

# **ABA Section of Intellectual Property Law, Trade Secrets and Interferences with Contracts Committee Annual Trade Secret Law Report 2014/2015**



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## 1ST CIRCUIT

### Massachusetts

**CardiaQ Valve Technologies, Inc. v. Neovasc, Inc., 57 F. Supp.3d 118 (D. Mass. 2014).** CardiaQ (“plaintiff”) brought suit against its former consultant, Neovasc (“defendant”), for misuse of confidential information belonging to plaintiff with respect to a prosthetic heart mitral valve. Plaintiff had developed innovative systems designed to be alternatives to open-chest surgery, and had filed patent applications to protect the intellectual property that it had developed, and at the time in question was working on a platform for transcatheter mitral valve implementation (“TMVI”). In June of 2009, defendant sent an unsolicited email to plaintiff, offering biologic tissue materials and associated development and manufacturing services, and was retained by plaintiff subject to a non-disclosure agreement (“NDA”) for assistance with the TMVI project. Plaintiff discontinued this relationship in April of 2010. In May of 2010, defendant filed its first US patent application covering TMVI technology, allegedly disclosing various aspects of CardiaQ’s TMVI technology and inventions. Plaintiff became aware of the application in January 2012, and in February 2014, learned through a public statement that defendant had begun developing its valve in 2009. The plaintiff alleged the defendant misappropriated trade secrets and fraudulently induced plaintiff to share confidential and propriety information in 2009. The court found sufficient justification to deny defendant’s motion to dismiss.

**Whipps, Inc. v. Ross Valve Manufacturing Company, Inc., No. 14-40045-TSH, 2014 WL 1874754 (D. Mass. May 8, 2014).** George Whipps, President of Whipps, Inc., a manufacturer, fabricator, and producer of water control products, sought a preliminary injunction against his son Evan and his company Ross Valve for the sale of an allegedly proprietary “self-jigging” water control gate. When Evan left the employ of his father, he took with him plaintiff’s former Director of Engineering (“Gamble”), as well as critical information about the “self-jigging” gate. Ross manufactured and exhibited on its website a metal slide gate product that appeared to be produced using the same self-giving welding process that George conceived and which Gamble had delayed implementing while at Whipps. The court found that it was a close call as to whether the self-jigging gate process was a trade secret, because the process had been around for some time and was based on an engineering design well known in other industries. Ultimately, the court entered a preliminary injunction in favor of the plaintiff as the court concluded that the technique was not being utilized in the water control gate industry when Gamble was made aware of Whipps’ design.

**Herbert H. Landy Insurance Agency, Inc. v. Navigators Management Company, Inc. No. 14-12552-FDS, 2014 WL 3908179 (D. Mass. Aug. 8, 2014).** Landy Insurance Agency (“plaintiff”) brought suit against Navigators Management Co. Inc. (“defendant”) alleging breach of contract, interference with advantageous business relationships and misappropriation of trade secrets. Plaintiff, engaged in the business of errors-and-omissions liability insurance, had contracted with defendant to place all new and existing business for real estate professionals. The book value of policies plaintiff placed with defendant in the first year of the relationship exceeded twenty million dollars. After plaintiff terminated the contract, as it was lawfully entitled to do, defendant solicited plaintiff’s customers by providing contact information to one of plaintiff’s competitors. In the outreach messaging, defendant instructed that the new business partner was the exclusive agent, and that Navigator policies could not be renewed by plaintiff. After defendants removed the action to federal court, plaintiff filed a motion to remand. Plaintiff contended that the amount in controversy did not exceed the \$75,000 threshold necessary to sustain diversity jurisdiction, because the plaintiff filed the request for a preliminary injunction almost immediately after the email was distributed and it was unlikely defendants had effectuated transactions in excess of \$75,000 at that time. The Court determined that it was incorrect to determine the amount in controversy at the time of removal, and that the amount in controversy is measured by the pecuniary value of the rights being litigated. After concluding that there was a reasonable probability that the amount in controversy in this case exceeds \$75,000, the Court denied plaintiff’s motion to remand.

**Voice Domain Technologies, LLC v. Apple, Inc., No. 13-40138-TSH, 2014 WL 5106413 (D. Mass. Oct. 8, 2014).** Voice Domain (“plaintiff”) filed suit against Apple, Inc. (“defendant”) for patent infringement through the inclusion of Siri voice command functionality. Defendant counterclaimed for declaration of non-infringement. Defendant also sought a protective order, as the producing party of documents sufficient to show operation of the accused products or methods, in order to prevent disclosure of discovery material likely to cause economic harm or significant competitive disadvantage (such as trade secrets and non-public technical information) to the plaintiff. Plaintiff resisted such order, which would have restricted review of sensitive information exclusively to plaintiff’s

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outside counsel, on the ground that precluding the single employee from evaluating the highly confidential materials in the case would prevent plaintiff from making sound litigation decisions. The court evaluated whether plaintiff's single employee was a competitive decision maker especially situated to take positions directly harmful and antagonistic to defendant, concluding that he was. The court questioned the possibility of avoiding the subconscious use of Apple's confidential material in his future endeavors, and found the risks associated with inadvertent disclosure of Apple's confidential materials outweighed the potential harm to plaintiff from precluding its employee from accessing the material.

### **Boston Scientific Corp. v. Dongchul Lee, No. 13-13156-DJC, 2014 WL 1946687 (D. Mass. May 14, 2014).**

Boston Scientific Corp. ("plaintiff") brought a claim against one of its former employees, Dr. Dongchul Lee ("defendant") and his new employer, seeking a preliminary injunction prohibiting the disclosure of plaintiff's trade secrets. Plaintiff alleged that defendant retained in his possession confidential information belonging to the company, and that he had stored some of this information on his personal account through Google Drive. Plaintiff also advanced an argument that defendant was attempting to disclose plans for present and future research in violation of his nondisclosure agreement by carefully wording his statements describing the nature of research he did and did not perform during his tenure at Boston Scientific. The Court found that defendant's retention of documents, even if retention was done inadvertently, warranted a permanent injunction. The court further found that plaintiff's interests in protecting its trade secrets would be satisfied by requiring subsequent submissions to the court to be made under seal.

### **EMC Corporation v. Jeremy LeBlanc, No. 14-cv-12524-IT 2014 WL 3943091 (D. Mass. Aug. 11, 2014).**

EMC Corporation ("plaintiff") sought preliminary injunctive relief against Jeremy LeBlanc ("defendant"), its former employee who had since joined a competitor in the data storage business. Plaintiff alleged that defendant actively solicited EMC customers to which he sold or attempted to sell products or about which he gained confidential information while he was under plaintiff's employ. One of plaintiff's clients exchanged an email with remaining employees that it was "funny" to see the defendant pitching a new product, after he had been in the office the week prior to try to close a deal for EMC.

### **Coyle v. Kittredge Ins. Agency, Inc., Francis Kittredge, and Eastern Insurance Group, LLC, No. 4:12-cv-40014-TSH, 2014 WL 1330859 (D. Mass. March 28, 2014).**

Peter Coyle ("plaintiff"), brought suit against his former employer, defendant Kittredge Insurance Agency ("KIA") and its successor, defendant Eastern Insurance Group ("EIG"). Plaintiff had sold insurance for several years and developed a substantial book of business that he carried with him from insurer to insurer, including to KIA. After plaintiff left KIA to become a teacher, he had agreed not to solicit business from his former book, in return for 1.5 to 2.5 times the value of his book upon the sale of KIA. When EIG acquired KIA, the plaintiff filed suit alleging, among other claims, misappropriation of trade secrets for the use of his book without compensation. The court agreed with defendants in that plaintiff did not have an ownership interest in the book of business itself. Therefore, defendant EIG did not acquire the book of business through an improper means or through a breach of a confidential relationship. Summary judgment was granted in favor of all defendants because there was insufficient evidence to support the trade secret claim.

### **Actifio, Inc. v. Delphix Corp., No. 14-13247-DJC, 2015 WL 1243164 (D. Mass. March 17, 2015).**

Actifio, Inc. ("plaintiff"), a corporation doing business out of Massachusetts, and Delphix Corp. ("defendant"), a California corporation, were engaged in a series of disputes. Defendant had filed an action in the Northern District of California alleging patent infringement and misappropriation of trade secrets. Plaintiff subsequently brought its own action, first in Delaware, and then in Massachusetts, alleging defendant had committed the same violations with respect to a series of plaintiff's patents. Defendant subsequently moved to have the Massachusetts action dismissed, stayed, or transferred. The Court concluded that even though the case filed in this district involved the same parties and will involve some overlapping evidence, it does not involve the same patents and cannot be characterized as identical litigation. The Court was wary of broadening the rule further than circumstances involving identical patents or functionally duplicative actions.

### **Eric E. Paquette, as Personal Representative of the Estates of Shirley J. Ju and Chester Ju v. McDermott Investment Services, LLC, No. 14-12377-FDS, 2014 WL 5313945 (D. Mass. Oct. 17, 2014).**

Mr. Paquette ("plaintiff"), responsible for the affairs of his mother and her estranged husband after the couple's untimely death as a result of a murder-suicide, sought declaratory judgment for unpaid fees from his mother's former employer, McDermott Investment Services ("defendant"). Defendant filed its own motion to compel arbitration, subject to an employment arbitration agreement, and countered with a violation of the Pennsylvania Uniform Trade Secrets Act, as Ms. Ju had transmitted several emails identifying subset of her clients to an industry friend working for one of

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defendants' competitors. Plaintiff alleged that the employment agreement specifically designated FINRA as the arbitrator for contract claims, but that violation of the PUTSA was an associated tort claim outside of the covenant. The court held that arbitration clauses should not be narrowly construed, and that when an agreement is ambiguous, the Court may consider whether the disclosure of trade secrets arose out of the performance of the relationship created by the contract. The action was stayed pending decision by a FINRA arbitration panel.

### Rhode Island

#### **Wai Feng Trading Co. Ltd. v. Quick Fitting, Inc., No. 13-033 S, 2014 WL 4199174 (D. R.I. Aug. 22, 2014).**

Quick Fitting, Inc. ("plaintiff") and Wai Feng Trading Co. ("defendant") were involved in complex litigation stemming from a business arrangement whereby defendant manufactured plaintiff's patented and trademark-protected technology for manufacturing high quality, push-to-connect plumbing fixtures. The arrangement was subject to a confidentiality, non-disclosure, and non-competition agreement. Soon after the relationship began, plaintiff rejected defendants' goods for failure to comply with the lead-free specification in violation of the implied warranty of merchantability and fitness. Defendant sued for non-payment, and plaintiff brought subsequent suit charging of stealing Quick Fitting's intellectual property and misappropriating its trade secrets. Plaintiff alleged that defendant was manufacture plumbing fixtures using plaintiff's proprietary molds, tolling, designs and specifications, and attempting to undercut plaintiff by offering for sale plaintiffs' protected products to plaintiffs' customers across North America at a reduced price. The court granted defendant's motion to deconsolidate and sever the claims of misappropriation from the claims of nonpayment. The Court concluded that the simple claim for goods sold and delivered will not only be seriously delayed but also was likely to be so merged into Quick Fitting's claims or defenses that irreparable injury will result.

### New Hampshire

#### **CaremarkPCS Health, LLC v. New Hampshire Dep't of Admin. Services, No. 2014-120, 2015 WL 1941356.**

Caremark PCS ("plaintiff") submitted a successful bid for pharmacy benefit management services for the State of New Hampshire's health plan. Both the bid and the final contract included statements to the effect that certain information set forth in those documents is proprietary and constitute trade secrets of plaintiff. The Department of Administrative Services ("defendant") received multiple requests under New Hampshire's Right-to-Know Law (a state statute modeled after the federal Freedom of Information Act) seeking to inspect and copy Caremark's bid and final contract. At least two of the requests came from Caremark's competitors. Though both parties agreed that the information contained in the requested materials constituted "confidential, commercial or financial information", the defendant argued that the Court must balance the plaintiff's desire to keep the information private with the public's right to know the information. The Court looks to the language of the Uniform Trade Secrets Act for guidance, before concluding that Caremark specifically marked the designated information as confidential and proprietary, and it was acquired by the State of New Hampshire under circumstances giving rise to a duty to maintain its secrecy or limit its use. The court held that disclosure of the information is prohibited by statute, as the disclosure of the designated information would be a misappropriation of Caremark's trade secrets.

### Maine

#### **Sea Hunters v. The S.S. Port Nicholson, No. 2:09-cv-272-GZS, 2014 WL 2117358 (D. Maine May 21, 2014).**

Sea Hunters ("plaintiff") filed a motion to retain confidentiality designations after the Secretary of State for Transport of the United Kingdom ("UK") objected to plaintiff's designations as overly broad and encompassing documents not properly deemed confidential pursuant to court order. The UK asserted that several of the documents had been publicly released, and the plaintiff's statement that the designation does not apply to documents in the public record or otherwise in the public domain improperly placed the burden on the UK to ascertain the confidentiality of the discovery material. The Confidentiality Order covered information protected from disclosure by statute or that should be protected as confidential personal information, trade secrets, personnel records, or commercial information. The court denied the motion, concluding that specific, rather than blanket, designations were required, and the burden is on the party seeking protection to make a good-faith determination that the documents it wishes to designate as confidential contain information protected from disclosure as specified.

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**Securadyne Systems, LLC v. Peter Green, No. 2:13-CV-387-DBH, 2014 WL 1334184 (D. Maine April 2, 2014).** Securadyne Systems (“plaintiff”) sought a permanent injunction against Minuteman (“defendant”), its competitor in the large enterprise security integration business, and several of plaintiff’s former employees (“co-defendants”) who were then employed by the defendant. The Court had to evaluate two issues. The first, whether the plaintiff’s Standards of Conduct Agreement prohibiting employees from directly or indirectly soliciting, contacting, serving, dealing or transacting with any person that was a customer of the plaintiff, was a valid agreement in light of plaintiff’s email stating “To be clear, it is NOT a non-compete” (emphasis original). Once the court found that the non-solicitation provision created an enforceable covenant, it then turned to the issue of one of the co-defendants who had served for plaintiff and was then serving for defendant in the office manager position. The court examined to what extent enforcing the agreement against an office manager was against the public interest. Under Maine law, a former employee may not, absent unusual circumstances, be prevented from entering into the practice of a business that requires no specialized training. The court stated that enforcement should be limited to the extent that it is reasonable and sweep no wider than necessary to protect unique business methods or trade secrets acquired while serving the former employer. The court balanced the hardship on the office manager, finding she can use her administrative and human relations skills in many other fields. The plaintiff’s motion was granted.

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## 2ND CIRCUIT

**Big Vision Private Limited v. E.I. Du Pont de Nemours and Company, No. 14-976-cv, 2015 WL 2402715, -- Fed. Appx. ---- (2d Cir. 2015).** Plaintiff, a banner manufacturer, brought this action against Du Pont after meetings and plans regarding an alleged joint venture fell apart. The Second Circuit affirmed the district court's grant of summary judgment on claims of unfair competition, breach of contract, and trade secret misappropriation. Only the unfair competition claim was at issue on appeal. Plaintiff argued that it could base its unfair competition claim on the misuse of technical and business information, even if that information did not rise to the level of an actual trade secret. The Second Circuit agreed with this point as a matter of New York state law, but concluded that plaintiff had not shown any actual use of the claimed confidential information. Specifically, plaintiff did not show that defendant had conducted any product testing or developed any products using the confidential technical information, and plaintiff did not introduce any evidence that defendant had acted upon any confidential business information, such as setting its pricing structure based on plaintiff's pricing strategy.

### New York

**Alexander Interactive, Inc. v. Leisure Pro Ltd., No. 14-cv-2796, 2014 WL 4651942 (S.D.N.Y. Sept. 15, 2014).** Plaintiff web designer brought an action alleging copyright infringement, trade secret misappropriation, and unjust enrichment from defendants' use of source code from a website plaintiff developed for a related company. The district court (Castel, J.) granted defendants' motion to dismiss the complaint. As to the trade secret claim, the court held that the source code could not constitute a trade secret under New York law because (1) it was designed for use by someone else, not the plaintiff, and (2) it was intended for release. In addition, any of the claimed deliverables that had been registered for copyright protection could not be trade secrets because of their public disclosure as part of the registration process. The court took judicial notice of what the plaintiffs had registered and attempted to register at the U.S. Copyright Office. Finding no non-conclusory allegations that any registered works had been incorporated into the defendants' website, the court dismissed the copyright claims. Finally, the court dismissed the unjust enrichment claims as pre-empted by the Copyright Act.

**Big Vision Private Limited v. E.I. Du Pont de Nemours and Company, 1 F. Supp. 3d 224 (S.D.N.Y. 2014).** Plaintiff is an Indian banner-printing company who claims to have developed a novel recyclable banner. Plaintiff alleged that after it explored a joint venture with defendant Du Pont, defendant terminated the joint venture and developed competing technology based on shared confidential information. The plaintiff advanced breach of contract, trade secret misappropriation, and unfair competition claims. On defendant's motion for summary judgment, the court (Failla, J.), dismissed all claims. As to breach of contract, the court ruled that plaintiff did not adhere to the express terms of the confidentiality agreement at issue, which required written designation of which shared materials were confidential and thus subject to the agreement within 30 days of disclosure. The trade secret misappropriation claim failed for several reasons. First, the court found that the plaintiff had not identified the trade secret with the required level of specificity. The court noted that specificity was required so that the party to whom the secret is disclosed can "understand the contours of the secret information." Here, the plaintiff did not adequately notify Du Pont of what it considered secret. Instead, what it claimed in litigation as a trade secret was disclosed in nine different formulations over four different memoranda. In addition, at the time of disclosure, plaintiff did not have a written non-disclosure agreement with defendant. Second, the plaintiff had not adequately identified the trade secret during the litigation, having offered different descriptions in the complaint, in response to interrogatories, and in its expert report. Third, the plaintiff failed to establish that the information constituted a trade secret because it had been disclosed in plaintiff's own patent application, and the elements of the trade secret also had been publicly disclosed in earlier patent applications by others. Finally, the plaintiff failed to show improper means by defendant in learning the trade secret or using it.

The plaintiff appealed the dismissal of the unfair competition claim, which the Second Circuit affirmed in a summary order, described above.

**DS Parent, Inc. v. Teich, No 5:13-CV-1489, 2014 WL 546358 (N.D.N.Y. Feb. 10, 2014).** Plaintiffs, which build and sell converting and extrusion machines, including liquid coating equipment, based on customer specifications, brought suit against its former employee, who was working for a competitor, alleging that the former employee breached his noncompetition agreements with plaintiffs. After granting plaintiffs' motion for a temporary restraining order, the court (Kahn, J.) denied plaintiffs' motion for a preliminary injunction. Defendant signed two noncompete agreements with plaintiffs. The first, an employment agreement, contained a two-year noncompete, but also released

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defendant from that noncompete if plaintiffs reduced their efforts in the liquid coating markets by ending or reducing participation in trade shows, print advertising and the like, or permanently allocating existing liquid coating resources to other product areas. The court held that plaintiffs failed to demonstrate that defendant was not released from the covenant not to compete in his employment agreement. After signing his employment agreement, defendant signed a Stock Agreement containing a one-year noncompete. However, the court held that the defendant would be able to rescind the Stock Agreement or reform it so as to remove the noncompete provision on the grounds of unilateral mistake because written and oral statements by plaintiffs made prior to defendant's execution of the Stock Agreement were to the effect that the only noncompete to which he would be subject was the two-year noncompete contained in his employment agreement. The court further held plaintiffs had not demonstrated that the noncompetition provisions in defendant's agreements protected legitimate business interests, including trade secrets or customer-related interests. Specifically, the court held that plaintiffs did not show that the technical processes involved in production of its machines, strategic plans, or pricing constituted protectable trade secrets or confidential information, or that defendant had long-standing clients relationships and that his services were a significant part of plaintiffs' transactions with its customers. The court also held that plaintiffs failed to demonstrate irreparable harm because money damages would be available if plaintiffs lost orders to defendant's new employer.

**First Manufacturing Co., Inc. v. Young, No. 067961/2014, 3 N.Y.S.3d 284 (N.Y. Sup. Ct. Nov. 3, 2014).** The court (Whelan, J.) granted plaintiff's motion for an injunction against using or divulging trade secrets, which consisted of designs for leather goods for the motorcycle industry, customer lists, and pricing strategy. The court found the plaintiff likely to succeed on its claim that two defendants (former employees) surreptitiously copied the claimed trade secrets while they were employed by, and thus owed a fiduciary duty to, the plaintiff. The court also found that the third defendant (the new employer) was a willing participant and knowingly used the trade secrets in question. The court also noted that under New York's common law unfair competition tort, confidential information not amounting to a trade secret (such as unspecified intricacies of a business operation) can still be protected if it had been garnered by the defendant by way of tortious, criminal, or other wrongful conduct. The court found that the new employer had improperly and knowingly used stolen information in the design of defendant's products, by undercutting plaintiff's prices, and in soliciting plaintiff's customers by disparaging plaintiff's business operations.

**Installed Bldg. Products, LLC v. Cottrell, No. 13-CV-1112, 2014 WL 3729369 (W.D.N.Y. July 25, 2014).** Defendant, a former employee of plaintiff, a building supply company, moved to dismiss plaintiff's complaint alleging that defendant breached his noncompetition agreement when he began working for plaintiff's competitor, also named in the suit. Defendant asserted that his noncompetition agreement was unenforceable and that the complaint failed to state a claim because the key allegations about defendant's work for plaintiff's competitor were made on information and belief. The court (Arcara, J.) did not accept the magistrate's Report and Recommendation that the motion to dismiss be granted. As a preliminary matter, the court elected to apply New York law, even though the noncompetition agreement contained an Ohio choice of law provision. The court noted that defendant worked for Plaintiff in New York during most of his employment and, more significantly, that neither party challenged the magistrate's conclusion that New York applied. The court also determined that it would not consider documents submitted by plaintiff, including two affidavits and two photographs, because they were not attached to or referenced in the complaint. The court concluded that fact-bound issues, including whether plaintiff has legitimate business interests justifying enforcement of a noncompetition agreement and whether the agreement is appropriately tailored to such interests, precluded a determination that the noncompetition agreement was unenforceable. The court also held that the allegation, made on information and belief, that defendant is working for plaintiff's competitor, combined with a description of the competitor's business, is sufficient to state a claim for breach of the noncompetition agreement.

**Knit Knit LLC v. Unitrade Enterprises, Inc., No. 7 6239/11, 7 N.Y.S. 3d 243 (N.Y. Sup. Ct. Dec. 19, 2014).** Plaintiff, an LLC engaged in purchase, importation and wholesale distribution of "off-price" apparel brought an action for misappropriation of trade secrets against Halpern, whom plaintiff formerly engaged to assist in purchasing merchandise, and the company that subsequently retained Halpern and its principal. Plaintiff alleged that Halpern contacted and purchased merchandise from one of plaintiff's suppliers. The court (Demarest, J.) granted Halpern's motion for summary judgment on the grounds that plaintiff's supplier did not constitute a trade secret. Plaintiff failed to show that the identity of the supplier was not publicly ascertainable, that it undertook great effort in discovering the supplier, or that it took measures to keep the relationship with the supplier secret.

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**MSCI Inc. v. Jacobs, 120 A.D. 3d 1072, 992 N.Y.S.2d 224, 112 U.S.P.Q.2d 2010 (1<sup>st</sup> Dept. 2014).** In 2011, plaintiff MSCI brought this action against defendants, including two of its former employees and their subsequent employer, Axioma, asserting that the former employees misappropriated the source code for plaintiff's investment decision support products. The parties negotiated and the trial court entered a confidentiality stipulation and order ("CSO") providing that MSCI and Axioma would jointly retain a third-party neutral with whom they would deposit their respective source codes, reviewable only by counsel and experts. Axioma only deposited source code created between February 24, 2011 and April 3, 2012. Plaintiff moved to compel Axioma to deposit source code created after April 3, 2012. The motion court denied the motion and plaintiff appealed. The Appellate Division reversed and ordered Axioma to produce all versions of the source code created between April 3, 2012 and the date Axioma's accused product is released to the market. The Appellate Division held that the CSO provided that "all versions" of relevant source code were to be deposited, and moreover, that plaintiff's expert had demonstrated that without versions of the code after April 3, 2013, he could not meaningfully compare the parties' respective source codes so as to determine misappropriation.

**Nostrum Pharmaceuticals, LLC v. Dixit, No. 13 Civ. 8718, 2015 WL 2208167 (S.D.N.Y. May 8, 2015) and 2014 WL 4370695 (Sept. 2, 2014).** The district court (McMahon, J.), in a series of opinions, denied defendant's motions to dismiss or for summary judgment on the issue of whether Missouri's Uniform Trade Secret Act (MUTSA) pre-empted the common law claims of trade secret misappropriation, breach of fiduciary duty, usurping corporate opportunities, and faithless servant doctrine. The court noted that if New Jersey law applied, the New Jersey Trade Secret Act does not pre-empt such common law causes of action. Similarly, New York had not adopted trade secret legislation, so the common law causes of action would also survive under New York law. The court noted that New York conflict-of-law analysis relied primarily upon the site of the alleged misappropriation. Accordingly, citing conflicting evidence as to where the defendant performed work for the plaintiff company, the court denied the motions without prejudice to re-raising after the close of discovery.

**Secured Worldwide LLC v. Kinney, No. 15 Civ. 1761, 2015 WL 1514738 (S.D.N.Y. April 1, 2015).** Plaintiff was in the late stages of launching a business that will produce highly secure cases about the size of a credit card, called vaults, for holding diamonds. Each vault is to have a preset value (e.g., \$100,000) and plaintiff intends to sell vaults to be used as gifts, stores of wealth or assets for diversification of portfolios. Plaintiff filed a patent application on its vault product. Also, plaintiff engaged outside vendors to develop software and an algorithm for selecting diamonds to include in each vault. Plaintiff filed a copyright registration on the software vendors developed. Defendant was a member and employee of plaintiff and was compensated for his work on behalf of plaintiff. Defendant signed an LLC agreement containing a covenant not to compete. Defendant helped develop plaintiff's business model and its vault technology, and was named an inventor on the vault product patent application, though he assigned his patent rights to plaintiff. While involved in a dispute with plaintiff concerning compensation and ownership of intellectual property, and while still a member of plaintiff, defendant launched a company selling diamond vaults in competition with plaintiff and incorporating technology that defendant helped to develop for plaintiff. The court (McMahon, J.) granted plaintiff's motion to preliminarily enjoin defendant from using its intellectual property, including trade secrets concerning vault technology which was the subject of the pending patent application, and from participating in any business that competes with plaintiff. The court held that plaintiff was entitled to a presumption it would be irreparably harmed by defendant's business given defendant's intimate knowledge of highly technical information concerning plaintiff's vault technology and its business methods. The court further held that plaintiff was likely to succeed in proving that the vault technology and the copyrighted algorithm for selecting diamonds are trade secrets and that defendant's business threatened misappropriation of those secrets in breach of his fiduciary duty as a member of plaintiff.

**Sleppin v. Thinkscan.com, LLC, 55 F. Supp. 3d 366 (E.D.N.Y. 2014).** This matter arose from a soured business relationship over the development of software capable of performing product evaluations, which led to the dissolution of a joint venture into competing companies. The parties traded accusations over misappropriation of trade secrets, ownership over the previous company's intellectual property, and breaches of fiduciary duties. The court (Spatt, J.) granted plaintiff's motion to remand the matter to state court on the grounds that none of the asserted claims was subject to complete preemption by the Copyright Act, and none of the other claims arose under the Copyright Act, accordingly no federal subject matter jurisdiction existed. As to the trade secret claim, the court noted that misappropriation claims grounded solely in the copying of protected expression are preempted by the Copyright Act, and that to avoid preemption, the plaintiff must show that the state law claim includes an element that is "qualitatively different" from a Copyright claim. "Qualitatively different" elements can include the breach of



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a fiduciary duty or confidential relationship, but must be more than merely a knowledge or intent element. Here, the court found that the alleged misappropriation included allegations that misuse of the customer lists, presentations, and website material at issue violated a duty of confidentiality, and accordingly the trade secret claim was not subject to preemption.

**TNS Media Research, LL v. Tivo Research and Analytics, Inc., No. 11 Civ. 4039, 2014 WL 5639930 (S.D.N.Y. Nov. 4, 2014).** At issue was plaintiffs' motion for sanctions against defendant relating to, among other matters, defendants' twenty-four claims for trade secret misappropriation. Plaintiffs filed suit on June 14, 2011, seeking a declaratory judgment that it did not infringe any claims of a patent owned by defendants. Defendant, in turn counterclaimed for, among other claims, patent infringement and trade secret misappropriation. Almost two years later, the court (Scheindlin, J.) held a status conference to discuss eliminating some claims from the litigation, including some of the twenty-four trade secret claims asserted by defendant. Defendant agreed to narrow its trade secret claims to five. Subsequently, the court granted plaintiff's motion for summary judgment on, among other claims, defendant's five trade secret claims. The court dismissed the trade secret claims holding that defendant violated Rule 26(e) and, in the alternative, that defendant's purported trade secrets were not protectable, that defendant publicly disclosed its purported secrets, and that defendant failed to demonstrate plaintiffs' use of the secrets. Relying on its inherent powers to sanction a party or attorney who has acted in bad faith, vexatiously, wantonly, or for oppressive reasons, the court found that defendant's trade secret claims were "baseless," "lacked critical elements of a claim for trade secret misappropriation," "frivolous," and were brought in "bad faith." The court held that plaintiff was entitled to collect attorney's fees for its efforts in defending against the five trade secret claims that were decided on summary judgment.

**Brown & Brown, Inc. v. Johnson, 115 A.D.3d 162, 980 N.Y.S. 2d 631 (4<sup>th</sup> Dept. 2014).** In 2006, Plaintiffs, insurance intermediaries, hired defendant Johnson to provide actuarial analysis. Plaintiffs terminated Johnson in 2011, after which she began working for plaintiffs' competitor. Plaintiffs sued Johnson and her new employer for, among other claims, misappropriation of trade secrets and breach of contract, specifically an employment agreement containing a two-year client nonsolicitation clause, a confidentiality clause, and a non-inducement of employees clause. The trial court granted defendants' motion for summary judgment on the breach of contract claim, except as to breach of the non-solicitation clause, and the misappropriation of trade secrets claim. Though the employment agreement contained a Florida choice-of-law provision, the Appellate Division held it was unenforceable because it is "truly obnoxious" to New York law. Specifically the Appellate Division held that Florida law forbids courts from considering the hardship imposed upon an employee in evaluating the reasonableness of a restrictive covenant, while New York law is that a restrictive covenant imposing an undue hardship on the employee is invalid and unenforceable. The Appellate Division rejected defendants' contention that they are entitled to summary judgment dismissing the breach of contract claim in its entirety because Johnson was terminated without cause. The Appellate Division stated that the Court of Appeals had held only that a forfeiture-for-competition clause was unenforceable where termination was involuntary and without cause, and that no such clause was at issue. However, the Appellate Division agreed with the defendants that the nonsolicitation provision was overbroad and unenforceable because it prohibited Johnson from soliciting nay clients of plaintiffs and not simply those with which she acquired a relationship with those clients. Further, the Appellate Division refused to partially enforce the nonsolicitation provision because the agreement was not presented to Johnson until her day of work with plaintiffs and because plaintiffs made now showing that in exchange for signing the agreement, Johnson received any benefits beyond continued employment. Finally, the Appellate Division held that summary judgment should not have been granted with respect to that portion of the breach of contract claim involving the confidentiality provision and the misappropriation of trade secrets claim, because of disputed issues of fact, including whether the information plaintiffs sought to protect was confidential or constitutes trade secrets, whether the confidentiality provision was necessary to protect legitimate business interests and whether Johnson breached the provision or misappropriated trade secrets.

**Dauphin v. Crownbrook ACC, LLC, No. 12-CV-2100, 2014 WL 20002822 (E.D.N.Y. May 15, 2014).** Counterclaim-plaintiff asserted claims for breach of a confidentiality agreement and misappropriation of trade secrets against its former employee, alleging that he disclosed and used counterclaim-plaintiff's purportedly confidential information, causing customers to cease doing business with counter-claim plaintiff. The court (Ross, J.) entered summary judgment in favor of counterclaim-defendant on both claims on the grounds that counterclaim-plaintiff failed to put forward any evidence that counterclaim-defendant had actually used or disclosed counterclaim-plaintiff's purportedly confidential information or trade secrets. With respect to the breach of contract claim, the

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court held that mere possession or retention of counterclaim-defendant's confidential information did not constitute a breach of the confidentiality provision, which specifically prohibited only use or disclosure.

