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Virginia

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

In 1986, Virginia enacted the Virginia Uniform Trade Secrets Act ("VUTSA"). Va. Code § 59.1-336 *et seq*. While the VUTSA was modeled after the Uniform Trade Secrets Act ("Uniform Act") as amended in 1985, there are differences in language.

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

To show a trade secret violation, a plaintiff must prove two statutory elements—which largely follow the Uniform Act—"namely, the existence of a 'trade secret' and its 'misappropriation' by the defendant." *MicroStrategy Inc. v. Li*, 268 Va. 249, 263 (2004) (quoting Va. Code § 59.1-336).

"Once a complainant has established the misappropriation of a trade secret, [VUTSA] provides that the 'complainant is entitled to recover damages for misappropriation,' including 'both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss.'" *Collelo v. Geographic Servs*., 283 Va. 56, 71 (2012) (quoting Va. Code § 59.1-338(A)). In addition, VUTSA provides "that '[i]f a complainant is unable to prove a greater amount of damages by other methods of measurement, the damages caused by misappropriation can be measured exclusively by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.'" *Id*. (quoting Va. Code § 59.1-338(A)).

3. How specific do your courts require the plaintiff to be in defining its "trade secrets?"

In Virginia, "the alleged trade secret must be described 'in sufficient detail to establish each element of a trade secret.'" *MicroStrategy, Inc. v. Business Objects, S.A*., 331 F. Supp. 2d 396, 418 (E.D. Va. 2004) (quoting *Trandes Corp. v. Guy F. Atkinson Co*., 996 F.2d 655, 661 (4th Cir. 1993)). In other words, "[a] plaintiff must identify, with particularity, each trade secret it claims was misappropriated. This must be done to allow the finder of fact to distinguish that which is legitimately a trade secret from other information that is simply confidential but not a trade secret, or is publicly available information." *Business* Objects, 331 F. Supp. 2d at 418 (internal citation omitted). "The Court, in turn, must determine if each individual trade secret satisfies each element." *Synopsys, Inc. v. Risk Based Sec., Inc*., No. 3:21cv252, 2022 U.S. Dist. LEXIS 134694, at *29 (E.D. Va. July 28, 2022); *see also Knowesis, Inc. v. Herrera*, 103 Va. Cir. 175, 180 (Fairfax Co. 2019) ("Making specific allegations as to the trade secrets misappropriated and the means of misappropriation is critical to stating a VUTSA claim.") (citing *Preferred Sys. Solutions, Inc. v. GP Consulting, LLC*, 284 Va. 382, 405 (2012)).

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4. What is required in your state for a plaintiff to show it has taken reasonable measures to protect its trade secrets?

By statute, to qualify as a "trade secret," the information must be "the subject of efforts that are reasonable under the circumstances to maintain its secrecy." Va. Code § 59.1-336. "Absolute secrecy is not required to establish the existence of a trade secret. Thus, the owner of a trade secret will not lose protection of the law by disclosing the secret to a licensee, an employee, or others, provided that the disclosure is made in express or implied confidence." *Li*, 268 Va. at 262 (citations omitted).

"Whether a party took reasonable efforts to maintain the secrecy of its purported trade secrets is a 'fact intensive' question." *Synopsys*, 2022 U.S. Dist. LEXIS 134694, at *32 (quotation omitted). In *Synopsys*, the district court held that "RBS failed to take reasonable efforts to protect its trade secrets," because some of its customer licensing agreements did not include downstream confidentiality protections. *Id*. at *33. For example, RBS entered into a licensing agreement with IBM that allowed IBM to incorporate information from an RBS database into IBM products, and thus sell access to this database to IBM customers. While "this RBS-IBM agreement contained certain restrictions on the license of [the RBS database] to end users, those end user restrictions did not include confidentiality requirements." *Id*. at *33-34.

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

Virginia authority is mixed/unsettled regarding the inevitable disclosure doctrine. In 1999, a circuit court (in Virginia, circuit courts are the primary trial courts) held that because "only actual or threatened misappropriation may be enjoined [under VUTSA]. Virginia does not recognize the inevitable disclosure doctrine." *Gov't Tech. Servs. v. IntelliSys Tech. Corp*., 51 Va. Cir. 55, 56 (Fairfax Co. 1999). No further reasoning was provided.

