

SLY STALLONE'S PUDDING CLARIFIES CALIFORNIA TRADE SECRET LAW...SORT OF



By Michael D. Young *

Tempting as it is, I won't title this post something stupid like:

Rambo Reduced To Low Carb Pudding Theft, or

Stallone Steals Secret Soufflé Specs

Besides, who knows whether the pudding recipe is a secret at all, or whether Stallone even stole it. That's for the jury to decide, at least it is now that the California appellate court has sent the dispute back to the trial court in *Brescia v. Angelin* (2009) 172 Cal.App.4th 133.



But the court opinion is not about Stallone (though I suspect the reason the dispute arose in the first place is all about Stallone). The *Brescia* opinion is significant because it is the first time in years that the California appellate courts have tried to provide California trade secret practitioners with a little guidance about a slippery discovery statute that has probably caused more problems (aka "legal expense") than it has cured: Section 2019.210 of the California Civil Procedure Code.

Time will tell whether the effort was successful. But I'm getting ahead of myself.

THE CASE OF THE PERFECT PUDDING PILFERAGE

I'll give you the short version of the facts: Plaintiff William Brescia claims to have invented a "low carbohydrate pudding with an extended shelf life and a stable and appealing consistency and most important, when mass produced, an appetizing flavor." Yummy. Brescia claims the defendants stole the secret formula, including the secret manufacturing process, and started unfairly competing. Two years later, Brescia added Sylvester Stallone as a defendant, claiming he was the Chairman of one of the defendant companies.

Brescia then served discovery on the Big Guy, asking for his finances. (Look, I'm sure there was a legitimate need for Stallone's financial information, but was that really why Brescia asked for it just then? Or was he perhaps trying to put some pressure on Sly (we're buds) to improve his settlement chances? I don't know, but I can have my suspicions....)

In any case, Stallone objected, claiming discovery was premature until Brescia complied with the trade secret designation of California Code of Civil Procedure Section 2019.210. And this starts our journey.

CALIFORNIA'S TRADE SECRET DESIGNATION STATUTE

If you are a trade secret litigator in California, you are intimately familiar with Section CCP 2019.210 which requires a plaintiff to describe his trade secrets "with reasonable particularity" before he can commence discovery. What a trap that is. Describe it too specifically and Whoops, there goes your secret. Describe it too broadly, you fail to satisfy the statute and have no discovery rights. Quite the quandary.

California courts have only been marginally helpful in providing parties with any useful guidance. Take a look at the court opinion for a nice summary of the history of the statute and the cases that interpret it.

For our purposes, suffice it to say that the statute had two primary goals: (a) "help the court shape discovery;" and (b) provide the defendant with sufficient notice of what he is alleged to have stolen so he can develop a defense.

To "help" parties, the key cases have used language like: In the designation, the plaintiff "should describe the subject matter of the trade secret with sufficient particularity to separate it from matters of general knowledge in the trade or of special knowledge of those persons who are skilled in the trade." In other words, the plaintiff should explain how the secret is different from stuff experts in the industry already know.

IT'S JUST A PUDDING RECIPE, FOLKS

Brescia tried for months (April 2007 to September 2007) to sufficiently designate his trade secrets so he could get his all-

important Stallone Financial Data. First he relied on his generic description of the trade secrets set out in his complaint. That didn't work. Not particular enough.

Next, he identified 305 pages of documents previously produced in discovery and claimed they contained his secrets. (That's one complicated pudding recipe!) The court rejected this as well, claiming that "by citing to voluminous documents, it obscured rather than refined the description."

Finally, Brescia identified two trade secrets, the secret pudding formula (15 ingredients. Don't you wish you knew what they were?), and the manufacturing process.

Surely this should be good enough to (a) help shape discovery; and (b) give the defendants notice of what is at issue.

Stallone didn't think so. He noted that the designation failed to explain how the secret recipe was something your neighborhood high protein, low carb pudding manufacturer didn't already know.

The trial court agreed and ultimately dismissed the case as against Stallone and another defendant (who we don't name here because, let's face it, he just isn't famous.) (Fine, the other defendant is John Arnold who was CEO of the company.) It's interesting from a procedural perspective how the failure to designate a trade secret resulted in the dismissal of the entire case, but you'll have to read the opinion to see how that was done.