### Connecticut

**AT Engine Controls Ltd. v. Goodrich Pump & Engine Control Systems, Inc., No. 3:10-CV-01539, 2014 WL 7270160 (D.Conn. Dec. 18, 2014).** Pursuant to written contracts executed in 1979 and 1984, predecessors of plaintiff and defendant jointly developed a "full authority digital engine control" ("FADEC") system for aircraft engines, consisting of a hydro-mechanical fuel metering unit and a digital electronic control unit ("DECU"). Plaintiff's predecessor was responsible for the hardware and software design for the DECU based on the requirements provided by defendant's predecessor. In 1999, the U.S. Army awarded a contract to defendant to develop an electronic control unit for helicopter engines. Defendant developed the control unit, called the EMC-100, referencing, if not incorporating, the DECU designs of plaintiff's predecessor. Plaintiff sued defendant in September 2010 asserting, among claims, that defendant's use of the DECU designs constituted misappropriation of trade secrets. Each party moved for summary judgment. The court (Meyer, J.) granted defendant's motion and denied plaintiff's motion on the grounds that all of plaintiff's claims were barred by applicable statutes of limitations. With respect to the trade secret misappropriation claim, the court held that the three-year statute of limitation in the CUTSA barred the claim because the evidence was undisputed that prior to three years before filing suit plaintiff was aware of facts that put it on notice of defendant's misappropriation of its intellectual property and yet made no efforts to investigate the matter.

**BTS, USA, Inc. v. Executive Perspectives, LLC, No. X10CV116010685, 2014 WL 6804545 (Conn. Super. Ct. Oct. 16, 2014).** Plaintiff, a business training company, filed suit against a former employee and his new employer alleging misappropriation of trade secrets, including customer lists and other confidential information. Following a bench trial, the Superior Court (Dooley, J.) entered judgment in favor of defendants on all counts, and further ordered an assessment of attorneys' fees against the plaintiff, on the grounds that the trade secret misappropriation claim lacked a colorable basis. As to the trade secret claim, the court found that plaintiff had not proven secrecy with respect to any of the claimed trade secrets, which were the packaging and the identity of the vendor for a particular product, because the packaging was visible to all customers and the absence of any evidence that the plaintiff tried to keep the identity of the vendor secret. The court ruled that the trade secret claims regarding product packaging was brought in bad faith as it had no colorable basis. In addition, plaintiff's trade secret claims regarding product technology, which it dropped at the start of the bench trial, were also brought in bad faith. The court concluded that the plaintiff had reason to believe that the claim had no merit early in the discovery process. In addition, the court ruled that its attempts to obtain discovery about the defendant's products amounted to an improper purpose. Accordingly, the court awarded attorneys' fees to defendants. The court also concluded that the former employee did not violate an anti-solicitation provision of his contract with his former employer by updating his LinkedIn profile and posting about an update to his new employer's website. On that issue, the court found that plaintiff had introduced no evidence that any customers who were connected to the employee's LinkedIn profile actually viewed or acted upon the postings.

**Bulldog New York LLC v. Pepsico, Inc., 8 F. Supp. 3d 152 (D. Conn. 2014).** The district court (Thompson, J.), granted the defendants' motion for summary judgment on all counts, including breach of contract, misappropriation of trade secrets, and tortious interference with business expectancy. The claimed trade secrets all concerned a promotion plaintiff planned with defendant to promote Pepsi in an elaborate event featuring carnival-type rides, trivia games, prizes, and other spectacles. The court first concluded that New York law applied to all claims. With respect to the trade secret misappropriation claim, the court concluded that the most important factor was the location of the alleged misappropriation, which was New York. On the merits, the court ruled that the plaintiff had not established the existence of any protectable trade secrets, because the alleged trade secrets were all marketing and product concepts that were intended to be disclosed publicly. Although secrecy is ordinarily a question of fact, judgment as a matter of law was appropriate because the secrecy was necessarily lost when the product was placed on the market.

**E2Value, Inc. v. Fireman's Fund Insurance Company, No. 3:14-cv-00473-WWE, 2015 WL 300250 (D. Conn. Jan. 22, 2015).** Plaintiff provided defendant with access to a proprietary database of cost valuations for insurance purposes. Plaintiff alleged that defendant mined data from this database beyond the terms of their agreement, and continued to use proprietary cost matrices after termination of the agreement. Plaintiff asserted claims for breach of

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contract, misappropriation of trade secrets, computer theft, and unfair trade practices, and defendant moved to dismiss all but the trade secrets claim on the grounds that the other claims were preempted by Connecticut's Uniform Trade Secrets Act ("CUTSA"). The court (Eginton, J.) noted, however, that CUTSA expressly preempts only "conflicting" causes of action, not all related claims. Accordingly, finding no conflict, the court denied the motion to dismiss.

**MacDermid, Inc. v. Cookson Group, PLC, No. X10UWYCV0950145118, 2014 WL 7525513 (Super. Ct. Conn. Nov. 21, 2014).** Plaintiff brought suit against a competitor, a former consultant, and a former employee for trade secret misappropriation and other claims in connection with a failed (and allegedly bogus) bid by the competitor to purchase the plaintiff. The competitor submitted a rival bid to a management bid which, plaintiff claimed, drove up the purchase price causing the plaintiff to take on more debt. The court (Dooley, J.) denied defendants' motion for summary judgment on the trade secret misappropriation claims, which stemmed from the alleged use of confidential information by the two individual defendants in the competitor's bid to purchase plaintiff. The summary judgment issues focused largely on damages issues, and whether plaintiff had been damaged at all by the rival bid. The court first permitted the plaintiff to go to trial on its theory that it suffered damages from taking on increased debt due to the competitor's bid. Critical to the court's analysis was plaintiff's argument that defendants knew that the bogus bid would cause plaintiff to take on more debt, thus weakening this competitor. As to other theories of damages, the plaintiff also argued that a reasonable royalty would be an appropriate measure of damages for the confidential information that had been misappropriated. The court noted that the Connecticut appeals courts had not addressed the issue of whether these reasonable royalty damages were available under the Connecticut Uniform Trade Secrets Act ("CUTSA"), and directed the parties to submit further briefing on the question. Finally, the court noted that the alleged use of these trade secrets by the plaintiff's competitor to weaken plaintiff satisfied CUTSA's requirement that the use of trade secrets be for a "competitive purpose."

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## 3RD CIRCUIT

**Kenset Corp v. Hratch Ilanjian, D.C. Civil Action No. 2:11-cv-02464 (On Appeal from the United States District Court for the Eastern District of Pennsylvania, Jan. 28, 2015).** A falling-out between potential business partners leads to one of the partners threatening to breach confidence in the other's trade secrets. The PUTSA requires the following for a trade secret injunction: (1) existence of a secret, (2) communication pursuant to a confidential relationship, (3) use or threatened use of trade secrets in violation of confidence, and (4) harm. Kenset's injunction was upheld on appeal.

**Certainteed Ceilings v. Aiken, 14-3925 (Feb. 29, 2015).** Employee terminated from company seeks dismissal of all NDA/TS related claims. First, trade secrets do not need to be pleaded with particularity in the 3rd Circuit- a general description of the type of information is sufficient. Second, misappropriation of trade secrets is barred when it would be part of a larger claim for breach of contract because the "gist of the action" doctrine stands for that a tort for what is essentially a breach of contract must be tried in a breach of contract action. "Inevitable disclosure" doctrine is raised, but not tried.

**Radian Guaranty v. Bolen, 13-6197 (June 19, 2015).** Employee was poached by competitor. First, "Customer lists are not protectable when they can be "easily ascertained from sources already in the public domain." citing Del. Express Shuttle v. Older, No. 19596, 2002 WL 31458243, at \*18 (Del. Ch. Oct. 23, 2002). However, time and money value matters. Employee's access to Employer's curated Salesforce.com data was seen as a protectable trade secret and a preliminary injunction is granted.

**Ozburn-Hessey Logistics v. 721 Logistics, 12-0864 (Aug. 15, 2014).** Companies competing for Customs Brokerage in the Port of Philadelphia. Customer contact list was not a trade secret because the contacts were well-known in the customs brokerage community, and because the allegation of trade secret arose from the fact that the "contacts" were known "in the minds" of the plaintiffs' employees.

**Grant Heilman Photography v. The McGraw-Hill Companies, 07-3536 (Feb. 6, 2014).** In a copyright dispute with an umbrella protective order, defendant insists that its testimony would reveal trade secret processes to competitors. "Good cause" for protection in the 3rd Circuit is based on the following factors: 1) whether disclosure will violate any privacy interests; 2) whether the information is being sought for a legitimate purpose; 3) whether disclosure of the information will cause a party embarrassment; 4) whether confidentiality is being sought over information important to public health and safety; 5) whether the sharing of information among litigants will promote fairness and efficiency; 6) whether a party benefitting from the order of confidentiality is a public entity or official; and 7) whether the case involves issues important to the public. Because defendant is not a public entity and has privacy rights in the information, defendant is able to exclude testimony under the umbrella order.

**In Re: Domestic Drywall Antitrust Lit., 13-MD-2437 (May 15, 2014).** In a third party's motion to quash subpoenaed documents based on trade secret protection under FRCP Rule 45(d)(3)(B), the court partially quashes the subpoena, providing for disclosure as long as the trade secrets are redacted.

**Lin v. Rohm and Haas, 2:11-cv-3158-WY (Apr. 14, 2014).** In a Title VII / PA. Human Relations Act case, a poorly-pleaded trade secret case may constitute retaliatory action.

**Walsh et al. v. Amerisource Bergen Corp., 11-7584 (June 16, 2014).** In an False Claims Act qui tam action, a counterclaim for breach of a confidentiality agreement was not dismissed at the pleading stage. See Cafasso ex rel. United States v. Gen. Dynamics C4 Systems, 637 F.3d 1047 (9th Cir. 2011).

**Vizant v. Whitechurch, 15-431 (Apr. 1, 2015).** Action against former employees for misappropriation of trade secrets under DUTSA. Any action of misappropriation was "purposefully directed" at the state because it harmed a corporation domiciled in that state. Therefore, the court concludes that personal jurisdiction exists against the defendants.

**Stobitch Fire Protection Systems v. Smoke Guard, 14-802-LPS (June 25, 2014).** TRO fails in an attempt to get a competitor to stop selling products before a trade show. Fundamentally, the plaintiff fails to convince the court of success on the merits, because the non-compete did not survive the agreement and the plaintiff failed to plead with

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particularity trade secrets. The balance of harms favors the defendant because the plaintiff was on notice of defendant's plans to market these devices well in advance.

**Osco Motors Company v. Marine Acquisition Corp., 13-868-RGA/MPT (June 24, 2014).** Delaware Civil Conspiracy to Misappropriate Trade Secrets claim able to survive even though underlying Trade Secrets claim was dismissed because the conspiracy requires an "unlawful act in furtherance", which can be any unlawful act.

**Enzo Life Sciences v. Adipogen, 11-CV-00088-RGA (Mar. 12, 2015).** "In analyzing a trade secret under New York law, the following factors are considered: (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; [and] (6) the ease or difficulty with which the information could be properly acquired or duplicated by others. By not presenting evidence under these factors, a trade secret claim was barred."

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## 4TH CIRCUIT

**E.I. DuPont De Nemours & Co. v. Kolon Indus., Inc., 564 F. App'x 710 (4th Cir. 2014).** Kolon Industries, Inc. (Kolon) appealed the district court's preclusion of evidence on E.I. DuPont De Nemours & Co. (DuPont)'s trade secrets. In 2009, DuPont sued Kolon in the US District Court for the Eastern District of Virginia under the Virginia Uniform Trade Secrets Act, claiming that Kolon misappropriated trade secrets concerning "Kevlar" fibers from former DuPont employees. Before going to trial, the district court granted DuPont's motion in limine and excluded "all evidence and any mention" of DuPont's prior litigation with AkzoNobel ("*Akzo* litigation"). Kolon alleged this evidence showed DuPont publicly disclosed, or failed to keep confidential, its trade secrets in suit during the course of the *Akzo* litigation. *Id.* at 713. The district court concluded that such evidence was irrelevant and would cause confusion and delay to DuPont's prejudice. A jury returned the verdict that Kolon willfully and maliciously misappropriated the trade secrets in suit and awarded \$919.9 million damages to DuPont.

On appeal, the Fourth Circuit vacated the judgment, holding that the district court abused its discretion in excluding all *Akzo* litigation evidence on a "wholesale" basis. *Id.* at 715. The Fourth Circuit disagreed that such evidence was irrelevant, reasoning that the district court demanded an unnecessarily high standard for admissibility by requiring that the evidence derived from the *Akzo* litigation was an "actual" trade secret in suit. *Id.* at 714. Instead, the Fourth Circuit ruled that a "strikingly similar" standard should be sufficient. Under that standard Kolon was entitled to have the jury consider the evidence because it showed how information disclosed in the *Akzo* litigation was "strikingly similar" to some of the alleged trade secrets in suit. *Id.* According to the Fourth Circuit, Kolon could use the excluded evidence to dispute an element of DuPont's misappropriation claims, for example, DuPont's "reasonable efforts" to maintain the secrecy of its trade secrets. *Id.* The court of appeals also noted that the same evidence tended to prove an element of Kolon's defenses, e.g., its "reasonable belief" that former DuPont employees were not disclosing trade secrets to Kolon, particularly given that one of the former DuPont employees had served as an expert witness for DuPont in the *Akzo* litigation. *Id.* at 714-15. Weighing the probative value of this potential evidence, the Fourth Circuit concluded that the "blanket" exclusion of the evidence was unwarranted to DuPont and prejudicial to Kolon. *Id.* at 716. Accordingly, the Fourth Circuit remanded the case to the district court for a new trial and to reconsider what evidence offered by Kolon or DuPont should be admitted.

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## 5TH CIRCUIT

**Aspen Technology, Inc. v. M3 Technology, Inc., 569 Fed.Appx. 259 (5th Cir. May 29, 2014).** Plaintiff, Aspen Technology, develops, sells, and services specialized software for chemical and petroleum companies. Defendant, M3 Technology, is a direct competitor composed of former Aspen employees. When another Aspen employee, Tekin Kunt, left employment to work for M3, Aspen sued Kunt for violation of his noncompete agreement. After Aspen amended its complaint to assert trade secret misappropriation, among other claims, against M3, the action against Kunt settled. During discovery, Aspen found ample evidence that M3 employees were in possession of Aspen property and confidential information that they obtained while employed with Aspen. At the close of the case, M3 moved for judgment as a matter of law on the misappropriation claim asserting that (1) the claim was barred by the statute of limitations and alternatively (2) that Aspen had failed to present sufficient evidence of the claim. The court denied the motion. The jury found that the claim was not barred by the statute of limitations and that M3 had misappropriated eight of Aspen's trade secrets. The jury awarded \$2 million for Aspen's lost profits, \$2.8 million for M3's profits, and \$1 million for exemplary damages. On appeal to the Fifth Circuit, M3 first argued that the statute of limitations barred Aspen's trade secret misappropriation claim. The Court affirmed the trial court's decision on this issue noting that equitable doctrines, such as the discovery rule and fraudulent concealment, can be applied to trade secret misappropriation claims to toll the three-year statute of limitations. The Court concluded that M3's marketing of competing products was not enough to constitute discovery by Aspen to begin the statute of limitations. Furthermore, Aspen could have reasonably concluded that M3's denial of any wrongdoing was concealment thus tolling the statute of limitations. On the second issue of sufficient evidence, the Court discussed each of the eight alleged trade secrets and concluded the jury had a legally sufficient basis for each of the eight misappropriation findings.

**In re Mandel, 578 Fed.Appx. 376 (5th Cir. Aug. 15, 2014).** Thrasher and Coleman, individually and on behalf of their company White Nile, brought an action for misappropriation of trade secrets under Texas common law and for theft under the Texas Theft Liability Act, among other claims, against debtor, Mandel, a former business associate, in a Chapter 11 bankruptcy proceeding. The bankruptcy court awarded damages to Thrasher, Coleman, and White Nile. Attorneys' fees also were awarded, but exemplary damages were denied. The district court affirmed the judgment. On appeal to the Fifth Circuit, Mandel argued that the bankruptcy court erred in finding that he misappropriated trade secrets because there was no evidence that he used them. The Court affirmed the district court's decision concluding there was at least an inference of actual use since Mandel created his new company to design a substantially similar product to White Nile, hired former employees of White Nile, and obtained intellectual property from White Nile surreptitiously. Mandel also contested liability under the Texas Theft Liability Act arguing that as the president of White Nile he had the ability to give effective consent to the trade secret appropriation. The Court again affirmed the district court's decision stating, "a single officer and shareholder cannot give 'effective consent' to breaching his own fiduciary duty to the company by stealing that company's trade secrets."

### Louisiana

**Associated Pump & Supply Co., LLC v. Dupre, No. 14-9, 2014 WL 1330196 (E.D. La. April 3, 2014).** Plaintiff, Associated Pump & Supply Co., sued Defendants Kevin P. Dupre, a former employee, Dupre's new company, Bayou Rain and Drain Pump and Supply, and Dupre's new employer, Infinity Pump and Supply, for violation of the Louisiana Uniform Trade Secrets Act (LUTSA), the Computer Fraud and Abuse Act (CFAA), and the Stored Communications Act (SCA), among other claims. Defendants moved to dismiss under Rule 12(b)(6). The Court denied the motion concerning misappropriation under the LUTSA, even though the factual allegations were sparse and somewhat conclusory, where the complaint alleged all of the necessary elements of a claim and stated that the exact nature of the misappropriation was unknown since Dupre had deleted several items from his computer before leaving employment. The Court also denied the motion on the CFAA claim. Applying the reasoning from the criminal case, *U.S. v. John*, 597 F.3d 263 (5th Cir. 2010), the Court believed the Fifth Circuit would recognize a CFAA claim where there was a broad confidentiality agreement that defined the limits of authorized access. Therefore, the court concluded Plaintiff's CFAA claim was sufficient since there was such an agreement and Dupre accessed and misused the information in contravention of the agreement. The Court dismissed the SCA claim since Plaintiff only provided conclusory allegations and failed to state a claim.

**Total Safety v. Rowland, No. 13-6109, 2014 WL 6485641 (E.D. Tex. Nov. 17, 2014).** Plaintiff, Total Safety, brought action against Defendants, Gary Rowland, a former employee, and Rowland's new employer, 24hr Safety,

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for misappropriation of trade secrets under the LUTSA and violation of the CFAA, among other claims, when Rowland resigned and immediately joined 24hr Safety. Plaintiff moved for partial summary judgment on these claims. The Court denied partial summary judgment on the trade secret claim, even though Rowland did not deny he downloaded Plaintiff's confidential information onto flash drives, where a genuine issue of material fact still existed concerning the information's trade secret status. The Court also denied partial summary judgment on the CFAA claim. Applying *Associated Pump & Supply Co., LLC v. Dupre*, supra, the Court concluded that, even though a confidentiality agreement existed between Plaintiff and Rowland, a genuine issue of material fact existed concerning Rowland's disclosure or use of Plaintiff's information.

### Mississippi

**Insurance Associates of Lamar County, LLC v. Bolling, No. 2:14cv97-DPJ-FKB, 2014 WL 5437358 (S.D. Miss. Oct. 24, 2014).** Plaintiffs, Insurance Associates of Lamar County and Insurance Associates of Magee, Inc., sued Defendants, Lee Bolling, a former employee, and Bolling's new employer, Joiner-Sigler Insurance Agency, for violation of the Mississippi Trade Secrets Act (MTSA) and violation of the CFAA, among other claims. Plaintiffs requested a preliminary injunction, which was granted by the Court after reviewing the MTSA claim. The Court concluded that Plaintiffs were substantially likely to recover on the trade secret claim. Specifically, client lists, like that allegedly taken by Bolling, can be trade secrets and Plaintiffs were substantially likely to establish that the lists involved were trade secrets. There was evidence that Bolling obtained the client lists improperly by using his supervisor's password without authorization to access the files, which Bolling then emailed to himself. In addition, there was evidence that Bolling used the client lists in a manner that was unauthorized when he used the lists to solicit Plaintiff's customers. Plaintiffs were also able to show that there was a substantial threat of irreparable injury; particularly they alleged they had lost and continued to lose customers and goodwill because of Bolling's actions. Balancing the harm to both parties favored Plaintiffs and the public interest was not disserved by granting the injunction.

### Texas

**Bianco v. Globus Medical, Inc., No. 2:12-CV-00147-WCB, 2014 WL 1049067 (E.D. Tex. Mar. 17, 2014).** Plaintiff, Sabatino Bianco, sued Defendant, Globus Medical, for trade secret misappropriation under Texas common law and received a jury verdict for reasonable royalty damages. Subsequently, Plaintiff moved for a permanent injunction to restrict Defendant from making, using, or selling the accused products. The Court denied the injunction reasoning that there was no irreparable injury without an adequate remedy. Specifically, the Court noted that the parties were not competitors. Plaintiff was an inventor who was not in a position to make medical devices, whereas Defendant was a manufacturer. Since Plaintiff was not in a position as manufacturer, he was not in a position to lose profits or brand recognition due to the misappropriation, which are generally considered irreparable injuries for purposes of injunctive relief. The Court did; however, grant Plaintiff's alternative request that the Court consider an ongoing royalty on the products and gave the parties thirty days to reach an agreement on the rate.

**Bianco v. Globus Medical, Inc., 53 F.Supp.3d 929 (E.D. Tex. 2014).** Plaintiff, Sabatino Bianco, sued Defendant, Globus Medical, Inc., for trade secret misappropriation under Texas common law. The jury awarded Plaintiff 5% of total net sales as reasonable royalty damages based on Defendant's earnings prior to trial. In Plaintiff's post-trial motions, the Court denied Plaintiff's request for a permanent injunction, but granted Plaintiff's request for the Court to consider an ongoing royalty on the products. After the parties were unable to agree on the applicable rate, the Court set an ongoing royalty rate of 5% on Defendant's future sales for a maximum of 15 years. Despite Defendant's argument that any "head start" it received had dissipated before trial so an ongoing royalty should not apply, the Court reasoned that Defendant failed to present evidence regarding its "head start" theory at trial so this was no basis to dispute the ongoing royalties. The Court noted that this was a proceeding to set the ongoing royalty rate so the jury's verdict was the proper starting point for making the determination of ongoing royalties. Any challenges Defendant had to the jury's determination of misappropriation or royalty rate had to be asserted in a motion for judgment as a matter of law.

**Bianco v. Globus Medical, Inc., No. 2:12-CV-00147-WCB, 2014 WL 5462388 (E.D. Tex. Oct. 27, 2014).** Plaintiff, Sabatino Bianco, obtained a jury verdict against Defendant, Globus Medical, Inc., for trade secret misappropriation under Texas common law. During a hearing to determine the applicable ongoing royalty rate, Defendant attempted to challenge the jury's determination of misappropriation. The Court noted that any



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challenges to the jury's verdict had to be in the form of a motion for judgment as a matter of law. That motion was before the court in this proceeding and was denied. First, Defendant asserted that the ideas Plaintiff provided to Defendant were not trade secrets. The Court reviewed the *In re Bass* factors and determined the evidence was sufficient to support the jury's conclusion that the ideas submitted to Defendant were trade secrets. Second, Defendant asserted that even if the ideas Plaintiff presented were trade secrets, there was no evidence of improper means or breach of a confidential relationship. The Court concluded that given the circumstances surrounding Plaintiff's disclosure of his trade secrets to Defendant, the jury could reasonably have found that Defendant knew or should have known that the disclosure was made in confidence. Last, Defendant asserted that there was insufficient evidence that Defendant used the ideas. Despite Defendant's argument that its employees' contributions were essential to producing a viable product, the Court concluded there was still evidence that Plaintiff's concept was important in making that product. However, the Court noted that the verdict reflected the jury's recognition of Defendant's contributions by denying Plaintiff disgorgement of Defendant's profits.

**In re Mud King Products, Inc., 514 B.R. 496 (S.D. Tex. 2014).** Claimant, National Oilfield Varco, filed a proof of claim in this bankruptcy proceeding for Debtor, Mud King Products, asserting, among other claims, trade secret misappropriation under Texas common law, violation of the Texas Theft Liability Act (TTLA), and violation of the Computer Fraud and Abuse Act (CFAA). Debtor filed a motion to estimate the claim. The Court determined Claimant had satisfied its burden of proof on the misappropriation and TTLA claims, but failed to prove its cause for violation of the CFAA. Reviewing the *In re Bass* factors, the Court determined that the Claimant's drawings were trade secrets. An employee of Claimant, who was also the sister in law of one of the Debtor's employees, admitted she stole the drawings in exchange for payment from the Debtor which established that the drawings were acquired by improper means. Furthermore, Debtor did not dispute that it sold parts it manufactured using the drawings without Claimant's permission. These same factors also were considered supportive for the TTLA claim.

**LBDS Holding Company, LLC v. ISOL Technology Inc., No. 6:11-CV-428, 2014 WL 892126 (E.D. Tex. Mar. 2, 2014).** Plaintiff, LBDS Holding Co., sued Defendants, ISOL Technology, Inc. et al., for trade secret misappropriation under the Texas Uniform Trade Secrets Act (TUTSA), among other claims. Defendants filed a motion to dismiss asserting that Plaintiff was not the proper party to seek damages for the misappropriation. The Court denied the motion reasoning that Chase Medical, the owner of the trade secrets, had effectively licensed the use and possession of its trade secrets to Plaintiff in a MRI Development and Supply Purchasing Agreement. The Court concluded that the TUTSA does not require ownership of the trade secrets to maintain a cause of action for misappropriation; therefore, Plaintiff had standing to assert the claim.

**Little v. SKF Sverige AB, No. H-13-1760, 2014 WL 710941 (S.D. Tex. Feb. 24, 2014).** Defendants, SKF Sverige AB et al., entered into several contracts with Rolls-Royce for the design, development and sale of components to be used in their cruise ships. Malfunctions in the components led to a series of lawsuits by cruise ship owners against Rolls-Royce. Rolls-Royce hired Plaintiff, Donald Little, to represent it in the lawsuits. During the course of the case investigation, Plaintiff looked into the cause of the malfunctions and developed trade secrets as a result. Plaintiff subsequently brought an action for trade secret misappropriation under Texas common law against Defendants. This case was a review of the magistrate's Memorandum and Recommendation that Defendants' motion to dismiss for failure to state a claim be granted. The Court approved the M&R reasoning that Plaintiff's conclusory statements did not satisfy the *Twombly* pleading requirements. Specifically, the Court noted that Plaintiff failed to specify how Defendants allegedly acquired, discovered, or used the trade secrets.

**Lycoming Engines v. Superior Air Parts, Inc., No. 3:13-CV-1162-L, 2014 WL 1976757 (N.D. Tex. May 15, 2014).** This case was an appeal from the bankruptcy court's Memorandum Opinion and Order and Final Judgment in an adversary proceeding that arose from a state court lawsuit filed by Plaintiff, Lycoming Engines et al., against Defendant, Superior Air Parts, involving a claim for trade secret misappropriation under Texas common law among other claims. The Court considered whether the bankruptcy court improperly granted Superior's motion to dismiss for failure to state a claim. Affirming the decision of the bankruptcy court, the Court reasoned that the conclusory statements in the complaint did not satisfy the *Twombly* pleading requirements. The Court concluded that Lycoming (1) failed to allege facts regarding how Superior improperly obtained and used the trade secrets to develop its designs and processes, (2) failed to show which trade secrets were unlawfully used, and (3) failed to link any conduct to a particular trade secret.

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**Sisoian v. International Business Machines Corp., No. A-14-CA-565-SS, 2014 WL 4161577 (W.D. Tex. Aug. 18, 2014).** Plaintiff, Thomas Sisoian, was the sole shareholder of Objectiva Innovations, Inc. and developer of the Objective Architecture, but the company was dissolved. Plaintiff kept the company's assets, but a former employee, James Hartmann, was entrusted with the digital source images and data files for the Objective Architecture. Subsequently, Plaintiff and another former employee of Objective, Francis Anderson, went to work for Defendant, IBM. While employed for Defendant, Anderson secured a copy of the Objective Architecture materials from Hartmann under false pretenses. This material formed the basis for Defendant's new telecommunications product. As a result, Plaintiff brought action against Defendant for trade secret misappropriation under Texas common law and for violation of the Texas Theft Liability Act (TTLA), among other claims. Defendant filed a motion to dismiss arguing that the applicable statute of limitations had run on some of the claims. The parties agreed that the applicable statute of limitations for common law trade secret misappropriation was "not later than three years after the misappropriation is discovered or by exercise of reasonable diligence should have been discovered" according to Tex. Civ. Prac. & Rem. Code §16.010(a). However, the parties disputed the applicable limitations period for the TTLA claim. The court concluded that the applicable statute of limitations on this claim was the same as for misappropriation since the statute did not expressly limit its applicability to common law misappropriation and there was no reason why a suit for theft of trade secrets under the TTLA would not qualify as a misappropriation action under the statute.

**Spear Marketing, Inc. v. BancorpSouth Bank, No. 3:12-CV-3583-B, 2014 WL 2608485 (N.D. Tex. June 11, 2014).** Defendant, BancorpSouth Bank, elected not to renew its license to VaultWorks software from Plaintiff, Spear Marketing, Inc., and instead opted to license software from Defendant, Argo Data Resource. Plaintiff sued Defendants for trade secret misappropriation under Texas common law and violation of the Texas Theft Liability Act (TTLA), among other claims, asserting that Defendants colluded to misappropriate Plaintiff's trade secrets. Defendants filed a motion for summary judgment on these claims, which the Court granted. The Court reasoned that Plaintiff failed to show a genuine issue of material fact concerning the unauthorized use prong of the misappropriation claim. Even though Plaintiff was able to establish that Argo had access, the evidence did not show any similarities between Argo's product and that of Plaintiff that might suggest Argo stole Plaintiff's trade secrets. In addition, Defendants presented evidence that Argo's product was developed and marketed to potential customers long before the license agreement between Plaintiff and BancorpSouth expired. Furthermore, there was no evidence that Argo used any of the information it obtained about Plaintiff's product to modify its own product.

**St. Jude Medical S.C., Inc. v. Janssen-Counotte, No. A-14-CA-877-SS, 2014 WL 7237411 (W.D. Tex. Dec. 17, 2014).** Plaintiff, St. Jude Medical, S.C., sued Defendant, Louise Janssen-Counotte, a former employee in the Belgium/Netherlands operation, for several claims, including trade secret misappropriation under the TUTSA, when Defendant left employment to take a position as president for a competitor, Biotronik. Plaintiff filed a Motion for Temporary Restraining Order and Preliminary Injunction to remove Defendant from her new position, which the Court denied. The Court reasoned that Plaintiff (1) failed to specifically identify the trade secret information in issue from a 500-slide presentation, (2) failed to show that it actually owned the trade secrets it was claiming, (3) failed to bind Defendant to a noncompetition agreement and failed to show to a substantial likelihood that Defendant did anything improper, (4) failed to allege that Defendant actually disclosed any of Plaintiff's trade secrets to Biotronik, and (5) failed to establish a risk of inevitable disclosure by merely relying on a confidentiality agreement with Defendant, Defendant's possession of the trade secret, and the fact that Defendant took a position as president with the competitor.

**Tercel Oilfield Products USA L.L.C. v. Alaskan Energy Resources, Inc., No. H-13-3139, 2014 WL 645380 (S.D. Tex. Feb. 19, 2014).** Tercel Oilfield Products USA, a developer and marketer of oilfield equipment, entered into a non-disclosure agreement with Alaskan Energy Resources in order for the parties to "explore a business opportunity." The parties subsequently entered into an Agency Representation Agreement whereby Alaskan became a sales representative for Tercel and obtained access to Tercel's products. After gaining access to Tercel's products, Alaskan began marketing its own competing products. Tercel sued Alaskan for, among other claims, trade secret misappropriation under Texas common law. Alaskan filed a motion to dismiss the claim. The Court denied the motion reasoning that Tercel adequately alleged its claim. Specifically, (1) Tercel adequately alleged it had a trade secret that had been protected, (2) Alaskan acquired the trade secret by violating the Agency Representation Agreement, (3) Alaskan used the trade secret without authorization to develop competing products, (4) which caused damages.

