

New York

1. What is the statutory authority for trade secret protection in your state?

The short-form answer to this question is “None.” New York has not adopted the Uniform Trade Secrets Act and has no statutes covering trade secrets.

2. What are the elements of a trade secret claim in your state, and are any unique?

To prevail on a claim for misappropriation of trade secrets, a plaintiff must demonstrate: (1) that it possessed a trade secret, and (2) that the defendants used that trade secret in breach of an agreement, confidential relationship or duty, or as a result of discovery by improper means. *Schroeder v. Pinterest Inc.*, 133 A.D.3d 12, 27 (2015); *N. Atl. Instruments, Inc. v. Haber*, 188 F.3d 38, 43–44 (2d Cir. 1999).

A trade secret is any formula, pattern, device or compilation of information used in business, which gives the possessor an opportunity to obtain an advantage over competitors who do not know or use it. Courts consider the following factors to determine whether something is a trade secret: (1) the extent to which the information is known outside of the business; (2) the extent to which it is known by employees and others involved in the business; (3) the extent of measures taken by the business to guard the secrecy of the information; (4) the value of the information to the business and its competitors; (5) the amount of effort or money expended by the business in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others. *Ashland Mgmt. Inc. v. Janien*, 82 N.Y.2d 395, 407 (1993) (adopting Restatement of Torts § 757, comment b).

Being based on the Restatement of Torts, none of the factors determining the existence of a trade secret may be considered to be unique.

3. How specific do your courts require the plaintiff to be in defining its “trade secrets?” (This could include discussing discovery case law requiring particularity.)

Theft of trade secrets is not one of the claims required to be pleaded with particularity under N.Y. C.P.L.R. 3016, which governs the particularity with which certain kinds of claims, *e.g.*, fraud and defamation, must be pleaded. Fed. R. Civ. P. 9, by its terms, likewise places no requirement of particularity on claims for theft of trade secrets, but see section 7, below, concerning *Zurich Am. Life Ins. Co., v. Nagel*, 538 F. Supp. 3d 396 (S.D.N.Y. 2021), finding broad allegations “insufficiently precise” under the DTSA. It may be that this opinion reflects the more exacting standard of Fed. R. Civ. P. 8(a) on the pleading of facts sufficient to sustain a claim. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007) (to withstand a motion to dismiss, a complaint must plead enough facts to state a claim to relief that is plausible on its face); *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (a claim is plausible when the pleaded facts allow the court to draw the reasonable inference that the defendant is liable for the misconduct alleged).

The degree of specificity required in a pleading is decided on a case-by-case

basis, with the courts generally relegating the parties to discovery. *E.g.*, *Spec Simple, Inc. v. Designer Pages Online LLC*, 56 Misc. 3d 700, 713 (Sup. Ct. N.Y. County 2017) (“The specificity demanded by defendants must be provided in discovery, but need not be pleaded.”). The liberality of pleading is similarly not unduly exacting in district court. *E.g.*, *Sit-Up Ltd. v. IAC/InterActiveCorp.*, 2008 WL 463884, at *14 n.15 (S.D.N.Y. Feb. 20, 2008) (“Although the complaint uses the term “Trade Secret Material” in pleading plaintiff’s claim for breach of contract, it is clear that plaintiff was merely using the term as shorthand to describe the universe of information it believed was confidential and proprietary.”).

Considerably more specificity is required on a motion for injunction relief or for summary judgment. *Engleman v. David McKay Co.*, 73 A.D.2d 511, 511 (1st Dep’t 1979) (denying summary judgment where a question of fact existed “whether plaintiffs’ disclosures of their low-carbohydrate recipes and formulae contained specific and concrete information sufficient to constitute a property right warranting judicial protection”); *Advance Biofactures Corp. v. Greenberg*, 103 A.D.2d 834, 836 (2d Dep’t 1984) (affirming the denial of an injunction against a former employee where “disclosure of a specific trade secret or item of confidential information has not been sufficiently demonstrated”); *Next Communications, Inc. v. Viber Media, Inc.*, 758 Fed. Appx. 46 (2d Cir. 2018) (New York law) (“the party opposing summary judgment must be able to identify the alleged trade secret with sufficient specificity to make the moving party aware of what information it has allegedly misappropriated”); *Broker Genius, Inc. v. Zalta*, 280 F. Supp. 3d 495, 514 (S.D.N.Y. 2017) (adequate identification of some but not all of plaintiff’s alleged trade secrets).

4. What is required in your state for a plaintiff to show it has taken reasonable measures to protect its trade secrets? (Preferably answer with practical, factual requirements from decisions.)

