or kid anyone that this is an inventory. Maybe you're helping to identify some crown jewels for a particular process or product, and that might be helpful. But the idea that you're going to go into a company, spend six months as a consulting team, find all the trade secrets, give them a list, and everybody goes about their business afterwards, is just really dangerous from a litigation standpoint.

Jordan Grotzinger (27:43):

So that's a great segue to the big question for this episode, to inventory or not? Is that a question that you can even answer broadly speaking, or does it depend? What's your answer?

Jennifer Burdman (28:03):

I'd say stop using the word inventory. And if you want to make lists, you can make lists just give real thought ahead of time to what the purpose of that list is and make sure it's clear on the face of the document. Because if we're all being honest, we might not be in the same seat by the time the litigation comes around about this and so even more reason to be careful about how that document might be misread without you there.

Jordan Grotzinger (28:34):

That's a great thought. And in our normal episodes where we discuss case law developments, we always end with a handful of bullet point takeaways. And I think one of the obvious takeaways from this episode is that if you do an inventory, and I'm starting to answer the question myself of to inventory or not, my answer would be number one, and here's the takeaway, if you do an inventory, don't call it comprehensive. Don't label it so that you're inviting a potential future opponent to use that against you. And number two, to inventory or not? I suppose my answer is that it does depend on, for me, the relative weight of the pros that we discussed.

(29:23):

For example, if access restriction is particularly important in your company, that would be a factor in favor of making the list so that you can accurately segregate employees that you don't want to have access from the trade secret. So that's my answer. Very, very lawyerly, I think, and disappointing, I'm sure. So with that, I think that was a great robust discussion. I really enjoyed it. By the way, you're a natural for a podcast, so you should be doing this more and come back. Now for the fun part, the listeners know this, we would like some interesting fact about you that has nothing to do with law or trade secrets, if you have any, maybe you don't, maybe this is it.

Jennifer Burdman (30:17):

Interesting facts. I don't know if it's very interesting, but I have a love of very old homes, and I'm currently sitting in a home built in 1795 in Massachusetts, and you can see the exposed beams originally prepared by the builders. And so yeah, I try to find architecture and originalness in all of my homes at this point.

Jordan Grotzinger (30:51):

That is pretty cool and unique and awesome, and I do see the wood beams and very, very interesting passion to share. Thank you. Have I sent you the podcast merch yet, by the way?

Jennifer Burdman (31:05):

No.

Jordan Grotzinger (31:06):

Okay. That's coming.

Jennifer Burdman (31:07):

There's swag? Who knew?

Jordan Grotzinger (31:08):

Yeah, no, there's swag. Here, I'll show you right now. Here's the hat with the logo. Great for running or working out or whatever.

Jennifer Burdman (31:18):

Love it.

Jordan Grotzinger (31:19):

It lasts forever. It's on the way. Jennifer, thank you so much for this. I really, really enjoyed this. I think it's an important topic. It's a hot topic. I hope that our listeners get value from it, and thank you. I'd love to have you back. And that's it for this episode. Bye everybody. Okay, that's a wrap. Thanks for joining us on this episode of the Trade Secret Law Evolution Podcast. As the law evolves, so will this podcast so we value your feedback. Let us know how we can be more helpful to you. Send us your questions and comments. You can reach me by email at grotzingerj@gtlaw.com or on LinkedIn. And if you like what you hear, please spread the word and feel free to review us. Also, please subscribe. We're on Apple Podcasts, Stitcher, Spotify, and other platforms. Thanks everybody. Until next time.