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**Tristar Investors, Inc. v. American Tower Corp., No. 3:12-cv-0499-M, 2014 WL 1327663 (N.D. Tex. Apr. 3, 2014).** Plaintiff, Tristar Investors, Inc., and Defendants, American Tower Corp., et al., operate cell tower sites in the United States. In a suit brought by Plaintiff alleging Defendants attempted to exclude it from the market, Defendants counterclaimed for trade secret misappropriation under Texas common law. Defendants filed a Motion for Partial Summary Judgment asserting that during Plaintiff's negotiations with landowners concerning easements for cell towers, Plaintiff obtained copies of 143 of Defendants' lease agreements, which contained pricing terms and confidentiality provisions prohibiting disclosure to third parties. The Court concluded there was a genuine issue of material fact concerning trade secret status for the lease agreements because each of the contracts differed in their definition of "proprietary information" so it was unclear whether pricing information fell within the definition.

## Trade Secret Case Law Report – 2014/2015

### 6TH CIRCUIT

**Stolle Machinery Co., LLC v. RAM Precision Indus., Case No. 13-4103, 2015 U.S. App. LEXIS 4403 (6th Cir. March 16, 2015).** The Sixth Circuit reversed the Southern District of Ohio’s decision granting summary judgment to defendant SLAC Precision Equipment, a Chinese company started by plaintiff’s former employee, holding that there was a genuine issue of material fact as to when the OUTSA statute of limitations began to run.

Stolle Machinery manufactures and services machinery used to produce food and beverage cans. Shu An began work at Stolle Machinery in 1992 as a project engineer with access to some of the company’s most important and sensitive proprietary information. An was fired in 2003 after failing to return from taking care of his ill father in China.

In late 2003, Stolle Machinery learned that An was contacting its existing and prospective customers and offering to sell them can-making equipment that was identical to, but much cheaper than, Stolle Machinery’s equipment. After some communications with its suppliers and an attorney for An, Stolle Machinery decided not to take further action against An, who remained in China. Stolle Machinery learned additional information in 2004 that led it to believe that An was using its drawings and undertook some investigation in 2005 and 2006, learning that An was claiming to customers that he had taken drawings from Stolle Machinery.

An founded Suzhou SLAC Precision Equipment in 2004, selling its first conversion press in 2005. In 2006, SLAC Precision provided a full conversion system to a pet food company in the United States, and Stolle Machinery examined the cans produced by that machinery, concluding that they were identical to those made by a Stolle machine. Stolle Machinery also received copies of its drawings with the SLAC label on them, and viewed equipment on SLAC’s website that distinctly resembled Stolle equipment.

Stolle Machinery brought suit in 2010 after learning that its former director of sales, who had gone to work for a supplier, had met with An in February 2010. The Sixth Circuit affirmed the dismissal of claims for tortious interference and conspiracy to misappropriate trade secrets, holding that they were preempted by Ohio Rev. Code §1333.67, finding that the UTSA preempts causes of action based in some way on the misappropriation of trade secrets where the state law claim is based on the same operative facts as the trade secret misappropriation claim.

The court found that the four-year statute of limitations in Ohio Rev. Code § 1333.66 barred Stolle Machinery’s claim against An because Stolle Machinery was aware of the breach of the parties’ relationship in at least December 2003 when it learned from customers that An said he could sell them the same systems for less money and believed that An probably had “all the drawings.” The trade secret misappropriation claim against SLAC, however, was not barred by the statute of limitations because SLAC did not exist in 2003 when Stolle Machinery was put on notice of the potential misappropriation by An. SLAC did not exist until 2004, and Stolle Machinery could not have reasonably discovered SLAC’s alleged misappropriation until 2006 when it investigated the machinery sold to the pet food manufacturer. Accordingly, the court held that it was a mistake to treat the statute of limitations analysis identically as to An and SLAC, and that there was a genuine issue of material fact as to when the limitations period began to run with respect to Stolle Machinery’s claim against SLAC.

**Dice Corporation v. Bold Technologies, Case Nos. 12-2513, 13-1712, 2014 U.S. App. LEXIS 1496 (6th Cir. Jan. 24, 2014).**

Dice Corporation sued its competitor, Bold Technologies, for trade secret misappropriation under the Michigan Uniform Trade Secrets Act and violation of the Digital Millennium Copyright Act and the Computer Fraud and Abuse Act. Dice and Bold both license software to companies in the alarm industry. Dice claimed that Bold, while converting a customer to software licensed by Bold, improperly accessed, used and copied Dice’s proprietary software.

The Sixth Circuit affirmed the district court’s grant of Bold’s motion for summary judgment, finding that a computer file containing a compilation of labeling codes created by alarm manufacturers collected by Dice’s customers, not Dice, did not qualify as a trade secret. The fact that the computer file also contained alarm codes converted into Dice’s unique labelling system did not rise to the level of a trade secret either as Dice did not present any evidence to show that the value of its unique labelling is derived from it not being readily known or ascertainable by proper means.

**Volunteer Energy Services, Inc. v. Option Energy LLC, Case Nos. 13-1035, 13-1087, 2014 U.S. App. LEXIS 15261 (6th Cir. Aug. 5, 2014).**

The Sixth Circuit used extrinsic evidence to interpret an ambiguous non-solicitation provision that could be read to mean either that the alternative energy broker, Option, could not solicit customers of Volunteer, a natural gas supplier, during the term of the agreement or for a period following termination, or that the non-solicitation only

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takes effect after the termination of the agreement. Volunteer claimed that Option breached their agent agreement by transferring Volunteer's customers over to a competitor during the term of the agreement. The decision granting summary judgment to Volunteer on breach of contract was affirmed. The court upheld the award of lost profits to Volunteer, finding that its lost profits estimates based on the testimony of witnesses with personal knowledge of the historical gas usage of each of the transferred customers proved damages with reasonable certainty.

### Michigan

#### **Nedschroef Detroit Corporation v. Bemas Enterprises LLC, Case No. 14-10095, 2015 U.S. Dist. LEXIS 66967 (S.D. Mich. May 22, 2015).**

Nedschroef Detroit, a manufacturer of industrial machines that produce metal fasteners, sued its former manager and engineer after learning that they had formed a competing company, Bemas, to service Nedschroef machines and supply replacement parts while still working for Nedschroef Detroit. Plaintiffs alleged that defendants misappropriated confidential customer lists and proprietary part drawings, while defendants presented evidence that they received the drawings from customer or through reverse engineering and that they were aware of the customer list through their employment at Nedschroef Detroit.

The court concluded that plaintiffs were entitled to summary judgment because the drawings were confidential and could not be given to customers except in exceptional circumstances, they were password protected and the only reason plaintiffs' customers had the drawings is because the two former employees gave them to the customers while working for Nedschroef Detroit. Plaintiffs' summary judgment motion was granted as the "undisputed evidence suggests that Defendants acquired Plaintiffs' trade secrets knowing that those trade secrets were acquired through breach of a duty to maintain their secrecy." The court also granted summary judgment on plaintiffs' common law claims for unfair competition, unjust enrichment and tortious interference, and granted a permanent injunction on the unfair competition claim barring defendants from providing replacement parts or services for Nedschroef machines in North America.

#### **MSC.Software Corporation v. Altair Engineering Inc., Case No. 07-12807, 2014 U.S. Dist. LEXIS 161488 (E.D. Mich. Nov. 13, 2014).**

After a jury found in favor of plaintiff MSC.Software on claims for trade secret misappropriation and awarded damages based on a single payment reasonable royalty of \$26,100,000, defendants renewed their motion for judgment as a matter of law and a new trial or remittitur on damages. The court granted their motion because the damages award was excessive and against the great weight of the evidence and ordered a new trial on the issue of damages. The court held that there was no evidence at trial to support the damages award based on misappropriation of three trade secrets as the jury was not asked to apportion damages for each of the misappropriated trade secrets the jury found the defendants incorporated into their product.

Although the trial lasted over three weeks and the jury had substantial evidence presented to it, there was no support for the revenue plaintiffs claimed defendants received from the MotionSolve product incorporating the three trade secrets as it was based on the assumption that the revenue increases in a menu of product offerings was attributable to just the MotionSolve product. Plaintiffs failed to offer competent evidence of its single payment reasonable royalty theory. The court noted that a party "may not put unsubstantiated, irrelevant, and large revenue figures to a jury as proof of a damages award to be given in its favor." The court also pointed to a host of facts that show the \$26 million award was excessive, including that there was only one customer of plaintiffs that bought the MotionSolve product, and that the customer continued purchasing products from plaintiffs and there was no evidence of income from the sale or license of the MotionSolve product. For those reasons, the court held that the jury verdict could not stand and granted the motion for a new trial on damages.

#### **Nexteer Automotive Corporation v. Korea Delphi Automotive Systems Corporation, Case No. 13-CV-15189, 2014 U.S. Dist. LEXIS 18250 (E.D. Mich. Feb. 13, 2014).**

Nexteer, a steering supplier to automotive manufactures, alleged that Korea Delphi, a manufacturer of steering components, sold pirated products to Nexteer's customers in violation of the parties' supply agreements, enabling Korea Delphi to outbid Nexteer on a project for Chrysler. The supply agreements prohibited Korea Delphi to use Nexteer's technology to manufacture products for any third party.

The court found that Nexteer failed to establish irreparable harm as it waited more than a year before seeking injunctive relief and failed to show that its alleged loss of customer good will could not be adequately compensated by money damages. The court noted that "[w]hether or not the loss of customer goodwill amounts to irreparable harm often depends on the significance of the loss to the plaintiff's overall economic well-being."

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Nexteer, with 20 manufacturing plants, five regional engineering centers and 10 customer service centers, did not show that the loss of one customer threatened “its overall financial health to such a degree” that its losses could not be made whole with money damages. Accordingly, the court found that Nexteer did not make the requisite showing of irreparable harm. The court dismissed Nexteer’s claim for permanent injunctive relief and granted KDAC’s motion to compel arbitration.

### Ohio

#### **MAR Oil Co. v. Korpan, Case No. 11CV1261, 2014 U.S. Dist. LEXIS 89747 (N.D. Ohio April 18, 2014).**

Mar Oil, an oil and gas exploration company, engaged Myron Korpan as a geologist pursuant to a consulting agreement. Mar Oil and defendants all moved for summary judgment on Mar Oil’s claims based on allegations that Korpan improperly used confidential seismic data to assist defendants in leasing land and drilling in Northwest Ohio for oil and natural gas, enabling defendants to avoid the cost and time spent on research and development.

The court found that there were issues of fact as to whether the geological data Korpan allegedly misappropriated was in fact a trade secret, including the extent to which it was known inside and outside the business, the public availability of some of the information through Department of Resources records and whether Mar Oil had adequate measures in place to maintain its secrecy because it had no mechanism in place to keep such information confidential after termination of a contractor.

There also were issues of fact regarding misappropriation – Korpan retained documents, admitting to “peeking at them” and defendants did lease and drill oil property but the land had been leased before he looked at the data and this was the only action he took regarding the data. The court denied summary judgment on this basis as well. Summary judgment was granted on Mar Oil’s preempted claims for tortious interference, unjust enrichment, unfair competition and breach of fiduciary duty as the presented the same evidence as the trade secret misappropriation claim.

The court did find, however, that there was a generally accepted industry-wide standard of confidentiality among geoscientists and that Korpan owed Mar Oil a duty of confidentiality after his termination.

#### **Hearthside Food Solutions, LLC v. Adrienne’s Gourmet Foods, Case No. 3:13cv00294, 2014 U.S. Dist. LEXIS 158576 (N.D. Ohio Nov. 10, 2014).**

Hearthside Foods, who had acquired a co-manufacturer of Adrienne’s Gourmet Foods’ products, successfully obtained summary judgment on defendant food manufacturers’ trade secret misappropriation counterclaim as there was no evidence that Hearthside Foods had acquired the “formulas” through improper means. The only way that Hearthside could continue to manufacture the food products after the acquisition was to have access to their “formulas,” which defendants provided. Because Hearthside Foods did not use the formulas in any way other than to manufacture Adrienne’s Gourmet Foods products, and did not disclose the “formulas,” the court also found that there was no misappropriation.

#### **PharMerica Corporation v. McElyea, Case No. 14-CV-00774, 2014 U.S. Dist. LEXIS 64313 (N.D. Ohio May 9, 2014).**

PharMerica alleged that its former sales representative, McElyea, breached a noncompete agreement and misappropriated trade secrets when she went to work for Absolute Pharmacy, a competing provider of pharmacy products to skilled nursing facilities. The court found that PharMerica did not show a likelihood of success on the merits or irreparable harm on its breach of contract claim because there was a question as to whether McElyea signed the agreement with the intent to be bound as she had signed every other document presented to the court in cursive but printed her name on the noncompete agreement.

PharMerica did obtain preliminary injunctive relief on its misappropriation claim as the court found that McElyea knew trade secret information about PharMerica’s pricing, customers, contract terms, marketing and product packaging strategies and PharMerica showed that there was a “sufficient likelihood that McElyea will disclose those secrets in the course of her employment” with Absolute. McElyea had copied all of the documents from her PharMerica-issued laptop onto a removable storage device, and the court noted that this suggested that she was planning to use this information in her new job. Although “no evidence shows that she has disclosed the information,” it “does not mean she did not intend to use these documents for Absolute Pharmacy.” The court found that use of such confidential information could severely damage PharMerica’s business sufficient to establish a threat of irreparable harm.

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### **Safety Today, Inc. v. Roy, Case No. 2:12-CV-510, 2104 U.S. Dist. LEXIS 17116 (S.D. Ohio Feb. 11, 2014).**

Safety Today produced 3500 pages of records in response to an interrogatory asking it to identify the trade secrets it claims its former employee misappropriated. Because a reasonable person would not be able to “divine what parts of the business information taken by the individual defendants fell within Safety Today’s definition of trade secrets,” the court ordered the plaintiff to supplement its interrogatory responses.

### **Tennessee**

### **Williams-Sonoma Direct, Inc. v. Arhaus LLC, 2015 U.S. Dist. LEXIS 79028 (W.D. Tenn. June 18, 2015).**

The court granted Williams-Sonoma’s motion for preliminary injunction after Timothy Stover, Senior Vice President of Transportation, Engineering and Planning, left the company and went to work for Arhaus. Stover took with him large amounts of data on removable storage devices including information related to Williams-Sonoma’s supply chain, and Stover requested and received confidential information from Williams-Sonoma employees after he left. Such information included spreadsheets containing pricing and shipping rates, the processes used to bid out contracts to ocean carriers, contact information for vendors and sales representatives. Stover then distributed that information to high-level executives at Arhaus.

The court found a likelihood of success on the merits of Williams-Sonoma’s trade secret misappropriation and breach of employment agreement claims. The court noted that the Tennessee Uniform Trade Secrets Act only required evidence of acquisition by improper means to prove misappropriation, not proof that the trade secret has actually been used. In granting the preliminary injunction, the court also found that when information derives value from not being generally known, its value is necessarily diminished. Because plaintiffs “demonstrated a strong likelihood of success on the merits of both their TUTSA and breach of contract claims, they have demonstrated irreparable injury.”

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## 7TH CIRCUIT

**nClosures Inc. v. Block & Co., 770 F.3d 598 (7th Cir. 2014).** An industrial design firm filed suit against a manufacturer claiming fraud, trade secret misappropriation, breach of contract, and breach of fiduciary duty. The plaintiff designed and the defendant manufactured metal enclosures for electronic tablets, and the defendant later allegedly breached its confidentiality agreement with the plaintiff and developed a competing product using product information subject to that agreement. The district court granted summary judgment for the defendant on the claims of trade secret misappropriation, breach of contract, and breach of fiduciary duty. The plaintiff appealed that ruling as to the breach of contract and breach of fiduciary duty claims.

The Seventh Circuit affirmed. With respect to the breach of contract claim, the court recognized the rule in Illinois that in addition to the elements of breach of contract, a plaintiff alleging breach of a confidentiality agreement must show that the information is actually confidential, and that reasonable efforts were made to keep it confidential. The Court of Appeals held that no reasonable jury could find that nClosures took reasonable steps to keep its proprietary information confidential because (1) even though nClosures signed a confidentiality agreement with Block, it did not require other individuals who accessed the product information to sign confidentiality agreements, (2) the purportedly confidential drawings were not marked as confidential or proprietary, and (3) neither physical nor electronic copies of these drawings were securely stored. As such, the court concluded that the confidentiality agreement was unenforceable.

**Spitz v. Proven Winners N. Am., LLC, 759 F.3d 724 (7th Cir. 2014).** Developer of a marketing concept for pet-safe plants brought an action against a plant propagator and a brand manager that allegedly used her marketing concept but failed to pay her any fee. Developer asserted several state law claims, including breach of contract, unjust enrichment, quantum meruit, and trade secret misappropriation. The district court granted summary judgment in favor of defendants, holding among other things that the information allegedly misappropriated was not a trade secret, and the developer appealed the breach of contract, unjust enrichment, and quantum meruit claims. The Seventh Circuit affirmed.

The Court of Appeals held that the unjust enrichment and quantum meruit claims were preempted by the Illinois Trade Secrets Act (“ITSA”). The court reasoned that these equitable claims were essentially claims for restitution based on trade secret misappropriation, and the ITSA statute “[was] intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret.” 765 ILCS 1065/8.” The plaintiff argued that because the district court found that her idea was not a trade secret, these claims were not preempted by the ITSA, but the Seventh Circuit reiterated that Illinois courts read the ITSA preemption language to cover claims that are “essentially claims of trade secret misappropriation, even when the alleged ‘trade secret’ does not fall within the Act’s definition.”

## Illinois

**Cronimet Holdings, Inc. v. Keywell Metals, LLC, 2014 WL 5801414 (N.D. Ill. Nov. 7, 2014).** A corporation that unsuccessfully sought to acquire assets of a limited liability company (“LLC”) and two individuals who worked for the LLC brought an action against the successful bidder, seeking a declaration that the plaintiff corporation could employ these individuals. Defendant, the successful bidder, counterclaimed for breach of non-disclosure and non-compete agreements, breach of fiduciary duty by the individuals, violation of the ITSA, misappropriation of confidential information and unfair competition, tortious interference with contract by the corporation, civil conspiracy, and unjust enrichment.

The court held that the ITSA preempted the counterclaims for misappropriation of confidential information, unfair competition, and unjust enrichment. The counterclaim of unjust enrichment was preempted because it was a claim for restitution, and the remaining counterclaims were preempted because the ITSA preemption provision covered common-law claims that were based on misappropriation of confidential information even if that information did not meet the statutory definition of a trade secret.

In addition to finding preemption of the common-law counterclaims, the court also dismissed the counterclaims for breach of the non-disclosure and non-compete agreements. These claims were based upon agreements that the plaintiff individuals had with the LLC, which were assigned to the defendant. The court held that once the LLC ceased doing business, it no longer had a legitimate business interest in the agreements’ enforcement, as required to enforce non-compete and non-disclosure agreements under Illinois law, and so the agreements were unenforceable even after their assignment to the defendant.



## Trade Secret Case Law Report – 2014/2015

**First Fin. Bank, N.A. v. Bauknecht, 2014 WL 5421241 (C.D. Ill. Oct. 24, 2014).** First Financial Bank, N.A. filed suit against its former loan officer, Bauknecht, and his new employer, alleging several claims, including misappropriation of trade secrets, conversion, and violation of the federal Computer Fraud and Abuse Act. The parties cross-moved for summary judgment.

In granting the plaintiff bank summary judgment as to liability on its trade secrets misappropriation claim, the court held that the customer lists and account information at issue met the “demanding” test for such information to be trade secrets under the ITSA because they were developed through a lengthy process of building relationships with those customers and identifying their particular needs, and thus the list could not be duplicated without substantial effort. The court also held that, despite the plaintiff’s “failure to totally secure confidential information from every conceivable risk of disclosure by an employee entrusted with such information in furtherance of his job duties,” the plaintiff nonetheless had proven that it had made reasonable efforts to maintain the secrecy of this information through confidentiality agreements, creating employee understanding of the confidentiality of the information, requiring security codes to access the information, and having policies requiring encryption of the information before moving it to portable media such as a laptop.

As to misappropriation, the court found that Bauknecht’s memorization of that information was sufficient to violate the ITSA, even though Bauknecht may not have used the plaintiff’s actual documents containing the memorized information at his new employer. (The court also found that there was genuine issue of material fact precluding summary judgment regarding whether the new employer knew, or had reason to know that Bauknecht had acquired the former employer’s trade secrets by improper means.) Finally, the court held that the ITSA preempted the plaintiff’s conversion claim as to any confidential information, whether or not it qualified as a trade secret under the ITSA, but did not preempt the claim as to other items of personal property such as a farming equipment guide, soil maps, and loan and underwriting documents. Relatedly, the court held that plaintiff’s conspiracy claim was preempted by the ITSA because the same underlying activity gave rise to both the conspiracy and misappropriation claims.

**Xylem Dewatering Solutions, Inc. v. Szablewski, 2014 IL App (5th) 140080-U (unpublished, non-precedential order).** The plaintiffs, a pump manufacturer and a pump supply company, sought a preliminary injunction to prevent two former outside sales representatives of the pipe supply company from continuing operation of a rival company that had hired several of the supply company’s employees, one of whom had kept some of the supply company’s information. The appellate court affirmed the lower court’s denial of a preliminary injunction. As to plaintiffs’ trade secrets claim, the appellate court held that the information retained by one of the former employees likely did not qualify as a trade secret under the ITSA. One document was a seven-year-old rental price guide that the appellate court held offered no insight into current pricing, which the court noted otherwise was “generally known in the industry.” The appellate court acknowledged that a more recent bid providing insight into the plaintiffs’ “pricing formula” presented “a closer question,” but ultimately concluded that it also likely would not qualify as a trade secret, despite being marked “confidential,” because it was not uncommon in the industry for bid recipients to show bids to competitors and because some of the information in it was generally known in the industry.

### Indiana

**Remy, Inc. v. Tecnomatic S.P.A., 2014 WL 2882855 (S.D. Ind. June 24, 2014).** Tecnomatic, an Italian corporation that invents, develops, and creates parts for electric motors used in hybrid electric cars, alleged that Remy induced Tecnomatic to enter into two confidentiality agreements which allowed Remy to obtain certain confidential information from Tecnomatic. Remy employees subsequently shared this information with a third party that allegedly engaged in unauthorized uses of the confidential information, which included drawings, manuals, and software. Remy sought dismissal of Tecnomatic’s conversion claim, arguing that it fell within the preemption provision of the Indiana Uniform Trade Secret Act (“IUTSA”). The court granted the motion and dismissed the claim with prejudice. In so ruling, the court acknowledged that conversion claims based on a claimant’s rights as to material or tangible objects are not preempted by the IUTSA. Tecnomatic’s conversion claim, however, pertained to software allegedly located within equipment that Tecnomatic had built and leased to Remy. According to the court, for that claim to survive, the tangible property must have had “some intrinsic value apart from the information contained within it,” but software had little or no intrinsic value apart from the intangible information contained therein. The court also denied the third-party’s motion to dismiss Tecnomatic’s trade secrets misappropriation claim against it in light of allegations that employees of the third party concealed their true identity in order to gain access to and take pictures of the trade secrets. The court held that, at the pleading stage, the plaintiff did not have to allege highly specific facts about trade secret use that would be known only to the defendant.

## Trade Secret Case Law Report – 2014/2015

**Toyota Indus. Equip. Mfg., Inc. v. Land, 2014 WL 3670133 (S.D. Ind. July 21, 2014).** A manufacturer of lift trucks moved for a preliminary injunction that would prohibit Land, its former design engineering and quality assurance manager, from working for a direct competitor. Land did not have a non-compete with the manufacturer, but while employed by it, Land had access to engineering information (technical drawings, product specifications, product design information, and testing protocols) and business information (warranty data, information about field campaigns, information about product performance, inspection data, information about the manufacturer’s suppliers and customers, non-public financial reports, and projections). As Land later admitted, after he decided to work for the competitor, he copied electronic files at the manufacturer he “should not have,” including by setting up a Google Drive account in the cloud that would automatically receive files placed in a specific folder in his work computer. Rather than disclose that account and others in response to an interrogatory, Land invoked his privilege against self-incrimination. Further, in breach of his confidentiality agreement with the manufacturer, Land did not return any of those copied materials at the end of his employment.

On this evidence, the court granted a preliminary injunction prohibiting Land from working for the competitor until Land satisfied the court that he no longer had the manufacturer’s confidential information and trade secrets. Despite the absence of a non-compete, the court found authority for this remedy in the IUTSA’s broad grant of discretion to courts to fashion injunctive relief to eliminate commercial advantage from misappropriation of trade secrets and the Seventh Circuit’s decision in *PepsiCo v. Redmond* regarding inevitable disclosure. The court held that until it was satisfied Land no longer had access to the manufacturer’s trade secrets, there was an ongoing threat of misappropriation resulting in irreparable injury to the manufacturer and justifying a preliminary injunction. As to any harm to Land from the preliminary injunction, the court noted that Land “holds the keys to his release from the injunction” by showing he no longer has access to the manufacturer’s proprietary information.

Note: The docket reflects that about five months after issuance of the opinion discussed above, the court (through the magistrate judge) entered a final judgment and a permanent injunction, apparently on a joint motion, requiring Land to provide passwords to the relevant accounts so that the manufacturer could delete its data and prohibiting Land from working for any lift truck manufacturer for a period of fifty months.

### Wisconsin

**DeVere Co. v. McColley, 2014 WL 6473513 (W.D. Wis. Nov. 18, 2014).** Plaintiff DeVere Co. is a manufacturer and seller of chemical cleaning products and equipment. Defendant McColley, plaintiff’s former employee, signed an agreement containing a one-year post-employment non-compete clause and a confidentiality clause barring him disclosing his former employer’s proprietary information for that same one year period. The agreement expressly did not limit or negate any claims available under the common law of torts or trade secrets or under Wisconsin’s Uniform Trade Secrets Act (“WUTSA”). Over one year after McColley left to work for a competitor, plaintiff brought suit alleging breach of contract, tortious interference, civil conspiracy, and trade secret misappropriation in violation of the WUTSA. Plaintiff alleged that McColley was in possession of confidential information, including financial and sales data (including pricing), research and development data, and a customer list, and that McColley’s employer was now using this information to engage in an “aggressive pricing” campaign. The day after filing its complaint, plaintiff also moved for a preliminary injunction, seeking an order enjoining defendant from using plaintiff’s trade secrets. The court denied plaintiff’s motion for preliminary injunction. In so ruling, the court noted that the plaintiff waited to sue until after the confidentiality agreement expired, eliminating any duty of McColley to continue to keep that information confidential. The court also expressed skepticism that pricing and related information could have competitive value after it was more than one year old, observing that “strategy and marketing plans grow stale; pricing changes; and customer demands shift.” In other words, the court ruled, “even if [defendant] had a duty to not disclose trade secrets independent of his Employment Agreement, any such obligation would have lapsed by the time plaintiff sought injunctive relief” because that information no longer would be trade secrets under the WUTSA.

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## 8TH CIRCUIT

**Macquarie Bank v. Knickel, 2015 U.S. App. LEXIS 12356 (8th Cir. 2015).** Defendants obtained a loan from plaintiff to develop certain oil and gas leases. During negotiations, plaintiff acquired confidential information from defendant on the leased acreage, which included seismic data, geographical maps, and reserve reports on the acreage. The confidential information served as part of the collateral on the loan. As part of the loan package, two of the three defendants acquired title to the confidential information, and executed the loan documents. When the defendants defaulted, plaintiff foreclosed on the leases, and then bought the collateral on the leases without mention of the confidential information. When plaintiff hired consultants to find a buyer for the leases, plaintiff gave the consultants the confidential information. When plaintiffs sued on the leases, defendants counterclaimed for misappropriation of trade secrets and unlawful interference. The district court granted summary judgment for plaintiff against the one defendant who had assigned its ownership interest in the collateral. After a bench trial, the district court awarded the remaining two defendants' damages for unjust enrichment and actual loss, costs and attorneys' fees.

On appeal, the one defendant argued that its misappropriation claim should have proceeded to trial based on providing the confidential information to the plaintiff and its business plan with the remaining two defendants. The court declined to determine whether ownership was an element of misappropriation under North Dakota Uniform Trade Secrets Act. Instead, the court held that when multiple persons are entitled to trade secret protection on the same information, only the person from whom misappropriation occurred can seek the remedy. The court also held the unlawful interference claim displaced by the misappropriation claim. Accordingly, summary judgment was upheld as to the one defendant.

Plaintiffs argued that the confidential information had no economic value. Plaintiff also argued that it did not use or disclose the confidential information, or alternatively, plaintiff had defendants' consent. The court rejected both arguments. First, the court found that, although the leases were not successfully drilled, the information had value used to determine development potential and obtain buyers for the leases. Second, the court found that the plaintiff disclosed the information to third party consultants who used the information to obtain a buyer. The court rejected plaintiff's argument that the mortgage interest on the leases provided consent to use the information, as the mortgage was no longer in place when the misappropriation occurred.

**Madel v. United States DOJ, 784 F.3d 448; 2015 U.S. App. LEXIS 6530 (8th Cir. 2015).** Plaintiff sued the defendants for a response to FOIA requests on oxycodone transactions in Georgia. Defendants withheld drug distribution and oxycodone sales information under 5 USC § 552(b)(4) as trade secrets and confidential commercial information. After objections to the FOIA request by four companies, the defendants submitted a declaration to substantiate the exemption based on data in the reports that could be used to determine "companies' market shares, inventory levels, and sales trends" and "permit competitors to circumvent anti-diversion measures." The defendants withheld the documents in their entirety claiming no reasonably segregable non-exempt information. The district court granted summary judgment to the defendants, finding the withheld documents exempt.

On appeal, the court upheld the finding by the district court that the withheld information was exempt but found that the district court failed to make an express finding on segregability. The court reversed and remanded, rejecting the defendants' request to determine segregability on the record because the declaration did not show reasonable specificity for why the documents could not be further segregated.

**NanoMech, Inc. v. Suresh, 777 F.3d 1020, 2015 U.S. App. LEXIS 1893 (8th Cir. 2015).** Plaintiff hired defendant for research and development of its nanotechnology products. Defendant worked on plaintiff's new multicomponent lubrication product, the subject of a pending US patent application. Defendant signed a confidentiality agreement before hire by the plaintiff, and a non-compete agreement as a condition of employment. The non-compete agreement required that defendant refrain from employment with any business that competed with plaintiff. When defendant resigned and joined a competitor, plaintiff sued for breach of the non-compete and confidentiality agreements. Defendant counterclaimed for tortious interference and moved for dismissal for failure to state a claim. The district court granted defendant's motion, concluding that the non-compete agreement was overbroad because it lacked geographic scope and prevented defendant from "working for undefined set of competitors in any capacity." The district court also found insufficient facts to show damage caused by defendant's breach of the confidentiality agreement.

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On appeal, plaintiff argued that the judgment on the pleadings was improperly granted by the district court because defendant had access to trade secrets that justified a broad non-compete agreement. The court rejected that argument, finding that Arkansas law allowed undefined geographic limitation only in conjunction with limited prohibitions on activity, such as direct contact with former customers. The court held that a non-compete agreement protecting trade secrets will not be enforced if it prohibits defendant from working in any capacity for any business that competes with plaintiff anywhere in the world.