The extent of measures taken by the business to guard the secrecy of the information is a factor in the determination of a misappropriation claim. *Ashland Mgmt. Inc. v. Janien*, 82 N.Y.2d 395, 407 (1993).

Where a former employee of a software vendor “had access to . . . market information, pricing or consulting rates, and other confidential information and trade secrets” the plaintiff’s protection of its trade secrets through mutual confidentiality agreements sufficed to permit issuance of a preliminary injunction against disclosure of confidential information. *Misys Int’l Banking Sys., Inc. v. TwoFour Sys., LLC*, 6 Misc. 3d 1004(A), 800 N.Y.S.2d 350 (Sup. Ct. N.Y. County 2004). The failure to obtain a written confidentiality agreement can be fatal to a misappropriation claim. *Broker Genius, Inc. v. Zalta*, 280 F. Supp. 3d 495, 515 (S.D.N.Y. 2017) (New York law) (“the elements of [software] can be a trade secret so long as the only people who can access them are bound by a duty to keep them confidential”).

Among the factors that may weigh in assessing the “reasonable measures” are restricting the rooms, or area in a building, in which trade secret work is done or information is stored, keeping premises locked, restricting the number of people working on a project, *Town & Country Linen Corp. v. Ingenious Designs LLC*, 556 F. Supp. 3d 232, 269 (S.D.N.Y. 2021), licensing limited numbers of the product, extracting promises from users or customers of trade secret material to use it only for their own purposes and to keep it in confidence, *id.* at 263, using forms of agreement that require trade secret material be held in confidence for a long period, rather than a limited time, *id.* at 266, and otherwise making it difficult for a third party to obtain the information except by use of improper means. *id.* at 269.

5. Does your state apply the inevitable disclosure doctrine? If so, how is it applied?

The doctrine is recognized but only sparingly applied. Under New York law an employer may protect trade secrets by a non-competition agreement. In the absence of such an agreement, an individual’s employment may be restricted where he or she has stolen their former employer’s trade secrets and there is a high probability that he or she will “inevitably disclose” this information to their new employer. In determining whether the disclosure is “inevitable” courts will consider the following four factors “(1) the extent to which the new employer is a direct competitor of the former employer; (2) whether the employee’s new position is

nearly identical to his old one, such that he could not reasonably be expected to fulfill his new job responsibilities without utilizing the trade secrets of his former employer; (3) the extent to which the trade secrets at issue would be valuable to the new employer; and (4) the nature of the industry and its trade secrets.” *Lake Region Med., Inc. v Pike*, 2021 WL 3700433, at *4 (W.D.N.Y. Aug. 20, 2021) (citations and internal quotation marks omitted).

However, to bind an employee to an “implied-in-fact restrictive covenant based on a finding of inevitable disclosure” would run “counter to New York’s strong public policy against such agreements and circumvents the strict judicial scrutiny they have traditionally required.” *EarthWeb, Inc. v Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999). Therefore, “[a]bsent evidence of actual misappropriation by an employee, the doctrine should be applied in only the rarest of cases.” *Id.* at 310.

6. How have courts in your state addressed the defense that an alleged trade secret is “reasonably ascertainable?” What needs to be shown to prevail on that theory?

New York courts do not generally use the term “reasonably ascertainable” and instead rely upon whether the information is “readily ascertainable.” Thus, New York law is violated when a defendant uses a plaintiff’s “trade secrets and confidential information, including its client contact list and pricing information, which does not appear to be otherwise readily ascertainable to others in the industry, for the benefit of plaintiff’s competitor.” *Intertek Testing Services, N.A., Inc. v Pennisi*, 2020 WL 1129773 (E.D.N.Y. Mar. 9, 2020). However, a former employee may solicit potential customers that were “readily discoverable through public sources,” *Reed, Roberts Assoc., Inc. v Strauman*, 40 N.Y.2d 303, 308 (1976). “Since the names of potential customers were readily ascertainable from public sources, the defendants’ solicitation of the plaintiff’s customers from casual memory is not a legally cognizable wrong.” *Cont. Dynamics Corp. v Kanter*, 64 A.D.2d 975, 975 (2d Dep’t. 1978).

7. What are the most recent “hot button” issues addressed by courts in your state regarding trade secret claims?

A complaint may be subject to dismissal if the allegations of trade secrets are not pled with particularity. In *Zurich Am. Life Ins. Co. v Nagel*, 538 F Supp 3d 396, 404 (S.D.N.Y. 2021) allegations of “corporate governance documents, board resolutions, biographical affidavits containing sensitive personal information for Zurich senior executives, and financial reports” were held to be “nebulous” categories of documents that were “insufficiently precise to demonstrate the existence of a trade secret under the [Defend Trade Secrets Act] DTSA.”