Years later, another circuit court addressed "the question of whether the inevitable disclosure doctrine is a recognized legal doctrine in Virginia," noting that *Government Technology Services* was only persuasive authority. *MeadWestvaco Corp. v. Bates*, 91 Va. Cir. 509, 520-21 (Chesterfield Co. 2013). After observing differences among federal courts "over whether to treat inevitable disclosure and threatened disclosure as distinct theories, or if inevitable disclosure is a way to determine threatened disclosure," the *MeadWestvaco* court determined that under VUTSA, it "will limit its evaluation of inevitable disclosure to its treatment as a way to prove threatened misappropriation." *Id*. at 520. Ultimately, it held that under the circumstances presented—specifically that the former employee had entered into confidentiality, non-compete, and non-solicitation agreements—"Virginia would likely apply the doctrine of inevitable disclosure to determine whether threatened misappropriation exits." *Id*. at 525. The court further found that the following six factors should be considered before applying the inevitable disclosure doctrine:

> (1) whether the former employer possesses a "trade secret," (2) the employee's position at his former employer; (3) whether the employee possesses an 'extensive and intimate knowledge' of his former employer's trade secrets; (4) the degree to which the employee's former employer and new employer are in competition; (5) whether the employee can effectively perform the duties of his new position without disclosing, using, or relying on his former employer's trade secrets; (6) whether there are other circumstances that indicate the employee or his new employer are unable or unwilling to safeguard the former employer's trade secrets.

Id. at 524 (quoting *Nucor Corp. v. Bell*, 2008 U.S. Dist. LEXIS 119952, at *60-61, (D.S.C. March 14, 2008).

Two years later, however, another judge of the same circuit court "decline[d] to opine on the applicability of the doctrine" while denying a motion for temporary injunction. *SanAir Techs. Lab., Inc. v. Burrington*, 91

Va. Cir. 206, 210 (Chesterfield Co. 2015). The *SanAir* court reasoned that *MeadWestvaco* was an unpublished opinion (at least at the time), and had only concluded that Virginia would "likely" apply the inevitable disclosure doctrine. *Id*.

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?

With respect to what is a "trade secret," VUTSA follows the Uniform Act's definition, which in part requires that the information "[d]erives independent economic value, actual or potential, from not being generally known to, and not being *readily ascertainable* by proper means by, other persons who can obtain economic value from its disclosure or use." Va. Code § 59.1-336 (emphasis added). In an often cited case, a Virginia district court stated that "[w]hat constitutes *readily* ascertainable through proper means is heavily fact-dependent and simply boils down to assessing the ease with which a trade secret could have been independently discovered." *Business Objects*, 331 F. Supp. 2d at 417 (emphasis in original).

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

On May 9, 2022, a jury returned a $2.037 billion VUTSA verdict. *See Appian Corp. v. Pegasystems Inc. et al.*, CL-2020-7216 (Fairfax Co.). A legal issue presented by this case is whether the burden of proving unjust enrichment damages caused by any misappropriation can in part shift to the defendant (and if so, how). During trial, the circuit court ruled that burden-shifting did apply, specifically pursuant to Comment f to the Restatement (Third) of Unfair Competition, § 45. At the time of this writing, post-trial motions remain pending.

*The authors are counsel for Pegasystems in the above action.

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

Although there are some differences in language, "substantially similar" legal standards apply to claims made under the Defend Trade Secrets Act ("DTSA") and VUTSA. *Synopsys*, 2022 U.S. Dist. LEXIS 134694, at *28, n.40. *See also Space Sys./Loral, LLC v. Orbital ATK, Inc.*, 306 F. Supp. 3d 845, 855 (E.D. Va. 2018) ("The VUSTA's elements are similar to the DTSA[.]").

One distinction is that, in "exceptional circumstances," the DTSA authorizes a civil seizure order based on an *ex parte* application (and sets forth detailed procedures for such an order). 18 U.S.C. § 1836(b)(2). There is no direct Virginia analog, although VUTSA does generally provide that "[i]n appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order." Va. Code § 59.1-337(C). Further, VUTSA limits punitive/exemplary damages to no more than $350,000. *Compare* Va. Code § 59.1-338(B) *with* 18 U.S.C. § 1836(b)(3)(C).