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**TRADE SECRETS**

The authors describe the benefits of using the Delaware Court of Chancery for resolution of trade secret disputes.

**The Delaware Court Of Chancery:  
Forum for Enforcement of Trade Secret Rights**

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**F**or a trade secret owner seeking to prevent or stop misappropriation of its trade secrets, speed in resolving its dispute with the accused misappropriator and expertise in applying injunctive relief are the two most important considerations in choosing a forum to assert claims. These two characteristics are the procedural hallmarks of the Delaware Court of Chancery.

The court has long been the equivalent of a “rocket docket” for the effective resolution of complex corporate governance disputes, handling matters from complaint to post-trial decision in mere weeks when circumstances require expedition, and deciding applica-

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tions for temporary restraining orders and preliminary injunctions as quickly as circumstances dictate. The court is also expert in the application of equitable relief given that many if not most of its cases involve a request for some form of injunction. This largely unmatched speed and expertise makes the Court of Chancery an ideal forum for fast resolution of trade secret disputes.

**The Court and Its Jurisdiction**

The Court of Chancery is comprised of one chancellor, four vice-chancellors and two masters in chancery. The chancellor's role on the court is similar to that of a federal district court chief judge, and a master's role is similar to that of a federal magistrate judge. The five current members of the court are Chancellor Leo E. Strine Jr., Vice Chancellor Donald F. Parsons Jr., Vice Chancellor John W. Noble, Vice Chancellor J. Travis Laster, and Vice Chancellor Sam Glasscock III. All five practiced as complex commercial litigators before joining the court. Four of five began their careers as federal law clerks, and two, Vice Chancellors Parsons and Noble, are engineers (electrical and chemical) by education.

The Court of Chancery is a trial court of limited subject matter jurisdiction. Its jurisdiction extends only to cases involving equitable rights or equitable remedies. The latter basis provides jurisdiction for trade secret disputes. The court has jurisdiction over all Delaware cases in which equitable relief is sought either as the sole remedy or in combination with other remedies. The court cannot hear cases in which only monetary remedies are sought. Based on this limited scope of jurisdiction, the court likely evaluates as many if not more requests for injunctions than any other trial court in the country.

There are no jury trials in the Court of Chancery. The court does have statutory power to appoint an advisory

jury to decide factual issues, but that power is almost never exercised. A plaintiff before the court is therefore virtually assured to have a bench trial.

## The Court's Experience With Trade Secret Disputes

Notwithstanding the Court of Chancery's well-deserved reputation as the world's foremost forum for resolving internal corporate governance matters, the court also has been actively and ably handling important trade secret misappropriation cases for decades. In fact, notable decisions in which the court entered injunctions to protect trade secrets date back at least as far as the 1950s.

For example, in *Gronemeyer v. Hunter Manufacturing Corp.*,<sup>1</sup> the court entered an injunction that related to the knowledge contained in certain "patterns and drawings," which demonstrated how to prepare the plaintiff's "Mirror Insulation" technology.<sup>2</sup> The plaintiff had initially granted the defendant conditional access to and use of the "patterns and drawings" pursuant to a contractual agreement.<sup>3</sup> The court held that "the information disclosed by the patterns and drawings constituted know-how of a type which the law treats as a property right," and that "the defendant was not entitled to use this information once it exercised its option to return the materials which disclosed the information."<sup>4</sup>

The Court of Chancery's willingness to protect trade secrets extended into the employer/employee relationship in the 1960s. For example, in *E. I. duPont de Nemours & Co. v. American Potash & Chemical Corp.*,<sup>5</sup> the plaintiff-employer sought a temporary restraining order and preliminary injunction to stop a former employee from disclosing its trade secrets and "undertaking any employment" with an employer that dealt with the titanium dioxide manufacturing process related to

plaintiff's trade secrets.<sup>6</sup> Despite the "absence of a covenant not to compete," the court granted plaintiff a restraining order and entered a preliminary injunction.<sup>7</sup> Comparing the nature of the former employee's newly sought position to the trade secrets at issue,<sup>8</sup> the court determined that the threat of disclosure was sufficient to merit entry of an injunction.<sup>9</sup>