### Iowa

**Sioux Pharm, Inc. v. Eagle Labs., Inc., 2015 Iowa Sup. LEXIS 72 (Iowa 2015).** Plaintiff produces chondroitin sulfate using biological research, unique procedures, and specialized equipment. Plaintiff restricts access to its facilities and requires employees to sign confidentiality agreements. Two former employees of plaintiff formed the defendant company and became plaintiff's only domestic competitor. One of defendant's employees entered plaintiff's facilities, stole plaintiff's manuals, and was charged with burglary. Plaintiff filed suit for misappropriation of trade secrets, tortious interference with contract, civil conspiracy, and unfair competition. During discovery, the parties agreed to a stipulated discovery order to protect information, allowing each party to designate the information as "attorney's eyes only" (AEO) or "confidential," with the right of the other party to seek redesignation. Defendant argued the plaintiff's procedures lack trade secret status based on disclosure in a prior litigation. District court made no finding on the trade secret status of plaintiff's procedures. Defendant based its motion for redesignation on its failure to hire an expert for cost reasons and the need to adequately prepare a defense to plaintiff's allegations. Plaintiff filed an interlocutory appeal of district court's order to redesignate plaintiff's operating procedures, thus allowing defendants to see the procedures. The defendants did not argue that the original designation was incorrect and presented no basis for modifying the order. On appeal, the court first clarified that plaintiffs must produce the unredacted procedures in order for defendant's counsel to prepare a defense. The court found defendant's naked contention that lack of access will affect the defense was insufficient to justify disclosure. The court further found that defendant's failure to hire an expert did not justify disclosure to defendant's decision makers. The court held that the trial court abused its discretion in ordering the redesignation of plaintiff's procedures, and remanded for valid grounds to redesignate in light of 1) the standards for the original designation of "attorney's eyes only", 2) the need for defendants themselves to have access to the materials, and 3) the potential harm to plaintiffs.

### Minnesota

**Seagate Tech., LLC v. Western Digital Corp., 854 N.W.2d 750, 2014 Minn. LEXIS 537 (Minn. 2014).**

Defendant was a senior level employee working on technology that would vastly improve storage capacity on hard disk drives. Defendant left to work for plaintiff's competitor, who is also a defendant. Plaintiff filed for an injunction claiming defendants (1) misappropriated eight trade secrets, (2) breached of the non-compete agreement and (3) tortious interference. Defendants invoked the arbitration. Plaintiff filed a motion for sanctions alleging that the former employee defendant had altered an external presentation to add trade secret content, and make it appear that the trade secret content had been disclosed. The arbitrator granted the motion for sanctions, finding that the powerpoint was obviously fabricated. The arbitrator imposed sanctions precluding the defendants from presenting evidence on (1) validity of plaintiff's trade secrets 4-6, (2) misappropriation by defendants, and (3) use of trade secrets 4-6 by defendants; and entered judgment against defendants for misappropriation and use of plaintiff's trade secrets. The arbitrator found that plaintiff established trade secrets 4-6 as trade secret, and that defendant violated his employment agreement with plaintiff. The arbitrator issued an award of 500 million.

Defendants sought review in the courts, arguing that the arbitrator exceeded his authority in granting punitive sanctions contrary to Minnesota statutes. The district court reversed and remanded, finding that the arbitrator lacked authority to impose sanctions, or if he did have authority, he erred when he did not allow defendants to rebut the presumption created by fabricated evidence, and thereby prejudicing defendants. The court of appeal reversed and reinstated the award. The court of appeal based its decision on a theory of waiver used by the 8th circuit because defendants did not object during the arbitration and requested the arbitrator to use the same power that it now challenged. Although holding the waiver theory dispositive, the court of appeal also added that the broadly worded arbitration provision granted inherent authority for punitive sanctions despite possible misapplication of sanctions law.

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On appeal, the supreme court overruled the use of the 8th circuit's waiver theory. The court instead found that Minnesota statutes applied express waiver only in one part of the statute, and that failure to object for exceeding authority did not affect remaining basis for challenging arbitration award under Minn. Statute Section 572.19 subd (1) based on legislative intent and prior case law, as well as the nature of arbitration proceedings. On the issue of arbitrator authority to impose sanctions (an issue of first impression) the court found that the arbitrator's ability to impose sanctions was governed by agreement. Because the parties have the ability to expressly provide for arbitration authority by provision or reference to rules, including sanction power. Using principles of contract interpretation, the court found that the arbitrator had authority to impose sanctions based on the contract language.

**BMC Software, Inc. v. Mahoney, 2015 U.S. Dist. LEXIS 74318 ( D. Minn. June 9, 2015).** Defendant had signed a confidentiality and non-compete agreement after the start of his employment with plaintiff. The confidential information included sales plays, financial information, customer contact information, and sales training. The non-compete agreement prohibited defendant from (1) selling competitive products to customers that defendant had personal contact with, or (2) develop or market competitive products throughout the US. After defendant left plaintiff's employ to work for its largest competitor, plaintiff filed a motion for preliminary injunction against defendant, alleging breach of a non-compete agreement and inevitable disclosure of trade secrets. The district court found that plaintiff would likely succeed on the merits only on the breach of the non-compete agreement. The court held that under Texas law that the delivery of confidential information to defendant satisfied the consideration requirement for the non-compete agreement. The court further found the geographic scope of the non-compete agreement overly broad but modified it to limit to defendants' former accounts. The court further found the non-compete reasonable in time (one year) and activity (sales and marketing). On the inevitable disclosure claim, the district court found no evidence of a trade secret in the confidential information disclosed to defendant, and that even if such information were a trade secret, defendant's knowledge of such information standing alone was insufficient to establish inevitable disclosure.

### Missouri

**Sigma-Aldrich Corp. v. Vikin, 451 S.W.3d 767; 2014 Mo. App. LEXIS 1136 (Mo. App Ct. Oct. 14, 2014).** Plaintiff hired defendant from plaintiff's competitor with requirement that defendant not call on former customers or reveal confidential information. While at the former employer, defendant acquired knowledge of a website aggregator marketing strategy. Defendant signed a non-compete agreement with plaintiff, and worked on implementation of an aggregation strategy for plaintiff's website. Defendant then left to join another competitor in a general manager role. The new employer did not have a similar web business model, defendant's new job would be running operations, and the role would not involve sales and marketing. Plaintiff filed a petition to enjoin defendant and a motion for a TRO. The district court denied the plaintiff's request for injunctive relief, finding that the non-compete provision was unenforceable for lack of geographic or other non-temporal restriction. On appeal, plaintiff argued that (1) the lack of geographic scope was not fatal, (2) defendant's possession of plaintiff's confidential information involved more than general competition that triggered the non-compete agreement, and (3) the plaintiff established the trade secret status of the information that would benefit plaintiff's competitors. The court disagreed, finding first that the non-compete provision essentially banned defendant from working for any competitor globally in any capacity without any specific limitation on the class of competitors where contact was limited. The court held that plaintiff's information did not rise to the level of trade secret, as the "Amazon-like" marketing aggregator developed by the defendant necessarily required disclosure to the public, and was similar to the aggregator used by defendant's prior employer before being hired by plaintiff. The court also held that the plaintiff failed to establish (1) that it had taken measure to guard the secrecy of the aggregator plan, (2) the value of the marketing aggregator, or (3) the resources expended to develop the aggregation website.

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### Nebraska

**Gaver v. Schneider's O.K. Tire Co., 289 Neb. 491; 856 N.W.2d 121; 2014 Neb. LEXIS 179 (Neb. 2014).**

Plaintiff sued defendant for declaratory judgment on two non-compete agreements. Plaintiff had no contact with defendant's customers, did not acquire confidential information such as customer lists, and defendant provided no evidence of trade secret information. Plaintiff intended to start his own business that would compete directly with defendant. The non-compete agreement restricted plaintiff for a period of five years within a 25 mile radius, and was not part of an employment agreement with defendant. Defendant admitted that the non-compete agreements were not customer specific, and required employees to enter into the non-compete agreements to participate in the company's profit sharing plan. The district court held that the defendant was not entitled to protection against ordinary competition from a former employee. The district court found that defendant's failure to limit the non-compete agreement to defendant's customers rendered the agreement overly broad, and determined that the scope of the non-compete agreement in force was greater than reasonably necessary to protect plaintiff from unfair competition.

On appeal, the court affirmed. The court refused to find the non-compete agreement separate from the employment contract to be determinative. . The court on appeal found the non-compete agreement not part of the profit sharing plan despite its reference to such plan. The court found that non-compete agreements were enforceable to protect a legitimate protectable business interest s of goodwill, confidential information, and trade secrets, but refused to recognize distributed earnings that are used to fund a competing business as a legitimate restriction.

**Infogroup, Inc. v. Database LLC, 2015 U.S. Dist. LEXIS 43585 (D. Nebraska Mar. 30, 2015).** Plaintiffs filed a motion for preliminary injunction based on defendants' acquisition of plaintiffs' proprietary database, false advertising of defendants' data as "verified," and false representations of a corporate relationship between the parties. Plaintiffs presented evidence that a high correlation of seed data planted in plaintiffs' proprietary database was found in defendants' database, and that former employees of plaintiff were hired by defendants. Based on this evidence, plaintiff claimed its data had been misappropriated and/or its systems had been illegally accessed. Plaintiff also alleged that defendant could not "verify" the seed data because the planted seed data was fictitious. Finally, plaintiff alleged that consumers were confused by press releases describing the current CEO of defendant in conjunction with is former role as a founder of plaintiff. Defendants offered evidence that much of the information on plaintiffs' database was publicly available through information previously sold to customers as well as through webscraping services that "scraped" data from the internet. The district court denied the grant of a preliminary injunction, finding that plaintiff had not shown a likelihood of success on the merits under the Dataphase factors, based in part on a failure to show that plaintiff would be injured. As part of the preliminary injunction's scope, plaintiff requested that defendant be enjoined from "webscraping" data that corresponded to data on plaintiffs' website. The court found that webscraped data is ascertainable by proper means and thus could not meet the definition of a trade secret. As plaintiffs had provided no evidence of access to its database by former employees, the court found no likelihood of harm without the injunction. The court also rejected plaintiffs' other claims based on lack of proof that the either the verified information or the CEO's former association was actually false.

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## 9TH CIRCUIT

In *Golden v. California Emergency Physicians Medical Group*, 12-16514, a divided Ninth Circuit panel held that a “no re-hire” provision in a settlement agreement could, under certain circumstances, constitute an unlawful restraint of trade under California law.

Dr. Golden, a physician, agreed to settle his discrimination claim against his employer, California Emergency Physicians Medical Group (“CEP”). Their oral settlement agreement, later reduced to writing, had Dr. Golden “waive any and all rights to employment with CEP or at any facility that CEP may own or with which it may contract in the future.” The district court enforced the parties’ settlement over Dr. Golden’s objection that this “no-rehire” clause violated Section 16600 of California’s Business & Professions Code, which provides that a contract is void if it restrains anyone from engaging in a lawful profession.

On appeal, Dr. Golden argued that the “no re-hire” clause was unlawful and that, because it constituted a material term of the settlement, the entire agreement was void, permitting Dr. Golden to pursue his discrimination lawsuit. The Ninth Circuit panel determined that Dr. Golden might prevail on this argument, and remanded the case to the district court for further proceedings. The panel first found that the validity of the “no re-hire” clause was ripe for determination. The dispute was ripe not because CEP was currently seeking to enforce the “no re-hire” clause against Dr. Golden (it was not), but because Dr. Golden sought to have the settlement agreement voided after his former attorney attempted to enforce the agreement in order to collect attorney’s fees. The panel reasoned that “when a litigant resists his adversary’s attempt to enforce a contract against him, the dispute has already completely materialized.”

The Ninth Circuit panel next addressed the validity of the “no re-hire” clause. Historically, this type of clause, which commonly appears in settlement agreements, has not been viewed as a non-compete clause, in that a “no re-hire” clause does not keep a former employee from working for a competitor—just the former employer. The Golden court, however, took a wider view of Section 16600, reasoning that it applies to any contractual provision that “‘restrain[s] anyone] from engaging in a lawful profession, trade, or business of any kind’ ... extend[ing] to any ‘restraint of a substantial character,’ no matter its form or scope.”

To support this broad interpretation, the Ninth Circuit panel majority cited Section 16600’s language, statutory context, and case law to reason that Section 16600 applies to any contractual limitation that restricts the ability to practice a vocation. See, e.g., *Edwards v. Arthur Andersen LLP*, 189 P.3d 285 (Cal. 2008); *City of Oakland v. Hassey*, 163 Cal. App. 4th 1447 (2008). The panel majority noted that both *Edwards* and *Hassey* focused on the text of the law—whether the contested clause restrained someone from engaging in a trade, business, or profession—and not specifically whether the clause prevented competition with the former employer. The panel majority concluded that a clause creating a restraint of “substantial character” that could limit an employee’s opportunity to engage in a chosen line of work would fall under Section 16600’s “considerable breadth.”

Of significance is that the Ninth Circuit panel did not rule that the clause was actually void. Instead, the panel majority concluded that the district court would need to do more fact-finding to see if the clause actually created a restraint of a “substantial character” on Golden’s pursuit of his profession.

It also is significant that the Ninth Circuit panel majority—mindful that the California Supreme Court itself has not ruled on whether Section 16600 extends beyond traditional non-compete clauses in employment agreements—was merely predicting how it thought the California Supreme Court would rule. A sharp dissent by Judge Kozinski expressed skepticism that the California Supreme Court would reach the same result as the panel majority, and argued that the settlement agreement should be enforced because the provision put no limits on Dr. Golden’s current ability to pursue his profession.

### Alaska

**McIntyre v. BP Exploration & Production, Inc., No. 3:13–cv–149 RRB, 2015 WL 999092 (D. Alaska Mar. 5, 2015).** In *McIntyre*, an Alaska federal district court dismissed *McIntyre*’s misappropriation claim because *McIntyre* did not establish the existence of a trade secret. In April 2010, an explosion occurred at one of BP’s wells, which resulted in uncontrolled leaking of oil into the surrounding coastal waters. BP solicited public suggestions to address the problem. *McIntyre* submitted drawings of potential methods to cap the well. By July 2010, the well was capped. BP filed a U.S. Patent Application on the method it used to cap the well. *McIntyre* did not receive any

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compensation, credit, or acknowledgment from BP for the use of his submitted ideas. McIntyre brought suit, alleging misappropriation of trade secrets.

McIntyre argued that he assumed his communications would be secret and he would receive compensation. However, the court held that even when entering a formal confidentiality agreement is unreasonable, the owner of an alleged trade secret cannot unilaterally create a confidential relationship without the knowledge or consent of the party to whom the secret is disclosed. BP solicited responses from numerous people who volunteered their ideas to cap the well. McIntyre did not argue, and the information he provided did not reveal, that his information was any different from the information solicited from the others. McIntyre was informed that his submitted information would be forwarded to unidentified parties for review and analysis, indicating that his submission would not strictly remain under the control of BP. The court noted that McIntyre failed to put BP on notice of the secrecy of his ideas by failing to include language in his communications that indicated the ideas' confidential nature.

### Arizona

**Orca Communications Unlimited, LLC v. Noder, 2014 WL 6462438 (Ariz. Nov. 19, 2014).** Orca, a public relations firm, filed suit against Ann Noder, its former president, for unfair competition after Noder left Orca to start a competing company. Orca alleged that Noder had learned confidential and trade secrets information about "Orca's business model, operation procedures, techniques, and strengths and weaknesses," and that Noder intended to "steal" and "exploit" that information and Orca's customers for her company's own competitive advantage. The trial court dismissed Orca's complaint at the pleadings stage, concluding that the Arizona Uniform Trade Secrets Act preempts Orca's "common law tort claims arising from the alleged misuse of confidential information," even if such information is "not asserted to rise to the level of a trade secret." The Court of Appeals reversed in part, holding that preemption exists only to the extent that the unfair competition claim is based on misappropriation of a trade secret.

The Arizona Supreme Court then ruled that the AUTSA does not preempt claims over the theft of non-trade secret information. The Court specifically found that the AUTSA "does not displace common-law claims based on alleged misappropriation of confidential information that is not a trade secret." The Court reasoned that nothing "suggests that the legislature intended to displace any cause of action other than one for misappropriation of a trade secret." The Court rejected the argument that the UTSA was intended to promote uniformity concerning the treatment of confidential information generally. According to the Court, "[t]he quest for uniformity is a fruitless endeavor and Arizona's ruling one way or the other neither fosters nor hinders national uniformity."

**Quicken Loan, Inc. v. Beale, No. 1 CA-CV 13-0053, 2014 WL 1921086 (Ariz. Ct. App. May 13, 2014) (unpub.).** The Arizona Court of Appeals held that an employee non-solicitation provision that prohibited Quicken Loan's former employees from contacting its current employees for two years was not enforceable because it was not narrowly tailored to protect Quicken Loan's legitimate financial interests. In its underlying complaint, Quicken Loans alleged, among other things, that certain former employees violated the employee nonsolicit by communicating employment opportunities at a competitor of Quicken Loans with other Quicken Loans employees. Quicken Loans sought injunctive relief and monetary damages for the alleged breaches of the employee nonsolicit, and the former employees ultimately filed a motion for summary judgment, arguing that the restrictive covenant was unreasonable and unenforceable as a matter of law.

The trial court granted the former employees' motions for summary judgment on grounds that the employee nonsolicit at issue was overly broad, unreasonable, and unenforceable. The Arizona Court of Appeals acknowledged that the agreement containing the employee nonsolicit had a choice-of-law provision selecting Michigan law as the applicable law. The Court held that assuming without deciding that Michigan law applies, the employee nonsolicits were overly broad and unenforceable because Arizona has a long-standing policy precluding courts from rewriting unenforceable, overbroad restrictive covenants to create new, enforceable restrictive covenants. Nonetheless, the Court held that the employee nonsolicits were unenforceable under Michigan law because they were not an attempt to protect Quicken Loans' proprietary information but were instead an attempt to preclude former employees from using the skills and knowledge learned at Quicken Loans about the mortgage industry. The Court also noted that Michigan law does not permit courts to rewrite (i.e., blue-pencil) the express terms of a contract.

### California

**Altavion, Inc. v. Konica Minolta Sys. Laboratory, Inc., 226 Cal. App. 4th 26 (1st Dist. 2014).** In Altavion, the California Court of Appeal held that general ideas, including combinations of ideas, are protectable as trade secrets.



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Inventor company Altavion brought a trade secret misappropriation claim against a research and development subsidiary of Konica Minolta. The trial court found that the defendant misappropriated Altavion's trade secrets related to its digital stamping technology which were disclosed by Altavion during negotiations between the two companies.

The Court of Appeal affirmed the judgment and found that Altavion's specific design concepts, which it did not disclose to anyone other than the defendant, were misappropriated when defendant secretly filed patent applications disclosing Altavion's ideas and subsequently obtained patents covering Altavion's ideas. The Court's analysis divided plaintiff's information into three tiers. The least specific and least protectable tier included the general idea about self-authenticating barcode technology. This idea was disclosed publicly without a non-disclosure agreement and was therefore not protectable. The most specific and secret tier included Altavion's algorithms and source code. The Court held that this information was protectable trade secret information. The middle tier comprised the design concepts underlying DST, which were disclosed only to the defendant and only pursuant to the NDA. The evidence showed that the defendant had not independently developed the DST concepts prior to learning about them from Altavion, and that the later-patented design concepts had independent economic value. Thus, the DST design concepts were held to be protectable trade secrets. The Court noted the overlap in protection for ideas under patent law and trade secret law and explained that while an inventor may obtain a patent for novel technology and control the use of the idea, trade secret law protects the inventor's right to control the dissemination of valuable information, that is, the idea itself. The Court accordingly held, "if a patentable idea is kept secret, the idea itself can constitute information protectable by trade secret law." In sum, the Court concluded that trade secret law may be used to sanction the misappropriation of an idea the plaintiff kept secret.

**Direct Technologies, LLC v. Electronic Arts, Inc., SACV 10-1336 AG (PJWx), (C.D. Cal. Aug. 4, 2014) (unpub.).** Direct Technologies, LLC ("Plaintiff"), a USB drive designer, brought suit against Electronic Arts, Inc. ("Defendant"), a maker of video games, for the misappropriation of Plaintiff's trade secrets under the California Trade Secrets Act ("CUTSA"). Defendant had contracted with third party Lithomania, Inc. ("Lithomania") to transform Defendant's 2-D copyrighted design into a 3-D sculpture containing a USB drive. Lithomania, in turn, contracted with Plaintiff to design the 3-D USB drive. Plaintiff alleged that after receiving Plaintiff's USB prototypes, Lithomania found a different company to manufacture the USB drives and handed over Plaintiff's USB prototypes to that company for replication and manufacture. The court granted Defendant's motion for summary judgment because Plaintiff could not show evidence of taking any reasonable steps to maintain the secrecy of its USB prototypes. Plaintiff emailed non-disclosure agreements to Lithomania "a month and a half after [Plaintiff] sold the prototypes to Lithomania." *Id.* at \*5. Lithomania never signed those non-disclosure agreements. Furthermore, Defendant even had Lithomania send non-disclosure agreements to Plaintiff, but Plaintiff never signed those agreements either. Plaintiff argued that it did take reasonable steps by ordering its own employees to maintain secrecy, but the court held that these internal orders were not sufficient, especially because they didn't "concern the prototypes, it concern[ed] design work." *Id.* at \*9 (internal citation omitted). Defendant also argued that Plaintiff's USB prototypes had no independent economic value because they were "inseparable from [Defendant's] copyrighted PlumbBob design." *Id.* at \*3 (internal citation omitted). The court based its ruling solely on the missing element regarding reasonable steps to maintain secrecy and did not address Defendant's argument regarding independent economic value.

**Cellular Accessories For Less, Inc. v. Trinitas LLC, No. CV 12-06736 DDP (SHx), 2014 WL 4627090 (C.D. Cal. Sept. 16, 2014).** Cellular Accessories For Less, Inc. ("Plaintiff"), a seller of mobile phone accessories, brought suit for misappropriation of trade secrets, interference with prospective business advantage, breach of contract, and trade libel (among other claims) against Trinitas LLC ("Defendant"), a competitor started by Plaintiff's former employee. Plaintiff alleged that the former employee misappropriated Plaintiff's computer files, the contacts on the former employee's LinkedIn social networking account, and customer "purchasing and billing preferences" including "specific strategy information." *Id.* at \*3. Defendant argued that the constantly changing nature of the industry rendered those customer preferences valueless as trade secrets. To the contrary, the court reasoned that "if a customer list... can provide independent economic value... the past behavior and preferences of those customers can be, too-even if market conditions change." *Id.* at \*5. The court held that the California Trade Secrets Act ("CUTSA") preempted Plaintiff's claim for interference with prospective business advantage but not to the extent that such a cause of action was "based on the trade libel claim." *Id.* at \*6 (internal citation omitted). Nevertheless, the court dismissed Plaintiff's trade libel claim for lack of evidence. Plaintiff also failed to show that Defendant's "breach of the proprietary information provisions" in the original employment contract caused any actual "loss of

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business” to Plaintiff. Id. at \*8. Plaintiff failed to show “a trend of proportional loss and gain by the parties” and therefore was unable to prove sufficient damages. Id.

**Chang v. Biosuccess Biotech Co., Ltd., No. LA CV14–00310 JAK (ANx), 2014 WL 7404582 (C.D. Cal. Dec. 29, 2014).** Although this case involved many parties with various cross-claims and counterclaims, the aspect of the case involving trade secrets was as follows: Chang (“Plaintiff”), co-inventor of a patent concerning the use of phorbol esters, sought declaratory relief against Biosuccess Biotech Co., Ltd. (“Defendant”) regarding the patent license, whereas Defendant brought suit for misappropriation of trade secrets that Defendant developed related to that patent. The court held that Defendant’s common law claims were subject to preemption under the California Trade Secrets Act (“CUTSA”) because Defendant “failed to allege wrongdoing that is distinct from the alleged improper use of trade secrets.” Id. at \*14. The court noted that CUTSA preemption might not apply to the “misappropriation of *physical* property or...contractual relationships respecting something other than proprietary information” and was prepared to address that issue. Id. at \*15 (internal citation omitted). Nevertheless, the court had no reason to address that issue because Defendant “fail[ed] to plead how these documents contain any value apart from the trade secrets contained within them.” Id.

**Finton Construction, Inc., v. Bidna & Keys, APLC, G050093, 2015 WL 3947116 (C.D. Cal. June 29, 2015).** This dispute arose from another case still pending trial, in which Finton Construction, Inc. (“Plaintiff”) is suing its former business partner Reeves for soliciting Plaintiff’s clients and employees and for copying various confidential documents alleged to be Plaintiff’s trade secrets. Law firm Bidna & Keys, APLC (“Defendant”) is representing Reeves as its client in that underlying case, and Defendant received those confidential documents in the regular course of preparing for litigation. Here, Plaintiff argued that because the confidential documents were stolen property, Defendant therefore was guilty of conversion and receipt of stolen property and must be enjoined from “deleting, accessing, or in any way using the data.” Id. at \*3. The court held that Defendant’s receipt of the documents was clearly protected under the litigation privilege and that “[n]o attorney can litigate a trade secret case without examining the disputed materials to determine if they constitute trade secrets or even contain any relevant data at all.” Id. at \*7.

**Grail Semiconductor, Inc. v. Mitsubishi Elec. & Electronics USA, Inc., 225 Cal. App. 4th 786, 170 Cal. Rptr. 3d 581 (2014), reh’g denied (May 20, 2014), review denied (Aug. 13, 2014).** The California Court of Appeal held that the trial court was not required to grant a plaintiff memory chip designer’s request for permanent injunction against prospective investor’s continued disclosure of information about memory chip design in violation of nondisclosure agreement, even though the agreement allowed for injunctive relief. The plaintiff received a jury verdict in its favor but the trial court ultimately denied plaintiffs’ request for permanent injunctive relief. The plaintiff challenged the trial court’s finding as to the injunction, citing a provision for injunctive relief in the NDA and asserting the necessity of the remedy for the plaintiff’s future commercial opportunities. The Court of Appeal held that the plaintiff failed to carry its burden to show that damages for the defendant’s breach would be insufficient to prevent any future harm. In particular, the plaintiff did not demonstrate that the defendant was continuing to disclose information in violation of the NDA. The Court also noted that the purported harm to plaintiff’s future commercial opportunities arising from the use of its confidential information was itself the subject of a separate patent infringement action pending in federal court. The Court further held that the fact that the parties’ contract allowed for injunctive relief was not controlling because an injunction is an equitable remedy, which may be denied notwithstanding the parties’ contractual stipulation if the remedy at law is adequate. Accordingly, the Court found no abuse of discretion in the trial court’s declination to order injunctive relief and, thus, upheld the trial court’s order.

**Heller v. Cepia L.L.C., 560 F. App’x 678 (9th Cir. 2014) (unpub.).** The Ninth Circuit approved sanctions against an attorney for “misrepresentations” made in the complaint of a trade secret lawsuit. In *Heller v. Cepia L.L.C.*, Jason Heller claimed that Cepia, the makers of “Zhu Zhu Pets” robot toy hamsters, used the same features and accessories he had disclosed to toy manufacturers in his prototype designs. Mr. Heller asserted, inter alia, that the manufacturers forwarded his trade secrets to Cepia, who then used his ideas in the Zhu Zhu Pets products. In the 2011 complaint, Mr. Heller’s attorney alleged that visitor logs at one of the manufacturers “appeared to confirm” that Cepia had visited the manufacturer. Mr. Heller then “confronted” the manufacturing company who “refused” to provide information about any relationship with Cepia.

A year later the complaint was dismissed with prejudice pursuant to the parties’ joint stipulation. In part of the quid pro quo for the dismissal stipulation, Cepia received Mr. Heller’s acknowledgement that “he did not find any

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evidence that Cepia had any access to any of Mr. Heller's hamster toy ideas or information" in the documents and evidence produced during discovery. The district court ultimately ordered Heller's attorney to pay \$5,000 because two allegations in the complaint were not "grounded in fact," according to court documents. The Ninth Circuit affirmed.

**In re Marriage of Greaux & Mermin, 223 Cal. App. 4th 1242, 167 Cal. Rptr. 3d 881 (2014).** The California Court of Appeal held that California public policy does not preclude family courts from imposing noncompetition orders in dividing community property. A husband and wife owned and operated a business that involved the manufacture and sale of special type of rum. The parties, however, had personal conflicts and the wife ultimately filed a petition for dissolution. The wife allegedly filed concurrent actions against the business, as well as lawsuits against key company resource contacts. The wife also allegedly disrupted business operations of the company by withdrawing operating capital on two occasions and making statements to employees "portending the demise of the businesses." The family court ultimately awarded the company to the husband because he was "better qualified by experience to run the business" and had "demonstrated the will and ability to [run the business] under extremely adverse circumstances," while wife had shown "a willingness to sacrifice the interests of [the company] for what appeared to have been little more than spiteful retribution." The family court also entered a judgment that prohibited the wife from competing in the same industry or setting up a competing business for the next five years. The wife appealed on grounds that California Business and Professions Code Section 16600 and public policy render void any such noncompete provisions.

The Court of Appeal rejected the wife's arguments and explained that there was a countervailing public policy in the fair and equal distribution of marital property upon the dissolution of a marriage. The Court held that public policy affirming an individual's right to engaged in a trade or business does not trump the family court's authority to issue any orders—and specifically a noncompetition order—to achieve an equal division of marital property. Yet Court held that the family court abused its discretion in failing to impose any geographical restriction on its noncompetition order. Thus, the Court reversed the judgment and remanded the matter to family court for further proceedings consistent with its opinion, including reconsideration of the geographic scope of the noncompetition order.

**Marcotte v. Micros Systems, Inc., No. C 14-01372 LB, 2014 WL 4477349 (N.D. Cal. Sept. 11, 2014), as subsequently determined, 2014 WL 5280875 (Oct. 14, 2014).** Marcotte ("Plaintiff") sued former employer Micros Systems, Inc. ("Defendant"), a seller of point-of-sale terminals, for wrongful termination. Defendant moved to transfer the case to Maryland pursuant to the forum selection clause in the employment contract. The contract also contained a Maryland choice-of-law provision and a non-compete clause. Plaintiff worked for Defendant in California at all times. After receiving reductions in commissions and ultimately facing termination, Plaintiff sought employment elsewhere and procured an offer from Defendant's competitor. Plaintiff argued that the forum selection clause expired once the contract terminated, but the court held that "because '[t]ermination of a contract does not divest parties of rights and duties already accrued,' a forum selection clause survives termination of the contract absent contractual language to the contrary." 2014 WL 4477349, at \*10 (internal citation omitted). In the court's subsequent determination, Plaintiff alleged that Defendant made an oral promise to waive the forum selection clause and that it was therefore void. The court rejected this argument and noted that "'in the absence of consideration or estoppel,' a waiver of contractual rights 'may be retracted' and the rights 'restored at any time.'" 2014 WL 5280875, at \*5 (internal citation omitted). The court reasoned that even if Plaintiff's allegation was correct, Defendant retracted its waiver of the forum selection clause by moving to transfer this case to Maryland under that very same contractual right. Plaintiff also argued that by bringing suit in California she relied on Defendant's waiver. The court rejected this argument as well, holding that if "merely bringing suit can constitute sufficient reliance... That would dilute the existing rules on waiver." *Id.* The court granted Defendant's motion to transfer the case to Maryland pursuant to the forum selection clause.

**NetApp, Inc. v. Nimble Storage, Inc., No. 5:13-CV-05058-LHK (HRL), 2015 WL 400251 (N.D. Cal. Jan. 29, 2015).** NetApp, Inc. ("Plaintiff") sued competitor Nimble Storage, Inc. ("Defendant") for violating the Computer Fraud and Abuse Act ("CFAA"), trespass to chattels, and unfair competition. Plaintiff had previously contracted with Michael Reynolds ("Reynolds"), an Australian consultant, and gave him restricted access to its computers. Reynolds later went to work for Defendant's Australian subsidiary. Plaintiff alleged that while working for Defendant, Reynolds obtained "confidential and proprietary information" through unauthorized access to Plaintiff's computers. *Id.* at \*1. Plaintiff argued that Defendant was vicariously liable for Reynolds's actions because Reynolds acted on Defendant's behalf. Plaintiff's original complaint mistakenly alleged that Reynolds worked for

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the subsidiary instead of working directly for Defendant. The court barred Plaintiff's amended complaint from correcting this factual error because an "amended complaint may only allege 'other facts consistent with the challenged pleading.'" Id. at \*4 (internal citations omitted). Plaintiff could not prove that Defendant was an alter ego of its subsidiary and also could not prove that Defendant and Reynolds "reached a tacit or explicit agreement" to conspire against Plaintiff. Id. at \*9.

On its CFAA claim, Plaintiff argued that Reynolds caused damages by moving Plaintiff's data to a "non-secure area," "compromising its exclusivity," and making changes to it. Id. at \*11 (internal citation omitted). The court rejected this argument because Reynolds did not delete the data, it was still available to Plaintiff, and therefore Plaintiff suffered no damages. The court reasoned that the CFAA requires "'impairment to the integrity or availability' of data;" otherwise "any misappropriation of trade secrets or confidential information" would fall under the CFAA and this would excessively broaden the statute. Id. at \*15 (internal citation omitted).

