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CLIENT ALERT

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A Recent Ruling About the “Willful and Malicious” Standard for Plaintiff’s Recovering Attorneys’ Fees Under the California Uniform Trade Secrets Act

The California Uniform Trade Secrets Act (“CUTSA”) allows courts to award reasonable attorneys’ fees and costs to the prevailing plaintiff in a claim for trade secret misappropriation when a “willful and malicious misappropriation exists.” Cal. Civ. Code § 3426.4. There is a large body of law discussing attorneys’ fee awards to prevailing defendants in trade secret actions.

However, there are few cases addressing the prevailing plaintiff standard. The recent United States District Court for the Northern District of California ruling in *Bladeroom Group Limited v. Emerson Electric Co.* (March 11, 2019) Case No. 5:15-cv-01370-EJD, applies the willful and malicious standard to award attorney’s fees to a prevailing plaintiff in a trade secret action.

Bladeroom involved a claim that defendants Emerson Electric Co., Emerson Network Power Solutions, Inc. and Liebert Corporation (collectively “Emerson”) and Facebook Inc., lured the plaintiff Bladeroom Group Limited into divulging its trade secrets by proposing a possible data center contract and corporate acquisition. Facebook and Bladeroom settled during trial, and the jury ultimately awarded Bladeroom \$30 million for its lost profits and unjust enrichment claims against Emerson. In a post-trial motion before Judge Edward J. Davila, the court considered whether defendants acted willfully and maliciously so as to justify Bladeroom’s request for exemplary damages and attorney’s fees and costs.

The court considered the following five factors in determining whether defendants’ acts were reprehensible, willful and malicious: “whether (1) the misconduct caused physical harm; (2) the misconduct disregarded the health or safety of others; (3) the misconduct targeted a financially vulnerable party; (4) the misconduct was repeated; and (5) the harm resulted from intentional malice, trickery, or deceit, or mere accident.” Notably, these five factors are the same factors which a jury must consider to award punitive damages against a corporate defendant. The court held that

From a commercial ethics perspective, the misconduct certainly falls within the category of reprehensible; it undermines the confidence market participants can place in confidentiality agreements and causes those who possess trade secrets to seriously question the motivations of those who superficially appear to be interested in legitimate acquisition. The consumer loses as a result, as innovation and competition are stifled while trade secrets are kept buried in the proverbial vault.

The court concluded that this case involved “a well-funded defendant, engaged in conduct undermining legitimate competition and innovation...” and awarded attorneys’ fees to Bladeroom in an amount to be determined by further briefing.

Bladeroom provides a cautionary tale to companies keen on acquiring trade secrets from competitors by proposing potential acquisitions, or other business arrangements. Not only can defendants be liable for plaintiff’s general and exemplary damages, they may also have to pay plaintiff’s attorneys’ fees.



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