The 1970s marked the beginning of the rise of computing technologies, and the Court of Chancery was involved in resulting trade secret disputes. For example, in *Data General Corp. v. Digital Computer Controls, Inc.*,<sup>10</sup> the court permanently enjoined a defendant from using drawings that disclosed the design for the plaintiff's "compacted minicomputer[]." <sup>11</sup> The defendant argued, inter alia, that it should not be enjoined because the plaintiff's design was susceptible to reverse engineering.<sup>12</sup> The court, however, found that the alleged "reverse engineering was not accomplished" and that the defendant's minicomputer was designed "through reliance on [the plaintiff's drawings]."<sup>13</sup>

The increasing sophistication of computer and chemical technologies in the 1980s and 1990s led to a number of significant trade secret decisions in the Court of Chancery. For example, in *Bunnell Plastics, Inc. v. Gamble*,<sup>14</sup> the court granted a permanent injunction against a former employee who signed a non-compete agreement, which demanded he not disclose "any confidential information or any other material related to the business or operation of [the plaintiff corporation]."<sup>15</sup> Despite this agreement, the defendant disclosed information regarding a chemical coating for pulp and paper rollers to a company he founded.<sup>16</sup> The court upheld the non-compete agreement and enjoined the defendant's use of plaintiff's trade secrets for two years, finding that the covenant to protect the trade secrets was reasonable with regard to time, geography, and subject matter.<sup>17</sup>

In another case, *Technicon Data Systems Corp. v. Curtis 1000 Inc.*,<sup>18</sup> the court preliminarily enjoined the defendant corporation from misappropriating the plaintiff's claimed trade secrets related to its product—the "Medical Information System"—a computerized system that stored, transmitted and displayed hospital data.<sup>19</sup>

In 1994, the court decided *Miles Inc. v. Cookson America, Inc.*,<sup>20</sup> a case that illustrates the extent of the court's flexibility to fashion specific and significant eq-

<sup>1</sup> 106 A.2d 519 (Del. Ch. 1954).

<sup>2</sup> See *id.* at 520, 523-24. In addition to the injunctive relief, the court ruled that the plaintiff was entitled to monetary damages. See *id.* at 524. ("Plaintiff is entitled . . . to an accounting of profits accrued from its use after the election to return the material.")

<sup>3</sup> See *id.* at 521 (highlighting relevant portions of the parties' agreement, which stated their "agreement shall terminate" if the defendant exercised its discretion to "return to [plaintiff] the patterns and drawings" that the plaintiff initially provided defendant). The defendant had argued that in light of the parties' agreement, it was required to return only the physical copies of the patterns and drawings, but was not restrained from further use of the "know-how" contained therein. See *id.* at 523.

<sup>4</sup> *Id.* at 523. In another case decided around the same time as *Gronemeyer*, *Del. Chems., Inc. v. Reichhold Chems., Inc.*, 127 A.2d 465 (Del. Ch. 1956), plaintiff's request for preliminary injunctive relief for its claimed trade secrets was granted in part. *Id.* at 467. Plaintiff had initially given defendant conditional access to and use of information related to the "manufacture and sale" of the chemical pentaerythritol under a contract, and sought to enjoin defendant from the use and disclosure of such information subsequent to the termination of their contract. *Del. Chems., Inc. v. Reichhold Chems., Inc.*, 121 A.2d 913, 913, 916 (Del. Ch. 1956). Chancellor Seitz ruled that defendant should be enjoined from disclosing such information "pending [a] final decision" on the merits. *Del. Chems.*, 127 A.2d at 467.

<sup>5</sup> 200 A.2d 428 (Del. Ch. 1964).

<sup>6</sup> *Id.* at 429-30.

<sup>7</sup> *Id.*

<sup>8</sup> See *id.* at 434 ("I think it reasonable at this stage to infer that at least some of plaintiff's trade secrets exist in areas where [the former employee] will be called upon to exercise his chemical engineering leadership for [the new employer].")