The court also noted that the California Uniform Trade Secrets Act ("CUTSA") can preempt trespass claims even if the proprietary information does not amount to a trade secret. In fact, CUTSA *must* preempt the trespass claim in order for Plaintiff's proprietary information to be construed as property because California Labor Code § 2860 does not give Plaintiff a "general property right for non-confidential, non-trade secret employee work product." Id. at \*16-17 (internal citations omitted). The court therefore dismissed Plaintiff's trespass claim. Finally, the court held that Plaintiff's unfair competition claim survived only to the extent that it "does not implicate either the misappropriation of trade secrets or confidential or proprietary information, or a claim for copyright infringement." Id. at \*23.

**Rowen v. Soundview Communications, Inc., No. 14-cv-05530-WHO, 2015 WL 899294 (N.D. Cal. Mar. 2, 2015).** Rowen ("Plaintiff"), a content provider, filed a declaratory relief action regarding a non-compete clause against Soundview Communications, Inc. ("Defendant"), a seller of dietary supplements and an alternative medicine newsletter publisher. Defendant argued that the forum selection clause contained in their business contract required both parties to bring the lawsuit in Georgia. Plaintiff moved to invalidate the forum selection clause on the grounds that the non-compete clause violated "three California public policies: protecting consumers from deceitful business practices under Business and Professions Code section 17200, preventing limits on trade and business activity under Business and Professions Code section 16600, and upholding the right to free speech...under California's Constitution." Id. at \*3. The court held that Plaintiff could not use a "choice-of-law analysis" to invalidate a forum selection clause. Id. at \*4 (internal citation omitted). Moreover, the court reasoned that even if the case transferred to Georgia, Plaintiff could still argue for the application of California law and that therefore there was "no foreclosure of remedy in Georgia." Id. at \*6. The court noted that Plaintiff did not "mount a public policy challenge to the validity of the forum selection clause itself." Id. at \*7.

**Koninklijke Philips N.V. v. Elec-Tech Intern. Co., Ltd., No. 14-cv-02737-BLF, 2015 WL 1289984 (N.D. Cal. Mar. 20, 2015).** Employer Koninklijke Philips N.V. ("Plaintiff") argued that competitor, Elec-Tech International Co., Ltd. ("Defendant"), indirectly violated the Computer Fraud and Abuse Act ("CFAA") by using Plaintiff's former employee as an agent on behalf of Defendant. The district court rejected Plaintiff's "indirect access" theory and dismissed Plaintiff's CFAA claim against Defendant with prejudice. Plaintiff's former employee had authorization to access Plaintiff's computers and therefore did not violate the CFAA. Moreover, Plaintiff was unable to prove that its former employee acted as an agent for Defendant, and Defendant did not directly, physically access Plaintiff's computers. The court noted that previous cases had already narrowly interpreted the CFAA as an anti-hacking statute requiring direct, physical access in order to establish liability and that this narrow interpretation precluded any indirect liability for actions by agents. The court reasoned that "CFAA violations require a person to engage in the hacking, not merely benefit from its results." Id. at \*4. Otherwise, subjecting Defendant to indirect liability under the CFAA would "effectively federalize all trade secret misappropriation cases." Id. at \*6.

**Ryan v. Microsoft Corporation, No. 14-CV-04634-LHK, 2015 WL 1738352 (N.D. Cal. Apr. 10, 2015).** Ryan ("Plaintiff") sued her employer Microsoft Corporation ("Defendant") for violating California state antitrust laws. Plaintiff argued that Defendant conspired "to restrict competition in the labor market and artificially depress compensation" by entering into an anti-solicitation agreement and a restricted hiring agreement with competitors. Id. at \*2 (internal citation omitted). Defendant motioned to transfer venue to Washington by pointing to a forum selection clause in the employment contract, but the court dismissed Defendant's motion because Plaintiff's antitrust claims merely related to the contract and did not arise out of it. The court reiterated an earlier precedent, holding that "forum selection clauses covering disputes 'arising out of' a contract are narrower than those covering disputes 'arising out of or relating to' a contract." Id. at \*5 (internal citation omitted). The court ultimately barred Plaintiff's

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antitrust claims under the Cartwright Act, the Sherman Act, and California's Unfair Competition Law due to a four-year statute of limitations applying to all three statutes. The court also barred Plaintiff's claim under California Business & Professions Code § 16600 by applying the "catch-all statute of limitations provision" under California Code of Civil Procedure § 343. *Id.* at \*11.

**Cypress Semiconductor Corporation v. Maxim Integrated Products, Inc., 236 Cal. App. 4th 243 (N.D. Cal. 2015).** Cypress Semiconductor Corporation ("Plaintiff"), a touchscreen manufacturer, sued competitor Maxim Integrated Products, Inc. ("Defendant") for soliciting Plaintiff's employees. The trial court held that Plaintiff's employee list did not constitute a trade secret, Defendant was entitled to solicit Plaintiff's employees, and Plaintiff brought its claim in bad faith. Because the court determined Plaintiff's claim to be in bad faith, Defendant received an award of its attorney fees under California Civil Code § 3426.4. The court used a two-prong test for determining bad faith established from a 2009 case: "(1) objective speciousness of the claim, and (2) subjective bad faith in bringing or maintaining the action, i.e., for an improper purpose." *Id.* at 260 (internal citation omitted). Under the first prong, it is "enough for defendants to point to the absence of evidence of misappropriation in the record" *Id.* Under the second prong, an implicit finding of subjective bad faith was sufficient, and Plaintiff did not "seasonably request such a statement [of express finding]." *Id.* at 266 (internal citations omitted). Furthermore, the subjective bad faith "test is not what the plaintiff believed about its objectively specious claim, but for what *purpose* it pursued such a claim." *Id.* at 267 (internal citations omitted). The appellate court affirmed the trial court's reasoning and holding on the facts.

**Lifeline Food Co., Inc. v. Gilman Cheese Corporation, No. 5:15-cv-00034-PSG, 2015 WL 2357246 (N.D. Cal. May 15, 2015).** Lifeline Food Co., Inc. ("Plaintiff"), a cheese marketer and distributor, sued Gilman Cheese Corporation ("Defendant"), a cheese manufacturer, for "misappropriation of trade secrets, breach of contract, promissory fraud, unfair competition, conversion and injunctive and declaratory relief." *Id.* at \*3. The court ruled that the California Trade Secrets Act ("CUTSA") preempted Plaintiff's unfair competition and conversion claims because those claims were based on the "same nucleus of operative facts." *Id.* at \*1. The court also barred Plaintiff's promissory fraud claim because it was "predicated upon the same alleged failure to perform under...its breach of contract claim." *Id.* at \*6. The court noted that the "doctrine of election of remedies, stemming from the equitable principles of estoppel, prevents alternative and inconsistent remedies based on the same nucleus of operative facts." *Id.* at \*2. The court dismissed Plaintiff's claims with leave to amend.

### Hawaii

**Gold Refinery, LLC v. Aloha Island Gold, LLC, No. CV 11-00522 SOM-RLP, 2014 WL 692907 (D. Hawai'i Feb. 21, 2014).** In *Gold Refinery*, a Hawaii federal district court granted Gold Refinery's motion for default judgment against Aloha Island Gold. Gold Refinery sued Aloha Island Gold for using Gold Refinery's business information to interfere with Gold Refinery's business activities. The court adopted the magistrate judge's findings and determined that Gold Refinery was entitled to judgment for misappropriation of trade secrets. The court evaluated the possibility of prejudice to Gold Refinery, the merits of Gold Refinery's substantive claim, the sufficiency of the complaint, the sum of money at stake in the action, the possibility of a dispute concerning material facts, whether the default was due to excusable neglect, and the strong policy underlying the Federal Rules of Civil Procedure favoring decisions on the merits.

**Kowalski v. Anova Food, LLC, Civil No. 11-00795HG-RLP, 2015 WL 1119457 (D. Hawai'i Feb. 12, 2015).** In *Kowalski*, a Hawaii federal district court held that Anova Food was precluded from claiming its method of injecting ozone into fish was a trade secret. Kowalski brought suit against Anova Food for infringing a patent that covers a process for treating food with smoke. The court held that the disclosure of a trade secret in a patent places the information comprising the secret into the public domain, thus extinguishing the trade secret. Because Anova Food's patent disclosed that its fish products were treated with ozone and listed a number of preferred embodiments for the application of ozone, the injection of ozone was not a trade secret.

**Moddha Interactive, Inc. v. Philips Electronic North America Corp., No. CIV. 12-00028 BMK, 2015 WL 1064621 (D. Hawai'i Mar. 10, 2015).** In *Moddha Interactive*, a Hawaii federal district court held that fraud and unfair competition claims were preempted by the Uniform Trade Secrets Act ("UTSA"), and misappropriation and breach of contract claims barred by the statute of limitations. In 2001, Moddha's predecessor-in-interest, Porrazzo Strategic Technologies ("PST") entered a non-disclosure agreement with Philips to share confidential information. Philips indicated it would consider a future interest in PST only if PST allowed Philips to retain the confidential

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materials, with the terms of the non-disclosure agreement remaining in place. In 2008, Moddha noticed that Philips was marketing technology that appeared to be designed in accordance with PST technology previously shared with Philips. In 2012, Moddha brought suit against Philips for infringement of two of its U.S. patents.

The court first noted that the dismissal of Moddha's claims was appropriate irrespective of whether Hawaii or California law applied, thus it did not address choice of law questions. Misappropriation of trade secrets requires the acquisition or disclosure of confidential information. Both the Hawaii UTSA and California UTSA preempt claims that would simultaneously establish a claim for misappropriation. Preemption generally applies when there is no material distinction between the wrongdoing underlying the UTSA claim and the non-UTSA claim. Consequently, a claim survives if it alleges wrongful conduct independent of the misappropriation of trade secrets. In this case, fraud and unfair competition are preempted unless they are based on a broader range of misconduct than the misappropriation of confidential information. Moddha's fraud and unfair competition claims were based on Philips' alleged misappropriation. Since Moddha did not provide sufficient independent facts to plead viable claims after the trade secret facts were removed, the claims were preempted.

The statute of limitations barred Moddha's misappropriation claim because three years had passed since Moddha's suspicion of Philips' misappropriation. In Hawaii and California, the statute of limitations for trade secret misappropriation is three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. Since Moddha was alerted of Philips' behavior in 2008, the claim was time barred.

Moddha then argued that the statute of limitations was tolled because of the doctrine of fraudulent concealment, the doctrine of equitable estoppel, and due to Philips' continuing breach. The court rejected the fraudulent concealment argument because there cannot be fraudulent concealment if there is a known cause of action. Moddha's suspicion of Philips' wrongdoing in 2008 was sufficient to put Moddha on notice of its causes of action. As a result, fraudulent concealment could not toll the statute of limitations beyond 2008. The court also held Phillips was not estopped from asserting the statute of limitations defense because Moddha failed to plead any additional fraudulent behavior that would excuse its delay in bringing suit. To prevail under equitable estoppel, the plaintiff must point to active conduct by the defendant that prevents the plaintiff from suing in time, and Moddha had not shown such facts. Finally, to determine the continuing breach allegation, the court looked to the non-disclosure agreement, which had a three year termination period. Since the non-disclosure agreement was entered in 2001, it terminated in 2004. Moddha did not file its complaint until 2014, so Philips no longer had a continuing obligation under the contract.

**Property Rights Law Group, P.C. v. Lynch, Civil No. 13–00273 SOM/RLP, 2014 WL 2452803 (D. Hawai'i May 5, 2014).** In *Property Rights Law Group*, a Hawaii federal district court denied summary judgment on a misappropriation of trade secrets claim because Property Rights Law Group ("PRLG") had not shown that Illinois law applied, and it had only brought a claim for misappropriation of trade secrets under Illinois law. PRLG sued Lynch, a former PLRG independent contractor, for violating the terms of her employment contract when she left the firm. One of the allegations was that Lynch violated the Illinois Trade Secrets Act. Lynch allegedly downloaded PRLG's client list and other "trade secrets." The district court began its analysis by attempting to determine whether Illinois law governed PRLG's trade secret claim, because PRLG had not pleaded a claim under Hawaii's Trade Secrets Act. The parties' contract specified that Illinois law would govern interpretation of the contract, but did not state whether Illinois law governed all claims brought by a party. The court held that when parties disagree on the application of a particular state's law, Hawaii's choice of law rules require a flexible approach that emphasizes which state has the strongest interest in seeing its laws applied. To determine which state has the stronger interest, the court weighs the interests of the states and the applicable public policies. Because PRLG had not presented sufficient argument as to why Illinois law applied, the court declined to reach the merits of its trade secrets claim.

**Queen's Medical Center v. Kaiser Foundation Health Plan, Inc., Civil No. 12–00565 ACK–KSC, 2014 WL 1234506 (D. Hawai'i Mar. 24, 2014).** In *Queen's Medical Center*, a Hawaii federal district court granted Queen's Medical Center's motion to file for partial summary judgment under seal. Queen's Medical Center brought suit against Kaiser Foundation alleging claims including breach of contract and unfair competition. Queen's Medical Center sought to seal exhibits containing provisions revealing prices, payment terms, services covered by the contracts, and confidential client lists. Queen's Medical Center argued that the exhibits contained sensitive trade secrets and business information that would give competitors unfair advantages. In order to seal a motion for summary judgment and its supporting documents, the movant must articulate a compelling reason that overcomes the strong presumption in favor of public access. Granting the motion, the court emphasized that the parties must

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make every attempt to seal only confidential information and allow filings to be open to the public to the fullest extent possible. Queen's Medical Center was also allowed to redact the amounts of repricing discounts to guard against improper disclosure of competitive rate information.

**Standard Register Co. v. Keala, Civil No. 14–00291 JMS–RLP, 2014 WL 3420785 (D. Hawai'i July 11, 2014).** In *Standard Register Co.*, a Hawaii federal district court denied Standard Register's motion for a temporary restraining order because it could not establish likelihood of success on the merits. Standard Register and WorkflowOne alleged that Keala and the other defendants violated their employment agreements by misappropriating WorkflowOne's trade secrets. Standard Register argued that customer lists, pricing information, and other confidential information relating to the company's operations and financing were misappropriated when the defendants left their employment. Although the court noted that customer lists and information regarding products and pricing may qualify as trade secrets, Standard Register did not provide any evidence that the information at issue was kept secret. Standard Register used vague language such as "WorkflowOne has ... taken proactive steps to maintain the secrecy of its customer lists and pricing information, and this information is not generally known to the public." The court emphasized that Standard Register omitted (1) the actual substance of the trade secrets beyond generalized categories of customer, product, and pricing information; and (2) any steps the Plaintiffs took beyond having the individual defendants sign their employment agreements to keep the information secret.

The defendants also submitted evidence that undermined whether Standard Register's information constituted trade secrets. The defendants asserted they were never told the information had to be kept confidential, there were no special or secret sales methods, and prices were necessarily relayed to customers. Standard Register also made no efforts to retrieve the client lists after the defendants resigned.

### Idaho

**St. Alphonsus Med. Ctr.-Nampa, Inc. v. St. Luke's Health Sys., 2014 U.S. Dist. LEXIS 9264 (D. Idaho Jan. 24, 2014).** In *St. Alphonsus Medical Center*, an Idaho federal district court issued an order relating to the potential publication of its Detailed Findings of Fact and Conclusion of Law, which arguably contained confidential information. Under Ninth Circuit case law, there is a presumption that judicial opinions and the facts relied upon in opinions will be made public. The presumption can be overcome, however, by a showing that the information contains sensitive trade secrets and that public dissemination of those secrets would cause substantial harm. In this case, the court held that an acquisition which resulted in a combined entity with over 80% of the primary care physicians in Nampa, Idaho, violated state and federal antitrust law. The court, however, did not publish detailed findings of fact and conclusions of law in its order because the facts contained a combination of negotiation strategy, financial projections, and personal compensation information. The court determined that the information should be released to the public, but wanted to give affected third parties the chance to object before it released the information.

**Fleming v. Escort, Inc., 2014 U.S. Dist. LEXIS 22989 (D. Idaho Feb. 21, 2014).** In *Fleming*, an Idaho federal district court issued rulings on post-trial motions, and rejected Escort, Inc.'s motion to hold that Fleming's failure to file a patent application between 1996 and 1999 constituted concealment. Concealment occurs where an inventor withholds an invention from the public in order to retain the invention as a trade secret. The court reasoned that Fleming did not intend to retain his invention as a trade secret, but instead sought to refine and perfect the complex invention.

**Mitchell Enters. v. Mr. Elec. Corp., 2014 U.S. Dist. LEXIS 48494 (D. Idaho Apr. 7, 2014).** In *Mitchell*, an Idaho federal district court granted Mr. Electric Co.'s motion for summary judgment on Mitchell Enterprise's trade secrets claim. Mitchell Enterprises was an electrical contractor that had signed a franchise agreement with Mr. Electric Co. As part of the franchise agreement, Mr. Electric Co. required Mitchell Enterprises to install software called ZWARE on its computers. After other proprietary software was removed from Mitchell Enterprises' computers, Mitchell Enterprises claimed that Mr. Electric Co. had misappropriated trade secrets using ZWARE. Mitchell Enterprises based its claim on circumstantial evidence that a ZWARE file appeared on its desktop and that ZWARE had the capability to transfer files. Mitchell Enterprises' expert, however, undermined these allegations, concluding that ZWARE had no automatically-executing transfer capability. Further, the same expert had found no remote access by

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Mr. Electric Co. When both parties' experts undermined Mitchell Enterprises' claims, no genuine issue of material fact remained from which a jury could reasonably find for Mitchell Enterprises.

**FLSmith Spokane, Inc. v. Emerson, 2014 U.S. Dist. LEXIS 82361 (D. Idaho June 16, 2014).** In *FLSmith Spokane*, the court dismissed without prejudice a trade secrets misappropriation claim. FLSmith was a project engineering company and had acquired a competing company. As part the acquisition, Emerson, a shareholder in the acquired company, agreed to "treat and hold confidential" the acquired company's trade secrets. Separately, Emerson signed a confidentiality agreement and a three-year employment agreement in return for FLSmith's buyout of Emerson's remaining shares in the acquired company. Four years later, Emerson's employment with FLSmith ended. Emerson formed a new company. FLSmith sued alleging that, during Emerson's involvement with the new company, Emerson held himself out on the basis of his past experience as FLSmith's employee, competed with FLSmith, solicited FLSmith's former employee for assistance in the formation of his venture, and used FLSmith's trade secrets. Emerson filed a motion to dismiss.

The court did not dismiss the breach of contract claim. Although the complaint lacked factual specificity as to how Emerson's company competed with FLSmith, the court took judicial notice of Emerson's company's new corporate website. The website's use of FLSmith's name and Emerson's hiring of FLSmith's former employee violated Emerson's contractual obligations.

The court, however, dismissed without prejudice the trade secrets claim. FLSmith had failed to plead facts indicating its information fit the definition of a trade secret—that the information was not generally known, had independent economic value as a secret, and was subject to reasonable efforts to protect its secrecy. Further, FLSmith had failed to plead how Emerson had used the information, and hence its misappropriation. The mere fact of running a competing venture was not sufficient pleading. For similar failures to plead with factual specificity, the court dismissed without prejudice FLSmith's claims of tortious interference with contract and intentional interference with prospective economic advantage.

**St. Alphonsus Med. Ctr. - Nampa, Inc. v. St. Luke's Health Sys., 2014 U.S. Dist. LEXIS 93985 (D. Idaho July 3, 2014).** In *St. Alphonsus Medical Center-Nampa*, an Idaho federal district court granted a third-party healthcare insurer's motion to seal. The insurer's executive had revealed trade secrets under oath at a deposition, including the insurer's growth strategies, pricing, negotiation details, and its process for adding physicians to its insurance network. The court reasoned that such information's release would allow competitors to gain a significant advantage and that none of these trade secrets were necessary for the public to understand the court's analysis.

**New Phase Dev., LLC v. Cook, 2014 U.S. Dist. LEXIS 136040 (D. Idaho Sept. 25, 2014).** In *New Phase Development*, an Idaho federal district court denied a motion to dismiss for lack of personal jurisdiction. The court relied upon, in part, the fact of Idaho's enactment of a trade secrets law. Cook, a Texas plastics distributor, had contacted New Phase Development, an Idaho plastics manufacturer, to negotiate a joint business venture. Both signed non-disclosure agreements. After their business relationship deteriorated, Cook allegedly stated his intention to use New Phase Development's secrets to engage a different manufacturer. New Phase Development sued and Cook and his company sought dismissal for lack of personal jurisdiction. Among the factors leading the court to deny the motion to dismiss, the court noted New Phase Development's invocation of Idaho's trade secrets law, as opposed to the corresponding trade secrets law in Texas. The court also noted Idaho's interest in protecting its citizens' trade secrets, as demonstrated by Idaho's enactment of a trade secrets law.

**Northwest Osteoscreening, Inc. v. Mt. View Hosptial, LLC, 2014 U.S. Dist. LEXIS 141407 (D. Idaho Oct. 2, 2014).** In *Northwest Osteoscreening, Inc.*, an Idaho federal district court dismissed a claim for civil RICO violations, reasoning that the misappropriation of trade secrets and ongoing use of those trade secrets did not constitute a pattern of wrongful behavior under RICO. Northwest Osteoscreening and Mountain View Hospital had been business partners in a healthcare company when certain defendants started a new company using the former joint venture's business model, client base, and trade secrets. The court reasoned that a claim of misappropriation under the Uniform Trade Secrets Act is a single claim, even though damages might increase from ongoing use of misappropriated trade secrets. Further, the court noted the intention of RICO was to punish repeated criminal acts, not grant treble damages to every plaintiff. Finally, the alleged RICO violations took place for under a year, which was too short a time to constitute a pattern of behavior under RICO.



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**St. Alphonsus Med. Ctr. - Nampa, Inc. v. St. Luke's Health Sys., 2015 U.S. Dist. LEXIS 18932 (D. Idaho Feb. 13, 2015).** In *St. Alphonsus Medical Center-Nampa*, an Idaho federal district court ruled on various third-party motions to redact or seal information that the third parties alleged were trade secrets. A third-party healthcare provider was permitted to redact (1) numerical terms it had negotiated with insurers and employers, (2) physician reimbursement rates it had negotiated with a physician group, (3) financial and planning details associated with a proposed hospital expansion, and (4) the productivity and compensation rates of individual physicians. Likewise, a third-party national insurer was permitted to redact its reimbursement methodology because this methodology was a crucial factor in the insurer's competitiveness and the methodology would not assist the public in its understanding of the underlying case. Two pieces of data on rising hospital costs, however, were not redacted because the data's benefit to the public in understanding the case far outweighed the competitive harm that the insurer faced by disclosure.

### Montana

**Combined Ins. Co. of Am. v. Hubley, 2014 U.S. Dist. LEXIS 84664 (D. Mont. June 20, 2014).** In *Combined Insurance Co. of America*, a Montana federal district court granted a motion for a preliminary injunction against a former employee who had used customer lists to contact the insurer's customers and induce them to switch to a competing insurer. The court found a likelihood of success on the merits for a trade secrets misappropriation claim. Non-public customer lists may constitute trade secrets. And, Hubley had likely misappropriated Combined Insurance Co.'s customer lists. The preliminary injunction standard did not require proof exactly how the misappropriation took place, only that it likely occurred.

### Oregon

**Idylwilde, Inc. v. Umpqua Feather Merchs., LLC, 2014 U.S. Dist. LEXIS 5681 (D. Or. Jan. 16, 2014).** In *Idylwilde*, an Oregon federal district court denied Idylwilde's motion for a preliminary injunction on a trade secrets claim. Idylwilde and defendant Mirabel, Inc. created a joint venture for the manufacture and sale of fly-fishing rods, agreeing that Idylwilde would be the exclusive marketing agent for Mirabel's entire production of rods. Sixteen years later, Mirabel sought to sell fly-fishing rods with a different business entity. Plaintiff sued and obtained a temporary restraining order. When Idylwilde sought a preliminary injunction, however, it proffered no evidence supporting its allegation that it made reasonable efforts to protect the secrecy of its trade secrets. For example, Idylwilde failed to present any evidence of confidentiality agreements. Idylwilde, therefore, failed to prove a likelihood of success on the merits of a trade secrets claim. Because Idylwilde was not likely to succeed on the merits of its other claims as well, the court denied the preliminary injunction.

**Wanke Cascade Distrib. v. Forbo Flooring, Inc., 2014 U.S. Dist. LEXIS 51187 (D. Or. Apr. 11, 2014).** In *Wanke Cascade Distribution*, an Oregon federal district court found good cause to create a two-tiered protective order to protect Wanke Cascade Distributors' trade secrets. Forbo Flooring wanted its general manager to be able to review certain of Wanke Cascade Distributors' documents. The court refused this request because Forbo Flooring's general manager was a competitive decision-maker and his access to trade secrets created a risk of inadvertent disclosure. The manager's assurances of non-disclosure were not enough to avoid the two-tiered protective order because the manager's employment necessarily entailed advising his employer on such issues. Forbo Floorings did not suffer prejudice because there were suitable substitutes to the general manager that could advise Forbo Floorings' counsel on technical matters, namely neutral experts.

**Tech. Sec. Integration, Inc. v. S & S Elec. Contrs., LLC, 2014 U.S. Dist. LEXIS 59969 (D. Or. Apr. 30, 2014).** In *Technical Security Integration*, an Oregon district court denied S & S Electric's motion for summary judgment on Technical Security Integration ("TSI")'s trade secrets claim. The court reasoned that a reasonable jury could find that TSI derived economic value from keeping secret its pricing and that TSI made reasonable efforts to keep its pricing secret. Likewise, a reasonable jury could find that S & S Electric had used TSI's contract pricing data in its own contracting because S & S Electric was able to predict certain costs accurately. Finally, these accurate cost predictions may reasonably be found to have helped S & S Electric win a contract at TSI's expense.

**Pendleton Woolen Mills v. Kraff's Men's Wear Co., 2014 U.S. Dist. LEXIS 182011, \*24 (D. Or. Nov. 21, 2014).** In *Pendleton Woolen Mills*, an Oregon federal district court granted a motion to compel the identity of Doe defendants, despite agreeing that the Doe defendants' identities were potentially trade secrets.

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Pendleton, a fabric and apparel wholesaler, had supplied its goods to the Kraff's. Pendleton, however, required the companies that it supplied, including Kraff's, not to sell Pendleton's goods to resellers. By 2012, the business relationship had ended. Kraff's, however, continued to sell Pendleton products, allegedly by acquiring them from Kraff's other business partners and reselling them. Pendleton sought to compel discovery of the identities of those companies reselling Pendleton goods because Pendleton intended to bring a breach of contract claim against those resellers, the Doe defendants.

Kraff's objected that the identities of the Doe defendants were trade secrets. The court agreed that the identity of a business's suppliers can constitute trade secrets and that, as Doe defendants, even a protective order of "Attorney's Eyes Only" would not stop Pendleton's counsel from naming the Doe defendants in the lawsuit. The court reasoned, however, that Pendleton could learn the Doe defendants' identities by pressuring potential resellers of its goods outside of the litigation process. Further, Kraff's was protected by the possibility of claiming intentional interference with economic relations if Pendleton overreached. On these grounds, the court granted the motion to compel.

**Elwood Staffing Servs. v. KGS2 Group, LLC, 2014 U.S. Dist. LEXIS 173421 (D. Or. Dec. 15, 2014).** In *Elmwood Staffing Services*, an Oregon federal district court denied a motion for a temporary restraining order on, among other claims, a trade secrets claim because Elwood Staffing Services had failed to obtain assignment of a former employee's non-compete clause. Elwood Staffing Service, a staffing company, had acquired another company. The acquired company attempted to assign its employment contracts, which included non-compete clauses, to Elwood Staffing Services. Elwood Staffing Services also requested employee consent to assignment of the non-compete clauses in a December 23rd email hinting at repercussions for a failure to consent. Defendant Susan Konopski, a former employee, assented, but also stated her reservations to the assignment. Later, Elwood Staffing Services sued Konopski to enforce the non-compete clause when she took a management position elsewhere.

Given ambiguity from the Oregon Supreme Court on the assignability of non-compete clauses, this court decided to adopt the more employee-friendly rule. This rule requires employee consent to assign a contract with a non-compete clause where the contract does not already include a clause permitting unilateral assignment by the employer. Konopski's contract did not. Under Oregon law, consent means capable, voluntary, and deliberate assent. The court ruled that Elwood Staffing Services acquired Konopski's assent to the assignment only after suggesting negative job implications for failure to assent to assignment in its Christmastime email. This was not consent under Oregon law. The court denied the motion for a temporary restraining order, holding that Elwood Staffing Services could not enforce the non-compete clause against Konopski. The court did not independently address the trade secrets misappropriation claim.

**Vesta Corp. v. Amdocs Mgmt., 2015 U.S. Dist. LEXIS 3696 (D. Or. Jan. 13, 2015).** In *Vesta Corp.*, an Oregon federal district court denied a motion to dismiss a trade secrets claim. Vesta Corp., an electronic payments company, and defendants (collectively Amdocs Management), telephone-billing companies, had signed multiple non-disclosure agreements while they were exploring how they might develop joint services. Amdocs Management, however, eventually developed an alleged copycat payment system without Vesta Corp.'s involvement. Vesta Corp. sued for breach of the non-disclosure agreements, fraud, and misappropriation of trade secrets.

The court did not dismiss the breach of contract claim. The court incorporated by reference the non-disclosure agreements attached to the complaint and took judicial notice of other relevant documents. Although Vesta Corp. had pled that Amdocs Management violated a 2009 "and/or" a 2012 non-disclosure agreement, Amdocs Management had sufficient notice which contracts were at issue. Further, although Amdocs Management argued that they did not use plaintiff's trade secrets in their final product, Vesta Corp. sufficiently pled that Amdocs Management used such trade secrets in product development and that Amdocs Management's subsequent sales would not have happened but-for Amdocs Management's use of Vesta Corp.'s trade secrets.

The court held that Oregon trade secrets law applied. Amdocs Management argued that the court should apply New York trade secrets law under the non-disclosure agreements' choice-of-law provisions. Those provisions, however, established only that New York law will govern interpretation of the non-disclosure agreements. They did not state that New York law would govern all claims related to the agreements. The parties could have drafted a broader clause, but did not. Thus, the forum's choice-of-law rules, and ultimately the forum's trade secrets law, applied.

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The court did not dismiss the trade secrets claim. Vesta Corp. described its trade secrets as step-by-step design and implementation strategies, direct customer notification systems, and detailed statistical risk information compiled over twenty years. This description was sufficient in light of precedent that noted the difficulty of defining trade secrets and had accepted at the motion-to-dismiss stage a mere listing of categories. Also, Vesta Corp. sufficiently pled its attempts to maintain secrecy when it referenced non-disclosure agreements, locked facilities, computer security, and badge policies. Although Vesta Corp. did not plead that Amdocs Management used its trade secrets in their final product, Vesta Corp. sufficiently pled that Amdocs Management had misappropriated the trade secrets during product development. Finally, the fraud claim was dismissed with leave to amend after Vesta Corp. admitted it had inadequately pled that claim.

**St. Jude Med. S.C., Inc. v. Janssen-Counotte, 305 F.R.D. 630 (D. Or. 2015).** In *St. Jude Medical*, an Oregon district court granted in part a motion to compel discovery against a third party. St. Jude, a medical technology company, sued Janssen-Counotte, its former vice president, for theft and threatened misappropriation of trade secrets. After Janssen-Counotte resigned her position with St. Jude, St. Jude conducted a forensic investigation of Janssen-Counotte's work computer. The investigation produced evidence that Janssen-Counotte had taken highly sensitive corporate strategy information with her when she left to join a competitor. After suing, St. Jude moved to compel the competitor's production of documents. St. Jude's discovery requests potentially called for the production of the competitor's own trade secrets.

The court noted deficiencies in St. Jude's description of its claims, which had failed specify what trade secrets were at issue. Additionally, St. Jude left unresolved whether Janssen-Counotte had actually acquired any trade secrets by improper means and whether there was any actual or threatened disclosure.

