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PERSPECTIVE

InteliClear and the future of CUTSA's pre-discovery requirements in federal court

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As California practitioners know, Section 2019.210 of the California Uniform Trade Secrets Act requires that "before commencing discovery relating to the trade secret, the party alleging the misappropriation shall identify the trade secret with reasonable particularity." This state statutory rule has long served both as a gating mechanism for plaintiffs — limiting access to competitors' information absent a sound basis — and as a set of guideposts for courts and defendants, whereby the scope of discovery and defenses can be anticipated and tailored.

Whether Section 2019.210 applies in California federal courts, however, has depended on the specific case and the specific courtroom. For many years, the question has been whether courts sitting in diversity could, or should, apply the state statute. This state's four federal judicial districts have each developed their own jurisprudence. The greatest uniformity is in the Northern District of California, which generally applies the rule; and in the Eastern District of California, which generally does not.

These divisions persisted after 2016, when the Defend Trade Secrets Act introduced a federal cause of action. Different courts took different approaches as to whether Section 2019.210 should be applied universally, only where state-law claims were at issue, or not at all. Moreover, the grounds for the range of holdings across this spectrum varied significantly.

The split remains fundamentally unresolved. This past October, however, the 9th U.S. Circuit Court of Appeals weighed in on some aspects of the question and acknowledged the Northern District's approach in *InteliClear, LLC v. ETC Global Holdings, Inc.*, 978 F.3d 653 (9th Cir. 2020). At the same time, though, *InteliClear* opened new avenues of uncertainty, which litigants are only now beginning to explore.

The *InteliClear plaintiff* had brought both state and federal trade secret claims in the Central District of California. Those claims survived a motion to dismiss, but the trial court then granted summary judgment to the defendant on a motion brought just one day after the commencement of discovery. The court reasoned that "[n]o amount of discovery ... will uncover which elements of [plaintiff's] own ... System it believes are trade secrets and which are generally known."

The 9th Circuit reversed, finding that at summary judgment the burden is "only to identify at least one trade secret with sufficient particularity to create a triable issue." Moreover, the court reapproved the "dialectic discovery" method first endorsed in Imax Corp. v. Cinema Technologies, 152 F.3d 1161 (9th Cir. 1998). Accordingly, upon "the battleground of discovery" litigants are free to engage in "an iterative process where requests between parties lead to a refined and sufficiently particularized trade secret identification."

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Footnote 1 of the *InteliClear* decision is of significant interest and requires further analysis and thought. It begins by citing Section 2019.210 and explaining that, pursuant to that provision, "plaintiffs must identify their trade secrets with 'reasonable particularity' prior to commencing discovery." It then acknowledges that "federal courts have applied the state provision in federal cases," citing a Northern District of California case, *Social Apps, LLC v. Zynga, Inc.*, 2012 WL 2203063 (N.D. Cal. June 14, 2012), but it does not take an explicit position on when and under what circumstances a federal court must or should apply Section 2019.210. Footnote 1 goes on to state that "there is a triable issue of fact as to whether *InteliClear* sufficiently identified its trade secrets under both the federal statutory standard and the state statutory standard."

Assuming that the "state statutory standard" in this somewhat cryptic footnote is in fact Section 2019.210, footnote 1 could be seen as a rejoinder to those courts that have historically maintained that Section 2019.210 has no place in federal litigation. In the Eastern and Southern Districts of

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California, for example, trial courts have explicitly rejected the provision pursuant to the *Erie* doctrine, on the grounds both that it is facially procedural rather than substantive, and that the burden it imposes cannot be reconciled with the liberalism of Federal Rule of Civil Procedure 26.

That hard line may now become more challenging to maintain. Even though the statement that "federal courts have applied the state provision" is an observation rather than a holding, the 9th Circuit does cite *Social Apps*, which considered the full range of federal interpretations of Section 2019.210, including courts that applied *Erie* and rejected the statute, applied *Erie* and found the statute binding, and evaded *Erie* by adopting the statute's methods as a matter of prudence and discretion. *Social Apps* ultimately endorsed federal application of Section 2019.210 largely on *Erie* grounds, concluding that it does not conflict with the federal rules and it disincentivizes forum-shopping. By pointing to *Social Apps* — rather than to one of the many cases adopting Section 2019.210's provisions only on a prudential case-management basis — *InteliClear* may make it more difficult for federal courts to reject application of the state statute outright.

At the same time, *InteliClear* may lower the "reasonable particularity" threshold that other federal courts have found Section 2019.210 requires. Not only does *InteliClear* reaffirm the role of trade secret discovery as an "iterative process," it also weighs in plaintiff's favor on summary judgment the fact that "no discovery ha[d] been conducted." Because the plaintiff had arguably identified a single trade secret without taking discovery, it was "not fatal" that the plaintiff's "hedging language left open the possibility of expanding its identifications later."

If such a limited identification suffices under both the "federal statutory standard and the state statutory standard," with the latter referencing Section 2019.210, then Section 2019.210's gating function may become more limited. "Reasonable particularity" was already a very fact-specific measure, described in Brescia v. Angelin, 172 Cal. App. 4th 133, 149 (2009), as "no more onerous than reason requires in promoting the statutory goals." Those statutory goals include permitting "the defendant to discern the boundaries of the trade secret so as to prepare available defenses," and "the court to understand the identification so as to craft discovery." And Brescia also permitted courts to push plaintiffs for more robust pre-discovery definitions when the contours of alleged trade secrets are "mysterious." *InteliClear*'s long-term effect on those statutory goals is uncertain.

Instead of resolving a long-simmering split among the district courts, the *InteliClear* footnote has given something to everyone. The arguments for widespread federal application of Section 2019.210 have been enhanced through recognition of the Northern District of California approach — but without a clear holding that would either mandate it or adopt it as a matter of policy. At the same time, *InteliClear* supports an interpretation of Section 2019.210 that could be argued to only weakly support the statute's own legislative and prudential purposes. This will no doubt continue to be a hotly contested and developing area of the law, and trade secret counsel should keep a close eye on how courts interpret *InteliClear* in the years ahead. ■