<sup>9</sup> See *id.* at 435 (concluding there remained a "possibility of a finding of a reasonable probability of disclosure" of trade secrets, despite former employee's assurances that he would "confine himself to the use of unrestricted material").

<sup>10</sup> 357 A.2d 105 (Del. Ch. 1975).

<sup>11</sup> *Id.* at 106, 114.

<sup>12</sup> *Id.* at 107.

<sup>13</sup> *Id.* at 114.

<sup>14</sup> C.A. No. 5913, slip. op. (Del. Ch. Sept. 24, 1980).

<sup>15</sup> *Id.* at 9, 13.

<sup>16</sup> *Id.* at 4, 7.

<sup>17</sup> *Id.* at 8-9, 13.

<sup>18</sup> 224 U.S.P.Q. 286 (Del. Ch. 1984).

<sup>19</sup> *Id.* at 287, 293.

<sup>20</sup> C.A. No. 12,310, slip op. (Del. Ch. Nov. 7, 1994).

uitable remedies to protect trade secrets. The court found that the defendant corporation, which hired several of the plaintiff's ex-employees, had misappropriated many of the plaintiff's trade secrets regarding processes to manufacture "high performance pigments."<sup>21</sup> The court found that several of the pigment processes were "inextricably connected" to the "defendant's manufacture" of the corresponding products, and issued *production injunctions* with regard to those processes.<sup>22</sup> With such production injunctions, one of which lasted as long as three years, the defendant was enjoined from manufacturing the product related to the misappropriated process entirely, even if the defendant was able to discover an otherwise legally permissible process to manufacture the product.<sup>23</sup>

Again, in 1999, the Court of Chancery granted significant injunctive relief in *Merck & Co., Inc. v. SmithKline Beecham Pharmaceutical Co.*<sup>24</sup> In *Merck*, the court found that the defendants misappropriated the plaintiff's trade secrets regarding a "process for producing a vaccine to prevent varicella (commonly known as chicken pox)."<sup>25</sup> In fashioning a remedy, the court noted that "the development of a commercial process" typically "takes many years," and in this case, the defendant gained "a time advantage of three to five years as a result of its misappropriation."<sup>26</sup> Ultimately, the court enjoined the defendant "from marketing its varicella vaccine in the United States or Canada for a period of three years from the date it receive[d] approval to market its vaccine in those countries."<sup>27</sup>

Notwithstanding the increasing prevalence of disputes involving technical trade secrets, the Court of Chancery continued to hear and resolve cases involving *non-technical trade secrets*. For example, in *American Totalisator Co., Inc. v. Autotote Limited*,<sup>28</sup> the court granted a temporary restraining order prohibiting the defendants from using the plaintiff's trade secrets related to strategic bidding plans, detailed reports of profits and losses, figures of the anticipated costs and profits for contract renewals, and proposals for specific contracts.<sup>29</sup> The court found that the plaintiff, which was engaged in the businesses of supplying equipment for the "computation and display of wagering odds" at "racetracks and other sports facilities,"<sup>30</sup> would be irreparably harmed without the injunction, because in the "long-view, the unfair advantage gained" from use of the trade secrets would "not be calculable."<sup>31</sup>

Similarly, in *Marsico v. Cole*,<sup>32</sup> the court held that the defendant-dentist who previously worked for the plaintiff's practice misappropriated trade secrets when he took patient names, patient histories, x-rays and patient mailing labels to start his own practice.<sup>33</sup> In reaching its

misappropriation determination, the court reasoned that patient names and histories were "commercially valuable" and "derive[d] independent economic value from [their] secrecy."<sup>34</sup> Similarly, the patient mailing labels and x-rays were "compilations of information" that constituted trade secrets.<sup>35</sup> In light of the misappropriation, the Court of Chancery granted monetary damages.<sup>36</sup>

