

Trade Secret Law Evolution Podcast
Greenberg Traurig, LLP
Episode 75

(00:00):

This podcast episode reflects the opinions of the hosts and guests and not of Greenberg Traurig LLP. This episode is presented for informational purposes only, and it is not intended to be construed or used as general legal advice nor a solicitation of any type.

Jordan Grotzinger (00:19):

Hi everybody, welcome to episode 75, which I understand is also known as the diamond anniversary if that applies to podcasts. Anyway, I'm grateful that you're still listening if you still are, and happy to be doing this for this many episodes. Today we're going to talk about two important subjects, statute of limitations and the ever-recurring issue in trade secret litigation, trade secret identification, and here specifically distinguishing alleged trade secret information from patents.

(00:54):

So let's jump right in with the statute of limitations case. This was a new case out of the Second Circuit Court of Appeals, which covers New York, and the decision came down on March 19th of this year. Now, this case, and as you know, I don't name the cases for certain reasons. This case is unpublished, and that means that it's not citable generally, but I still think unpublished cases can have value because they show you a court's thinking. And in some jurisdictions, and depending where you are versus the unpublished case, they can be cited. But for that, you'd have to check your local rules and requirements. So let's jump into this case.

(01:37):

Here, the plaintiff's alleged trade secret was a platform "designed to enable auto lenders to increase revenues by combining several functions in a single platform." The plaintiffs alleged they entered into a services agreement with the defendant to develop the platform into "user-friendly software," but instead of doing so, the plaintiffs alleged the defendant misappropriated the trade secret. The defendant moved to dismiss on among other grounds the statute of limitations, and the motion was granted, which of course is why of course we're talking about an appellate case out of the Second Circuit.

(02:15):

So the Court of Appeals noted that under New York law, the plaintiffs misappropriation claims are subject to a three-year statute of limitations. This is consistent with the Uniform Trade Secrets Act and the Federal Defendant Trade Secrets Act. If you listen to the podcast, you know that the Uniform Trade Secrets Act is adopted in 48 of the 50 states, not including New York, but it's my view that New York common law on trade secrets is still quite parallel to the Uniform Act. In any event, in New York, the three-year statute of limitations means that the claim accrues "beginning when a reasonably diligent person in the plaintiff's position would have been put on inquiry as to the claim." Inquiry notice means when the plaintiff knew or should have known about the misappropriation.

(03:09):

In their second amended complaint, as mentioned, the plaintiffs alleged that they created the platform to enable auto lenders to increase revenues by combining several functions in a single platform, and later entered into a service agreement with the defendant to develop that technology. The plaintiff alleged that the defendant's platform was released around March, 2015, but acknowledged that the platform received an industry innovation award in an article published that month. However, the plaintiff claimed that it first learned of the alleged misappropriation in a November 22nd, 2017 mediation session. The Court of Appeals stated, "Even assuming that the March, 2015 release, an article would not have put a reasonably diligent person on notice of the alleged misappropriation. The plaintiff's cause of action accrued at the latest on November 22nd, 2017, which means that its claims filed nearly five years later in October, 2022 are untimely."

(04:16):

Now, that seems pretty straightforward, but the plaintiffs also argued that the defendant hid its misappropriation by fraudulent conduct, which is an available argument under New York common law in the trade secret space. Specifically, the plaintiffs alleged that the defendant "hid its fraudulent activities by marketing the platform under different names" and using "generalized asset titles." But the court ruled these allegations are "wholly conclusory and contradicted by the plaintiff's own allegations concerning the November, 2017 mediation session."

[\(04:56\)](#):

Indeed, the court said, "Plaintiffs candidly admit that their inaction after November, 2017 was not from a lack of knowledge, but rather from an inability to muster up sufficient resources to begin to investigate all the events and to engage legal counsel to conduct due diligence." "But such a lack of cashflow does not alter the fact that the plaintiffs were on notice of a potential claim no later than November, 2017. The duty of inquiry having risen, plaintiff is charged with whatever knowledge an inquiry would have revealed." Thus, the dismissal was affirmed.

[\(05:39\)](#):

And now for the issue of trade secret identification. This was a case out of my federal district, the Central District of California, and the decision came down on February 25th, 2025. Here the plaintiff provides satellite launch integration services and partnered with the defendants to pursue a launch manifest system integrator, I'm going to call it LMSI, contract with the US Space Force. The parties entered into a teaming agreement in January, 2018, which stated that both parties would play a material role in the LMSI program. The plaintiff relied on this agreement and invested significant resources to help defendants win the LMSI contract.