FINALLY, LET'S GET TO THE POINT

The appellate court reversed the dismissal of the case, and sent Sylvester and What's His Name back to the trial court to deal once again with Brescia's efforts to get Sly's financial data.

In summary, the appellate court ruled:

We conclude that whether a trade secret designation adequately distinguishes the allegedly protected information from the general knowledge of skilled persons in the field is a function of the particularity of the designation – that is, a function of whether the stated details themselves are sufficient, given the nature of the alleged secret and the technology in which it arises, to permit the defendant to ascertain whether and in what way the information is distinguished from matters already known, and to permit the court to fashion appropriate discovery. ***Absent a showing that the details alone, without further explanation, are inadequate to permit the defendant to discern the boundaries of the trade secret so as to prepare available defenses, or to permit the court to understand the identification so as to craft discovery, the trade secret claimant need not particularize how the alleged secret differs from matters already known to skilled persons in the field.*** Further, consistent with precedent, the trade secret designation is to be liberally construed, and reasonable doubts regarding its adequacy are to be resolved in favor

allowing discovery to go forward.

Why do trade secret attorneys care about this opinion? For a few reasons:

1) The Court properly refocused the designation debate on the ultimate twin goals of 2019.210.

Has the plaintiff disclosed the alleged trade secret with sufficient particularity to (a) help guide discovery in the case and (b) notify the defendant about what is at issue? Based on the designation, does the defendant know what he needs to do to develop a defense? If he wants to show the "secret" is well known in the industry (and hence not secret), does he know what to look for? If he wants to show the plaintiff failed to undertake adequate efforts to keep the information confidential, does he know what information to ask about?

2) Guidelines rather than rules.

There's that great line in Pirates of the Caribbean about the Pirate's Code of Conduct: "The code is more what you'd call 'guidelines' than actual rules."

Well, that applies to this case as well. Remember all that language about needing to distinguish the secret stuff from stuff already known by experts in the trade? The Brescia court explained that that's more like a "guideline" than an actual rule. For complicated secrets, like "sputtering," maybe this element should apply. But for a pudding recipe? Not necessary. If the designation satisfies point (1) above, then it's good enough. "A clear, particularized description of the alleged trade secret" is all that is necessary.

3) 2019.210 is a Discovery Tool.

You can't dismiss a case just because a plaintiff doesn't designate his trade secret sufficiently to satisfy 2019.210. The court reminds us that this designation requirement is a discovery tool, not a summary judgment tool. If a party fails to comply with a discovery tool, the court has plenty of discovery sanctions available to it to ensure compliance. Dismissal is pretty harsh.

4) Use Summary Judgment To Challenge The Alleged Trade Secret.

If a defendant thinks the designated trade secret really isn't a secret – that the same 15 ingredients are used by every expert manufacturer of a high protein, low carb pudding with extended shelf life, appealing consistency, and appetizing flavor – his remedy is a summary judgment motion. Show the court the secret isn't a secret. The remedy is not to make the plaintiff prove the trade secret-ness of his claim in his 2019.210 designation.

IS THAT ALL?

These general statements still don't provide much concrete guidance to future parties trying to deal with a 2019.210 trade secret designation. There will still be battles between plaintiffs who

want to keep their options open and their trade secret definitions broad, and defendants who want those options closed and the trade secret narrowly defined. And those battles will continue to be costly.

But at least the battles will be a little more focused on the ultimate twin goals of the designation statutes: Notice to the defendant and guidance for discovery.

* **Michael D. Young** is a full time neutral with Judicate West in California, focusing on intellectual property and employment disputes, among other complex civil matters. He taught Negotiations and Mediation at USC Law School for close to a decade, and is a Distinguished Fellow with the International Academy of Mediators. Previously, he was an intellectual property and employment litigator with Alston & Bird (formerly Weston Benshoof). He welcomes your comments at Mike@MikeYoungMediation.com, or feel free to add to the conversation at www.MikeYoungMediation.com/ask-a-mediator.

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