In recent years, the Court of Chancery has handed down several significant trade secret decisions. In the 2006 case *W.L. Gore & Associates, Inc. v. Wu*,<sup>37</sup> the court granted additional injunctive relief to the plaintiffs, supplementing the permanent injunction to which the defendant had already consented.<sup>38</sup> Specifically, the court enjoined the defendant, a former scientist-employee of plaintiff, from working with any polymers with which he worked during his employment for 10 years, and also enjoined him from working with any "TFE-containing polymers" for a period of five years.<sup>39</sup> The court relied on the defendant's "lack of trustworthiness and the likelihood of inevitable disclosure" in reaching its determination.<sup>40</sup> In November 2012, the court held the defendant in contempt of court for failure to abide by the terms of the injunction and ordered that the defendant pay a "daily fine of \$5,000 per day" until the defendant demonstrated compliance with the injunction.<sup>41</sup>

More recently, in *Agilent Technologies, Inc., v. Kirkland*,<sup>42</sup> the court found that three defendants, each former employees of the plaintiff, had improperly taken to their new company plaintiff's trade secrets related to technologies used to create "particles and solvents for use in reversed phase high performance liquid chromatography columns."<sup>43</sup> In addition to awarding over \$4.5 million in monetary relief for unjust enrichment and lost profits,<sup>44</sup> the court granted significant injunctive relief that required, *inter alia*: (1) the return of all property of plaintiff, including any "copies or records" derived therefrom; (2) a prohibition against conducting research on or disclosing the trade secrets; and (3) the withdrawal of pending patent applications that dealt with the misappropriated technology.<sup>45</sup>

<sup>34</sup> *Id.* at 9. See also *Perolin Co., Inc. v. West*, C.A. No. 670 (Del. Ch. Mar. 20, 1980) (enjoining defendant from "using any customer lists of plaintiff which he obtained while he was in the employment of plaintiff").

<sup>35</sup> *Marsico*, C.A. No. 13104, slip op. at 9.

<sup>36</sup> See *id.* at 15-19.

<sup>37</sup> C.A. No. 263-N, 2006 BL 2603 (Del. Ch. Sept. 15, 2006).

<sup>38</sup> See *id.* at \*6-8, \*13-19.

<sup>39</sup> *Id.* at \*13-19.

<sup>40</sup> *Id.* at \*14, \*17-18; see also *id.* at \*8-10.

<sup>41</sup> *W.L. Gore & Associates, Inc. v. Wu*, C.A. No. 7964-VCP, slip op. at 5 (Del. Ch. Nov. 2, 2012). In its contempt order, the court also named "Perfect Defense," the company for which defendant Wu was a co-owner and president, as a defendant and held that company jointly and severally liable for the daily fine. *Id.* at 1, 5. The court ultimately awarded plaintiffs \$315,000 in fines to compensate for defendants' failure to comply with the terms of the injunction. *W.L. Gore & Associates, Inc. v. Wu*, C.A. No. 7964-VCP, slip op. at 1-2 (Del. Ch. Feb. 5, 2013).

<sup>42</sup> C.A. No. 3512-VCS, 2010 BL 67164 (Del. Ch. Feb. 18, 2010).

<sup>43</sup> *Id.* at \*1.

<sup>44</sup> *Id.* at \*33.

<sup>45</sup> *Id.* at \*34-36.

<sup>21</sup> *Id.* at 1.

<sup>22</sup> See *id.* at 49, 51-52.

<sup>23</sup> See *id.* For one of the pigments, the plaintiff was granted only a "use injunction," which permitted the defendant to produce such a pigment by "other lawful means." See *id.* at 49, 52.

<sup>24</sup> C.A. No. 15443-NC, slip. op. (Del. Ch. Aug. 5, 1999).

<sup>25</sup> *Id.* at 1.

<sup>26</sup> *Id.* at 60.

<sup>27</sup> *Id.* at 62.

<sup>28</sup> C.A. No. 7268, slip op. (Del. Ch. Aug. 18, 1983).

<sup>29</sup> *Id.* at 3-4, 11-12.

<sup>30</sup> *Id.* at 1.

<sup>31</sup> *Id.* at 11-12.