Despite these limitations, the court granted St. Jude's motion to compel in part. The Federal Rules of Civil Procedure require production of documents in a party's "possession, custody, or control." In this case, documents held by the new employer's sister company were under the new employer's control because employees of the sister company had participated in the negotiations to hire Janssen-Counotte. Additionally, a few factors led the court to decide that St. Jude did not need to further specify its own trade secrets at that point. First, the Federal Rules gave a broad right to discovery. Second, St. Jude had many trade secrets and may not know in advance of discovery which trade secrets were misappropriated. The court appointed a special master because the resolution of further discovery disputes would require expertise on the businesses' technologies.

**Nike, Inc. v. Enter Play Sports, Inc., 305 F.R.D. 642 (D. Or. 2015).** In *Nike*, a trade secrets case, an Oregon federal district court granted Nike's motion for a protective order. Nike had retained Enter Play to build samples of 3-D braided materials for its footwear. The parties signed a non-disclosure agreement. Later, Enter Play filed patent applications for the 3-D braiding process. Nike sued under seal alleging breach of the non-disclosure agreement and misappropriation of trade secrets. Enter Play counterclaimed under seal seeking a declaration that its patent information did not include confidential information or was not subject to the non-disclosure agreement.

The court adopted Nike's two-tiered protective order. The local rules approved of a model two-tier protective order. Nike had proposed using this model order. The court rejected Enter Play's motion to add a third tier to the protective order.

Also, the court denied Enter Play's motion requesting a more definite statement of Nike's trade secrets before proceeding to discovery. The court noted that Enter Play had not moved to dismiss or moved for a more definite statement. Moreover, Enter Play's counterclaims suggested that it adequately understood the trade secrets at issue in the case. Finally, the Federal Rules supported broad discovery and Nike, a company with many trade secrets, may not know in advance of discovery which trade secrets were misappropriated.

**Edwards v. Techtronic Indus. N. Am., Inc., 2015 U.S. Dist. LEXIS 73738 (D. Or. June 8, 2015).** In *Edwards*, an Oregon federal district court quashed a subpoena of an unretained expert witness. The Federal Rules of Civil Procedure permit courts to quash subpoenas that require disclosure of a trade secret or an unretained expert's analysis. Such subpoenas could undermine expert witnesses' ability to charge for their services. The court rejected Edwards's argument that the expert was sought for lay testimony because Edwards had not included the expert on the list of lay witnesses and because the expert's lay testimony would not be helpful to the jury.

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**Brown v. Guard Publ'g Co., 267 Or. App. 552, 554, 341 P.3d 145 (2014).** In *Brown*, the Oregon Court of Appeals reversed and remanded a trial court's summary judgment ruling that exempted an entire energy contract from Oregon's public records law. A municipal utility and a private biomass energy producer sued to keep their energy contract secret from a local newspaper. All parties sued for summary judgment on the question whether the contract would be kept entirely secret or would be released with redactions. The contracting parties argued that disclosure of the contract would reveal trade secrets and cause them competitive harm. The Oregon public records law, however, exempts certain information, not types of documents, suggesting exemptions apply only to parts of a contract and that partial redaction is appropriate. Exempting a whole contract would require proof that the contract was entirely composed of sensitive trade secrets information, not merely that some of the contract was.

### Washington

**3BA Properties LLC v. Claunch, No. C13-979 TSZ, 2014 WL 2619070 (W.D. Wash. June 12, 2014).** In *3BA Properties*, a Washington federal district court held 3BA Properties' claim for misappropriation of trade secrets to be time barred. Since 3BA Properties' claims were premised on interactions that accrued before April 2010, and the action commenced in June 2013, three years had passed since the statute of limitations began.

**ADA Motors, Inc. v. Butler, No. 70047-2-I, 183 Wash. App. 1002 (Wash. Ct. App. Aug. 18, 2014) (unpub.).** In *Ada Motors*, the Washington Court of Appeals held that the trial court's jury instructions were incorrect and remanded. The defendant, Butler, worked for Ada Motors for eight years before leaving and taking a list of customers. Ada Motors brought suit for violation of the Uniform Trade Secrets Act ("UTSA"). The case went to trial where the jury found that the list was a trade secret but there was no financial harm. Both parties appealed.

The court held that the jury instructions incorrectly stated the law because Ada Motors' initial burden was only to prove there were sales attributable to the use of a trade secret. Inclusion of the language "damages from sales" to prove unjust enrichment was incorrect. Ada Motors did not need to prove anything beyond "sales" to meet its initial burden.

**Aqua-Chem, Inc. v. Marine Systems, Inc., No. C13-2208JLR, 2014 WL 795922 (W.D. Wash., Feb. 27, 2014).** In *Aqua-Chem*, a Washington federal district court denied the defendant Marine Systems, Inc. ("MSI")'s motion to dismiss the plaintiff's allegation that the defendant received a fraudulent transfer in the form of trade secrets. AlfaTec was a debtor of Aqua-Chem. Before this case arose, AlfaTec and MSI entered an agreement where AlfaTec transferred its trade secrets, customer lists, and customer data to MSI. MSI did not pay for these assets. Aqua-Chem brought suit, alleging that MSI acquired AlfaTec's most valuable assets without paying for them.

In the motion to dismiss, MSI alleged that the transfer of trade secrets did not meet the definition of a "transfer" under the Uniform Fraudulent Transfer Act ("UFTA"), and the assets in question were not "assets" as defined in UFTA. The court noted that the definition of "transfer" should be construed as broadly as possible, thus AquaChem sufficiently alleged an orchestrated course of action that included direct transfers of trade secrets.

**Atlantic Cas. Ins. Co. v. Earth Metals & Junk Co., No. C13-1177 TSZ, 2014 WL 583988 (W.D. Wash. Feb. 12, 2014).** In *Atlantic Casualty Insurance*, a Washington federal district court granted the plaintiff Atlantic Casualty's motion for summary judgment. Atlantic Casualty alleged that the Earth Metals' insurance policy did not provide protection for violations of the Uniform Trade Secrets Act. The court granted summary judgment because the contract specifically included language that excluded personal and advertising injury arising out of the infringement of trade secrets.

**Belo Management Services, Inc. v. Click! Network, 184 Wash. App. 649, 343 P.3d 370 (Wash. Ct. App. Nov. 25, 2014).** In *Belo Management Services*, the Washington Court of Appeals denied an injunction that would prohibit city cable systems from disclosing pricing information pursuant to the Public Records Act ("PRA"). Cable systems must obtain express consent from broadcasters and pay license fees in order to re-transmit the broadcasters' shows. These fees are negotiated in the form of retransmission consent agreements ("RCA"). Click! had difficulty negotiating the 2013 fee with Fisher Communications, resulting in many of its customers being unable to view Fisher's channels. A city news station filed a public records request seeking copies of the current RCAs between Click! and Fisher. Fisher filed for an injunction to prohibit the release of the RCAs. A lower court granted the injunction, finding that the pricing information constituted trade secrets that were exempt from disclosure under the PRA.

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The court noted that a public record is exempt from disclosure under the PRA if the record falls within an “other statute” that exempts or prohibits disclosure of specific information. The Uniform Trade Secret Act qualifies as an “other statute,” so courts can take action to protect trade secrets. The court emphasized that the broadcasters’ allegations of harm were too vague and there was no showing that the RCA fees were unique. The broadcasters did not prove that the prices had independent economic value to its competitors since every negotiation was different. Fisher’s assertion that pricing information constituted trade secrets was conclusory and speculative.

Fisher cited cases discussing the Freedom of Information Act (“FOIA”), which held that contract prices were trade secrets. The court dismissed this argument because the present case did not involve federal agencies and FOIA was different from the PRA. The defendants tried to argue that the non-cash compensation portions of the RCAs should be redacted, but the court ruled that the only way it could accurately determine what portions should be redacted was through an in camera review. Since the non-cash compensation portions were redacted before the court could review the RCAs, the court was unable to say whether the broadcasters met their burden of proving that the non-cash compensation information was a trade secret.

**Eagle Harbor Holdings, LLC v. Ford Motor Co., No. C11–5503 BHS, 2014 WL 3362454 (W.D. Washington July 9, 2014).** In *Eagle Harbor Holdings*, a Washington federal district court granted the defendant’s motion for leave to amend the answer. During discovery, Eagle Harbor Holdings produced documents that evidenced correspondence between its CEO and a former contractor of the defendant, Ford. Ford argued that the documents showed possible misappropriation of Ford’s trade secrets, and moved for leave to add the counterclaim and to add Eagle Harbor Holdings’ CEO as a counter-claim defendant.

The court emphasized that the movant must show good cause, where it acted with diligence to meet the initial deadline by the court. Ford met this burden because even if it immediately filed the motion after receiving the relevant documents, it could not have met the court’s established deadline for filing amended pleadings. The court also looked at whether there was undue delay, bad faith or dilatory motive, undue prejudice to the opposing party, and futility of amendment. None of these factors justified denial of leave to amend.

**Eagle Harbor Holdings, LLC v. Ford Motor Co., No. C11–5503 BHS, 2015 WL 574911 (W.D. Wash. Feb. 11, 2015).** In *Eagle Harbor Holdings*, a Washington federal district court denied Eagle Harbor Holdings’ motion for summary judgment on Ford’s counterclaim for trade secret misappropriation. Eagle Harbor Holdings moved for summary judgment because Ford did not establish a genuine issue of material fact for trial. The court rejected Eagle Harbor Holdings’ argument that Washington courts have adopted a high probability standard of immediate use of trade secrets. At the very least, Ford presented evidence that Eagle Harbor Holdings obtained money based on allegedly misappropriated material. Ford also produced three depositions that stated the documents at issue contained confidential information, and Ford’s engineers submitted declarations attesting to the confidential nature of Ford’s information. Granting summary judgment was thus inappropriate.

**Ed Nowogroski Ins., Inc. v. Becker, 137 Wn. 2d 427, 437, 971 P.2d 936 (1999)** (despite absence of restrictive employment covenant, former employee may not use or disclose prior employer’s trade secrets).

**Enterprises Intern., Inc. v. International Knife & Saw, Inc., No. C12–5638 BHS, 2014 WL 3700592 (W.D. Wash. July 24, 2014).** In *Enterprises International*, a Washington federal district court granted summary judgment to dismiss Enterprises International’s claim for trade secret misappropriation. Enterprises International alleged multiple causes of action against International Knife & Saw (“IKS”), related to the misuse of technical drawings for knife blades. Prior to this proceeding, the court held that Enterprises International’s claims for conversion, replevin, and unfair competition were preempted by the Uniform Trade Secrets Act. For the misappropriation of trade secrets claim, the court noted that a claim accrues when the plaintiffs become aware of either the wrongful acquisition or use of the fabrication drawings. In this case, Enterprises International was put on notice that their drawings were misused through an internal email in 2003. With reasonable diligence, Enterprises International could have discovered its drawings were being misused. The statute of limitations ran until 2006, thus the misappropriation claim was time barred.

**Fidelitad, Inc. v. Insitu, Inc., No. 13–CV–3128–TOR, 2014 WL 5421214 (E.D. Wash. Oct. 24, 2014).** In *Fidelitad*, a Washington federal district court denied Insitu’s motion to dismiss Fidelitad’s tortious interference claim. Fidelitad was formed by Insitu employees to develop sales opportunities of Insitu products in Colombia. Insitu granted Fidelitad the exclusive right to sell Insitu’s products. Fidelitad kept Insitu updated on all of its

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customers and contracts. Fidelitad eventually brought suit, alleging that Insitu purposely delayed the processing of sales in order to cause Fidelitad's customers to cancel their sales contracts and enter sales contracts with Insitu directly. Insitu brought a motion to dismiss Fidelitad's claim for tortious interference, arguing that the claim was preempted by the Washington Uniform Trade Secrets Act.

The court noted that a plaintiff cannot rely on acts that constitute trade secret misappropriation to support its tortious interference claim. Fidelitad argued that its business plan, master plan, customer development, and other information constituted trade secrets. The court held that if Fidelitad failed on the merits of misappropriation of trade secrets, it could still succeed on tortious interference. It was premature to dismiss the tortious interference claim because preemption was generally reserved for later in the litigation because the issue required a factual analysis and facts are poorly developed at the pleading stage.

**Honeywell Intern. Inc. v. Maltseff, No. C14-0283JLR, 2014 WL 1400993 (W.D. Wash. April 10, 2014).** In *Honeywell*, a Washington federal district court declined to exercise supplemental jurisdiction over Honeywell's misappropriation of trade secrets claim. Honeywell employed the defendant, Malsteff, who allegedly obtained a substantial volume of trade secret and confidential information. Malsteff later left Honeywell and accepted a position with one of Honeywell's primary competitors. Honeywell filed suit alleging two state law claims: misappropriation of trade secrets and breach of contract. Honeywell also requested a declaratory judgment that Malsteff's conduct violated certain United States Patent and Trademark Office regulations.

A court may decline to exercise supplemental jurisdiction when the state law claims substantially predominate. In this case, the trade secret and breach of contract claims were much broader in scope, required proof of additional elements, and requested relief that was more comprehensive than the patent claim. The court also considered whether dismissing the state claims comported with the values of economy, convenience, fairness and comity. The court found that the activity on the state law claims was negligible and the factual and legal overlap between the declaratory judgment and state law claims was likely minimal. Accordingly, the state law claims were dismissed.

**Hover v. State Farm Mut. Auto. Ins. Co., No. CV-13-05113-SMJ, 2014 WL 4239655 (E.D. Wash. Aug. 26, 2014).** In *Hover*, a Washington federal district court declined to enter a protective order. Before the present motion, the two parties entered a stipulation that allowed State Farm to designate certain documents as "confidential" or "trade secrets." State Farm then argued that Hover's request for personnel files would violate the employees' privacy and sought a protective order. The court ruled that a protective order was inappropriate since the stipulation provided adequate protection to safeguard State Farm's trade secrets.

**Kforce Inc v. Oxenhandler, No. C14-774 MJP, 2015 WL 1880450 (W.D. Wash. April 24, 2015).** In *Kforce*, a federal district court partially granted Oxenhandler's motion for summary judgment. The two parties are competitors in the technology specialty staffing business. Kforce brought suit when two of Kforce's former employees allegedly stole confidential and proprietary information and used the information at Oxenhandler. Oxenhandler moved for summary judgment on five of the plaintiff's claims, arguing that breach of fiduciary duty, aiding and abetting breach of fiduciary duty, tortious interference with business relationships, unfair competition, and unjust enrichment were preempted by the Uniform Trade Secrets Act ("UTSA").

The court noted that the UTSA displaces conflicting tort, restitutionary, and other law pertaining to civil liability for misappropriation of a trade secret. It does not displace contractual or other civil liability that is not based upon misappropriation of a trade secret. Accordingly, the court assessed (1) the facts that supported the plaintiff's civil claim, (2) determined whether those facts were the same as those that support the plaintiff's UTSA claim, and (3) held that the UTSA preempts liability on the civil claim unless the common law claim is factually independent from the UTSA claim. In this case, Kforce argued that it spent substantial time compiling information regarding clients. The court found that the underlying factual allegations for misappropriation and the other claims were identical; Oxenhandler improperly acquired and used information that belongs to Kforce. However, the court limited summary judgment to the extent that claims based on the direct solicitation of Kforce's customers or employees, but not involving the use of confidential information, were not preempted.

**Kassa Ins. Services, Inc. v. Pugh, Nos. 31196-1-III, 31300-0-III, 180 Wash. App. 1051 (Wash. Ct. App. April 29, 2014) (unpub.).** In *Kassa*, the Washington Court of Appeals affirmed and vacated in part the trial court's findings that Pugh engaged in misappropriation of trade secrets. Kassa is an insurance company that employed Pugh. Pugh eventually left and took a job at another agency. Kassa sued, alleging Pugh misappropriated trade

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secrets by taking his client list with him. The trial court found that Pugh and his wife were liable for misappropriation of trade secrets and awarded Kassa damages. Pugh appealed.

The court held that a confidential customer list is generally a trade secret if the information is not readily accessible from trade directories or telephone books and is the result of effort and expense by the employer. In this case, Kassa took substantial efforts to establish a customer base. The list also contained nonpublic policy numbers, which could be used to access the customer's Social Security number, education, driver's license, etc. Kassa kept its client list password protected and emphasized that client information should not be taken out of the office. The court noted that secret client information did not lose its confidentiality just because it was revealed to a former employee who was under a duty not to disclose it. The court also affirmed the trial court's finding that Pugh's misappropriation was willful and malicious. There was substantial evidence that Pugh acted clandestinely when he intentionally took the client list for his own advantage.

Pugh also appealed the trial court's damages calculation. The court held that the trial court's calculation was within the range of credible evidence, and was justifiably doubled due to Pugh's willful and malicious misappropriation. However, since there was uncertainty as to the value of Pugh's deferred compensation related to commissions from former Kassa clients, the trial court's award of prejudgment interest against Pugh was inappropriate. Finally, the trial court conducted an independent analysis of the attorney's work when it awarded attorney's fees, and thus properly exercised its discretion. The court vacated the award of the expert witness fee because expert witness charges are not authorized by statute, court rule, or constitute a proper element of damages or costs.

**National Union Fire Ins. Co. of Pittsburgh, PA v. Coinstar, Inc., No. C13-1014-JCC , 2014 WL 3396124 (W.D. Wash. July 10, 2014).** In *National Union*, a Washington federal district court granted Coinstar's motion to compel. Preceding this case, National Union Fire Insurance agreed to defend Redbox in a class action. In that case, the court granted partial summary judgment to the plaintiff. Coinstar argued that National Union breached its insurance contracts by improperly limiting the amount it would pay counsel for defending Redbox in the class action. Coinstar moved to compel information regarding how National Union decided the rates it paid counsel. National Union argued that such information was a trade secret and would give competitors an advantage.

The court assumed that the information was a trade secret, but noted that Coinstar had shown the information was relevant. Furthermore, there was no other way to gain the information, which was necessary to resolve the claim at issue. Since there would be a stipulated protective order preventing the information from being made public, the Court found that the potential for injury to National Union was outweighed by Coinstar's need for the information.

**Omega Morgan, Inc. v. Heely, No. C14-556RSL, 2015 WL 1954653 (W.D. Wash. April 29, 2015).** In *Omega Morgan*, a Washington federal district court granted in part Heely's motion for partial summary judgment. Omega hired Heely and the other defendants, who agreed to maintain the confidentiality of all proprietary information they acquired. Before the defendants left Omega, they set up their own business in the same industry and obtained business from at least one of Omega's clients. Omega sued, alleging misappropriation of confidential information, misused company property, and interference with contracts. The defendants sought summary judgment, arguing that the Washington Uniform Trade Secrets Act ("WUTSA") preempted the claims for conversion, violation of the Computer Fraud and Abuse Act, violation of the Stored Communications Act, breach of fiduciary duty and the duty of loyalty, breach of confidential relationship, and intentional interference with a contractual relationship and business expectancy.

The court noted that the WUTSA displaces conflicting tort, restitutionary, and other laws pertaining to civil liability for misappropriation of a trade secret. Accordingly, the court must assess (1) the facts that support the plaintiff's civil claim, (2) determine whether those facts are the same as those that support the plaintiff's WUTSA claim, and (3) hold that the WUTSA preempts liability on the civil claim unless the common law claim is factually independent from the WUTSA claim. In this case, Omega based its WUTSA claim on the allegation that Heely misappropriated Omega's trade secret information by copying and taking confidential customer lists and other data. For the conversion claim, the court granted summary judgment because Omega did not show that the use of its computer documents was factually distinct from the misuse of customer lists and other data. The court denied summary judgment on the computer fraud claims to the extent that Omega alleged Heely "wiped" their computers of information prior to terminating his employment. The deletion of files was not alleged to be a misappropriation of trade secrets. Omega's claim that Heely used company servers to copy confidential information was preempted because it derived from the same factual basis as misappropriation. As for breach of fiduciary duty and duty of

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loyalty, Omega alleged that the Heely solicited Omega's current customers. This allegation was supported by facts independent of the WUTSA claim. The court granted summary judgment to Heely on the breach of confidential relationship claim because Omega failed to specify any facts indicating that Heely misused or disclosed information that Omega had not also argued was a trade secret. Finally, the court denied summary judgment on the intentional interference claim because the argument that Heely interfered with Omega's existing contracts was independent of a misappropriation claim.

**OTR Wheel Engineering, Inc. v. West Worldwide Services, Inc., No. CV-14-085-LRS, 2014 WL 1922744 (E.D. Wash. May 14, 2014).** In *OTR*, a Washington federal district court granted OTR's motion for a preliminary injunction. OTR licensed intellectual property rights to a third party to build tire molds and manufacture tires. The third party eventually subcontracted the manufacturing of the tires to the defendant. OTR brought suit, alleging misappropriation of trade secrets because West's tires were identical in design to OTR's. OTR then filed a motion to enjoin West from manufacturing the tires.

The court noted that to obtain a preliminary injunction, a plaintiff must establish the likelihood of success on the merits, likelihood of suffering irreparable harm in the absence of preliminary relief, the balance of equities tip in favor of the plaintiff, and the injunction is in the public interest. For likelihood of success on the merits, the court found that since the design of the tires for OTR's and West's tires seemed identical, there was a reasonable inference that the West knew OTR's trade secrets were being used to manufacture West's tires. For likelihood of irreparable harm, the court found that if West's tires were not of the same quality of OTR's, then OTR's reputation could be damaged since consumers could blame OTR for problems related to West's tires. The balance of equities were in favor of OTR because their reputational damage was more significant than West, who simply had to stop marketing and selling the infringing products. Finally, the court found the public interest to be served by avoiding confusion to consumers for the tires. A preliminary injunction was appropriate.

**OTR Wheel Engineering, Inc. v. West Worldwide Services, Inc., No. CV-14-085-LRS, 2014 WL 2761551 (E.D. Wash. June 18, 2014).** In *OTR*, a Washington federal district court denied West's motion to reconsider the preliminary injunction previously granted. The court emphasized that OTR offered sufficient evidence to establish at least a "fair chance" of proving that their tire design constituted a legally protectable trade secret. Furthermore, OTR provided evidence that the third party that was licensed the tire design was contractually bound to maintain the confidentiality of the tire. West eventually appealed to the Ninth Circuit, which held that the district court did not err in granting the injunction, but the injunction was overbroad. *See* 602 F. App'x 669 (2015).

**OwnZones Media Network, Inc. v. Systems in Motion, LLC, No. C14-0994JLR, 2014 WL 4626302 (W.D. Wash. Sept. 15, 2014).** In *OwnZones*, a Washington federal district court granted a motion to stay and to compel arbitration by Systems in Motion ("SIM"). OwnZones and SIM entered an agreement where SIM would provide certain website development services. The agreement provided that SIM would treat the information OwnZones provided as confidential, and any disputes relating to the agreement would be resolved through arbitration. Eventually, OwnZones terminated the contract due to SIM's alleged failure to meet various contractual obligations. OwnZones initiated an arbitration proceeding against SIM for breach of contract, and also filed a complaint in federal court alleging misappropriation of trade secrets.

The court held that the parties had agreed to broad arbitration language in the contract and their business relationship required the sharing of OwnZones' information pursuant to a confidentiality obligation. Because the dispute stemmed from SIM's use and publication of the confidential information, the misappropriation claim should be resolved in arbitration.

**Robbins, Geller, Rudman & Dowd, LLP v. State, 179 Wash. App. 711, 328 P.3d 905 (Wash. Ct. App. Mar. 4, 2014).** In *Robbins Geller*, the Washington Court of Appeals reversed an order permanently enjoining the Washington Attorney General's Office ("AGO") from releasing records requested under the Public Records Act ("PRA"). Before this case arose, Robbins Geller, the plaintiff law firm, submitted information to the AGO seeking eligibility to provide future securities litigation services to the Washington State Investment Board. An individual requested the submitted records under the PRA, and Robbins Geller sought an injunction to protect the information. The trial court granted the injunction, ruling that it was a trade secret. The requester appealed.

The requester argued that the trial court erred by finding that the protected information was a trade secret under the Uniform Trade Secrets Act ("UTSA"). Public records are exempt from disclosure under the PRA if the record falls



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within an “other statute” that exempts or prohibits disclosure of specific information. The UTSA qualifies as an “other statute.” In this case, Robbins Geller argued that its fee proposal and insurance information constituted trade secrets because the evaluation of potential fees was unique and required substantial time to formulate. The court rejected this argument, holding that conclusory assertions about uniqueness and competitor unfair advantage did not constitute trade secrets. As for client names that were previously disclosed in an online website, the court found that Robbins Geller failed to demonstrate it had made reasonable attempts to keep the names published secret. The same applied to Robbins Geller’s client reference lists, which were created for dissemination outside the firm. As a result, the injunction was vacated.

**Sierra Club v. BNSF Ry. Co., No. C13-00967-JCC, 2014 WL 5471987 (W.D. Wash. Oct. 29, 2014).** In *Sierra Club*, a Washington federal district court granted BNSF’s motion for a protective order to keep sensitive business information confidential. The Sierra Club brought suit against BNSF for alleged violations of the Federal Water Pollution Contract Act. Sierra Club argued that BNSF transported coals through a process that discharged pollutants into the water. During discovery, the defendants sought a protective order for its trade secrets.

The court noted that when trade secrets were involved, the court would balance the risk of disclosure to competitors against the risk that a protective order would impair prosecution or defense of the claims. Factors to consider include (1) the ease or difficulty of ascertaining the information from public sources; (2) the measures taken to guard the information’s secrecy; (3) the value of the information to the business or to its competitors; and (4) the amount of time, money, and effort expended in development of the information. In this case, the court held that information about pricing, customer lists, and schedules is difficult for the public to ascertain. Furthermore, rail transportation information was so valuable that people paid data aggregation companies to estimate it. As for studies of coal discharges from rail cars shipped by BNSF, the court ruled that there was not a clear record of specific findings regarding the studies. Accordingly, BNSF failed to show good cause for a protective order with regard to those voluntary studies. Finally, the court noted that if the Sierra Club added additional parties to the suit, the additional parties would in practice be a public disclosure of information subject to the protective order. Even though the addition of parties to the suit may make public the fact that the additional parties were BNSF’s customers, all details about pricing, schedules, and terms of BNSF’s agreements with its customers would remain confidential.

**Teleshopper, LLC v. Amazon.com, Inc., No. 13-cv-1677, 2014 WL 5804334 (W.D. Wash. July 7, 2014).** In *Teleshopper*, a Washington federal district court granted a protective order for Amazon. Amazon moved for a protective order that would cover the disclosure and handling of its confidential source code. The court determined that because the parties’ existing agreement did not provide adequate protection that restricted the replication of source code, and because Amazon provided an adequate description of the harm that would result due to disclosure of its trade secrets, a protective order was appropriate.

**telSPACE, LLC v. Coast to Coast Cellular, Inc., No. 2:13-cv-01477 RSM, 2014 WL 4364851 (W.D. Wash. Sept. 3, 2014).** In *telSPACE*, a Washington federal district court denied parts of the telSPACE’s motion to compel Coast to Coast Cellular (“C2C”) to produce documents. telSPACE and C2C entered a software license agreement where C2C licensed software developed by telSPACE to retail customers. C2C then terminated the agreement and transitioned its customers to its own newly developed software program. telSPACE sued, alleging that C2C continued to use its software after termination and exploited telSPACE’s trade secrets.

The court limited telSPACE’s request for C2C to provide a complete list of all of its customers and all communications with those customers. C2C argued that the customer lists constituted trade secrets, but the Court noted that the customer list was relevant to assess whether C2C provided telSPACE’s services after the agreement terminated. As a result, the court limited the list and communications to customers that transitioned from telSPACE’s software to C2C. The court emphasized that the disclosure of trade secrets is required only when such disclosure is relevant and necessary to the prosecution or defense of a particular case. Applied to C2C’s source code, the court was wary of permitting disclosure of highly sensitive and proprietary trade secrets on the basis of the pleadings alone. As a result, telSPACE had to show that either the source code was relevant in its entirety or narrow its request to seek disclosure of only original, protectable aspects of its software before any disclosure. Alternatively, the parties could agree to retain an expert to provide a forensic copy of the source code. Finally, the court found telSPACE’s request for production of all communications between C2C and any person other than telSPACE that refer to telSPACE was reasonable. Such information was tailored to the case at issue.

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**Valicoff Fruit Co., Inc. v. Tuff Automation, Inc., No. CV–13–3057–LRS, 2014 WL 7057308 (E. D. Wash. Dec. 12, 2014).** In *Valicoff*, a Washington federal district court denied Tuff’s motion for a protective order. Valicoff and Tuff entered an agreement where Valicoff would purchase equipment and controllers from Tuff. Certain operational problems developed and Valicoff eventually removed Tuff’s equipment. Valicoff sued on numerous causes of action, including negligent misrepresentation. Tuff sought a protective order to relieve it from producing information related to the design and functioning of its equipment.

Tuff argued that the information requested constituted trade secrets and were neither relevant nor necessary to Valicoff’s claims because Valicoff did not allege negligent design, but only “negligence” relating to the equipment’s installation and misrepresentation regarding the equipment’s capacity and capabilities. The court found that the information could be relevant as to whether the equipment conformed to the contract between the two parties. The court also noted that the parties had circulated an appropriate stipulated protective order which, if approved, would adequately protect Tuff’s information. As a result, the court denied the motion for a protective order preventing any production of the requested information.

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## 10TH CIRCUIT

### Colorado

**Christou v. Beatport, LLC, 2014 WL 1293296 (D. Col. Mar. 31, 2014).** Plaintiffs' Sixth Claim asserted a violation of the Colorado version of the Uniform Trade Secrets Act. C.R.S. § 7-74-101 et seq. Plaintiffs contended that the Church and Vinyl maintained more than 10,000 "friends" in MySpace profiles; that these lists were developed by Mr. Roulier and others while they were employed by Mr. Christou's clubs; that they were known by Mr. Roulier to be trade secrets; but that Mr. Roulier or his representatives, without permission, took the lists, web profile login and password when he left (and posted related information on the Beta website), resulting in actual or potential damage to plaintiffs. Colorado law provides that if a claim of misappropriation of trade secrets is made in bad faith, a court may award attorney's fees to the prevailing party. C.R.S. § 7-74-105.

There was, in fact evidence supportive of the claim. The MySpace information was taken by Mr. Roulier or his employees. After repeated demands were made, the information was returned or at least removed from the Beta website. The value of the lists was disputed, and the extent of injury to the plaintiffs was debatable. But there is no basis to find that the claim was asserted in bad faith. Representatives of Beta did, without right or permission, take this information.

Defendants' arguments boil down to a request for sanctions for 4 reasons mentioned in this case. While the court was not persuaded by any of the arguments in isolation, it found that there is a reason for a sanction in this case.

**Atlas Biologicals, Inc. v. Kutrubes, 2015 WL 996368 (D. Col. Mar. 3, 2015).** This case concerns whether a former employee of Atlas, Thomas Kutrubes, engaged in trademark infringement, misappropriation of trade secrets, and breached his fiduciary duties. The court held that Plaintiff's request to enjoin Defendants from using Plaintiff's trademarks, proprietary information or trade secrets (including contacting customers in Atlas' database), meets the standard required for issuance of a temporary restraining order.

First, Plaintiff has established a reasonable probability of success at least on their claim that Defendants violated 15 U.S.C. § 1125(a)(1) and C.R.S. § 7-74-103. Indeed, the evidence demonstrates that Defendants attempted to replicate Atlas' proprietary and trade secret products, and have used statements indicating an affiliation with Atlas in order to garner sales. Similarly, given the very strict standard of loyalty to which Kutrubes was held as an employee, director, and shareholder of Atlas-and Kutrubes' conduct in soliciting customers and contractors while he was still employed by Atlas-it is likely that Plaintiff will succeed with respect to its breach of fiduciary duty claim.

Second, Plaintiff has established that failing to issue a Temporary Restraining Order will cause irreparable harm. Defendants' use of Plaintiff's proprietary customer database could cause loss of goodwill as well as a loss of trade that cannot be remedied by money damages.

Third, the balance of equities tips in Plaintiff's favor. In particular, the injunction will prevent Plaintiff from misappropriating Atlas' customer database, trade secret formulations and production methods-i.e., from doing what Defendants are already prohibited from doing.

(Fourth part omitted.)