[\(06:27\)](#):

Defendants won the contract in February, 2017, largely due to the plaintiff's intellectual property and technical know-how. They then negotiated a subcontractor agreement, resulting in an indefinite delivery, indefinite quantity, or IDIQ contract. The plaintiff granted defendants a license to use its intellectual property for the LMSI contract, including one so-called 114 patent. Patents are often named with numbers preceding them like this, so this is the 114 patent which defendants acknowledged plaintiff owned. However, the defendants later circulated documents suggesting ownership of the plaintiff's intellectual property, including the 114 patent. The plaintiff alleged that the defendants reduced its work share, failed to provide the promised work share, and misused its intellectual property beyond the scope of the IDIQ contract.

[\(07:26\)](#):

The plaintiff sued for breach of contract and related claims, the defendant moved to dismiss, and the motion was granted with leave to amend, that means the plaintiff got to refile the complaint with amended claims hopefully curing whatever deficiencies the court found. In the first amended complaint, the plaintiff adds a new claim for misappropriation under the California Uniform Trade Secrets Act. And the defendants argued that the claim should be dismissed because plaintiff has not "alleged which of its alleged information is supposedly a trade secret versus what is in a patent. In fact, plaintiff completely co-mingles the two, referring to trade secrets and patents together."

[\(08:09\)](#):

Now, we've heard this many times in the podcast, but to recap, the court said as follows. "To prevail under the California Uniform Trade Secrets Act, the following must be satisfied. One, the plaintiff owned a trade secret. Two, the defendants acquired, disclosed, or used the plaintiff's trade secret through improper means. And three, the defendant's actions damaged the plaintiff. In turn, a trade secret is information that 'derives independent economic value, actual or potential from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use,' and two is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

[\(08:54\)](#):

And the court stated, "Under the DTSA a trade secret is similarly defined as all forms and types of financial business, scientific, technical, economic, or engineering information including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing. If A, the owner thereof has taken reasonable measures to keep such information secret, and B, the information derives independent economic value, actual or potential, from not being generally known to and

not being readily ascertainable through proper means by another person who can obtain economic value from the disclosure or use of the information."

[\(09:57\)](#):

Now, that's a lot of words, and that's the first time I've read the whole definition of a trade secret under the DTSA in a while. So let me just give my plain English definition. What all that means is essentially a trade secret can be anything as long as it is secret, valuable to the owner and its competitors because of its secrecy, and subject to the owner's reasonable measures to keep it secret. That my friends is a trade secret. Here, the court noted that the first amended complaint alleged the following trade secrets. "One, the designs and specifications for a certain deck adapter. Two, the designs and specifications for the adapter. Three, the designs and specifications for a certain adapter fitting" and certain designs among other things. However, "with respect to the question of any similarities between the asserted trade secrets and the 114 patent, which is properly considered as part of the consideration of the confidentiality factor under the California Uniform Trade Secrets Act and the DTSA, plaintiff's allegations are insufficient. During the hearing, defendants argued that the plaintiff has conflated at least one of its trade secrets, a so-called Aquila multi-manifest system with the 114 patent."

[\(11:25\)](#):

Specifically, the plaintiff alleged, "This unique hardware, software and operations, this multi-manifest system, are combined into systems with flight-proven hardware (like the 114 patent)." Here, the court said, "It agrees and notes that the plaintiff has not alleged exactly which feature of its property is a trade secret, I.E. bundling and interfacing versus designs." Thus, this claim was also dismissed with leave to amend. So the plaintiff here does have the right to go back and amend, and hopefully for it distinguish its alleged trade secret information from whatever is in the patent. And that is key, because information in patents is public, and stuff that is public is not secret, and stuff that is not secret is not a trade secret.

[\(12:22\)](#):

So our takeaways. In New York and other states, the three-year statute of limitations for trade secret misappropriation accrues "beginning when a reasonably diligent person in the plaintiff's position would have been put on inquiry notice as to the claim." The court actually says put on inquiry, but I use the term inquiry notice, that's more frequent and a little more understandable to me. Two, conclusory allegations or allegations contradicting other claims will not support tolling of the statute based on fraud. Three, and this is sort of unique but makes sense, unique in that I haven't seen it before, and I look for cases that make points that I haven't seen explicitly. A lack of resources to fully investigate is no excuse. "The duty of inquiry having arisen, plaintiff is charged with whatever knowledge an inquiry would have revealed." And lastly, part of sufficient trade secret identification is distinguishing your alleged trade secrets from patents. As I said, patents are public. If there's overlap, your trade secret status could be reduced or destroyed. That's it for episode 75. Thank you for listening, and I will talk with you next month. Thanks, everybody.