<sup>32</sup> C.A. No. 13104, slip op. (Del. Ch. Jun. 30, 1995).

<sup>33</sup> *Id.* at 2-5, 8-10.

In addition to handling all types of cases involving trade secrets, the Court of Chancery has taken a specific interest in hearing technology disputes beyond the scope of its traditional subject matter jurisdiction. Title 10 *Del. C. sec. 346* provides that, subject to other conditions, the court will hear and mediate “technology disputes involving solely a claim for monetary damages, [where] the amount in controversy is no less than \$1,000,000 or such greater amount as the Court of Chancery determines by rule.” For the reasons detailed above, compliance with section 346 is not necessary for the court to hear a technology-related trade secret case involving a request for injunctive relief, but the fact that the statute goes so far as to create an additional narrow basis for subject matter jurisdiction (with no equitable right or remedy implicated) over high stakes technology disputes makes clear the court’s continuing interest in adjudicating such matters.

### The Speed of the Court

The Court of Chancery is fast. A sampling and analysis of 200 cases between 2009 and 2011, in which the court ruled upon a motion for temporary restraining order or a motion for preliminary injunction, reflects the frequency and speed at which the court has granted injunctive relief in recent years:

- For cases in which the court ruled on a motion for temporary restraining order, the court granted the motion 58 percent of the time. On average, the court granted the motion 7 days after its filing.

- For cases in which the court ruled on a motion for preliminary injunction, the court granted the motion 30 percent of the time. On average, the court granted the motion 26 days after its filing.

- The authors also looked at cases from the sample that involved *trade secret claims* and in which the court ruled on a motion for temporary restraining order or preliminary injunction. In those cases, the court granted the motion for temporary restraining order 88 percent of the time and granted the motion for preliminary injunction 75 percent of the time.

Based on these statistics, there is no doubt that the court will order injunctive relief on an expedited basis in cases where circumstances require expedition, including trade secret cases.

### Exemplary Damages: Permissible Punitive Damages

Some trade secret owners may initially be concerned that if they file a trade secret case in the Court of Chancery, they will lose potential exemplary damages because the court generally has no ability to award punitive damages. There is no need to worry. The Uniform Trade Secret Act, which has been adopted by Delaware and many other states, provides that “[i]f willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection (a) of this section.”

Exemplary damages under the UTSA are a form of punitive damages, but 6 *Del. C. sec. 2003(b)* specifically permits the court to award exemplary damages in trade secret misappropriation cases. And the court has done so. In *Great American Opportunities, Inc. v. Cherrydale Fundraising, LLC*, the court awarded exemplary damages equal to compensatory damages and also awarded

half of plaintiff’s attorneys’ fees after finding that “[defendant] acted maliciously with intent to harm [plaintiff’s affiliate] and, indirectly, [plaintiff] through its questionable and illegal recruiting efforts, including [defendant’s] misappropriation of trade secrets.”<sup>46</sup>

Thus, access to exemplary damages should not be a cause for concern, as the general prohibition on punitive damages does not affect the court’s ability to award exemplary damages in appropriate circumstances.

### Getting Into and Staying in the Court of Chancery

Once a trade secret owner concludes that the Court of Chancery is the most advantageous forum to resolve future trade secret disputes, the question then becomes, how does one establish the ability to bring and maintain misappropriation cases in the court. This is not difficult because the court will generally enforce exclusive forum selection clauses. The court has observed that “forum selection clauses are ‘presumptively valid’ and should be ‘specifically enforced.’”<sup>47</sup>

There have been exceptions to the general approach, but they are rare, and each instance has involved unusual circumstances. For example, in *Aveta, Inc. v. Colon*, the court concluded that enforcement of an exclusive forum selection clause was unreasonable and fundamentally unjust where a defendant could not speak English and virtually all relevant evidence was located in Puerto Rico.<sup>48</sup> The court noted that language barriers or public policy concerns may require the court to disregard an otherwise valid forum selection clause.<sup>49</sup> While certainly worth keeping in mind, such instances are overwhelmingly the exception, not the rule.

