An Employee Stole Your Trade Secrets But You Cannot Prove It. Now What?

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Consider the following, relatively uncommon scenario: an employee stole your trade secrets and went to work for a competitor. You know the employee did it, you just cannot prove it. Even with the best forensic analysis it is not always possible to identify, specifically, what an employee took. You need to do something, but what? You can charge ahead and sue them for trade secret theft and hope you can prove it through discovery. But in many jurisdictions, before you can initiate discovery on such a claim, you must identify the stolen trade secret. If you cannot do so, then not only will you get no discovery but your claim will be dismissed.

As a recent Utah Supreme Court case involving an employee who allegedly stole a trade secret illustrates, bringing suit for trade secret theft without sufficient proof can backfire. The lower court concluded the case was meritless, brought in bad faith, and held the employer liable for the attorney fees of the employee. Fortunately for the employer, the Supreme Court reversed that decision. The fees were imposed under a Utah statute applicable to all civil actions. The Uniform Trade Secrets Act, adopted by nearly all of the states, and under which most trade secret theft claims are brought, has a similar provision. Consequently, filing suit on a precarious trade secret theft claim simply is not a good idea.

By filing suit on an alternative basis the same objective might be achieved as with a successful trade secret theft claim. For example, taking confidential and proprietary information of an employer, even if it cannot be specifically identified as a trade secret, particularly in combination with other acts contrary to the interests of the employer, can form the basis for a breach of fiduciary duty claim. If there has been any element of unauthorized use of a computer, then a claim for violation of the federal Computer Fraud and Abuse Act may arise. Breach of an agreement to keep information confidential, not to solicit, or not to compete, is another potential claim. There are more.

With any such claims, injunctive relief, including relief to prohibit use of confidential, proprietary and trade secret information is an option so long as the facts support it. Also, it is quite possible through the course of discovery on these claims that particulars may be learned on trade secret theft which would allow for an amendment to the suit to add a well-founded (as opposed to precarious) trade secret theft claim.

Another prospective course, which can be pursued alone or in tandem with the civil redress discussed above, is criminal prosecution. The Economic Espionage Act of 1996 makes it a federal crime to misappropriate a trade secret. The intent of this law is to protect the security of the United States by, in turn, protecting valuable intellectual property. Accordingly, the U.S. Department of Justice exercises discretion in choosing to prosecute those crimes which they deem most appropriate to that end (although getting a federal prosecutor interested in pursuing the case may be a challenge). The Computer Fraud and Abuse Act also has a criminal component which can be invoked.
under appropriate circumstances. Likewise many states have adopted laws making theft of trade secrets a crime. The criminal authorities can obtain evidence, and afford remedies to an employer who has suffered a trade secret theft, which may not otherwise be possible through the civil system.

Finally, under certain circumstances, pre-suit mediation might be worth considering. Ideally, parameters for the mediation would be proscribed to include an open exchange of pertinent information. The employer may need to be prepared to pay for it to induce participation by the employee. Through this process the employer may learn more about what it is that the employee did or did not do. And the employer need not necessarily disclose that they do not yet have sufficient details on which a meritorious trademark theft suit could be brought. Perhaps a complete resolution of the matter would result and further expenditure of time and money on litigation or any other action would not be necessary. If not, then at least something more may be learned to guide the employer on next best steps. The urgency of the situation may either preclude mediation in favor of suit, or require a very expedited time table.

Trade secrets are valuable and warrant careful protection. But a trade secret theft suit susceptible to becoming a quagmire is often not the best way to do it. When you are not sure you have the proof of trade secret theft you need (yet) to support a proper trade secret claim, you may likely do just as well or better another way.

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