Ex parte Motion for a Temporary Restraining Order and Preliminary Injunction is granted. It is further ordered that Defendants are enjoined from, in relevant part, : Using and further disclosing the proprietary information and trade secrets of Atlas Biologicals to produce bovine or equine serum based products, including EqualFETAL or blended or proprietary products based on Atlas' proprietary information and trade secrets; Deleting, destroying, erasing or otherwise making unavailable for further proceedings in this matter any Atlas business information, trade secrets, proprietary information, tangible or intangible property, and any information belonging to or relating to any Atlas customer or vender which information was improperly obtained by Kutrubes or Peak Secrum during Kutrubes' employment with Atlas.

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**Cargill Incorporated v. Kuan, 2014 WL 5336233 (D. Col. Oct. 20, 2014).** At issue is whether Mr. Kuan has “threatened” to and/or would “inevitably” disclose Cargill trade secrets such that he should be enjoined for one (1) year from working at JBS in North America. In this case, Cargill seeks relief based on breach of contract (the Agreement), violation of the Colorado Uniform Trade Secrets Act (“Act”), common law conversion and breach of fiduciary duty. Cargill’s Motion for injunctive relief, however, was based on its claims for violation of the Act and breach of the Agreement.

Under the Act, an injunction maybe granted “on such equitable terms as the court deems reasonable to prevent or restrain actual or threatened misappropriation of a trade secret.” C.R.S. § 7-74-103 (2013 (italics added)). A “misappropriation” of trade secret includes the disclosure or use of a trade secret without consent. C.R.S. § 7-74-102 (2013). A “trade secret” includes any “confidential business or financial information, listing of names, addresses, or telephone numbers, or other information relating to any business or profession which is secret and of value.” C.R.S. § 7-74-102(4) (2013). Under Colorado law, the following factors may be considered in determining whether a trade secret exists: “(1) the extent to which the information is known outside the business; (2) the extent to which it is known to those inside the business, i.e., by the employees; (3) the precautions taken by the holder of the trade secret to guard the secrecy of the information; (4) the savings effected and the value to the holder in having the information as against competitors; (5) the amount of effort or money expended in obtaining and developing the information; and (6) the amount of time and expense it would take for others to acquire and duplicate the information.”

Based on the evidence presented, the Court finds Mr. Kuan had access to and knowledge of Cargill trade secrets during his employment. For example, Cargill’s March 2014 draft Case Ready Strategy (Ex. 10) contains information concerning its strategy process and strategy focus areas, some of which the Court found would qualify as confidential business or financial information within the meaning of the Act. On the record, however, the Court is not persuaded that information several years old would qualify as a “trade secret” subject to protection under the Act. As such, the Court found that not all information to be trade secrets are such.

(“Actual” misappropriation of trade secret analysis part omitted)

“Threatened disclosure” is a concept clearly included within the Act, but the issue is whether Cargill has provided sufficient evidence to support this concept. No evidence was presented of what Mr. Kuan may or could recall that he may or could use to Cargill’s competitive disadvantage. Instead, Ms. Horner’s inability to recall specifics of Cargill’s business plan just minutes after reviewing them demonstrates that it would be difficult, if not impossible, to do so. On the record as a whole, the evidence supports a finding that while Mr. Kuan did once have specific knowledge of Cargill’s trade secrets, his knowledge is now generalized. Generalized knowledge that Cargill’s strategies focused on areas of Customer, Value Added, OPEX, and CMS Alignment, or generalized knowledge of the information contained in those focus areas, however, are insufficient to support a finding of “threatened misappropriation.”

As such, Cargill has not shown a likelihood of success on its claim for violation of the Act. Plaintiff Cargill Incorporated’s Motion for a Temporary Restraining Order and Preliminary Injunction (ECF No. 2) is denied.

**Bolsa Resources, Inc. v. Martin Resources, Inc., 2014 WL 4882132 (D. Col. Aug. 28, 2014).** Colorado courts have defined a trade secret “broadly to include all or part of virtually any information that is of value, whether it be in the nature of scientific, technical, business, financial, or professional information, as long as the owner has taken measures to prevent it from becoming available beyond those to whom he has given limited access.” Gognat v. Ellsworth, 259 P.3d 497, 501 (Colo.2011). Plaintiff’s Project Data falls well within this categorization. The Project Data consists of information, both geologic and financial, relating to the exploration, development and value of the Hill Copper Project. Plaintiff maintains that the Project Data is valuable, stating, “without the Project Data, the owner of the Project Assets would have no idea where to begin exploration and development and could not raise financing for the Project.”

By including the confidentiality provisions in its consulting agreements and in agreements with their parties, Plaintiff demonstrated a concerted effort to protect the confidentiality of the Project Data. As demonstrated by the Appraisal, the Project Data has a current value of \$11 million. Therefore, the Project Data satisfy the criteria to be held as a trade secret.

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Damages for misappropriation of trade secrets “may include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss.” The appropriate measure of damages in this case is the value of the Project Data, which has been determined to be \$11 million. Furthermore, if willful and malicious misappropriation exists, the court may award reasonable attorney fees. The evidence in this case, including the Doppler Defendants’ refusal to return Project Data upon Plaintiff’s request and the Doppler Defendants’ recommendation that Alpaca stake mining claims to “add to Bolsa’s woes”, in addition to the outright theft of some of the data as noted in Doppler’s June 30, 2010 memo, supports a finding that the Doppler Defendants’ actions were “willful and malicious.”

The court concludes that the Plaintiff has presented well-pleaded facts which support each element of the claim of misappropriation of trade secrets and the default judgment in the amount of \$11 million actual loss on the claim is appropriate.

### **Animal Care Systems, Inc. v. Hydropac/Lab Products, Inc., 2014 WL 103812 (D. Col. Jan. 10, 2014).**

Hydropac commenced this action against Animal Care in the United States Court for the District of Delaware on November 20, 2012. Hydropac alleged that Animal Care was infringing on various patents. Hydropac also asserts a common-law claim for unjust enrichment. Animal Care seeks dismissal of this claim because: ... (ii) it is preempted by the terms of Colorado’s Uniform Trade Secrets Act (“CUTSA”), C.R.S. § 7-74-108.

The question becomes whether the misappropriated information identified in Hydropac’s Amended Complaint constitutes a “trade secret” under CUTSA. Hydropac’s Amended Complaint unambiguously speaks in the language of CUTSA’s “trade secret” definition. Paragraph 131 and 137 emphasize that Hydropac “bound [Mr. O’Connor] to maintain the confidentiality” of that material, and Paragraph 132 indicates that Hydropac required the same of all other employees who were entrusted with the material. Paragraph 135 alleges that the information has a business value that gives a competitive advantage to Hydropac, and Paragraph 136 contend that the information is not readily available in the public domain. Taken together, it is clear that Hydrpac is alleging that the “confidential material” that Animal Care is alleged to have misappropriated is that which would meet the statutory definition of a “trade secret” under CUTSA. Thus, CUTSA preempts Hydropac’s unjust enrichment claim.

However, the Court sees little utility in “dismissing” the claim. As the foregoing discussion establishes, Hydropac’s allegations adequately state a cognizable claim under CUTSA. Hydropac has adequately alleged that the information misappropriated by Animal Care is a “trade secret” under the statutory definition, and that Animal Care “misappropriated” that trade secret information knowing that Mr. O’Connor was not free to disclose it. Thus, rather than further exacerbate the cost of this litigation to the parties with unnecessary motion practice, the Court will simply deem Hydropac’s “unjust enrichment” claim to be a claim for misappropriation of trade secrets under CUTSA.

### **Kansas**

**McKellips v. Kumho Tire Co., 305 F.R.D. 655 (D. Kan. 2015).** Plaintiffs brought a Motion to Compel Discovery, seeking information about Defendant Kumho’s tire that allegedly separated from a truck and caused the accident, in which Plaintiff Megan McKellips sustained life-threatening injuries and underwent an emergency Caesarean section delivery of her son, who died three hours later. Plaintiffs commenced this action, claiming that Defendants defectively designed and manufactured the product. After a hearing, the Court entered a Protective Order, without any sharing provision, to limit the disclosure and use of confidential information. In response to Plaintiffs’ Requests for Production, Defendant asserted one or more trade secret objections of varying degrees to nearly every request. After a non-evidentiary motion hearing the Court took Plaintiffs’ Motion to Compel Discovery under advisement and ordered Defendant to serve amended responses to Plaintiffs’ discovery requests.

Kumho asserted that the discovery requests seek its “most secret research, development, information, formula, method, technique, or process” that constitute its trade secrets. Kumho further contended that this information has a significant economic value and cannot be safely produced even with a protective order in place and that Plaintiffs have made no showing the requested information is relevant to prove that a defect existed in the product. Kumho also asserted a supplemental Heightened Protection Objection to some of the information and documents sought.

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The Court granted the motion in part and denied in part. The Court found that Kumho has not demonstrated that the information and documents sought require the disclosure of trade secrets or that disclosing such information would be harmful to Kumho, in light of the protections of the non-sharing Protective Order. In response to Kumho's Heightened Protection Objection, the Court found that Kumho has not identified any particular formula, compound, technique, or process—other than its skim stock formulas and compounds—such that the Court can conclude they are trade secrets requiring protection beyond the Protective Order. The Court sustained some of Kumho's trade secret objections to the extent that the Requests seek Kumho's skim stock compounds and formulas.

### **Tank Connection, LLC v. Haight, No. 13-CV-1392-JTM-TJJ, 2015 WL 3514830 (D. Kan. June 4, 2015).**

Plaintiff Tank Connection, LLC alleges that its former employee, Defendant Haight, misappropriated confidential and trade secret information before going to work for a competitor, former “relief defendant” USA Tank Sales & Erection Company, Inc. (“USA Tank”). The matter was before the Court for Plaintiff's Motion to Compel Discovery.

Plaintiff's discovery requests include the terms and conditions of Defendant's employment with his subsequent employer, which Defendant argues are not relevant to a misappropriation of trade secrets claim. The Court found that this information is relevant discovery to Plaintiff's allegation that Defendant communicated or provided its confidential business and/or trade secret information to his new employer.

### **Digital Ally, Inc. v. Utility Associates, Inc., No. 14-2262-CM, 2014 WL 7375530 (D. Kan. Dec. 29, 2014).**

Plaintiff Digital Ally, Inc. is a public company engaged in the business of designing, developing, manufacturing, and selling mobile digital recording equipment. Defendants are Utility Associates, Inc., a public company that competes with Plaintiff in the area of mobile video recording and transmission (“Utility”), and Eric McKee, who is proceeding pro se. Defendant Utility filed a motion to dismiss all twelve counts asserted by Plaintiff, including the claim that Defendant violated the Kansas Uniform Trade Secrets Act and the claim for an injunctive relief.

Plaintiff employed Defendant McKee as a sales manager for a region that included the states of Ohio, Indiana, and Michigan and entered into an employment agreement that contained non-compete and non-disclosure provisions. The agreement was to remain in effect from August 24, 2012 to August 24, 2014. In January 2014, Utility hired McKee, who became a “sales agent” assigned to the Midwest region, including the states of Ohio, Indiana, and Michigan. McKee is no longer an employee of Utility.

The Court denied Utility's Motion to Dismiss. In compliance with *Bell Atlantic Corp. v. Twombly*, Plaintiff's amended complaint contains enough facts showing a claim that is plausible on its face, especially when factual disputes are resolved in favor of plaintiff.

### **New Mexico**

**Skyline Potato Co. v. Tan-O-On Mktg., Inc., No. CIV 10-0698 JB/RHS, 2014 WL 459004 (D.N.M. Jan. 31, 2014).** Plaintiffs G. Anderson and J. Anderson sued Defendant Hi-Land Potato Company, Inc. and Carl Worley, asserting among other claims that Defendant stole trade secrets from Plaintiffs and Defendants/Third-Party Plaintiffs Tan-O-On Marketing, Inc. in violation of New Mexico's Uniform Trade Secrets Act (“UTSA”).

The Court held that neither the Kroger Co. vendor number, the names of Tan-O-On Marketing's customers, nor Tan-O-On Marketing's relationships with its customers are trade secrets under the UTSA. A Kroger Co. vendor number has no commercial value in itself and it fails to meet the requirement under New Mexico law that a trade secret derive its value from its being not generally known to other persons and not easily ascertained by other people. With regard to Tan-O-On Marketing's customer names and relationships that it alleges Hi-Land Potato misappropriated, Tan-O-On Marketing did not expend “efforts that are reasonable under the circumstances to maintain [the information's] secrecy.”

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The Court further held that even if the information constituted trade secrets under the UTFA, Hi–Land Potato should not be liable for their misappropriation because Tan–O–On Marketing consented to their disclosure and Hi–Land Potato's use of them. Voluntary transfer of customer names and relationships is not an improper means of acquiring a trade secret. Further, that Tan–O–On Marketing had no non-compete agreements with Hi–Land Potato or with Shawna Casey shows that Tan–O–On Marketing did not take reasonable steps to ensure that they could not use their relationships without Tan–O–On Marketing's participation. Therefore, the Court held that Hi–Land Potato is entitled to judgment on Tan–O–On Marketing's trade-secrets claim.

### Oklahoma

**Gaedeke Holdings VII, Ltd. v. Mills, No. CIV–11–649–M., 2014 WL 5450126 (W.D. Oklahoma. October 22, 2014).** The matter was before the court on the Defendants' Rule 59 motion for a new trial on Plaintiffs' claim for misappropriation of trade secrets. Specifically, Defendants contend that the misappropriation claim should be retried in its entirety because the liability issue is inextricably intertwined with damages, and damages cannot, as a practical matter, be separately tried. The Court denies Defendants' motion and holds that the issues of damages and liability are not inextricably intertwined. The Court finds that there is no real dispute as to what the trade secret at issue is. The trade secret at issue is the sales brochure/geological study, and misappropriation occurred when a defendant copied it, gave it to others, and used it to sell a project.

Defendants also contend that retrying liability will allow this Court to correct a fundamental error of law in the misappropriation instruction. Specifically, Defendants assert that the Oklahoma Supreme Court has recently clarified Oklahoma law regarding the elements of a misappropriation of trade secrets claim by approving a new Oklahoma Uniform Jury Instruction (“OUJI”) on the elements of misappropriation of trade secrets which includes as an element of the claim that the plaintiff was the owner of the trade secrets. The Court finds in favor of Plaintiffs, holding that there was no fundamental error of law in the misappropriation of trade secrets instruction given at trial. First, comments to OUJI 29.1 reveal that there has been no change in the case law on this issue. Further, the jury was specifically advised of the parties' contentions on the issue of ownership of the sales brochure/geological study, in particular that Defendants asserted that plaintiffs did not own the sales brochure/geological study.

**In re SandRidge Energy, Inc. Shareholder Derivative Litigation, No. CIV–13–102–W, 2014 WL 4715914 (W.D. Oklahoma. September 22, 2014).** Plaintiffs brought this derivative action against Defendants, claiming that Defendants' conduct gives rise to several causes of actions, one of which is the misappropriation of trade secrets. The Court finds in favor of the Plaintiff, holding that they have sufficiently identified confidential and proprietary information that qualifies as a “trade secret” under the UTSA's broad definition of that term. Specifically, the Court finds that the information at issue has “independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons [, including competitors in the formation,] who [could] ... obtain economic value from its disclosure or use.”

### Utah

**Giles Const., LLC v. Tooele Inventory Solution, Inc., No. 2:12–cv–37, 2015 WL 375586 (D. Utah, Central Division. June 16, 2015).** Defendants brought a motion for summary judgment on Plaintiff's claim for the alleged misuse of proprietary information. Plaintiff claims that Defendants improperly disclosed and used its trade secrets related to barrel processing and pricing in violation of the Utah Uniform Trade Secret Act (UTSA), among others. Specifically, it contends that Defendant's purchasing manager and his assistants misappropriated trade secrets.

Plaintiff maintains that its trade secrets consisted of (1) the identity of its barrel supplier, (2) its pricing information, and (3) its entire process. However, the Court held that neither of these constitute “trade secret” under the UTSA. First, the identity of the barrel supplier is not a trade secret because the supplier has a publicly available website and information regarding the company was “readily ascertainable through simple, public research.” Second, pricing information is not a trade secret because the Plaintiff failed to show that the pricing information is “unique or especially innovative, such that it could not be readily duplicated by others in the industry.” Finally, barrel processing does not constitute a compilation trade secret because Plaintiff failed to demonstrate that the process is a “unique combination of generally known elements or steps [that] ... represents a valuable contribution attributable to the independent efforts of the one claiming to have conceived it.”

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### 11TH CIRCUIT

**Aerotek, Inc. v. Zahn, 2014 U.S. Dist. LEXIS 82289 (M.D. Fla. 2014) (unpublished).** Employees of Aerotek, a recruiting company, stopped working at Aerotek and went to work for C-T, a competitor of Aerotek. Aerotek sent a letter to C-T notifying C-T that the employees in question were subject to non-compete agreements and that the employees' employment with C-T violated the non-compete agreements. In response, C-T stated that, since it was not a party to the non-compete agreements, it would not honor the non-compete agreements but would continue to employ the employees. Aerotek then sued the employees for breach of the non-compete agreements and sued C-T for tortious interference. In a 12(b)(6) motion to dismiss, C-T argued that it could not be liable for tortious interference because it was unaware of the non-compete agreements at the time of the employees' breach of the non-compete agreements (i.e., when C-T hired the employees). Aerotek argued that the breach occurred when C-T learned of the non-compete agreements after the hiring. The district court rejected Aerotek's arguments and concluded that continued employment with a competitor in violation of a non-compete is a continuing injury but not a continuing breach. The court held that C-T could not be liable for tortious interference by continuing to employ the employees after it learned of the non-compete agreements and, accordingly, the court granted C-T's motion to dismiss.

**Dawson v. Ameritox, Ltd., 571 Fed. App'x. 875 (11th Cir. 2014) (unpublished).** Ameritox, a healthcare company, sought to enforce noncompete and customer nonsolicitation covenants against its former Assistant Director of Medical Science and Health Outcomes Research, Dr. Eric Dawson, who had left Ameritox for a position with a competitor. The district court denied Ameritox's motion for preliminary injunction and ruled that the covenants in question were void and unenforceable because Dawson had executed the agreement before his employment with Ameritox began. Under Alabama Code § 8-1-1, a contract by which anyone "is restrained from exercising a lawful profession, trade, or business of any kind" is void, except that "one who is employed as an agent, servant or employee may agree with his employer to refrain from carrying on or engaging in a similar business and from soliciting old customers of such employer within a specified county, city, or part thereof, so long as the . . . employer carries on a like business therein." Relying on the Alabama Supreme Court's prior decision in *Pitney Bowes, Inc. v. Berney Office Solutions*, 823 So. 2d 659 (Ala. 2001), the district court noted that employee noncompete agreements are valid only if signed by an employee and that prospective employment is not sufficient to meet the exception in Section 8-1-1. Thus, because Dawson was not an employee of Ameritox at the time he signed the agreements, the covenants were void and unenforceable. Accordingly, the district court concluded that Ameritox failed to show a substantial likelihood of success on the merits and was not entitled to a preliminary injunction.

On appeal, the Eleventh Circuit agreed that Ameritox failed to show a substantial likelihood of success on the merits for the reasons articulated by the district court and, accordingly, held that the district court did not abuse its discretion in denying the motion for preliminary injunction.

**Ohrn v. JPMorgan Chase & Co., 2014 U.S. Dist. LEXIS 105436 (S.D. Fla. 2014) (unpublished).** Ohrn, a former employee of JPMorgan Chase, went to work for a competitor, Wells Fargo, and then sued JPMorgan Chase for alleged defamation. After allegedly losing seven million dollars of customer accounts to Wells Fargo, JPMorgan Chase filed a counterclaim alleging that Ohrn breached a customer nonsolicitation covenant. JPMorgan Chase moved for summary judgment on its counterclaim, arguing that Ohrn's breach of the nonsolicitation covenant was undisputed. Citing Ohrn's deposition testimony, the court agreed that it was undisputed that, after leaving JPMorgan Chase, Ohrn sent a Wells Fargo postcard to 500 JPMorgan Chase customers and that, although he did not state he could service the customers, he said in the postcard that he had accepted a position with another firm. In addition, it was undisputed that Ohrn also made follow-up telephone calls with his customers, asking if they had received his postcard. The court concluded that these actions violated the nonsolicitation covenant and additionally held that the term "solicitation" is not ambiguous. Therefore, the court granted partial summary judgment to JPMorgan Chase with respect to a determination, as a matter of law, that Ohrn breached the contract. However, because Ohrn raised affirmative defenses of waiver, ratification, estoppel, and laches, the court concluded that Ohrn raised a genuine issue of material fact as to whether the affirmative defenses precluded JPMorgan Chase from enforcing the breach.

**Putters v. Rmax Operating, LLC, 2014 U.S. Dist. LEXIS 51520 (N.D. Ga. 2014) (unpublished).** Putters, a sales employee of Rmax, resigned his employment with Rmax to join a competitor and then filed suit against Rmax seeking a declaratory judgment regarding the permissibility of his employment with the competitor. In response, Rmax asserted counterclaims for breach of fiduciary duty, violation of the Georgia Trade Secrets Act ("GTSA"), and violation of the Georgia Computer Systems Protection Act ("GCSA") based on allegations that Putters



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acquired Rmax's confidential business information and disclosed it to the competitor. The court dismissed the breach of fiduciary duty and GTSA claims on a Rule 12(b)(6) motion to dismiss. With respect to the breach of fiduciary duty claim, the court held that the claim was barred by the provision of the GTSA providing that the GTSA "supersede[s] conflicting tort . . . and other laws of this state providing civil remedies for misappropriation of a trade secret." O.C.G.A. § 10-1-767(a). Although Rmax argued that its breach of fiduciary duty claim was not based on Putters's disclosure of trade secrets but was based on Putters's disclosure of other confidential information that is not a trade secret, the court rejected this argument. Noting that Rmax "simply does not make any effort to distinguish the conduct or resulting injury on which it bases its trade secrets claim from the conduct or resulting injury on which it bases its fiduciary-duty claim," the court held that the fiduciary duty claim was superseded by the GTSA.

**Southern Parts & Eng'g Co., LLC v. Air Compressor Servs., LLC, 2014 U.S. Dist. LEXIS 20958 (N.D. Ga. 2014) (unpublished).** Holding that claim for tortious interference against former employees who set up competing business was not superseded by GTSA because, despite allegation that employees accessed employer's databases containing confidential information, claim was not premised on misappropriation of employer's trade secrets but on use and conversion of employer's resources.

**Wells v. Daugherty Sys Inc., 2014 U.S. Dist. LEXIS 127762 (N.D. Ga. Sep. 12, 2014) (unpublished).** In a declaratory judgment action applying Georgia law as it existed before the 2011 act revising restrictive covenant law, granting the plaintiff's TRO holding that loss of business due to free and fair competition is not a harm and declining to adopt defendant's unclean hands argument for violating Georgia's Computer Trespass Statute and the Georgia Trade Secrets Act of 1990 because they do not restrict the court from granting equitable relief.

### Alabama

**Ex parte Robert Bosch LLC, 2014 WL 7008906 (Ala. December 12, 2014).** In a wrongful death action, Plaintiff sought to obtain discovery of Defendant's trade secrets regarding the algorithm for the deployment of an airbag system. The Trial Court found that the information constituted trade secret and Plaintiff demonstrated the need relevancy of the information. The Trial Court balanced in favor of Plaintiff the need for disclosure against the harm to Defendant, and entered a protective order requested by Plaintiff. The protective order required the production of the information to Plaintiff's experts and contained twelve confidentiality and disclosure safeguards. Defendant filed a writ of mandamus. The Supreme Court agreed with Defendant's position that the Trial Court exceeded its discretion because the protective order contained insufficient protections for the trade secret. The protective order was vacated with directions that the Trial Court craft a more comprehensive and restrictive protective order for the algorithm.

**Ex parte Michelin No. Amer., Inc., 161 So. 3d 164 (Ala. 2014).** Plaintiff filed a personal injury and wrongful death action, alleging that death and injury was the result of tread separation in a tire which caused the vehicle to crash. Plaintiff sought discovery from Defendant tire manufacturer which included inspection and videotaping of the manufacturing facility. The Trial Court entered an order holding that the onsite inspection and limited videotaping outweighed any potential harm. Defendant petitioned to Supreme Court for writ of mandamus. Alabama law provides that a party asserting a trade secret privilege has the burden of showing that the information constitutes a trade secret and that disclosure would result in injury. The burden then shifts to the party seeking disclosure to show the information is both necessary and relevant. The Trial Court then determines whether the need for the information outweighs the resulting harm of disclosure. Despite Defendant publishing online videos of the facility and allowing public tours, the Supreme Court held that Defendant satisfied the burden to show that the trade secret privilege applied and that disclosure would result in injury. While the Supreme Court acknowledged the information would be useful to Plaintiff at trial, it determined that Plaintiff would be able to present a case without the information. Important for reaching this conclusion, the Supreme Court noted that Plaintiff's expert had significant experience in the tire industry, and specifically in a plant environment. Thus, Plaintiff would be able to explain the tire-making process through an expert without access to Defendant's trade secrets. In addition, the Supreme Court noted that the subject tire was manufactured many years ago and that the plant had undergone significant changes and no longer manufactured that tire. Thus, Plaintiff failed to establish that access to the plant was necessary and relevant, and the Supreme Court issued a writ of mandamus directing the Trial Court to vacate the order.

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**G.L.S. & Assoc., Inc., v. Rogers, 2014 Ala. Civ. App. LEXIS 87 (Ala. Ct. App. 2014) (unpublished).** Rogers was employed as a securities broker for G.L.S. His employment agreement required that he be a registered representative of the national Association of Securities Dealers and contained a nonsolicitation provision. G.L.S. sued Rogers in an attempt to enforce the nonsolicitation agreement when he left the company. Rogers subsequently filed a motion to dismiss, claiming the provision was unenforceable because being a security broker in the business of purchasing and selling securities was a profession which he could not be restricted from practicing under Ala. Code § 8-1-1. Declining to summarily find securities brokers were engaged in a profession at the motion to dismiss stage, the court held that the inquiry into whether a particular occupation is a profession under Ala. Code § 8-1-1 requires evidence relevant to the factors established by *Friddle v. Raymond*, 575 So. 2d 1038 (Ala. 1991): professional training, skill, and experience required to perform certain services; delicate nature of the services offered; and the ability and need to make instantaneous decisions.

### Florida

**Aquent LLC v. Stapleton, 65 F. Supp. 3d 1339 (M.D. Fla. 2014).** Aquent, a global staffing firm, sued a competitor, iTalent, and a former employee. During and after her employment with Aquent, the former employee downloaded information from Aquent's database for use by iTalent. Aquent brought various claims against iTalent and the former employee, including a count for violations of the Computer Fraud and Abuse Act ("CFAA"). Aquent alleged three violations of the CFAA. Under sections 1030(a)(2)(C) and 1030(a)(4), a violation occurs if a protected computer is accessed without authorization or authorized access is exceeded. A violation of section 1030(a)(5)(C) occurs only if a protected computer is accessed without authorization. The District Court noted a split in the Circuits on the meaning of unauthorized access under the CFAA. In following the Eleventh Circuit's decision in *United States v. Rodriguez*, 628 F. 3d 1258 (11th Cir. 2010), the District Court held that the former employee's conduct exceeded authorized access because she signed a confidentiality agreement with Aquent. The District Court dismissed the section 1030(a)(5)(C) claim, however, because it requires access without authorization and Aquent conceded that the former employee's access was authorized.

**Enhanced Recovery Co., LLC v. Frady, 2015 WL 1470852 (M.D. Fla. March 31, 2015).** Enhanced Recovery sued a former employee and her subsequent employer, Stellar, for various claims including a violation of the Computer Fraud and Abuse Act ("CFAA") for exceeding authorized computer access. The former employee had signed an employment agreement with Enhanced Recovery which contained provisions regarding confidentiality and propriety information. Enhanced Recovery alleges that before the employee resigned, she used her computer access to transfer confidential information from her work email account to Stellar. The District Court considered objections to the magistrate's report and recommendation that the motion to dismiss the CFAA claim be denied. Stellar objected and argued successfully that because Enhanced Recovery admits that the employee's access was authorized, the sharing of the confidential information with Stellar is legally insufficient to state a claim for "unauthorized access" under sections 1030(a)(2)(C) and 1030(a)(4) of the CFAA. The District Court noted considerable judicial disagreement on the meaning of "exceeds authorized access," and agreed with the majority of the District Courts and the Eleventh Circuit that have held that the CFAA's definition of the phrase does not reach an employee who has permission to access proprietary information and later uses it in violation of company policy. In adhering to a more narrow construction, the District Court declined to follow other cases, including *Aquent LLC v. Stapleton*, 65 F. Supp. 3d 1339 (M.D. Fla. 2014) which adopted a more elastic definition. The District Court also acknowledged and distinguished the Eleventh Circuit's decision in *United States v. Rodriguez*, 628 F. 3d 1258 (11th Cir. 2010), as a case involving unauthorized access and not exceeding authorized access.

**Mossucco v. Aventura Tennis, LLC, Inc., 147 So. 3d 88 (Fla. Dist. Ct. App. 2014).** After Appellants Gonzalez and Mossucco resigned their employment with Aventura Tennis and started and began operating a competing business, Aventura Tennis filed a complaint against Appellants for alleged violations of noncompete agreements they executed. Although Appellants filed a motion to dismiss, they did not pursue the motion and never obtained a ruling on it. Instead, after Aventura Tennis filed a motion for temporary injunctive relief, the trial court temporarily enjoined Appellants from working at the competing business and Aventura Tennis posted a bond as a condition of the temporary injunctions. Appellants never sought to dissolve the injunctions pursuant to Florida Rule of Civil Procedure 1.610(d), nor did they seek immediate review of the temporary injunctions pursuant to Florida Rule of Appellate Procedure 9.130(a)(3)(B). However, the temporary injunctions expired by their own terms A year later,

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Aventura Tennis unilaterally filed a notice of voluntary dismissal of its action pursuant to Florida Rule of Civil Procedure 1.420(a)(1).

Appellants then sought damages and attorney fees and costs from the bond, arguing that the injunctions were wrongfully obtained. They further argued that the voluntary dismissal filed by Aventura Tennis automatically constituted a determination that they had been wrongfully enjoined and entitled them to recover damages against the bond. The trial court disagreed and the District Court of Appeal affirmed the trial court's order denying Appellants' request to proceed against the Bond. The Court of Appeal held that a plaintiff's voluntary dismissal of its suit without prejudice after it has sought and received a temporary injunction can, but does not automatically, constitute an adjudication that the adverse party was "wrongfully enjoined." However, where, as here, the notice of voluntary dismissal was not filed until a year after the temporary injunctions expired by their own terms, and where the enjoined parties took no action to challenge the propriety of the temporary injunctions until a year-and-a-half after they were entered, and nearly a year after they expired, the enjoined parties still had to prove that the injunctions were "wrongfully entered" to succeed in an action for damages against the bond.

**Winmark Corp. v. Brenoby Sports, Inc., 32 F. Supp. 3d 1206 (S.D. Fla. 2014).** Winmark franchises a chain of retail sporting goods stores called "Play it Again Sports." Winmark terminated a franchise agreement with Brenoby Sports and filed suit alleging that Brenoby Sports and others continued to operate a competing store at the franchise location in violation of the franchise agreement. The District Court affirmed and adopted the magistrate's report and recommendation granting in part and denying in part Winmark's motion for preliminary injunction.

Applying Fla. Stat. § 542.335 which governs restrictive covenants, the District Court held that the one-year and eight-mile geographic restrictions in the franchise agreement were reasonable in time and scope to provide Winmark with adequate time and ability to relicense the territory and protect other franchisees. Furthermore, the District Court determined that the covenant not to compete was necessary to protect Winmark's "legitimate business interests" within the meaning of Fla. Stat. § 542.335(1)(b). Winmark provided confidential business information to Brenoby Sports, and the restrictions were necessary to protect Winmark's franchise system, customer goodwill, and existing franchise relationships. Thus, the District Court granted the injunction and enforced restrictive covenants against Brenoby Sports and its owner.