There are, however, two more likely potential pitfalls that must be avoided to ensure the court’s jurisdiction.

First, non-exclusive forum selection clauses should be avoided because they will not preclude the court from dismissing or staying a lawsuit in favor of another forum. In *Dura Pharms., Inc. v. Scandipharm, Inc.*, the court stayed the case in favor of another state action where the agreement at issue contained a forum selection clause providing that “any action or proceeding arising out of or relating to” the agreement “may be heard or determined by any Delaware state or federal court.”<sup>50</sup> The court reasoned that the clause was permissive, not mandatory, based on the inclusion of the word “may.”<sup>51</sup>

Second, a valid forum selection clause will not itself provide a basis for the court’s equitable jurisdiction. The trade secret owner must still seek an injunction to stop the alleged misappropriation in order for the court to have proper equitable jurisdiction.<sup>52</sup>

Provided that the forum selection clause is mandatory and there is a basis for equitable jurisdiction, the trade secret owner must next make sure that any future trade secret litigation falls within the scope of the forum

<sup>46</sup> C.A. No. 3718-VCP, slip op. at 81-84 (Del. Ch. Jan. 29, 2010).

<sup>47</sup> *CA, Inc. v. Ingres Corp.*, C.A. No. 4300-VCS, 2009 BL 273759, at \*53 n.298 (Del. Ch. Dec. 7, 2009) (quoting *Outokumpu Eng’g Enters., Inc. v. Kvaerner EnviroPower, Inc.*, 685 A.2d 724, 733 n.5 (Del. Super. Ct. 1996)).

<sup>48</sup> 942 A.2d 603 (Del. Ch. 2008).

<sup>49</sup> *Id.* at 614-15.

<sup>50</sup> 713 A.2d 925, 927 (Del. Ch. 1998).

<sup>51</sup> 713 A.2d at 929-30.

<sup>52</sup> See *El Paso Natural Gas v. TransAmerican Natural Gas Corp.*, 669 A.2d 36 (Del. 1995).

selection clause in its agreement. The Court of Chancery has concluded that an enforceable forum selection clause includes within its scope tort claims, such as a trade secret misappropriation claim, provided the contract at issue involves a duty to keep information exchanged between the parties to the contract confidential or some similar duty. The court has specifically quoted for guidance on the subject the following view from the U.S. District Court for the Southern District of New York:

A forum selection clause should not be defeated by artful pleading of claims not based on the contract containing the clause if those claims grow out of the contractual relationship, or if “the gist” of those claims is a breach of that relationship . . . . Thus, the circuit courts have held that a contractually-based forum selection clause will also encompass tort claims if the tort claims ultimately depend on the existence of a contractual relationship between the parties . . . or if resolution of the claims relates to interpretation of the contract, . . . or if the tort claims involve the same operative facts as a parallel claim for breach of contract . . . . [The] common thread running through these various formulations [of the rule] is the inquiry whether the plaintiff’s claims depend on rights and duties that must be analyzed by reference to the contractual relationship.<sup>53</sup>

Consistent with this view, the Court of Chancery has generally interpreted forum selection clauses to include related tort claims, even when the clause does not specifically mention tort claims arising out of the parties’ relationship.<sup>54</sup>

Other courts have come to a different conclusion. For example, in *Phillips v. Audio Active Ltd.*, the U.S. Court of Appeals for the Second Circuit held that a forum selection clause in a recording contract between an artist and record company did not apply to copyright claims because the clause covered “any legal proceedings that may arise out of [the agreement],” and to “arise out of” means to originate from something and it could not be said that the copyright claim originated from the agreement.<sup>55</sup> While not a decision of the Court of Chancery, to protect against any potential effect of decisions like *Phillips*, practitioners should use a forum selection clause like the following:

Any dispute arising under or in connection with the agreement, or related to or associated with the subject matter of the agreement, including but not limited to the enforcement of all intellectual property and confidentiality rights, shall be subject to the exclusive jurisdiction of the Delaware state courts, or the Delaware federal courts to the extent the federal courts have exclusive subject matter jurisdiction over a dispute pursuant to 28 U.S.C. § 1330, *et al.*

<sup>53</sup> *Ashall Homes Ltd. v. ROK Entm’t Group Inc.*, 992 A.2d 1239, 1252 (Del. Ch. 2010) (quoting *Direct Mail Prod. Serv. Ltd. v. MBNA Corp.*, 99 Civ. 10550 (SHS), Copy. L. Rep. (CCH) P28,149 (S.D.N.Y. Sept. 7, 2000)).