In *Turret Labs USA, Inc. v CargoSprint, LLC*, 2022 WL 701161 (2d Cir Mar. 9, 2022) plaintiff claimed misappropriation of a trade secret under the DTSA and common-law. The district court dismissed the complaint finding that plaintiff did not adequately allege that it took reasonable measures to keep its information secret from third parties. The Second Circuit affirmed and held that because trade secrets may appear in a wide variety of “forms and types,” what measures are “reasonable” must largely depend upon the nature of the trade secret at issue. The Court held that if the trade secret involves computer software functionality, “the reasonableness analysis will often focus on who is given access, and on the importance of confidentiality and nondisclosure agreements to maintaining secrecy.”

8. How does your state’s Trade Secret law differ from the DTSA, as the latter is applied in your Circuit?

A remarkable difference between New York’s Restatement and common law based trade secrets practice and the DTSA is the availability of a civil seizure order under 18 U.S.C. section 1836(b)(2). Given that the civil seizure remedy is by its terms limited to “extraordinary circumstances,” 18 U.S.C. § 1836(b)(2)(A)(i), and the DTSA makes available remedies of the same general character as are available under state law, i.e., injunction and damages, 18 U.S.C. § 1836(b)(3)(A) and (B), available without the “extraordinary circumstances” showing,

we defer discussing civil seizure as being of interest only in an extraordinary case.

One notable difference between New York practice and the DTSA appears in the first sentence of the statute: the misappropriated trade secrets must relate “to a product or service used in, or intended for use in, interstate or foreign commerce.” 18 U.S.C. § 1836(b)(1). Notwithstanding the grant of federal subject matter jurisdiction under the DTSA irrespective of diversity of citizenship or amount in controversy, 18 U.S.C. § 1836(c), if the dispute is purely local in character it may not be susceptible to a remedy under the DTSA in state or federal court, and one’s rights may be limited to only state law remedies. The phrase used in the DTSA, “used in . . . interstate commerce,” is not as broad as the term “involving commerce,” which would invoke the broadest possible exercise of the Commerce Clause power. “The words “in commerce” are not as broad as the words “involving commerce,” or “affecting commerce,” and cover only persons or activities within the flow of interstate commerce. *Intertek Testing Servs., N.A., Inc. v. Pennisi*, 443 F. Supp. 3d 303, 327 (E.D.N.Y. 2020).

The damages available under common law in New York and the DTSA are substantially more alike than not. Compare 18 U.S.C. § 1836(b)(3)((B)(i)-(ii) with *LinkCo, Inc. v. Fujitsu Ltd.*, 232 F. Supp. 2d 182, 185–86 (S.D.N.Y. 2002) (“[T]here are two obvious ways to calculate plaintiff’s damages. First, damages may be measured according to any losses plaintiff suffered from the alleged misappropriation. Plaintiff’s losses may include the cost of developing the trade secret and the revenue plaintiff would have made but for the defendant’s wrongful conduct. Second, damages may be measured by the defendant’s unjust enrichment as a result of the misappropriation. Unjust enrichment is measured by the profits the defendant obtained from using the trade secret. . . . In certain circumstances, these damage calculations provide inadequate compensation Courts have therefore developed a third measure of damages: a reasonable royalty.”) (citations and internal quotations omitted).

The limitation of punitive damages to a two-times multiplier, 18 U.S.C. § 1836(b)(3)(C) does not exist in state practice.

The DTSA allows recovery of attorneys’ fees for a trade secret “willfully and maliciously misappropriated.” 18 U.S.C. § 1836(b)(3)(D). New York law does not permit an award of attorneys’ fees for misappropriation of a trade secret unless provision for attorneys’ fees has been made in the agreement of the parties. *Waterville Inv., Inc. v. Homeland Sec. Network (NV Corp.)*, 2010 WL 2695287, at *7 (E.D.N.Y. July 2, 2010).

Applications for injunctive relief, available under the DTSA, 18 U.S.C. § 1836(b)(3)(A) and under common law, must still conform to the rules for the grant of an injunction in the forum, whether under Rule 65 in district court, see *Syntel Sterling Best Shores Mauritius Ltd. v. TriZetto Grp., Inc.*, 2021 WL 1553926, at *14 (S.D.N.Y. Apr. 20, 2021), or C.P.L.R. Article 63 in state court.