Winmark also sought to enjoin certain non-parties as affiliated with Brenoby Sports and its owner. The District Court began its analysis with Fla. Stat. § 542.335(1)(a), which provides that a restrictive covenant is only enforceable if "set forth in writing and signed by the person against whom enforcement is sought. The District Court recognized that a non-party to a non-compete may be enjoined if the "non-party is either under the signatory's control or otherwise being used to aid and abet the signor in violating the non-compete cause." The evidence, however, did not support such a finding with respect to the non-parties Winmark sought to enjoin.

**Richland Towers, Inc. v. Denton, 139 So. 3d 318 (Fla. 2d DCA 2014).** This appeal involved parties in the business of owning, leasing, and operating towers used by radio and television broadcasters to relay signals. Richland sued Tall Tower and two former Richland employees, West and Denton, who started Tall Tower. As key employees, West and Denton had entered into employment agreements with Richland which contained covenants not to compete. Prior to the expiration of the agreements, both West and Denton resigned to start a competing business, Tall Tower.

The Trial Court denied Richland's request for injunctive relief to enforce the restrictive covenant. West and Denton successfully argued that Richland's failure to pay bonuses required under the employment agreement constituted a prior breach which rendered the restrictive covenants unenforceable. The Court of Appeals reversed and remanded the case.

The Appellate Court noted that under Florida law the breach of a dependent covenant destroys the entire contract. The issue whether a payment obligation in an employment agreement is a dependent or an independent covenant turns on an interpretation of the contract. Covenants are generally deemed to be dependent unless a contrary intent is expressed in the agreement. The employment agreements signed by West and Denton contained a clause providing that the restrictive covenant was independent of any other covenants. Thus, the Appellate Court opined that any breach of a payment obligation did not otherwise render void the employment agreement or the independent restrictive covenants.

### Georgia

**EarthCam v. OxBlue Corp., 49 F. Supp. 3d 1210 (M.D. Ga. 2014).** A marketer of high-end web-based camera systems, EarthCam, sued a competitor, OxBlue, for corporate espionage and misappropriation of trade secrets.

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OxBlue filed a number of counterclaims for trademark and copyright infringement. An EarthCam customer forwarded account and camera screenshots and its login credentials to OxBlue to access the customer's webpage so that OxBlue could provide solutions for the customer's issues with EarthCam's cameras. After using the login credentials to access the customer's account, OxBlue provided three solutions, two of which did not require using OxBlue's services. The customer click-through end user agreement with EarthCam prevents unauthorized access, display, and copying of EarthCam's information, although it does not prohibit sharing passwords with third parties. There was no evidence that OxBlue was aware of the terms of the end user agreement.

On cross motions for summary judgment, the District Court addressed as a matter of first impression the issue whether a competitor violates the Computer Fraud and Abuse Act ("CFAA") by using login credentials provided by a competitor's customer. Sections 1030(a)(2)(C) and 1030(a)(4) of the CFAA authorize a civil cause of action for damages caused by access to a computer "without authorization" or by a person who "exceeds authorized access." EarthCam claimed that OxBlue violated both sections of the CFAA by using the customer's login credentials to access the customer's EarthCam account.

Summary judgment was granted in favor of OxBlue on EarthCam's CFAA claims. The District Court found significant that there was no evidence OxBlue had knowledge of the end user agreement or that subterfuge or fraud was involved. OxBlue simply received an unsolicited request from a dissatisfied EarthCam customer to explore business solutions to technical issues. The customer's account was accessed with the customer's permission, and the end user agreement did not prohibit sharing the login information with a third party.

**MAPEI Corp. v. Prosser, 761 S.E. 2d 500 (Ga. Ct. App. 2014).** MAPEI sued a former employee for violating a contractual noncompete. The employee, a chemist, became an employee of MAPEI when MAPEI acquired his employer in 2009. In June 2011, as a condition of employment, the chemist signed an agreement containing the noncompete covenant. A mere seven days later, the chemist signed a similar agreement omitting the noncompete covenant and stating that it "totally replaces all prior contractual agreements or understandings." MAPEI argued that the agreement containing the noncompete covenant controlled because, even though the chemist signed it before the other agreement, he revived it when he physically handed it to his boss in July. The court rejected MAPEI's argument and held a contract that is intended to be signed by both parties is complete when signed, not when delivered.

**Meyn America, LLC v. Tarheel Distributors, Inc., 36 F. Supp. 3d 1395 (M.D. Ga. 2014).** Meyn sued a competitor, Tarheel, for violations of the Georgia Trade Secrets Act ("GTSA") based upon Tarheel's acquiring Meyn's manufacture drawings for poultry processing machines and parts. Upon termination, Meyn required a former employee to sign an agreement to return all confidential information and to refrain from using or disclosing any of Meyn's trade secrets or other confidential or competitive business information. The former employee had access to confidential drawings which would provide a competitor with a significant commercial advantage. Meyn's former employee was employed by Tarheel, which then began selling hundreds of replacement parts for the Meyn-built machines. Tarheel moved to dismiss the complaint contending that the allegations did not support a "misappropriation" claim and that the GTSA preempts Meyn's common law claims. The District Court found that misappropriation was adequately pled. Although the employee was allowed access to the drawings while employed by Meyn, his post-termination possession and disclosure of the drawings was improper and a violation of his agreement. The claim for misappropriation was supported by Tarheel's improper means to acquire the drawings by inducing the former employee to breach the agreement. Additionally, it was plausible that Tarheel knew or should have known that the former employee improperly obtained the drawings which were trade secrets. The District Court dismissed the common law claims, however, holding that the GTSA preempted common law tort claims predicated upon the same factual allegations of misappropriation regardless of whether the information may ultimately be determined not to be a trade secret.

**Purchasing Power, LLC v. Bluestem Brands, Inc., 22 F. Supp. 3d 1305 (M.D. Ga. 2014).** Plaintiff, a retailer selling consumer products through a voluntary payroll deduction plan for purchasing consumer products called Purchasing Power, sued Defendant, a competitor, for misappropriation of trade secrets, violating a confidentiality agreement, and fraud. Plaintiff and Defendant entered into a non-disclosure agreement ("NDA") to facilitate a potential merger or acquisition of Plaintiff by Defendant. Prior to the negotiations, Defendant had not considered a payroll deduction plan like Plaintiff's. During the negotiations, Defendant began to work on evaluating its own voluntary payroll deduction plan.

Plaintiff terminated the negotiations, and Defendant returned or destroyed all confidential information previously provided by Plaintiff. Approximately eighteen months later, Defendant began marketing its own branded voluntary

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payroll deduction plan called PayCheck Direct, which was in some respects similar to, and in other respects different from, Purchasing Power.

The District Court granted Defendant's motion for summary judgment based on three grounds. First, Plaintiff's allegations of general categories of information were insufficient to plead a trade secret under the Georgia Trade Secret Act. Second, Plaintiff's circumstantial evidence of product similarities was not sufficient to create a genuine disputed issue of material fact over misappropriation where Defendant submitted direct testimony that no trade secrets or confidential information about Purchasing Power was used to develop PayCheck Direct. Third, the NDA did not impose any duty on Defendant to disclose its development of PayCheck Direct, and none was created by their arm's length negotiations because negotiating the sale of the business does not place the parties in a confidential relationship.

On remand from the Eleventh Circuit Court of Appeals, 2015 WL 73980, the District Court determined that diversity jurisdiction did not exist and issued an order that Plaintiff's counsel who represented that diversity jurisdiction exists show cause why sanctions should not be imposed.

**Holland Ins. Group, LLC v. Senior Life Ins. Co., 760 S.E. 2d 187 (Ct. App. Ga. 2014).** Holland and his company entered into an agreement with Senior Life to sell its insurance products as an independent contractor. Subsequently, Senior Life terminated the agreement and suspended commission payments pending an investigation whether Holland violated restrictive covenants in the agreement. Holland filed an action for injunctive and declaratory relief that the restrictive covenants were overbroad, and Senior Life counter-claimed to enforce the forfeiture provision and sought an injunction for the return of confidential information. Holland's motion for judgment on the pleadings was denied. The Trial Court granted Senior Life's motion for the return of the confidential information.

The Appellate Court affirmed, in part, the denial of Holland's motion for judgment on the pleadings because, even though a non-disclosure clause without time limits cannot be blue penciled and is unenforceable, whether Senior Life's business information constitutes a legally protectable "trade secret" within the meaning of OCGA § 10-1-761(4) is a factual issue. However, the Appellate Court reversed the denial of that portion of the motion challenging the formula for liquidated damages. In reaching this conclusion, the Appellate Court noted that generally a restrictive covenant cannot preclude an employee from accepting unsolicited business from a customer of a former employer. Since the forfeiture provision in the agreement penalized Holland from accepting unsolicited business, it is unreasonable and unenforceable.

The agreement also contained a severability clause. For that reason, the Appellate Court upheld the issuance of the injunction enforcing a separate provision in the agreement and requiring Holland to return to Senior Life confidential information such as leads and insurance applications completed by prospective customers.

**Advanced Tech. Servs. Inc. v. KM Docs, LLC, 767 S.E. 2d 821 (Ct. App. Ga. 2014).** Advanced Technology sued Waldron and another former employee for misappropriation of trade secrets, conversion of source code, and copyright infringement. Advanced Technology develops and sells a document management program called OptiDoc. While employed at Advanced Technology, Waldron, sometimes working on the source code from home on his personal computer, rewrote most of the program modules to create a new version. Waldron resigned his employment, and launched a website and business for a document management system called docUnity. The case was removed to federal court based upon original jurisdiction of the copyright claim. The Federal District Court granted summary judgment against Advanced Technology based upon the absence of any direct evidence that the OptiDoc source code was copied or that OptiDoc and docUnity were substantially similar. Following a remand of the state law claims, the Trial Court granted summary judgment against Advanced Technology on the remaining state law claims. The decision was affirmed on appeal.

The Appellate Court opined that the doctrine of collateral estoppel barred issues litigated and adjudicated by the Federal District Court. Since Advanced Technology's misappropriation of trade secrets claim turns on whether the OptiDoc source code was copied or was functionally similar to docUnity. Advanced Technology was collaterally estopped from relitigating these issues which were decided by the Federal District Court.

Noting that the trade secrets agreement between Waldron and Advanced Technology was somewhat ambiguous, the Appellate Court construed the agreement against Advanced Technology and concluded that it contained no prohibition on moonlighting or from Waldron independently developing software while still employed by Advanced Technology. The Appellate Court also concluded that Waldron's direct testimony refuted, and that there was no evidence to support, Advanced Technology's claim that Waldron did not return all the software and source code for OptiDoc when he resigned.

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**Early v. MiMedx Group, Inc., 768 S.E. 2d 823 (Ct. App. Ga. 2015).** MiMedx manufactures and markets patent protected biomaterial-based products. Early and her consulting company, ISE, entered into a consulting agreement with MiMedx providing that Early would “devote her full working time (not less than forty (40) hours per week) to [the] performance of Consultant’s duties hereunder.” MiMedx terminated the consulting agreement and sued ISE and Early alleging that Early failed to devote her full working time to her consulting duties to MiMedx. The Trial Court denied ISE and Early’s motion for judgment on the pleadings which asserted that the full-working-time provision was void as a restraint of trade.

The Appellate Court reversed on the grounds that the full-working-time provision was an unenforceable restraint of trade and not merely an enforceable loyalty clause. The parties stipulated that the provision required Early would devote any working time to MiMedx’s business. The Appellate Court concluded that the provision, whether considered a partial or general restraint of trade, was unenforceable and contrary to public policy as an illegal restraint of trade.

The Appellate Court noted the distinction between a general restraint of trade void as against public policy and a partial restraint of trade that may be enforceable if reasonably necessary and not contrary to public interest. Since the provision MiMedx sought to enforce contains no limitations on scope or territory, however, the Appellate Court concluded as a matter of law that the provision was void under either level of scrutiny.

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### D.C. CIRCUIT

**Information Strategies, Inc. v. Dumosch, 13 F. Supp. 3d 135 (D.D.C. 2014).** Plaintiff, a consulting firm providing services to public entities and private companies, brought suit against the defendant, a former employee, alleging breach of a covenant not to compete and misappropriation of trade secrets. A substantial amount of Plaintiff's business involved Microsoft's Customer Relationship Management ("CRM") software. When defendant began working for plaintiff he signed a non-disclosure/non-compete agreement. The agreement prohibited defendant from providing comparable services to any of plaintiff's competitors in the Washington, D.C. metropolitan areas for twelve months following termination of defendant's employment. The agreement also required the employee to refrain from disclosing any technical knowledge, inventions, or trade secrets belonging to the company during and after defendant's employment. When defendant resigned from Information Strategies and began working for Booz Allen Hamilton, Information Strategies and Booz Allen were involved in negotiations to work cooperatively on a project for the Veterans Administration in Washington, D.C. Those negotiations subsequently fell apart, and Booz Allen took-on the project individually. Plaintiff alleges that Booz Allen hired the defendant for his knowledge of CRM software customization, necessary for the Veterans Administration project. Plaintiff further contends that Booz Allen's reason for hiring defendant was to avoid subcontracting plaintiff while still utilizing plaintiff's knowledge and design solutions, aspects of the company that plaintiff considers to be trade secrets. Plaintiff filed a complaint against defendant alleging breach of contract and misappropriation of trade secrets with claims for both monetary and injunctive relief. Defendant moved to dismiss all counts under Fed. R. Civ. P. 12(b)(6), alleging that the amount in controversy was less than \$75,000. The court found that the value of injunctive relief for breach of contract alone exceeded the required \$75,000, but went on to analyze the relief sought for defendant's alleged misappropriation of plaintiff's trade secrets. Information Strategies alleged that the value precluding defendant from misappropriating trade secrets would exceed \$75,000. The court explained, however, that a probability that the damages meet the statutory requirement will suffice. It is not necessary that the plaintiff prove the value of a company's trade secrets with absolute certainty. With regard to plaintiff's misappropriation of trade secrets claim, the court noted that plaintiff may not even have to allege misappropriation of a specific trade secret in order to receive a favorable judgment and damages. The inevitable disclosure doctrine allows a plaintiff to demonstrate misappropriation by showing that defendant's new employment will inevitably lead them to rely on plaintiff's trade secrets. Because the court addressed this argument in the context of a Fed. R. Civ. P. 12(b)(6) motion to dismiss for lack of subject matter jurisdiction, however, their comments were likely dicta. The court explained that they were unaware of any cases in D.C. that addressed the inevitable disclosure doctrine, so they could not definitively say that the doctrine would or would not apply to a case on the merits. Because the court could not conclude with legal certainty that the amount in controversy was less than \$75,000, they denied the defendant's motion to dismiss for lack of subject matter jurisdiction.

**Council on Am.-Islamic Rels. Action Network, Inc. v. Gaubatz, 2015 U.S. Dist. LEXIS 27507 (D.D.C. 2015)** (unpublished). Plaintiffs Council on American-Islamic Relations Action Network, Inc. ("CAIR-AN") and CAIR-Foundation, Inc. ("CAIR-F") bring this action against Chris Gaubatz, his father Paul David Gaubatz ("David Gaubatz"), the Center for Security Policy, Inc. ("CSP"), and three of its employees, Christine Brim, Adam Savit, and Sarah Pavlis, the Society of Americans for National Existence ("SANE"), Plaintiffs' claims all arise from a scheme in which Chris was placed in an internship with Plaintiffs under an assumed identity, enabling him to remove internal documents and to record private conversations of Plaintiffs' employees without consent or authorization. and David Yerushalmi. On March 27, 2014, the Court granted in part and denied in part Defendants' Motion for Summary Judgment, but the Court allowed Plaintiffs to file a notice setting out the remaining claims and Defendants could file the renewed Motion for Summary Judgment. Plaintiffs filed their Notice of Additional Briefing on Common Law and Statutory Claims, and Defendants' filed their Renewed Motion for Summary Judgment, which is now before the Court. Plaintiffs claim that each defendant is liable for the misappropriation of trade secrets pursuant to the D.C. Defendants argue primarily that Plaintiffs have not shown that any of the disclosed documents qualify as trade secrets. "To establish a trade secret misappropriation claim, [Plaintiffs] must demonstrate (1) the existence of a trade secret; and (2) acquisition of the trade secret by improper means, or improper use or disclosure by one under a duty not to disclose." *DSMC, Inc. v. Convera Corp.*, 479 F. Supp. 2d 68, 77 (D.D.C. 2007) (citing D.C. Code § 36—401). Notwithstanding Defendants' argument that none of the documents removed qualify as containing trade secrets, Plaintiffs do not point, in their Opposition, to any basis to conclude that the documents taken derived their economic value from their secrecy. The Court finds that Plaintiffs have not identified any qualifying documents

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whose disclosure has caused loss or damage, including unjust enrichment. Accordingly, Plaintiffs' misappropriation of trade secrets claim fails.

**Agility Pub. Warehousing Co. K.S.C. v. DOD, 2015 U.S. Dist. LEXIS 81071 (D.D.C. 2015)** (unpublished). Agility sought information from DLA, demanding access to various documents and employee testimony through third-party subpoenas. DLA responded to these subpoenas, granting some requests for information, but denying others. Agility claims that DLA has improperly withheld (in whole or in part) just over 100 additional documents, and it claims that this withholding rises to the level of arbitrary and capricious behavior under the Administrative Procedure Act. The regulations make clear the Department's "policy that official information should generally be made reasonably available for use in Federal and State courts and by other governmental bodies unless the information is classified, privileged, or otherwise protected from public disclosure." § 97.4. Invoking these regulations, DLA claims that several "privileges" justify the withholdings at issue here, including the deliberative-process privilege, the attorney-client privilege, the work-product doctrine, and the criminal provisions of the Trade Secrets Act. Agility challenges DLA's decision to withhold eight documents on the basis of the Trade Secrets Act, which makes it a criminal offense for government employees to disclose "in any manner or to any extent not authorized by law" a range of confidential, proprietary information in the government's possession. LA has elected to withhold these documents because (it claims) they "contain confidential, proprietary information, which KGL would not ordinarily disclose to the public." Decl. at 17. And its declaration concludes: "[u]nder the Trade Secrets Act, the government cannot release the challenged proprietary documents without express authorization by KGL or other appropriate legal authorization." There is just one problem with that position: "other appropriate legal authorization" is right under DLA's nose. This Circuit has explained that the Trade Secrets Act "seems to embody a congressional judgment that private commercial and financial information should not be revealed by agencies that gather it, absent a conscious choice in favor of disclosure by someone with power to impart the force of law to that decision." This Circuit finds that without any privilege on which to hang its hat, DLA's continued withholding of these eight documents is an impermissible (that is to say, arbitrary or capricious) application of its own Touhy regulations.

**United States of America v. U.S. Airways Group, Inc., et al., No. 13-cv-1236, D. D.C.; 2014 U.S. Dist. LEXIS 57801.**

The United States filed a Motion for Entry of the Proposed Final Judgment. Upon consideration of the pleadings, the relevant legal authorities, and the record as a whole, the Court granted the United States' Motion for Entry of the Proposed Final Judgment reasoning that under the Clayton Act, as amended, it was required that proposed consent judgments in antitrust cases brought by the United States be subject to a sixty-day comment period, after which the court would determine whether entry of the proposed Final Judgment "is in the public interest." In the case, the Court concluded that the proposed Final Judgment was in the public interest because through the exercise of its discretion under the Tunney Act, the Court found that a hearing on the issue was not necessary. The Court went on to hold the even though Final Judgment was in the interest of the public, it was also subject to reasonable protection for trade secret or confidential research, development, or commercial information.

**Public Citizen v. United States Department of Health and Human Services, et al., No. 1:11-cv-01681, D. D.C.; 2014 U.S. Dist. LEXIS 123925.**

The plaintiff, Public Citizen, brought this suit under the Freedom of Information Act, 5 U.S.C. § 552, seeking certain records filed by the defendant-interveners, Pfizer Inc. and Purdue Pharma L.P., in compliance with the companies' "Corporate Integrity Agreements" with the Office of the Inspector General of the United States Department of Health and Human Services. The defendant and defendant-interveners objected to the release of these records, claiming they were exempt from disclosure under the FOIA's Exemption 4, which applies to "trade secrets and commercial or financial information obtained from a person and privileged or confidential." After the Court denied in part and granted in part the parties' initial cross-motions for summary judgment, the parties submitted supplemental declarations in support of renewed motions for summary judgment. The Court granted that the defendant and defendant-interveners' motions, reasoning that the documents were properly withheld from production and that the documents in question were commercial and confidential.



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## FEDERAL CIRCUIT

**Align Tech, Inc. v. ITC, 771 F.3d 1317 (Fed. Cir. 2014).** Respondents appealed the International Trade Commission's review of an administrative law judge's order denying their motion to terminate the enforcement proceeding. In 2006, Align Tech (Align) filed a complaint against OrthoClear with the Commission, alleging patent infringement and misappropriation of trade secrets in connection with their patented clear dental aligners. In August 2006, the parties negotiated a settlement resulting in the entry of a Consent Order and termination of the underlying investigation. However, after suspecting that OrthoClear and the Respondents were violating the Consent Order by continuing to misappropriate Align's trade secrets, Align filed a new complaint for an enforcement proceeding.

The Commission instituted an investigation and stated that the ALJ's decision should be issued in the form of an initial determination. Pursuant to the Commission's rules, only initial determinations—and not orders—are reviewable. Respondents filed a motion to terminate, which the ALJ denied by issuing Order No. 57. Respondents sought review of the Order, which the Commission ultimately reversed, terminating the enforcement proceeding. On appeal, the Federal Circuit held that the Commission's review was arbitrary and capricious because it circumvented its own rules—which expressly state that denials of motion to terminate must be issued as non-reviewable orders—without waiving, suspending, or amending them. Furthermore, the Court held that there is no established practice of requiring that cease-and-desist orders explicitly reference digital data. The decision was vacated and remanded in order for the Commission to invoke waiver of Rule 210.42(c) on remand.

**Energy Recovery, Inc. v. Hauge, 745 F.3d 1353 (Fed. Cir. 2014).** Leif Hauge appealed the District Court for the Eastern District of Virginia's decision finding him in contempt of that court's March 19, 2001 Order (the 2001 Order), which adopted Mr. Hauge and Energy Recovery, Inc.'s (ERI) March 16, 2001 Settlement Agreement (the Agreement). After Hauge's departure from Energy Recovery, where he served as president, the two parties negotiated an agreement containing non-compete provisions prohibiting Hauge from making or selling technology similar to that produced by ERI. Three days after, the district court adopted the agreement and issued the 2001 Order. After the non-compete clause expired in 2004, Hauge filed for—and was issued—a patent relating to a pressure exchanger, and began selling equipment based on his patent. Meanwhile, he created a consulting agreement with two ERI employees for services relating to his new company.

In 2012, ERI filed a motion for order to show cause, alleging that Hauge had used ERI's technology to manufacture his pressure exchangers in violation of the 2001 Order. After a hearing, the district court held that Hauge violated the 2001 Order and was in contempt, enjoining him and his company from manufacturing and selling pressure exchangers and any replacement parts. On appeal, the Federal Circuit held that he did not violate any provision of the 2001 Order and that the settlement agreement only required that he transfer ownership of the intellectual property regarding the pressure exchanger. The court further held that even if Hauge's later actions constituted patent infringement or misappropriation of trade secrets, they did not directly violate the 2001 Order, which contained no provision expressly prohibiting Hauge from using any particular manufacturing process. The Federal Circuit found that the district court had abused its discretion by finding Hauge in contempt, and reversed and vacated its ruling.

**Gabriel Techs. Corp. v. Qualcomm Inc., 560 Fed. Appx. 966 (Fed. Cir. 2014).** Gabriel Technologies Corporation (Gabriel) appealed the District Court for the Southern District of California's decision to award attorney's fees to Qualcomm Inc. In 2008, Gabriel and Trace Technologies filed suit against Qualcomm, Norman Krasner, and SnapTrack for misappropriation of trade secrets, amongst other things. Gabriel argued that Qualcomm had misappropriated trade secrets relating to its GPS technology. The district court required Gabriel to post an \$800,000 bond in order to continue their suit based on Qualcomm's evidence that Gabriel's claims were non-meritorious and brought in bad faith. After posting the bond and proceeding through discovery, the district court granted Qualcomm's motion for partial summary judgment on the grounds that Gabriel's trade secret claims were time barred. The court later issued an order declaring the case exceptional, and awarded Qualcomm over \$12 million in attorney's fees. The court held that such an award was appropriate under the California Uniform Trade Secrets Act (CUTSA) because Gabriel's claims were objectively specious and brought in subjective bad faith.

On appeal, the Federal Circuit affirmed the district court's finding of bad faith because Gabriel was never able to identify the specific trade secrets that Qualcomm had allegedly misappropriated. The court also noted that the trade

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secret claims were time barred, based on email evidence indicating that Gabriel waited to file suit for nearly three years after discovering a potential trade secret claim.

**U.S. Water Servs. v. ChemTreat, Inc., 570 Fed. Appx. 924 (Fed. Cir. 2014).** U.S. Water Services (USWS) appealed the District Court for the District of Minnesota's decision to grant ChemTreat's motion for summary judgment of non-infringement. USWS filed a complaint against ChemTreat, alleging misappropriation of trade secrets under Minnesota law. Several months later, the Patent and Trademark Office issued a new patent covering technology related to the pending trade secret litigation. In response, ChemTreat moved to amend its answer to add counterclaims for declaratory judgment of non-infringement and invalidity. Shortly thereafter, the parties settled the trade secret claim, which the court then dismissed with prejudice. The district court later granted ChemTreat's motion for summary judgment of non-infringement.

USWS filed an appeal, asserting jurisdiction under 28 U.S.C. § 1295(a)(1), which grants the Federal Circuit exclusive jurisdiction over a district court's decision if that decision was based, in whole or in part, on jurisdiction "arising under" patent laws. Applying the well-pleaded complaint rule to the case, the court held that USWS's Complaint did not arise under the patent laws because Minnesota state law created the trade secret cause of action, and USWS's right to relief did not necessarily depend on resolution of a substantial question of federal patent law. The district court's jurisdiction was, in fact, solely based on diversity, particularly because ChemTreat's patent law counterclaims could not serve as the basis for "arising under" jurisdiction. As such, the Federal Circuit held that it lacked jurisdiction and transferred the case to the Eighth Circuit.

**uPI Semiconductor Corp. v. ITC, 767 F.3d 1372 (Fed. Cir. 2014).** uPI Semiconductor Corporation (uPI), Richtek Technology Corporation, and Richtek USA, Inc. (collectively Richtek) both appealed the International Trade Commission's rulings in an action to enforce a Consent Order. uPI and Richtek are technology companies in the business of designing and selling DC-DC controllers. In 2010, Richtek filed a complaint with the ITC, alleging that uPI had misappropriated Richtek's trade secrets, amongst other things. Richtek defined its trade secrets as the computer files used to design circuits and circuit schematics, rather than as the circuits themselves. Shortly before the evidentiary hearing scheduled before the ALJ, the parties entered into a consent order, stipulating that uPI would cease importation of all products produced using or containing Richtek's trade secrets.

Approximately one year later, Richtek filed an Enforcement Complaint, alleging that uPI was in violation of the Order. The Commission instituted an enforcement proceeding, and the ALJ first found that (1) the products at issue in the prior ITC investigation (the "formerly accused products") contained or were produced using Richtek's trade secrets, based on comparisons of Richtek's trade secrets and the uPI products, as well as the testimony of Richtek's expert, who testified that the extent of duplication could not be explained by coincidence or by re-creation through unaided human memory. The ALJ further found that (2) the products developed and produced after entry of the Order (the "post-Consent Order products") were independently developed, and therefore not produced using Richtek's trade secrets. On appeal, the Federal Circuit affirmed finding (1) and reversed finding (2), holding that the post-Consent Order products did embody Richtek's trade secrets because substantial evidence did not support the Commission's conclusion that uPI's post-Consent Order products were independently developed. The court determined that the 23 lines of code covered by Richtek's trade secrets appearing verbatim in the file uPI used for its post-Consent Order products, coupled with the reproduction of design errors, notations, and extraneous markings, were not consistent with independent development. The decision was affirmed-in-part, reversed-in-part, and remanded.

**ABB Turbo Sys. AG v. TurboUSA, Inc., 774 F.3d 979 (Fed. Cir. December 17, 2014)**

This was an appeal from the dismissal of trade secret misappropriation claims under FRCP 12(b)(6) for failure to state a claim on which relief can be granted. A patent infringement complaint was filed by plaintiff ABB, which manufactures industrial exhaust-gas turbochargers, against two affiliated competitors, TurboNed (a Netherlands company) and TurboUSA. The complaint was later amended to include claims for misappropriation of trade secrets and civil conspiracy to misappropriate trade secrets. The amended complaint alleged that the founder of TurboNed and TurboUSA was a former employee of ABB, and that over the course of twenty years TurboNed paid at least one ABB employee for confidential information related to ABB parts, servicing, and pricing. TurboNed employees also allegedly altered confidential ABB documents in their possession to obscure references to ABB. This proprietary information was passed along to TurboUSA. In 2008, TurboUSA allegedly hired a former ABB employee who provided TurboUSA with confidential data that he had stolen from ABB before he left ABB's employment.

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TurboUSA was alleged to have used the confidential information to artificially inflate its prices and increase its revenues.

Defendants moved to dismiss the complaint on grounds that it failed allege fact sufficient to state a claim, and further on the grounds that they were time-barred. The district court granted the motion, reasoning (1) that if ABB had exercised reasonable diligence, it should have discovered that “something was amiss” long before it filed suit, and thus the suit was time-barred, and (2) given the enormity and scope of the alleged trade secret thefts over 20 years, and ABB’s failure to detect it, the trade secrets were not the subject of reasonable efforts to protect their secrecy.

Relying heavily *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007), the Court of Appeals reversed, holding that the district court’s rationale “exceeded the limits on factual assessments appropriate when ruling on a motion to dismiss.” Because the amended complaint did not affirmatively alleged facts making it apparent that ABB actually or constructively discovered the alleged misappropriations earlier, the Court of Appeals found it could not be dismissed on statute of limitations grounds at the pleadings stage. With respect to the adequacy of ABB’s measures to protect the confidentiality of its trade secrets, the Court of Appeals held that it was “simply not implausible that adequate protections were in place and yet a series of misappropriations occurred without ABB’s detection.” By finding otherwise based solely on the allegations in the amended complaint, the district court’s analysis “was too demanding of specificity and too intrusive in making factual assessments.” Quoting *Twombly*, the Court of Appeals noted that a district court’s assessment of a complaint must be made with the recognition that “a well-pleaded complaint may proceed even if it strikes a savvy judge that actual proof of the facts alleged is improbable.”

### **XpertUniverse, Inc. v. Cisco Systems, 597 Fed.Appx. 630, 2015 U.S. App. LEXIS 1053 (Fed. Cir. January 21, 2015).**

Plaintiff XpertUniverse, which developed technology for efficiently routing customer service calls to the most appropriate expert within an organization, sought approval from Cisco to become one of Cisco’s “SolutionsPlus” business partners. Following several years’ worth of efforts, Cisco eventually rejected XpertUniverse’s application. Cisco later introduced its own technology for routing calls to appropriate experts, and XpertUniverse sued Cisco in the United States District Court for Delaware for patent infringement, trade secret misappropriation, and fraudulent concealment. With respect to the trade secret claim, the district court granted Cisco’s motion for summary judgment. Applying California law, the district court found that XpertUniverse failed to identify 44 of its 46 purported trade secrets with adequate specificity, and that there was no credible evidence that the other two had been used by Cisco in any of its products.

The Court of Appeals affirmed. Citing *Silvaco Data Systems v. Intel Corp.*, 184 Cal.App.4<sup>th</sup> 210, 221 (2010), it held that under California law the plaintiff in a trade secret misappropriation action must “clearly identify” the information claimed to have been misappropriated, and found that XpertUniverse failed to adequately describe all but two of the alleged trade secrets. With respect to the two trade secrets that were sufficiently described, the Court found that despite extensive discovery, XpertUniverse failed to produce any credible evidence that Cisco used either of them in a specific Cisco product. XpertUniverse had relied heavily on color coded flowcharts comparing the architecture of its technology to Cisco’s products, but the features described in those flowcharts were described in such general terms that the Court of Appeals did not find them persuasive. Not only was there a lack of evidence reflecting the incorporation of XpertUniverse’s information into Cisco’s products, but the flowcharts were insufficient to create a genuine issue of fact as to whether Cisco improperly used information from those two trade secrets in developing its own technology.