<sup>54</sup> See, e.g., *Simon v. Navellier Series Fund*, C.A. No. 17734, 2000 BL 613, at \*5 & n.18 (Del. Ch. Oct. 19, 2000) (citing cases holding that a forum selection clause will not be defeated by recasting contract claims as tort claims for the proposition that “artful pleading” designed to circumvent enforcement of the parties’ contractual choice of forum is inappropriate).

<sup>55</sup> 494 F.3d 378, 2007 BL 61747, 83 U.S.P.Q.2d 1489 (2d Cir. 2007) (74 PTCJ 407, 8/3/07).

This sample forum selection clause is sufficiently specific to cover trade secret misappropriation claims. A clause like this should be incorporated into joint venture, technology sharing and employment agreements involving access to confidential trade secrets if the parties want the Court of Chancery to resolve potential disputes. Also, it is important to remember, that the general reference to “Delaware state courts,” as opposed to the Court of Chancery, does not affect a plaintiff’s ability to file suit in Chancery. If an injunction is sought, as it is in most trade secret cases, the case can only be filed in the Court of Chancery, as opposed to Delaware’s trial court of general jurisdiction.

## Choice of Law

Should parties to an agreement decide the substantive trade secret law of a state other than Delaware should apply to a potential dispute, that decision does not make the Court of Chancery a less attractive forum. The court has substantial experience applying the laws of other states, and has done so in trade secret cases on multiple occasions.

For example, in *Bunnell Plastics, Inc. v. Gamble*,<sup>56</sup> the court applied New Jersey law to enforce a covenant not to compete and enjoined defendant from using plaintiff’s trade secrets for a period of two years.<sup>57</sup> Similarly, in *Chartis Warranty Guard, Inc. v. National Electronics Warranty, LLC*,<sup>58</sup> the court applied New York law<sup>59</sup> to determine that plaintiff had sufficiently established its trade secret misappropriation claim<sup>60</sup> and enjoined defendant from using plaintiff’s claimed trade secrets during the parties’ “anticipated arbitration.”<sup>61</sup>

Parties to an agreement should therefore feel no angst in committing potential trade secret disputes to the court regardless of the applicable state law.

## Summary

In sum, if trade secret owners could create the ideal forum for the resolution of misappropriation disputes, they would want a court that is experienced in trade secret matters, willing and able to order all forms of injunctive relief, and quick to do so when circumstances require expedition. Fortunately, that court already exists.

The Delaware Court of Chancery has all these characteristics, and is much more accessible to trade secret owners than one might think. For these reasons, both trade secret owners and practitioners would be wise to consider the court as their forum of choice to enforce trade secret rights.

<sup>56</sup> C.A. No. 5913, slip. op. (Del. Ch. Sept. 24, 1980).

<sup>57</sup> *Id.* at 5, 13.

<sup>58</sup> C.A. No. 5764-VCP, 2011 BL 227163 (Del. Ch. Jan. 28, 2011).

<sup>59</sup> *Id.* at \*10 n.56 (“[F]or purposes of [plaintiff’s] preliminary injunction motion, I have applied New York law to all of [plaintiff’s] claims.”).

<sup>60</sup> See *id.* at \*10-11 (“Thus, [plaintiff] has adduced sufficient evidence to show that it is reasonably likely that its claim[] in arbitration for misappropriation of trade secrets . . . [is] sound.”).

<sup>61</sup> *Id.* at \*5, \*12, \*14.